

17 December 2020

Notice of Annual General Meeting

Notice is hereby given that an Annual General Meeting of Shareholders of Integrated Payment Technologies Limited (Company) will be held virtually via a webinar conferencing facility at 11.00am (Sydney time) on Thursday 21 January 2021 (Annual General Meeting).

In accordance with subsection 5(1)(f) of the Corporations (Coronavirus Economic Response) Determination (No.3) 2020 made by the Commonwealth Treasurer on 21 September 2020, the Company will not be dispatching physical copies of the Notice of Annual General Meeting. Instead the Notice of Annual General Meeting and accompanying explanatory statement (Meeting Materials) are being made available to shareholders electronically. This means that:

- You can access the Meeting Materials online at the Company's website <https://inpaytech.com.au/asx-announcement/>; and
- A complete copy of the Meeting Materials has also been posted to the Company's ASX Market announcements page under the Company's ASX code "IP1".

If you have provided an email address and have elected to receive electronic communications from the Company, you will receive an email to your nominated email address with a link to an electronic copy of the Meeting Materials and the proxy voting instruction form.

You can register in advance for the virtual meeting at:

https://zoom.us/webinar/register/WN_Y0bUQQ8mQVmlhPV5DGAsA

Shareholders are encouraged to submit their proxies as early as possible and in any event prior to the cut-off for proxy voting as set out in the Notice of Annual General Meeting. To lodge your proxy, please follow the directions set out in the Meeting Materials.

Shareholders will also be able to vote online during the Annual General Meeting. Please see the instructions to vote at the Annual General Meeting in the Meeting Materials.

If you are unable to access the Meeting Materials online or you have questions regarding submission of your proxy or voting online, please contact the Company's share registry, Boardroom Pty Ltd on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia).

Yours sincerely,



Don Sharp
Executive Chairman
E: Don.Sharp@inpaytech.com.au
M: 0419 632 315

Authorised by the Board



NOTICE OF ANNUAL GENERAL MEETING

INTEGRATED PAYMENT TECHNOLOGIES LIMITED

ACN 611 202 414

11:00am (Sydney time)

Thursday 21 January 2021

To be held virtually via a webinar conferencing facility

Due to the ongoing COVID-19 pandemic, the meeting will be held virtually via a webinar conferencing facility. If you are a shareholder who wishes to attend and participate in the virtual meeting, please register in advance as per the instructions outlined in this Notice of Annual General Meeting. Shareholders are encouraged to lodge their completed proxy forms in accordance with the instructions in this Notice of Annual General Meeting.

Following recent modifications to the Corporations Act 2001 and the Corporations Regulations 2001 under the Corporations (Coronavirus Economic Response) Determination (No.3) 2020, no hard copy of the Notice of Annual General Meeting and Explanatory Statement will be circulated. The Notice of Annual General Meeting will be given to those entitled to receive it by use of one or more technologies. The Notice of Annual General Meeting is also available on the Australian Stock Exchange Announcement platform (IP1) and on the Company's website (<https://inpaytech.com.au/asx-announcement/>).

This Notice of Annual General Meeting should be read in its entirety. If you are in doubt as to how you should vote, you should seek advice from your professional adviser.

Should you wish to discuss the matters in this Notice of Annual General Meeting, please contact the Company Secretary on (02) 8090 1130.

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GENERAL INFORMATION

The Annual General Meeting of the shareholders of Integrated Payment Technologies Limited (**Company**) ACN 611 202 414 to which this Notice of Annual General Meeting relates will be held virtually via a webinar conferencing facility at 11:00am (Sydney time) on Thursday 21 January 2021 (**Annual General Meeting**).

Based on the best information available to the Company at the time of preparing the Notice of Annual General Meeting, the Company intends to conduct a poll on the resolutions set out in the Notice of General Meeting.

Shareholders are encouraged to submit their proxies as early as possible and in any event prior to the cut-off for proxy voting as set out in the Notice of Annual General Meeting. To lodge your proxy, please follow the directions set out below.

Shareholders attending the Annual General Meeting virtually will be able to ask questions (by using a Q&A feature) and vote online during the Annual General Meeting.

To watch and participate in the Annual General Meeting webinar, please follow the steps below:

- **Step 1:** Open your browser and go to https://zoom.us/webinar/register/WN_Y0bUQQ8mQVmlhPV5DGAsA.
- **Step 2:** Register for the Annual General Meeting webinar by inserting your full name and email address. Please read and accept the terms and conditions before clicking on the blue 'Register' button.
- **Step 3:** Once you have registered, you will receive a confirmation email containing details about how to join the Annual General Meeting webinar via Zoom. The confirmation email will include a link to join the meeting from a PC, Mac, iPad or Android device (including a passcode) and telephone numbers if you wish to join by telephone.
- **Step 4:** To join the Annual General Meeting webinar, you can either view the broadcast by launching Zoom or dial in by telephone:
 - o **To view the broadcast**, you must click the "Click Here to Join" link in the confirmation email. This will launch Zoom on your browser. You may then need to enter the passcode provided in the confirmation email to be admitted to the meeting.
 - o **To dial in by telephone**, you must use one of the telephone numbers provided in the confirmation email based on your current location. You will need to enter the Webinar ID and passcode specified in the confirmation email.

Shareholders and proxyholders will be able to vote at the Annual General Meeting online by:

- visiting <https://web.lumiagm.com/350950553> on a smartphone, tablet or computer (using the latest version of Chrome, Safari, Internet Explorer 11, Edge and Firefox);
- using unique meeting ID 350-950-553.

For full details on how to log on and vote online, please refer to the attached online voting user guide.

If the situation in relation to COVID-19 were to change in a way that affected the position above, the Company will provide a further update ahead of the Annual General Meeting by releasing an announcement to ASX.

Any shareholders who wish to attend the Annual General Meeting online should therefore monitor the Company's website and its ASX announcements for any updates about the Annual General Meeting. If it becomes necessary or appropriate to make alternative arrangements for the holding or conducting of the meeting, the Company will make further information available through the ASX website at [asx.com.au](https://inpaytech.com.au/asx-announcement/) (ASX: IP1) and on its website at <https://inpaytech.com.au/asx-announcement/>.

OPPORTUNITY TO ASK QUESTIONS

The Annual General Meeting is an opportunity to ask questions of the board of the Company (Board) and management on the items of business before the Annual General Meeting and the management of the Company or questions of the auditor on the conduct of the audit and the auditor's report.

Shareholders are encouraged to direct questions to the Company or auditor at info@inpaytech.com.au so that they are received no later than 7.00pm Tuesday, 19 January 2021. Please use the email subject "AGM Question". Questions may also be asked during the Annual General Meeting.

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important.

VOTING BY PROXY

You have the right to appoint a proxy of your choice. The proxy need not be a shareholder of the Company. If you are entitled to vote two or more votes you may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If you appoint two proxies and the appointment does not specify the proportion or number of your votes, then each proxy may exercise half of the votes.

Completed Proxy Forms may be lodged as follows:

Online:

Step 1: Visit <https://www.votingonline.com.au/ip1agm2020>

Step 2: Enter your Postcode (if within Australia) OR Country of Residence (if outside Australia)

Step 3: Enter your Voting Access Code (VAC) – as contained in attached proxy

Step 4: Follow the prompts to vote on each resolution.

By Mail to: Boardroom Pty Limited

GPO Box 3993

Sydney NSW 2001 Australia

In Person: Boardroom Pty Limited

Level 12, 225 George Street

Sydney NSW 2000 Australia

By fax: +61 2 9290 9655

Your proxy must be received by 11:00am (Sydney time) on Tuesday 19 January 2021.

Proxy forms and appointments received later than the above time will be invalid.

LETTER FROM THE CHAIRMAN

Dear shareholder

I am pleased to invite you to the Annual General Meeting of the Company which will be held virtually via a webinar conferencing facility on Thursday 21 January 2021, commencing at 11:00am (Sydney time).

The following pages contain details of the items of business that you have the opportunity to vote on at the Annual General Meeting.

The Board encourages you to vote in favour of all of the resolutions.

I look forward to welcoming you at the Annual General Meeting.

Yours sincerely,



Donald Sharp
Executive Chairman

For personal use only

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of shareholders of the Company will be held virtually via a webinar conferencing facility at 11:00am (Sydney time) on Thursday 21 January 2021.

The Explanatory Statement to this Notice of Annual General Meeting provides information on matters to be considered at the Annual General Meeting. The Explanatory Statement, General Information section and the proxy form are part of this Notice of Annual General Meeting.

The directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered shareholders of the Company at 7pm (Sydney time) on Tuesday 19 January 2021.

AGENDA

ORDINARY BUSINESS

FINANCIAL STATEMENTS AND REPORTS

To consider the financial statements of the Company for the financial year ended 30 June 2020 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

RESOLUTION 1 – REMUNERATION REPORT

To consider and, if thought fit, to pass the following resolution as a **non-binding resolution**:

“That the remuneration report as contained in the directors' report of the Company for the financial year ended 30 June 2020 be adopted.”

RESOLUTION 2 – RE-ELECTION OF DIRECTOR – DONALD SHARP

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

“That Donald Sharp, who retires in accordance with Clause 13.3 of the Company's constitution and being eligible, offers himself for re-election, be re-elected a director.”

RESOLUTION 3 – RE-ELECTION OF DIRECTOR – SANDRA BARNS

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

“That Sandra Barns, who retires in accordance with ASX Listing Rule 14.4 and clause 13.1(d) of the Company's constitution and being eligible, offers herself for re-election, be re-elected a director.”

SPECIAL BUSINESS

RESOLUTION 4 – APPROVAL TO ISSUE SHARES

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

“That, subject to the passing of all other Required Resolutions, to the extent required for the purposes of Listing Rule 7.1 and for all other purposes, the Company is authorised to issue 573,260,447 Shares in the Company to the Sellers on the terms and conditions and in the manner set out in the Explanatory Statement.”

RESOLUTION 5 – APPROVAL OF ACQUISITION OF A RELEVANT INTEREST IN SHARES

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

“That, subject to the passing of all other Required Resolutions, for the purposes of item 7 of section 611 of the Corporations Act, and for all other purposes, approval is given for the Company to issue 573,260,447 Shares in the Company to the Relevant Sellers and to enter into voluntary escrow deeds in respect of 573,260,447 Shares in the Company, as a result of which:

- a) Unlocked Investments Pty Ltd (or its nominees), and Digital Niche Investments Pty Limited (or its nominees), and their Associates;
- b) GJB Consulting Pty Ltd (or its nominees) and its Associates; and
- c) the Company and its Associates,

will each acquire a Relevant Interest in the Shares of the Company, on the terms and conditions and in the manner set out in the Explanatory Statement.”

Expert Report: Shareholders should carefully consider the Independent Expert’s Report prepared by Leadenhall Australia at Schedule 1 for the purposes of shareholder approval of the Required Resolutions, as required under Section 611 (Item 7) of the Corporations Act. The Independent Expert’s Report comments on the fairness and reasonableness of the transactions to the existing shareholders in the Company. The Independent Expert has determined that the transaction is not fair but reasonable to the non-associated Shareholders. Shareholders should carefully consider the Independent Expert’s Report.

RESOLUTION 6 – APPROVAL FOR CHANGE TO SCALE OF THE COMPANY’S ACTIVITIES

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

“That, subject to the passing of all other Required Resolutions, for the purposes of Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to make a significant change to the scale of its activities resulting from the completion of the Proposed Transaction, as described in the Explanatory Statement”.

RESOLUTION 7 – APPROVAL OF EMPLOYEE SHARE OPTION PLAN

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

“That the Company’s Employee Share Option Plan be approved by the Company for all purposes and that approval be given in accordance with ASX Listing Rule 7.2 Exception 13(b) for the issue of securities from time to time under the Employee Share Option Plan as an exception to the rule in ASX Listing Rule 7.1 and for all other purposes.”

RESOLUTION 8 – NON-EXECUTIVE DIRECTORS’ REMUNERATION

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

“That for the purposes of ASX Listing Rule 10.17 and clause 13.4 of the Company’s constitution, the total amount of directors’ fees that may be paid in aggregate in any one financial year by the Company to its non-executive directors be increased by \$320,000, from \$180,000 (including superannuation) to \$500,000 (including superannuation) with immediate effect.”

RESOLUTION 9 – APPROVAL OF ISSUE OF SECURITIES UNDER ASX LISTING RULE 7.1A

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

“That, pursuant to and for the purposes of ASX Listing Rule 7.1A and for all other purposes, shareholders approve the issue of (or the entry into agreements to issue) equity securities representing up to 10% of the issued capital of the Company (calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2) on the terms and conditions set out in the Explanatory Statement.”

VOTING EXCLUSION STATEMENT

RESOLUTION 1 – REMUNERATION REPORT

As required by the Corporations Act 2001 (Cth) (**Corporations Act**), the Company will in accordance with section 250R, disregard any votes cast on Resolution 1 by or on behalf of a member of the key management personnel for the Company details of whose remuneration are included in the Remuneration Report, or a closely related party of any such a member. However, the Company need not disregard such a vote if the vote is not cast on behalf of such a person and is cast:

- (a) as a proxy by writing that specifies how the person is to vote on the resolution; or
- (b) by the chair of the meeting as a proxy, and the appointment does not specify the way the proxy is to vote and expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the Company.

The term “closely related party” in relation to a member of the key management personnel includes a spouse, child, dependent and certain other close family members as well as any companies controlled by the member.

RESOLUTION 4 - APPROVAL TO ISSUE SHARES

The Company will disregard any votes cast in favour of Resolution 4 by or on behalf of:

- (a) the Sellers, being the counterparty to the Proposed Transaction, and any person who will obtain a material benefit as a result of the acquisition of Comply Path or the proposed issue of the Consideration Shares (except a benefit solely by reason of being a holder of ordinary securities in the Company); or
- (b) an Associate of that person (or persons).

However, the Company will not disregard a vote cast in favour of a resolution by:

- (c) a person as proxy for a person who is entitled to vote on the resolution, in accordance with the directions to the proxy or attorney to vote on the resolution in that way; or
- (d) the Chairman as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chairman to vote on the resolution as the Chairman decides; or
- (e) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - i. the beneficiary provides a written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and

- ii. the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

RESOLUTION 5 - APPROVAL OF ACQUISITION OF A RELEVANT INTEREST IN SHARES

The Company will disregard any votes cast in favour of Resolution 5 by or on behalf of:

- (a) the Sellers, being the counterparty to the Proposed Transaction, and any person who will obtain a material benefit as a result of the acquisition of Comply Path or the proposed issue of the Consideration Shares (except a benefit solely by reason of being a holder of ordinary securities in the Company); or
- (b) an Associate of that person (or persons).

However, the Company will not disregard a vote cast in favour of a resolution by:

- (c) a person as proxy for a person who is entitled to vote on the resolution, in accordance with the directions to the proxy or attorney to vote on the resolution in that way; or
- (d) the Chairman as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chairman to vote on the resolution as the Chairman decides; or
- (e) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - i. the beneficiary provides a written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - ii. the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

RESOLUTION 6 – APPROVAL FOR CHANGE TO SCALE OF THE COMPANY’S ACTIVITIES

The Company will disregard any votes cast in favour of Resolution 6 by or on behalf of:

- (a) the Sellers, being the counterparty to the Proposed Transaction, and any person who will obtain a material benefit as a result of the acquisition of Comply Path or the proposed issue of the Consideration Shares (except a benefit solely by reason of being a holder of ordinary securities in the Company); or
- (b) an Associate of that person (or persons).

However, the Company will not disregard a vote cast in favour of a resolution by:

- (c) a person as proxy for a person who is entitled to vote on the resolution, in accordance with the directions to the proxy or attorney to vote on the resolution in that way; or
- (d) the Chairman as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chairman to vote on the resolution as the Chairman decides; or
- (e) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

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- i. the beneficiary provides a written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - ii. the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

RESOLUTION 7 – APPROVAL OF EMPLOYEE SHARE OPTION PLAN

As required by the ASX Listing Rules, the Company will disregard any votes cast in favour of Resolution 7 by or on behalf of any person who is eligible to participate in the Employee Share Option Plan or by an associate of those persons. However, this does not apply to a vote cast in favour of Resolution 7 by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or
- (b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- (c) the holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - a. the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting on the resolution; and
 - b. the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

As required by the Corporations Act, no member of the Company's key management personnel or a closely related party of any such member may vote as proxy on Resolution 7 unless:

- (a) the person votes as proxy appointed by writing that specifies how the person is to vote on Resolution 7; or
- (b) the person is the chair of the meeting and votes as a proxy appointed by writing that expressly authorises the chair to vote on Resolution 7 even though that resolution is connected with the remuneration of a member of the Company's key management personnel.

RESOLUTION 8 – NON-EXECUTIVE DIRECTORS' REMUNERATION

As required by the ASX Listing Rules, the Company will disregard any votes cast in favour of Resolution 8 by or on behalf of a director of the Company or any associate of a director of the Company. However, this does not apply to a vote cast in favour of Resolution 8 by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or
- (b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- (c) the holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

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- a. the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting on the resolution; and
 - b. the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

As required by the Corporations Act, no member of the Company's key management personnel or a closely related party of any such member may vote as proxy on Resolution 8 unless:

- (a) the person votes as proxy appointed by writing that specifies how the person is to vote on Resolution 8; or
- (b) the person is the chair of the meeting and votes as a proxy appointed by writing that expressly authorises the chair to vote on Resolution 8 even though that resolution is connected with the remuneration of a member of the Company's key management personnel.

RESOLUTION 9 – APPROVAL OF ISSUE OF SECURITIES UNDER ASX LISTING RULE 7.1A

The Company will disregard any votes cast in favour of Resolution 9 by or on behalf of any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or by an associate of those persons. However, this does not apply to a vote cast in favour of Resolution 9 by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the resolution in that way; or
- (b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- (c) the holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - a. the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting on the resolution; and
 - b. the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

GENERAL INFORMATION ON PROXY VOTING

It is the intention of the Chairman to vote eligible undirected proxies in favour of all Resolutions.

In respect of Resolutions 1, 7 and 8, the proxy form contains an express authorisation for the Chairman to exercise undirected proxies even though this resolution is connected directly or indirectly with the remuneration of a member of key management personnel.

Those shareholders appointing a proxy who do not want the Chairman to cast their vote in favour of a Resolution should:

- (a) appoint the Chairman as proxy with a direction to cast votes in the manner directed; or
- (b) appoint a person other than the Chairman as proxy with or without a direction to cast votes 'for', 'against' or to 'abstain' from voting on these Resolutions (as the shareholder considers appropriate).

DATED: 17 December 2020

BY ORDER OF THE BOARD



Don Sharp
EXECUTIVE CHAIRMAN

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EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the shareholders of the Company in connection with the business to be conducted at the Annual General Meeting to be held virtually via a webinar conferencing facility on Thursday 21 January 2021 at 11:00am (Sydney time).

The purpose of this Explanatory Statement is to provide information to assist shareholders in deciding whether or not to pass the Resolutions in this Notice of Annual General Meeting.

Forward looking statements

Certain statements in this Explanatory Statement contains forward-looking statements and information that are necessarily subject to risks, uncertainties and assumptions. Many factors could cause actual results, performance or achievements of the Company to be materially different from those expressed or implied in this announcement including, amongst others, the merger transaction not proceeding as planned, changes in general economic and business conditions, regulatory environment, results of advertising and sales activities, competition, and the availability of resources. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this announcement. Except as required by law, neither the Company nor Comply Path nor their respective directors assume any obligation to update or correct the information in this release. To the maximum extent permitted by law, neither the Company nor Comply Path, nor any of their subsidiaries, nor their respective directors make any representation or warranty as to the likelihood of fulfilment of any forward-looking statements and disclaim responsibility and liability for any forward-looking statements or other information in this release. This release should be read in conjunction with the Company's ASX announcements and releases.

No investment advice

This Explanatory Statement does not constitute financial product advice and has been prepared without reference to the individual investment objectives, financial situation, taxation position or the particular needs of any Shareholder or any other person. It is important that you read this Explanatory Statement before making any decision, including a decision on whether or not to vote in favour of the Resolutions. This Explanatory Statement should not be relied upon as the sole basis for any investment decision in relation to Shares or any other securities. If you are in any doubt as to how to deal with this document, you should consult your financial, legal or other professional advisor immediately. Shareholders should consult their taxation adviser as to the applicable tax consequences of the Proposed Transaction.

Notice to foreign shareholders

The release, publication or distribution of this Explanatory Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions, and persons outside of Australia who come into possession of this Explanatory Statement should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. This Explanatory Statement complies with disclosure requirements in Australia and Australian law, which may be different to those requirements and laws in other countries outside of Australia.

FINANCIAL STATEMENTS AND REPORTS

The business of the Annual General Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2020 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

BACKGROUND AND SUMMARY OF THE PROPOSED TRANSACTION

On 17 November 2020, the Company announced its intention to acquire Comply Path from the Sellers subject to shareholder approval being obtained. The indicative completion date for the Proposed Transaction is 28 January 2020.

The Proposed Transaction is to be implemented by way of a Merger Agreement pursuant to which the Company will acquire 100% of the issued capital of Comply Path from the Sellers. The Proposed Transaction will be undertaken as a 100% scrip offer. A summary of the Merger Agreement is set out in section 11 below and a copy of the Merger Agreement is provided at Schedule 2.

Given the similar nature of the technology used by the Company and Comply Path, and the fact that both entities operate in a similar market, the Company has determined that there are many synergies in merging the activities of the Company and Comply Path (see section 6.2 for further details on why the Proposed Transaction is being undertaken).

The Proposed Transaction involves the following key elements which are subject to Shareholder approval:

- The issue of 573,260,447 Shares to the Sellers in accordance with the Merger Agreement and the Company acquiring a Relevant Interest in its own Shares as a result of certain voluntary escrow arrangements (see Resolutions 4 and 5); and
- A change to the Company's scale of activities (see Resolution 6).

Should the Proposed Transaction proceed then following Completion:

- Comply Path will be a wholly owned subsidiary of the Company; and
- the Sellers will own 50% of the Merged Group and existing Company shareholders will own the remaining 50%.

Advantages of the Proposed Transaction

The proposed Transaction and the change in scale of the Company's activities are consistent with the Company's operational and expansion objectives. Section 6.2 sets out the key advantages and synergies that will result if the Required Resolutions are approved and the Proposed Transaction proceeds.

Disadvantages of the Proposed Transaction

The Directors consider that the key disadvantages of the Proposed Transaction are as follows:

- The Company will be changing the scale of its activities which may not be consistent with the objectives of all Shareholders;
- The success of the Merged Group will depend, among other things, on the ability to integrate the businesses of the Company and Comply Path, including the operations, technology and personnel of each entity. If the integration is not achieved in an effective manner, the full benefit of the combination of the two businesses, including any anticipated synergies, may be achieved only in part or not at all. This could impact the Merged Group's financial performance and position and future prospects of the Merged Group. Reasons for this may include unexpected/unplanned delays, challenges and costs in relation to, but not limited to, integrating management systems such as IT systems, the conversion of ClickSuper to Comply Path's Bond platform and the loss of key personnel.
- The Proposed Transaction will result in additional Shares being issued, which will have a dilutionary effect on Shareholders' holdings;
- The Company is incurring transaction costs in relation to the Proposed Transaction, including costs relating to lawyers, advisors and experts.

Information About Comply Path

Comply Path is responsible for the Comply Path Information contained in these Explanatory Statement. Comply Path and the Sellers do not assume responsibility for the accuracy or completeness of the InPayTech Information.

The Company is responsible for the InPayTech Information contained in these Explanatory Statement. The Company does not assume responsibility for the accuracy or completeness of the Comply Path Information.

Business Overview

Comply Path is a privately-owned Australian company that offers regulatory compliance technology solutions which include SuperStream and STP solutions. Comply Path's mission is to help businesses unlock value through compliance.

Comply Path has a proprietary RegTech platform, Bond, which was originally developed at Intunity Pty Ltd (co-founded by the current Chief Executive Officer and founder of Comply Path) and was then acquired by PwC Digital Consulting in 2013. In 2018, Bond was subsequently established as a platform venture in PwC Australia to improve the engagement between its employees, superannuation funds and the tax office.

After a strategic review of its digital ventures, PwC Australia divested Comply Path in July 2020 to Mr Trent Lund and Mr Joe Brasacchio. All rights to the intellectual property of the Bond platform were assigned to Comply Path.

Comply Path is currently the digital platform supplier to a number of large superannuation funds in Australia. Key features of the Bond platform include:

- Allowing different parties with alternate data flows, standards and formats to communicate securely under defined business rules and logic.
- Connecting to external authoritative registers (i.e. including tax file number register and self-managed super fund register) to aid verification and error management.
- Helps customers manage and control payment processing, validation and reconciliation.
- Instant data transmission to regulatory bodies, such as the Australian Taxation Office (**ATO**) and ASIC, for reporting compliance obligations.
- The ability to access real-time audit and logging in compliant with the Consumer Data Right and General Data Protection Regulation.
- Providing customers with the flexibility to deploy the Bond platform on their cloud of choice, i.e. Azure, Amazon Web Services or Google.

Directors and Key Management Personnel

The Comply Path board is comprised of the following members:

- Joe Brasacchio (Director); and
- Trent Lund (Director).

Key members of Comply Path's senior management team include:

- Joe Brasacchio - Founder and CEO;

- Trent Lund - Strategic Advisory and channel partnerships; and
- Jean-Paul Seow - Commercial Director.

Comply Path Shareholders

As at the day immediately before the date of this Notice, Comply Path had the following shareholders:

- Unlocked Investments Pty Ltd (ACN 641 201 443);
- GJB Consulting Pty Ltd (ACN 121 856 675);
- Digital Niche Investments Pty Limited (ACN 609 654 275); and
- Clinton Capital Partners Pty Ltd (ACN 600 952 841).

Comply Path Securities

As at the day immediately before the date of this Notice, Comply Path had 88,889 shares on issue.

Litigation

As at the day immediately before the date of this Notice and as far as the Comply Path directors are aware, there is no current or threatened civil litigation, arbitration proceedings or administrative or criminal or governmental prosecution of any nature in which Comply Path is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of Comply Path.

1. RESOLUTION 1 – REMUNERATION REPORT

The remuneration report as set out in the directors' report in the Company's 2020 Annual Report must be put to the vote for its adoption in accordance with section 250R(2) of the Corporations Act. The vote on this resolution is advisory only and does not bind the directors or the Company.

The remuneration report sets out the Company's remuneration arrangements for the directors and senior management of the Company. The remuneration report is part of the directors' report for the financial year ended 30 June 2020. The 2020 Annual Report of the Company (containing the remuneration report) is available on the Company's website at www.inpaytech.com.au.

Shareholders will be given a reasonable opportunity at the Annual General Meeting to ask questions about, or make comments on, the remuneration report.

If at least 25% of the votes cast are against the adoption of the remuneration report at this Annual General Meeting, and then again at the following annual general meeting, the Company will be required to put a resolution to the later annual general meeting to approve calling a further general meeting (**spill resolution**). If 50% or more of eligible votes cast are in favour of the spill resolution, the Company must convene a general meeting (**spill meeting**) within 90 days of the later annual general meeting. All of the directors who were in office when the directors' report considered at the later annual general meeting was approved, will need to stand for re-election at the spill meeting.

2. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – DONALD SHARP

In general terms, clause 13.3 of the Company's constitution provides that no director may hold office for a period in excess of 3 years, or beyond the third annual general meeting following the director's election, whichever is the longer, without submitting himself or herself for re-election.

The retiring director, Donald Sharp, is eligible for re-election and accordingly submits himself for re-election as a director of the Company.

Mr Sharp was appointed to the Board on 9 March 2016.

Donald Sharp (BBus, CPA, FAICD) is a qualified accountant and a highly experienced, innovative and respected business builder and leader in the financial services sector.

He co-founded Bridges Financial Services Pty Ltd, an industry leader in financial services well known for establishing one of the first platform solutions for portfolio management in Australia, The Portfolio Service (TPS).

Mr Sharp is currently a non-executive director of ASX listed Xplore Wealth Limited.

He is also a former Chairman of Investors Mutual, Global Value Investors, and previously ASX listed Premium Investors Limited and a former director of Registry Direct Limited, ASX listed Countplus Limited and Treasury Group Ltd.

The Board does not consider Mr Sharp to be an independent director as he is an executive of the Company and is a substantial shareholder of the Company.

Recommendation

The directors support the re-election of Mr Sharp. They (other than Mr Sharp) recommend that shareholders vote in favour of Resolution 2 due to Mr Sharp's extensive relevant experience and deep understanding of the operations of the Company.

3. RESOLUTION 3 – RE-ELECTION OF DIRECTOR – SANDRA BARNES

ASX Listing Rule 14.4 and clause 13.1(d) of the Company's constitution require that any director appointed by the Board to fill a casual vacancy or as an addition to the Board holds office only until the next annual general meeting of the Company and is eligible for re-election at that meeting.

The Board appointed Sandra Barnes as a director of the Company on 13 January 2020. Accordingly, Ms Barnes retires pursuant to ASX Listing Rule 14.4 and clause 13.1(d) of the Company's constitution and, being eligible, offers herself for re-election.

The Company conducted appropriate checks into Ms Barnes's background and experience and these checks did not reveal any information of concern.

Ms Barnes is an experienced Executive Manager and has held several executive roles as Chief Technology Officer (CTO) and Chief Information Security Officer (CISO) in the financial services, superannuation and financial technology sectors. She brings significant exposure working with Government, regulatory bodies and Boards having formerly served as Non-Executive Director of Health Ability, Nillumbik Health and IWFCI.

Ms Barnes holds a Bachelor of Applied Science, Mathematics with major in Computer Science and is a Graduate Member of the Australian Institute of Company Directors.

Ms Barnes has held critical executive roles that drive innovation and transformational change and facilitate the success of new technology and business evolution models.

She has over 20 years' experience commencing her career with Westpac, then held several roles at NAB within its IT Transformation and Group Credit Risk divisions for over 10 years.

Before returning to NAB, Ms Barnes held Group General Manager Program Director roles at both Tabcorp and Goldman Sachs, and joined the Boards of Health Ability, Nillumbik Health and International Women's Federation of Commerce and Industry (IWFCI) as a Non-Executive Director.

Ms Barns then spent another 5 years at NAB, serving as Head of Risk for Enterprise Information and Data Services during her last three years at the company.

In 2015 she joined Australian Super as Chief Technology and Security Officer.

More recently she held the role of Executive Company Director, CTO and CISO of VicSuper.

She currently holds a full time role as General Manager, Technology and Information Security, ISPT Super Property.

Prior to 28 February 2020, Ms Barns was a senior employee of a customer of the Company (VicSuper). The Board considered whether this past business relationship might interfere or might reasonably be seen to interfere with Ms Barns' capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its security holders generally. The Board determined that despite the business relationship and in light of the fact that it is not a current relationship, Ms Barns is capable of bringing an independent judgement on issues before the Board and therefore, is considered an independent director by the Board.

Recommendation

The directors support the re-election of Ms Barns. They (other than Ms Barns) recommend that shareholders vote in favour of Resolution 3 due to Ms Barns' extensive expertise as a technology executive with financial services companies and track record of successful achievements in the financial technology and superannuation industry.

4. RESOLUTION 4 - APPROVAL TO ISSUE SHARES

Pursuant to the Merger Agreement, which has been entered into between the Company and the Sellers, the Company proposes to issue 573,260,447 new Shares to the Sellers (**Consideration Shares**) in return for the transfer of the Sale Shares to the Company.

Listing Rule 7.1

Listing Rule 7.1 provides that, subject to certain exceptions, a listed company must not issue equity securities where the number of equity securities proposed to be issued represents more than 15% of the company's shares then on issue without shareholder approval.

Listing Rule 7.1 provides that where a company approves an issue of securities, the company's 15% capacity will be replenished and the company will be able to issue further securities up to that limit.

The Company is seeking approval under Listing Rule 7.1 for the issue of the Shares to the Sellers.

Resolution 4 is conditional on the passing of all of the other Required Resolutions.

The information required to be given to Shareholders for the purposes of approval of the proposed issue of the Shares to the Sellers under Listing Rule 7.3 is set out below:

Information required under LR 7.3	
The names of the persons to whom the entity will issue the securities	The Consideration Shares will be issued to each of the Sellers, being: <ul style="list-style-type: none">• Unlocked Investments Pty Ltd (ACN 641 201 443);• GJB Consulting Pty Ltd (ACN 121 856 675);

	<ul style="list-style-type: none"> Digital Niche Investments Pty Limited (ACN 609 654 275); and Clinton Capital Partners Pty Ltd (ACN 600 952 841). 										
The number of securities the entity will issue	<p>The total number of fully paid ordinary shares the Company will issue will be 573,260,447 Shares, as follows:</p> <table> <tr> <th>Seller</th><th>No. of Consideration Shares</th></tr> <tr> <td>Unlocked Investments Pty Ltd (ACN 641 201 443)</td><td>161,229,501</td></tr> <tr> <td>GJB Consulting Pty Ltd (ACN 121 856 675)</td><td>257,967,201</td></tr> <tr> <td>Digital Niche Investments Pty Limited (ACN 609 654 275)</td><td>96,737,700</td></tr> <tr> <td>Clinton Capital Partners Pty Ltd (ACN 600 952 841)</td><td>57,326,045</td></tr> </table>	Seller	No. of Consideration Shares	Unlocked Investments Pty Ltd (ACN 641 201 443)	161,229,501	GJB Consulting Pty Ltd (ACN 121 856 675)	257,967,201	Digital Niche Investments Pty Limited (ACN 609 654 275)	96,737,700	Clinton Capital Partners Pty Ltd (ACN 600 952 841)	57,326,045
Seller	No. of Consideration Shares										
Unlocked Investments Pty Ltd (ACN 641 201 443)	161,229,501										
GJB Consulting Pty Ltd (ACN 121 856 675)	257,967,201										
Digital Niche Investments Pty Limited (ACN 609 654 275)	96,737,700										
Clinton Capital Partners Pty Ltd (ACN 600 952 841)	57,326,045										
The material terms of the securities	The Consideration Shares will be issued on the same terms as, and will rank equally with, all fully paid ordinary shares in the Company on issue.										
The date on or by which the entity will issue the securities	The Consideration Shares are anticipated to be issued on 28 th January 2021 and, in any event, no later than 3 months after the date of the Meeting.										
The price or other consideration the entity will receive for the securities	<p>The Company will issue the respective number of Consideration Shares to each Seller in consideration for its purchase of the Sale Shares pursuant to the Merger Agreement. The Consideration Shares have a deemed issue price of \$0.034.</p> <p>No funds will be raised from the issue of Consideration Shares under the Proposed Transaction.</p>										
The purpose of the issue	The Consideration Shares are being issued as consideration to the Sellers under the Merger Agreement. Refer to section 6.2 for the rationale of the Proposed Transaction.										
If the securities are being issued under an agreement a summary of any other material terms of the agreement	The Consideration Shares are being issued under the Merger Agreement (see section 11 for a summary of that agreement).										

A voting exclusion statement

A voting exclusion statement is included in the Explanatory Statement.

Recommendation

The directors recommend that shareholders vote in favour of Resolution 4.

5. RESOLUTION 5 – APPROVAL OF ACQUISITION OF A RELEVANT INTEREST IN SHARES**5.1. Corporations Act prohibition**

- Section 606(1) of the Corporations Act provides that a person must not acquire a Relevant Interest in issued voting shares in a company if:
 - the company is a listed company;
 - the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person; and
 - because of the transaction, that person's or someone else's voting power in the company increases from 20% or below to more than 20% or from a starting point that is above 20% and below 90%.
- Generally, under section 608 of the Corporations Act, a person has a Relevant Interest in securities if they:
 - are the holder of the securities; or
 - have power to exercise, or control the exercise of, a right to vote attached to securities; or
 - have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the Relevant Interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.
- The voting power of a person is determined under section 610 of the Corporations Act. It involves calculating the number of voting shares in the company in which the person and the person's Associates have a Relevant Interest. A person (second person) will be an "Associate" of the other person (first person) if:
 - the first person is a body corporate and the second person is:
 - a body corporate the first person controls;
 - a body corporate that controls the first person; or
 - a body corporate that is controlled by an entity that controls the first person;
 - the second person has entered or proposes to enter into a relevant agreement with the first person for the purposes of controlling or influencing the composition of the company's board or the conduct of the company's affairs; and
 - the second person is a person with whom the first person is acting, or proposing to act, in concert in relation to the company's affairs.

- Exceptions to the section 606(1) prohibition:
 - There are various exceptions to the prohibition in section 606(1) of the Corporations Act. Section 611 of the Corporations Act contains a table setting out circumstances in which acquisitions of Relevant Interests are exempt from the prohibition.
 - Item 7 of this table provides an exception where the acquisition is approved by a resolution passed at a general meeting of the company before the acquisition is made. Votes cast on the resolution by the parties involved in the acquisition and their Associates are disregarded.
- Shareholder approval:

Resolution 5 seeks approval, for the purposes of item 7 of section 611 of the Corporations Act, the issuance by the Company of the Consideration Shares to the shareholders of Comply Path, as a result of which Unlocked Investments Pty Ltd (or its nominees), GJB Consulting Pty Ltd (or its nominees) and Digital Niche Investments Pty Limited (or its nominees) will acquire a Relevant Interest in the Company's Shares, on the terms and conditions and in the manner set out in the Explanatory Statement. Resolution 5 also approves the Company acquiring a Relevant Interest in its own Shares as a result of certain voluntary escrow arrangements that are being entered into (see below for further information) in addition to 33,000,000 Shares which are already subject to voluntary escrow, being 5.76% of the issued Shares.

5.2. Voluntary Escrow Arrangements

Under the Proposed Transaction, each Seller will enter into Voluntary Escrow Deeds in relation to all of the Consideration Shares they will hold on Completion whereby:

- The Half Escrow Securities will be escrowed for the Half Escrow Period; and
- The Full Escrow Securities will be escrowed for the Full Escrow Period.

Each escrow arrangement entered into prevents the Seller from disposing of their Consideration Shares for the applicable escrow period described above.

The restriction on disposing the Consideration Shares is broadly defined and includes, among other things, selling, assigning, transferring or otherwise disposing of any legal, beneficial or economic interest in the Consideration Shares, encumbering or granting a security interest over the Consideration Shares, doing, or omitting to do, any act or omission that would have the effect of transferring effective ownership or control of any of the Consideration Shares or agreeing to do any of those things.

All escrowed Sellers may be released from these escrow obligations to enable:

- the escrowed Sellers to accept an offer made under a takeover bid for any of their Consideration Shares provided that holders of not less than 50% of the Shares in the Company that are not subject to a Voluntary Escrow Deed have accepted the takeover bid (or will have accepted the takeover bid if the Seller accepts the takeover bid), the takeover bid is unconditional (or would become unconditional if accepted by Seller) or all conditions to the takeover bid have been satisfied or waived;
- the escrowed Sellers to tender any of the Escrow Securities into a bid acceptance facility established in connection with a takeover bid, provided that holders of not less than 50% of the Shares in the Company that are not subject to a Voluntary Escrow Deed have either accepted the takeover bid or tendered (and not withdrawn) their Shares in the Company into the bid acceptance facility (or will have done so if the Holder tenders any of the Consideration Shares into a bid acceptance facility);
- the Consideration Shares to be transferred or cancelled as part of a share buyback or return of capital or other similar reorganisation, a merger being implemented by way of a scheme of arrangement or an

acquisition of all Shares in the Company, which has in any such case received all necessary approvals, including all such necessary approvals by shareholders of the Company and courts; or

- an escrowed Seller to undertake a reorganisation, subject to obtaining the prior consent of the Company and any new holder agreeing to be bound by a deed in substantially the same terms as the Voluntary Escrow Deed.

If for any reason any or all Consideration Shares are not transferred or cancelled in accordance with a takeover bid, scheme of arrangement or other transaction described above, then the escrowed Seller agrees that the restrictions applying to the Consideration Shares under the Voluntary Escrow Deed will continue to apply.

Notwithstanding the above, the obligations on the escrowed Sellers under the Voluntary Escrow Deed will cease to apply where the Sellers has obtained the prior written approval of the Company, or pursuant to an order of a court of competent jurisdiction compelling any Escrow Securities to be disposed of, or a security interest granted over them.

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

The following table sets out information required to be provided to Shareholders under item 7 in the table in section 611 of the Corporations Act and ASIC Regulatory Guide 74.

Shareholders are also referred to the Independent Expert's Report set out in Schedule 1.

As a result of the voluntary escrow arrangements that will be entered into with each of the Sellers in respect of 573,260,447 Shares, on Completion, the Company will be deemed to have acquired a Relevant Interest in its own shares because of its ability to prevent the disposal of those escrowed shares.

In addition, because each of Unlocked Investments Pty Ltd (or its nominees) and Digital Niche Investments Pty Limited (or its nominees), and GJB Consulting Pty Ltd (or its nominees) will hold more than a 20% interest in Shares on Completion, they will be deemed to acquire the same Relevant Interest that the Company holds in its own Shares.

As a result, on Completion:

- the voting power of Associates Unlocked Investments Pty Ltd (and its Associates) and Digital Niche Investments Pty Limited (and their Associates) in the Company will increase from 0% to 22.5% (which, when having regard to the Relevant Interest of 52.88% held by the Company as a result of the escrow arrangements, will result in a total voting power of 52.88%);
- the voting power of GJB Consulting Pty Ltd (and its Associates) in the Company will increase from 0% to 22.5% (which, when having regard to the Relevant Interest of 52.88% held by the Company as a result of the escrow arrangements, will result in a total voting power of 52.88%);
- the voting power of the Company and its Associates will increase from 5.76% to 52.88%¹.

In addition to the required information in Table 2, Table 1 below illustrates how the various Relevant Interests will be acquired.

¹ There are currently 33,000,000 Shares subject to escrow which comprises 5.76% of the total issued Shares. Following Completion, as a result of the issue of the Consideration Shares, the 33,000,000 pre-Completion escrowed Shares will comprise 2.88% of the total issued Shares. Following Completion, the Company will be deemed to have a Relevant Interest in 52.88% of the total issued Shares (comprising the Consideration Shares (50%) plus the pre-Completion escrowed Shares (2.88%)).

Table 1

Shareholder	Current Relevant Interest in Company Shares	Current holding of Comply Path Shares	Post-Transaction Shares held directly in Merged Group	Post-Transaction <u>Deemed</u> Relevant Interest in Merged Group	Post-Transaction <u>Total</u> Relevant Interest in Merged Group
Unlocked Investments Pty Ltd and Digital Niche Investments Pty Limited	0%	45.00%	22.5%	52.88%***	52.88%
GJB Consulting Pty Ltd	0%	45.00%	22.5%	52.88%***	52.88%
Clinton Capital Partners Pty Ltd	0%	10.00%	5.00%	-	5%
Company	5.76%*	0%	0%	52.88%**	52.88%

* Deemed Relevant Interest in the Company Shares as a result of escrow arrangements that were entered into by the Company prior to the Proposed Transaction.

** Deemed Relevant Interest in the Company Shares due to the voluntary escrow arrangements to be entered into under the Proposed Transaction combined with the escrow arrangements that were entered into by the Company prior to the Proposed Transaction.

*** Deemed Relevant Interest in the Company Shares in which the Company itself has a Relevant Interest, as a result of the entity, together with its Associates, having a Relevant Interest in more than 20% of the Company Shares.

Table 2

Information required by item 7 of section 611 of the Corporations Act	
The identity of the persons proposing to make the acquisition and their Associates	<p>As a result of the acquisition:</p> <ul style="list-style-type: none"> Unlocked Investments Pty Ltd (or its nominees), and Digital Niche Investments Pty Limited (or its nominees), and their Associates; GJB Consulting Pty Ltd (or its nominees) and its Associates; and the Company and its Associates will each acquire a Relevant Interest in the Shares.
The maximum extent of the increase in voting power in Shares for each of: <ul style="list-style-type: none"> Unlocked Investments Pty Ltd and Digital Niche Investments Pty Limited (who are Associates); GJB Consulting Pty Ltd; and 	<p>As a result of the acquisition:</p> <ul style="list-style-type: none"> the voting power of Unlocked Investments Pty Ltd (or its nominee) and Digital Niche Investments Pty Limited (or its nominee), will increase from 0% to 22.5% (which, when having regard to a deemed Relevant Interest of 52.88% held by the Company as a result of the various escrow arrangements, will result in a total voting power of 52.88%); and

<ul style="list-style-type: none"> the Company, <p>that would result from the acquisition</p>	<ul style="list-style-type: none"> the voting power of GJB Consulting Pty Ltd (or its nominee) will increase from 0% to 22.5% (which, when having regard to a deemed Relevant Interest of 52.88% held by the Company as a result of the various escrow arrangements, will result in a total voting power of 52.88%); and the voting power of the Company will increase from 5.76% to 52.88%.
<p>The voting power that each of:</p> <ul style="list-style-type: none"> Unlocked Investments Pty Ltd and Digital Niche Investments Pty Limited (each of whom are Associates); GJB Consulting Pty Ltd; and the Company, <p>would have in Shares as a result of the acquisition</p>	<p>As a result of the acquisition:</p> <ul style="list-style-type: none"> Unlocked Investments Pty Ltd (or its nominee) and Digital Niche Investments Pty Limited (or its nominee), will have voting power of 22.5% (which is comprised of a direct shareholding of 14.06% by Unlocked Investments Pty Ltd and a direct shareholding of 8.44% by Digital Niche Investments Pty Limited) (which, when having regard to a deemed Relevant Interest of 52.88% held by the Company as a result of the various escrow arrangements, will result in a total voting power of 52.88%); GJB Consulting Pty Ltd (or its nominee) will have voting power of 22.5% (which, when having regard to a deemed Relevant Interest of 52.88% held by the Company as a result of the various escrow arrangements, will result in a total voting power of 75.38%); and the Company will have voting power of 52.88%.
<p>The maximum extent of the increase in voting power for the Associates of each of:</p> <ul style="list-style-type: none"> Unlocked Investments Pty Ltd and Digital Niche Investments Pty Limited (who are Associates); GJB Consulting Pty Ltd; and the Company, <p>that would result from the acquisition.</p>	<p>As a result of the acquisition:</p> <ul style="list-style-type: none"> the voting power of Unlocked Investments Pty Ltd and Digital Niche Investments Pty Limited, and their Associates will increase from 0% to 22.5% (which is comprised of a direct shareholding of 14.06% by Unlocked Investments Pty Ltd and a direct shareholding of 8.44% by Digital Niche Investments Pty Limited) (which, when having regard to a deemed Relevant Interest of 52.88% held by the Company as a result of the various escrow arrangements, will result in a total voting power of 52.88%); the voting power of GJB Consulting Pty Ltd and their Associates will increase from 0% to 22.5% (which, when having regard to a deemed Relevant Interest of 52.88% held by the Company as a result of the various

	<p>escrow arrangements, will result in a total voting power of 52.88%); and</p> <ul style="list-style-type: none"> the voting power of the Company and its Associates will increase from 5.76% to 52.88%.
<p>The voting power that the Associates of each of:</p> <ul style="list-style-type: none"> Unlocked Investments Pty Ltd and Digital Niche Investments Pty Limited (who are Associates); GJB Consulting Pty Ltd; the Company, <p>would have as a result of the acquisition</p>	<p>As a result of the acquisition:</p> <ul style="list-style-type: none"> Unlocked Investments Pty Ltd (or its nominee) and Digital Niche Investments Pty Limited (or its nominee), and their Associates will have voting power of 22.5% (which, when having regard to a deemed Relevant Interest of 52.88% held by the Company as a result of the various escrow arrangements, will result in a total voting power of 52.88%); GJB Consulting Pty Ltd (or its nominee) and its Associates will have voting power of 22.5% (which, when having regard to a deemed Relevant Interest of 52.88% held by the Company as a result of the various escrow arrangements, will result in a total voting power of 52.88%); the Company and its Associates will have voting power of 52.88%.
Information required by ASIC Regulatory Guide 74	
An explanation of the reasons for the proposed acquisition	Refer to Sections 6.2 of the Explanatory Statement for the reasons and rationale for the Proposed Transaction.
When the acquisition is to occur	<p>Completion is anticipated by 28 January 2021, however this remains subject to change and will depend on the timing of satisfaction of the conditions to the Proposed Transaction.</p> <p>Full details of the conditions to the Proposed Transaction are set out in the Merger Agreement, a copy of which is provided at Schedule 2.</p>
The material terms of the proposed acquisition	<p>It is expected that after Completion, existing Comply Path shareholders will hold 50% of the Merged Group and existing shareholders of the Company will hold 50% of the Merged Group.</p> <p>The top 20 shareholders after Completion are set out at Section 10.</p>

	<p>Refer to Section 11 of the Explanatory Statement for an overview of the material terms of the Merger Agreement.</p> <p>Full details of the conditions to the Proposed Transaction and other agreed terms are set out in the Merger Agreement, a copy of which is provided at Schedule 2.</p>
Details of the terms of any other relevant agreement between any of the Relevant Sellers and the Company that is conditional on (or directly or indirectly depends on) Shareholders' approval of Resolution 5	There is no relevant agreement between any of the Relevant Sellers (or their Associates) and the Company that is conditional on (or directly or indirectly depends on) Shareholder approval of Resolution 5.
A statement of the Relevant Sellers' intentions regarding the future of the Company if Shareholders approve the acquisition	<p>Should the Shareholders approve the Proposed Transaction, the Company and Comply Path will agree the strategic priorities and business plan of the Merged Group, including but not limited to:</p> <ul style="list-style-type: none"> • development and growth of the Merged Group's existing products; • potential rebranding of the Merged Group; • strategic direction of the Merged Group's business; • making the existing share scheme of the Company available to Comply Path's personnel; and • assess any project funding needs to determine capital requirements of the Merged Group to successfully implement the business plan. <p>Specifically, the Merged Group initially aims to continue the current operations of both organisations. Each organisation has a crossover of similar and complementary technology platforms for Superstream and Single Touch Payroll gateway and clearing house services as well as separate value added differences. The Company has an operational model whereas Comply Path has a consulting and licencing model. The best of both organisations will form the continuing business of the Merged Group.</p>
Any intention of the Relevant Sellers to significantly change the financial or dividend policies of the Company	Following Completion, the Board of the Merged Group will undertake a review of the dividend policy previously adopted by the Company. The payment and amount of any future dividends will depend on the Merged Group's financial performance, financial position, cash flow earnings, present and future financing

	arrangements, as well as any other factors the Merged Group considers relevant.
The interests that any Director has in the acquisition or any relevant agreement	<p>The current Directors of the Company are Don Sharp (Executive Chairman), Paul Collins (Non-Executive Director) and Sandra Barns (Non-Executive Director).</p> <p>None of the Directors have a material personal interest in Resolution 5 other than their interests arising solely in their capacity as Shareholders.</p>
Details about any person who is intended to become a Director if Shareholders approve the Required Resolutions	<p>Other than as described in this Explanatory Memorandum, it is not proposed to change the composition of the Board of Comply Path.</p> <p>After Completion, it is proposed that the Board of the Merged Group will be composed of four members as follows:</p> <ul style="list-style-type: none"> • Don Sharp (Executive Chair) • Paul Collins (Non Executive Director) • Trent Lund (Non Executive Director) • Randolph Clinton (Non Executive Director) <p>The Board intends to appoint an Independent Non Executive Chair within 6 months.</p> <p>See section 5.4 for a description of the qualifications and commercial experience of Trend Lund and Randolph Clinton.</p>
A statement of the Relevant Sellers' intention to change the business of the Merged Group	Other than as a result of the Proposed Transaction, the Relevant Sellers have no present intention of making any significant changes to the business of the Merged Group other than the software required for ClickSuper being replaced by Comply Path's software.
A statement of the Relevant Sellers' intention to inject further capital into the Company	The Relevant Sellers have no present intention to inject further capital into the Merged Group.
A statement of the Relevant Sellers' intention as to the future employment of present employees of the Merged Group	Other than the proposed appointment of Joe Brasacchio as CTO occurring as a result of the Proposed Transaction, the Relevant Sellers have no present intention of making any changes regarding the future employment of the present employees of the Merged Group, however the Merged Group is expected to have some redundancies to IT staff that support the existing ClickSuper software which is being replaced by

	Comply Path's software. These positions may be redeployed to support new business initiatives.
A statement of the Relevant Sellers' intention regarding any proposal where assets will be transferred between the Merged Group and the Relevant Sellers or their associates	The Relevant Sellers have no present intention to transfer any assets between the Company and the Relevant Sellers or any of their associated entities or associates.
A statement of the Relevant Sellers intention to otherwise redeploy the fixed assets of the Merged Group	The Relevant Sellers have no present intention to redeploy any fixed assets of the Merged Group.

5.4. Proposed New Directors of the Merged Group

The qualifications and commercial experience of the proposed new directors of the Merged Group are set out below:

Trent Lund

Trent Lund is a current Director of Comply Path Holdings Pty Ltd and Comply Path Pty Ltd (wholly owned subsidiary). Trent was appointed as a director of Comply Path Holdings Pty Ltd on June 11th, 2020.

Trent has over 15 years' experience in management and professional advice working for PricewaterhouseCoopers (**PwC**) with 11 years as a Partner. Over his 11 year period as a PwC Partner Trent was an Affiliate Member of Chartered Accountants Australia and New Zealand. Trent held numerous roles in PwC and was a company director for two wholly owned subsidiaries of PwC Australia. In addition to internal roles, Trent advised numerous companies at the board and senior executive levels in technology trends, risk and transformation. Some of his current non-executive directorships include PaidRight Holdings Pty Ltd and Accelerate Compliance Holdings Pty Ltd. In addition, Trent is on the QUT advisory board for the Centre of Future Enterprise.

Randolf Clinton

Randolf Clinton has over 30 years of leadership experience in investment banking & financial markets, having worked in the UK, Singapore, HK & Australia for organisations such as; JPMorgan, Royal Bank of Scotland, Credit Suisse and ABN Amro. Those leadership roles included; Managing Director, Head of Cash Equities Asia ex Japan & Head of Equities Distribution Asia Pacific for JPMorgan; Managing Director, Co-Head Australian Equities for JPMorgan; Managing Director, Head of Australian Equities for Royal Bank of Scotland. In addition, he has held Responsible Officer, Responsible Executive, Audit committee, Directorships and global equity executive management committee roles in numerous geographies around the world.

Randolf has a very broad geographic, cultural, industry, management and business building experience having started, developed or managed businesses and/or teams in Korea, Taiwan, HK, China, Singapore, Malaysia, Thailand, Indonesia, Philippines, India, Pakistan, Dubai, Japan, UK and the US.

In the last 6 years, Randolf started Clinton Capital Partners which is a venture capital advisory business, that focusses on raising capital for early stage technology companies. Randolf has significant experience in dealing with public and private companies, along with wholesale investors across the globe.

Recommendation

Each of Don Sharp, Paul Collins and Sandra Barns, being the current directors of the Company, recommend that Shareholders vote in favour of Resolution 5. Having regard to the rationale for the Proposed Transaction set out in section 6.2, and the outcome of the Independent Expert's Report that the Proposed Transaction is **not fair but reasonable**, each of the directors believes that the Proposed Transaction is in the best interests of the Shareholders of the Company.

6. RESOLUTION 6 – APPROVAL FOR CHANGE TO SCALE OF THE COMPANY’S ACTIVITIES

ASX does not take any responsibility for the contents of this Notice or Explanatory Statements.

Resolution 6 seeks Shareholder approval to the change in the scale of the Company’s activities contemplated by the Proposed Transaction.

6.1. Listing Rule 11.1

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

- provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- if ASX requires, obtain shareholder approval and comply with any requirements of ASX in relation to the associated notice of meeting; and
- if ASX requires, meet the requirements of Chapters 1 and 2 of the Listing Rules as if the entity were applying for admission to the official list of ASX.

The Company is required to seek the approval of Shareholders under Listing Rule 11.1.2 for a change in the nature or scale of its activities that will occur as a result of the Proposed Transaction.

Accordingly, Resolution 6 seeks the required approval from Shareholders for a change to the scale of the activities of the Company for the purposes of Listing Rule 11.1.2.

If Resolution 6 is passed (together with the Required Resolutions), the Company will be able to proceed with the Proposed Transaction and the Sellers will own 50% of the Company Shares on issue, and there will be a significant change to the scale of the Company’s activities – both operationally and financially. Details of the change to the scale of the Company’s activities are set out in section 6.2.

If Resolution 6 is not passed, the Company will not be able to proceed with the Proposed Transaction and the Company will make an announcement to the market of the results of the AGM that it will not be proceeding with the Proposed Transaction and will continue to seek alternative opportunities.

ASX has indicated to the Company that it does not require the Company to re-comply with Chapters 1 and 2 of the Listing Rules in order to complete the Proposed Transaction under Listing Rule 11.1.3.

6.2. Requirements under ASX Guidance Note 12: Significant Changes to Activities

As required by ASX Guidance Note 12: Significant Changes to Activities, the following information is provided in relation to Resolution 6:

(a) Material terms of the Proposed Transaction

A summary of the key terms of the Merger Agreement is set out in Section 11.

The Proposed Transaction is being undertaken to:

- Provide scale and diversification of revenue streams with complementary customer base and solution offerings that provide a point of differentiation and a platform for future growth;
- Leverage the Bond platform for the Company’s ClickSuper service which allows for further IT cost savings, i.e. reduced support or maintenance costs and licence fees;

- Integrate the Company's patented payment technology into the Bond platform to create an improved platform with a best of breed of messaging and payment functions;
- Enhance the development of ClickVu using the acquired intellectual property rights to Comply Path's employee and superannuation fund member onboarding functionalities;
- Take advantage of cross-selling opportunities to existing clients of both the Company and Comply Path;
- Provide Comply Path with increased liquidity from the Merged Group being listed on the ASX;
- allow the Bond Platform to be commercialised directly under a SaaS model with the Company having an Australian Financial Services Licence and a SaaS client support service.

(b) Financial effect of the Proposed Transaction on the entity

The likely effect of the Proposed Transaction on the Company's consolidated total assets, total equity interests, annual revenue, annual expenditure, EBITDA and annual profit before tax are set out below:

Consolidated total assets	26.30% increase
Consolidated total equity interests	14.31% increase
Consolidated annual revenue	104.09% increase
Consolidated EBITDA	14.06% increase
Consolidated annual profit before tax	6.70% increase

(c) Effect on the Company's issued capital

No funds will be raised from the issue of the Consideration Shares.

The effect of the issue of the Consideration Shares under the transaction will be as follows:

Shareholder Name	Existing Structure		Post Transaction Structure	
	No. of Shares	% Held	No. of Shares	% Held
Trent Lund and related entities	-	0.0%	257,967,201	22.5%
Joe Brasacchio and related entities	-	0.0%	257,967,201	22.5%
Colin Scully and related entities	112,661,526	19.7%	112,661,526	9.8%
Donald Sharp and related entities	68,858,177	12.0%	68,858,177	6.0%
Clinton Capital Partners Pty Ltd and related entities	0	0.0%	57,326,045	5.0%
Paul Collins and related entities	42,083,374	7.3%	42,083,374	3.7%
Andrew Blair and related entities	30,000,000	5.2%	30,000,000	2.6%
Others	319,657,370	55.8%	319,657,370	27.9%
Total	573,260,447	100.0%	1,146,520,894	100.0%

(d) Details of how the entity will be modifying its business model to accommodate the significant change in the scale of the entity's activities

From Completion, the Company is expected to increase the scale of operations. The merger of the Company and Comply Path will add capabilities to deliver a more comprehensive set of solutions, targeted at larger enterprise customers. The Merged Group is expected to have a greater market share and an increased

competitiveness for future opportunities. The only change to the current business model is the added capability to leverage the consulting capability of the Comply Path staff.

Following Completion, the Company and Comply Path will agree the strategic priorities and business plan of the Merged Group, including but not limited to:

- development and growth of the Merged Group's existing products;
- potential rebranding of the Merged Group;
- strategic direction of the Merged Group's business; and
- making the existing share scheme of the Company available to Comply Path's personnel.

(e) Information about how the entity intends to pay for the acquisition

The Proposed Transaction will be funded in scrip comprising ordinary shares in the Company.

There is no current intention of borrowing any funds or raising any capital in the short term in connection with the Proposed Transaction. However, final decisions regarding further funding will be made by the Company in light of material information and circumstances at the relevant time. Accordingly, this statement is a statement of current intention only, which may change as new information becomes available or as circumstances change.

(f) Changes proposed to the entity's board or senior management

After Completion, it is proposed that the Board of the Merged Group will be composed of four members, being Don Sharp (Executive Chair), Paul Collins (Non Executive Director), Trent Lund (Non Executive Director) and Randolph Clinton (Non Executive Director).

Following Completion, the key management personnel will comprise existing management and staff from both the Company and Comply Path, in particular Comply Path's current CEO, Joe Brasacchio, will become the CTO of the Merged Group.

(g) Timetable for implementing the Proposed Transaction

Set out below is the expected timetable for Completion of the Proposed Transaction:

Action	Date
Shareholders to approve the Resolutions at the Annual General Meeting	21 January 2020
Completion of the Proposed Transaction	28 January 2020
Issue of the Consideration Shares	28 January 2020
Consideration Shares commence trading on ASX	29 January 2020

Recommendation

The directors recommend that shareholders vote in favour of Resolution 6.

7. RESOLUTION 7 – APPROVAL OF EMPLOYEE SHARE OPTION PLAN

Broadly speaking, and subject to a number of exceptions, ASX Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period. ASX Listing Rule 7.1A

permits eligible entities which have obtained shareholder approval by special resolution to issue equity securities representing up to an additional 10% of their issued capital by placements over a 12 month period after the annual general meeting. The Company is seeking shareholder approval under ASX Listing Rule 7.1A under Resolution 9 of this Notice.

ASX Listing Rule 7.2 Exception 13(b) excludes from the restrictions in ASX Listing Rules 7.1 and 7.1A an issue of securities under an employee incentive scheme if within 3 years before the issue date the holders of the Company's ordinary securities have approved the issue of securities under the scheme as an exception to ASX Listing Rule 7.2.

Accordingly, this Resolution 7 seeks shareholder approval for the purposes of ASX Listing Rule 7.2 Exception 13(b).

If Resolution 7 is passed, grants of options under the Employee Share Option Plan (**Employee Plan**) in the 3 years following the approval, and the issue of the underlying shares on the exercise of such options (up to the maximum limits identified below), will not count towards the percentage limits described above.

If Resolution 7 is not passed, the Company will need to use its capacity under ASX Listing Rule 7.1 (and ASX Listing Rule 7.1A (if Resolution 6 is passed)) in order to grant options under the Employee Plan in the 3 years following the approval, and the issue of the underlying shares on the exercise of such options.

The maximum number of equity securities proposed to be issued under the Employee Plan following shareholder approval of Resolution 7 is 50,000,000 options (and the issue of a maximum number of 50,000,000 underlying ordinary shares on the exercise of such options).

As at the date of this Notice of Annual General Meeting, the number of securities issued by the Company under the Employee Plan since the date the Company was listed on ASX on 16 December 2016 is 30,000,000 options and zero shares have been issued upon exercise of such options. 15,000,000 of these options lapsed in July 2020.

The Employee Plan is governed by the Plan rules (**Employee Plan Rules**). Set out below is a summary of the Employee Plan Rules.

It is intended that the Employee Plan will enable the Company and its subsidiaries (**Group**) to retain and attract skilled and experienced employees, contractors and directors and provide them with the motivation to make the Group more successful. The Employee Plan is designed to support interdependence between the Company and eligible persons for their long-term mutual benefit.

Under the Employee Plan, an option is a right to subscribe for or acquire a fully paid ordinary share in the capital of the Company (**Share**).

The Board at its sole discretion may invite any eligible person selected by it to complete an application relating to a specified number of options allocated to that eligible person by the Board. The Board may offer options to any eligible person it determines and determine the extent of that person's participation in the Employee Plan (**Participant**). An offer by the Board shall specify the date of grant, the total number of options granted, exercise price and exercise period for the options and any other matters the Board determines, including exercise conditions attaching to the options.

Persons eligible to participate in the Employee Plan are, in relation to the Company or an associated body corporate of the Company, full-time or part-time employees (including executive directors), non-executive directors and contractors and casual employees who satisfy various conditions set out in the Employee Plan.

The Employee Plan has been prepared to comply with ASIC Class Order [CO14/1000]. As such, offers under the Employee Plan that are made in reliance on the Class Order are limited to the 5% capital limit set out in the Class Order. However, offers may also be made under the Employee Plan to persons who are 'senior

managers' of the Group for the purposes of section 708(12) of the Corporations Act. Such 'senior manager' offers are not made in reliance upon the Class Order.

Unless otherwise determined by the Board, no payment is required for the grant of options under the Employee Plan.

Options granted under the Employee Plan are not capable of being transferred or encumbered by a Participant, unless the Board determines otherwise.

Options do not carry any voting or dividend rights. Shares issued or transferred to Participants on exercise of an option carry the same rights and entitlements as other issued Shares, including dividend and voting rights.

The Company has no obligation to apply for quotation of the options on the ASX.

In general terms, options granted under the Employee Plan may only be exercised if the exercise conditions have been met, either the exercise price has been paid to the Company (or cashless exercise applies and is elected by the Participant) and the options are exercised within the exercise period relating to the option. An option granted under the Employee Plan may not be exercised once it has lapsed.

If cashless exercise applies to an option and a participant elects cashless exercise to apply to an option, then the Company will only issue that number of Shares (rounded down to the nearest whole number) as are equal in value to the difference between the exercise price otherwise payable for the options and the then market value of the Shares at the time of exercise (determined as the volume weighted average market price of the Shares sold on the ASX on the 5 business days immediately prior to the exercise date).

An option may be exercised, whether or not any or all applicable exercise conditions have been met, on the occurrence of a predominant control event, being, in general terms, where a person owns at least 90% of the issued ordinary share capital of the Company following an offer by the person for the whole of the issued share capital of the Company.

The Company will apply to ASX for official quotation of Shares issued upon exercise of options granted under the Employee Plan so long as the Shares are quoted on the official list of ASX at that time.

The Company may financially assist a person to pay any exercise price for an option, subject to compliance with the provisions of the Corporations Act and the ASX Listing Rules relating to financial assistance.

If a Participant ceases to be a director, an employee or a contractor of any member of the Group due to his or her resignation, dismissal for cause or poor performance or in any other circumstances determined by the Board:

- (i) all options held by the relevant Participant as at the date of cessation which are vested options will automatically lapse on the date of cessation, unless the Board determines otherwise, in which event the Board will determine the period within which those options may be exercised following the date of cessation (and the exercise period is amended accordingly), after which those options will immediately lapse; and
- (ii) all other options granted to that Participant will lapse as at the date of cessation.

If a Participant ceases to be a director, an employee or a contractor of any member of the Group for any other reason or in any other circumstances determined by the Board:

- (i) all options held by the relevant Participant as at the date of cessation which are vested options may be exercised by that Participant in the 6 month period following the date of cessation (and the exercise period is amended accordingly), after which those vested options will immediately lapse; and
- (ii) all other options granted to that Participant will lapse as at the date of cessation.

On liquidation of the Company, all options which are not vested options will automatically lapse.

If, in the opinion of the Board, a Participant has acted fraudulently or dishonestly, the Board may determine that any option granted to that Participant should lapse, and the option will lapse accordingly.

If an option has not lapsed earlier, it will lapse at the end of the exercise period.

In the event of any reconstruction of the share capital of the Company, the number of options to which each Participant is entitled and/or the exercise price of those Options must be reconstructed in accordance with the ASX Listing Rules. Options must be reconstructed in a manner which will not result in any additional benefits being conferred on Participants which are not conferred on other shareholders of the Company.

Holders of options issued under the Employee Plan may only participate in new issues of securities by the Company if they have first exercised their options within the relevant exercise period and become a shareholder of the Company prior to the relevant record date and are then only entitled to participate in relation to Shares of which they are the registered holder.

If there is a pro rata issue (except a bonus issue), the exercise price of an option will be reduced according to the formula in the Employee Plan Rules which reflects the formula in ASX Listing Rule 6.22.2.

If there is a bonus issue the number of Shares over which an option can be exercised 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.

Options may not be granted and/or Shares may not be allotted and issued, acquired, transferred or otherwise dealt with under the Employee Plan if to do so would contravene the Corporations Act or any other applicable laws or regulations.

If and to the extent any rule of the Employee Plan is inconsistent with the Corporations Act or any other applicable law or regulation, then the Corporations Act or other applicable law or regulation will prevail in all respects to the extent of the inconsistency.

If and to the extent any rule of the Employee Plan is inconsistent with the ASX Listing Rules, if the ASX Listing Rules apply to the Company at the relevant time, the ASX Listing Rules will prevail in all respects to the extent of the inconsistency.

The Board may terminate or suspend the operation of the Employee Plan at any time. In passing a resolution to terminate or suspend the operation of the Employee Plan or to supplement or amend these rules, the Board must consider and endeavour to ensure that there is fair and equitable treatment of all Participants.

On termination of the Employee Plan, no compensation under any contract of employment, consultancy or directorship between an eligible person and a member of the Group will arise as a result.

The Employee Plan Rules also contain customary and usual terms having regard to Australian law for dealing with administration and costs of the Employee Plan.

Voting restrictions in respect of this Resolution are set out in the Notice of Annual General Meeting, which this Explanatory Statement accompanies.

Recommendation

The directors recommend that shareholders vote in favour of Resolution 7.

8. RESOLUTION 8 – NON-EXECUTIVE DIRECTORS' REMUNERATION

In accordance with ASX Listing Rules 10.17 and 10.17A, the maximum aggregate amount payable as directors' fees to non-executive directors in any financial year may not exceed an amount determined by shareholders from time to time in general meeting (Remuneration Pool).

It is proposed to increase the maximum aggregate amount of directors' fees that may be paid to non-executive directors of the Company by \$320,000, from \$180,000 per financial year (including superannuation) to \$500,000 per financial year (including superannuation). The current Remuneration Pool limit was set in August 2016.

The Board's remuneration policy for non-executive directors aims to ensure that the Company can attract and retain suitably skilled, experienced and committed individuals to serve on the Board.

When the Company was listed on 16 December 2016, it had only one non-executive director on the Board. The Company now has two non-executive directors on the Board (being Paul Collins and Sandra Barns). As noted in this Explanatory Statement, the Company intends to appoint Trent Lund and Randolph Clinton as new Non-Executive Directors of the Company upon Completion.

The Board is seeking shareholder approval to increase the Remuneration Pool for the following reasons:

- (a) an increase in the Remuneration Pool will give the Company flexibility with regards to the appointment of additional directors;
- (b) to enable the Company to maintain remuneration arrangements that are market-competitive so it can attract and retain high calibre individuals as non-executive directors; and
- (c) to provide for non-executive directors' fees to grow in the future to reflect market trends in the longer term.

If the resolution is passed, the Remuneration Pool will be increased and the Company will have the flexibility to increase non-executive directors' fees to \$500,000 per financial year (including superannuation).

If the resolution is not passed, the Remuneration Pool will remain fixed at \$180,000 per financial year (including superannuation) and the Company will not be able to increase its non-executive directors' fees beyond this limit which will hinder its ability to achieve its objectives set out above.

Shareholder approval of this proposal is sought under clause 13.4 of the Company's constitution and under ASX Listing Rule 10.17. For the purpose of this Resolution 8, the meaning of "Directors' fees" is provided in ASX Listing Rule 10.17. In summary, this rule provides that "directors' fees" means all fees payable by the entity or any of its child entities to a non-executive director for acting as a director of the entity or any child entity (including attending and participating in any board committee meetings) and includes superannuation contributions for the benefit of a non-executive director and any fees which a non-executive director agrees to sacrifice for other benefits. It does not include reimbursement of genuine out of pocket expenses, genuine 'special exertion' fees paid in accordance with the entity's constitution, or securities issued to a non-executive director under ASX Listing Rule 10.11 or ASX Listing Rule 10.14 with the approval of holders of the entity's ordinary securities.

For the purposes of ASX Listing Rule 10.17, no securities have been issued to a non-executive director under ASX Listing Rule 10.11 or ASX Listing Rule 10.14 with the approval of the ordinary shareholders of the Company at any time over the last three years.

Although an increase in the Remuneration Pool is being sought, it does not imply that the full amount will be used. The Remuneration Pool is a maximum annual limit and fees will not necessarily be increased to that limit. Full details of the remuneration arrangements applicable to non-executive directors are set out in the Company's remuneration report, contained in its Annual Report.

This Resolution 8 is subject to a voting exclusion statement (see the Notice of Annual General Meeting).

A recommendation on this Resolution 8 has not been provided by the Board given that the resolution is in relation to director remuneration.

9. RESOLUTION 9 – APPROVAL OF ISSUE OF SECURITIES UNDER ASX LISTING RULE 7.1A

Broadly speaking, and subject to a number of exceptions, ASX Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

Under ASX Listing Rule 7.1A, however, an eligible entity can seek approval from its members, by way of a special resolution passed at its annual general meeting, to increase this 15% limit by an extra 10% to 25%.

Resolution 9 seeks shareholder approval by way of special resolution for the Company to have the additional 10% capacity provided for in ASX Listing Rule 7.1A to issue equity securities without shareholder approval (**Additional Placement Capacity**). The exact number of equity securities to be issued is not fixed and will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (see below).

If Resolution 9 is passed, the Company will be able to issue equity securities up to the combined 25% limit in ASX Listing Rule 7.1 and 7.1A without any further shareholder approval.

If Resolution 9 is not passed, the Company will not be able to access the additional 10% capacity to issue equity securities without shareholder approval provided for in ASX Listing Rule 7.1A and will remain subject to the 15% limit on issuing equity securities without shareholder approval set out in ASX Listing Rule 7.1.

Relevant Requirements of ASX Listing Rule 7.1A

(a) Eligible entities

An eligible entity for the purposes of ASX Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity for these purposes.

(b) Shareholder approval

The Additional Placement Capacity must be approved by special resolution at an annual general meeting. A resolution under ASX Listing Rule 7.1A cannot be put at any other shareholder meeting. As a special resolution, Resolution 6 requires approval of 75% of the votes cast by shareholders present and eligible to vote.

(c) Equity Securities

Equity securities issued under the Additional Placement Capacity must be in the same class as an existing class of equity securities of the Company that are quoted on ASX and must be issued for a cash consideration. As at the date of this Notice of Annual General Meeting, the Company has only one class of equity securities quoted on ASX, being fully paid ordinary shares (**Shares**).

(d) Formula for calculating number of Equity Securities that may be issued under the Additional Placement Capacity

If Resolution 9 is passed, the Company may issue or agree to issue, during the period of approval, the number of equity securities calculated in accordance with the following formula in ASX Listing Rule 7.1A.2:

(AxD)-E

Where:

A	The number of fully paid ordinary securities on issue 12 months before the date of issue or agreement to issue: <ul style="list-style-type: none">plus the number of ordinary securities to be added as set out in ASX Listing Rule 7.1; andless the number of fully paid ordinary securities cancelled in the relevant period.
D	10%

E	The number of equity securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue where the issue or agreement has not been subsequently approved by the holders of its ordinary securities under ASX Listing Rule 7.4.
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Information for Shareholders as required by ASX Listing Rule 7.3A

In accordance with ASX Listing Rule 7.3A, information is provided in relation to the Additional Placement Capacity as follows:

(a) Minimum price

The issue price of the new equity securities will be no lower than 75% of the volume weighted average price (**VWAP**) for securities in the relevant quoted class calculated over the 15 trading days on which trades in that class were recorded immediately before:

- the date on which the price of the equity securities to be issued is agreed by the entity and the recipient of the securities; or
- if the equity securities are not issued within 10 trading days of the date above, the date on which the equity securities are issued.

(b) Risk of economic and voting dilution

If Resolution 9 is passed and the Company issues equity securities under the Additional Placement Facility, existing shareholders' economic interests may be diluted if the equity securities are issued at a discount. Further, existing shareholders' voting power in the Company will be diluted as shown in the table below, by up to 9.09%.

There is a risk that:

- the market price for the Company's existing equity securities may be significantly lower on the date of issue of the new equity securities than on the date of the shareholder approval at the Annual General Meeting; and
- the new equity securities may be issued at a price that is at a discount to the market price of the Company's existing equity securities on the issue date,

which may have an effect on the amount of funds raised by the issue of the new equity securities, and also on the Company's Share price post issue of the equity securities.

The following table shows the dilution of existing shareholders on the basis of the current market price of the Shares and the current number of Shares as at the date of this Notice of Annual General Meeting for variable "A".

The table also shows:

- two examples where variable "A" has increased by 50% and 100%. Variable "A" is based on the number of Shares the Company has on issue as at the date of this Notice of Annual General Meeting. The number of Shares may increase as a result of issues of Shares that do not require shareholder approval (for example a pro rata entitlement issue or scrip issued under a takeover offer) or future placements under ASX Listing Rule 7.1 that are approved by shareholders in the future; and
- two examples of where the issue price of Shares has decreased by 50% and increased by 50% as against the current market Share price (which, for the purposes of this table, is \$0.032 as at Friday, 11 December 2020).

Variable 'A' in ASX Listing Rule 7.1A.2		Dilution		
		\$0.016 Assuming 50% decrease in Issue Price	\$0.032 Issue Price	\$0.048 Assuming 50% increase in Issue Price
Current Variable A (573,260,447 Shares)	Number of Shares that could be issued under the Additional Placement Capacity (10%)	57,326,044 Shares	57,326,044 Shares	57,326,044 Shares
	Funds raised	\$917,217	\$1,834,433	\$2,751,650
50% increase in current Variable A (859,890,670 Shares)	Number of Shares that could be issued under the Additional Placement Capacity (10%)	85,989,067 Shares	85,989,067 Shares	85,989,067 Shares
	Funds raised	\$1,375,825	\$2,751,650	\$4,127,475
100% increase in current Variable A (1,146,520,894 Shares)	Number of Shares that could be issued under the Additional Placement Capacity (10%)	114,652,089 Shares	114,652,089 Shares	114,652,089 Shares
	Funds raised	\$1,834,433	\$3,668,867	\$5,503,300

This table has been prepared on the following assumptions:

- The Company issues the maximum number of equity securities available under the Additional Placement Capacity.
- No options are exercised into Shares before the date of the issue of the equity securities under the Additional Placement Capacity.
- The table does not show an example of the economic dilution that may be caused to a particular shareholder's shareholding by reason of placements under the Additional Placement Capacity, based on that shareholder's holding at the date of the Annual General Meeting.
- The table shows only the effect of issues of equity securities under ASX Listing Rule 7.1A on the basis of the Company's current issued share capital, not under the 15% placement capacity under ASX Listing Rule 7.1.
- The issue of equity securities under the Additional Placement Capacity consists only of Shares.
- The issue price is assumed to be the Share price of \$0.032 at market close on Friday, 11 December 2020 (rather than being based on the 15 day VWAP).
- In each case, an issue of the maximum number of Shares under the Additional Placement Capacity would dilute the shareholders as at the date immediately prior to the issue by up to 9.09%. For example, based on the current number of Shares, existing Shareholders would have 573,260,447 votes out of a total post-issue number of Shares of 630,586,491, representing 90.9% of the post-issue total number of Shares (or a dilution of 9.09%).

(c) Placement Period

Shareholder approval of the Additional Placement Capacity under ASX Listing Rule 7.1A is valid from 21 January 2021 (the date of the Annual General Meeting) and expires on the first to occur of:

- the date that is 12 months after the date of the Annual General Meeting (being 21 January 2022);
- the time and date of the Company's next Annual General Meeting; and

- the time and date of the approval by shareholders of a transaction under ASX Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or ASX Listing Rule 11.2 (disposal of main undertaking);

(the **Placement Period**).

(c) Purposes for which the new equity securities may be issued

The Company may seek to issue new equity securities for cash consideration to raise funds for 'business as usual' software development, customer acquisition and business development opportunities, and other growth initiatives and/or for general working capital.

(e) Allocation policy

The Company's allocation policy for the issue of new equity securities under the Additional Placement Capacity will depend on the market conditions existing at the time of the proposed issue. The allottees will be determined at the relevant time having regard to factors such as:

- the purpose of the issue;
- the methods of raising funds that are available to the Company, including but not limited to, rights issues or other issues in which existing shareholders can participate and other forms of equity and debt financing;
- the effect of the issue of new equity securities on the control of the Company;
- the circumstances of the Company, including, but not limited to, the financial situation of the Company; and
- advice from corporate, financial and broking advisers (as relevant).

As at the date of this Notice of Annual General Meeting the allottees are not known but may include existing substantial shareholders and/or new shareholders. No allottee under the Additional Placement Capacity is intended to be a related party or an associate of a related party. Existing shareholders may or may not be entitled to subscribe for any equity securities issued under the Additional Placement Capacity and it is possible that their shareholding will be diluted.

The Company will comply with the disclosure obligations under ASX Listing Rule 7.1A.4 on the issue of any new equity securities.

(f) Details of equity securities issued under earlier placement capacity approval

The Company has not issued or agreed to issue any equity securities under ASX Listing Rule 7.1A.2 in the 12 months preceding the date of the Annual General Meeting.

(g) Voting exclusion

A voting exclusion statement is included in this Notice of Annual General Meeting.

However, as at the date of this Notice of Annual General Meeting, the Company is not proposing to make an issue of equity securities under ASX Listing Rule 7.1A.2 and the Company has not approached any particular existing shareholder or security holder or an identifiable class of existing security holder to participate in any proposed issue of equity securities under the proposed Additional Placement Capacity. It is therefore intended that no existing shareholder's votes will be excluded under the voting exclusion in the Notice of Annual General Meeting.

Recommendation

The directors recommend that shareholders vote in favour of Resolution 9.

10. Top 20 Shareholders of the Company

Based on the Company Share register as at the date of preparation of this Notice, the top 20 shareholders of the Company following Completion will be as follows:

Shareholder Name	No. of Shares	% Held
TRENT LUND AND RELATED ENTITIES	257,967,201	22.50%
JOE BRASACCHIO AND RELATED ENTITIES	257,967,201	22.50%
VALEBARK PTY LTD <SCULLY INVESTMENT TRUST>	58,525,152	5.10%
CLINTON CAPITAL PARTNERS PTY LTD AND RELATED ENTITIES	57,326,045	5.00%
S & F FINANCIAL SERVICES PTY LTD	33,333,334	2.91%
ANDREW BLAIR	30,000,000	2.62%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	27,323,041	2.38%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	25,084,119	2.19%
VALEBARK PTY LTD <THE SCULLY INVESTMENT TRUST>	16,975,002	1.48%
PARMMS ENTERPRISES PTY LTD <PARMMS INVESTMENT TRUST A/C>	16,666,667	1.45%
STARMAY SUPERANNUATION PTY LTD <STARMAY SFUND COLIN SCULLY AC>	16,429,500	1.43%
STARMAY SUPERANNUATION PTY LTD <STARMAY SFUND COLIN SCULLY AC>	16,429,500	1.43%
STARMAY SUPERANNUATION PTY LTD <STARMAY SFUND DON SHARP PENSION AC>	12,648,245	1.10%
PT MORAN PTY LTD <PT MORAN SUPERANNUATION FUND A/C>	10,350,000	0.90%
SAUT PTY LTD <SA UNIT TRUST>	10,000,000	0.87%
10 BOLIVIANOS PTY LTD	7,284,466	0.64%
ADELROSE PTY LTD <JUDD SUPER FUND A/C>	6,750,000	0.59%
STARTRADE PTY LTD <STAR INVESTMENT A/C>	5,106,206	0.45%
ZAMMIT SUPPORT SERVICES PTY LTD	5,500,000	0.48%
VALEBARK PTY LTD <SCULLY INVESTMENT A/C>	4,302,372	0.38%

11. Summary of Merger Agreement

A complete copy of the Merger Agreement is provided at Schedule 2. A summary of the key terms of the Merger Agreement is set out below.

Background

Together the Sellers own 100% of the shares in Comply Path. Each of the Sellers has agreed to sell their shares in Comply Path and the Company agrees to buy those shares subject to the satisfaction of certain conditions precedent. As consideration for the purchase of the Sale Shares, the Company will issue 573,260,447 Shares to the Sellers subject to IP1 shareholder approval.

Following Completion, the Sellers will own 50% of the Merged Group and IP1 shareholders will own the remaining 50% (see section 5.2 for a summary of the voluntary escrow arrangements for and section 5.3 for the deemed Relevant Interests of the Relevant Sellers as a result of the escrow arrangements).

Conditions Precedent

The obligations under the Merger Agreement are conditional on the Independent Expert's Report concluding that the transaction contemplated by the Merger Agreement is fair and reasonable, or not fair but reasonable.

The conditions precedent to the Proposed Transaction are set out below:

- (a) the Required Resolutions being validly passed by Shareholders at the General Meeting; and

- (b) Comply Path providing to the Company a Voluntary Escrow Deed from each Seller (see Section 5.2 for further details of the Voluntary Escrow arrangements).

Each of the Company and Comply Path will use reasonable endeavours to procure that each of the conditions are satisfied as soon as reasonably practicable after the date of the Merger Agreement and continues to be satisfied at all times until the last time they are to be satisfied (as the case may require) and must not do anything which would prevent any applicable Condition from being satisfied

Conduct of business prior to Completion

From the date of the Merger Agreement up to and including Completion, the Company and Comply Path must each conduct its business in the ordinary and usual course of business.

Profile of the Merged Group

Board composition of the Merged Group

The Board of the Merged Group will, following Completion, comprise: 2 directors nominated by the Sellers, Don Sharp and Paul Collins (see section 6.2 for further details).

Chief Technology Officer

The Chief Technology Officer of the Merged Group will be the current chief executive officer and founder of Comply Path, Joe Brasacchio.

Break Fee

InPayTech Break Fee

The Company has agreed to pay Comply Path a break fee of \$200,000 if the Proposed Transaction does not complete because:

- (a) **(change of recommendation)** any member of the Company's Board fails to recommend that the Shareholders approve the Required Resolutions or withdraws their recommendation, adversely changes or qualifies their recommendation or makes the type of public statement of an intention not to cause any Shares in which they have a Relevant Interest to be voted in favour of the Required Resolutions, unless:
 - i. the Independent Expert provides a report to the Company (including either the Independent Expert's Report or any update of, or any revision, amendment or supplement to, that report) that concludes that the Proposed Transaction is not fair and reasonable, nor is it reasonable but not fair; or
 - ii. the Company's Board has determined, after receiving written legal advice from its legal advisers, that the Company's Board, by virtue of the directors' duties of the members of the Company's Board, is required to change, withdraw or modify its recommendation; or
- (b) **(Comply Path termination)** Comply Path validly terminates this document in accordance with the Merger Agreement, where the relevant breach or occurrence of the relevant event permitting Comply Path to terminate the Merger Agreement was not caused by actions or events outside of the Company's control.

Comply Path Break Fee

Comply Path has agreed to pay a break fee of \$200,000 to the Company if the Proposed Transaction does not complete because the Company validly terminates the Merger Agreement, where the relevant breach

or occurrence of the relevant event permitting the Company to terminate the Merger Agreement was not caused by actions or events outside of Comply Path or a Seller's control.

No amount payable if Proposed Transaction completes

If the Proposed Transaction completes, then the break fees are not payable, and if any amount of a break fee has already been paid it must be refunded.

GLOSSARY

Annual General Meeting or AGM or Meeting means the meeting convened by the Notice.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given in section 12 of the Corporations Act.

ASX means ASX Limited ACN 008 624 691.

Listing Rules means the Listing Rules of the ASX.

Board means the current board of directors of the Company.

Company means Integrated Payment Technologies Limited (ACN 611 202 414).

Completion means completion of the Proposed Transaction.

Comply Path means Comply Path Holdings Pty Ltd (ACN 641 635 494).

Comply Path Information has the meaning given to that term in the Merger Agreement.

Consideration Shares means the 573,260,447 new Shares to be issued to the Sellers under the Merger Agreement in return for the transfer of the Sale Shares to the Company.

Director means a current director of the Company.

Dollar or “\$” means Australian dollars.

Escrow Securities means:

- (a) the Half Escrow Securities; and
- (b) the Full Escrow Securities.

Explanatory Notes means the Explanatory Notes accompanying the Notice.

Full Escrow Period means a period commencing on Completion and ending at the end of the day that is 24 months from Completion.

Full Escrow Securities means 50% of the total Consideration Shares held by a Seller which are subject to the Full Escrow Period.

Half Escrow Period means a period commencing on Completion and ending at the end of the day that is 12 months from Completion.

Half Escrow Securities means 50% of the total Consideration Shares held by a Seller which are subject to the Half Escrow Period.

InPayTech Information has the meaning given to that term in the Merger Agreement.

Merged Group means Integrated Payment Technologies Limited (ACN 611 202 414) following successful Completion.

Merger Agreement means the merger agreement between the Company, the Sellers and Comply Path dated 17 November 2020, summarised at Section 11, a copy of which is provided at Schedule 2.

Notice or Notice of Meeting or Notice of General Meeting means this notice of annual general meeting and the explanatory notes accompanying the Notice and the Proxy Form.

Ordinary Resolution means a resolution that can only be passed if at least 50% of the total votes cast by Shareholders entitled to vote on the resolution are voted in its favour at the meeting.

Proposed Transaction means the acquisition of the Sale Shares by the Company through the issue of the Consideration Shares to the Sellers.

Proxy Form means the proxy form accompanying the Notice.

Registry means the share registry appointed by the Company from time to time.

Relevant Interest has the meaning given in the Corporations Act.

Relevant Sellers means each of Unlocked Investments Pty Ltd (ACN 641 201 443), GJB Consulting Pty Ltd (ACN 121 856 675) and Digital Niche Investments Pty Limited (ACN 609 654 275).

Required Resolutions means resolutions 4, 5 and 6 set out in the Notice.

SaaS means software as a service.

Sale Shares means all of the shares in Comply Path.

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

Shareholder means a holder of a Share.

Sellers means each of Unlocked Investments Pty Ltd (ACN 641 201 443), GJB Consulting Pty Ltd (ACN 121 856 675), Digital Niche Investments Pty Limited (ACN 609 654 275) and Clinton Capital Partners Pty Ltd (ACN 600 952 841).

Voluntary Escrow Deed has the meaning given to that term in the Merger Agreement.

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Now you know
LEADENHALL

INTEGRATED PAYMENT TECHNOLOGIES LTD

PROPOSED ACQUISITION OF COMPLY PATH HOLDINGS PTY LTD

INDEPENDENT EXPERT'S REPORT AND FINANCIAL SERVICES GUIDE
15 DECEMBER 2020

For personal use only



15 December 2020

The Directors
Integrated Payment Technologies Ltd
c/- Don Sharp – Chairman
Suite 1, Level 5, 28 Margaret Street
Sydney NSW 2000

Dear Directors,

Independent Expert's Report for Integrated Payment Technologies Ltd

1. Introduction

Integrated Payment Technologies Ltd ("**InPayTech**") is listed on the ASX and operates as a superannuation clearing house service provider for employers and payroll providers in Australia. It also offers services that facilitate the payment and communication of data between the payer and payee as well as integrating with cloud-based accounting software.

InPayTech has recently acquired Tips Go Pty Ltd ("**TipsGo**") which owns an 'Open Banking' and 'Marketplace' platform that can be leveraged for building a range of digital employee and member engagement products. Following the acquisition, TipsGo is due to be rebranded under the ClickVu name.

Comply Path Holdings Pty Ltd ("**Comply Path**") is a privately-owned Australian company that, together with its subsidiaries, offers regulatory compliance technology solutions. Comply Path has a proprietary regulatory technology platform, Bond, which was acquired by PwC Digital Consulting in 2013. In July 2020, PwC Australia divested Comply Path to Mr Trent Lund and Mr Joe Brasacchio for an undisclosed amount.

On 17 November 2020, InPayTech and Comply Path entered into the Merger Agreement whereby InPayTech agreed to acquire 100% of the shares in Comply Path for a total consideration of 573.3 million shares in InPayTech, equivalent to a 50% interest in InPayTech ("**Proposed Transaction**"). Half of these shares will be held in voluntary escrow for 12 months, with the remaining half held in voluntary escrow for 24 months. We have defined the combined InPayTech and Comply Path after the Proposed Transaction as the ("**Proposed Merged Entity**").

Further details of the Proposed Transaction are set out in Section 1 of our detailed report.

2. Purpose of the report

If the Proposed Transaction is approved, Mr Trent Lund, Mr Joe Brasacchio and Clinton Capital Partners (collectively the "**vendors of Comply Path**") will acquire a 50% interest in InPayTech. An acquisition of securities that enables a shareholder to increase its relevant interests in a listed company from below 20% to above 20% is prohibited, except in certain circumstances. One of the exceptions is if the acquisition is approved at a general meeting of the target company. The approval of the Proposed Transaction is therefore being sought at a general meeting of InPayTech's shareholders ("**Shareholders**").

In order to assist Shareholders evaluate the Proposed Transaction, the directors of InPayTech have engaged Leadenhall Corporate Advisory Pty Ltd ("**Leadenhall**") to prepare an independent expert's report ("**IER**") assessing whether the Proposed Transaction is fair and reasonable. This report is to be included in the notice of meeting that will be sent to Shareholders regarding the Proposed Transaction.

Further information regarding our scope and purpose is set out in Section 2 of our detailed report.

3. Basis of evaluation

In order to assess whether the Proposed Transaction is fair and reasonable we have:

- ◆ Assessed it as fair if the value of a share in the Proposed Merged Entity is greater than or equal to the value of an InPayTech share before the Proposed Transaction.
- ◆ Assessed it as reasonable if it is fair, or despite not being fair, the advantages to Shareholders outweigh the disadvantages.

Further details of the basis of evaluation are provided in Section 2 of our detailed report.

4. The Proposed Transaction is not fair

Assessed value of InPayTech before the Proposed Transaction

We have assessed the fair market value of an InPayTech share (on a control basis) using the discounted cash flow method. Our valuation is summarised in the following table:

Table 1: Assessed value of an InPayTech share before the Proposed Transaction

Equity value (control basis) (\$'000)		
	Low	High
Enterprise value	12,251	14,747
Surplus assets	1,730	1,845
Surplus cash	1,575	1,575
Equity value	15,556	18,167
Allocation to options	(117)	(162)
Value allocated to ordinary shares	15,439	18,005
Ordinary shares on issue ('000)	573,260	573,260
Assessed value per ordinary share on a control basis (\$)	0.027	0.031

Source: Leadenhall analysis

The enterprise value is based on a cash flow model prepared by InPayTech management (which does not include any revenue or expense projections for TipsGo). We reviewed the assumptions for reasonableness and have adjusted certain assumptions to provide what we consider to be reasonable cash flow projections. We applied a discount rate of between 14.0% and 16.0% to the projected cash flows to obtain the enterprise value.

We undertook a sensitivity analysis to highlight which assumptions had the greatest impact on the valuation conclusion. The value is most sensitive to the revenue growth assumption for InPayTech's core product ClickSuper. We have compared the components of ClickSuper revenue to their respective historical averages and held discussions with InPayTech management to understand the drivers of and expectations for revenue growth. Based on this analysis, we consider these assumptions to be reasonable.

Any alternative reasonable set of forecast assumptions would not impact our conclusion on the fairness and reasonableness of the Proposed Transaction.

Further details of our valuation of InPayTech before the Proposed Transaction are provided in Section 8 of our detailed report.

Assessed value of the Proposed Merged Entity

Our assessment of the value of a share in the Proposed Merged Entity (on a minority basis) was also based on the discounted cash flow method. Our valuation is summarised in the following table:

Table 2: Assessed value of a share in the Proposed Merged Entity

Equity value (minority basis) (\$'000)		
	Low	High
Calculated enterprise value on a control basis	32,206	39,491
Surplus assets	2,128	2,225
Non-operating liabilities	(400)	(400)
Surplus cash	1,725	1,725
Assessed equity value on a control basis	35,659	43,041
Discount for lack of control (25%)	(8,915)	(10,760)
Equity value on a liquid minority basis	26,744	32,280
Allocation to options	(84)	(127)
Value allocated to ordinary shares	26,660	32,153
Ordinary shares on issue ('000)	1,146,521	1,146,521
Assessed value per ordinary share on a minority basis (\$)	0.023	0.028

Source: Leadenhall analysis

The enterprise value is based on aggregated cash flow projections that include InPayTech (as described in Section 8.3), Comply Path and the expected synergies from the Proposed Transaction. The cash flow projections of Comply Path were prepared by Comply Path management and reviewed by InPayTech management. We reviewed the assumptions for reasonableness and have adjusted certain assumptions to provide what we consider to be reasonable cash flow projections. We applied a discount rate of between 13.0% and 15.0% to the projected cash flows to obtain the enterprise value.

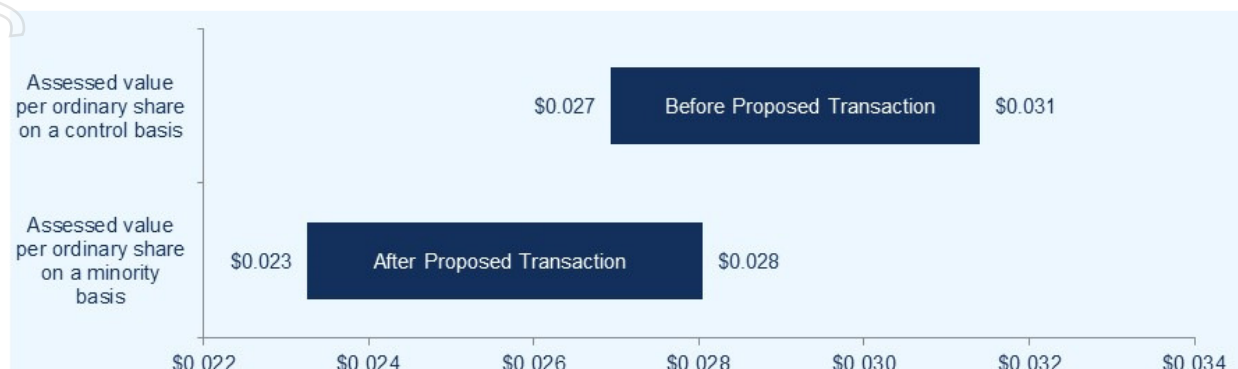
A discount for lack of control ("**DLOC**") is applied to reflect that market trading in the shares of the Proposed Merged Entity would be on a non-controlling basis.

Further details of our valuation of the Proposed Merged Entity are provided in Section 9 of our detailed report.

Conclusion on fairness

The following figure shows a comparison of our assessed value of an InPayTech share before the Proposed Transaction and our assessed value of a share in the Proposed Merged Entity:

Figure 1: Assessment of fairness



Source: InPayTech and Leadenhall analysis

Our assessed value range of a share in the Proposed Merged Entity (on a minority basis) partially overlaps our assessed value range of an InPayTech share before the Proposed Transaction (on a control basis). Given the assets have been valued on the same basis, we consider it appropriate to compare the upper end of the value range of a share in the Proposed Merged Entity with the upper end of the value range of an InPayTech share (and vice versa). We have therefore assessed the Proposed Transaction as being not fair.

5. The Proposed Transaction is reasonable

In accordance with ASIC guidelines, we have defined the Proposed Transaction as reasonable if it is fair, or if despite not being fair, the advantages to Shareholders outweigh the disadvantages. We have therefore considered the following advantages and disadvantages of the Proposed Transaction to Shareholders.

Advantages

The main advantages of the Proposed Transaction are:

- ◆ **Increased value on a minority basis:** While the Proposed Transaction does not generate a full control premium for Shareholders, based on our analysis it will lead to an increased value per share on a minority basis. Specifically, if we apply our selected discount for lack of control to the pre-transaction value of an InPayTech share it would be in the range of between 2.0 cents and 2.4 cents. At the mid-point, this is 0.4 cents below the assessed value after the Proposed Transaction.
- ◆ **Accelerates the development of ClickVu and associated cost savings:** The Proposed Transaction accelerates the development and rollout of InPayTech's ClickVu product which is expected to help generate an increase in ClickSuper transactions and attract new customers. In addition, leveraging on the already developed Bond platform of Comply Path reduces development costs to be incurred by InPayTech of approximately \$1.0 million over the next twelve months.
- ◆ **Potential synergies:** Our valuation of the Proposed Merged Entity does not allow for the expected revenue synergies from cross-selling opportunities to the existing clients of both InPayTech and Comply Path. If these revenue synergies are achieved, that may represent upside to Shareholders relative to our assessed value.
- ◆ **Growth potential:** Comply Path has a number of new clients in the pipeline which have not been fully included in the valuation of the Proposed Merged Entity. Therefore, if the Proposed Transaction is completed, Shareholders will be exposed to a company with significant growth expectations, which may in time lead to share price appreciation.

- ◆ **Scale and liquidity:** If the Proposed Transaction is completed, Shareholders will hold shares in the Proposed Merged Entity which has the potential to be a significantly larger business than InPayTech standalone. This should lead to increased liquidity in InPayTech shares as well as a potential market re-rating. This additional scale may also make the enlarged group a more attractive takeover target, thereby increasing the probability that Shareholders will realise a full control premium at some point in the future.
- ◆ **Potential to realise an optimal capital structure:** InPayTech currently operates on a less than optimal capital structure due to the lack of asset backing and ongoing losses limiting access to debt capital. The Proposed Merged Entity is expected to generate significantly greater profits in the medium term than the standalone business which may allow the use of additional leverage to realise an optimal capital structure.
- ◆ **Complementary activities:** As InPayTech and Comply Path operate in similar parts of the RegTech industry in Australia, the Proposed Transaction would not only provide an opportunity for both businesses to consolidate but may reduce competition in some areas.

Disadvantages

The main disadvantages of the Proposed Transaction are:

- ◆ **Loss of control:** If the Proposed Transaction is approved, the vendors of Comply Path would acquire practical control of InPayTech with a combined holding of 50%. This would include the ability to control the assets, the strategic direction of the company, and the decision of when to pay dividends. The vendors of Comply Path may not always act in the best interests of Shareholders, subject to compliance with relevant laws and regulations. This limits the ability to consider a takeover offer without the support of the vendors of Comply Path (to the extent they are aligned) which may reduce the potential for Shareholders to receive a control premium in the future.
- ◆ **Risks of achieving revenue growth and synergies:** Our assessed value of the Proposed Merged Entity includes significant revenue growth projections and synergies. There is a risk that these expectations will not be realised (or fully valued by the market), in which case the value of the Proposed Merged Entity may decline or fail to trade at levels implied by our assessed value. However, InPayTech on a standalone basis faces similar risks.
- ◆ **Comply Path's financial statements are unaudited:** Comply Path has not had its financial statements audited. Despite the commission of extensive due diligence on Comply Path there is an increased risk of material error in its financial statements than if it was audited.
- ◆ **Potential non-renewal of contracts for Comply Path:** Our assessed value of the Proposed Merged Entity includes expectations that Comply Path's sales contracts will be renewed, or if not, there are adequate alternative revenue sources which can replace the loss of contracted revenue. There is a risk of both scenarios failing to materialise, in which case, the value of the Proposed Merged Entity may decline or fail to trade at levels implied by our assessed value.
- ◆ **Shareholders will receive a smaller share of the upside than Vendors:** While there is a significant increase in the enterprise value if the Proposed Transaction proceeds (due largely to expected synergies), Shareholders are receiving a smaller share of this upside than the vendors of Comply Path.

Conclusion on reasonableness

In considering the reasonableness of the Proposed Transaction, we consider the advantages outweigh the disadvantages, in particular the increased value on a minority basis. In the absence of a higher value alternative, we have therefore assessed the Proposed Transaction as being reasonable.

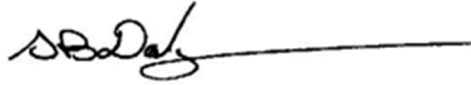
6. Opinion

In our opinion, the Proposed Transaction is not fair but reasonable to Shareholders. This opinion should be read in conjunction with our detailed report which sets out our scope, analysis and findings in more detail.

Yours faithfully



Richard Norris
Director



Simon Dalgarno
Director

*Note: All amounts stated in this report are in Australian dollars unless otherwise stated.
Tables in this report may not add due to rounding.*

LEADENHALL CORPORATE ADVISORY PTY LTD

ABN 11 114 534 619

Australian Financial Services Licence No: 293586

FINANCIAL SERVICES GUIDE

Leadenhall Corporate Advisory Pty Ltd ("**Leadenhall**" or "**we**" or "**us**" or "**our**" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

Financial Services Guide

In providing this report, we are required to issue this Financial Services Guide ("**FSG**") to retail clients. This FSG is designed to help you to make a decision as to how you might use this general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

Financial Services We are Licensed to Provide

We hold Australian Financial Services Licence 293586 which authorises us to provide financial product advice in relation to securities (such as shares and debentures), managed investment schemes and derivatives.

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

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

General Financial Product Advice

The advice produced in our report is general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that We May Receive

We charge fees for providing reports. These fees will be agreed with the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis. Leadenhall is entitled to receive a fixed fee of \$60,000 (excl. GST) for preparing this report. This fee is not contingent upon the outcome of the Proposed Transaction.

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

Remuneration or Other Benefits Received by our Employees, Directors and Consultants

All our employees receive a salary. Our employees are eligible for bonuses which are not based on the outcomes of any specific engagement or directly linked to the provision of this report. Our directors and consultants receive remuneration based on time spent on matters.

Referrals

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

Complaints Resolution

As the holder of an Australian Financial Services Licence, we are required to have a system in place for handling complaints from persons to whom we have provided reports. All complaints must be in writing, to the following address:

Leadenhall Corporate Advisory Pty Ltd
GPO Box 1572
Adelaide SA 5001

Email: office@leadenhall.com.au

We will try to resolve your complaint quickly and fairly and will endeavour to settle the matter within 14 days from the time the matter is brought to our attention.

If you do not get a satisfactory outcome, you have the option of contacting the Australian Financial Complaints Authority ("**AFCA**"). The AFCA will then be able to advise you as to whether or not they can assist in this matter. The AFCA can be contacted at the following address:

Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001

Website: www.afca.org.au

Email: info@afca.org.au

Telephone: 1800 931 678 (free call)

Leadenhall's AFCA membership number is 12224

Compensation Arrangements

Leadenhall holds professional indemnity insurance in relation to the services we provide. The insurance cover satisfies the compensation requirements of the Corporations Act 2001.

15 December 2020

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1 THE PROPOSED TRANSACTION

1.1 Acquisition of Comply Path

InPayTech is listed on the ASX and operates as a superannuation clearing house service provider for employers and payroll providers in Australia. In addition, InPayTech has a service offering that facilitates the payment and communication of data between the payer and payee, integrated with cloud-based accounting software. Further details of InPayTech's operations are provided in Section 4 of this report.

Comply Path is a privately-owned Australian company that offers regulatory compliance technology solutions. Comply Path has a proprietary regulatory technology platform, Bond, which was originally developed at Intunity Pty Ltd and was then acquired by PwC Digital Consulting in 2013. In 2018, Bond was subsequently established as a platform venture in PwC Australia to improve the engagement between its employees, superannuation funds and the tax office. In July 2020, PwC Australia divested Comply Path to Mr Trent Lund and Mr Joe Brasacchio for an undisclosed amount. Further details of Comply Path's business are provided in Section 5 of this report.

On 17 November 2020, InPayTech and Comply Path entered into the Merger Agreement whereby InPayTech agreed to acquire 100% of the shares in Comply Path for a total consideration of 573.3 million InPayTech shares, equivalent to 50% of the shares that will be on issue after the Proposed Transaction. The vendors of Comply Path have agreed to place half of the consideration shares in voluntary escrow for 12 months, with the remaining half held in voluntary escrow for 24 months.

1.2 Board and Management

If the Proposed Transaction is approved, Mr Joe Brasacchio, the Chief Executive Officer of Comply Path, will be appointed the Chief Technology Officer of InPayTech. The Board of the Proposed Merged Entity is expected to be comprised of two nominees from Comply Path and two nominees from InPayTech, with an Independent Non-executive Chairperson to be mutually agreed and appointed within six months of the Proposed Transaction being approved by Shareholders.

1.3 Conditions

The Proposed Transaction is subject to a number of conditions including:

- ◆ Approval by InPayTech shareholders
- ◆ Comply Path providing InPayTech a voluntary escrow deed in respect of the consideration shares.

2 SCOPE

2.1 Purpose of the report

If the Proposed Transaction is approved, the vendors of Comply Path will acquire a 50% interest in InPayTech. An acquisition of securities that enables a shareholder to increase its relevant interests in a listed company from below 20% to above 20% is prohibited under Section 606 of the Corporations Act 2001 ("**s606**"), except in certain circumstances.

One of the exceptions to s606 is where the acquisition is approved at a general meeting of the target company (in this case, InPayTech) in accordance with item 7 ("**Item 7**") of Section 611 of the Corporations Act 2001 ("**s611**"). Approval for the Proposed Transaction is therefore being sought at a general meeting of InPayTech's shareholders in accordance with Item 7.

Item 7 requires shareholders to be provided with all of the information known to the company and to the potential acquirer that is material to the shareholders' decision. *Regulatory Guide 74: Acquisitions Approved by Members* ("**RG74**") issued by the Australian Securities and Investment Commission ("**ASIC**") provides additional guidance on the information to be provided to shareholders. RG74 states that the directors of the target company should provide shareholders with an independent expert's report or a detailed directors' report in relation to transactions to be approved under Item 7. *Regulatory Guide 111: Content of Expert Reports* ("**RG111**") issued by ASIC requires an independent expert assessing a transaction that has a similar effect to a takeover bid to assess whether the transaction is fair and reasonable.

The directors of InPayTech have therefore requested Leadenhall to prepare an independent expert's report assessing whether the Proposed Transaction is fair and reasonable to Shareholders. This report has been prepared for the exclusive purpose of assisting Shareholders in their consideration of the Proposed Transaction.

2.2 Basis of evaluation

Introduction

RG111.25 requires an independent expert to evaluate an issue of securities under s611 that has a similar effect to a takeover offer as if it was a takeover offer. As the vendors of Comply Path will collectively hold a 50% stake in InPayTech should the Proposed Transaction be approved, we have assessed the Proposed Transaction as a control transaction. RG111 requires a separate assessment of whether a control transaction under s611 is '*fair*' and whether it is '*reasonable*'. We have therefore considered the concepts of '*fairness*' and '*reasonableness*' separately. The basis of assessment selected and the reasons for that basis are discussed below.

Fairness

RG111.11 defines a takeover offer as being fair if the value of the consideration is equal to, or greater than, the value of the securities subject to the offer. Accordingly, we have assessed whether the Proposed Transaction is fair by comparing the value of an InPayTech share before the Proposed Transaction with the consideration offered to Shareholders. As Shareholders would retain their InPayTech shares if the Proposed Transaction proceeds (as opposed to exchanging them for cash or the acquirer's scrip as in a takeover offer) the effective consideration is the continued ownership of an InPayTech share, which will become a share in the Proposed Merged Entity.

The value of an InPayTech share before the Proposed Transaction has been determined on a control basis (i.e. including a control premium). This is consistent with the requirement of RG111.11 that the comparison for a takeover must be made assuming a 100% interest in the target company.

After the Proposed Transaction, an InPayTech share will effectively be a share in the Proposed Merged Entity (i.e. InPayTech and Comply Path combined). This has been assessed on a minority interest basis (i.e. excluding a control premium) as Shareholders would own a minority stake in the Proposed Merged Entity should the Proposed Transaction occur.

We have assessed the values of an InPayTech share and a share in the Proposed Merged Entity at fair market value, which is defined by the International Glossary of Business Valuation Terms as:

The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.

While there is no explicit definition of value in RG111, this definition of fair market value is consistent with basis of value described at RG111.11 and common market practice.

Special value is defined as the amount a specific purchaser is willing to pay in excess of fair market value. A specific purchaser may be willing to pay a premium over fair market value as a result of potential economies of scale, reduction in competition or other synergies they may enjoy arising from the acquisition of the asset. However, to the extent a pool of hypothetical purchasers could all achieve the same level of synergies the value of those synergies may be included in fair market value. Special value is typically not considered in forming an opinion on the fair market value of an asset. Our valuations of InPayTech and the Proposed Merged Entity do not include any special value.

Reasonableness

In accordance with RG111, we have defined the Proposed Transaction as being reasonable if it is fair, or if, despite not being fair, Leadenhall believes that there are sufficient reasons for Shareholders to vote for the proposal. We have therefore considered whether the advantages to Shareholders of the Proposed Transaction outweigh the disadvantages. To assess the reasonableness of the Proposed Transaction we have considered the following significant factors recommended by RG111.13:

- ◆ The size of existing shareholding blocks in InPayTech
- ◆ The liquidity of the market in InPayTech's shares
- ◆ Any special value of InPayTech to the vendors of Comply Path
- ◆ The likely market price of InPayTech shares if the Proposed Transaction is rejected
- ◆ The value of InPayTech to an alternative bidder and the likelihood of an alternative offer.

We have also considered other significant advantages and disadvantages to Shareholders of the Proposed Transaction.

2.3 Individual Circumstances

We have evaluated the Proposed Transaction for Shareholders as a whole. We have not considered its effect on the particular circumstances of individual investors. Due to their personal circumstances, individual investors may place a different emphasis on various aspects of the Proposed Transaction from the one adopted in this report. Accordingly, individuals may reach a different conclusion to ours on whether the Proposed Transaction is fair and reasonable. If in doubt investors should consult an independent financial adviser about the impact of the Proposed Transaction on their specific financial circumstances.

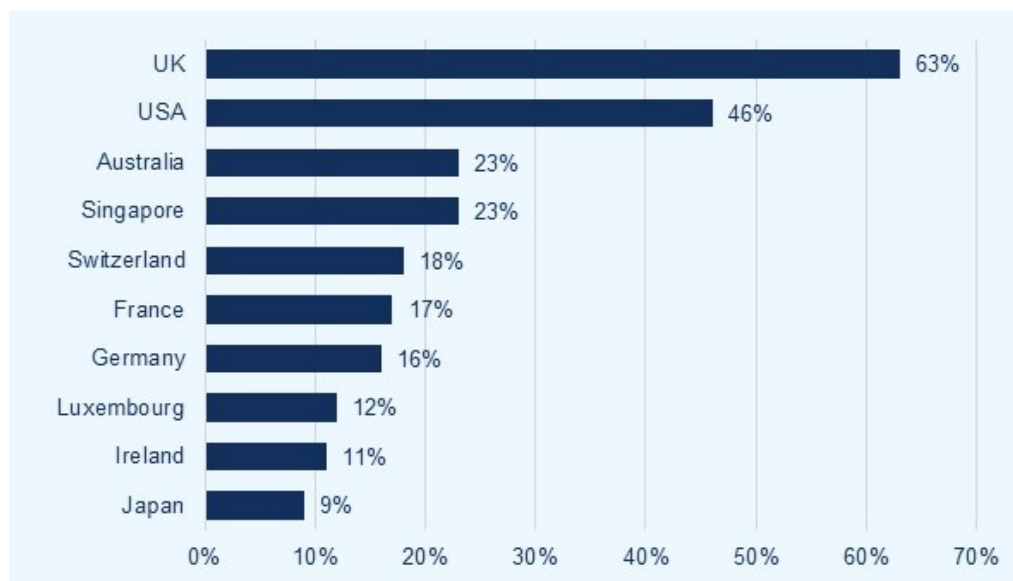
3 INDUSTRY ANALYSIS

3.1 Overview of the RegTech Industry

InPayTech and Comply Path are both in the regulatory technology ("**RegTech**") industry. RegTech is sector agnostic and relates to the use of new technology in regulatory monitoring, reporting and compliance. RegTech companies typically use a software-as-a-service ("**SaaS**") model to help businesses comply with regulations in an efficient and cost-effective manner.

According to the Global RegTech Industry Benchmark Report 2019 prepared by the Cambridge Centre for Alternative Finance ("**CCAF**"), the global RegTech industry is estimated to have employed 44,000 people and generated USD 4.9 billion in revenue annually in 2018. It is a highly globalised industry with fewer than a third of RegTech vendors active in just a single market based on a survey of over a hundred RegTech firms. Approximately two-thirds of the RegTech vendors have a physical presence in the United Kingdom and nearly half in the United States. The breakdown of the top 10 RegTech markets is as follows:

Figure 2: Top 10 RegTech markets



Source: The Global RegTech Industry Benchmark Report 2019 prepared by CCAF

Note: By percentage of firms active in the market

3.2 Market Segments

The main uses of RegTech solutions can be divided into five segments as below:

Table 3: RegTech market segments

Segment	Activity of vendors in the segment	Percentage of firms by activity volume	Percentage of firms by funds raised
Profiling and due diligence	Collect or integrate data from multiple sources to build a profile of a person, entity or counterparty, confirm their identity, or categorise them according to regulatory requirements or business rules.	21%	31%
Reporting and dashboards	Collect information from multiple sources within a firm in order to build standardised reports for management or compliance purposes.	25%	6%
Risk analytics	Use big data to assess the risk of fraud, market abuse or other misconduct at the transaction level.	20%	14%
Dynamic compliance	Facilitate and monitor regulatory change, ensuring that policies and controls adapt flexibly to changing requirements.	18%	41%
Market monitoring	Match market-level adverse outcomes to regulatory or business rules, including poor product performance, adverse market conditions or market manipulation, by sourcing data from diverse external sources.	16%	8%

Source: CCAF Global RegTech Survey

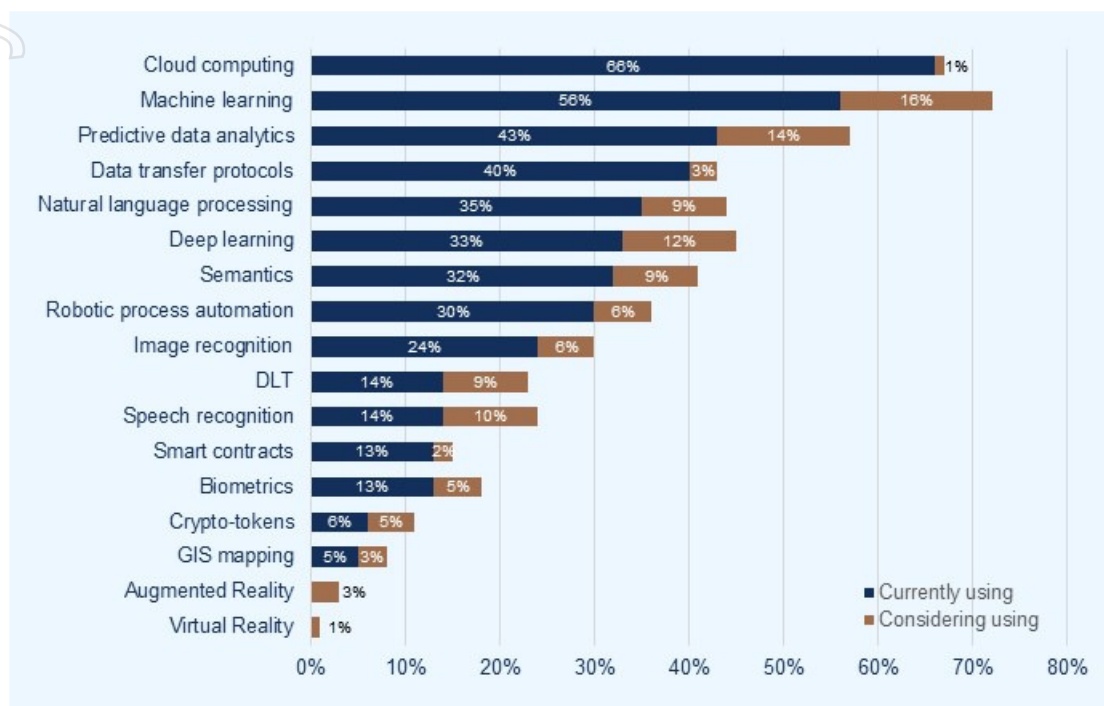
The bulk of investor funds flowing into the RegTech industry are attracted to activities associated with profiling and due diligence (31%) and dynamic compliance applications (41%). Both segments benefit from stringent regulatory requirements around anti-money laundering or data protection which have significant non-compliance costs hence leading to an increased demand for compliance technology.

The financial services sector, in particular banks and insurers, dominates demand for RegTech solutions with currently between 89% and 94% of the surveyed vendors offering solutions tailored to the needs of the banking sector. However, the focus of RegTech firms is gradually expanding towards non-financial services industries (i.e. real estate, software, governments, and utilities). Product offerings targeted at the non-financial services industries use a significantly wider range of technologies than that of the financial services sector, with emphasis on image recognition, deep learning, privacy and data protection.

3.3 Available Technologies

The common tools and technologies involved in RegTech solutions include:

Figure 3: Technologies and tools commonly used by RegTech firms



Source: CCAF Global RegTech Survey

Delivery of over-the-cloud services is common across the RegTech industry with over two-thirds of the firms offering SaaS solutions. The less common technologies and tools used are smart contracts and biometrics (i.e. voice and image recognition) while spatial mapping is still at an early stage of adoption. It is expected that the usage of machine learning and data analytics will increase significantly in the near term.

3.4 Opportunities and Challenges

RegTech services a wide variety of industries from government organisations to financial institutions and retail. With this level of outreach, RegTech has the ability to:

- ◆ **Restore trust and bring financial resilience:** RegTech enables corporations to automatically monitor and respond to changing regulation hence allowing them to become more flexible and customer centric. In addition, RegTech enables regulators to keep up with the growing threat of financial crime, systemic risks, financial and non-financial risks and in monitoring corporate activities. Therefore, consumers and governments benefit from the increased financial resilience and meeting their expectations for trust.
- ◆ **Bring widespread economic benefits:** RegTech supports the transformation of all regulated industries through a facilitation of transparency, productivity and in reducing compliance-related costs. Accordingly, this allows corporations to invest in growing their business, creating more jobs and developing new products and markets.
- ◆ **Underpin a significant export opportunity for Australia:** The RegTech Association believes there is a significant opportunity for economic growth driven by the high export potential of RegTech. The abundant and diverse RegTech sector in Australia has been nurtured by Australia's strong regulatory track record and consistent efforts in RegTech product development and innovation. Therefore, Australia can capitalise on its strategic advantage to act as a pivot for the evolution of global regulation.

Key challenges facing the RegTech industry include:

- ◆ **Lack of capital and cash flow:** RegTech is currently inhibited by a subdued investment capital environment and a long sales cycle of an average of approximately 14 months (and in some cases, depending on the complexity of the technology deployment, can reach up to two years). The RegTech Association conducted research which found that the bulk of RegTech founder-led members are self-funded with minimal investments from venture capitalists. It is understood that venture capitalists prefer speedier returns and RegTech by its nature requires a more patient style of investment. In contrast, as reported by Accenture that in 2019, Financial Technology ("**FinTech**") companies in Australia raised \$400 million in six months.
- ◆ **Focus on remediation rather than transformation:** The commitment in financial services to prioritise remediation over transformation stifles RegTech's potential. There has been a focus within the financial services industry on addressing past issues as opposed to reimagining the way businesses can be transformed. This notion was alluded to by the Australian Banking Association which has conceded capacity constraints as a result of remediation work associated with the Banking Royal Commission.

3.5 Outlook

According to Juniper Research, global RegTech spending is forecast to exceed USD 127 billion by 2024 driven by a significant increase in the automation of resource-intensive tasks, e.g. know-your-customer ("**KYC**") checks and the use of artificial intelligence in transaction monitoring. Cost savings for KYC checks in the banking and real estate sectors globally are likely to reach USD 1 billion by 2024. In addition, considerable opportunities for RegTech will arise from the Western Europe region, with potentially divergent and complex regulatory rules mandated by the United Kingdom and the European Union following Brexit.

In Australia, the impact of the COVID-19 pandemic had raised concerns on the vulnerability and survivability of many RegTech businesses, in particular start-ups which are still operating pre-revenue. Consequently, the economic fall-out associated with the pandemic has led to a significant contraction in workforce within the sector in Australia. Furthermore, The RegTech Association highlighted that 40% of its members surveyed in July 2020 indicated a retraction in trials with some reporting cancellation of their entire forward sales pipeline. This therefore presents near-term challenges for policymakers and the private sector on ensuring the RegTech sector can survive through the crisis. The Australian Government has responded with actions taken to reduce the economic impact of the pandemic, with many RegTech companies eligible for government funding through JobKeeper, the Structured Finance Support Fund and the Coronavirus SME Guarantee Scheme.

4 PROFILE OF INPAYTECH

4.1 Background

InPayTech is an ASX-listed company with a market capitalisation of approximately \$20 million as at 17 November 2020. InPayTech provides superannuation clearing house services for employers and payroll providers in Australia. It also offers services that facilitate the payment and communication of data between the payer and payee, integrated with cloud-based accounting software.

In July 2016, InPayTech was established to acquire the business and assets of Payment Adviser Group, consisting of Click Super Pty Ltd ("**ClickSuper**") and Payment Adviser Pty Ltd ("**Payment Adviser**"). Payment Adviser Group is an Australian company which launched a proprietary service in 2008 that simplifies the way data and payments are issued and processed by linking transaction data to an electronic banking payment. Patents over this service have been granted in the United States, Japan, China, Hong Kong, Singapore, New Zealand and South Africa and are pending in Canada and Australia. The Australian patent has been approved and is expected to be granted by the end of calendar year 2020.

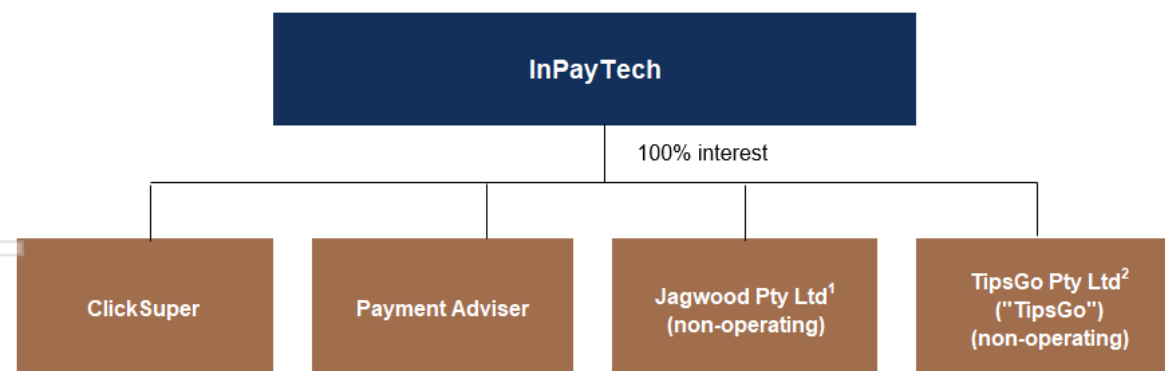
In May 2009, the Minister for Superannuation and Corporate Law announced the Super Review into the governance, efficiency, structure and operation of Australia's superannuation system, known as the Cooper Review. The review was initiated in recognition of the potential scale of the superannuation system which would present significant administrative and other associated costs for superannuation administrators at a time when the back offices of administrators were dominated by manual transactions. A package of measures called SuperStream was recommended as an outcome of the Cooper Review and called for the use of technology to automate all elements of the superannuation transaction process and workflow.

In response to the release of the Cooper Review, Payment Adviser Group launched the ClickSuper service in 2010. The service leverages on the patented Payment Adviser service, with a focus on the payment of superannuation contributions and transmission of data concerning the contributions. ClickSuper now processes superannuation contributions and Single Touch Payroll ("**STP**") reports on behalf of more than 45,000 employers throughout Australia.

4.2 Corporate Structure

The existing corporate structure of InPayTech is set out as follows:

Figure 4: InPayTech corporate structure



Source: InPayTech

Notes:

1. Jagwood Pty Ltd owns the patents and makes the underlying intellectual property available to Payment Adviser.
2. TipsGo was recently acquired by InPayTech in October 2020 for a total consideration comprising of a \$30,000 cash, 30 million ordinary shares in InPayTech to the vendors of TipsGo and 3 million ordinary shares in InPayTech to a third party associated with TipsGo for the assignment of intellectual property rights to TipsGo.

4.3 Overview of Operations

InPayTech operates only in Australia and is managed as one operating segment primarily through ClickSuper and to a much lesser extent, Payment Adviser. At present, ClickSuper generates 99% of InPayTech's total revenue. Further information of the respective product lines is provided below.

ClickSuper

ClickSuper provides a complete, turnkey solution to SuperStream and STP compliance for superannuation funds, payroll, accounting and enterprise resource planning software providers. ClickSuper simplifies employer-to-fund processing and fund-to-fund processing, with auto-reconciliation and customisable validation hence providing customers an efficient and fully automated online system. ClickSuper utilises the patented Payment Adviser service, with the technology embedded in many payroll providers' systems and used by their employer clients. Data is securely stored in high security data centres operated by third-party providers. Benefits of using the ClickSuper service include:

- ◆ An easy application process with the ability to start using ClickSuper on the same day. Once activated, employee superannuation records can be validated against ClickSuper's database.
- ◆ Integration with Australia's top payroll providers hence all workflow is driven from a centralised location.
- ◆ Automatic deduction of employee contributions from the registered accounts and remission of the funds and accompanying employee remittance advice to the nominated recipients.
- ◆ Addresses current and future compliance needs as ClickSuper is a signatory to the Superannuation Data and Gateway Service Standards.

ClickSuper generates almost all of InPayTech's income from the following sources:

- ◆ **Facility fees:** Clients are typically charged a monthly fee for each employee the employer is paying superannuation contributions on behalf of.
- ◆ **Transaction fees:** Transaction fees are charged on a per employee basis with the amount payable being calculated by reference to the number of transactions for each employee.
- ◆ **Float income:** While the funds are held in the ClickSuper trust account awaiting clearance (which is typically three days before they are paid to the specified superannuation fund), interest (called 'float income') is earned on the cash rate less a margin charged by the bank.
- ◆ **Return fees:** ClickSuper payments to superannuation funds can be returned if the employee does not have an account with the superannuation fund. ClickSuper charges an additional fee for returning the funds to the employer.

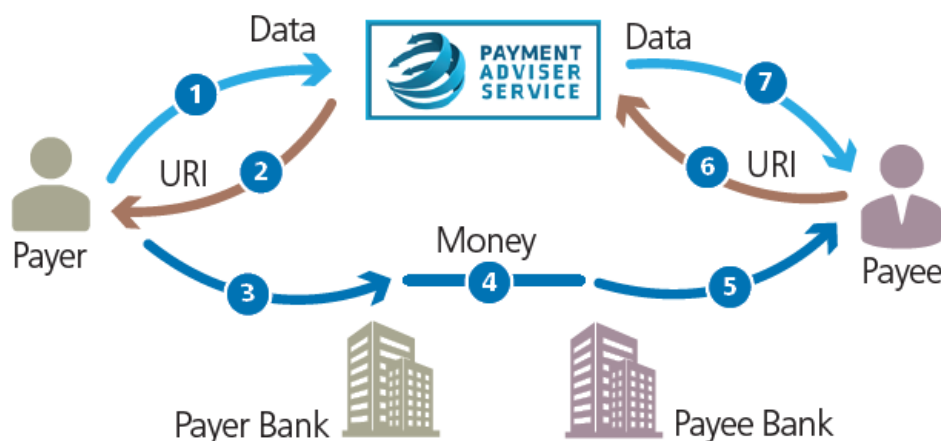
Customers of ClickSuper are small and medium-sized enterprises, Federal and State governments and payroll solutions providers such as Payroll Metrics Pty Ltd, Ceridian Australia Pty Ltd and ReadyTech Holdings Ltd.

In the near term, InPayTech is expected to reposition ClickSuper from a commoditised compliance payment solutions provider to a digital platform provider with the ClickVu service that is currently under development. ClickVu uses payment and employment data and provides a platform to help facilitate regular and ongoing engagement between employers, employees and their superannuation funds. For example, when a member changes employer, the superannuation fund would be notified of the change via ClickVu. Subsequently, the superannuation fund could use current information to guide members during the transition phase or any resulting changes, i.e. insurance cover requirements. In addition, ClickVu enables members to receive targeted and specific financial advice as part of raising the financial literacy of the Australian population.

Payment Adviser

Payment Adviser was established to commercialise the patented Payment Adviser service, marketing to businesses and government sectors. Payment Adviser currently generates income from providing consulting services to external organisations that use the patented Payment Adviser service. The diagram below illustrates the operational steps of this patented service:

Figure 5: Process of the patented service



Source: InPayTech

Notes:

1. Payer uploads extended remittance data to Payment Adviser Service.
2. Payment Adviser Service returns the unique 16 character payment reference to the payer.
3. Payer makes a payment to the payee with the unique 16 character payment reference.
4. Payment clears through the banking system.
5. Payee bank adds a credit to the bank account.
6. Payee gets the payment reference from the bank statement and enters the unique 16 character payment reference into a browser.
7. Payment Adviser Service verifies the payee and downloads the extended remittance data.

PayVu

PayVu is a service focusing on the automated payment of invoices that was internally developed and launched in July 2020. PayVu provides bookkeepers and accountants a complete and scalable business payment solution, eliminating low-value contact between stakeholders in payment process such that business owners can easily approve and reject recommended payments on their smart phones. PayVu uses the patented Payment Adviser service to process payments for customers. The system is capable of integrating with a wide range of cloud-based accounting systems.

Over the past twelve months, PayVu completed its major development phase upon finalising an accounts payable integration agreement with Xero. The integration enhances the speed and reliability of PayVu's existing functions in delivering its accounts payable solutions to customers at reduced development costs.

TipsGo

TipsGo owns an 'Open Banking' and 'Marketplace' platforms that can be leveraged for building a range of digital employee and member engagement products. Open Banking gives consumers the ability to share banking data with third parties (such as other banks and financial institutions) which have been accredited by the Australian Competition and Consumer Commission.

TipsGo Marketplace platform allows providers (i.e. banks, superannuation funds and employers) to combine both banking and non-banking services that help consumers with their overall lifestyle needs. An example of a non-banking service using the TipsGo Marketplace platform includes providing cashflow and payroll management services to small and medium businesses on a mobile application, combining it with business loans that allow consumers to access finance when necessary.

Although TipsGo is currently a non-operating business, InPayTech management believes the intellectual property held by TipsGo is complementary to InPayTech's growth strategy. The integration of TipsGo's application programming interfaces ("APIs") with payroll data from ClickSuper's integrated payroll network is expected to help accelerate the development of ClickVu. Following the acquisition, TipsGo is due to be rebranded under the ClickVu name.

4.4 Competitive Position

The table below sets out the strengths, weaknesses, opportunities and threats analysis for InPayTech:

Strengths	Weaknesses
<ul style="list-style-type: none"> ◆ Experienced management and board with industry-specific knowledge, in particular on superannuation technologies. ◆ Strong focus on innovation leading to the creation of a number of proprietary software systems that address market needs. ◆ Established brand in ClickSuper since 2010. 	<ul style="list-style-type: none"> ◆ Loss-making position limits access to capital and results in a heavy reliance on shareholders for funds. Therefore, growth may be inhibited if major shareholders withdraw support. ◆ ClickSuper's solution is not as well developed as some of its larger competitors' solutions for large enterprise customers. ◆ PayVu currently has no in-app support for failed and incomplete payments.
Opportunities	Threats
<ul style="list-style-type: none"> ◆ InPayTech has recently developed a new product platform, ClickVu, which is complementary to the existing services of ClickSuper. Therefore, there are opportunities for cross-selling and in attracting new customers and superannuation funds. A proof of concept is currently being developed with two large cloud-based payroll services. ◆ The recent acquisition of TipsGo and subsequent integration of its APIs help accelerate the development of ClickVu. 	<ul style="list-style-type: none"> ◆ Payroll and superannuation compliance solutions technology is constantly evolving which poses a threat of new entrants with superior technology and features to InPayTech. ◆ Changes to the regulatory regime which can be disruptive to InPayTech's operations if not properly addressed and managed, i.e. the threat of Open Banking. ◆ Reliability, usability and on-boarding issues in releases of new software and updates as in the case of earlier PayVu versions.

Source: InPayTech and Leadenhall analysis

4.5 Key Personnel

The board and senior management team of InPayTech include:

Table 4: Key personnel of InPayTech

Directors	Experience
Donald Sharp Executive Chairman	Mr Sharp is a qualified accountant and an experienced leader in the financial services sector. He co-founded Bridges Financial Services Pty Ltd, an industry leader in financial services known for establishing one of the first platform solutions for portfolio management in Australia. He is the former chairman of Investors Mutual, Global Value Investors and Premium Investors Ltd and a former director of Countplus Ltd and Treasury Group Ltd. He is also currently serving as a non-executive director of Xplore Wealth Ltd.
Paul Collins Non-executive Director	Mr Collins has extensive experience with publicly listed technology companies. Over the last 20 years, he has been involved in the start-up and subsequent ASX listing of two FinTech companies. Prior to his role at InPayTech, he was an executive director of IWL Ltd and the co-founder and executive director of Xplore Wealth Ltd. He is also currently serving as a director of ReadCloud Ltd.
Sandra Barns Non-executive Director	Ms Barns is an experienced executive manager and has held several executive roles as Chief Technology Officer and Chief Information Security Officer in the financial services, superannuation and FinTech sectors. She was a former non-executive director of Health Ability, Nilumbik Health and IWFCI. She was also the Chief Technology Officer and Chief Information Security Officer of VicSuper.
Dean Martin Chief Executive Officer	Mr Martin is an experienced executive with over 12 years of experience in payments, superannuation and finance. He was involved in innovation that drives efficiency in superannuation, payments and banking. He has held senior sales and marketing roles at Macquarie Bank, Cuscal Ltd, The Corporate Executive Board Company and Telstra Ltd.

Source: InPayTech

4.6 Financial Performance

The financial year ("FY") for InPayTech is a twelve-month period ending 30 June. The audited consolidated statements of financial performance for FY18, FY19, FY20 and unaudited consolidated statement of financial performance for the period ended 30 September 2020 (three months) are set out in the table below.

Table 5: InPayTech's financial performance

\$'000	FY18	FY19	FY20	Q1FY21
Revenue	1,775	1,795	1,494	330
Other income	-	-	100	75
Transaction costs	(456)	(450)	(495)	(115)
Gross margin	1,319	1,346	1,099	290
<i>Gross margin %</i>	<i>74%</i>	<i>75%</i>	<i>74%</i>	<i>88%</i>
Operating expenses				
Employment benefit expense	(1,174)	(1,469)	(1,755)	(358)
Consulting fees	(153)	(277)	(348)	(100)
Conference and marketing	(276)	(272)	(218)	(14)
Premises expense	(98)	(102)	(77)	(18)
Other operating expenses	(825)	(482)	(456)	(97)
EBITDA	(1,207)	(1,255)	(1,755)	(296)
Depreciation and amortisation expense	(1,933)	(2,070)	(1,848)	(213)
Impairment loss	-	(9,668)	(50)	-
EBIT	(3,140)	(12,993)	(3,653)	(509)
Other non-operating expenses	-	-	-	(112)
Interest income	54	25	5	1
Interest expenses	(1)	(1)	(24)	(1)
Loss before tax	(3,087)	(12,969)	(3,672)	(621)
Income tax benefit / (expense)	533	(53)	6	-
Loss after tax	(2,554)	(13,022)	(3,666)	(621)

Source: InPayTech

In relation to the historical financial performance of InPayTech set out above:

- ◆ InPayTech has sustained operating losses in each of the periods presented above, largely attributable to a high fixed cost base and declining revenue due to lower interest rates over the period which had a negative impact on float income.
- ◆ Transaction costs have increased slightly in FY20 due to an increase in platform and server hosting fees in line with the contractual terms.
- ◆ Other income relates to government grants received from the Australian Government as part of its cash flow boosts scheme in response to the COVID-19 pandemic.
- ◆ Employment benefit expenses have increased significantly from FY18 as a result of an increase in the number of employees (full time and casual) from 12 in FY18 to 18 in FY20 with the development (and finalisation) of PayVu.
- ◆ Consulting fees are incurred in relation to the development of PayVu and ClickVu.
- ◆ Other operating expenses include insurance premiums, compliance costs, accounting and audit fees.
- ◆ Depreciation and amortisation expenses predominantly pertain to the amortisation of intangible assets such as patents, capitalised software development costs (including PayVu) and acquired client relationships. Software development costs and acquired client relationships are amortised on a straight-line basis over a period of five years and four years respectively.
- ◆ The significant impairment loss in FY19 relates to the impairment of goodwill (\$6.8 million) that arose from the acquisition of the Payment Adviser Group in July 2016, as well as impairment of other intangible assets of the Payment Adviser Group.

4.7 Financial Position

The audited statements of financial position as at 30 June 2018, 30 June 2019, 30 June 2020 and unaudited statement of financial position as at 30 September 2020 are set out in the table below.

Table 6: InPayTech's financial position

\$'000	30-Jun-18	30-Jun-19	30-Jun-20	30-Sep-20
Current assets				
Cash and cash equivalents	1,956	1,460	991	1,603
Trade and other receivables	544	264	246	364
Total current assets	2,500	1,724	1,237	1,967
Non-current assets				
Plant and equipment	27	32	23	23
Deferred tax assets	893	564	-	-
Intangible assets	14,073	3,547	2,611	2,509
Total non-current assets	14,993	4,142	2,635	2,532
Total assets	17,493	5,866	3,871	4,498
Current liabilities				
Trade and other payables	(159)	(244)	(488)	(411)
Borrowings	-	-	(750)	(28)
Employee benefits	(169)	(223)	(187)	(203)
Redundancy provision	-	-	(179)	-
Deferred revenue	(271)	(68)	(68)	-
Total current liabilities	(598)	(535)	(1,672)	(642)
Non-current liabilities				
Deferred tax liabilities	(845)	(564)	-	-
Deferred revenue	-	(135)	(68)	-
Total non-current liabilities	(845)	(699)	(68)	-
Total liabilities	(1,444)	(1,233)	(1,740)	(642)
Net assets	16,049	4,633	2,131	3,856
Other information				
Net working capital balance	(54)	(271)	(497)	(250)
Debt to equity ratio	n/a	n/a	0.35	0.01

Source: InPayTech

In relation to the historical financial position of InPayTech set out above:

- ◆ Cash balances have decreased in FY19 and FY20 as InPayTech has not generated cash from its continuing operations and used approximately \$2.2 million, on average, for its operations which include funding for the developments of PayVu and ClickVu. The cash outflows are financed by issues of shares and from shareholder loans. The increase in cash balance as at 30 September 2020 is attributable to proceeds from the recent entitlement offer, partially offset by operating cash outflows and repayment of shareholder loans.
- ◆ Deferred tax assets predominantly relate to tax losses. Deferred tax assets were derecognised in FY20 as it is uncertain if future taxable profits in the short term will be sufficient to utilise these losses.
- ◆ Intangible assets as at 30 June 2020 largely relate to capitalised software development costs and patents, customer relationships and trademarks acquired.
- ◆ Borrowings as at 30 June 2020 pertain to shareholder loans from entities associated with Mr Don Sharp, Mr Paul Collins and Mr Colin Scully at an interest rate of 8% per annum. The shareholder loans were subsequently paid on 15 July 2020 using proceeds from the recent entitlement offer which raised \$3.5 million. The balance as at 30 September 2020 relates to the insurance premium funding facility with Westlawn Finance at an interest rate of 5.05% per annum, with the interest and loan repayable on monthly instalments. The last instalment date is expected to be in February 2021.

4.8 Capital Structure and Shareholders

As at 17 November 2020, InPayTech had a total of 573,260,447 ordinary shares on issue. In addition, there are a total of 16.85 million share options on issue as follows:

- ◆ 15 million share options exercisable at 3.5 cents per share expiring 3 November 2023.
- ◆ 1.85 million share options exercisable at 3.5 cents per share expiring 15 October 2022.

We note the Proposed Transaction does not trigger a conversion of the options into ordinary shares.

The following table sets out details of InPayTech's substantial shareholders as at that date, prior to conversion of the share options:

Table 7: InPayTech's substantial shareholders

Shareholder	No. of shares held	% substantial ownership
Colin Scully and related entities ¹	139,529,435	24.3%
Donald Sharp and related entities ¹	101,717,177	17.7%
Starmay Superannuation Pty Ltd	59,726,909	10.4%
Paul Collins and related entities	42,083,374	7.3%
Andrew Blair and related entities	30,000,000	5.2%
Substantial shareholders	373,056,895	65.1%

Source: InPayTech

Note 1: We note Mr Colin Scully and Mr Donald Sharp are beneficiaries of Starmay Superannuation Pty Ltd. Accordingly, we have included their proportionate interest in Starmay Superannuation Pty Ltd as required under the Corporations Act.

We note while there are no controlling shareholders, the top five shareholders hold approximately 65% interest in InPayTech.

4.9 Share Trading

The following chart shows the share market trading of InPayTech shares for the past two years:

Figure 6: Share price performance of InPayTech shares



Source: InPayTech

Note: Actual volume traded on 20 August 2020 was 82,905,790 shares.

In relation to the trading of InPayTech shares over the last two years, we note the following:

- ◆ Over the period before 4 June 2020, InPayTech shares traded with an average daily volume of approximately 0.6 million shares. There were also a number of periods of several days in which there were no trades and the daily market trading of InPayTech shares was often under \$100,000. The trading price ranged between 0.3 cents and 4.6 cents with a volume-weighted average price ("**VWAP**") of approximately 2.3 cents.
- ◆ From 4 June 2020, InPayTech shares have traded with an average daily volume of approximately 14.4 million shares. The average daily market trading of InPayTech shares was approximately \$0.5 million which was significantly higher than over the period before June 2020. The trading price has ranged between 1.5 cents and 5.3 cents with a VWAP of approximately 3.1 cents.
- ◆ There was a significant increase in share price from 2.4 cents to 3.3 cents on 8 February 2019 followed the announcement of a strategic review whereby InPayTech announced the release of PayVu on 21 February 2019 with associated early adopter commitment to the product. However, there was a subsequent sharp decrease in share price from 3.6 cents to 2.7 cents on 22 February 2019. This was likely attributable to the combination of InPayTech's former substantial shareholder, Acorn Capital Ltd, reducing its shareholding interest from 8.5% to 6.3% and the delayed announcement of the official PayVu release (which came on 25 February 2019).
- ◆ Over the period 29 July 2019 to 1 August 2019, there was a significant increase in trading activity, with the share price increasing sharply from 2.2 cents to close at 3.7 cents. InPayTech management announced that they were neither aware of any information concerning the business that had not been announced to the market nor had an explanation for the movement.
- ◆ From June 2020, there was a significant increase in trading volume which led to a general upward trend in share price due to the announcement of the following key matters:
 - Successful placement of 77 million new shares at 1.5 cents per share on 16 June 2020
 - A non-renounceable rights issue to raise up to approximately \$2.3 million with 1 share offered for each 2 shares held at 1.5 cents per share which was completed on 15 July 2020
 - Proposed acquisition of TipsGo which was ultimately executed on 17 August 2020 and approved by InPayTech shareholders on 8 October 2020
 - Appointment of InPayTech's Chief Innovation Officer on 13 July 2020 whose role will focus on the deployment of ClickVu
 - Increase in shareholding by its substantial shareholder, Mr Colin Scully, from 23.2% to 25.8% on 21 July 2020
 - A decision in favour of granting InPayTech's patent application in Australia which led to the increase in share price from 3.0 cents to 4.0 cents on 20 August 2020
 - The issue of InPayTech's annual report for FY20 on 26 August 2020, with losses after tax significantly lower than in prior year. Following this announcement, the share price increased from 4.3 cents to 5.3 cents.

5 PROFILE OF COMPLY PATH

5.1 Background

Comply Path is a privately-owned Australian company that offers regulatory compliance technology solutions which include SuperStream and STP solutions. Comply Path has a proprietary RegTech platform, Bond, which was originally developed at Intunity Pty Ltd (co-founded by the current Chief Executive Officer and founder of Comply Path) and was then acquired by PwC Digital Consulting in 2013. In 2018, Bond was subsequently established as a platform venture in PwC Australia to improve the engagement between its employees, superannuation funds and the tax office. After a strategic review of its digital ventures, PwC Australia divested Comply Path in July 2020 to Mr Trent Lund and Mr Joe Brasacchio for an undisclosed amount. All rights to the intellectual property of the Bond platform were assigned to Comply Path.

Comply Path is currently the digital platform supplier to a number of large superannuation funds in Australia. Key features of the Bond platform include:

- ◆ Allowing different parties with alternate data flows, standards and formats to communicate securely under defined business rules and logic.
- ◆ Connecting to external authoritative registers (i.e. including tax file number register and self-managed super fund register) to aid verification and error management.
- ◆ Helps customers manage and control payment processing, validation and reconciliation.
- ◆ Instant data transmission to regulatory bodies, such as the Australian Taxation Office ("ATO") and ASIC, for reporting compliance obligations.
- ◆ The ability to access real-time audit and logging in compliant with the Consumer Data Right and General Data Protection Regulation.
- ◆ Providing customers with the flexibility to deploy the Bond platform on their cloud of choice, i.e. Azure, Amazon Web Services or Google.

5.2 Corporate Structure

The existing corporate structure of Comply Path is set out as follows:

Figure 7: Comply Path corporate structure



Source: Comply Path

Note 1: Comply Path Holdings Pty Ltd is a non-operating entity which holds the intellectual property and makes it available for the operations of Comply Path Pty Ltd.

5.3 Overview of Operations

The Bond platform provides the following solutions:

- ◆ **Worker Onboarding:** Digitally streamlines the onboarding process on a real-time basis by removing complexities associated with identity verifications, visa checks, tax and superannuation compliance. For casual employees, information such as start and end dates, certifications, licenses and payroll rates are stored and verified conveniently in a single place. The compliance system is easily integrated with existing human resource and accounts payable systems hence providing a single view of the entire workforce which highlights compliance issues to ensure they resolved in a timely manner.
- ◆ **Payroll Compliance:** Helps improve the efficiency in processing superannuation and reporting pay to the ATO. The Bond platform's clearing house solution is integrated with a number of leading payroll platforms and is Superstream compliant. The Bond platform's STP solution can be white-labelled and is deployable as an integrated or standalone portal.
- ◆ **Superannuation Compliance:** Allows superannuation funds to integrate more closely with regulators, payroll providers, employers and superannuation members. Solutions include member registration, contributions and member reporting to the ATO.
- ◆ **Business Compliance:** Helps simplify small and medium business compliance management digitally. It offers 'compliance-in-a-box' solutions covering registration, tax, superannuation and worker onboarding and is flexible as a standalone solution or integrated with existing business management software.
- ◆ **Tax Practice Automation:** Assists tax agents in digitally streamlining compliance and administration processes. The Bond platform provides a real-time connection to the ATO hence allowing the ATO to instantly verify data and ensuring compliance with changing regulatory obligations. The Bond platform's standard business reporting engine can real-time access more than 300 digital services to securely retrieve clients' details, submit returns and fulfill client obligations.
- ◆ **E-Invoicing:** Australia has recently adopted the Pan-European Public Procurement OnLine ("PEPPOL") interoperability framework for e-invoicing to increase opportunities for businesses to integrate with the global trading environment. Businesses can now digitally exchange invoices using the same format which the ATO estimates will lead to a significant reduction in the cost of processing an invoice. The Bond platform's access point and service metadata provider solutions that help to enable businesses to start sending and receiving e-invoices under the PEPPOL framework.

Comply Path's revenue streams are:

- ◆ **SaaS:** Comply Path offers customers SaaS-based software licences that are charged on a per user and per transaction basis. Revenue from SaaS-based software licencing currently forms approximately 34% of year-to-date total revenue which is expected to increase in the near-term as Comply Path moves toward becoming more SaaS dominant.
- ◆ **Managed Services:** The Bond platform currently supports a number of clients with ongoing support and management services which include DevOps infrastructure (i.e. secure infrastructure environments that abide with regulatory, security and data privacy frameworks) and the Bond platform powered applications residing on the infrastructure. Revenue from managed services forms approximately 51% of year-to-date total revenue.
- ◆ **Consulting:** Comply Path provides consulting services to customers who require customisation of the Bond platform and integration with existing systems. Consulting service allows Comply Path to deliver a more effective solution offering for customers. Revenue from consulting forms approximately 15% of year-to-date total revenue.

5.4 Competitive Position

The table below sets out the strengths, weaknesses, opportunities and threats analysis for Comply Path:

Strengths		Weaknesses	
<ul style="list-style-type: none"> Experienced management team with industry-specific knowledge, in particular on superannuation and emerging technologies. The Bond platform has no natural, direct competitor as its API architecture is versatile across a series of domains from worker onboarding and superannuation compliance to e-invoicing and tax practice automation. Established brand in the Bond platform. 		<ul style="list-style-type: none"> Comply Path currently has limited access to capital which may inhibit its growth. 	
Opportunities		Threats	
<ul style="list-style-type: none"> Comply Path is in the process of upgrading its operations to the SaaS model which would generate additional opportunities and revenue. Opportunities exist to commercialise the Bond platform internationally to Singapore, Hong Kong, the United Kingdom and the United States. Westpac currently has approximately a 50% Australian market share in providing clearing house and other administrative services to the superannuation industry. There are opportunities for Comply Path to increase its market share from 15% to 40% given the uncertainties (in terms of risk tolerance) Westpac is facing due to recent regulatory actions taken against it. Opportunities for Comply Path to capitalise on the strength of the Bond platform around real-time verifications in onboarding workers, filling the different gaps of large and small businesses. 		<ul style="list-style-type: none"> As a start-up technology company, there is a heavy reliance on key personnel. Loss of key personnel could cause material disruption to the business' activities and operations in the short to medium term. Payroll and superannuation compliance solutions technology is constantly evolving which poses a threat of new entrants with superior technology and features to Comply Path. Changes to the regulatory regime can be disruptive to Comply Path's operations if not properly addressed and managed, i.e. the threat of Open Banking. Risk of non-renewal of contracts, in particular due to the amalgamation of superannuation funds. 	

Source: Comply Path and Leadenhall analysis

5.5 Key Personnel

The senior management team of Comply Path includes:

Table 8: Key personnel of Comply Path

Directors	Experience
<p>Joe Brasacchio Founder and Chief Executive Officer</p>	<p>Mr Brasacchio is the founder of the Bond platform at Comply Path. Over the last 20 years, he has been involved in many high profile digital and business transformation projects in Australia. Prior to Comply Path, he was a co-founder of Intunity Pty Ltd, an agile and mobile software development company that was acquired by PwC Australia. He is an active member of the SuperStream standards industry working groups and continues to be involved in the ATO working groups that include the digital service providers strategic working group and SuperStream standards technical committee. He is also currently serving as a director of GJB Consulting Pty Ltd.</p>
<p>Trent Lund Non-executive Director</p>	<p>Mr Lund is the Chief Executive Officer of Unlocked Ventures Pty Ltd, a major shareholder of Comply Path. Prior to this role, he was the lead partner for Innovation & Ventures at PwC Australia where he helped organisations leverage emerging technologies to innovate new business models. He co-designed the PwC Global Innovation & Ventures model and led the development of more than 8 technology platforms and 30 products. He is on the board of the Australian Centre for Robotic Vision and on the advisory board of the Centre of Future Business at Queensland University of Technology. He is also currently serving as a director of PaidRight Holdings Pty Ltd, Accelerate Compliance Holdings Pty Ltd and XportID Holdings Pty Ltd.</p>
<p>Jean-Paul Seow Commercial Director</p>	<p>Mr Seow has more than 15 years of experience in the Strategy & Ventures sector. Prior to this role, he was a director in PwC Australia's Strategy & Ventures team and was responsible for driving development and commercialisation of new ventures in the Australian market. In particular, he was the commercial lead for the Bond platform prior to it being divested from PwC Australia. He was also a founding member of PwC Australia's strategy consulting practice which focuses on developing growth strategies for some of Australia's largest corporations.</p>

Source: Comply Path

5.6 Financial Performance

The FY for Comply Path is a twelve-month period ending 30 June. The unaudited statements of financial performance for the periods ended FY18, FY19, FY20 and for the period ended 30 September 2020 (three months) are set out in the table below.

Table 9: Comply Path's financial performance

\$'000	FY18	FY19	FY20	Q1FY21
Revenue				
License and support	601	676	1,186	572
Consulting	4,073	757	328	100
Total revenue	4,674	1,433	1,514	672
Cost of sales	-	-	-	(40)
Gross margin	4,674	1,433	1,514	633
Operating expenses				
Employment benefit expense	(1,177)	(1,318)	(1,441)	(237)
Consulting fees	(2,933)	-	-	-
Other operating expenses	(290)	(329)	(360)	(46)
EBIT (operating)	274	(214)	(287)	350
Other non-operating expenses	-	-	-	(667)
Profit / (Loss) before and after tax	274	(214)	(287)	(317)
EBIT (operating) margin	6%	nmf	nmf	52%

Source: Comply Path

Note: Comply Path only commenced operations on a standalone basis in FY21 hence the historical figures presented are based on Comply Path management's best representation of earnings while Comply Path was owned by PwC Australia.

In relation to the historical financial performance of Comply Path set out above:

- ◆ The figures presented above are unaudited. The reliability of the financial information is therefore lower than if they had been audited or independently reviewed.
- ◆ License and support revenue predominantly relates to SaaS-based software licences which are charged on a per user and per transaction basis. Another portion of which pertains to 'claw back' fees charged to customers who fail to meet the minimum SaaS-based software licences volume. The significant increase in license and support revenue in FY20 is attributable to new payroll and business compliance product related licenses (including maintenance and support).
- ◆ The significant amounts of consulting revenue and expenses in FY18 pertain to the initial platform configurations and customisations for product licenses to be deployed specifically for a superannuation fund. The completion of platform configurations and customisations work led to a decrease in consulting revenue and fees, with a corresponding increase in license and support revenue.
- ◆ Employee expense forms the largest component of operating expenses. There are currently seven full-time employees, five of which have been with Comply Path for more than four years.
- ◆ Other non-operating expenses relate to advisory costs incurred in relation to a potential capital raising exercise.

5.7 Financial Position

As Comply Path only commenced operations on a standalone basis in July 2020, historical statements of financial position are not available. The unaudited statement of financial position as at 30 September 2020 is set out in the table below.

Table 10: Comply Path's financial position

\$'000	30-Sep-20
Current assets	
Cash and cash equivalents	550
Trade receivables	367
Other current assets	9
Total current assets	926
Plant and equipment	3
Total assets	929
Current liabilities	
GST payable	(40)
Employee benefits	(160)
Deferred revenue	(192)
Other current liabilities	(18)
Total current liabilities	(411)
Non-current provisions	(193)
Total liabilities	(604)
Net assets	326
Other information	
Net working capital balance	(35)

Source: Comply Path

In relation to the historical financial position of Comply Path set out above:

- ◆ The figures presented above are unaudited. The reliability of the financial information is therefore lower than if they had been audited or independently reviewed.
- ◆ Trade receivables are current based on invoices issued monthly in arrears with credit terms of 30 days.
- ◆ Deferred revenue relates to service obligations to customers which are not yet satisfied at the end of the reporting period. Comply Path receives upfront cash payments at the point of sales, for which revenue is recognised over time.

5.8 Capital Structure and Shareholders

As at 17 November 2020, Comply Path had a total of 88,889 ordinary shares on issue. The following table sets out details of Comply Path's substantial shareholders as at that date:

Table 11: Comply Path's substantial shareholders

Shareholder	No. of shares held	% Total shares
Trent Lund and related entities	40,000	45.0%
Joe Brasacchio and related entities	40,000	45.0%
Clinton Capital Partners Pty Ltd and related entities	8,889	10.0%
Total	88,889	100.0%

Source: Comply Path

We note while there are no controlling shareholders, Mr Trent Lund and Mr Joe Brasacchio hold a combined 90% interest in Comply Path.

6 PROFILE OF PROPOSED MERGED ENTITY

6.1 Introduction

The Proposed Merged Entity will consist of the enlarged group comprising InPayTech and Comply Path following the Proposed Transaction and will remain listed on the ASX. A significant amount of revenue and cost synergies, which represent a key part of the strategic rationale for the transaction, are expected to be realised through the merger. These synergies originate from the streamlining of IT functions in transferring ClickSuper to the Bond platform, the cross-selling of solutions to existing clients and accelerating the rollout of ClickVu.

6.2 Overview of Operations

The Proposed Transaction would increase the scale of operations and provide the Proposed Merged Entity with added capabilities to deliver a more comprehensive set of solutions, targeted at larger enterprise customers. The Proposed Merged Entity would have a greater market share on a combined basis and an increased competitiveness for future opportunities.

6.3 Rationale for Proposed Transaction

The Proposed Transaction is supported by the complementary nature of InPayTech and Comply Path. The strategic rationale according to InPayTech management includes:

- ◆ Providing scale and diversification of revenue streams with complementary customer base and solution offerings that provide a point of differentiation and a platform for future growth.
- ◆ Leveraging the Bond platform for InPayTech's ClickSuper service which allows for further IT cost savings, i.e. reduced support or maintenance costs and licence fees.
- ◆ The integration of InPayTech's patented payment technology into the Bond platform creates an improved platform with a unique breed of messaging and payment functions.
- ◆ Enhancing the development of ClickVu using the acquired intellectual property rights to Comply Path's employee and superannuation fund member onboarding functionalities.
- ◆ Potential cross-selling opportunities to existing clients of both InPayTech and Comply Path.
- ◆ Providing Comply Path with increased liquidity from the Proposed Merged Entity being listed on the ASX.
- ◆ InPayTech having an Australian Financial Services Licence and a SaaS client support service allows the Bond Platform to be commercialised directly under a SaaS model.

6.4 Key Personnel

The proposed board and senior management team of the Proposed Merged Entity comprise:

Table 12: Proposed Merged Entity directors and senior management team

Directors	Experience
Don Sharp Executive Chairman	Current Executive Chairman of InPayTech
Paul Collins Non-executive Director	Current Non-executive Director of InPayTech
Trent Lund Non-executive Director	Current Non-executive Director of Comply Path
Randolf Clinton Non-executive Director	Mr Clinton is the founder and Chief Executive Officer of Clinton Capital Partners, a venture capital investment and advisory business that focuses on early-stage technology companies. Prior to this role, he had over 30 years of leadership experience in global investment banking and financial markets, having worked in London, Singapore, Hong Kong and Australia; and for companies such as JPMorgan Chase & Co., Credit Suisse Group, ABN Amro Bank N.V. and Royal Bank of Scotland.
Dean Martin Chief Executive Officer	Current Chief Executive Officer of InPayTech
Joe Brasacchio Chief Technology Officer	Current Founder and Chief Executive Officer of Comply Path

Source: InPayTech and Comply Path

6.5 Post-merger Capital Structure

If the Proposed Transaction is approved, there would be 1,146,520,894 ordinary shares on issue. The following table summarises the major shareholdings in the Proposed Merged Entity after the Proposed Transaction:

Table 13: Proposed Merged Entity's substantial shareholders

Shareholder	No. of shares held	% Total shares
Trent Lund and related entities	257,966,879	22.5%
Joe Brasacchio and related entities	257,966,879	22.5%
Colin Scully and related entities ¹	139,529,435	12.2%
Donald Sharp and related entities ¹	101,717,177	8.9%
Starmay Superannuation Pty Ltd	59,726,909	5.2%
Clinton Capital Partners Pty Ltd and related entities	57,326,690	5.0%
Paul Collins and related entities	42,083,374	3.7%
Andrew Blair and related entities	30,000,000	2.6%
Substantial shareholders	946,317,342	82.5%

Source: InPayTech and Comply Path

Note 1: We note Mr Colin Scully and Mr Donald Sharp are beneficiaries of Starmay Superannuation Pty Ltd. Accordingly, we have included their proportionate interest in Starmay Superannuation Pty Ltd as required under the Corporations Act.

6.6 Proforma Financial Performance

The historical, proforma statement of financial performance for the combined InPayTech and Comply Path for the three months ending 30 September 2020, as prepared by InPayTech management is as follows:

Table 14: Proforma statement of financial performance of the Proposed Merged Entity

\$'000	InPayTech	Comply Path	Proforma adjustments	Proposed Merged Entity
Revenue	330	672	540	1,542
Cost of sales	(115)	(40)	(80)	(234)
Employment benefit expense	(358)	(237)	125	(470)
Other operating expenses	(228)	(46)	-	(274)
Depreciation and amortisation expense	(213)	-	-	(213)
Adjusted EBIT	(509)	350	585	425
Other income	75	-	-	75
Other non-operating expenses	(112)	(667)	779	-
(Loss) / Profit before tax	(546)	(317)	1,364	500
Income tax expense ¹	-	-	-	(150)
(Loss) / Profit after tax	(546)	(317)	1,364	350

Source: InPayTech and Comply Path

Note 1: Based on a notional corporate tax of 30% applied to the profit before tax of the Proposed Merged Entity.

The above proforma adjustments relate to:

- ◆ Revenue and cost synergies expected to arise from the Proposed Transaction. One-off costs of achieving these synergies are not included.
- ◆ Non-operating expenses associated with non-recurring costs incurred by InPayTech in acquiring TipsGo and the entitlement offer, as well as advisory costs incurred by Comply Path.

Synergy analysis

Should the Proposed Transaction proceed, InPayTech and Comply Path management have estimated synergies from the Proposed Transaction to be approximately \$2.3 million per annum (or \$0.6 million per quarter) on a conservative basis in the near-term. The estimates were based on an analysis of revenue and costs to identify overlapping areas which can be consolidated or considered to be synergistic in nature. While the breakdown of revenue and cost synergies is not presented due to it being commercially sensitive, we note the following:

- ◆ Additional revenue is anticipated from the accelerated development of ClickVu which is expected to attract new clients with the added worker onboarding functionality. This also leads to an increase in transaction fee revenue for the ClickSuper service.
- ◆ Cost savings from a reduction in headcount with the migration of InPayTech's ClickSuper service onto the Bond platform. Estimates were based on InPayTech's current IT staff costs.
- ◆ Analysis of potential cost synergies is ongoing.

In addition, InPayTech and Comply Path management have estimated the potential additional revenue available to the Proposed Merged Entity through cross-selling opportunities of solution offering between the two businesses to be in the order of \$2.5 million. However, further analysis needs to be undertaken on the level and extent of these additional revenue synergies.

6.7 Proforma Financial Position

The proforma, historical statement of financial position for the combined InPayTech and Comply Path as at 30 September 2020 is set out below:

Table 15: Proforma statement of financial position of the Proposed Merged Entity

\$'000	InPayTech	Comply Path	Proforma adjustments	Proposed Merged Entity
Current assets				
Cash and cash equivalents	1,603	550	(400)	1,753
Trade and other receivables	364	376	-	739
Total current assets	1,967	926	(400)	2,493
Non-current assets				
Plant and equipment	23	3	-	27
Intangible assets	2,509	-	19,165	21,674
Total non-current assets	2,532	3	19,165	21,700
Total assets	4,498	929	18,765	24,193
Current liabilities				
Trade and other payables	(411)	(58)	-	(469)
Borrowings	(28)	-	-	(28)
Employee benefits	(203)	(160)	-	(364)
Deferred revenue	-	(192)	-	(192)
Total current liabilities	(642)	(411)	-	(1,053)
Non-current liabilities				
Non-current provisions	-	(193)	-	(193)
Total non-current liabilities	-	(193)	-	(193)
Total liabilities	(642)	(604)	-	(1,246)
Net assets	3,856	326	18,765	22,947

Source: InPayTech and Comply Path

The above proforma adjustments relate to:

- Transaction costs of \$0.4 million relating to the Proposed Transaction.
- Provisional accounting entries relating to the goodwill implied by the terms of the Proposed Transaction.

7 VALUATION METHODOLOGY

To estimate the fair market value of InPayTech and the Proposed Merged Entity (inclusive of Comply Path), we have considered common market practice and the valuation methodologies recommended in RG 111. There are a number of methods that can be used to value a business including:

- ◆ The discounted cash flow method
- ◆ The capitalisation of future maintainable earnings method
- ◆ Asset based methods
- ◆ Analysis of share market trading
- ◆ Industry specific rules of thumb

Each of these methods is appropriate in certain circumstances and often more than one approach is applied. The choice of methods depends on several factors such as the nature of the business being valued, the return on the assets employed in the business, the valuation methodologies usually applied to value such businesses and availability of the required information. A detailed description of these methods and when they are appropriate is provided in Appendix 2.

7.1 Selected Methodology – InPayTech

In selecting an appropriate valuation methodology for InPayTech, we have considered the following:

Table 16: Consideration of methodologies

Method	Considerations	Approach
Discounted cash flow	<ul style="list-style-type: none"> ◆ InPayTech's revenue and costs are expected to change significantly in the foreseeable future which is best evaluated with a discounted cash flow method. ◆ We have been provided with financial projections to FY26 prepared by InPayTech management. We have used the projections as a basis for our own cash flow model. 	Selected
Capitalisation of earnings	<ul style="list-style-type: none"> ◆ There are a limited number of transactions (market trading and M&A) involving companies with comparable businesses to InPayTech. ◆ InPayTech has experienced operating losses historically with a volatile earnings profile expected in the near-to-mid-term due to significant changes in the business model. Therefore, the capitalisation of earnings method is not appropriate. 	Not considered
Asset approaches	<ul style="list-style-type: none"> ◆ InPayTech is neither an asset-based business nor an investment holding company. Asset approaches are generally not appropriate for operating businesses as they ignore the value of most internally generated intangible assets. ◆ Although InPayTech has a history of operating losses, we consider it to be a going concern as the business has been able to obtain additional capital from its shareholders when required. Therefore, an asset approach is not appropriate. 	Not considered
Share trading	<ul style="list-style-type: none"> ◆ Share market trading in InPayTech shares has been moderately liquid, with periods where no shares have been traded. Therefore, an analysis of share market trading is not as reliable as the discounted cash flow method as a primary valuation methodology in assessing the intrinsic value of an InPayTech share. 	Cross-check

7.2 Selected Methodology – Proposed Merged Entity

In selecting an appropriate valuation methodology for the Proposed Merged Entity, we have considered the following:

Table 17: Consideration of methodologies

Method	Considerations	Approach
Discounted cash flow	<ul style="list-style-type: none"> While it would be possible to assess the value of the Proposed Merged Entity by aggregating the value of InPayTech with our assessed value for Comply Path, this approach would not reliably capture estimated synergies, transaction costs, diversification and scale benefits of the merged business. Thus, we believe it is appropriate to value the Proposed Merged Entity as a single, combined business. A detailed financial model has been prepared for Comply Path. This can be aggregated with the cash flow model for InPayTech, with adjustments made for expected synergies and transaction costs, to derive a cash flow model for the Proposed Merged Entity. This aggregated model provides a reasonable basis for a discounted cash flow analysis. 	Selected
Capitalisation of earnings	<ul style="list-style-type: none"> There are a limited number of transactions (market trading and M&A) involving companies with comparable businesses to the Proposed Merged Entity for the reasons discussed above. This limits the reliability of the capitalisation of earnings method as a primary valuation methodology in assessing the intrinsic value of a share in the Proposed Merged Entity. Synergies from the Proposed Transaction are expected to drive profitability of the Proposed Merged Entity in the near term. Therefore, we have analysed multiples implied by our assessed value as a broad cross-check. 	Cross-check
Asset approaches	<ul style="list-style-type: none"> The Proposed Merged Entity would not be an asset-based business nor an investment holding company. It is also considered to be a going concern, thus an asset approach is not appropriate. 	Not considered
Share trading	<ul style="list-style-type: none"> No announcement of the Proposed Transaction has been made to the market as at the date of our report. Therefore, observations in relation to the market's assessment of the value of the Proposed Merged Entity are not available. Due to the terms of the confidentiality agreement between Comply Path and PwC Australia, we are unaware of the price paid to acquire Comply Path from PwC Australia in July 2020. Therefore, we have not been able to consider the acquisition price as a cross-check in the sum of the parts valuation. 	Not considered

8 VALUATION OF INPAYTECH

8.1 Background

We have assessed the fair market value of InPayTech using the discounted cash flow method, with a cross-check based on an analysis of recent share market trading in InPayTech shares. This assessment has been made on a control basis as required by RG111.

8.2 Discounted Cash Flow Method

In order to determine the value of an InPayTech share using the discounted cash flow method, we have:

- ◆ Determined suitable cash flow projections for InPayTech.
- ◆ Determined an appropriate discount rate.
- ◆ Assessed the long-term growth rate beyond the forecast period.
- ◆ Calculated the enterprise value based on the preceding assumptions.
- ◆ Assessed the value of any non-operating assets and liabilities.
- ◆ Allocated value to the options.
- ◆ Obtained the number of shares on issue before the Proposed Transaction.
- ◆ Calculated the value of an InPayTech share (equity value) based on the preceding analysis.

8.3 Cash Flow Projections

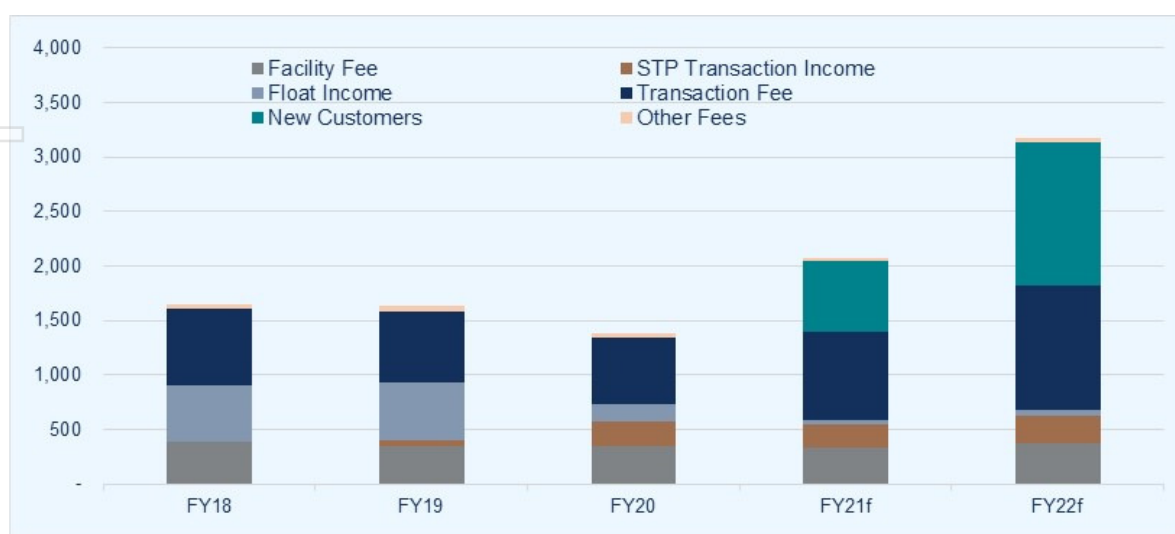
We have used the projections prepared by InPayTech management for the period to FY26 as the basis for our own cash flow model. We have undertaken a detailed analysis of the forecasts and have discussed the key assumptions behind the forecast with InPayTech's management. We have considered supporting information to determine the reasonableness of the cash flow projections and considered the residual risks associated with achieving the forecast. Certain assumptions have been adjusted to provide what we consider to be reasonable cash flow projections.

The detailed projections of InPayTech are not included in this report due to commercial sensitivity. However, the key assumptions underpinning the projections and the information considered in assessing the reasonableness of these assumptions are discussed below.

ClickSuper revenue

ClickSuper revenue forms the largest component of InPayTech's revenue projections. The breakdown of the actual and forecast revenue sources of ClickSuper is summarised in the following chart:

Figure 8: Actual and forecast revenue sources of ClickSuper



Source: InPayTech management

In relation to the forecast assumptions and breakdown to FY22 above, we note:

- ◆ Facility fees are expected to remain in line with historical levels and subsequent to FY22, will increase in line with the number of new customers.
- ◆ STP transaction income is forecast to be consistent with FY20 and will increase in line with the number of new customers from FY22.
- ◆ Due to successive reductions in Reserve Bank of Australia's ("RBA") cash rate since May 2019 from 1.5% to 0.25%, float income has decreased significantly in FY20. Accordingly, InPayTech management does not expect a significant amount of float income in the medium term.
- ◆ As an offset against the loss of float income, InPayTech management intends to increase the transaction fee prices in phases by approximately 20% in FY21 and 30% in FY22. Therefore, revenue from transaction fees is expected to increase significantly from prior years. Despite the increase, the revised transaction fee prices will remain below those charged by InPayTech's competitors.
- ◆ The bulk of the increase in forecast revenue is expected to arise from new customers, in particular from superannuation funds. InPayTech is currently in negotiations for an STP offering (among others such as the ClickVu service) with four superannuation funds. The projections are based on the assumption of one additional superannuation fund in FY21, representing a proposal-to-conversion ratio of 25%. Given the stage of negotiations with the various funds, we consider this to be a reasonable assumption.

Based on discussions with InPayTech management, we have assumed ClickSuper's revenue to increase at a declining rate from 40% in FY23 to 5% by FY26. Revenue growth is expected to be driven by the rollout of ClickVu, targeted at existing payroll solutions customers. At present, InPayTech offers superannuation solutions to approximately 5% of its existing payroll solutions customers. With ClickVu, InPayTech management expects an uptake of the service to 30% of its existing payroll solutions customers based on informal discussions with the customers. Based on our understanding of the product, we do not consider this assumption to be unreasonable.

Other revenue components

Other revenue components mainly include fees from providing consulting services to external organisations that use the patented Payment Adviser service (which form approximately 1% of total revenue). As this revenue stream is not the key business focus of InPayTech, InPayTech management has assumed nominal revenue growth in line with inflation.

Cost of sales

Cost of sales mainly consists of platform and server hosting fees. InPayTech management has assumed nominal cost of sales growth in line with inflation due to the available capacity in its IT infrastructure. However, we have assumed a constant cost of sales at 25% of revenue which is consistent with the historical gross margins and which we consider to be a reasonable assumption.

Employee costs

Employee costs is the largest cost component of InPayTech. Employee costs are expected to decrease in FY21 as a result of reduced headcount from the recent redundancy of staff and InPayTech's drive for higher productivity. Subsequent to FY21, wages are assumed to increase by 3% which is marginally higher than the projected inflation rate of 2.5%.

Other operating expenses

Other components of operating expenses include administration and consulting expenses. Consulting expenses mainly pertain to fees paid to an external consultant. Other operating expenses are assumed to increase in line with inflation.

EBIT margin

Based on the cash flow projections, InPayTech is expected to achieve a long-term EBIT margin of slightly more than 40% as the business matures in FY26. This is slightly beyond the high end of the range of near-term forecast EBIT margins of the comparable companies set out in Appendix 4 (and in Table 26). We note the bulk of these companies are in a similar growth phase as InPayTech. InPayTech is expected to generate EBITDA and EBIT margins of 25% and 11% respectively in FY22 that is within the range of the near-term forecast margins of these companies. The long-term EBIT margin of slightly more than 40% is in line with technology-related businesses in their maturity stage that offer similar enterprise software and cloud-based SaaS platforms.

We consider the long-term EBIT margin to be reasonable and sustainable as expenses are largely fixed and InPayTech management expects significant revenue growth from new and larger customers with the roll out of ClickVu, which is highly scalable. In addition, InPayTech has a proven history of continually reinvesting into its business and products that address market needs, i.e. the recent development of PayVu and ClickVu.

Capital expenditure

Capital expenditure relates to the capitalised employee costs of developing and enhancing new products like ClickVu and PayVu. Estimates of costs capitalised are based on the staff involved and time spent on the products. Other maintenance-related costs are incurred as expenses hence ongoing capital expenditure is not expected to be significant.

Taxation

We have applied the Australian corporate tax rate of 30%. Tax losses are assessed separately as a surplus asset.

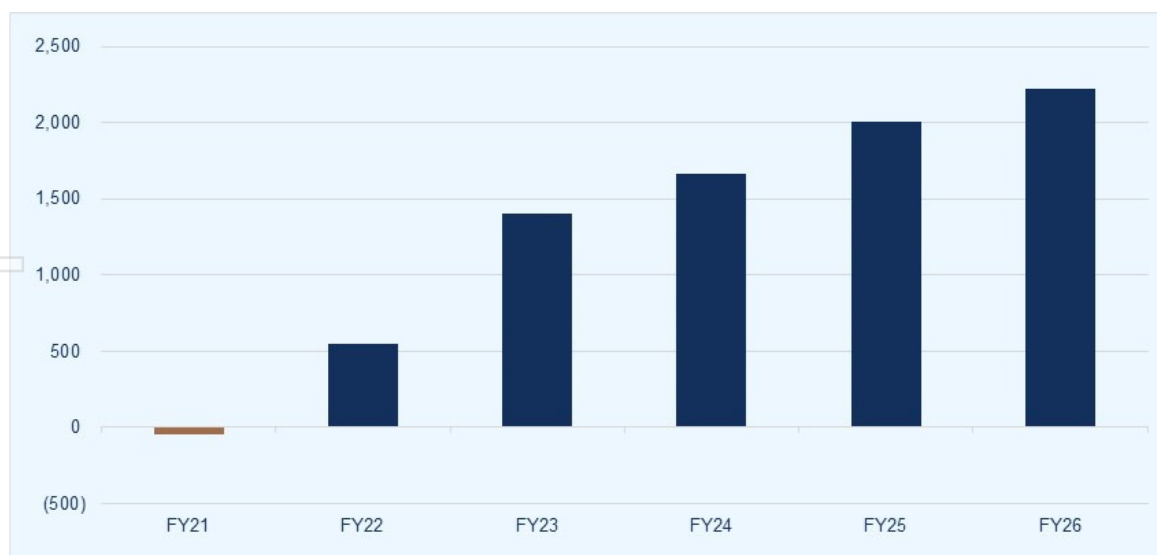
Working capital

We have assumed a constant level of working capital as a proportion of revenue, based on historical working capital levels of the business. Movements in working capital are projected to be small.

Projected free cash flows

The projected free cash flows of InPayTech resulting from the assumptions described above are summarised in the chart below:

Figure 9: Forecast free cash flows of InPayTech



Source: Leadenhall analysis

In summary, we note:

- ◆ The capital outlay in relation to software development leads to a marginal, negative free cash flow in FY21.
- ◆ The increase in free cash flows from FY22 is attributed to new revenue from the ClickVu service and an expansion of customer base targeting superannuation funds while costs are kept largely unchanged.
- ◆ No income or expense projections for TipsGo were included.

Reasonableness of assumptions

Based on the above analysis, in our opinion the overall cash flow projections are reasonable.

8.4 Discount Rate

We have applied a discount rate of between 14.0% and 16.0% (nominal, post-tax, weighted average cost of capital ("WACC")) to the projected cash flows. We calculated the discount rate using the capital asset pricing model ("CAPM") based on the assumptions set out in Appendix 3.

8.5 Terminal Growth

The terminal value represents the value of the cash flows beyond the forecast period. Terminal values are commonly calculated based on the discount rate and the expected long-term growth rate of future cash flows. We have used a terminal growth rate of 2.5% being the midpoint of the long-term RBA inflation target, which we consider is a reasonable estimate of long-term growth in cash flows for InPayTech.

8.6 Non-operating Assets and Liabilities

In order to assess the equity value of InPayTech, it is necessary to identify any non-operating assets and liabilities not used in generating the enterprise value. These can be:

- ◆ **Surplus assets:** assets held by the company that are not utilised in its business operation. This could be investments, unused plant and equipment held for resale, or any other assets not required to run the operating business. It is necessary to ensure that any income from surplus assets (i.e. rent / dividends) is excluded from the business value.
- ◆ **Non-operating liabilities:** liabilities of a company not directly related to its current business operations, although they may relate to previous business activities, for example claims against the entity. We have not identified any material non-operating liabilities owed by InPayTech.
- ◆ **Surplus cash:** comprising of surplus cash held by the company, less debt used to fund a business.

Each of these factors are considered below.

Surplus assets

As at 30 September 2020, InPayTech had carried forward tax losses of approximately \$10.1 million. By extending the cash flow projections based on the terminal growth rate, we note the tax losses will be fully utilised in approximately six years. The present value of the tax credits at the discount rate of between 14.0% and 16.0% is between \$1.7 million and \$1.8 million.

Surplus cash

The surplus cash position for InPayTech as at 30 September 2020 is set out in the table below:

Table 18: Surplus cash summary

Description (\$'000)	
Cash	1,603
Borrowings ¹	(28)
Surplus cash	1,575

Source: Leadenhall analysis

Note 1: We have assumed book value is representative of fair market value for all borrowings.

8.7 Value Attributable to Options

The following table provides a summary of the assessed value of the options:

Table 19: InPayTech options

Description	Number	Value range	Low (\$'000)	High (\$'000)
Options ¹	15,000,000	\$0.007 - \$0.010	107	147
Options ²	1,850,000	\$0.005 - \$0.008	10	14
Total	16,850,000		117	162

Source: Leadenhall analysis

Notes:

1. Options with an exercise price of \$0.035 expiring on 3 November 2023.

2. Options with an exercise price of \$0.035 expiring on 15 October 2022.

We have analysed the value of the options using the Black-Scholes option pricing model. Key assumptions used in the Black-Scholes option pricing model were a 0% dividend yield and volatility of 50% (based on a volatility analysis on the comparable companies set out in Appendix 4).

8.8 Assessed Value Before the Proposed Transaction

Summary

The preceding analysis leads to an assessed value of an InPayTech share before the Proposed Transaction, on a control basis, of between 2.7 cents and 3.1 cents as set out in the following table:

Table 20: Assessed value of an InPayTech share before the Proposed Transaction

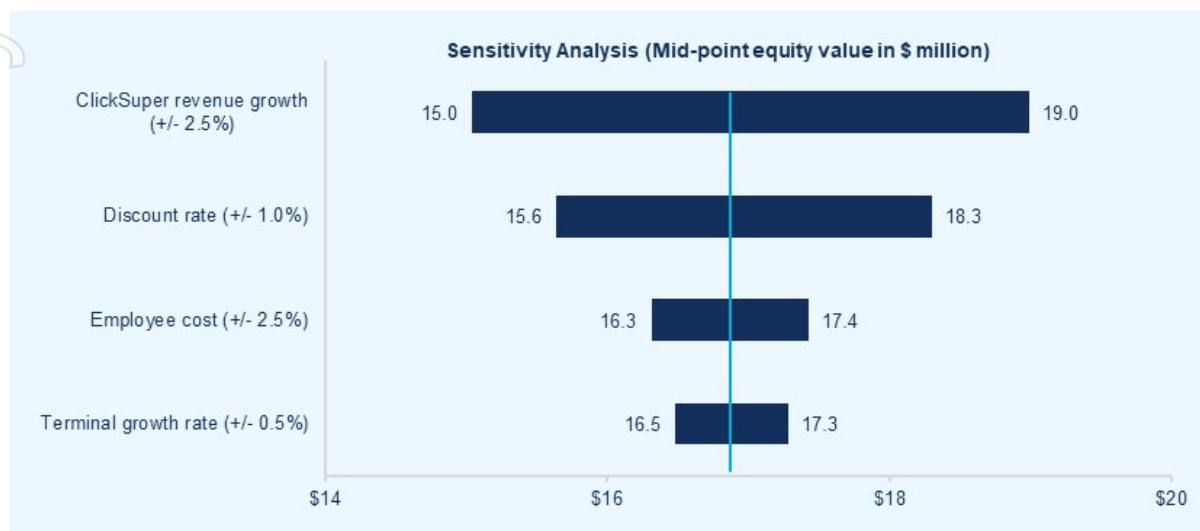
Equity value (control basis) (\$'000)		
	Low	High
Enterprise value	12,251	14,747
Surplus assets	1,730	1,845
Surplus cash	1,575	1,575
Equity value	15,556	18,167
Allocation to options	(117)	(162)
Value allocated to ordinary shares	15,439	18,005
Ordinary shares on issue ('000)	573,260	573,260
Assessed value per ordinary share on a control basis (\$)	0.027	0.031

Source: Leadenhall analysis

Sensitivity analysis

This valuation is sensitive to a number of key assumptions as set out in the following figure:

Figure 10: Sensitivity analysis of equity value (in \$ million)



Source: Leadenhall analysis

Any alternative reasonable assessment of the factors above individually would not impact our conclusion on the fairness and reasonableness of the Proposed Transaction.

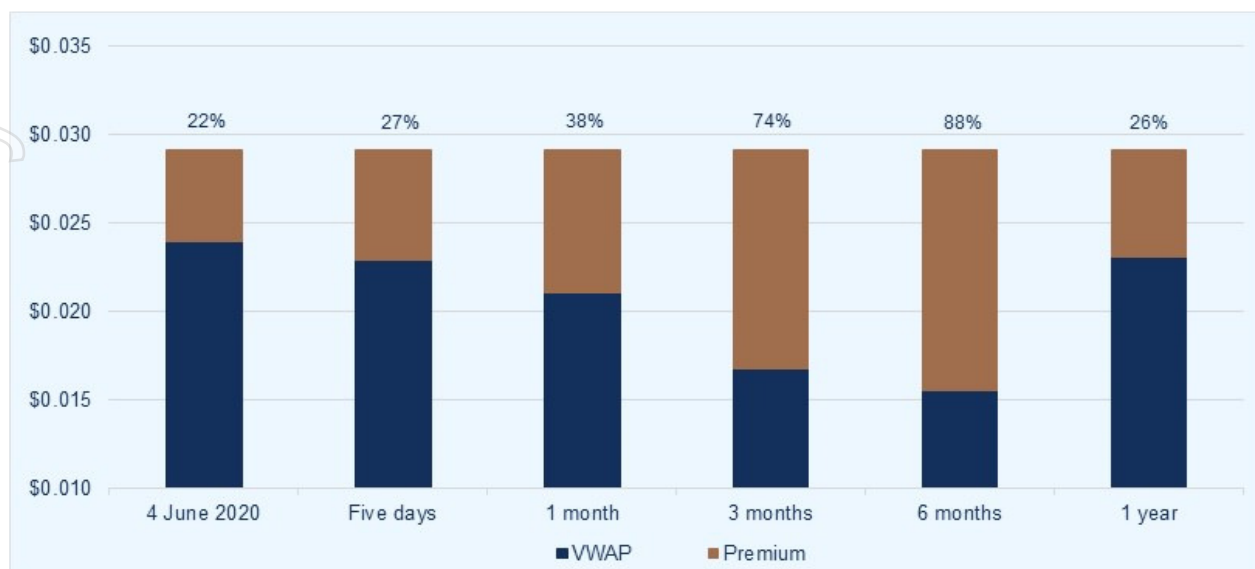
8.9 Analysis of Share Trading Cross-Check

Market trading in InPayTech shares provides an indication of the market's assessment of the value of InPayTech on a minority basis. We have presented an analysis of recent trading in InPayTech shares in Section 4.9 above. When assessing market trading, it is necessary to consider whether the market is informed and liquid. In this regard, we note:

- ◆ InPayTech is a listed company with continuous disclosure obligations under the ASX Listing Rules, thus the market is reasonably informed about its activities. However, InPayTech has sustained operating losses in each of the periods since becoming listed on the ASX. Investing in InPayTech may therefore be perceived as speculative.
- ◆ InPayTech shares are reasonably widely held. However, InPayTech shares traded with an average daily volume of approximately 0.6 million and the daily market trading was often under \$100,000 over the period before 4 June 2020. This level is below the level at which many institutional investors may wish to trade and may be seen as a deterrent for other significant investors. Since 4 June 2020, InPayTech shares have traded with an average daily market trading of \$0.5 million.
- ◆ Based on discussions with InPayTech management and as set out in Section 4.9, the significant increase in trading volume from 4 June 2020 is attributable to a number of announcements which are likely to have led to the speculative trading of InPayTech shares. Therefore, we have focussed our analysis of market trading in InPayTech shares before 4 June 2020.

As a result of these factors, we consider the market trading to be reasonably well-informed but only moderately liquid. We have therefore undertaken only a high level analysis of share market trading by assessing the level of control premium implied by our mid-point valuation range compared to the VWAP of an InPayTech share over the year leading up to 4 June 2020, as set out in the following figure.

Figure 11: Implied control premium to market trading prices



Source: S&P Capital IQ and Leadenhall analysis

The generally observed range for control premiums is between 20% and 40%. In addition, the average takeover premium observed for transactions in the information technology sector in Australia between 2007 and 2017 ranged from 1% to 100%. Further information on observed control premiums and takeover premiums is included in Appendix 5.

The control premium implied by our assessed value of an InPayTech share is within the generally observed range as well as transaction premiums observed in the information technology sector. This provides support for our primary discounted cash flow value of InPayTech before the Proposed Transaction.

8.10 Conclusion on Value Before the Proposed Transaction

Based on our discounted cash flow analysis and share trading cross-check, we have selected a valuation range for a share in InPayTech of between 2.7 cents and 3.1 cents, on a control basis.

9 VALUATION OF PROPOSED MERGED ENTITY

9.1 Background

We have assessed the fair market value of the Proposed Merged Entity using the discounted cash flow method, with an implied multiple cross-check. This assessment has been made on a minority interest basis (i.e. excluding a control premium) as Shareholders would be minority shareholders in the Proposed Merged Entity if the Proposed Transaction is completed.

9.2 Discounted Cash Flow Method

In order to determine the value of a share in the Proposed Merged Entity on a minority basis using the discounted cash flow method, we have:

- ◆ Determined suitable cash flow projections for the Proposed Merged Entity.
- ◆ Determined an appropriate discount rate.
- ◆ Assessed the long-term growth rate beyond the forecast period.
- ◆ Calculated the enterprise value based on the preceding assumptions.
- ◆ Assessed the value of any non-operating assets and liabilities.
- ◆ Assessed a discount for lack of control as Shareholders would own a minority stake in the Proposed Merged Entity should the Proposed Transaction proceed.
- ◆ Allocated value to the options.
- ◆ Calculated the number of shares expected to be on issue after the Proposed Transaction.
- ◆ Estimated the value of a share in the Proposed Merged Entity (equity value) based on the preceding analysis.

9.3 Cash Flow Projections

We have been provided with an aggregated cash flow projections that include InPayTech (as described in Section 8.3), Comply Path and the expected synergies from the Proposed Transaction (both discussed below) for the period to FY26. The cash flow projections of Comply Path were prepared by Comply Path management and reviewed by InPayTech management. We have used the aggregated cash flow projections as the basis for our own cash flow model. We have undertaken a detailed analysis of the forecasts and have discussed the key assumptions behind the forecast with InPayTech and Comply Path's management. We have considered supporting information to determine the reasonableness of the cash flow projections and considered the residual risks associated with achieving the forecast. Certain assumptions have been adjusted to provide what we consider to be reasonable cash flow projections.

The detailed projections of Comply Path are not included in this report due to commercial sensitivity. However, the key assumptions underpinning the projections and the information considered in assessing the reasonableness of these assumptions are discussed below.

Contracted revenue

Contracted revenue, which consists of SaaS-based software licences, ongoing support and management services and consulting, forms the largest component of Comply Path's revenue projections. Comply Path has existing contracts with a number of large superannuation funds in Australia and a contract with a payroll solutions provider that is currently a competitor to InPayTech. The tenure of the contracts ranges up to five years. Comply Path management expects the contracts to be renewed upon expiry.

We have assessed the probability of contract renewals upon expiry based on discussions with Comply Path management, noting:

- ◆ Most of the existing customers have been using the Bond platform since it was acquired by PwC Australia in 2013. In addition, Comply Path has not had any customer attrition and some features of the Bond platform were developed in conjunction with inputs from the customers. Therefore, customers are likely to be highly 'sticky' in nature having had their systems customised for the Bond platform hence there are significant costs that the customers would incur in changing providers. As a result, Comply Path management do not expect existing customers to change providers for the foreseeable term.

- ◆ As one of its longstanding superannuation fund customers is currently undergoing a merger with another superannuation fund, there is a risk of non-renewal of the existing contract (payroll and business compliance service) which is due to expire in July 2021. In consideration of significant replacement costs and time required to recreate the bespoke platform (which takes approximately 18 months), Comply Path management is confident of sustaining the revenue in the medium term and has assumed a 100% renewal probability in the projections. In the event of a non-renewal of the existing contract, Comply Path management expects to leverage its existing relationship to secure a superannuation compliance service contract with the merged superannuation fund. The enlarged Proposed Merged Entity would also be able to offer a more extensive solution and additional services beyond superannuation compliance which can potentially generate more revenue (and at higher margins) that has not been included in the projections.
- ◆ With the Proposed Transaction, there is a potential conflict of interests with one of Comply Path's existing customers that is a payroll solutions provider. Comply Path management is in regular contact with the customer and has proposed a number of alternatives on the agreed arrangement going forward. In consideration of the remaining tenure of the existing contract (two years), the significant amount of investments (approximately \$8 million) and time spent in developing the Bond platform together with Comply Path, Comply Path management is optimistic of a favourable outcome in continuing the services and subject to remaining compliant with relevant laws and regulations. Therefore, Comply Path management has assumed a 100% renewal probability in the projections.

Based on the above, we do not consider the assumption to be unreasonable.

Pipeline revenue

Comply Path has identified approximately \$35 million of potential future revenue in its sales pipeline at varying stages, i.e. target, qualification and proposal. Of which, approximately \$13 million of revenue is in the proposal phase. Comply Path management risk-weighted the pipeline by assessing the probability and timing of the revenue and included an insignificant fraction of the pipeline in the projections in FY21. No pipeline revenue subsequent to FY21 was included in the projections of the Proposed Merged Entity as further analysis of the pipeline conversion is required due to uncertainties associated with the impact of the Proposed Transaction. We consider this to be a reasonable assumption.

Other revenue components

Other revenue components mainly include fees from providing consulting services in relation to initial platform configurations and customisations for product licenses. An insignificant amount of consulting revenue is expected to be generated in FY21. As Comply Path converts its customer pipeline into contracted revenue, it is expected to generate approximately \$0.9 million of consulting revenue in FY22 which is in line with historical consulting revenue.

Employee costs

Employee costs are the largest cost component of Comply Path. Employee costs are expected to increase in FY21 and FY22 as a result of an increase in headcount as the business grows. This is consistent with the start-up nature of Comply Path. Subsequent to FY22, wages are assumed to increase by 3% which is marginally higher than the projected inflation rate of 2.5%.

Other operating expenses

Other components of operating expenses include administration and insurance expenses which are assumed to increase in line with inflation.

Capital expenditure

Capital expenditure relates to the capitalised employee costs of developing and enhancing the Bond platform. Estimates of costs capitalised are based on the staff involved and time spent. Other maintenance related costs are incurred as expenses hence ongoing capital expenditure is not expected to be significant.

Taxation

We have applied the Australian corporate tax rate of 30%.

Working capital

As set out in Section 5.7, Comply Path operates with a negligible working capital balance. Therefore, projected movements in working capital are insignificant.

Synergies

Based on our discussions with the management of both InPayTech and Comply Path and the analysis of synergies set out in Section 6.6, we do not consider estimates of the synergies to be unreasonable because:

- ◆ Both parties have performed an independent review of the synergy estimates to reach a consensus based on their experience and professional judgement.
- ◆ The identified revenue synergy from the accelerated development of ClickVu is qualitatively consistent with previous market announcements (in particular the rationale for acquiring TipsGo).
- ◆ The cost savings from a reduction in headcount is consistent with the salary expenses of the identified personnel.

Accordingly, we have included \$0.3 million and \$2.2 million of revenue synergies (and associated cost of sales) in FY21 and FY22 respectively. We note potential revenue synergies from cross-selling opportunities to the existing clients of both InPayTech and Comply Path of approximately \$2.5 million have not been included in the projections. Beyond FY22, we have assumed the revenue synergies to grow in line with ClickSuper revenue.

For the cost savings, we have excluded \$0.1 million of employee costs in FY21 (to be implemented from April 2021) and the full impact of \$0.5 million from FY22 onwards. The realisation of the cost savings requires approximately \$0.1 million of termination costs to be incurred which are taken up in the FY21 cash flow projections.

EBIT margin – Proposed Merged Entity

Similar to InPayTech on a standalone basis, the Proposed Merged Entity is expected to achieve a long-term EBIT margin of slightly more than 40% as the business matures in FY26. We do not consider this to be unreasonable for the reasons discussed in Section 8.3. In addition, we note Comply Path currently operates on an EBIT margin of 52% as set out in Section 5.6.

Proposed Merged Entity projected free cash flows

The aggregated projected free cash flows of the Proposed Merged Entity resulting from the assumptions described above are summarised in the chart below:

Figure 12: Forecast free cash flows of the Proposed Merged Entity



Source: Leadenhall analysis

In summary, we note:

- ◆ The capital outlay in relation to software development leads to a marginal, negative free cash flow in FY21.
- ◆ The increase in free cash flows from FY22 is attributed to the accelerated revenue from the ClickVu service and the full year trading impact of Comply Path while costs are largely unchanged.
- ◆ No income or expense projections for TipsGo were included.

Reasonableness of assumptions

Based on the above analysis, in our opinion the overall cash flow projections are reasonable.

9.4 Discount Rate

We have applied a discount rate of between 13.0% and 15.0% (nominal, post-tax WACC) to the projected cash flows of the Proposed Merged Entity. We calculated the discount rate using the CAPM based on the assumptions set out in Appendix 3.

9.5 Terminal Growth

The terminal value represents the value of the cash flows beyond the forecast period. Terminal values are commonly calculated based on the discount rate and the expected long-term growth rate of future cash flows. We have used a terminal growth rate of 2.5% being the midpoint of the long-term RBA inflation target, which we consider is a reasonable estimate of long-term growth in cash flows for the Proposed Merged Entity.

9.6 Non-operating Assets and Liabilities

In order to assess the equity value of the Proposed Merged Entity, it is necessary to identify any non-operating assets and liabilities not used in generating the enterprise value. These can be:

- ◆ **Surplus assets:** assets held by the company that are not utilised in its business operation. This could be investments, unused plant and equipment held for resale, or any other assets not required to run the operating business. It is necessary to ensure that any income from surplus assets (i.e. rent / dividends) is excluded from the business value.
- ◆ **Non-operating liabilities:** liabilities of a company not directly related to its current business operations, although they may relate to previous business activities, for example claims against the entity.
- ◆ **Surplus cash:** comprising of surplus cash held by the company, less debt used to fund a business.

Each of these factors are considered below.

Surplus assets

As at 30 September 2020, InPayTech had carried forward tax losses of approximately \$10.1 million. According to InPayTech management, the Proposed Merged Entity is expected to satisfy conditions of the business continuity test. Based on the projected earnings of the Proposed Merged Entity, we note the tax losses will be fully utilised in approximately four years. The present value of the tax credits at the discount rate of between 13.0% and 15.0% is between \$2.1 million and \$2.2 million.

Non-operating liabilities

As at 30 September 2020, the Proposed Merged Entity has approximately \$0.4 million of non-operating liabilities pertaining to expected transaction costs.

Surplus cash

The surplus cash position for the Proposed Merged Entity as at 30 September 2020 is set out in the table below:

Table 21: Surplus cash summary

Description (\$'000)	
Cash	2,033
Borrowings ¹	(28)
Surplus cash	2,005

Source: Leadenhall analysis

Note 1: We have assumed book value is representative of fair market value for all borrowings.

9.7 Discount for Lack of Control

Shareholders would continue to own a minority stake in the Proposed Merged Entity if the Proposed Transaction proceeds. Consistent with the requirements of RG 111, the value of the consideration must be determined on a minority interest basis. In order to estimate the value of a minority interest it is necessary to apply a DLOC to the value of a 100% equity interest in the business. This discount takes into account the lack of control that a minority shareholder has over the affairs of a company and is described in more detail in Appendix 5.

A DLOC is effectively the inverse of a control premium. Australian studies have indicated that control premiums generally range from 20% to 40%. This implies a range for DLOC of approximately 17% to 29%. In selecting a suitable DLOC, we have considered:

Table 22: Factors affecting DLOC

DLOC considerations	
Factors indicative of lower DLOC	Factors indicative of higher DLOC
<ul style="list-style-type: none"> The Board of the Proposed Merged Entity shall comprise of an Independent Chairman, two non-executive directors associated with InPayTech and two non-executive directors associated with Comply Path. The existence of independent directors would tend to reduce the level of DLOC. Shares of the Proposed Merged Entity are reasonably widely dispersed over a large number of holders. 	<ul style="list-style-type: none"> The Proposed Merged Entity is not expected to pay dividends, at least in the medium term. A low dividend pay-out typically produces a higher DLOC. The Proposed Merged Entity has a lower than optimal level of debt in its proposed capital structure. A company that is not optimally geared may increase the DLOC.

Source: Leadenhall analysis

As a result of these considerations, we have selected a DLOC of 25%.

9.8 Value Attributable to Options

As the Proposed Transaction does not trigger a conversion of the existing InPayTech options into ordinary shares, we have assessed the value of the options of the Proposed Merged Entity. The following table provides a summary of the assessed value of the options:

Table 23: Proposed Merged Entity options

Description	Number	Value range	Low (\$'000)	High (\$'000)
Options ¹	15,000,000	\$0.005 - \$0.008	77	117
Options ²	1,850,000	\$0.004 - \$0.006	7	11
Total	16,850,000		84	127

Source: Leadenhall analysis

Notes:

1. Options with an exercise price of \$0.035 expiring on 3 November 2023.

2. Options with an exercise price of \$0.035 expiring on 15 October 2022.

We have analysed the value of the options using the Black-Scholes option pricing model. Key assumptions used in the Black-Scholes option pricing model were a 0% dividend yield and volatility of 50% (based on a volatility analysis on the comparable companies set out in Appendix 4).

9.9 Assessed Value After the Proposed Transaction

Summary

The preceding analysis leads to an assessed value of a share in the Proposed Merged Entity (on a minority basis) of between 2.3 cents and 2.8 cents as set out in the following table:

Table 24: Assessed value of a share in the Proposed Merged Entity

Equity value (minority basis) (\$'000)		
	Low	High
Calculated enterprise value on a control basis	32,206	39,491
Surplus assets	2,128	2,225
Non-operating liabilities	(400)	(400)
Surplus cash	1,725	1,725
Assessed equity value on a control basis	35,659	43,041
Discount for lack of control (25%)	(8,915)	(10,760)
Equity value on a liquid minority basis	26,744	32,280
Allocation to options	(84)	(127)
Value allocated to ordinary shares	26,660	32,153
Ordinary shares on issue ('000)	1,146,521	1,146,521
Assessed value per ordinary share on a minority basis (\$)	0.023	0.028

Source: Leadenhall analysis

Sensitivity analysis

This valuation is sensitive to a number of key assumptions as set out in the following figure:

Figure 13: Sensitivity analysis of equity value (in \$ million)



Source: Leadenhall analysis

Any alternative reasonable assessment of the factors above individually would not impact our conclusion on the fairness and reasonableness of the Proposed Transaction.

9.10 Implied Multiples Cross-Check

As a cross-check to our valuation, we have conducted an analysis of public company trading multiples to determine if the implied multiples using the discounted cash flow approach are reasonable. The metrics implied by our discounted cash flow valuation are set out in the table below:

Table 25: Implied multiples

Implied multiples cross-check summary		
	Low	High
Calculated enterprise value on a control basis	32,206	39,491
Discount for lack of control (25%)	(8,051)	(9,873)
Enterprise value on a minority basis	24,154	29,618
Implied EBITDA multiple		
FY21 (Current)	nmf	nmf
FY22 (Forecast)	12.8x	15.6x
Implied EBIT multiple		
FY21 (Current)	nmf	nmf
FY22 (Forecast)	17.2x	21.1x

Source: Leadenhall analysis

We have identified multiples implied by market trading prices of public companies with similar businesses to the Proposed Merged Entity set out in Appendix 4 and compared these implied multiples to those calculated for the Proposed Merged Entity in the table above. It should be noted that the multiples set out below are based on market trading and consequently do not include the impact of a control premium.

Table 26: Comparable company market trading multiples

Company	Country	Market Cap (A\$m)	EBITDA multiple		EBIT multiple		EBITDA margin	EBIT margin	EBIT growth
			Current	Forecast	Current	Forecast			
Australian Comparable Companies									
Technology One Limited	Australia	2,535	24.6x	21.1x	29.7x	26.5x	35%	28%	12%
Link Administration Holdings Limited	Australia	1,982	10.3x	8.8x	19.2x	14.7x	25%	15%	31%
IRESS Limited	Australia	1,825	15.2x	14.1x	20.4x	18.5x	23%	17%	11%
Bravura Solutions Limited	Australia	840	13.3x	11.6x	16.3x	14.2x	21%	17%	14%
ReadyTech Holdings Limited	Australia	155	10.2x	9.1x	25.4x	19.9x	39%	18%	28%
Reckon Limited	Australia	96	4.5x	4.5x	12.1x	12.5x	39%	14%	-3%
PayGroup Limited	Australia	43	8.7x	6.0x	14.3x	8.3x	25%	18%	72%
Average			12.4x	10.8x	19.6x	16.4x	30%	18%	24%
Median			10.3x	9.1x	19.2x	14.7x	25%	17%	14%
International Comparable Companies									
Intuit Inc.	United States	119,139	26.2x	23.5x	28.2x	24.9x	38%	36%	13%
Automatic Data Processing, Inc.	United States	83,643	19.1x	16.4x	21.8x	18.3x	24%	22%	18%
Broadridge Financial Solutions, Inc.	United States	21,206	16.8x	15.8x	19.5x	17.9x	22%	19%	9%
The Sage Group plc	Great Britain	14,209	17.0x	17.3x	19.3x	19.3x	25%	22%	0%
Cornerstone OnDemand, Inc.	United States	3,264	15.6x	12.9x	26.8x	19.7x	33%	22%	36%
Bottomline Technologies (de), Inc.	United States	2,628	18.4x	16.0x	25.7x	21.5x	22%	17%	20%
EQS Group AG	Germany	266	nmf	22.3x	nmf	nmf	18%	7%	nmf
Asure Software, Inc.	United States	167	15.6x	13.5x	nmf	nmf	15%	-19%	-7%
Gresham Technologies plc	Great Britain	136	16.7x	16.3x	nmf	nmf	16%	6%	-12%
EASY SOFTWARE AG	Germany	129	10.1x	9.1x	nmf	nmf	14%	3%	34%
Issuer Direct Corporation	United States	104	16.6x	13.0x	27.3x	19.5x	24%	16%	40%
Average			17.2x	16.0x	24.1x	20.2x	23%	14%	15%
Median			16.8x	16.0x	25.7x	19.5x	22%	17%	16%

Source: S&P Capital IQ as at 30 September 2020

Note: Comparable companies with unavailable or non-meaningful implied multiples data are not presented in the table above. We have not validated the data of the comparable companies but have confirmed the treatment of AASB 16 Leases has been applied consistently across.

In respect of the above analysis, we note:

- ◆ The implied forecast EBITDA and EBIT multiples for the international comparable companies are higher than that for the Australian comparable companies as the international comparable companies are generally larger in size. All other things being equal, larger companies trade on higher multiples.
- ◆ While the Proposed Merged Entity is smaller than the majority of the comparable companies, FY22 EBIT growth of the Proposed Merged Entity is expected to be significantly higher than the comparable companies. In addition, the Proposed Merged Entity is expected to generate EBITDA and EBIT margins of approximately 22% and 17% respectively in FY22 which is in line with the average and median margins of the comparable companies.
- ◆ The implied forecast EBITDA and EBIT multiple of the Proposed Merged Entity ranges between 12.8x and 15.6x and between 17.2x and 21.1x respectively, which is within the range of the comparable companies. The implied forecast multiples of the Proposed Merged Entity are broadly similar to that of IRESS Limited which is operating on similar margins as the Proposed Merged Entity. In terms of size and operations, PayGroup Ltd is considered broadly similar to the Proposed Merged Entity and is trading on an implied forecast EBITDA and EBIT multiple of 6.0x and 8.3x. As the Proposed Merged Entity is expected to generate a significantly higher EBIT growth in the near-term, it is not unreasonable for the Proposed Merged Entity to trade at larger EBITDA and EBIT multiples.

Based on the above analysis, we consider that the cross-check provides broad support for our assessed value under the discounted cash flow approach.

9.11 Conclusion on Value After the Proposed Transaction

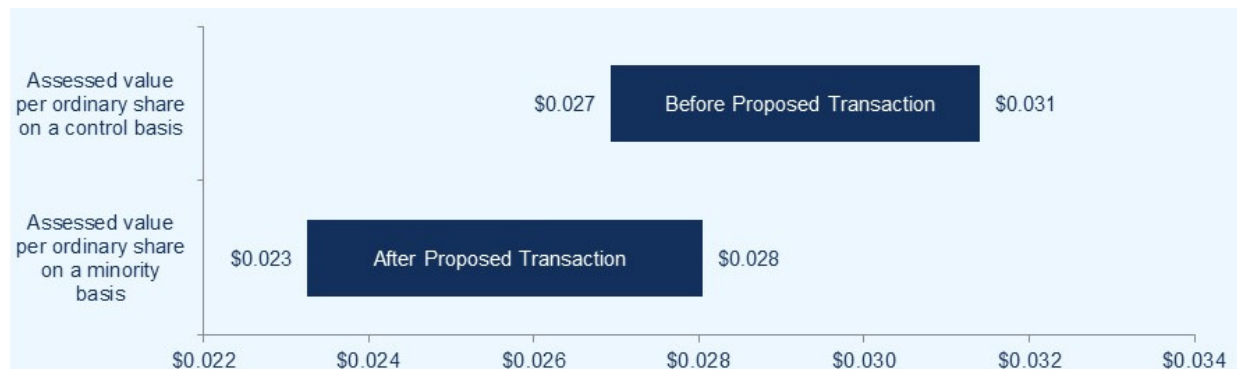
Based on our discounted cash flow analysis and implied multiples cross-check, we have selected a valuation range for a share in the Proposed Merged Entity of between 2.3 cents and 2.8 cents, on a minority basis.

10 EVALUATION

10.1 Fairness

We have assessed the Proposed Transaction as fair if the fair market value of an InPayTech share before the Proposed Transaction on a control basis is less than or equal to the fair market value of a share in the Proposed Merged Entity after the Proposed Transaction on a minority basis. This comparison is shown in the following figure:

Figure 14: Assessment of fairness



Source: InPayTech and Leadenhall analysis

Our assessed value range of a share in the Proposed Merged Entity (on a minority basis) partially overlaps our assessed value range of an InPayTech share before the Proposed Transaction (on a control basis). Given the assets have been valued on the same basis, we consider it appropriate to compare the upper end of the value range of a share in the Proposed Merged Entity with the upper end of the value range of an InPayTech share (and vice versa). We have therefore assessed the Proposed Transaction as being not fair.

10.2 Reasonableness

In accordance with ASIC guidelines, we have defined the Proposed Transaction as reasonable if it is fair, or if despite not being fair, the advantages to Shareholders outweigh the disadvantages. We have therefore considered the following advantages and disadvantages of the Proposed Transaction to Shareholders.

Advantages

Increased value on a minority basis

While the Proposed Transaction does not generate a full control premium for Shareholders, based on our analysis it will lead to an increased value per share on a minority basis. Specifically, if we apply our selected discount for lack of control to the pre-transaction value of an InPayTech share it would be in the range of between 2.0 cents and 2.4 cents. At the mid-point, this is 0.4 cents below the assessed value after the Proposed Transaction.

Accelerates the development of ClickVu and associated cost savings

The Proposed Transaction accelerates the development and rollout of InPayTech's ClickVu product which is expected to help generate an increase in ClickSuper transactions and attract new customers. In addition, leveraging on the already developed Bond platform of Comply Path reduces development costs to be incurred of approximately \$1.0 million over the next twelve months.

Potential synergies

Our valuation of the Proposed Merged Entity does not allow for the expected revenue synergies from cross-selling opportunities to the existing clients of both InPayTech and Comply Path. If these revenue synergies are achieved, that may represent upside to Shareholders relative to our assessed value.

Growth potential

Comply Path has a number of new clients in the pipeline which have not been fully included in the valuation of the Proposed Merged Entity. Therefore, if the Proposed Transaction is completed, Shareholders will be exposed to a company with significant growth expectations, which may in time lead to share price appreciation.

Scale and liquidity

If the Proposed Transaction is completed, Shareholders will hold shares in the Proposed Merged Entity which has the potential to be a significantly larger business than InPayTech standalone. This should lead to increased liquidity in InPayTech shares as well as a potential market re-rating. This additional scale may also make the enlarged group a more attractive takeover target, thereby increasing the probability that Shareholders will realise a full control premium at some point in the future.

Potential to realise an optimal capital structure

InPayTech currently operates on a less than optimal capital structure due to the lack of asset backing and ongoing losses limiting access to debt capital. The Proposed Merged Entity is expected to generate significantly greater profits in the medium term than the standalone business which may allow the use of additional leverage to realise an optimal capital structure.

Complementary activities

As InPayTech and Comply Path operate in similar parts of the RegTech industry in Australia, the Proposed Transaction would not only provide an opportunity for both businesses to consolidate but may reduce competition in some areas.

Disadvantages

Loss of control

If the Proposed Transaction is approved, the vendors of Comply Path would acquire practical control of InPayTech with a combined holding of 50%. This would include the ability to control the assets, the strategic direction of the company, and the decision of when to pay dividends. The vendors of Comply Path may not always act in the best interests of Shareholders, subject to compliance with relevant laws and regulations. This limits the ability to consider a takeover offer without the support of the vendors of Comply Path (to the extent they are aligned) which may reduce the potential for Shareholders to receive a control premium in the future.

Risks of achieving revenue growth and synergies

Our assessed value of the Proposed Merged Entity includes significant revenue growth projections and synergies. There is a risk that these expectations will not be realised (or fully valued by the market), in which case the value of the Proposed Merged Entity may decline or fail to trade at levels implied by our assessed value. However, InPayTech on a standalone basis faces similar risks.

Comply Path's financial statements are unaudited

Comply Path has not had its financial statements audited. Despite the commission of extensive due diligence on Comply Path there is an increased risk of material error in its financial statements than if it was audited.

Potential non-renewal of contracts for Comply Path

Our assessed value of the Proposed Merged Entity includes expectations that the Comply Path's sales contracts will be renewed, or if not, there are adequate alternative revenue sources which can replace the loss of contracted revenue. There is a risk of both scenarios failing to materialise, in which case, the value of the Proposed Merged Entity may decline or fail to trade at levels implied by our assessed value.

Shareholders will receive a smaller share of the upside than Vendors

While there is a significant increase in the enterprise value if the Proposed Transaction proceeds (due largely to expected synergies), Shareholders will receive a smaller share of this upside than the vendors of Comply Path.

Conclusion on reasonableness

In considering the reasonableness of the Proposed Transaction, we consider the advantages outweigh the disadvantages, in particular the increased value on a minority basis. In the absence of a higher value alternative, we have therefore assessed the Proposed Transaction as being reasonable.

10.3 Opinion

The Proposed Transaction is not fair but reasonable to Shareholders.

An individual shareholder's decision in relation to the Proposed Transaction may be influenced by their own particular circumstances. If in doubt, the shareholder should consult an independent financial adviser.

APPENDIX 1: GLOSSARY

Term	Meaning
AFCA	Australian Financial Complaints Authority
API	Application Programming Interface
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited
ATO	Australian Taxation Office
AUD	Australian Dollar
CAPM	Capital Asset Pricing Model
CCAF	Cambridge Centre for Alternative Finance
ClickSuper	Click Super Pty Ltd
Comply Path	Comply Path Holdings Pty Ltd and its subsidiaries
Corporations Act	The Corporations Act 2001
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Fair market value	The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arms' length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts
FinTech	Financial Technology
FSG	Financial Services Guide
FY	Financial year
InPayTech	Integrated Payment Technologies Ltd
Item 7	Item 7 of Section 611 of the Corporations Act
KYC	Know your customer
Leadenhall	Leadenhall Corporate Advisory Pty Ltd
NPAT	Net profit after tax
Payment Adviser	Payment Adviser Pty Ltd
PBT	Profit before tax
PEPPOL	Pan-European Public Procurement Online
Proposed Transaction	The proposed acquisition of Comply Path with the issue of shares equivalent to 50% interest in InPayTech
Proposed Merged Entity	The combined InPayTech and Comply Path after the Proposed Transaction
RBA	Reserve Bank of Australia
RegTech	Regulatory technology industry
RG111	Regulatory Guide 111: Content of Expert Reports
RG74	Regulatory Guide 74: Acquisitions Approved by Members
s606	Section 606 of the Corporations Act 2001
s611	Section 611 of the Corporations Act 2001
SaaS	Software-as-a-service
Shareholders	InPayTech's shareholders
STP	Single Touch Payroll
Tips Go	Tips Go Pty Ltd
Vendors of Comply Path	Collectively Mr Trent Lund, Mr Joe Brasacchio and Clinton Capital Partners
VWAP	Volume-weighted average price
WACC	Weighted Average Cost of Capital

APPENDIX 2: VALUATION METHODOLOGIES

In preparing this report we have considered valuation methods commonly used in practice and those recommended by RG 111. These methods include:

- ◆ The discounted cash flow method
- ◆ The capitalisation of earnings method
- ◆ Asset based methods
- ◆ Analysis of share market trading
- ◆ Industry specific rules of thumb

The selection of an appropriate valuation method to estimate fair market value should be guided by the actual practices adopted by potential acquirers of the company involved.

Discounted Cash Flow Method

Description

Of the various methods noted above, the discounted cash flow method has the strongest theoretical standing. It is also widely used in practice by corporate acquirers and company analysts. The discounted cash flow method estimates the value of a business by discounting expected future cash flows to a present value using an appropriate discount rate. A discounted cash flow valuation requires:

- ◆ A forecast of expected future cash flows
- ◆ An appropriate discount rate

It is necessary to project cash flows over a suitable period of time (generally regarded as being at least five years) to arrive at the net cash flow in each period. For a finite life project or asset this would need to be done for the life of the project. This can be a difficult exercise requiring a significant number of assumptions such as revenue growth, future margins, capital expenditure requirements, working capital movements and taxation.

The discount rate used represents the risk of achieving the projected future cash flows and the time value of money. The projected future cash flows are then valued in current day terms using the discount rate selected.

The discounted cash flow method is often sensitive to a number of key assumptions such as revenue growth, future margins, capital investment, terminal growth and the discount rate. All of these assumptions can be highly subjective sometimes leading to a valuation conclusion presented as a range that is too wide to be useful.

Use of the Discounted Cash Flow Method

A discounted cash flow approach is usually preferred when valuing:

- ◆ Early stage companies or projects
- ◆ Limited life assets such as a mine or toll concession
- ◆ Companies where significant growth is expected in future cash flows
- ◆ Projects with volatile earnings

It may also be preferred if other methods are not suitable, for example if there is a lack of reliable evidence to support a capitalisation of earnings approach. However, it may not be appropriate if:

- ◆ Reliable forecasts of cash flow are not available and cannot be determined
- ◆ There is an inadequate return on investment, in which case a higher value may be realised by liquidating the assets than through continuing the business

Capitalisation of Earnings Method

Description

The capitalisation of earnings method is a commonly used valuation methodology that involves determining a future maintainable earnings figure for a business and multiplying that figure by an appropriate capitalisation multiple. This methodology is generally considered a short form of a discounted cash flow, where a single representative earnings figure is capitalised, rather than a stream of individual cash flows being discounted. The capitalisation of earnings methodology involves the determination of:

A level of future maintainable earnings

An appropriate capitalisation rate or multiple.

A multiple can be applied to any of the following measures of earnings:

- ◆ **Revenue** – most commonly used for companies that do not make a positive EBITDA or as a cross-check of a valuation conclusion derived using another method.
- ◆ **EBITDA** - most appropriate where depreciation distorts earnings, for example in a company that has a significant level of depreciating assets but little ongoing capital expenditure requirement.
- ◆ **EBITA** - in most cases EBITA will be more reliable than EBITDA as it takes account of the capital intensity of the business.
- ◆ **EBIT** - whilst commonly used in practice, multiples of EBITA are usually more reliable as they remove the impact of amortisation which is a non-cash accounting entry that does not reflect a need for future capital investment (unlike depreciation).
- ◆ **NPAT** - relevant in valuing businesses where interest is a major part of the overall earnings of the group (e.g. financial services businesses such as banks).

Multiples of EBITDA, EBITA and EBIT are commonly used to value whole businesses for acquisition purposes where gearing is in the control of the acquirer. In contrast, NPAT (or P/E) multiples are often used for valuing minority interests in a company.

The multiple selected to apply to maintainable earnings reflects expectations about future growth, risk and the time value of money all wrapped up in a single number. Multiples can be derived from three main sources. Using the guideline public company method, market multiples are derived from the trading prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market, such as the ASX. The merger and acquisition method is a method whereby multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business. It is also possible to build a multiple from first principles.

Use of the Capitalisation of Earnings Method

The capitalisation of earnings method is widely used in practice. It is particularly appropriate for valuing companies with a relatively stable historical earnings pattern which is expected to continue. This method is less appropriate for valuing companies or assets if:

- ◆ There are no suitable listed company or transaction benchmarks for comparison
- ◆ The asset has a limited life
- ◆ Future earnings or cash flows are expected to be volatile
- ◆ There are negative earnings or the earnings of a business are insufficient to justify a value exceeding the value of the underlying net assets

Asset Based Methods

Description

Asset based valuation methods estimate the value of a company based on the realisable value of its net assets, less its liabilities. There are a number of asset based methods including:

- ◆ Orderly realisation
- ◆ Liquidation value
- ◆ Net assets on a going concern basis
- ◆ Replacement cost
- ◆ Reproduction cost

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realisation costs.

The asset / cost approach is generally used when the value of the business' assets exceeds the present value of the cash flows expected to be derived from the ongoing business operations, or the nature of the business is to hold or invest in assets. It is important to note that the asset approach may still be the relevant approach even if an asset is making a profit. If an asset is making less than an economic rate of return and there is no realistic prospect of it making an economic return in the foreseeable future, an asset approach would be the most appropriate method.

Use of Asset Based Methods

An asset-based approach is a suitable valuation method when:

- ◆ An enterprise is loss making and is not expected to become profitable in the foreseeable future
- ◆ Assets are employed profitably but earn less than the cost of capital
- ◆ A significant portion of the company's assets are composed of liquid assets or other investments (such as marketable securities and real estate investments)
- ◆ It is relatively easy to enter the industry (for example, small machine shops and retail establishments)

Asset based methods are not appropriate if:

- ◆ The ownership interest being valued is not a controlling interest, has no ability to cause the sale of the company's assets and the major holders are not planning to sell the company's assets
- ◆ A business has (or is expected to have) an adequate return on capital, such that the value of its future income stream exceeds the value of its assets

Analysis of Share Trading

The most recent share trading history provides evidence of the fair market value of the shares in a company where they are publicly traded in an informed and liquid market. There should also be some similarity between the size of the parcel of shares being valued and those being traded. Where a company's shares are publicly traded then an analysis of recent trading prices should be considered, at least as a cross-check to other valuation methods.

Industry Specific Rules of Thumb

Industry specific rules of thumb are used in certain industries. These methods typically involve a multiple of an operating figure such as eyeballs for internet businesses, numbers of beds for hotels etc. These methods are typically fairly crude and are therefore usually only appropriate as a cross-check to a valuation determined using an alternative method.

APPENDIX 3: DISCOUNT RATE

The selected discount rates applied in our discounted cash flow analysis for InPayTech and the Proposed Merged Entity have been determined using the weighted average cost of capital. We have estimated the cost of equity component with the capital asset pricing model.

Post-tax cost of equity (K_e)

The CAPM is based on the assumption that investors require a premium for investing in equities rather than in risk-free investments (such as government bonds). The cost of equity, K_e , is the rate of return that investors require to make an equity investment in a firm.

The cost of equity capital under CAPM is determined using the following formula:

$$K_e = R_f + \beta \times (R_m - R_f) + \alpha$$

The components of the CAPM formula are:

Table 27: Components of CAPM

Input	Definition
K_e	The required post-tax return on equity
R_f	The risk-free rate of return
R_m	The expected return on the market portfolio
EMRP	The market risk premium ($R_m - R_f$)
β	The beta, the systematic risk of a stock (this is an equity or levered beta)
α	The specific company risk premium

Each of the components in the above equation is discussed below.

Risk-free rate (R_f)

The relevant risk-free rate of return is the return on a risk-free security, typically over a long-term period. In practice, long dated government bonds are an acceptable benchmark for the risk-free security. We have selected a risk-free rate of 0.84%, being the yield on 10-year Australian Government bonds as at 30 September 2020.

Equity market risk premium (EMRP)

The EMRP ($R_m - R_f$) represents the additional return that investors expect from an investment in a well-diversified portfolio of assets (such as a market index). It is the excess return above the risk-free rate that investors demand for their increased exposure to risk, when investing in equity securities.

Leadenhall undertakes a review of the EMRP at least every six months, taking account of market trading levels and industry practice at the time. Our most recent analysis of the implied EMRP in Australia was 7.25% to 7.75% as at September 2020.

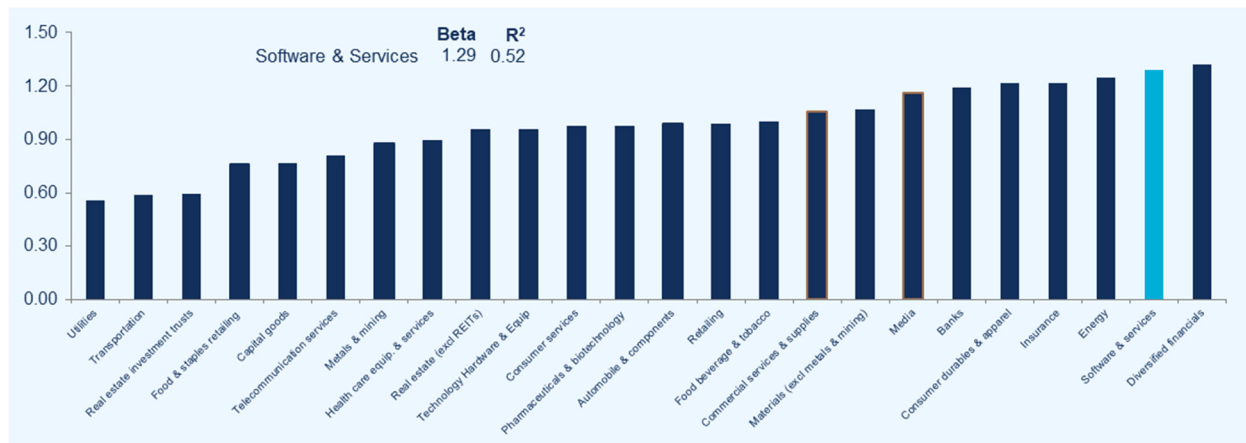
Beta estimate (β)

Description

The beta factor is a measure of the risk of an investment or business operation, relative to a well-diversified portfolio of assets. The only risks that are captured by beta are those risks that cannot be eliminated by the investor through diversification. Such risks are referred to as systematic, undiversifiable or uninsurable risk.

Beta is a measure of the relative riskiness of an asset in comparison to the market as a whole – by definition the market portfolio has an equity beta of 1.0. The equity betas of various Australian industries listed on the Australian Stock Exchange are reproduced below. Given the significant unusual market movements driven by COVID-19 in early 2020, we have based our industry beta estimates on data up to December 2019.

Figure 15: Industry betas



Source: SIRCA as at 31 December 2019

Betas derived from share market observations represent equity betas, which reflect the degree of financial gearing of the company. In order to eliminate the impact of differing capital structures, analysts often 'unlever' observed betas to calculate an asset beta. The selected asset beta is then 'relevered' with a target level of debt. The asset betas of companies comparable to InPayTech are included in the following table.

Table 28: Comparable company betas

Company	Country	Market Cap (A\$m) ¹	Gearing D/EV ²	Asset Beta			R ²	LH ³	LH ⁴
				SIRCA	LH ³	LH ⁴			
Integrated Payment Technologies Ltd	Australia	19	-30%	6.47	nmf	3.60	0.25	0.00	0.20
Australian Comparable Companies									
Xero Ltd	Australia	17,171	-1%	0.91	1.40	0.83	0.25	0.20	0.24
Technology One Ltd	Australia	2,756	-5%	0.35	0.73	0.25	0.04	0.06	0.02
Link Administration Holdings Ltd	Australia	2,615	19%	1.41	0.49	1.28	0.47	0.05	0.43
IRESS Ltd	Australia	1,860	8%	0.85	1.16	0.88	0.32	0.22	0.34
Bravura Solutions Ltd	Australia	808	-9%	0.98	0.50	0.95	0.18	0.02	0.16
Elmo Software Ltd	Australia	557	-15%	2.03	0.85	1.96	0.42	0.04	0.40
Bigtincan Holdings Ltd	Australia	460	-33%	2.36	0.99	2.01	0.37	0.03	0.28
LiveTiles Ltd	Australia	213	-10%	2.09	1.69	2.05	0.22	0.06	0.22
ReadyTech Holdings Ltd	Australia	179	20%	n/a	nmf	1.74	n/a	0.28	0.57
Reckon Ltd	Australia	92	26%	0.84	0.83	0.86	0.18	0.07	0.22
intelliHR Ltd	Australia	62	-11%	2.74	1.66	2.72	0.23	0.02	0.16
PayGroup Ltd	Australia	38	-30%	n/a	nmf	0.68	n/a	0.00	0.06
Kyckr Ltd	Australia	30	-29%	1.68	0.75	1.67	0.06	0.00	0.07
Average (excluding outliers⁵) - Australian			-5%	0.90	0.89	0.91			
Median (excluding outliers⁵) - Australian			-9%	0.88	0.84	0.87			
International Comparable Companies									
Intuit Inc.	United States	128,637	-3%	n/a	0.80	1.03	n/a	0.27	0.54
Automatic Data Processing Inc.	United States	103,454	0%	n/a	0.88	0.75	n/a	0.34	0.33
Workday Inc.	United States	73,662	-3%	n/a	1.36	1.33	n/a	0.19	0.30
Paycom Software Inc.	United States	30,125	0%	n/a	1.45	1.41	n/a	0.21	0.30
Broadridge Financial Solutions Inc.	United States	23,322	8%	n/a	0.59	0.80	n/a	0.15	0.37
Ceridian HCM Holding Inc.	United States	19,662	17%	n/a	1.36	1.26	n/a	0.39	0.48
Avalara Inc.	United States	18,223	-7%	n/a	0.38	0.63	n/a	0.01	0.07
Paylocity Holding Corporation	United States	13,875	-3%	n/a	1.34	1.39	n/a	0.14	0.27
The Sage Group plc	Great Britain	13,382	7%	n/a	0.73	0.69	n/a	0.16	0.32
BlackLine, Inc.	United States	8,314	-7%	n/a	0.85	0.82	n/a	0.07	0.12
Workiva Inc.	United States	4,761	-7%	n/a	1.11	1.51	n/a	0.11	0.37
Cornerstone OnDemand, Inc.	United States	3,721	-2%	n/a	1.48	1.39	n/a	0.30	0.39
Bottomline Technologies (de) Inc.	United States	2,727	1%	n/a	1.16	1.26	n/a	0.21	0.40
EQS Group AG	Germany	280	7%	n/a	0.43	0.53	n/a	0.07	0.15
Asure Software Inc.	United States	158	27%	n/a	1.09	1.00	n/a	0.07	0.11
Gresham Technologies plc	Great Britain	153	-9%	n/a	2.21	1.32	n/a	0.15	0.14
EASY SOFTWARE AG	Germany	135	10%	n/a	0.55	0.78	n/a	0.04	0.07
Issuer Direct Corporation	United States	110	-30%	n/a	1.09	1.19	n/a	0.08	0.15
Average (excluding outliers⁵) - International			0%	n/a	0.92	0.96			
Median (excluding outliers⁵) - International			-1%	n/a	0.98	0.91			
Average (excluding outliers⁵) - Overall			-2%	0.90	0.96	0.95			
Median (excluding outliers⁵) - Overall			-3%	0.88	0.88	0.87			

Source: Leadenhall analysis as at 31 December 2019 and 17 November 2020; SIRCA as at 30 June 2020

Notes:

1. Market capitalisation as at 17 November 2020

2. Gearing levels represent the five-year average gearing levels.

3. Leadenhall beta as at 31 December 2019

4. Leadenhall beta as at 17 November 2020

5. The outliers are highlighted in grey and have been excluded from the average and median calculations.

Selected beta (β)

In selecting an appropriate beta for InPayTech and the Proposed Merged Entity, we have considered the following:

- ◆ The outbreak of COVID-19 in early 2020 has introduced significant noise into beta estimation. The impact of the pandemic varies across industries and there is presently no reason to expect underlying beta has changed for any specific industry. We have therefore used both pre-COVID data as at 31 December 2019 and current data as at 17 November 2020 for our estimation.
- ◆ The industry equity beta for the Australian Software and Services industry was 1.29 as at 31 December 2019 and 1.30 as at 30 June 2020. The industry equity beta represents the broader Software and Services industry and therefore is less directly relevant to InPayTech.
- ◆ The asset betas implied by the regression analysis of InPayTech's share returns on market returns are not meaningful for our analysis due to anomalies in InPayTech's market trading.
- ◆ The average asset betas (excluding outliers) for broadly comparable Australian companies are between 0.89 and 0.91 and the median asset betas for the dataset are between 0.84 and 0.88.
- ◆ The average asset betas (excluding outliers) for broadly comparable International companies are between 0.92 and 0.96 and the median asset betas for the dataset are between 0.91 and 0.98.
- ◆ The overall average asset betas (excluding outliers) are between 0.90 and 0.96 and the overall median asset betas (excluding outliers) are between 0.87 and 0.88.
- ◆ InPayTech and the Proposed Merged Entity provide an overlay service and assist users in their payroll administration and superannuation compliance functions. Due to the lack of directly comparable RegTech companies in Australia, we have included the ASX-listed financial administration software providers (IRESS Ltd, Bravura Solutions Ltd and Link Administration Holdings) in the list of broadly comparable companies. In terms of geography, size and the industry it operates in, Kyckr Ltd is considered broadly similar to InPayTech and the Proposed Merged Entity. However, we note Kyckr Ltd provides KYC solutions for anti-money laundering, anti-tax evasion and anti-fraud.
- ◆ The International comparable companies' dataset includes companies providing regulatory and compliance technology solutions. These comprise Broadridge Financial Solutions Inc., Bottomline Technologies (de) Inc., Workiva Inc., Avalara Inc., EQS Group AG and Issuer Direct Corporation. Whilst these companies provide technology regulatory and/or compliance solutions, they are significantly larger in size and generally have more diversified operations than InPayTech and the Proposed Merged Entity. Accordingly, InPayTech and the Proposed Merged Entity inherently have a higher systematic risk profile than the broadly comparable companies.
- ◆ In addition, we note a number of the broadly comparable companies are human capital management and/or payroll software providers (i.e. Automatic Data Processing Inc., Intuit Inc., The Sage Group Plc, Ceridian HCM Holding Inc., Paylocity Holding Corporation, Technology One Ltd and BlackLine Inc.). However, they are significantly larger in size and scale of operations than InPayTech and the Proposed Merged Entity. Accordingly, InPayTech and the Proposed Merged Entity inherently have a higher systematic risk profile than the broadly comparable companies.
- ◆ We note the R-squared for several listed comparable companies are lower than 0.10, which indicates a wide range of potential underlying betas for these stocks.
- ◆ As a result of these considerations we have selected an asset beta between 1.00 and 1.10 for both InPayTech and for the Proposed Merged Entity which equates to an equity beta of 1.08 to 1.19 after applying our selected gearing levels of 10%. Our selected gearing level takes into consideration InPayTech and the Proposed Merged Entity's long-term need for leverage to fund its growth and maximise returns to shareholders, constrained by the lack of ability to support significant levels of debt given its poor profitability and cash flow generation. The selected gearing levels are within the range of the comparable companies' gearing levels.

Specific company risk premium (α)

Size premium

The size premium is the additional return that investors require for the risks of investing in small businesses. To date, whilst it has not been possible to isolate the specific causes of size premiums (other than simply size), many factors have been suggested, including:

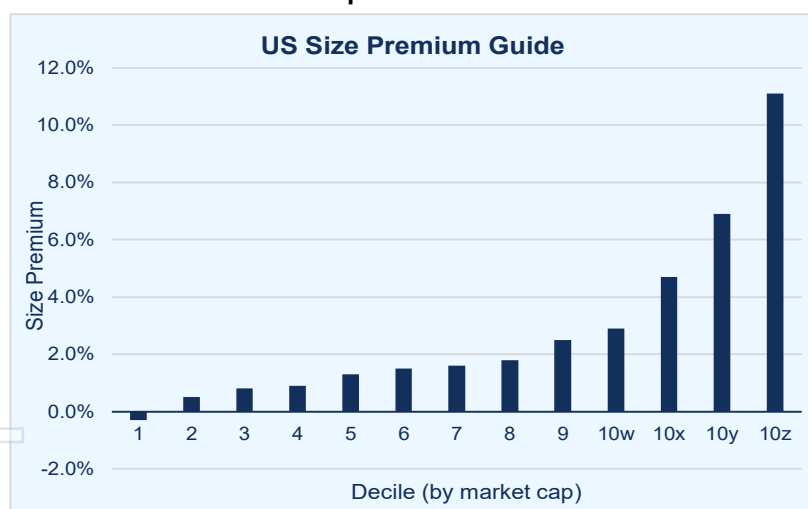
- ◆ Depth of management
- ◆ Reliance on key personnel
- ◆ Weak market position
- ◆ Reliance on key customers
- ◆ Reduced access to capital
- ◆ Deeper pool of investors for larger companies
- ◆ Reliance on key suppliers
- ◆ Lack of geographic diversification
- ◆ Limited access to technology
- ◆ Absence of broker analysis
- ◆ Supplier concentration
- ◆ Investors in large companies often more diversified

The size premium can be observed in earnings multiples of listed companies, with large companies trading on higher multiples than small companies, all else being equal. Size premiums are observed consistently across time, across different markets and across a very wide range of company values.

A number of studies have been undertaken attempting to measure the size premium, in particular in the US. The Duff & Phelps Cost of Capital Navigator is an online application that provides guidance in estimating cost of capital. It contains calculations of the size premium for each decile of market capitalisation. As the size premium is most significant for very small companies, the tenth decile is then further divided into four equal segments.

The following chart summarises the size premium data from the Duff & Phelps Cost of Capital Navigator.

Table 29: Evidence of size premium



Source: Duff & Phelps Cost of Capital Navigator, data through 31 December 2018

Note: The first decile represents the largest companies while the 10z decile represents the smallest companies by market capitalisation.

As mentioned above, the existence of the size premium has been well documented. However, there are limited studies setting out the appropriate bands of size premium and the quantum of size premium applicable to each band. For this reason, the above table should be taken as broad support for the size effect and not an exact guide to the extent of any particular discount or premium that should be applied.

Although there is considerable evidence from the US, in the Australian context, the relatively small size of the Australian equity market makes it more difficult to observe the existence of this phenomenon.

Leadenhall and others have conducted a number of high-level studies which have confirmed the existence of the size effect in the Australian market. However, we are not aware of any Australian studies that have been performed with the same detail and rigour as the US studies, such as the Duff & Phelps data presented above. Based on the evidence from US studies and our knowledge of prices actually paid in Australian transactions, from which a discount rate can be implied, we believe the size premium ranges in the below table are appropriate. This table should be taken as a guide to the appropriate size premium for a given business and needs to be considered in conjunction with the specific circumstances of a particular business.

Table 30: Leadenhall size premium bandings

Size Premium Guide for Australia				
Size	Mkt Cap Range (AU\$m)		Size Premium	
	Low	High	Low	High
Largest	4,000	Above	-	-
Large	1,000	4,000	-	1.0%
Mid-cap	300	1,000	1.0%	2.0%
Low-cap	100	300	2.0%	3.0%
Small-cap	50	100	3.0%	5.0%
Micro-cap	10	50	5.0%	8.0%
Medium private ¹	5	10	8.0%	11.0%
Small private ¹	2	5	11.0%	15.0%
Smallest ¹	-	2	15.0%	20.0%

Source: Leadenhall analysis

Note 1: We do not generally consider the CAPM model to be reliable for entities of this size as they often do not meet the background assumptions underpinning the CAPM. In particular, investors are often not diversified, and it is rarely possible to lend or borrow stock of entities this size (i.e. a market for shorting these stocks). These suggested size premiums are therefore presented as an approximate guide only as alternate models, studies and rules of thumb are commonly utilised for these type of companies.

Based on its market capitalisation of \$16 million as at 30 September 2020, InPayTech would be considered a micro-cap public company and as such a size premium of between 5% and 8% would generally apply. Accordingly, we have selected a size premium of 6.5% to 7.5% for InPayTech and a slightly lower premium 5.5% to 6.5% for the Proposed Merged Entity.

Other company specific risks

The specific company risk premium adjusts the cost of equity for company specific factors, including unsystematic risk factors such as reliance on key customers, reliance on key suppliers, existence of contingent liabilities etc that are not already factored into the size premium. We consider that these factors are reflected in either the cash flow forecasts or adjustments to size premium discussed above for InPayTech and the Proposed Merged Entity. We have therefore not applied a specific risk premium for the Proposed Transaction valuation.

Dividend Imputation

Since July 1987, Australia has had a dividend imputation system in place, which aims to remove the double taxation effect of dividends paid to investors. Under this system, domestic equity investors receive a taxation credit (franking credit) for any tax paid by a company. The franking credit attaches to any dividends paid out by a company and the franking credit offsets personal tax. To the extent the investor can utilise the franking credit to offset personal tax, then the corporate tax is now not a real impost. It is best considered as a withholding tax for personal taxes. It can therefore be argued that the benefit of dividend imputation should be added to any analysis of value.

However, in our view, the evidence relating to the value that the market ascribes to imputation credits is inconclusive. There are diverse views as to the value of imputation credits and the appropriate method that should be employed to calculate this value. Due to the uncertainty surrounding the extent to which acquirers of assets factor in dividend imputation, we have not factored in dividend imputation.

Conclusion on cost of equity

The following table sets out our cost of equity estimate for InPayTech and the Proposed Merged Entity based on the assumptions and inputs discussed above:

Table 31: Estimated cost of equity for InPayTech and the Proposed Merged Entity

Discount Rate Summary				
	In Pay Tech		Proposed Merged Entity	
	Low	High	Low	High
Risk free rate (R_f)	0.84%	0.84%	0.84%	0.84%
Asset beta (β_A)	1.00	1.10	1.00	1.10
Equity beta (β_E)	1.08	1.19	1.08	1.19
Equity market risk premium (EMRP)	7.25%	7.75%	7.25%	7.75%
Size premium (α_{size})	6.5%	7.5%	5.5%	6.5%
Specific risk premium (α_c)	0.0%	0.0%	0.0%	0.0%
Assessed cost of equity (k_e)	15.2%	17.5%	14.2%	16.5%

Source: Leadenhall analysis

Post-tax weighted average cost of capital (WACC)

WACC reflects the rate of return expected for an asset, adjusted for its underlying funding structure, such as relative components of debt and equity, calculated as follows:

$$WACC = (K_e \times E/V) + (K_d \times D/V + (1 - t_c))$$

The components of the WACC formula are:

Table 32: Components of WACC

Input	Definition
WACC	The post-tax weighted average cost of capital
K_e	The required post-tax return on equity
t_c	The corporate tax rate
K_d	The required pre-tax return on debt
D	The market value of debt
E	The market value of equity
V	The market value of business, where $V = D + E$

Each of the components in the above equation is discussed below.

Cost of equity (K_e)

The required post-tax return on equity as assessed in the preceding section.

Corporate tax rate (t_c)

The corporate tax rate in Australia is 30% and we have adopted this rate in calculating the WACC for InPayTech and the Proposed Merged Entity.

Cost of debt capital (K_d)

The cost of borrowing is the expected future borrowing cost of the relevant project and/or business. We have assessed the cost of debt capital for InPayTech and the Proposed Merged Entity to be between 5.5% and 6.5%, based on current indicative lending rates for businesses of similar size as InPayTech and the Proposed Merged Entity.

Debt and equity mix

The selection of an appropriate capital structure is a subjective exercise. The tax deductibility of the cost of debt means that the higher the proportion of debt, the lower the WACC for a given cost of equity. However, at significantly higher levels of debt, the marginal cost of borrowing would increase due to the greater risk which debt holders are exposed to. In addition, the cost of equity would also be likely to increase due to equity investors requiring a higher return given the higher degree of financial risk that they have to bear.

Ultimately for each company there is likely to be a level of debt/equity mix that represents the optimal capital structure for that company. In estimating the WACC, the debt/equity mix assumption should reflect what would be the optimal or target capital structure for the relevant asset. We have selected a debt to enterprise value of 10% as the optimal capital structure for InPayTech and the Proposed Merged Entity. This takes into consideration InPayTech and the Proposed Merged Entity's long-term need for leverage to fund its growth and maximise returns to shareholders, constrained by the lack of ability to support significant levels of debt given its poor profitability and cash flow generation. The selected gearing level is within the range of the comparable companies' gearing levels.

Calculation of WACC

The table below summarises the post-tax, nominal discount rate we have derived for InPayTech and the Proposed Merged Entity, based on the assumptions and inputs discussed above.

Table 33: Estimated WACC for InPayTech and the Proposed Merged Entity

Discount Rate Summary				
	In Pay Tech		Proposed Merged Entity	
	Low	High	Low	High
Assessed cost of equity (k_e)	15.2%	17.5%	14.2%	16.5%
Cost of debt (K_d)	5.5%	6.5%	5.5%	6.5%
Gearing (D/V)	10.0%	10.0%	10.0%	10.0%
Tax rate (t)	30.0%	30.0%	30.0%	30.0%
Calculated WACC	14.0%	16.2%	13.1%	15.3%
Selected WACC	14.0%	16.0%	13.0%	15.0%

Source: Leadenhall analysis

We have used a slightly wider range of discount rates than normal as we consider InPayTech and the Proposed Merged Entity to be early-stage companies with a wider range of potential outcomes.

APPENDIX 4: COMPARABLE COMPANIES

The following company descriptions are extracted from descriptions provided by S&P Capital IQ.

Company	Description
Asure Software, Inc.	Asure Software, Inc. provides cloud-based human capital management and workspace management solutions worldwide.
Automatic Data Processing Inc.	Automatic Data Processing, Inc. provides cloud-based human capital management solutions worldwide.
Avalara, Inc.	Avalara, Inc., together with its subsidiaries, provides cloud-based solutions for transaction tax compliance worldwide.
Bigtincan Holdings Limited	Bigtincan Holdings Limited, a software development company, provides software as a services application platform.
BlackLine, Inc.	BlackLine, Inc. provides financial accounting close solutions delivered primarily as Software as a Service in the United States and internationally.
Bottomline Technologies (de), Inc.	Bottomline Technologies (de), Inc. provides various solutions for the banking, financial services, insurance, healthcare, technology, retail, communications, education, media, manufacturing, and government industries.
Bravura Solutions Limited	Bravura Solutions Limited provides enterprise software and software-as-a-service (SaaS) to the wealth management, life insurance, and funds administration markets in Australia, New Zealand, the United Kingdom, and internationally.
Broadridge Financial Solutions, Inc.	Broadridge Financial Solutions, Inc. provides investor communications and technology-driven solutions for the financial services industry worldwide.
Ceridian HCM Holding Inc.	Ceridian HCM Holding Inc. operates as a human capital management (HCM) software company in the United States, Canada, and internationally.
Cornerstone OnDemand, Inc.	Cornerstone OnDemand, Inc., together with its subsidiaries, provides learning and people development solutions through software-as-a-service model worldwide.
EASY SOFTWARE AG	EASY SOFTWARE AG develops and provides software solutions worldwide.
Elmo Software Limited	Elmo Software Limited provides software-as-a-service, cloud-based human resource (HR) and payroll solutions for organizations in Australia, New Zealand, and the United Kingdom.
EQS Group AG	EQS Group AG provides regulatory technology for corporate compliance and investor relations in Germany and internationally.
Gresham Technologies plc	Gresham Technologies plc, a software and services company, provides solutions for data integrity and control, banking integration, and payments and cash management in the United Kingdom, Europe, the Middle East, Africa, the United States, North America, Australia, and the Asia Pacific.
intelliHR Limited	intelliHR Limited, together with its subsidiaries, develops and commercializes cloud based people management platform in Australia and internationally.

Company	Description
Intuit Inc.	Intuit Inc. provides financial management and compliance products and services for consumers, small businesses, self-employed, and accounting professionals in the United States, Canada, and internationally.
IRESS Limited	IRESS Limited provides market data, trading, compliance, order management, portfolio and wealth management, mortgages and related tools in Australia, New Zealand, Asia, North America, Europe, South Africa, and the United Kingdom.
Issuer Direct Corporation	Issuer Direct Corporation provides shareholder communications and compliance platforms, technologies, and services in North America and Europe.
Kyckr Limited	Kyckr Limited provides data and technology solutions in Australia, Ireland, and internationally.
Link Administration Holdings Limited	Link Administration Holdings Limited provides technology-enabled administration solutions trustees in Australia, New Zealand, the United Kingdom, Channel Islands, and internationally.
LiveTiles Limited	LiveTiles Limited develops and sells digital workplace software.
Paycom Software, Inc.	Paycom Software, Inc. provides cloud-based human capital management (HCM) software service for small to mid-sized companies in the United States.
PayGroup Limited	PayGroup Limited provides payroll and human capital management solutions in the Asia Pacific and the Middle East. The company provides software-as-a-service payroll solutions and cloud based human capital management platform, HROnline, for data aggregation, reporting, and critical workflows.
Paylocity Holding Corporation	Paylocity Holding Corporation provides cloud-based payroll and human capital management software solutions for medium-sized organizations in the United States.
ReadyTech Holdings Limited	ReadyTech Holdings Limited provides mission-critical people management software for educators, employers, and facilitators of career transitions in Australia.
Reckon Limited	Reckon Limited provides software solutions in Australia, the United States, and internationally.
Technology One Limited	Technology One Limited researches, develops, markets, sells, implements, and supports integrated enterprise business software solutions worldwide.
The Sage Group plc	The Sage Group plc, together with its subsidiaries, provides technology solutions and services.
Workday, Inc.	Workday, Inc. provides enterprise cloud applications worldwide.
Workiva Inc.	Workiva Inc., together with its subsidiaries, provides connected reporting and compliance platform worldwide.
Xero Limited	Xero Limited, together with its subsidiaries, operates as a software as a service company worldwide.

Source: S&P Capital IQ

APPENDIX 5: CONTROL PREMIUM

The outbreak of COVID-19 and the consequential general decline in share prices is likely to have an impact on implied control premiums in the current environment. Although there is anecdotal evidence from previous economic downturns of control premiums being higher than the long-term average in times of economic distress, it is difficult to quantify the impact of the current environment on long-term estimates based on currently available data. We have therefore presented our analysis of control premiums prior to the outbreak of COVID-19 noting that any reasonable range of control premiums does not impact our conclusion on the Proposed Transaction.

Background

The difference between the control value and the liquid minority value of a security is the control premium. The inverse of a control premium is a minority discount (also known as a discount for lack of control). A control premium is said to exist because the holder of a controlling stake has several rights that a minority holder does not enjoy (subject to shareholders agreements and other legal constraints), including the ability to:

- ◆ Appoint or change operational management
- ◆ Appoint or change members of the board
- ◆ Determine management compensation
- ◆ Determine owner's remuneration, including remuneration to related party employees
- ◆ Determine the size and timing of dividends
- ◆ Control the dissemination of information about the company
- ◆ Set strategic focus of the organisation, including acquisitions, divestments and any restructuring
- ◆ Set the financial structure of the company (debt / equity mix)
- ◆ Block any or all of the above actions

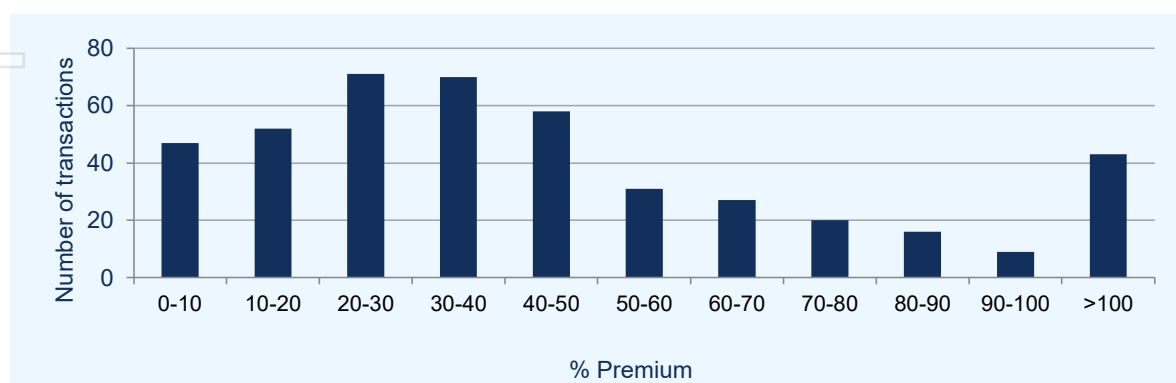
The most common approach to quantifying a control premium is to analyse the size of premiums implied from prices paid in corporate takeovers. Another method is the comparison between prices of voting and non-voting shares in the same company. We note that the size of the control premium should generally be an outcome of a valuation and not an input into one, as there is significant judgement involved.

Takeover Premiums

Dispersion of premiums

The following chart shows the spread of premiums paid in takeovers between 2007 and 2017. We note that these takeover premiums may not be purely control premiums, for example the very high premiums are likely to include synergy benefits, while the very low premiums may be influenced by share prices rising in anticipation of a bid.

Figure 16: Takeover premium by size



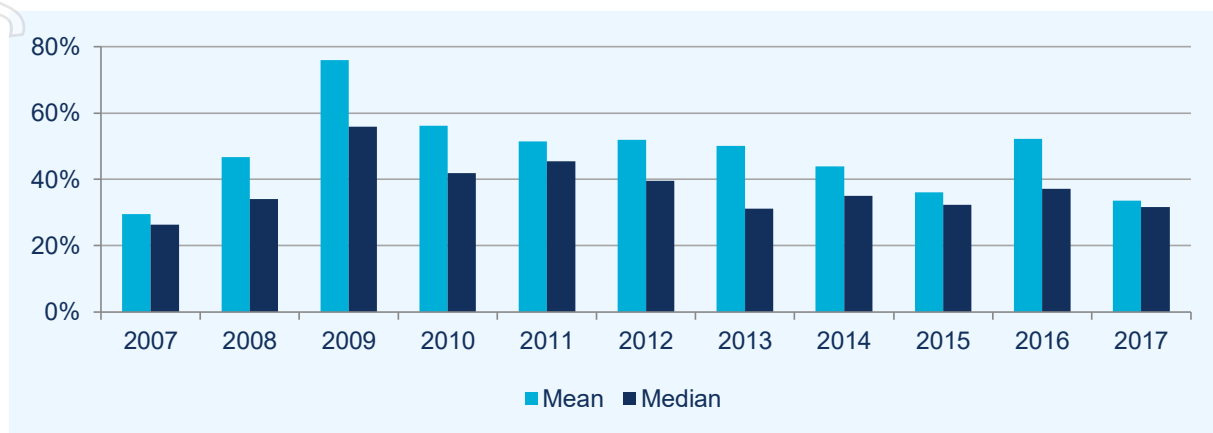
Sources: S&P Capital IQ, Leadenhall analysis

This chart highlights the dispersion of premiums paid in takeovers. The chart shows a long tail of high premium transactions, although the most common recorded premiums are in the range of 20% to 40%, with approximately 65% of all premiums falling in the range of 0% to 50%.

Premiums over time

The following chart shows the average premium paid in completed takeovers compared to the price one month before the initial announcement.

Figure 17: Average takeover premium (1 month)



Sources: S&P Capital IQ, Leadenhall analysis

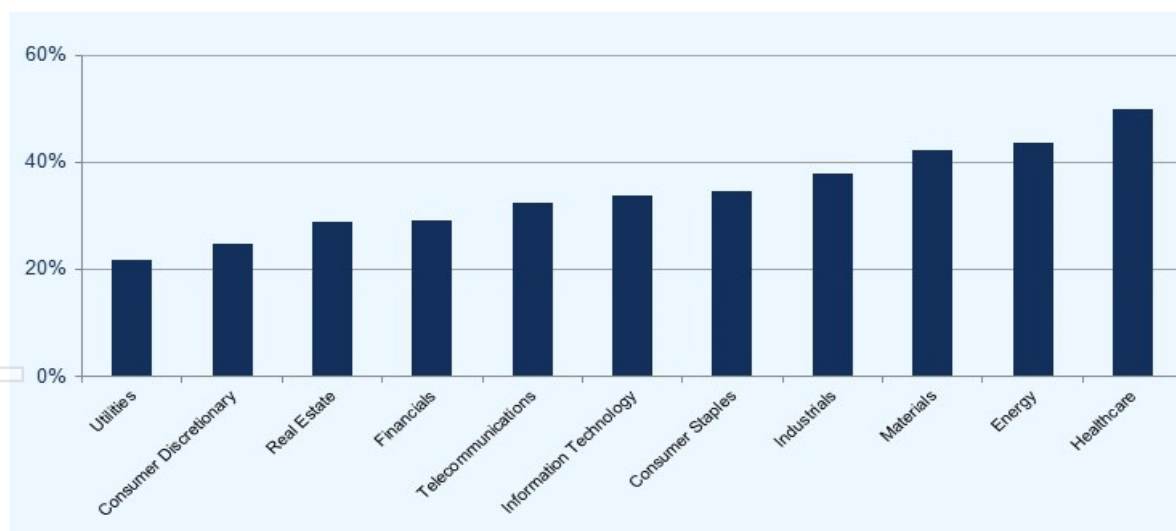
Note: The average premiums presented above exclude transactions with implied control premiums below zero and transactions which we consider to be outliers.

The chart indicates that while premiums vary over time, there is no clearly discernible pattern. The mean is higher than the median due to a small number of high premiums.

Premiums by industry

The following chart shows the average takeover premium by industry, compared to the share price one month before the takeover was announced. Most industries show an average premium of 20% to 40%.

Figure 18: Average takeover premium (2007 to 2017)



Sources: S&P Capital IQ, Leadenhall analysis

Note: The average premiums presented above exclude specific transactions with implied control premiums below zero or over 100% which we consider to be outliers.

Key factors that generally lead to higher premiums being observed include:

- ◆ Competitive tension arising from more than one party presenting a takeover offer.
- ◆ Favourable trading conditions in certain industries (e.g. recent mining and tech booms).
- ◆ Significant synergistic special or strategic value.
- ◆ Scrip offers where the price of the acquiring entity's shares increases between announcement and completion.

Industry Practice

In Australia, industry practice is to apply a control premium in the range of 20% to 40%, as shown in the following list quoting ranges noted in various independent experts' reports.

- ◆ Deloitte - 20% to 40%
- ◆ Ernst & Young - 20% to 40%
- ◆ Grant Samuel - 20% to 35%
- ◆ KPMG - 25% to 35%
- ◆ Lonergan Edwards - 30 to 35%
- ◆ PwC - 20% to 40%

The range of control premiums shown above is consistent with most academic and professional literature on the topic.

Alternative View

Whilst common practice is to accept the existence of a control premium in the order of 20% to 40%, certain industry practitioners (particularly in the US) disagree with the validity of this conclusion. Those with an alternate view point to the fact that very few listed companies are acquired each year as evidence that 100% of a company is not necessarily worth more than the proportionate value of a small interest. Those practitioners agree that the reason we see some takeovers at a premium is that if a company is not well run, there is a premium related to the difference in value between a hypothetical well-run company and the company being run as it is.

Impact of Methodologies Used

The requirement for an explicit valuation adjustment for a control premium depends on the valuation methodology and approach adopted and the level of value to be examined. It may be necessary to apply a control premium to the value of a liquid minority value to determine the control value. Alternatively, in order to estimate the value of a minority interest, it may be necessary to apply a minority discount to a proportional interest in the control value of the company.

Discounted cash flow

The discounted cash flow methodology generally assumes control of the cash flows generated by the assets being valued. Accordingly, such valuations reflect a premium for control. Where a minority value is sought a minority discount must therefore be applied. The most common exception to this is where a discounted dividend model has been used to directly determine the value of an illiquid minority holding.

Capitalisation of earnings

Depending on the type of multiple selected, the capitalisation of earnings methodology can reflect a control value (transaction multiples) or a liquid minority value (listed company trading multiples).

Asset based methodologies

Asset based methodologies implicitly assume control of the assets being valued. Accordingly, such valuations reflect a control value.

Intermediate Levels of Ownership

There are a number of intermediate levels of ownership between a portfolio interest and 100% ownership. Different levels of ownership/strategic stakes will confer different degrees of control and rights as shown below.

- ◆ 90% - can compulsory purchase remaining shares if certain conditions are satisfied
- ◆ 75% - power to pass special resolutions
- ◆ > 50% - gives control depending on the structure of other interests (but not absolute control)
- ◆ > 25% - ability to block a special resolution
- ◆ 20% - power to elect directors, generally gives significant influence, depending on other shareholding blocks
- ◆ < 20% - generally has only limited influence

Conceptually, the value of each of these interests lies somewhere between the portfolio value (liquid minority value) and the value of a 100% interest (control value). Each of these levels confers different degrees of control and therefore different levels of control premium or minority discount.

> 50%

For all practical purposes, a 50% interest confers a similar level of control to holdings of greater than 50%, at least where the balance of the shares are listed and widely held. Where there are other significant holders, such as in a 50/50 joint venture, 50% interests involve different considerations depending upon the particular circumstances.

Strategic parcels do not always attract a control premium. In fact, if there is no bidder, the owner may be forced to sell the shares through the share market, usually at a discount to the prevailing market price. This reflects the fact that the sale of a parcel of shares significantly larger than the average number of shares traded on an average day in a particular stock generally causes a stock overhang, therefore there is more stock available for sale than there are buyers for the stock and in order to clear the level of stock available, the share price is usually reduced by what is referred to as a blockage discount.

20% to 50%

Holdings of less than 50% but more than 20% can confer a significant degree of influence on the owner. If the balance of shareholders is widely spread, a holding of less than 50% can still convey effective control of the business. However, it may not provide direct ownership of assets or access to cash flow. This level of holding has a strategic value because it may allow the holder significant influence over the company's management, possibly additional access to information and a board seat.

< 20%

Holdings of less than 20% are rarely considered strategic and would normally be valued in the same way as a portfolio interest given the stake would not be able to pass any ordinary or special resolution on their own if they were against the interests of the other shareholders. Depending on the circumstances, a blockage discount may also apply.

As explained above, the amount of control premium or minority discount that would apply in specific circumstances is highly subjective. In relation to the appropriate level of control premium, Aswath Damodaran notes "the value of controlling a firm has to lie in being able to run it differently (and better)". A controlling shareholder will be able to implement their desired changes. However, it is not certain that a non-controlling shareholder would be able to implement changes they desired. Thus, following the logic of Damodaran and the fact that the strategic value of the holding typically diminishes as the level of holding decreases, the appropriate control premium for a non-controlling shareholder should be lower than that control premium for a controlling stake.

Key factors in determining a reasonable control premium

Key factors to consider in determining a reasonable control premium include:

- ◆ **Size of holding** – generally, larger stakes attract a higher control premium
- ◆ **Other holdings** – the dispersion of other shareholders is highly relevant to the ability for a major shareholder to exert control. The wider dispersed other holdings are, the higher the control premium
- ◆ **Industry premiums** – evidence of premiums recently paid in a given industry can indicate the level of premium that may be appropriate
- ◆ **Size** – medium sized businesses in a consolidating industry are likely to be acquired at a larger premium than other businesses
- ◆ **Dividends** – a higher dividend pay-out generally leads to a lower premium for control
- ◆ **Gearing** – a company that is not optimally geared may attract a higher premium than otherwise, as the incoming shareholder has the opportunity to adjust the financing structure
- ◆ **Board** – the ability to appoint directors would increase the control premium attaching to a given parcel of shares. The existence of independent directors would tend to decrease the level of premium as this may serve to reduce any oppression of minority interests and therefore support the level of the illiquid minority value
- ◆ **Shareholders' agreement** - the existence and contents of a shareholder's agreement, with any protection such as tag along and drag along rights offered to minority shareholders lowers the appropriate control premium.

APPENDIX 6: QUALIFICATIONS, DECLARATIONS AND CONSENTS

Responsibility and purpose

This report has been prepared for InPayTech's shareholders for the purpose of assessing the fairness and reasonableness of the Proposed Transaction. Leadenhall expressly disclaims any liability to any shareholder, or anyone else, whether for our negligence or otherwise, if the report is used for any other purpose or by any other person.

Reliance on information

In preparing this report we relied on the information provided to us by InPayTech and Comply Path being complete and accurate and we have assumed it has been prepared in accordance with applicable Accounting Standards (unless otherwise stated) and relevant national and state legislation. We have not performed an audit, review or financial due diligence on the information provided. Drafts of our report were issued to InPayTech and Comply Path's management for confirmation of factual accuracy.

Prospective information

To the extent that this report refers to prospective financial information, we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Leadenhall's consideration of this information consisted of enquiries of InPayTech and Comply Path's personnel and analytical procedures applied to the financial data. These procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with Australian Auditing Standards, or any other standards. Nothing has come to our attention as a result of these enquiries to suggest that the financial projections for InPayTech and Comply Path, when taken as a whole, are unreasonable for the purpose of this report.

We note that the forecasts and projections supplied to us are, by definition, based upon assumptions about events and circumstances that have not yet transpired. Actual results in the future may be different from the prospective financial information of InPayTech and Comply Path referred to in this report and the variation may be material, since anticipated events frequently do not occur as expected. Accordingly, we give no assurance that any forecast results will be achieved. Any future variation between the actual results and the prospective financial information utilised in this report may affect the conclusions included in this report.

Market conditions

Leadenhall's opinion is based on prevailing market, economic and other conditions as at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon the conclusion reached in this report.

As a valuation is based upon expectations of future results it involves significant judgement. Although we consider the assumptions used and the conclusions reached in this report are reasonable, other parties may have alternative expectations of the future, which may result in different valuation conclusions. The conclusions reached by other parties may be outside Leadenhall's preferred range

Indemnities

In recognition that Leadenhall may rely on information provided by InPayTech and Comply Path and their officers, employees, agents or advisors, InPayTech has agreed that it will not make any claim against Leadenhall to recover any loss or damage which it may suffer as a result of that reliance and that it will indemnify Leadenhall against any liability that arises out of Leadenhall's reliance on the information provided by InPayTech and Comply Path and their officers, employees, agents or advisors or the failure by InPayTech and Comply Path and their officers, employees, agents or advisors to provide Leadenhall with any material information relating to this report.

Qualifications

The personnel of Leadenhall principally involved in the preparation of this report were Richard Norris, BA (Hons), FCA, M.App.Fin, F.Fin; Simon Dalgarno, B.Ec, FCA, F.FINSIA; Dave Pearson, BCom., CA, CFA, CBV; and Bruce Li, BCom., CA, CA BV Specialist.

This report has been prepared in accordance with "APES 225 – Valuation Services" issued by the Accounting Professional & Ethical Standards Board and this report is a valuation engagement in accordance with that standard.

Independence

Leadenhall and its related entities do not have at the date of this report, and have not had within the previous five years (other than those disclosed below), any business or professional relationship with InPayTech, Comply Path or any other related entities or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

We advise that in the previous five years we have undertaken the following engagements in respect of InPayTech:

- ◆ In July 2016, we were engaged to prepare a purchase price allocation report for financial reporting purpose in relation to InPayTech's acquisition of Payment Adviser Group.
- ◆ In July 2017, we were engaged to perform an impairment analysis of the carrying value of InPayTech's goodwill arising from the acquisition of Payment Adviser Group in 2016.

The fees for the above engagements were not material in the context of Leadenhall group revenue over the last five financial years.

Leadenhall was not involved in the setting the terms of, or any negotiations leading to, the Proposed Transaction. Our only role has been in the preparation of this report.

Leadenhall has acted independently of InPayTech and Comply Path. Compensation payable to Leadenhall is not contingent on the conclusion, content or future use of this report.

Schedule 2 – Merger Agreement

For personal use only

EXECUTION VERSION

Merger agreement

Integrated Payment Technologies Limited
(ACN 611 202 414)

and

Comply Path Holdings Pty Ltd
(ACN 641 635 494)

and

Unlocked Investments Pty Ltd
(ACN 641 201 443)

and

GJB Consulting Pty Ltd
(ACN 121 856 675)

and

Digital Niche Investments Pty Limited
(ACN 609 654 275)

and

Clinton Capital Partners Pty Ltd
(ACN 600 952 841)

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Date: 17 November 2020

Parties

InPayTech	Name	Integrated Payment Technologies Limited
	ACN	611 202 414
	Address	Suite 1, Level 5, 28 Margaret Street, Sydney NSW 2000
	Email	[REDACTED] [REDACTED]
	Attention	Don Sharp Paul Collins
Comply Path	Name	Comply Path Holdings Pty Ltd
	ACN	641 635 494
	Address	[REDACTED]
	Email	[REDACTED]
	Attention	[REDACTED]
Unlocked	Name	Unlocked Investments Pty Ltd ATF the Unlocked Investments Unit Trust
	ACN	641 201 443
	Address	[REDACTED]
	Email	[REDACTED]
	Attention	[REDACTED]
GJB	Name	GJB Consulting Pty Ltd ATF Giuseppe and Francy Brasacchio Family Trust
	ACN	121 856 675
	Address	[REDACTED] [REDACTED]
	Email	[REDACTED]
	Attention	[REDACTED]
Digital Niche	Name	Digital Niche Investments Pty Limited ATF Digital Niche Investment Trust
	ACN	609 654 275
	Address	[REDACTED]
	Email	[REDACTED]
	Attention	[REDACTED]
Clinton Capital	Name	Clinton Capital Partners Pty Ltd
	ACN	600 952 841
	Address	[REDACTED]
	Email	[REDACTED]
	Attention	[REDACTED]

(each of Unlocked, GJB, Digital Niche and Clinton Capital is a **Seller**, and together they are the **Sellers**).

Background

- (A) Each of the Sellers owns the Sale Shares set out against their name in Schedule 1 and the Sale Shares comprise all the issued capital in Comply Path.
- (B) Each of the Sellers agrees to sell the Sale Shares set out against their name in Schedule 1 and InPayTech agrees to buy the Sale Shares on the terms of this agreement.

Operative provisions

1. Definitions and interpretation

1.1 Definitions

In this agreement the following definitions apply:

Accounting Standards means the accounting standards made or in force under the Corporations Act, and if any matter is not covered by those accounting standards, generally accepted Australian accounting principles.

Accounts mean:

- (a) in relation to the InPayTech Group, the full year audited results of the InPayTech Group for the full year ending on the Accounts Date; and
- (b) in relation to the Comply Path Group, the unaudited consolidated balance sheet, cash flow statements and income statements of the Comply Path Group as at the Accounts Date.

Accounts Date:

- (a) in respect of InPayTech Group Accounts means 30 June 2020; and
- (b) in respect of Comply Path Group Accounts, means 31 October 2020.

Acquisition means the acquisition of the Sale Shares by InPayTech through the issue of InPayTech Purchase Shares to the Sellers.

Adviser means any person who is engaged to provide professional advice of any type (including legal, accounting, consulting or financial advice) to InPayTech or Comply Path or any of their respective Related Bodies Corporate.

Agreed Announcement means the announcement in the form set out in Schedule 7.

ASIC means the Australian Securities & Investments Commission.

ASIC Modifications means a modification to or exemption (including, without limitation, any "no action" letter) required to be obtained by InPayTech from ASIC to enable it to conduct the Acquisition in compliance with the Corporations Act.

Associate has the meaning given in section 12 of the Corporations Act.

ASX means ASX Limited ABN 98 008 624 691, or the securities market it operates, as the context requires.

ASX Confirmation means a written confirmation from ASX that re-compliance by InPayTech of Chapters 1 and 2 of the Listing Rules under Listing Rule 11.1.3 is not required for the Acquisition.

ASX Waivers means any waivers, confirmations or approvals required to be obtained by InPayTech from ASX to enable InPayTech to conduct the Acquisition, in compliance with the Listing Rules.

Business Day means a day other than a Saturday, Sunday or public holiday on which banks are open for business generally in Sydney, Australia.

Claim means a claim arising from or relating to a breach of a Warranty or any other claim by a party under this agreement.

Claims End Date means the date that is 12 months after the Completion Date.

Completion means completion of the Acquisition in accordance with this agreement.

Completion Date means the date that is 3 Business Days after the day that each Condition has been satisfied or waived in accordance with clause 3.3.

Comply Path Break Fee means \$200,000.

Comply Path Data Room means the virtual data room established by Comply Path for the purpose of the proposed transaction between the parties and operated by iDeals.

Comply Path Disclosure Materials means:

- (a) all written information and materials relating to Comply Path made available to InPayTech during the Due Diligence Period in the Comply Path Data Room, as included on the USB delivered to InPayTech or its lawyers by or on behalf of the Sellers on or prior to execution of this agreement; and
- (b) the information disclosed to InPayTech and its Advisers by or on behalf of Comply Path contained in the Disclosure Letter.

Comply Path Group means Comply Path and its Subsidiaries and **Comply Path Group Member** means any one of them.

Comply Path Information means the information regarding Comply Path to be provided by Comply Path to InPayTech in writing for inclusion in the Explanatory Statement referred to in clause 4.1(a)(iii) and in the Agreed Announcement.

Comply Path Register means the register of members of Comply Path.

Comply Path Warranties means the representations and warranties set out in Schedule 4, and **Comply Path Warranty** means any one of them.

Comply Path's Board means the board of directors of Comply Path from time to time.

Conditions means the conditions set out in clause 3.2 and **Condition** means any one of them.

Confidentiality Deed means the confidentiality deed between InPayTech and Comply Path dated 19 September 2020.

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

Cut Off Date means 31 March 2020, or a later date agreed between InPayTech and Comply Path in writing.

Defaulting Party has the meaning given in clause 12.1(a).

Demand means a written notice of, or demand for, an amount payable.

Disclosure Letter means a letter dated on or about the date of this agreement, together with the attachments to that letter, addressed by Comply Path (on its own behalf and on behalf of each Seller) to InPayTech, disclosing facts, matters and circumstances which are, or as may be, inconsistent with the Comply Path Warranties.

Disclosure Materials means the Comply Path Disclosure Materials or the InPayTech Disclosure Materials as is relevant to each party.

Due Diligence Period means the period between the date of the Confidentiality Deed and the date of this agreement.

Encumbrance means any mortgage, pledge, lien or charge and any other agreement, right or interest having a similar effect.

Existing Shareholders Deed means the shareholders' deed dated 1 July 2020 between Comply Path and each Seller.

Explanatory Statement means the explanatory statement (and any supplementary statement or materials) to accompany the notice of meeting for the General Meeting, which is to contain all the information required by law, ASIC policy and the Listing Rules.

Financial Services Laws means

- (a) any law or regulation that covers or otherwise deals with or relates to the provision of financial products or services (whether or not such law or regulation also covers or otherwise deals with or relates to other matters), including any laws in the Corporations Act or the *Australian Securities and Investments Commission Act 2001* (Cth);
- (b) any subordinate or delegated legislation or statutory instrument in respect of, or issued under or in connection with, any law or regulation referred to in paragraph (a); or
- (c) any direction given by a Government Agency in relation to any law, regulation, legislation or instrument referred to in paragraph (a) or (b).

Forward Looking-Information has the meaning given in clause 9.4(a)(vii).

Full Escrow Period means the period commencing on the Completion Date and ending at the end of the day that is 24 months after the Completion Date.

General Meeting means the general meeting of InPayTech Shareholders to be convened by InPayTech and held on the General Meeting Date to consider the Shareholder Resolutions.

General Meeting Date means the date on which InPayTech holds the General Meeting, which, to the extent reasonably possible, is to be in accordance with the Timetable.

Government Agency means any government or any public, statutory, governmental (including a local government), semi-governmental or judicial body, entity, department or authority and includes any self-regulatory organisation established under statute.

GST has the meaning given to that term in the GST Act.

GST Act means the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

Half Escrow Period means the period commencing on the Completion Date and ending at the end of the day that is 12 months after the Completion Date.

Independent Expert means the independent expert in respect of the Acquisition appointed by InPayTech.

Independent Expert's Report means the independent expert's report (and any supplementary report or materials) to be issued by the Independent Expert to accompany the notice of meeting for the General Meeting, which is to be prepared as required by ASIC policy and the Listing Rules.

InPayTech Break Fee means \$200,000.

InPayTech Data Room means the virtual data room established by InPayTech for the purpose of the proposed transaction between the parties and operated by Intralinks.

InPayTech Director means a director of InPayTech from time to time.

InPayTech Disclosure Materials means all written information and materials relating to InPayTech made available to Comply Path during the Due Diligence Period in the InPayTech Data Room, as included on the USB delivered to the Sellers or their lawyers by or on behalf of InPayTech on or prior to execution of this agreement.

InPayTech Group means InPayTech and its Subsidiaries and **InPayTech Group Member** means any one of them.

InPayTech Information means all information in the Explanatory Statement and in the Agreed Announcement but does not include the Comply Path Information.

InPayTech Purchase Shares means the New InPayTech Shares to be issued to the Sellers in their Respective Proportions in consideration for the transfer of the Sale Shares to InPayTech, as set out in Schedule 1.

InPayTech Register means the register of members of InPayTech.

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

InPayTech Shareholder means a person who is registered as a holder of InPayTech Shares.

InPayTech's Board means the board of directors of InPayTech from time to time.

InPayTech's Constitution means the constitution of InPayTech.

InPayTech Warranties means the representations and warranties of InPayTech set out in Schedule 3, and **InPayTech Warranty** means any one of them.

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; or
 - (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 (i) inclusive occurs in relation to the person under the laws of a foreign jurisdiction.

Intellectual Property Licences means any licences granted to an InPayTech Group Member or Comply Path Group Member (as applicable) in respect of Intellectual Property Rights.

Intellectual Property Rights means all present and future intellectual and industrial property rights conferred by statute, at common law or in equity and wherever existing, including:

- (a) patents, designs, copyright, rights in circuit layouts, plant breeder's rights, trade marks, know how, brand names, domain names, inventions, product names, trade secrets and any other rights subsisting in the results of intellectual effort in any field, whether or not registered or capable of registration;
- (b) any application or right to apply for registration of any of these rights;
- (c) any registration of any of those rights or any registration of any application referred to in paragraph (b); and
- (d) all renewals and extensions of these rights.

Law means:

- (a) principles of law or equity established by decisions of courts;

- (b) statutes, regulations or by-laws of the Commonwealth of Australia, or any State or Territory of the Commonwealth of Australia or a Government Agency; and
- (c) requirements and approvals (including conditions) of the Commonwealth of Australia, or any State or Territory of the Commonwealth of Australia or a Government Agency that have the force of law.

Leakage means:

- (a) any dividend or distribution of profits or assets declared, or any payments in lieu of any dividend or distribution, paid or made or any repurchase, redemption or return of share or loan capital paid or agreed to be paid, in each case by any Comply Path Group Member to, or for the direct benefit of, any Seller (or its Related Parties);
- (b) in respect of the Comply Path Group, any amount paid or payable by any Comply Path Group Member at any time in respect of its Transaction Costs to the extent that such payments result in the aggregate amount of all of its Transaction Costs paid or payable by the Comply Path Group since the Accounts Date exceeding its Target Transaction Costs;
- (c) any payments made by any Comply Path Group Member to (or assets transferred to or liabilities assumed or incurred by any Comply Path Group Member for the direct benefit of) any Seller (or its Related Parties);
- (d) the waiver by any Comply Path Group Member of any amount owed to it by any Seller (or its Related Parties);
- (e) any transfer of an asset to or assumption of a Liability by any Comply Path Group Member at an overvalue, in each case from any Seller (or its Related Parties); and/or
- (f) any agreement, arrangement or understanding to do any of the foregoing,

but does not include any Permitted Leakage Payment.

Licensed Premises means Part Folio Identifier 31/SP88803 being the agreed number of desks out of the 38 desks contained in the premises known as Suite 5.01, Level 5, 28 Margaret Street Sydney that is subject to a Property License.

Liability means liability or obligation, whether known or unknown, liquidated or unliquidated, present, contingent or prospective.

Listing Rules means the official Listing Rules of the ASX as amended or waived from time to time.

Locked Box Date means the Accounts Date as it relates to the Comply Path Group Accounts.

Loss means losses, liabilities, damages, costs, charges and expenses.

Management Accounts means the unaudited monthly management accounts of Comply Path for the period from the Accounts Date to Completion.

Merged Group means the combination of the InPayTech Group and the Comply Path Group, as comprised by InPayTech and its Subsidiaries following completion of the Acquisition.

New InPayTech Shares means 573,260,447 InPayTech Shares.

Owned Intellectual Property Rights means all Intellectual Property Rights used by an InPayTech Group Member or Comply Path Group Member (as applicable) in connection with the either business, but excluding the Intellectual Property Licences.

Permitted Leakage Payment means any payment made or agreed to be made (whether in cash or in kind in each case) by a Comply Path Group Member to the extent it:

- (a) comprises Transaction Costs, to the extent that such Transaction Costs do not exceed the Target Transaction Costs;
- (b) is included as a specific reserve, allowance, accrual or provision in the Accounts or the Management Accounts;
- (c) comprises ordinary course salary and other remuneration (including director's fees in accordance with past practice (as to quantum and timing) of the relevant party);
- (d) is expressly approved in writing by InPayTech as a "Permitted Leakage Payment".

Prescribed Occurrence means the occurrence of any of the following on or after the date of this agreement:

- (a) InPayTech or Comply Path (as applicable) converts all or any of its shares into a larger or smaller number of shares;
- (b) InPayTech or Comply Path (as applicable) reduces or resolves to reduce its share capital in any way;
- (c) InPayTech or Comply Path (as applicable) buys-back or resolves to buy-back its shares;
- (d) InPayTech pays any amount at any time in respect of its Transaction Costs to the extent that such payments result in the aggregate amount of all of its Transaction Costs paid or payable by InPayTech exceeding its Target Transaction Costs;
- (e) any InPayTech all Group Member or Comply Path Group Member (as applicable) issues securities, or grants a performance right or an option over its securities or to subscribe for its securities, or agrees to make such an issue or grant such a right or an option (other than in accordance with this agreement);
- (f) any InPayTech Group Member or Comply Path Group Member (as applicable) issues, or agrees to issue, convertible notes or any other security or instrument convertible into shares;
- (g) any InPayTech Group Member or Comply Path Group Member (as applicable) disposes, or agrees to dispose, of any assets, properties or businesses;
- (h) any InPayTech Group Member or Comply Path Group Member (as applicable) acquires, or agrees to acquire, any assets, properties or businesses;
- (i) any InPayTech Group Member or Comply Path Group Member (as applicable) enters into a commitment or a series of commitments for capital expenditure;
- (j) any InPayTech Group Member or Comply Path Group Member (as applicable) creates or agrees to create, any Encumbrance over the whole, or a substantial part, of its business or property;
- (k) an Insolvency Event occurs in relation to any InPayTech Group Member or Comply Path Group Member (as applicable);

- (l) InPayTech or Comply Path (as applicable) pays, declares, distributes or incurs a liability to make or pay a dividend, bonus or other share of its profits, income, capital or assets by way of dividend or other form of distribution;
- (m) any InPayTech Group Member or Comply Path Group Member (as applicable) makes any change to its constitution or convenes a meeting to consider a resolution to change a constitution of any InPayTech Group Member or Comply Path Group Member (as applicable);
- (n) any InPayTech Group Member or Comply Path Group Member (as applicable) ceases, or threatens to cease to, carry on the business conducted as at the date of this agreement;
- (o) any InPayTech Group Member or Comply Path Group Member (as applicable) (other than a dormant, non-operating member) being deregistered as a company or being otherwise dissolved;
- (p) any disposal of shares or securities by InPayTech Group Member or Comply Path Group Member (as applicable) in any member of that group; or
- (q) any InPayTech Group Member or Comply Path Group Member (as applicable) authorising, committing or agreeing to take or announcing any of the actions referred to in clause 6.1(b) insofar as it applies to the InPayTech Group Member or Comply Path Group Member (as applicable) the subject of such authorisation, commitment, agreement or announcement,

provided that a Prescribed Occurrence will not include:

- (r) any matter required to be done or procured by an InPayTech Group Member or Comply Path Group Member (as applicable) pursuant to this agreement; or
- (s) any matter the undertaking of which the other party (being either InPayTech or Comply Path as applicable) has approved in writing.

Privacy Law means

- (a) the *Privacy Act 1988* (Cth);
- (b) any other requirement under Australian law, industry code, policy or statement relating to the handling of personal information;
- (c) any other international, federal, state and local laws, rules, regulations, directives and governmental requirements relating in any way to the privacy, data protection, confidentiality or security of personal information; and
- (d) any mandatory industry standards concerning privacy, data protection, confidentiality or security of personal information.

Property License means the license between Managed Accounts Holdings Limited (as licensor) and InPayTech (as licensee) dated 24 August 2016 in respect of the Licensed Premises.

Records means printed or any other readable form, of all files, reports, records, accounts, registers, correspondence, documents and other material relating to or used by an InPayTech Group Member or a Comply Path Group Member (as applicable) or by the business of the Comply Path Group or InPayTech Group (as applicable) on or before Completion, including:

- (a) minute books, statutory books and registers, books of account and copies of business activity statements, fringe benefit tax and payroll tax returns;
- (b) sales literature, market research reports, brochures and other promotional material (including printing blocks, negatives, soundtracks and associated materials);
- (c) lists of all clients, suppliers and customers;
- (d) financial records and accounts including ledgers, journals and books of account;
- (e) records of wages, employment benefits and other payroll and personnel information;
- (f) records of and relating to the contracts entered into by a Comply Path Group Member or an InPayTech Group Member (as applicable); and
- (g) all other data, however recorded, owned or used by a Comply Path Group Member or an InPayTech Group Member (as applicable) which relates to a Comply Path Group Member or an InPayTech Group Member (as applicable) or the business of the Comply Path Group or InPayTech Group (as applicable).

Registry means the share registry appointed by InPayTech from time to time.

Regulatory Approvals mean:

- (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 Regulatory Authority; or
- (b) in relation to anything that would be fully or partly prohibited or restricted by law if a Regulatory Authority 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.

Regulatory Authority means:

- (a) any governmental or local authority, any department, minister or agency of any government and any other governmental, administrative, fiscal, monetary or judicial body; or
- (b) any other authority, agency, commission or similar entity having powers or jurisdiction under any law or regulation of the listing rules of any recognised stock or securities exchange.

Related Body Corporate means, in relation to a person, 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.

Related Entity has the meaning given to that term in section 9 of the Corporations Act.

Related Party has the meaning given in section 228 of the Corporations Act, other than under section 228(6) of the Corporations Act.

Relevant Interest has the meaning given in the Corporations Act.

Relevant Law means the Law and any one or more or all of the following, as the context requires:

- (a) the InPayTech Constitution;

- (b) Privacy Laws;
- (c) Financial Services Laws;
- (d) to the extent binding on any party, any regulatory guide, policy statement, class order, declaration, guidelines, policy or procedure pursuant to the provisions of which ASIC is authorised or entitled to regulate, implement or enforce, either directly or indirectly, the provisions of any Law or any conduct or proposed conduct of any person pursuant to any such Law.

Requisite Majorities means:

- (a) in relation to each of the Shareholder Resolutions, by more than 50% of the total number of votes cast at the General Meeting (whether in person, by proxy or representative) with no votes cast in favour of the resolution by any Seller (or their Associates) in accordance with item 7 of section 611 of the Corporations Act (for the purposes of paragraph (a) of the definition of Shareholder Resolutions, and in accordance with Listing Rule 11.1.2 (for the purposes of paragraph (b) of the definition of Shareholder Resolutions); and
- (b) in relation to any other resolution to be passed by InPayTech Shareholders, the majority required to pass such resolutions under the Corporations Act or under the Listing Rules.

Respective Proportion means, in respect of each Seller, the proportion that Seller's Sale Shares bear to all of the Shares, expressed as a percentage and set out in Schedule 1.

Sale Shares means all of the Shares.

Securities means shares, preference shares, warrants or options to acquire shares or rights or securities convertible, exchangeable or exercisable into, shares, preference shares, warrants or options.

Seller Nominee Director means an InPayTech Director nominated by the Sellers who is a representative of the Sellers.

Seller Warranties means the representations and warranties of each Seller set out in Schedule 5, and **Seller Warranty** means any one of them.

Seller Warrantors means each Seller.

Shareholder Resolutions means the following resolutions to be put to InPayTech Shareholders at the General Meeting in a form agreed in writing by InPayTech and Comply Path, which will not be passed unless approved by the Requisite Majorities:

- (a) A resolution to approve the issue of the New InPayTech Shares to the Sellers under Listing Rule 7.1 substantially in the form of Part A of Schedule 6;
- (b) a resolution to approve the acquisition by Unlocked Investments Pty Ltd, Digital Niche Investments Pty Limited, GJB Consulting Pty Ltd and InPayTech of a Relevant Interest in InPayTech Purchase Shares under the terms of this agreement under item 7 of section 611 of the Corporations Act substantially in the form of Part B of Schedule 6;
- (c) a resolution to approve the transaction under the terms of this agreement under Listing Rule 11.1.2 substantially in the form of Part C of Schedule 6; and

- (d) any other resolution that must be passed by InPayTech Shareholders in order to implement the transactions contemplated by this agreement.

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

Specific Indemnity means the specific indemnity given under clause 8.4.

Specific Indemnity Claim means a claim under the Specific Indemnity.

Specified Executive means:

- (a) in relation to InPayTech, each of Don Sharp, Paul Collins and Dean Martin.
- (b) in relation to Comply Path, each of Trent Lund, Joe Brasacchio and Randolph Clinton.

Stamp Duty means any stamp, transaction or registration tax or charge imposed by any Government Agency and includes any interest, fine, penalty, charge or other amount in respect of such tax or charge but excludes any GST.

Subsidiary has the meaning given to that term in section 46 of the Corporations Act.

Target Transaction Costs means:

- (a) in relation to the Comply Path Group, \$150,000; and
- (b) in relation to the InPayTech Group, \$250,000.

Tax, Taxes or Taxation means all forms of present and future taxes, excise, Stamp Duty or other duties, imposts, deductions, charges, withholdings, rates, levies or other governmental impositions imposed, assessed or charged by any Government Agency, together with all interest, penalties, fines, expenses and other additional statutory charges relating to any of them, imposed or withheld by a Government Agency.

Tax Act means the *Income Tax Assessment Act 1936 (Cth)*, the *Income Tax Assessment Act 1997 (Cth)* or the *Taxation Administration Act 1953 (Cth)* as the case may be.

Tax Claim means any Claim, demand, legal proceedings or cause of action in respect of Tax including any claim, demand, legal proceedings or cause of action arising from a breach of a Tax Warranty.

Tax Law means a law relating to Tax.

Tax Warranty means:

- (a) in relation to the Comply Path Warranties, warranties 8, 9 and 10 set out in Schedule 4; and
- (b) in relation to InPayTech, warranties 8, 9 and 10 set out in Schedule 3.

Third Party means a person other than InPayTech, Comply Path or their respective Related Bodies Corporate or Associates.

Timetable means the indicative timetable for the implementation of the Acquisition contemplated in this agreement as set out in Schedule 2, subject to any modifications as InPayTech and Comply Path may agree in writing.

Transaction Costs means any financial, accounting, tax, legal and other advisory fees and costs (including GST and disbursements) incurred (or to be incurred) in connection with the preparation for, negotiation and implementation of the Acquisition.

Voluntary Escrow Deed means a voluntary escrow deed between InPayTech and each Seller in a form reasonably acceptable to InPayTech that provides that:

- (a) 50% of the respective Seller's InPayTech Purchase Shares will be voluntarily escrowed for the Full Escrow Period; and
- (b) 50% of the respective Seller's InPayTech Purchase Shares will be voluntarily escrowed for the Half Escrow Period.

Warranties means the InPayTech Warranties, the Comply Path Warranties and the Seller Warranties and **Warranty** means any InPayTech Warranty, Comply Path Warranty or Seller Warranty.

1.2 Interpretation

In the interpretation of this agreement, the following provisions apply unless the context otherwise requires:

- (a) a reference to 'dollars' or '\$' means Australian dollars and all amounts payable under this agreement are payable in Australian dollars;
- (b) an expression importing a natural person includes any company, trust, partnership, joint venture, association, body corporate or governmental agency;
- (c) where a word or phrase is given a defined meaning another part of speech or other grammatical form in respect of that word or phrase has a corresponding meaning;
- (d) a word which indicates the singular also indicates the plural, a word which indicates the plural also indicates the singular, and a reference to any gender also indicates any other gender;
- (e) a reference to the word 'include' or 'including' is to be interpreted without limitation;
- (f) a reference to the word 'owing' means actually or contingently owing, and 'owe' and 'owed' have an equivalent meaning;
- (g) a reference to a party, clause, part, schedule, annexure or attachment is a reference to a party, clause, part, schedule, annexure or attachment of or to this agreement;
- (h) a reference to any document or agreement is to that document or agreement as amended, novated, supplemented or replaced;
- (i) the schedules, annexures and attachments form part of this agreement;
- (j) headings are inserted for convenience only and do not affect the interpretation of this agreement; and
- (k) a reference to any law, legislation or legislative provision includes any statutory modification, amendment or re-enactment, and any subordinate legislation or regulations issued under that legislation or legislative provision, in either case whether before, on or after the date of this agreement.

1.3 References to and calculations of time

In this agreement, unless the context otherwise requires:

- (a) a reference to a time of day means that time of day in the place whose laws govern the construction of this agreement;

- (b) where a period of time is specified and dates from a given day or the day of an act or event it must be calculated exclusive of that day; and
- (c) a term of this agreement which has the effect of requiring anything to be done on or by a date which is not a Business Day must be interpreted as if it required it to be done on or by the next Business Day.
-

2. Sale and purchase of the sale shares

2.1 Sale and purchase

Subject to the terms and conditions of this agreement, the Sellers must sell, and InPayTech must buy, the Sale Shares in consideration for the issue to the Sellers of the InPayTech Purchase Shares on the terms of this agreement.

2.2 Transfer of the Sale Shares

Subject to the satisfaction of the Conditions, each Seller irrevocably agrees to:

- (a) transfer to InPayTech all of the Sale Shares free from Encumbrances and together with all rights attaching to them, including all accrued rights to dividends;
- (b) become a member of InPayTech and be bound by InPayTech's Constitution.

2.3 Issue of InPayTech Purchase Shares

In consideration for the transfers referred to in clause 2.2, on Completion InPayTech must issue to the Sellers the InPayTech Purchase Shares.

3. Conditions

3.1 General condition precedent

The respective obligations of the parties under this agreement are conditional on the independent expert's report concluding that the transaction contemplated by this agreement is fair and reasonable, or not fair but reasonable.

3.2 Conditions precedent

Subject to this clause 3.2, the respective obligations of the parties under clauses 2, 4.1(a)(v) and 4.1(a)(vi) will not be binding until each of the following conditions precedent have been satisfied or waived in accordance with clause 3.3:

- (a) (*Shareholder Resolutions*) the Shareholder Resolutions being validly passed by the Requisite Majorities at the General Meeting;
- (b) (*Voluntary escrow*) Comply Path provides to InPayTech a Voluntary Escrow Deed from each Seller.

If there is any inconsistency between this clause 3 and clauses 2, 4.1(a)(v) and 4.1(a)(vi), prior to the termination of this agreement under clause 3.4, the obligations in clauses 2, 4.1(a)(v) and 4.1(a)(vi) will prevail to the extent of that inconsistency.

3.3 Benefit of Conditions and waiver

The Conditions set out in clauses 3.1, and 3.2(b) are for the benefit of InPayTech. A party for whose benefit a Condition is included may waive the Condition in whole or in part at any time

by written notice to the other party. Any waiver pursuant to this clause must be in writing and will be irrevocable. The Condition set out in clause 3.2(a) has been inserted to meet legal requirements and may not be waived.

3.4 Effect of failure to satisfy Conditions

If all of the Conditions are not satisfied or, to the extent they are capable of waiver, waived by the party or parties for whose benefit they are included by 5.00 pm on the Cut Off Date, any party may, at any time after 5.00 pm on the Cut Off Date, but before satisfaction of all of the Conditions, terminate this agreement by written notice to the other parties.

3.5 Reasonable endeavours

Each of InPayTech and Comply Path will use reasonable endeavours to procure that each of the Conditions are satisfied as soon as reasonably practicable after the date of this agreement and continues to be satisfied at all times until the last time they are to be satisfied (as the case may require) and must not do anything which would prevent any applicable Condition from being satisfied.

3.6 Notifications

Each of InPayTech and Comply Path 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 others in writing if it becomes aware that any Condition has been satisfied, in which case that party must comply with any reasonable request for evidence of the satisfaction of that Condition made by the other parties; and
- (c) promptly notify the others 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 3.5).

4. Implementation of acquisition

4.1 InPayTech obligations

- (a) InPayTech must use its best endeavours to implement the Acquisition substantially in accordance with the Timetable, including taking each of the following steps:
 - (i) (*ASIC Modifications, ASX confirmation and ASX Waivers*) apply for the ASX Confirmation and any ASX Waivers and ASIC Modifications as may be necessary to enable the Acquisition to proceed;
 - (ii) (*Recommendation*) state in the Explanatory Statement and the public announcement contemplated in clause 14.3 that, subject to the Independent Expert concluding in the Independent Expert's Report that the Acquisition is fair and reasonable, or not fair but reasonable:
 - (A) InPayTech's Board unanimously recommends that the InPayTech's Shareholders approve the Shareholder Resolutions and not withdraw that recommendation or make any public statement inconsistent with that recommendation; and
 - (B) each member of InPayTech's Board intends to cause any InPayTech Shares in which they have a Relevant Interest to be voted in favour

of the Shareholder Resolutions and not withdraw that statement or make any public statement inconsistent with that statement,

unless there has been a change of recommendation permitted by clause 4.5;

- (iii) (*Notice of meeting*) before the notice of meeting for the General Meeting is sent to InPayTech Shareholders, prepare and lodge with ASIC a copy of the notice of meeting and any document relating to the Shareholder Resolutions that will accompany the notice of meeting to be sent to InPayTech Shareholders (including the Explanatory Statement and the Independent Expert's Report to be annexed to it) in accordance with ASIC Regulatory Guide 74;
- (iv) (*General Meeting*) convene and hold the General Meeting;
- (v) (*Issue of InPayTech Purchase Shares*) if the Shareholder Resolutions have been properly passed and approved by the Requisite Majorities, issue the InPayTech Purchase Shares to the Sellers in accordance with clause 2.3; and
- (vi) (*ASIC and ASX*) lodge any necessary documents or forms with ASIC or ASX to complete the Acquisition, including by:
 - (A) providing to ASX a written notice that complies with section 708A(6) of the Corporations Act immediately after the issue of InPayTech Purchase Shares; and
 - (B) lodging an Appendix 3B with ASX reflecting the issue of the InPayTech Purchase Shares.

4.2 Draft notice of meeting

- (a) InPayTech must as soon as reasonably practicable after the date of this agreement provide Comply Path with a draft copy of the notice of meeting referred to in clause 4.1(a)(iii), the Explanatory Statement, the Independent Expert's Report and any other explanatory materials which will accompany the notice as well as a draft copy of any supplementary information referred to in clause 4.1(a)(v).
- (b) InPayTech must reasonably and in good faith consult with Comply Path in relation to the drafts. If after a reasonable period of consultation, Comply Path and InPayTech are unable to agree on the form or content of the Explanatory Statement:
 - (i) where the determination relates to Comply Path Information, Comply Path will make the final determination as to the form and content of the Comply Path Information; and
 - (ii) in any other case, InPayTech will make the final determination as to the form and content of the Explanatory Statement.

4.3 Explanatory Statement content and responsibility statements

The Explanatory Statement will contain a responsibility statement to the effect that:

- (a) Comply Path is responsible for the Comply Path Information contained in the Explanatory Statement, and that Comply Path and the Sellers do not assume responsibility for the accuracy or completeness of the InPayTech Information; and

- (b) InPayTech is responsible for the InPayTech Information contained in the Explanatory Statement, and that InPayTech does not assume responsibility for the accuracy or completeness of the Comply Path Information.

4.4 Comply Path obligations

Comply Path must take all reasonable and necessary steps to assist InPayTech to implement the Acquisition, including taking each of the following steps:

- (a) (*Comply Path Information*) provide to InPayTech for inclusion in the Explanatory Statement such information regarding Comply Path as InPayTech reasonably requires to prepare and issue the Explanatory Statement (including consent to the form and context in which the Comply Path Information appears in the Explanatory Statement);
- (b) (*Review of Explanatory Statement*) review the drafts of the Explanatory Statements and provide comments on those drafts in good faith; and
- (c) (*Approval of Explanatory Statement*) as soon as practicable when the final draft of the Explanatory Statement is provided by InPayTech, procure that a meeting of Comply Path's Board is convened to approve those sections of the Explanatory Statement that relate to Comply Path as being in a form appropriate for despatch to the InPayTech Shareholders.

4.5 InPayTech Board recommendation

- (a) InPayTech must use reasonable endeavours to procure that, subject to clause 4.5(b), the members of InPayTech's Board unanimously recommend that InPayTech Shareholders vote in favour of the Shareholder Resolutions subject to the Independent Expert concluding in the Independent Expert's Report that the Acquisition is fair and reasonable, or not fair but reasonable, and that the Explanatory Statement and the Agreed Announcement include a statement by InPayTech's Board to that effect.
- (b) InPayTech must use reasonable endeavours to procure that InPayTech's Board collectively, and members of InPayTech's Board individually, do not change, withdraw or modify its, his or her recommendation to vote in favour of the Shareholder Resolutions unless:
 - (i) the Independent Expert provides a report to InPayTech (including either the Independent Expert's Report or any update of, or any revision, amendment or supplement to, that report) that concludes that the Acquisition is fair and reasonable, or not fair but reasonable; or
 - (ii) InPayTech's Board has determined, after receiving written legal advice from its external legal advisers, that InPayTech's Board, by virtue of the directors' duties of the members of InPayTech's Board, is required to change, withdraw or modify its recommendation.

For the purposes of this clause, customary qualifications and explanations contained in the Explanatory Statement and the Agreed Announcement in relation to a recommendation to vote in favour of the Shareholder Resolutions to the effect that the recommendation is made and subject to the Independent Expert concluding in the Independent Expert's Report and continuing to conclude that the Acquisition is fair and reasonable, or not fair but reasonable, will not be regarded as a failure to make, or a change, withdrawal or modification of, a recommendation in favour of the Shareholder Resolutions.

5. Completion

5.1 Date and place for Completion

Subject to satisfaction (or waiver) of the Conditions, Completion must take place on the Completion Date.

5.2 Acquisition completion

(a) On Completion, Comply Path will:

- (i) cancel the existing share certificates in respect of each Seller's Sale Shares;
- (ii) cause the Comply Path Register to be updated to reflect the Acquisition and issue a share certificate for all of the Sale Shares to InPayTech;
- (iii) deliver to InPayTech:
 - (A) the statutory books, registers and minute books of Comply Path (including its certificate of incorporation and any certificates of registration on change of name), which will be satisfied by making them available to InPayTech at Comply Path's registered office;
 - (B) duly executed transfers in favour of InPayTech of the Sale Shares and the share certificates for the Sale Shares;
 - (C) written resignation of Joe Brasacchio as director of each Comply Path Group Member, acknowledging that he has no claim for fees, entitlements, salary or compensation for loss of office or otherwise against a Comply Path Group Member;
 - (D) deliver executed consents to act as officers of each Comply Path Group Member by the incoming Seller Nominee Directors;
 - (E) a certified copy of a resolution of directors of Comply Path resolving to:
 - (1) cause the Comply Path Register to be updated to reflect the Acquisition and issue a share certificate for all of the Sale Shares to InPayTech;
 - (2) cancel the existing share certificates in respect of each Seller's Sale Shares; and
 - (3) subject to them consenting to act, the persons nominated by InPayTech be appointed as the director(s) and secretary of Comply Path; and
- (iv) provide such notices and documentation to any relevant regulatory authorities as may be required by law.

(b) On Completion, InPayTech will:

- (i) instruct the Registry to issue a holding statement to each Seller for the number of InPayTech Purchase Shares held by them;
- (ii) instruct the Registry to update the InPayTech Register accordingly;

- (iii) provide such notices and documentation to any relevant regulatory authorities as may be required by law; and
- (iv) deliver executed consents to act as officers of each Comply Path Group Member by the incoming director(s) and incoming secretary.

5.3 Undertaking regarding Acquisition

For the purpose of giving effect to the Acquisition in accordance with the terms of this agreement, each Seller will promptly do all things reasonably required of him, her or it by Comply Path's Board or InPayTech's Board.

5.4 Interdependence

The obligations of the parties at Completion are interdependent. All actions at Completion will be deemed to take place simultaneously and no delivery or payment will be deemed to have been made until all deliveries and payments have been made.

6. Conduct of business before the completion date

6.1 Carrying on business before the Completion Date

- (a) From the date of this agreement up to and including the Completion Date, InPayTech and Comply Path must each conduct its business in the ordinary and usual course of business and:
 - (i) operate its businesses consistent with past practice, in substantially the same manner as previously conducted;
 - (ii) use reasonable endeavours to preserve its relationships with customers, suppliers, landlords, licensors, licensees, fund managers, funds and others having material business dealings with them, and to retain the services of all key employees;
 - (iii) use reasonable endeavours to ensure that all assets are maintained in the normal course of business consistent with past practice;
 - (iv) use reasonable endeavours to comply in all material respects with all material contracts to which a member of the InPayTech Group or Comply Path Group (as applicable) is a party;
 - (v) in accordance with all applicable laws, authorisations and licenses; and
 - (vi) not take or fail to take any action that constitutes a Prescribed Occurrence or that could reasonably be expected to result in a Prescribed Occurrence.
- (b) Without limiting clause 6.1(a) but subject to clause 6.1(c), InPayTech and Comply Path must not, from the date of this agreement up to and including the Completion Date, do any of the following (or agree or offer to do any of the following):
 - (i) incur any additional financial indebtedness or guarantee or indemnify the obligations of any person, other than in the usual and ordinary course of business and consistent with past practice;
 - (ii) declare or pay a dividend (other than a dividend that has been declared as at the date of this agreement);

- For personal use only
- (iii) (except as required by law or as provided in an existing contract in place as at the date of this agreement) make any material change to the terms of employment of (including increasing the remuneration or compensation of), or grant or pay any bonus, retention, severance or termination payment to, any director, executive or fund manager of a InPayTech Group Member or Comply Path Group Member (as applicable);
 - (iv) (except as pursuant to contractual arrangements in effect on the date of this agreement) enter into any enterprise bargaining agreement or similar collective employment agreement;
 - (v) in respect of any single transaction or series of related or similar transactions, acquire or dispose of any interest in a business, real property, entity or undertaking;
 - (vi) incur or enter into any commitment or commitments involving capital expenditure whether in one transaction or a series of related transactions;
 - (vii) enter into, vary or terminate any contract (including a management agreement or outsourcing agreement), joint venture, partnership or commitment (or any series of related contracts, joint ventures, partnerships or commitments);
 - (viii) enter into any new financing arrangement, agreement or otherwise provide financial accommodation other than with a InPayTech Group Member or Comply Path Group Member (irrespective of what form that accommodation takes), or amend the terms of any existing financing arrangement, agreement or instrument;
 - (ix) enter 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, except foreign currency hedges or interest rate hedges (including basis swaps on interest rates, such that the net period for the floating interest on the swaps is the same period as the net floating interest period on the relevant loan) made in the ordinary course of business consistent with past practice and in accordance with existing policy as at the date of this agreement;
 - (x) give or agree to give any financial benefit to one of its Related Parties;
 - (xi) pay any fee to any adviser where such fee is contingent on the implementation of the transactions contemplated under this agreement (other than as disclosed in writing to the other party before the date of this agreement);
 - (xii) issue, or agree to issue, or grant an option to subscribe for, debentures (as defined in section 9 of the Corporations Act) other than under an existing financing arrangement which has been disclosed in writing to the other party before the date of this agreement;
 - (xiii) alter in any material respect any accounting policy of any InPayTech Group Member or Comply Path Group Member other than any change required by the Accounting Standards; or
 - (xiv) amend in a material respect or terminate any existing management agreement, shareholders' agreement, joint venture agreement or other

similar investor agreements or arrangements, or enter into any management agreement, shareholders agreement, joint venture agreement or other similar investor agreement or arrangement.

- (c) The obligations of InPayTech and Comply Path (as applicable) under clauses 6.1(a) and 6.1(b) do not apply in respect of any matter:
 - (i) undertaken by an InPayTech Group Member in conducting its businesses in the usual and ordinary course and consistent with past practice;
 - (ii) undertaken by a Comply Path Group Member in conducting its businesses in the usual and ordinary course and consistent with past practice;
 - (iii) required to be done or procured by a party pursuant to, or which is otherwise contemplated by, this agreement; or
 - (iv) the undertaking of which the other party has approved in writing (which approval must not be unreasonably withheld or delayed).

6.2 Access to information

Prior to the Completion Date:

- (a) each of InPayTech and Comply Path must keep the other party reasonably informed of all material developments relating to the InPayTech Group and Comply Path Group (as applicable) and provide to the other party monthly management, financial and operational reports provided to its board; and
- (b) each of InPayTech and Comply Path must share such information as is reasonably required to implement the transactions contemplated under this agreement.

6.3 Consent to transfer

- (a) Comply Path hereby waives its buy-back right under clause 9.2 of the Existing Shareholders Deed, and any other pre-emptive right in relation to the Sale Shares existing under the Existing Shareholders Deed or otherwise.
- (b) Each of the Sellers hereby, and for valuable consideration:
 - (i) consents to the transfer of the Sale Shares under clause 8.1(b) of the Existing Shareholders Deed;
 - (ii) waives all pre-emptive rights in relation to the Sale Shares that may exist under the Existing Shareholders Deed or otherwise; and
 - (iii) agrees that the Existing Shareholders Deed will terminate immediately upon Completion.

7. Leakage

7.1 Leakage covenants

Each Seller severally but not jointly represents and warrants to InPayTech that no Leakage in favour of that Seller has occurred since the Locked Box Date to the date of this agreement and undertakes to ensure until Completion that no Leakage occurs in favour of that Seller.

7.2 Leakage indemnity

- (a) In the event of any breach of clause 7.1 by a Seller, that Seller shall indemnify InPayTech in respect of, and shall be severally liable to pay to InPayTech (or such member of the InPayTech Group as InPayTech directs) on demand an aggregate amount in cash equal to the amount of, any Leakage in favour of that Seller.
- (b) All sums payable by a Seller pursuant to this clause 7 shall be paid free and clear of all deductions or withholdings (including Tax) unless the deduction or withholding is required by law, in which event or in the event that the other party or any member of the Comply Path Group shall incur any liability for Tax chargeable or assessable in respect of any payment pursuant to this clause, the relevant Seller shall at the same time pay such additional amounts, as relevant, as shall be required to ensure that the net amount received and retained by the InPayTech Group (after Tax) will equal the full amount which would have been received and retained by it had no such deduction or withholding been made and/or no such liability to Tax been incurred.

7.3 Notice

Each Seller undertakes to notify InPayTech in writing as soon as reasonably practicable after becoming aware of any receipt of the benefit of Leakage by that Seller.

8. Representations and warranties

8.1 InPayTech Warranties

InPayTech represents and warrants to each Seller that each of the InPayTech Warranties is true and correct as at the date of this agreement and at the Completion Date (except that where any statement is expressed to be made only at a particular date it is given only at that date).

8.2 Seller Warranties

Each Seller Warrantor severally represents and warrants to InPayTech, in respect of itself and the Sale Shares held by it only, that each of the Seller Warranties is true and correct as at the date of this agreement and at the Completion Date (except that where any statement is expressed to be made only at a particular date it is given only at that date).

8.3 Comply Path Warranties

Each Seller Warrantor severally represents and warrants, in their Respective Proportions, to InPayTech that each of the Comply Path Warranties is true and correct as at the date of this agreement and at the Completion Date (except that where any statement is expressed to be made only at a particular date it is given only at that date).

8.4 Information Indemnity

Each Seller severally, in their Respective Proportions, indemnifies InPayTech in relation to any claim arising from or in connection with reliance on the Comply Path Information which is false or misleading or omits material particulars.

8.5 Notifications

InPayTech will promptly advise the Seller Warrantors and Comply Path and each Seller Warrantor will promptly advise InPayTech in writing if it becomes aware of any fact, matter or circumstance which constitutes or may constitute a breach of any of the representations or warranties or the Specific Indemnities given by it under this clause 8.

8.6 Survival of representations

Each representation and warranty in clause 8.1, 8.2, 8.3 and 8.4:

- (a) is severable;
- (b) will survive the termination of this agreement; 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 agreement.

9. Qualifications and limitations on claims

9.1 Disclosure

- (a) Each of InPayTech and each Seller Warrantor acknowledges and agrees that each other party has disclosed or is deemed to have disclosed against the Warranties, and each of InPayTech and each Seller Warrantor is aware of and will be treated as having actual knowledge of, all facts, matters and circumstances that:
 - (i) are provided for or described in this agreement;
 - (ii) are fairly disclosed in the information contained in the Disclosure Materials;
 - (iii) as at the Business Day immediately prior to the date of this agreement, are or would be disclosed by a search of any public register in Australia capable of being searched, including the Personal Property Securities Register, the public register of ASIC, IP Australia;
 - (iv) would have been disclosed by a search of the public registers maintained by the High Court, the Federal Court and the Supreme Courts in each State and Territory of Australia and Land and Property Information, New South Wales on 31 October 2020; or
 - (v) are within the actual knowledge of a Specified Executive as at the date of this agreement.
- (b) The Warranties are given subject to the disclosures or deemed disclosures described in clause 9.1(a). Each of InPayTech and each Seller Warrantor will have no liability under the Warranties to the extent that disclosure is made or is deemed to have been made against the Warranties under this clause 9.1.
- (c) A party must not make a Claim and a party will not be in breach of a Warranty, if the facts, matters or circumstances giving rise to such Claim are disclosed or are deemed to have been disclosed under clause 9.1(a).
- (d) Subject to the Warranties, each party acknowledges and agrees that no other party:
 - (i) accepts any duty of care in relation to each other party in respect of any disclosure or the provision of any information; nor
 - (ii) to the maximum extent permitted by law, is liable to another party other than under this agreement if, for whatever reason, any disclosure or information is or becomes inaccurate, incomplete or misleading in any way.

9.2 Fair disclosure

For the purposes of the Warranties, a matter is “fairly disclosed” if the matter is disclosed in sufficient detail so as to enable a reasonable purchaser of the Sale Shares, or a reasonable subscriber for the InPayTech Purchase Shares (as the case may be), experienced in transactions of the nature of the Acquisition and familiar with the operation of businesses similar to the business carried on by the InPayTech Group or the Comply Path Group (as applicable), to fairly assess or identify the nature, import and significance of the matter.

9.3 Awareness

Where a Warranty is given ‘to the best of a party’s knowledge’, or ‘so far as the party is aware’, or with a similar qualification as to the party’s awareness or knowledge, the party’s awareness is limited to those facts, matters or circumstances of which a Specified Executive is actually aware as at the date of this agreement or would be aware of the fact, matter or circumstance if that Specified Executive had made reasonable enquiries of the persons and records likely to be relevant to the accuracy of the Warranty having regard to the Specified Executive’s position and circumstances.

9.4 Acknowledgements

- (a) For the purpose of and in relation to or in connection with clause 9.9, each party acknowledges to each other party that:
 - (i) at no time has any Seller Warrantor, InPayTech Group Member or Comply Path Group Member (as the case may be) or any person on any of their behalf, made or given and no Seller Warrantor, InPayTech Group Member or Comply Path Group Member (as the case may be) has relied on, any representation, warranty, promise or undertaking in respect of the future financial performance or prospects of InPayTech (in the case of InPayTech Group Members) or Comply Path (in the case of Comply Path Group Members or the Seller Warrantors), except those expressly set out in this agreement (including in the Warranties) and in any event, without prejudice to any liability for fraudulent misrepresentation or fraudulent misstatement, the only rights or remedies in relation to any representation, warranty, assurance, covenant, undertaking or commitment given or action taken in connection with this agreement are those pursuant to this agreement and no party has any other right or remedy (whether by way of a claim for contribution or otherwise) in tort (including negligence) or for misrepresentation (whether negligent or otherwise, and whether made prior to, or in, this agreement);
 - (ii) they have not relied on anything other than the warranties given and the statements made in this agreement (including the Warranties) in agreeing to undertake the Acquisition and, in particular, no representations, warranties, promises, undertakings, statements or conduct have:
 - (A) induced or influenced InPayTech, Comply Path or a Seller Warrantor to enter into, or agree to any terms or conditions of, this agreement;
 - (B) been relied on in any way as being accurate by a InPayTech Group Member, a Comply Path Group Member or a Seller Warrantor;
 - (C) been warranted to a InPayTech Group Member, a Comply Path Group Member or a Seller Warrantor as being true; or
 - (D) been taken into account by a InPayTech Group Member, a Comply Path Group Member or a Seller Warrantor as being important to its

decision to enter into, or agree to any or all of the terms of, this agreement,

except those expressly set out in this agreement (including in the Warranties);

- (iii) they have entered into this agreement after satisfactory inspection and investigation of the affairs of InPayTech or Comply Path (as the case may be), including (in the case of InPayTech and Comply Path) a review of the Disclosure Materials;
 - (iv) they have made, and they rely upon, their own searches, investigations, enquiries and evaluations in respect of the InPayTech or Comply Path (as the case may be) and the business of the InPayTech Group or Comply Path Group (as the case may be) and (in the case of InPayTech and Comply Path) their own evaluation of the Disclosure Materials;
 - (v) they have had the benefit of independent legal, tax and accounting advice relating to the proposed Acquisition and the terms of this agreement;
 - (vi) no InPayTech Group Member, Comply Path Group Member nor any Seller Warrantor, the Sellers' Representative or any Adviser are under any obligation to provide any other party or its representatives or advisers with any information on the future financial performance or prospects of InPayTech or Comply Path (as the case may be) (other than as provided for in this agreement, including clause 6.2);
 - (vii) no InPayTech Group Member, Comply Path Group Member nor any Seller Warrantor has made any warranty (including in the Warranties) as to the accuracy of any forecast, model, budget, estimate, projection, business plan, statement of opinion or statement of intention in respect of future matters (**Forward-looking Information**) provided to the other parties or their representatives or advisers, whether being as to the accuracy of, or the reasonableness of any assumptions underlying, such Forward-looking Information;
 - (viii) they are not entering into this agreement in reliance on, and they may not rely on:
 - (A) any Forward-looking Information; or
 - (B) any warranty, representation or other statement made or purporting to be made by or on behalf of any of the parties, other than as expressly set out in this agreement (including the Warranties); and
 - (ix) no InPayTech Group Member, Comply Path Group Member nor any Seller Warrantor, the Sellers' Representative or any Adviser is liable under any Claim arising out of or relating to any Forward-looking Information.
- (b) The acknowledgments in clause 9.4 are not intended and must not be construed as qualifying the subject matter of the Warranties.
- (c) Each party acknowledges that each other party has agreed to give effect to the Acquisition and enter into this agreement relying on the representations in clause 9.4 and would not be prepared to give effect to the Acquisition on any other basis.

9.5 Minimum thresholds

- (a) A party is not liable for any Claim, excluding a Specific Indemnity Claim, unless:
 - (i) the Loss that party would be entitled to recover in relation to any individual Claim is greater than \$50,000; and
 - (ii) without limiting clause 9.5(a)(i), the Loss that party would be entitled to recover in relation to all Claims is greater than \$200,000,in which case liable party will be liable for the full amount of such Claim.
- (b) For the purposes of clause 9.5:
 - (i) Claims arising out of the same or similar facts, matters and circumstances will be treated as one Claim where the Claims are of the same or similar nature; and
 - (ii) breaches of the same Warranty will not be treated as one Claim where the breaches arise out of separate facts, matters, events or circumstances.

9.6 Maximum thresholds

- (a) The liability of:
 - (i) InPayTech in respect of all Claims, cannot exceed the aggregate value of the InPayTech Purchase Shares calculated at the closing price of InPayTech Shares on the trading day before the date of this agreement; and
 - (ii) each Seller Warrantor in respect of all Claims, excluding a Specific Indemnity Claim, cannot exceed the value of that Seller Warrantor's InPayTech Purchase Shares calculated at the closing price of InPayTech Shares on the trading day before the date of this agreement.
- (b) Notwithstanding any other provision in this agreement:
 - (i) each Seller Warrantor gives the Seller Warranties only in respect of itself and the Sale Shares owned by it and not in respect of any other Seller Warrantor or the Sale Shares owned by any other Seller Warrantor; and
 - (ii) no Seller Warrantor is liable for any Claim arising out of, or in connection with, a Seller Warranty given by another Seller Warrantor not being true or correct.

9.7 Time limits

- (a) Neither Comply Path nor any Seller Warrantor is liable under a Claim in respect of a breach of this agreement by Comply Path or a Seller Warrantor except a Specific Indemnity Claim, unless InPayTech:
 - (i) notifies Comply Path or the Seller Warrantor (as the case may be) of the:
 - (A) Tax Claim within 6 years of the Completion Date; or
 - (B) for all other Claims before the Claims End Date; and
 - (ii) within 6 months of the date InPayTech is required to notify Comply Path or the Seller Warrantor (as the case may be) under clause 9.7(a)(i):

- (A) the relevant Claim has been agreed, compromised or settled; or
 - (B) InPayTech has properly issued and validly served legal proceedings against Comply Path or the Seller Warrantor (as the case may be) in respect of the relevant Claim.
- (b) InPayTech is not liable under a Claim in respect of a breach of this agreement by InPayTech unless a Seller Warrantor:
 - (i) notifies InPayTech of the:
 - (A) Tax Claim within 6 years of the Completion Date; or
 - (B) for all other Claims before the Claims End Date; and
 - (ii) within 6 months of the date the Seller Warrantor is required to notify InPayTech under clause 9.7(b)(i):
 - (A) the relevant Claim has been agreed, compromised or settled; or
 - (B) the Seller Warrantor has properly issued and validly served legal proceedings against InPayTech in respect of the relevant Claim.

9.8 Exclusions

- (a) Each party acknowledges and agrees that:
 - (i) subject to any law to the contrary and except as expressly provided in this agreement, all terms, conditions, statements, representations and warranties (except the Warranties) whether express, implied, written, oral, collateral, statutory or otherwise, are excluded, and, to the maximum extent permitted by law, each Seller disclaims all liability in relation to them; and
 - (ii) to the maximum extent permitted by law but subject to clause 9.12, each party agrees not to make and waives any right it may have to make any Claim against any other party under any provision of the Corporations Act (including section 1041H of the Corporations Act), the Competition and Consumer Act 2010 (Cth) (including sections 18, 20, 21, 22 and 29 of Schedule 2 (Australian Consumer Law) of that Act), the Australian Securities and Investments Commission Act 2001 (Cth) or any similar provisions in the legislation of any State or Territory or the Commonwealth of Australia or in any other applicable law.
- (b) To the maximum extent permitted by law but subject to clause 9.12, each of the parties undertake to each other party and to any person who was at the date of this agreement a Specified Executive that neither it nor any of its Related Bodies Corporate will at any time make any Claim against any Specified Executive, including in respect of any breach of Warranty or any Claim under a Specific Indemnity.
- (c) For the avoidance of doubt, nothing in this clause 9.8 in any way, or to any extent, limits or derogates from, or constitutes a waiver of, the rights of any InPayTech Group Member against any Specified Executive in respect of matters unrelated to this agreement or the Acquisition (including such Specified Executive's office, employment or engagement with any Comply Path Member).

9.9 General limitations

A party is not liable under a Claim for any Loss or amount described below to the extent that that Loss or amount:

- (a) (*provisions in Accounts*) has been included as (or otherwise taken account of or reflected in) a provision, allowance, reserve or accrual in the Accounts;
- (b) (*pre Completion actions*) arises from an act or omission by or on behalf of a party before Completion that was done or made:
 - (i) with the written consent of the other parties; or
 - (ii) at the written direction or instruction of the other parties;
- (c) (*post Completion conduct*) arises from, or is increased as a result of, anything done or not done after Completion by or on behalf of a party other than:
 - (i) to satisfy an obligation of another party under this agreement; or
 - (ii) to satisfy an obligation under any legislation, regulations or judicial or governmental requirement in force as at Completion;
- (d) (*breach of law or contract*) could only have been avoided by a party breaching its obligations at law or under this agreement;
- (e) (*change of law or interpretation*) arises from:
 - (i) the enactment or amendment of any legislation or regulations;
 - (ii) a change in the judicial or administrative interpretation of the law; or
 - (iii) a change in the practice or policy of any Regulatory Authority,after the date of this agreement, including legislation, regulations, amendments, interpretation, practice or policy that has a retrospective effect;
- (f) (*consequential loss*) is punitive damages (whether direct or indirect), special, loss or damage, indirect loss or damage or consequential loss or damage including loss of profits;
- (g) (*change in accounting policy*) would not have arisen but for a change after Completion in any accounting policy or practice of a InPayTech Group Member or a Comply Path Group Member (as the case may be) that applied before Completion, except as required to comply with a change in the law or the Accounting Standards after Completion;
- (h) (*mitigation*) arises from, or to the extent it is increased as a result of, a failure by a party or any of its Related Entities to take reasonable steps to mitigate that Loss;
- (i) (*remediable loss*) is remediable, provided it is remedied to the satisfaction of the other parties, acting reasonably, within 10 Business Days after the contravening party receives written notice of the Claim in accordance with clause 10; or
- (j) (*changes in Tax*): arises from, or is increased as a result of, a change (including a retrospective change) in the rate of Tax or the method of calculating the rate of Tax after Completion, except where such change has been announced prior to Completion.

9.10 Sole remedy

- (a) It is the intention of the parties that each party's sole remedies in connection with the Acquisition will be as set out in this agreement.
- (b) No party has any liability to another party under a Claim unless the Claim may be made under the terms of this agreement or arises out of a statutory right or other claim that cannot be excluded by contract.

9.11 Independent limitations

Each qualification and limitation in this clause 9 is to be construed independently of the others and is not limited by any other qualification or limitation.

9.12 Fraud

- (a) Subject to clauses 9.12(b) and 9.12(c), nothing in this agreement shall have the effect of limiting or restricting the ability of the a party to bring a Claim against another party (**Fraudulent Party**) to the extent such Claim arises as a result of, or relates to, fraud, wilful misconduct, wilful concealment or dishonesty by that Fraudulent Party or any of its current or former directors or officers (such Claim being a **Fraud Claim**). For the avoidance of doubt, none of the limitations or qualifications in this clause 9 or elsewhere in this agreement apply to any Fraud Claim.
- (b) For the purposes of any Fraud Claim the Fraud Claim must be on a several (and not joint or joint and several) basis.
- (c) No Fraud Claim may be made against any person other than the relevant Fraudulent Party who has engaged in the conduct that is the subject of the Fraud Claim.

10. Procedures for claims

10.1 Claims

A party must notify the other parties:

- (a) as soon as reasonably practicable after it decides to make a Claim against another party where that Claim, either alone or together with other Claims, will exceed the applicable thresholds set out in clause 9.5; or
- (b) as soon as reasonably practicable if the party becomes aware of any events, matters or circumstances which, whether alone or with any other Claim or circumstances or with the passing of time, are reasonably likely to give rise to a Claim.

10.2 Notice of Claims

- (a) The party must include in any notice given under clause 10.1 (or at such later date if it becomes available):
 - (i) all relevant details (including the estimated amount) then known to the party of the Claim including the events, matters or circumstances giving rise to the Claim; and
 - (ii) a copy or extract of any part of a Demand identifying the liability or amount, or other evidence of the amount, relating to the Claim, any additional information in respect of the Claim as it becomes available and if available or relevant, the applicable part of any material issued by a Regulatory Authority

specifying the basis, or evidence of the basis, for the Demand relating to the Claim.

- (b) The recipient of a notice given under clause 10.1 must be provided with a copy of the documents referred to in clause 10.2(a)(ii) as soon as practicable by the party who has given the notice. The party who has given the notice must continue to keep the recipient of the notice informed of all developments in relation to a Claim notified under clause 10.1 or clause 10.1(b).

11. Profile of the Merged Group

11.1 Board composition of the Merged Group

- (a) The Board of the Merged Group will, immediately following Completion, comprise: 2 directors nominated by the Sellers;
- (b) Don Sharp; and
- (c) Paul Collins.

InPayTech will take all reasonable actions in their respective control to procure that, other than the directors referred to in clauses 11.1(b) and 11.1(c), each other director of InPayTech will retire from InPayTech's Board with effect immediately following Completion.

11.2 Chief Technology Officer

The Chief Technology Officer of the Merged Group will be the current chief executive officer and founder of Comply Path, Joe Brasacchio.

11.3 Director nominee right for Sellers

- (a) The parties agree that, subject to clause 13.1(d) of InPayTech's Constitution, during the Full Escrow Period, the Sellers may nominate 2 Seller Nominee Directors to be directors of InPayTech.
- (b) If during the Full Escrow Period a Seller Nominee Director leaves the InPayTech board whether by reason of resignation or removal by InPayTech Shareholders, InPayTech will take all reasonable actions, subject to obtaining the necessary consent to act and respective resignation (if applicable), to appoint, a replacement Seller Nominee Director.

12. Termination

12.1 Termination

Without limiting any other provision of this agreement, this agreement may be terminated at any time before Completion by notice in writing to the other parties:

- (a) by either InPayTech or Comply Path if Comply Path or a Seller, in the case of InPayTech, or InPayTech, in the case of Comply Path, are in breach of any of their obligations (**Defaulting Party**) under this agreement (including a Warranty) such as to deprive the other party of a substantial part of the benefit to which it is entitled under this agreement and the Defaulting Party has failed to remedy that breach within 10 Business Days of receipt by it of a notice in writing from the terminating party setting out details of the relevant circumstance and requesting the Defaulting Party to remedy the breach;

- (b) by Comply Path if any member of InPayTech's Board withdraws their recommendation that the InPayTech Shareholders approve the Shareholder Resolutions pursuant to clause 4.1(a)(ii);
- (c) by Comply Path if the Shareholder Resolutions are not validly passed by the Requisite Majorities at the General Meeting;
- (d) by Comply Path if any member of InPayTech's Board withdraws or makes any public statement inconsistent with his or her statement that he or she intends to cause any InPayTech Shares in which they have a Relevant Interest to be voted in favour of the Shareholder Resolutions pursuant to clause 4.1(a)(ii);
- (e) or in accordance with clause 3.4.

12.2 Effect of termination

In the event of termination of this agreement under this clause 12, then:

- (a) each party is released from its obligations to further perform its obligations under this agreement, except those expressed to survive termination;
- (b) each party retains its rights it has against the other in respect of any breach of this agreement occurring before termination; and
- (c) this agreement will become void and have no effect, except that the provisions of clauses 8.6, 12, 14 and 15 survive termination.

12.3 No other right to terminate or rescind

No party may terminate or rescind this agreement except as permitted under clause 12.1.

13. Break Fee

13.1 Background

This clause has been agreed in circumstances where:

- (a) InPayTech and Comply Path believe that the Acquisition will provide significant benefits to InPayTech and Comply Path, and their respective shareholders, and InPayTech and Comply Path acknowledge that, if they enter into this document and the Acquisition is subsequently not completed, the parties will incur significant costs, including those set out in clause 13.6;
- (b) InPayTech and Comply Path have agreed that provision be made for the payments outlined in clauses 13.2 and 13.3, without which the parties would not have entered into this document;
- (c) InPayTech's Board (in respect of the InPayTech Break Fee) and Comply Path's Board (in respect of the Comply Path Break Fee) each believe that it is appropriate for InPayTech (in respect of the InPayTech Break Fee) and Comply Path (in respect of the Comply Path Break Fee) to agree to the payments referred to in clauses 13.2 and 13.3 in order to secure the other party's participation in the Acquisition; and
- (d) the parties have received legal advice on this document and the operation of this clause.

13.2 Payment of InPayTech Break Fee

InPayTech agrees to pay the InPayTech Break Fee to Comply Path if the Acquisition does not complete because:

- (a) **(change of recommendation)** any member of InPayTech's Board fails to recommend that the InPayTech Shareholders approve the Shareholder Resolutions pursuant to clause 4.1(a)(ii) or withdraws their recommendation, adversely changes or qualifies their recommendation or makes the type of public statement referred to in clause 12.1(d), unless:
 - (i) the Independent Expert provides a report to InPayTech (including either the Independent Expert's Report or any update of, or any revision, amendment or supplement to, that report) that concludes that the Acquisition is not fair and reasonable, nor is it reasonable but not fair; or
 - (ii) InPayTech's Board has determined, after receiving written legal advice from its external legal advisers, that InPayTech's Board, by virtue of the directors' duties of the members of InPayTech's Board, is required to change, withdraw or modify its recommendation; or
- (b) **(Comply Path termination)** Comply Path validly terminates this document in accordance with clause 12.1(a), 12.1(b), or 12.1(d), where the relevant breach or occurrence of the relevant event permitting Comply Path to terminate this agreement was not caused by actions or events outside of InPayTech's control.

13.3 Payment of Comply Path Break Fee

Comply Path agrees to pay the Comply Path Break Fee to InPayTech if the Acquisition does not complete because InPayTech validly terminates this document in accordance with clause 12.1(a), where the relevant breach or occurrence of the relevant event permitting InPayTech to terminate this agreement was not caused by actions or events outside of Comply Path or a Seller's control.

13.4 No amount payable if Acquisition completes

Notwithstanding the occurrence of any event in clause 13.2 or clause 13.3, if the Acquisition completes:

- (a) no amount is payable by InPayTech under clause 13.2, and if any amount has already been paid under clause 13.2 it must be refunded by Comply Path; and
- (b) no amount is payable by Comply Path under clause 13.3, and if any amount has already been paid under clause 14.3 it must be refunded by InPayTech.

13.5 Timing of payment

- (a) A demand by Comply Path for payment of the InPayTech Break Fee or by InPayTech for payment of the Comply Path Break Fee under clauses 13.2 or 13.3 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 other party is to pay the InPayTech Break Fee or the Comply Path Break Fee (as applicable).

- (b) InPayTech must pay the InPayTech Break Fee to Comply Path under clause 14.2 within 5 Business Days of receipt by InPayTech of a valid demand for payment from Comply Path under clause 13.5(a).
- (c) Comply Path must pay the Comply Path Break Fee to InPayTech Break under clause 14.3 within 5 Business Days of receipt by Comply Path of a valid demand for payment from InPayTech under clause 13.5(a).

13.6 Nature of payment

The InPayTech Break Fee has been calculated to reimburse Comply Path, and the Comply Path Break Fee has been calculated to reimburse InPayTech, for costs including the following:

- (a) advisory costs;
- (b) costs of management and directors' time;
- (c) out-of-pocket expenses;
- (d) the distraction of management from conducting business as usual caused by pursuing the Acquisition; and
- (e) reasonable opportunity costs incurred in pursuing the Acquisition or in not pursuing alternative acquisitions or strategic initiatives.

Comply Path and InPayTech agree that the costs incurred are of a nature that they cannot be accurately quantified and that a genuine pre-estimate of the costs would equal or exceed the amount payable under clause 13.2 or 13.3.

13.7 Compliance with law

- (a) If it is finally determined by a court, or the Takeovers Panel, that the agreement by the parties under clause 13.2 or clause 13.3 or any part of it:
 - (i) constituted, or constitutes, or would constitute, a breach of the fiduciary or statutory duties of InPayTech's Board (in respect of the InPayTech Break Fee) or Comply Path's Board (in respect of the Comply Path Break Fee);
 - (ii) constituted, or constitutes, or would constitute, 'unacceptable circumstances' within the meaning of the Corporations Act; or
 - (iii) was, or is, or would be, unlawful for any other reason,
 then, to that extent (and only to that extent) Comply Path or InPayTech (as applicable) will not be obliged to comply with that provision of clause 13.2 or clause 13.3.
- (b) The parties must not make or cause or permit to be made, any application to a court or the Takeovers Panel for or in relation to a determination referred to in this clause 13.7.

14. Confidentiality and public announcements

14.1 Confidentiality

- (a) Each of Comply Path and InPayTech acknowledge and agree that they continue to be bound by the Confidentiality Deed after the date of this agreement.

- (b) Each Seller acknowledges and agrees that all information and material disclosed or provided or obtained by it is strictly confidential and may not be disclosed to any third party unless such disclosure is required by law.

14.2 Public announcement on execution

InPayTech will issue a public announcement of the proposed Acquisition in writing in the form of the Agreed Announcement immediately after the execution of this agreement.

14.3 Further public announcements

Subject to clause 14.4, any further public announcements by Comply Path or InPayTech in relation to, or in connection with, the proposed Acquisition or any other transaction the subject of this agreement may only be made in a form approved by both Comply Path and InPayTech in writing (acting reasonably) subject to where a party is required by law to make any announcement or to make any disclosure in relation to, or in connection with a transaction the subject of this agreement.

14.4 Required announcement

Where a party is required by law or any other financial market regulation to make any announcement or to make any disclosure in connection with a transaction the subject of this agreement, it may do so but must use reasonable endeavours, to the extent practicable and lawful, to consult with the other party before making the relevant disclosure and must give the other party as much notice as reasonably practicable.

14.5 Statements on termination

The parties must use all reasonable endeavours to issue agreed statements in respect of any termination of this agreement and to that end clauses 14.3 and 14.4 apply to any of these statements or disclosures.

15. Goods and services tax

15.1 Interpretation

For the purposes of this clause 15:

- (a) unless otherwise stated, words or expressions that are not otherwise defined in this agreement have the same meaning as in the GST Act; and
- (b) if a supply is treated as a periodic or progressive supply under the GST Act, each periodic or progressive component of the supply will be treated as if it is a separate supply.

15.2 Consideration excludes GST

Unless otherwise stated, all consideration to be paid or provided under this agreement is exclusive of GST.

15.3 Payment of GST

If GST applies to a supply made under this agreement, for consideration that is not stated to include GST, the recipient must pay to the supplier an additional amount equal to the GST payable on the supply (**GST Amount**). The GST Amount is payable at the same time that the first part of the consideration for the supply is to be provided.

15.4 Tax invoices and adjustment notes

Notwithstanding any other provision, the recipient need not pay the GST Amount until it has received from the supplier a tax invoice or adjustment note (as the case may be).

15.5 Adjustment events

If an adjustment event arises in respect of a supply to which clause 15.3 applies, the GST Amount must be adjusted to reflect the adjustment event and a payment must be made by the supplier to the recipient, or by the recipient to the supplier, as the case may be.

15.6 Reimbursement

If a party is entitled to be reimbursed for a cost or expense under this agreement the amount to be reimbursed must be reduced to the extent that the party (or the representative member for a GST group of which that party is a member) is entitled to an input tax credit for the cost or expense.

15.7 GST excluded from calculations

Subject to an express provision in this agreement to the contrary, any payment, or amount required to be made under this agreement which is calculated by reference to sales, revenue, income or other amounts received or receivable from a third party (**Revenue**) will be calculated by reference to that Revenue exclusive of GST.

15.8 Survival on termination

This clause 15 will not merge on Completion and will survive the termination of this agreement by any party.

16. Notices

Any communication under or in connection with this agreement:

- (a) must be sent to the address for service of the addressee specified in the Details section of this agreement;
- (b) must be signed by the party making the communication or by a person duly authorised by that party;
- (c) must be delivered or posted by prepaid post to the address or sent by email to the email address of the addressee, in accordance with the Details section of this agreement; and
- (d) will be deemed to be received by the addressee:
 - (i) in the case of prepaid post, on the third Business Day after the date of posting to an address within Australia, and on the fifth Business Day after the date of posting to an address outside Australia;
 - (ii) in the case of delivery by hand, on delivery at the address of the addressee as provided in the Details section of this agreement, unless that delivery is not made on a Business Day, or
 - (iii) after 5.00pm on a Business Day, when that communication will be deemed to be received at 9.00am on the next Business Day; and

- (iv) in the case of email, immediately after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that the email has not been delivered.
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17. Miscellaneous

17.1 Approvals and consents

Unless this agreement expressly provides otherwise, a party may give or withhold an approval or consent in that party's absolute discretion and subject to any conditions determined by the party. A party is not obliged to give its reasons for giving or withholding a consent or approval or for giving a consent or approval subject to conditions. Where this agreement refers to a matter being to the 'satisfaction' of a party, this means to the satisfaction of that party in its absolute discretion.

17.2 Assignment

A party must not assign, novate or transfer any of its rights or obligations under this agreement or attempt to do so without the prior written consent of each other party.

17.3 Costs

Except as otherwise set out in this agreement, each party must pay its own costs and expenses in relation to preparing, negotiating, executing and completing this agreement and any document related to this agreement.

17.4 Duty

InPayTech must pay all duty payable in connection with this agreement and any document, agreement or transaction contemplated by or incidental to this agreement. If a party other than InPayTech pays any duty on or relating to this agreement or any document, agreement or transaction contemplated by or incidental to this agreement, InPayTech must pay that amount to the other party on demand.

17.5 No merger

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

17.6 Entire agreement

This agreement contains everything the parties have agreed on in relation to the subject matter with which it deals. No party can rely on an earlier written document or anything said or done by or on behalf of another party before this agreement was executed.

17.7 Execution of separate documents

This agreement is properly executed if each party executes either this document or an identical document. In the latter case, this agreement takes effect when the separately executed documents are exchanged between the parties.

17.8 Exercise of rights

A party may exercise a right, power or remedy at its discretion, and separately or concurrently with another right, power or remedy. A single or partial exercise of a right, power or remedy by a party does not prevent a further exercise of that or of any other right, power or remedy

and failure by a party to exercise, or delay by a party in exercising, a right, power or remedy does not prevent its exercise. Except where expressly stated to the contrary in this agreement, the rights of a party under this agreement are cumulative and are in addition to any other rights available to that party whether those rights are provided for under this agreement or by law.

17.9 Further acts

Each party must at its own expense promptly execute all documents and do or use reasonable endeavours to cause a third party to do all things that another party from time to time may reasonably request in order to give effect to, perfect or complete this agreement and all transactions incidental to it.

17.10 Governing law and jurisdiction

This agreement is governed by the law of New South Wales, Australia. The parties submit to the non-exclusive jurisdiction of its courts and courts of appeal from them. The parties will not object to the exercise of jurisdiction by those courts on any basis.

17.11 No adverse construction

No term or condition of this agreement will be construed adversely to a party solely on the ground that the party was responsible for the preparation of this agreement or that provision.

17.12 Severability

Each provision of this agreement is individually severable. If any provision is or becomes illegal, unenforceable or invalid in any jurisdiction, it is to be treated as being severed from this agreement in the relevant jurisdiction, but the rest of this agreement will not be affected. The legality, validity and enforceability of the provision in any other jurisdiction will not be affected.

17.13 Variation

No variation of this agreement will be of any force or effect unless it is in writing and signed by each party to this agreement.

17.14 Waiver

A waiver of any right, power or remedy under this agreement must be in writing signed by the party granting it. A waiver only affects the particular obligation or breach for which it is given. It is not an implied waiver of any other obligation or breach or an implied waiver of that obligation or breach on any other occasion. The fact that a party fails to do, or delays in doing, something the party is entitled to do under this agreement does not amount to a waiver.

Schedule 1 – Sellers

Seller	Sale Shares	InPayTech Purchase Shares	Respective Proportion
Unlocked	25,000	161,229,501	28.125%
GJB	40,000	257,967,201	45.000%
Digital Niche	15,000	96,737,700	16.875%
Clinton Capital	8,889	57,326,045	10.000%

Schedule 2 – Indicative Timetable

Event	Date
Commencement of mutual due diligence	21 September 2020
Completion of mutual due diligence	2 October 2020
Finalisation of MIA	17 November 2020
Submit s 611, item 7 notice of meeting to ASIC for approval	24 November 2020
Submit agreed form notice of meeting to ASX for approval	9 December 2020
General Meeting Date	21 January 2021
Indicative Completion Date	28 January 2021

Schedule 3 – InPayTech Warranties

InPayTech represents and warrants that:

1. General Warranties

- (a) Each InPayTech Group Member is a validly existing corporation registered under the laws of its place of incorporation.
- (b) The execution and delivery of this agreement by it has been properly authorised by all necessary corporate action and it has full corporate power and lawful authority to execute and deliver this agreement and to perform or cause to be performed its obligations under this agreement.
- (c) This agreement constitutes legal, valid and binding obligations on it and the execution of this agreement of itself does not result in a breach of or default under any agreement, deed or any writ, order or injunction, rule or regulation to which it or any of its Subsidiaries is a party or to which they are bound, where such breach or default would have a material adverse effect on the InPayTech Group.
- (d) Other than expressly contemplated in this agreement, as far as it is aware, no Regulatory Approvals are required to be obtained by it in order for it to implement the transactions contemplated under this agreement.
- (e) It is not in breach of its continuous disclosure obligations under the Corporations Act or the Listing Rules and, as at the date of this agreement, it is not relying on the exception to Listing Rule 3.1 in Listing Rule 3.1A to withhold any information from ASX (other than the fact of its discussions with the Sellers in relation to the transactions contemplated in this agreement).
- (f) As at the date of this agreement:
 - (i) there are 573,260,447 InPayTech Shares on issue and those InPayTech Shares have been validly issued and are fully paid up;
 - (ii) other than under this agreement, no person has any option or other right of any nature to require the issue of any shares or other securities in any member of the InPayTech Group (or may, by virtue of an option vesting or otherwise, ever have that right) and no member of the InPayTech Group has made any offer that may result in any person having such a right;
 - (iii) all of the shares in the Subsidiaries of InPayTech are legally and beneficially owned by InPayTech and those shares have been validly issued and are fully paid up; and
 - (iv) there is no Encumbrance, option, right of pre-emption, right of first or last refusal or other third party right over any of the shares in the Subsidiaries of InPayTech.
- (g) As at the time the Explanatory Statement or supplementary disclosure is dispatched to InPayTech Shareholders, the information contained in the Explanatory Statement or supplementary disclosure (other than the Comply Path Information and the Independent Expert's Report) will:
 - (i) be prepared in good faith;
 - (ii) be true and correct in all material respects;

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- (iii) comply in all material respects with the requirements of the Corporations Act, the Listing Rules and regulatory guidance issued by ASIC;
 - (iv) as far as it is aware, not contain any statement which is misleading or deceptive in any material respect (whether by omission or otherwise).
 - (h) As far as it is aware, the InPayTech Group holds, and complies with the material terms and conditions of, all material licences and material authorisations required to conduct its business in the manner it is conducted as at the date of this agreement.
 - (i) It is not aware of any facts, matters or circumstances that would render a Seller Warranty or a Comply Path Warranty untrue or incorrect.
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2. New InPayTech Shares

The New InPayTech Shares to be issued in accordance with this agreement will be duly authorised and validly issued, fully paid and free of all security interests and third party rights and will rank equally with all other InPayTech Shares then on issue.

3. InPayTech Group Warranties

- (a) Each InPayTech Group Member has full corporate power to own its properties, assets and business and to carry on its business as now conducted.
- (b) Each InPayTech Group Member has good and marketable title to all of the assets included in the Accounts for each InPayTech Group Member material to the conduct of its business as at the date of this agreement.
- (c) Except for its subsidiaries, InPayTech does not hold or beneficially own shares or other Securities in the capital of any another corporation.
- (d) Other than in the ordinary course of its business, no InPayTech Group Member has agreed to buy any Securities in another corporation.
- (e) No InPayTech Group Member is, and has not agreed to become, a member of any partnership, unincorporated association, joint venture or consortium.
- (f) No meeting has been convened, resolution proposed in writing, petition presented or order made for the winding up of a InPayTech Group Member and no receiver, receiver and manager, provisional liquidator, liquidator, administrator or other officer of the court has been appointed or threatened in writing to be appointed in relation to a InPayTech Group Member or any part of a InPayTech Group Member's undertaking or assets.
- (g) No notice under sections 601AA or 601AB of the Corporations Act has been received by any InPayTech Group Member.
- (h) Each InPayTech Group Member is able to pay its debts as and when they fall due and is not an insolvent under administration or insolvent (each as defined in the Corporations Act).
- (i) No InPayTech Group Member is taken (under section 459F(1) of the Corporations Act) to have failed to comply with a statutory demand.
- (j) No InPayTech Group Member is the subject of an event described in section 459C(2)(b) or section 585 of the Corporations Act.

4. Information

As far as InPayTech is aware, the InPayTech Disclosure Material is true and correct in all material respects and is not misleading or deceptive in any material respect (whether by omission or otherwise).

5. Financial statements

- (a) The Accounts were prepared:
 - (i) in accordance with the Accounting Standards, the requirements of the Corporations Act and all other applicable Law; and
 - (ii) on a basis consistent with the financial statements of each InPayTech Group Member for the financial year preceding the financial year ended on the Accounts Date.
 - (b) All financial arrangements of or relating to each InPayTech Group Member and the business of the InPayTech Group are fully and accurately reflected in the Accounts.
 - (c) The Accounts are not affected by any undisclosed unusual, abnormal, extraordinary, exceptional or non-recurring items.
 - (d) The Accounts:
 - (i) have been prepared with due care and attention; and
 - (ii) disclose all revenue and operating expenses of the InPayTech Group for the period for which they were prepared, and accurately disclose the financial position of the InPayTech Group for the purpose for which the Accounts were prepared.
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6. No changes since Accounts Date

As far as InPayTech is aware, since the Accounts Date:

- (a) there has been no material adverse change in the assets, liabilities, turnover, earnings, financial condition, trading position or affairs of the InPayTech Group;
- (b) the InPayTech Group has carried on its business in all material respects in the ordinary course, in a manner comparable to that in which it was conducted for the 12 month period before the date of this agreement and with all reasonable care and in accordance with normal and prudent practice (having regard to the nature of its business and past practice and so as to comply with all applicable laws);
- (c) no InPayTech Group Member has entered into any material contracts or arrangements, or terminated or altered any term of any material contracts or arrangements, other than in the ordinary course of its business or in accordance with this agreement;
- (d) no InPayTech Group Member has incurred or undertaken any material liabilities or obligations (actual or contingent), including Taxation, except in the ordinary course of its business;

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- (e) other than as provided for in this agreement, no InPayTech Group Member has acquired or disposed of or dealt with any assets nor has it entered into any agreement or option to acquire or dispose of any assets other than in the ordinary course of its business for full market value;
 - (f) other than in the ordinary course of business, no InPayTech Group Member has paid or agreed to pay any retiring allowance, superannuation or benefit to any of its officers or employees except where the law requires it;
 - (g) other than the new employees employed in the ordinary course of business and as otherwise fairly disclosed, no InPayTech Group Member has entered into or altered any contract of service with any officers, employees, contractors or agents, or increased or agreed to increase the rate of remuneration or compensation payable to any of its officers, employees, contractors or agents, except in the ordinary course of its business;
 - (h) no InPayTech Group Member has implemented any new accounting or valuation method for its business, assets, property or rights;
 - (i) other than as fairly disclosed, no loans have been made by InPayTech Group to its employees and no advances or loan money has been accepted from any of its employees; and
 - (j) no debt shown in the Accounts has been released or settled for an amount less than that reflected for that debt in the Accounts.
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7. Liabilities and commitments

- (a) As far as InPayTech is aware, every material contract, instrument or other commitment to which a InPayTech Group Member is a party and which is material to the InPayTech Group's business as at the date of this agreement is valid and binding according to its terms and no party to the contract, instrument or commitment is in material default under its terms.
 - (b) No InPayTech Group Member is party to any material agreement or arrangement under the terms of which any other party, by reason of the issue of InPayTech Purchase Shares or in the change in the management or control of the InPayTech Group, becomes entitled to:
 - (i) terminate the agreement or arrangement earlier than would otherwise be the case if the change did not occur; or
 - (ii) require the adoption of terms less favourable to a InPayTech Group Member than those subsisting in the absence of the change.
 - (c) The issue of InPayTech Purchase Shares in accordance with this agreement does not and will not constitute a material breach of any obligation (including any statutory, contractual or fiduciary obligation), or default under any agreement or undertaking, by which a InPayTech Group Member is or may become bound.
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8. Taxation

In this provision, except where the context otherwise requires, a reference to InPayTech includes each InPayTech Group Member.

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- (a) As far as InPayTech is aware, all Tax and other revenue returns and business activity statements (**Returns**) lodged by InPayTech:
 - (i) have been lodged by the due date for filing those Returns; and
 - (ii) have been made taking reasonable care, with full and true disclosure and otherwise in accordance with the relevant Tax Law.
 - (b) No claim has ever been made with respect to any InPayTech Group Member in a jurisdiction where such a company does not file Returns that such company is or may be subject to Tax by that jurisdiction, and InPayTech is not aware of any basis for any such claim to be made.
 - (c) As far as InPayTech is aware, all assessments, whether original or amended, made by a Government Agency in respect of InPayTech and all Returns of InPayTech accurately reflect any Liability for Tax of InPayTech for the period to which the assessment or Return relates.
 - (d) All notices and elections required to be given or made by InPayTech have been given or made by InPayTech and support the position taken in the Returns.
 - (e) InPayTech has maintained proper and adequate records to enable it to comply in all material respects with its obligations under any Tax Law and all such records are held by InPayTech at Completion.
 - (f) As far as InPayTech is aware it has paid all Taxes which it is liable to pay prior to Completion and InPayTech has not waived any statute of limitation in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.
 - (g) As far as each InPayTech is aware, the Accounts fully provide for all Taxes which InPayTech is or may become liable to pay for the period up to and including the Accounts Date.
 - (h) InPayTech is not the subject of any audit or review by a Government Agency of any of its Returns and as far as it is aware there are no outstanding disputes, questions or demands as between InPayTech and any Government Agency relating to a Tax matter and it is not aware of:
 - (i) any pending or threatened audit or review relating to InPayTech; or
 - (ii) any reason why any Returns or assessments related to Tax payable by InPayTech in respect of any period before Completion would be disputed or examined or any benefit relating to Tax would be denied or limited.
 - (i) InPayTech has not applied for or received any advance opinion or private binding ruling issued to it by any Government Agency and has taken "reasonable care" and adopted "reasonably arguable positions" (within the meaning of those terms in the Tax Act) in relation to its liability to pay Tax imposed under the Tax Act, has taken reasonable care in relation to its liability to pay Tax imposed under any other Tax Law, and in all cases has made full and true disclosure in relation to its liability to pay Tax.
 - (j) As far as InPayTech is aware all amounts of Tax required by Law to be deducted by InPayTech from the salary or wages of employees, directors and other service providers have been deducted and remitted to the relevant Government Agency within the time allowed by the relevant Tax Law.

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- (k) As far as InPayTech is aware any amount (including withholding tax) that is required to be withheld from any payment made by InPayTech has been duly withheld and remitted to the relevant Government Agency and InPayTech has not been a party to a scheme to avoid withholding tax.
 - (l) InPayTech is and will at Completion be an Australian resident (as defined in the Tax Act).
 - (m) InPayTech and any Australian resident subsidiary does not have and has never had a permanent establishment or other taxable presence in any jurisdiction outside Australia.
 - (n) As far as InPayTech is aware there are no provisions in any sale or other agreement which limit the right of InPayTech to recover any Tax pursuant to a warranty or indemnity given by a third party as a result of a change of control of InPayTech.
 - (o) There is no difference between the amounts incurred for acquisition, improvements and incidental costs of acquisition of assets by InPayTech and their cost base for Tax purposes.
 - (p) The costs bases of the assets of InPayTech have not been reduced from the amounts of money actually incurred for acquisition, improvements and incidental costs of acquisition on account of:
 - (i) any transfers of assets;
 - (ii) any transfers of losses;
 - (iii) any forgiveness of debt; or
 - (iv) any transactions which shift value.
 - (q) InPayTech has not participated in schemes or transactions or made any payments to which Part IVA, section 82KK or section 82KL of the Tax Act applies or might apply.
 - (r) InPayTech has not participated in:
 - (i) any dividend stripping or dividend or capital streaming or franking credit trading schemes (or schemes of substantially the same effect) within the meaning of the Tax Act or which are subject to the operation of sections 45 to 45D, former sections 46B, and 160AQCBA and section 177E or 177EA of the Tax Act; or
 - (ii) any scheme or arrangement within the meaning of Division 204 of Part 3 6 of the Tax Act to exploit the benchmark franking percentage of another entity, stream franked distributions or tax exempt bonus shares or stream distributions to shareholders or former shareholders of InPayTech that derive greater benefit from franking credits than other shareholders or former shareholders of InPayTech, and nor will the sale itself, or in conjunction with other events before Completion, constitute such a scheme.
 - (s) No dividend has been paid by InPayTech:
 - (i) in respect of which the franking amount has exceeded the benchmark franking percentage or the maximum franking credit within the meaning of Part 3 6 of the Tax Act; or

- (ii) in respect of which an application has been made to the Commissioner of Taxation for permission to depart from the benchmark franking percentage within the meaning of Part 3 6 of the Tax Act.
- (t) InPayTech has provided distribution statements within the meaning of section 202-80 of the Tax Act to its shareholders in respect of all dividends paid by InPayTech before Completion.
- (u) InPayTech does not hold any assets to which Subdivision 104 J of the Tax Act may apply.
- (v) Nothing has occurred to cause a disallowance of carried forward income or capital losses of InPayTech (other than the transfer of shares as contemplated by this agreement).
- (w) InPayTech has not been required to reduce losses or the tax attributes of assets (for capital allowances purposes or capital gains tax purposes) as contemplated by Division 245 of Schedule 2C of the Tax Act.
- (x) InPayTech Group Members have not entered in to, or are not parties to any Tax Sharing Agreement or Tax Funding Agreement
- (y) Subject to the relevant InPayTech Group Entity satisfying the conditions in Subdivision 165-C of the Tax Act, a bad debt deduction will be available in respect of the write off of any trade debts shown in the last Accounts which have not previously been written off.
- (z) InPayTech has not entered into any arrangement that will give rise to any adjustment to its taxable income as a result of the operation of the provisions in Division 13 of Part III of the Tax Act or results in it obtaining a "transfer pricing benefit" as that term is defined in Division 815 of the Tax Act
- (aa) InPayTech is not and will not become liable to pay, reimburse or indemnify any person in respect of any Tax relating to an act or omission occurring before Completion or because of the failure of that other person to discharge a Tax liability.
- (bb) InPayTech has not issued or created any:
- (i) non-share equity interest (as defined in section 995-1 of the Tax Act); or
 - (ii) non-equity share (as defined in section 6(1) of the Tax Act).
- (cc) InPayTech has not:
- (i) made any interposed entity election pursuant to section 272-85 of Schedule 2F to the Tax Act;
 - (ii) made any other election for Tax purposes which may affect the tax treatment of any dividends paid to its shareholders after Completion; or
 - (iii) as far as InPayTech is aware, entered into any transaction that attracts the operation of sections 45B, 45C, 108 or 109 or Division 7A of the Tax Act.
- (dd) The share capital account of InPayTech is not 'tainted' within the meaning of Division 197 of the Tax Act, and InPayTech has not taken and will not take any action that will cause its share capital account to become a 'tainted' share capital account prior to Completion.

- (ee) InPayTech will not have a franking account deficit immediately after Completion and no act or omission of InPayTech at or before Completion would cause it to be liable for franking deficit tax, if the income year for InPayTech ended immediately after Completion.
- (ff) As far InPayTech is aware it has not entered into any arrangement or transaction which is or may be subject to adjustment under Division 13 or Division 815 of the Tax Act or any double taxation agreement between Australia and another country.
- (gg) As far InPayTech is aware, it does not own or hold any asset for which a rollover or other Tax relief has been obtained and which may give rise to a Tax Claim as a result of Completion or which may operate to restrict the cost base of assets in the hands of InPayTech.
- (hh) InPayTech has always had a public officer appointed in accordance with the requirements of the Tax Acts.
- (ii) InPayTech has disclosed to Comply Path all communications by Government Agencies to each InPayTech Group Member (including rulings and communications by way of agreement) prior to the date of this agreement which will, or may affect the calculation of InPayTech's liability to Tax.
- (jj) InPayTech has fully complied with, and will full comply with until Completion, the terms of all communications by Government Agencies to each InPayTech Group Member (including rulings, and communications by way of agreement) prior to the date of this agreement, which will or may affect the calculation of InPayTech's liability to Tax.
- (kk) InPayTech has not carried on any business which is not an eligible investment business for the purposes of the Tax Law.

9. GST

- (a) In this provision, except where the context otherwise requires, a reference to InPayTech includes each InPayTech Group Member.
- (b) In this warranty:
- (i) expressions which are not defined, but which have a defined meaning in GST Law, have the same meaning as in the GST Law; and
 - (ii) GST Law has the meaning given to that expression in the *A New Tax System (Goods and Services Tax) Act 1999 (Cth)*.
- (c) InPayTech is registered for GST and has an Australian Business Number (**ABN**).
- (d) The computerised accounting and invoicing systems of InPayTech have GST functionality. For the purposes of this warranty, a system has GST functionality if it:
- (i) can generate tax invoices and adjustment notes;
 - (ii) provides for GST in respect of supplies or inputs to be recorded as balance sheet items; and
 - (iii) can produce such financial information as may be required to complete a GST return, business activity statement or both.

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- (e) As far as InPayTech is aware, InPayTech is the representative member of a GST group that includes its Australian Subsidiaries.
 - (f) As far as InPayTech is aware no other InPayTech Group Member is or has ever been:
 - (i) a member of any GST group, GST joint venture or partnership; or
 - (ii) liable to pay GST in respect of supplies made by any other entity.
 - (g) As far as InPayTech is aware, InPayTech has not participated in any schemes or transactions or made any payments to which Division 165 of the *A New Tax System (Goods and Services Tax) Act 1999 (Cth)* applies or might apply.
 - (h) As far as InPayTech is aware, InPayTech:
 - (i) has complied in all material respects with its obligations under the GST Act;
 - (ii) has lodged all Business Activity Statements (**BAS**) by the due date for filing;
 - (iii) has prepared each BAS with reasonable care and with making full and true disclosure and warrants that each BAS does not contain any statement that is false or misleading, whether by omission or otherwise;
 - (iv) has paid all amounts it has been required to pay in connection with each BAS by the due date;
 - (v) is not a party to any document, instrument, contract, agreement, deed or transaction in respect of which it is or will become liable to pay GST in circumstances where it has no express entitlement to increase the consideration payable under the document, instrument, contract, agreement, deed or transaction or otherwise seek reimbursement so that it retains the amount it would have retained but for the imposition of GST; and
 - (vi) does not have any amended assessments to which an extended or refreshed period of review could apply under section 155-70 of the Taxation Administration Act 1953 in respect of GST.
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10. Stamp Duty

- (a) In this provision, except where the context otherwise requires, a reference to InPayTech includes each InPayTech Group Member.
- (b) As far as InPayTech is aware, all Stamp Duty arising under a Tax Law in relation to any transaction or document to which a InPayTech is or has been a party or by which a InPayTech derives, or has or will derive, a benefit has been paid or will be paid before Completion in accordance with the relevant Tax Law (irrespective of whether a InPayTech or a Third Party is liable for that Stamp Duty).
- (c) As far as InPayTech is aware, no InPayTech has not been a party to a transaction or document with a Related Body Corporate (or an entity that was a Related Body Corporate at the time) in the 6 years preceding Completion that would have been liable to Stamp Duty under a Tax Law but for relief granted in writing by a Government Agency.

- (d) InPayTech does not hold (or will not hold) land interests at Completion (whether held directly or indirectly) that will cause InPayTech to be a landholder or land rich entity (however described) under a Tax Law relating to Stamp Duty.
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11. Insurance

- (a) Each contract under which a InPayTech Group Member is an insured party including in respect of workers' compensation insurance investment management insurance and professional indemnity insurance (**Insurance Contract**) is in force and as far as InPayTech is aware there is no fact or circumstance known to the InPayTech Group that would, or would be reasonably likely to, on or after Completion:
- (i) lead to the Insurance Contract being terminated or ceasing to have effect; or
 - (ii) permit the relevant insurer to refuse or reduce a claim, increase the premium or alter any provision under the Insurance Contract.
- (b) As far as InPayTech is aware, under the Insurance Contracts:
- (i) all of the property and assets of InPayTech Group of an insurable nature are insured in amounts representing their full replacement or reinstatement value against fire and other risks normally insured against for similar businesses in similar industries; and
 - (ii) InPayTech Group is adequately insured for such amounts as would be maintained in accordance with prudent business practice in respect of all risks, including in relation to damage to property, personal injury, public liability, product liability, investment management, professional indemnity, workers' compensation and business interruption.
- (c) There are no outstanding claims or insurance premiums payable under the Insurance Contracts.
-

12. Contracts and commercial matters

All contracts, arrangements and understandings binding on InPayTech Group Member are at arm's length and are capable of complete performance by it.

13. Compliance with Relevant Laws

- (a) As far as InPayTech is aware, each InPayTech Group Member has complied in all material respects with all laws including all Relevant Laws applicable to the conduct of the business of the InPayTech Group, and the use of each leased premises and the other assets of InPayTech Group or in any other manner, including all:
- (i) laws of all jurisdictions in which a InPayTech Group Member operates, solicits investors, trades securities, derivatives or other financial products;
 - (ii) employment and industrial relations Laws and agreements;
 - (iii) occupational health and safety Laws; and
 - (iv) and no material contravention or allegation of any material contravention of any laws including any Relevant Laws is known to InPayTech.

- (b) As far as InPayTech is aware:
- (i) there is no fact or matter that might prejudice the continuance or renewal, or result in the revocation or variation in any material respect, of any statutory permit or licence material to the conduct of the InPayTech Group's business as at the date of this agreement; and
 - (ii) no InPayTech Group Member is being investigated for any material breach or any alleged material breach of any Relevant Law.
- (c) No InPayTech Group Member has received any written notice that any statutory permit or licence material to the conduct of the InPayTech Group's business as at the date of this agreement will be revoked, suspended, modified or will not be renewed.
- (d) As far as each InPayTech Group Member is aware, each InPayTech Group Member has complied in all material respects with all conditions under all licences, consents, certifications and authorisations, material to the carrying on of the business of the InPayTech Group as at the date of this agreement.
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14. Litigation

- (a) Other than as fairly disclosed and as far as InPayTech is aware, no InPayTech Group Member has nor any person for whose acts or defaults a InPayTech Group Member may be vicariously liable is involved in, or threatened in writing with, any Claim in any court, tribunal or otherwise and there are no facts or circumstances likely to give rise to any such Claim.
- (b) As far as InPayTech is aware there are no unsatisfied Claims against a InPayTech Group Member.
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15. Employees, officers and sub-contractors

- (a) As far as InPayTech is aware, there are no unusually onerous conditions in respect of the employment of any employee or the engagement of any sub- contractor by a InPayTech Group Member.
- (b) As far as InPayTech is aware, each InPayTech Group Member has complied in all material respects with all contractual, statutory, legal and fiscal obligations of and in relation to its employment of its employees, including all withholding obligations, all codes of practice, collective agreements and awards.
- (c) No InPayTech Group Member operates any profit share or employee incentive plans or schemes for its employees or officers.
- (d) No money other than in respect of remuneration or benefits of employment is payable to any director or employee of InPayTech Group and no InPayTech Group Member is under any present, future or contingent liability to pay compensation for loss of office or employment to any ex-officer or ex-employee.
- (e) All persons employed or engaged in the business of the InPayTech Group prior to Completion have been properly classified by InPayTech Group as employees or independent contractors and the recognition of employee entitlements in the Accounts is materially accurate.
- (f) No Claim has been made, nor has the InPayTech Group received notice of any potential Claim, by or on behalf of any past or present employee against a InPayTech

Group Member within the 6 months preceding this document. As far as InPayTech is aware, there are no circumstances which are likely to give rise to a Claim against a InPayTech Group Member by any employee.

16. Superannuation

As at Completion, each InPayTech Group Member has satisfied all employer superannuation obligations in respect of any person for which it is required to make superannuation contributions pursuant to any relevant legislation, contract, award or other industrial instrument requiring the payment of superannuation contributions.

17. Computer systems, software and IT

- (a) The information technology and telecommunications systems, computers and computer systems, hardware and software owned or used by InPayTech Group Members in the conduct of InPayTech Group's business as at the date of this agreement (**Systems**) comprise all the information technology and telecommunications systems, computers and computer systems, hardware and software material to the conduct of InPayTech Group's business as conducted as of the date of this agreement
 - (b) All the Systems owned or used by InPayTech Group:
 - (i) are in full operating order and are fulfilling the purposes for which they were acquired or established in an efficient manner without material downtime or errors;
 - (ii) have adequate capacity for InPayTech Group's present needs; and
 - (iii) have adequate security, back-ups, hardware and software support and maintenance and trained personnel to ensure, so far as is reasonable, that breaches of security, errors and breakdowns are kept to a minimum and that no material disruption will be caused to the business of InPayTech Group or any material part of it if there is a breach of security, error or breakdown.
 - (c) All software used by InPayTech Group is owned or validly licensed by, or under the control of, it.
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18. Intellectual Property

- (a) An InPayTech Group Member is the sole legal and beneficial owner of the Owned Intellectual Property Rights free from Encumbrances. An InPayTech Group Member owns or is validly licensed to use the Intellectual Property Rights the subject of the Intellectual Property Licences.
- (b) No InPayTech Group Member has dealt with or granted to any person any rights in respect of the Owned Intellectual Property Rights by way of licence or in any other way.
- (c) As far as it is aware, the conduct of the business by each InPayTech Group Member does not breach or infringe any Intellectual Property Rights of any person. No InPayTech Group Member has received any claim, proceeding, opposition, cancellation action or complaint alleging infringement or misappropriation by it of the Intellectual Property Rights of any person.

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- (d) So far as each InPayTech Group Member is aware, no person has infringed or is infringing any of the Owned Intellectual Property Rights.
 - (e) No person other than an InPayTech Group Member has any right to or in any of the Owned Intellectual Property Rights, or any right which would otherwise restrict the disclosure or use by an InPayTech Group Member of any of the Owned Intellectual Property Rights or the Intellectual Property Licences.
 - (f) The Owned Intellectual Property Rights and the Intellectual Property Rights the subject of the Intellectual Property Licences comprise all of the Intellectual Property Rights necessary for the operation and conduct of the InPayTech Group business as at the date of this agreement.
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19. Cybersecurity and privacy

- (a) The InPayTech Group takes appropriate steps to mitigate material cyber risks associated with the InPayTech Group business.
- (b) The InPayTech Group has in the 2 year period before the date of this agreement undertaken testing (including penetration testing) of all material Systems, for weaknesses, security vulnerabilities and unauthorised accesses.
- (c) The InPayTech Group has established and operates industry standard policies, procedures and processes covering the InPayTech Group's ability to prepare for, respond to and recover from cyber-attacks or cyber-incidents affecting the InPayTech Group business.
- (d) InPayTech are not aware of any cyber-attacks, cyber-incidents or data breaches which in the last 5 years have compromised Systems in any material way, or resulted in material information held by the InPayTech Group being accessed or accessible by unauthorised persons.
- (e) The InPayTech Group has and implements processes for ensuring regular system maintenance, including reasonably timely installation of software patches that address security vulnerabilities.
- (f) The InPayTech Group is in compliance, and has been in compliance, with all applicable Privacy Laws.
- (g) No InPayTech Group Member:
 - (i) has received any written complaint from any individual;
 - (ii) has been subject to any investigation, fine or penalty imposed by any Governmental Agency,regarding the InPayTech Group's personal information handling practices in the last 3 years.
- (h) As far as the InPayTech is aware, there have been no data breaches or security incident involving any personal information that would be notifiable to any Governmental Agency or an affected individual under applicable Privacy Law.
- (i) The InPayTech Group holds all consents necessary to allow it to collect, hold, use and disclose any personal information which it collects, holds, uses or discloses in the course of conducting the InPayTech Group business.

20. Records

- (a) The Records of the InPayTech Group Members:
 - (i) are in the possession or under the control of the InPayTech Group Members;
 - (ii) have been properly maintained in accordance with all applicable material Laws in Australia;
 - (iii) as far as each InPayTech Group Member is aware, do not contain any material inaccuracies; and
 - (iv) include all material information required or under, or to comply in all material respects with, or to support any filing made or required to be made under any applicable Law in Australia.
- (b) No InPayTech Group Member has received notice of any application or intended application for the rectification of its register of members or any other register that it is required by Law to maintain.

21. Licensed Premises

- (a) The Leased Premises are the only properties owned, leased, used or occupied by the InPayTech Group.
- (b) No InPayTech Group Member has entered into any agreement, option or right of pre-emption to acquire any land.
- (c) In respect of each Licensed Premises:
 - (i) the Property License is a legal, valid and binding obligation of the parties thereto and is enforceable in accordance with its terms against the counterparties thereto;
 - (ii) the applicable InPayTech Group Member has fully complied with all material obligations under the Property License (including all obligations to pay rent, rates and other amounts) and all other covenants affecting the property the subject of the Licensed Premises;
 - (iii) the applicable InPayTech Group Member has not granted any sub-lease, licence or exclusive possession or shared right of occupancy or use of any part of the Licensed Premises;
 - (iv) no InPayTech Group Member is aware of any material breach or material default under any material term of the Property License;
 - (v) the applicable InPayTech Group Member has not received any notice of termination, rescission, avoidance or repudiation of the Property License and, to the best of the each InPayTech Group Member's knowledge, no event has occurred which may be grounds for termination, rescission, avoidance or repudiation of the Property License; and
 - (vi) there are no current disputes in connection with or arising out of the Property License and, to the best of each InPayTech Group Member's knowledge, no such disputes are pending or threatened.

Schedule 4 – Comply Path Warranties

Comply Path and each Seller Warrantor represents and warrants that:

1. General Warranties

- (a) Each Comply Path Group Member is a validly existing corporation registered under the laws of its place of incorporation.
- (b) The execution and delivery of this agreement by Comply Path has been properly authorised by all necessary corporate action and Comply Path has full corporate power and lawful authority to execute and deliver this agreement and to perform or cause to be performed its obligations under this agreement.
- (c) This agreement constitutes legal, valid and binding obligations on Comply Path and the execution of this agreement of itself does not result in a breach of or default under any agreement, deed or any writ, order or injunction, rule or regulation to which it or any of its Subsidiaries is a party or to which they are bound, where such breach or default would have a material adverse effect on the Comply Path Group.
- (d) Other than expressly contemplated in this agreement, as far as it is aware, no Regulatory Approvals are required to be obtained by Comply Path in order for it to implement the transactions contemplated under this agreement.
- (e) The Comply Path Information provided to InPayTech in accordance with clause 4.3.1 for inclusion in the Explanatory Statement and supplementary disclosure (which, for the avoidance of doubt, does not include any information contained in the Independent Expert's Report) and for inclusion in the Agreed Announcement will:
 - (i) be prepared and provided in good faith;
 - (ii) be true and correct in all material respects;
 - (iii) be provided on the understanding that InPayTech will rely on that information for the purposes of preparing the Explanatory Statement or the Agreed Announcement (as the case may be); and
 - (iv) as far as it is aware, in the form and context in which that information appears in the Explanatory Statement (and any supplementary disclosure) or the Agreed Announcement (as the case may be), not be misleading or deceptive in any material respect (whether by omission or otherwise).
- (f) Comply Path will, as a continuing obligation, provide to InPayTech all such further or new information which may arise before the General Meeting Date which is necessary to ensure that the Comply Path Information, in the form and context in which that information appears in the Explanatory Statement and any supplementary disclosure (which, for the avoidance of doubt, does not include any information contained in the Independent Expert's Report), is not misleading or deceptive in any material respect (whether by omission or otherwise).
- (g) As far as it is aware, the Comply Path Group holds, and complies with the material terms and conditions of, all material licences and material authorisations required to conduct its business in the manner it is conducted as at the date of this agreement.

2. Comply Path Group

- (a) Each Comply Path Group Member has full corporate power to own its properties, assets and business and to carry on its business as now conducted.
- (b) Each Comply Path Group Member has good and marketable title to all of the assets included in the Accounts for each Comply Path Group Member material to the conduct of its business as at the date of this agreement.
- (c) Except for its subsidiaries, Comply Path does not hold or beneficially own shares or other Securities in the capital of any another corporation.
- (d) Other than in the ordinary course of its business, no Comply Path Group Member has agreed to buy any Securities in another corporation.
- (e) No Comply Path Group Member is, and has not agreed to become, a member of any partnership, unincorporated association, joint venture or consortium.
- (f) No meeting has been convened, resolution proposed in writing, petition presented or order made for the winding up of a Comply Path Group Member and no receiver, receiver and manager, provisional liquidator, liquidator, administrator or other officer of the court has been appointed or threatened in writing to be appointed in relation to a Comply Path Group Member or any part of a Comply Path Group Member's undertaking or assets.
- (g) No notice under sections 601AA or 601AB of the Corporations Act has been received by any Comply Path Group Member.
- (h) Each Comply Path Group Member is able to pay its debts as and when they fall due and is not an insolvent under administration or insolvent (each as defined in the Corporations Act).
- (i) No Comply Path Group Member is taken (under section 459F(1) of the Corporations Act) to have failed to comply with a statutory demand.
- (j) No Comply Path Group Member is the subject of an event described in section 459C(2)(b) or section 585 of the Corporations Act.

3. Share capital of Comply Path

- (a) The Sale Shares:
 - (i) comprise all of the share capital of Comply Path;
 - (ii) are held and beneficially owned and are paid as set out in Schedule 1; and
 - (iii) were all properly issued.
- (b) There is no restriction on the sale or transfer of the Sale Shares to InPayTech (whether contained in the constitution of Comply Path or otherwise) except for the consent of the directors of Comply Path to the registration of the transfers of the Sale Shares.
- (c) There are no Securities convertible into shares of a Comply Path Group Member.

4. Information

As far as each Seller Warrantor is aware, the Disclosure Material is true and correct in all material respects and is not misleading or deceptive in any material respect (whether by omission or otherwise).

5. Financial statements

- (a) The Accounts were prepared:
 - (i) in accordance with the Accounting Standards, the requirements of the Corporations Act and all other applicable Law; and
 - (ii) on a basis consistent with the financial statements of each Comply Path Group Member for the financial year preceding the financial year ended on the Accounts Date.
 - (b) All financial arrangements of or relating to each Comply Path Group Member and the business of the Comply Path Group are fully and accurately reflected in the Accounts.
 - (c) The Accounts are not affected by any undisclosed unusual, abnormal, extraordinary, exceptional or non-recurring items.
 - (d) The Accounts and Management Accounts:
 - (i) have been prepared with due care and attention; and
 - (ii) disclose all revenue and operating expenses of the Comply Path Group for the period for which they were prepared, and accurately disclose the financial position of the Comply Path Group for the purpose for which the Management Accounts were prepared.
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6. No changes since Accounts Date

As far as each Seller Warrantor is aware, since the Accounts Date:

- (a) there has been no material adverse change in the assets, liabilities, turnover, earnings, financial condition, trading position or affairs of the Comply Path Group;
- (b) the Comply Path Group has carried on its business in all material respects in the ordinary course, in a manner comparable to that in which it was conducted for the 12 month period before the date of this agreement and with all reasonable care and in accordance with normal and prudent practice (having regard to the nature of its business and past practice and so as to comply with all applicable laws);
- (c) no Comply Path Group Member has entered into any material contracts or arrangements, or terminated or altered any term of any material contracts or arrangements, other than in the ordinary course of its business or in accordance with this agreement;
- (d) no Comply Path Group Member has incurred or undertaken any material liabilities or obligations (actual or contingent), including Taxation, except in the ordinary course of its business;

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- (e) other than as provided for in this agreement, no Comply Path Group Member has acquired or disposed of or dealt with any assets nor has it entered into any agreement or option to acquire or dispose of any assets other than in the ordinary course of its business for full market value;
 - (f) other than in the ordinary course of business, no Comply Path Group Member has paid or agreed to pay any retiring allowance, superannuation or benefit to any of its officers or employees except where the law requires it;
 - (g) other than the new employees employed in the ordinary course of business and as otherwise fairly disclosed, no Comply Path Group Member has entered into or altered any contract of service with any officers, employees, contractors or agents, or increased or agreed to increase the rate of remuneration or compensation payable to any of its officers, employees, contractors or agents, except in the ordinary course of its business;
 - (h) no Comply Path Group Member has implemented any new accounting or valuation method for its business, assets, property or rights;
 - (i) other than as fairly disclosed, no loans have been made by Comply Path Group to its employees and no advances or loan money has been accepted from any of its employees; and
 - (j) no debt shown in the Accounts has been released or settled for an amount less than that reflected for that debt in the Accounts.
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7. Liabilities and commitments

- (a) As far as each Seller Warrantor is aware, every material contract, instrument or other commitment to which a Comply Path Group Member is a party and which is material to the Comply Path Group's business as at the date of this agreement is valid and binding according to its terms and no party to the contract, instrument or commitment is in material default under its terms.
 - (b) No Comply Path Group Member is party to any material agreement or arrangement under the terms of which any other party, by reason of any change in the beneficial ownership of the Sale Shares or in the management or control of Comply Path Group, becomes entitled to:
 - (i) terminate the agreement or arrangement earlier than would otherwise be the case if the change did not occur; or
 - (ii) require the adoption of terms less favourable to a Comply Path Group Member than those subsisting in the absence of the change.
 - (c) The transfer of the Sale Shares in accordance with this agreement does not and will not constitute a material breach of any obligation (including any statutory, contractual or fiduciary obligation), or default under any agreement or undertaking, by which a Comply Path Group Member is or may become bound.
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8. Taxation

In this provision, except where the context otherwise requires, a reference to Comply Path includes each Comply Path Group Member.

- (a) As far as each Seller Warrantor is aware, all Tax and other revenue returns and business activity statements (**Returns**) lodged by Comply Path:
 - (i) have been lodged by the due date for filing those Returns; and
 - (ii) have been made taking reasonable care, with full and true disclosure and otherwise in accordance with the relevant Tax Law.
- (b) No claim has ever been made with respect to any Comply Path Group Member in a jurisdiction where such a company does not file Returns that such company is or may be subject to Tax by that jurisdiction, and the Seller Warrantors are not aware of any basis for any such claim to be made.
- (c) As far as each Seller Warrantor is aware, all assessments, whether marginal or amended, made by a Government Agency in respect of Comply Path and all Returns of Comply Path accurately reflect any Liability for Tax of Comply Path for the period to which the assessment or Return relates.
- (d) All notices and elections required to be given or made by Comply Path have been given or made by Comply Path and support the position taken in the Returns.
- (e) Comply Path has maintained proper and adequate records to enable it to comply in all material respects with its obligations under any Tax Law and all such records are held by Comply Path at Completion.
- (f) As far as each Seller Warrantor is aware Comply Path has paid all Taxes which Comply Path is liable to pay prior to Completion and Comply Path has not waived any statute of limitation in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.
- (g) As far as each Seller Warrantor is aware, the Accounts fully provide for all Taxes which Comply Path is or may become liable to pay for the period up to and including the Accounts Date.
- (h) Comply Path is not the subject of any audit or review by a Government Agency of any of its Returns and as far as the Seller Warrantor is aware there are no outstanding disputes, questions or demands as between Comply Path and any Government Agency relating to a Tax matter and the Seller Warrantor is not aware of:
 - (i) any pending or threatened audit or review relating to Comply Path; or
 - (ii) any reason why any Returns or assessments related to Tax payable by Comply Path in respect of any period before Completion would be disputed or examined or any benefit relating to Tax would be denied or limited.
- (i) Comply Path has not applied for or received any advance opinion or private binding ruling issued to it by any Government Agency and has taken "reasonable care" and adopted "reasonably arguable positions" (within the meaning of those terms in the Tax Act) in relation to its liability to pay Tax imposed under the Tax Act, has taken reasonable care in relation to its liability to pay Tax imposed under any other Tax Law, and in all cases has made full and true disclosure in relation to its liability to pay Tax.
- (j) As far as each Seller Warrantor is aware all amounts of Tax required by Law to be deducted by Comply Path from the salary or wages of employees, directors and other service providers have been deducted and remitted to the relevant Government Agency within the time allowed by the relevant Tax Law.

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- (k) As far as each Seller Warrantor is aware any amount (including withholding tax) that is required to be withheld from any payment made by Comply Path has been duly withheld and remitted to the relevant Government Agency and Comply Path has not been a party to a scheme to avoid withholding tax.
 - (l) Each Seller is and will at Completion be an Australian resident (as defined in the Tax Act).
 - (m) Comply Path and any Australian resident subsidiary does not have and has never had a permanent establishment or other taxable presence in any jurisdiction outside Australia.
 - (n) As far as each Seller Warrantor is aware there are no provisions in any sale or other agreement which limit the right of Comply Path to recover any Tax pursuant to a warranty or indemnity given by a third party as a result of a change of control of Comply Path.
 - (o) There is no difference between the amounts incurred for acquisition, improvements and incidental costs of acquisition of assets by Comply Path and their cost base for Tax purposes.
 - (p) The costs bases of the assets of Comply Path have not been reduced from the amounts of money actually incurred for acquisition, improvements and incidental costs of acquisition on account of:
 - (i) any transfers of assets;
 - (ii) any transfers of losses;
 - (iii) any forgiveness of debt; or
 - (iv) any transactions which shift value.
 - (q) Comply Path has not participated in schemes or transactions or made any payments to which Part IVA, section 82KK or section 82KL of the Tax Act applies or might apply.
 - (r) Comply Path has not participated in:
 - (i) any dividend stripping or dividend or capital streaming or franking credit trading schemes (or schemes of substantially the same effect) within the meaning of the Tax Act or which are subject to the operation of sections 45 to 45D, former sections 46B, and 160AQCBA and section 177E or 177EA of the Tax Act; or
 - (ii) any scheme or arrangement within the meaning of Division 204 of Part 3 6 of the Tax Act to exploit the benchmark franking percentage of another entity, stream franked distributions or tax exempt bonus shares or stream distributions to shareholders or former shareholders of Comply Path that derive greater benefit from franking credits than other shareholders or former shareholders of Comply Path, and nor will the sale itself, or in conjunction with other events before Completion, constitute such a scheme.
 - (s) No dividend has been paid by Comply Path:
 - (i) in respect of which the franking amount has exceeded the benchmark franking percentage or the maximum franking credit within the meaning of Part 3 6 of the Tax Act; or

- (ii) in respect of which an application has been made to the Commissioner of Taxation for permission to depart from the benchmark franking percentage within the meaning of Part 3.6 of the Tax Act.
- (t) Comply Path has provided distribution statements within the meaning of section 202-80 of the Tax Act to its shareholders in respect of any dividends paid by Comply Path before Completion.
- (u) Comply Path does not hold any assets to which Subdivision 104-J of the Tax Act may apply.
- (v) Nothing has occurred to cause a disallowance of carried forward income or capital losses of Comply Path (other than the transfer of shares as contemplated by this agreement).
- (w) Comply Path has not been required to reduce losses or the tax attributes of assets (for capital allowances purposes or capital gains tax purposes) as contemplated by Division 245 of Schedule 2C of the Tax Act.
- (x) Comply Path Group Members have not entered in to, or are not parties to any Tax Sharing Agreement or Tax Funding Agreement.
- (y) Subject to the relevant Comply Path Group Entity satisfying the conditions in Subdivision 165-C of the Tax Act, a bad debt deduction will be available in respect of the write off of any trade debts shown in the last Accounts which have not previously been written off.
- (z) Comply Path has not entered into any arrangement that will give rise to any adjustment to its taxable income as a result of the operation of the provisions in Division 13 of Part III of the Tax Act or results in it obtaining a "transfer pricing benefit" as that term is defined in Division 815 of the Tax Act
- (aa) Comply Path is not and will not become liable to pay, reimburse or indemnify any person in respect of any Tax relating to an act or omission occurring before Completion or because of the failure of that other person to discharge a Tax liability.
- (bb) Comply Path has not issued or created any:
- (i) non-share equity interest (as defined in section 995-1 of the Tax Act); or
 - (ii) non-equity share (as defined in section 6(1) of the Tax Act).
- (cc) Comply Path has not:
- (i) made any interposed entity election pursuant to section 272-85 of Schedule 2F to the Tax Act;
 - (ii) made any other election for Tax purposes which may affect the tax treatment of any dividends paid to its shareholders after Completion; or
 - (iii) as far as the Seller Warrantor is aware, entered into any transaction that attracts the operation of sections 45B, 45C, 108 or 109 or Division 7A of the Tax Act.
- (dd) The share capital account of Comply Path is not 'tainted' within the meaning of Division 197 of the Tax Act, and Comply Path has not taken and will not take any action that will cause its share capital account to become a 'tainted' share capital account prior to Completion.

- (ee) Comply Path will not have a franking account deficit immediately after Completion and no act or omission of Comply Path at or before Completion would cause it to be liable for franking deficit tax, if the income year for Comply Path ended immediately after Completion.
- (ff) As far as each Seller Warrantor is aware Comply Path has not entered into any arrangement or transaction which is or may be subject to adjustment under Division 13 or Division 815 of the Tax Act or any double taxation agreement between Australia and another country.
- (gg) As far as each Seller Warrantor is aware, Comply Path does not own or hold any asset for which a rollover or other Tax relief has been obtained and which may give rise to a Tax Claim as a result of Completion or which may operate to restrict the cost base of assets in the hands of Comply Path.
- (hh) Comply Path has always had a public officer appointed in accordance with the requirements of the Tax Acts.
- (ii) Comply Path has disclosed to InPayTech all communications that a Comply Path Group Member has received from Government Agencies to each Comply Path Group Member (including rulings and communications by way of agreement) prior to the date of this agreement which will, or may affect the calculation of Comply Path's liability to Tax.
- (jj) Comply Path has fully complied with, and will full comply with until Completion, the terms of all communications received by a Comply Path Group Member from Government Agencies to each Comply Path Group Member (including rulings, and communications by way of agreement) prior to the date of this agreement, which will or may affect the calculation of Comply Path's liability to Tax.

9. GST

- (a) In this provision, except where the context otherwise requires, a reference to Comply Path includes each Comply Path Group Member.
- (b) In this warranty:
 - (i) expressions which are not defined, but which have a defined meaning in GST Law, have the same meaning as in the GST Law; and
 - (ii) GST Law has the meaning given to that expression in the *A New Tax System (Goods and Services Tax) Act 1999 (Cth)*.
- (c) Comply Path is registered for GST and has an Australian Business Number (**ABN**).
- (d) The computerised accounting and invoicing systems of Comply Path have GST functionality. For the purposes of this warranty, a system has GST functionality if it:
 - (i) can generate tax invoices and adjustment notes;
 - (ii) provides for GST in respect of supplies or inputs to be recorded as balance sheet items; and
 - (iii) can produce such financial information as may be required to complete a GST return, business activity statement or both.

- (e) As far as each Seller Warrantor is aware, no Comply Path Group Member is or has ever been:
- (i) a member of any GST group, GST joint venture or partnership; or
 - (ii) liable to pay GST in respect of supplies made by any other entity.
- (f) As far as each Seller Warrantor is aware, Comply Path has not participated in any schemes or transactions or made any payments to which Division 165 of the *A New Tax System (Goods and Services Tax) Act 1999 (Cth)* applies or might apply.
- (g) As far as each Seller Warrantor is aware, Comply Path:
- (i) has complied in all material respects with its obligations under the GST Act;
 - (ii) has lodged all Business Activity Statements (**BAS**) by the due date for filing;
 - (iii) has prepared each BAS with reasonable care and with making full and true disclosure and warrants that each BAS does not contain any statement that is false or misleading, whether by omission or otherwise;
 - (iv) has paid all amounts it has been required to pay in connection with each BAS by the due date;
 - (v) is not a party to any document, instrument, contract, agreement, deed or transaction in respect of which it is or will become liable to pay GST in circumstances where it has no express entitlement to increase the consideration payable under the document, instrument, contract, agreement, deed or transaction or otherwise seek reimbursement so that it retains the amount it would have retained but for the imposition of GST; and
 - (vi) does not have any amended assessments to which an extended or refreshed period of review could apply under section 155-70 of the Taxation Administration Act 1953 in respect of GST.

10. Stamp Duty

- (a) In this provision, except where the context otherwise requires, a reference to Comply Path includes each Comply Path Group Member.
- (b) As far as each Seller Warrantor is aware, all Stamp Duty arising under a Tax Law in relation to any transaction or document to which a Comply Path is or has been a party or by which a Comply Path derives, or has or will derive, a benefit has been paid or will be paid before Completion in accordance with the relevant Tax Law (irrespective of whether Comply Path or a Third Party is liable for that Stamp Duty).
- (c) As far as each Seller Warrantor is aware, Comply Path has not been a party to a transaction or document with a Related Body Corporate (or an entity that was a Related Body Corporate at the time) in the 6 years preceding Completion that would have been liable to Stamp Duty under a Tax Law but for relief granted in writing by a Government Agency.
- (d) Comply Path does not hold (or will not hold) land interests at Completion (whether held directly or indirectly) that will cause Comply Path to be a landholder or land rich entity (however described) under a Tax Law relating to Stamp Duty.

11. Insurance

- (a) Each contract under which a Comply Path Group Member is an insured party including in respect of workers' compensation insurance and professional indemnity insurance (**Insurance Contract**) is in force and as far as each Seller Warrantor is aware there is no fact or circumstance known to the Comply Path Group or the Seller Warrantors that would, or would be reasonably likely to, on or after Completion:
 - (i) lead to the Insurance Contract being terminated or ceasing to have effect; or
 - (ii) permit the relevant insurer to refuse or reduce a claim, increase the premium or alter any provision under the Insurance Contract.
- (b) As far as each Seller Warrantor is aware, under the Insurance Contracts:
 - (i) all of the property and assets of Comply Path Group of an insurable nature are insured in amounts representing their full replacement or reinstatement value against fire and other risks normally insured against for similar businesses in similar industries; and
 - (ii) Comply Path Group is adequately insured for such amounts as would be maintained in accordance with prudent business practice in respect of all risks, including in relation to damage to property, personal injury, public liability, product liability, professional indemnity, workers' compensation and business interruption.
- (c) There are no outstanding claims or insurance premiums payable under the Insurance Contracts.

12. Contracts and commercial matters

All contracts, arrangements and understandings binding on a Comply Path Group Member are at arm's length and are capable of complete performance by it.

13. Compliance with Relevant Laws

- (a) As far as each Seller Warrantor and each Comply Path Group Member is aware, each Comply Path Group Member has complied in all material respects with all laws including all Relevant Laws applicable to the conduct of the business of the Comply Path Group and the other assets of Comply Path Group or in any other manner, including all:
 - (i) laws of all jurisdictions in which a Comply Path Group Member operates, solicits investors, trades securities, derivatives or other financial products;
 - (ii) employment and industrial relations Laws and agreements;
 - (iii) occupational health and safety Laws; and
 - (iv) and no material contravention or allegation of any material contravention of any laws including any Relevant Laws is known to the Seller Warrantors.
- (b) As far as each Seller Warrantor and each Comply Path Group Member is aware:

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- (i) there is no fact or matter that might prejudice the continuance or renewal, or result in the revocation or variation in any material respect, of any statutory permit or licence material to the conduct of the Comply Path Group's business as at the date of this agreement; and
 - (ii) no Comply Path Group Member is being investigated for any material breach or any alleged material breach of any Relevant Law.
 - (c) No Comply Path Group Member has received any written notice that any statutory permit or licence material to the conduct of the Comply Path Group's business as at the date of this agreement will be revoked, suspended, modified or will not be renewed.
 - (d) As far as each Seller Warrantor and each Comply Path Group Member is aware, each Comply Path Group Member has complied in all material respects with all conditions under all licences, consents, certifications and authorisations, material to the carrying on of the business of the Comply Path Group as at the date of this agreement.
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14. Litigation

- (a) Other than as fairly disclosed and as far as each Seller Warrantor is aware, no Comply Path Group Member has nor any person for whose acts or defaults a Comply Path Group Member may be vicariously liable is involved in, or threatened in writing with, any Claim in any court, tribunal or otherwise and there are no facts or circumstances likely to give rise to any such Claim.
 - (b) As far as each Seller Warrantor is aware there are no unsatisfied Claims against a Comply Path Group Member.
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15. Employees, officers and sub-contractors

- (a) There are no unusually onerous conditions in respect of the employment of any employee or the engagement of any sub-contractor by a Comply Path Group Member.
- (b) Each Comply Path Group Member has complied in all material respects with all contractual, statutory, legal and fiscal obligations of and in relation to its employment of its employees, including all withholding obligations, all codes of practice, collective agreements and awards.
- (c) No Comply Path Group Member operates any profit share or employee incentive plans or schemes for its employees or officers.
- (d) No money other than in respect of remuneration or benefits of employment is payable to any director or employee of Comply Path Group and no Comply Path Group Member is under any present, future or contingent liability to pay compensation for loss of office or employment to any ex-officer or ex-employee.
- (e) All persons employed or engaged in the business of the Comply Path Group prior to Completion have been properly classified by Comply Path Group as employees or independent contractors and the recognition of employee entitlements in the Accounts and Management Accounts materially accurate.
- (f) No Claim has been made, nor has the Comply Path Group received notice of any potential Claim, by or on behalf of any past or present employee against a Comply

Path Group Member within the 6 months preceding this document. To the best of the knowledge of each Seller, there are no circumstances which are likely to give rise to a Claim against a Comply Path Group Member by any employee.

16. Superannuation

As at Completion, each Comply Path Group Member has satisfied all employer superannuation obligations in respect of any person for which it is required to make superannuation contributions pursuant to any relevant legislation, contract, award or other industrial instrument requiring the payment of superannuation contributions.

17. Computer systems, software and IT

- (a) The information technology and telecommunications systems, computers and computer systems, hardware and software owned or used by Comply Path Group Members in the conduct of Comply Path Group's business as at the date of this agreement (**Systems**) comprise all the information technology and telecommunications systems, computer and computer systems, hardware and software material to the conduct of Comply Path Group's business as conducted as of the date of this agreement.
 - (b) All the Systems owned or used by Comply Path Group:
 - (i) are in full operating order and are fulfilling the purposes for which they were acquired or established in an efficient manner without material downtime or errors;
 - (ii) have adequate capacity for Comply Path Group's present needs; and
 - (iii) have adequate security, back-ups, hardware and software support and maintenance and trained personnel to ensure, so far as is reasonable, that breaches of security, errors and breakdowns are kept to a minimum and that no material disruption will be caused to the business of Comply Path Group or any material part of it if there is a breach of security, error or breakdown.
 - (c) All software used by Comply Path Group is owned or validly licensed by, or under the control, it.
-

18. Intellectual Property

- (a) A Comply Path Group Member is the sole legal and beneficial owner of the Owned Intellectual Property Rights free from Encumbrances. A Comply Path Group Member owns or is validly licensed to use the Intellectual Property Rights the subject of the Intellectual Property Licences.
- (b) No Comply Path Group Member has dealt with or granted to any person any rights in respect of the Owned Intellectual Property Rights by way of licence or in any other way.
- (c) As far as each Seller Warrantor and each Comply Path Group Member is aware, the conduct of the business by each Comply Path Group Member does not breach or infringe any Intellectual Property Rights of any person. No Comply Path Group Member has received any claim, proceeding, opposition, cancellation action or complaint alleging infringement or misappropriation by it of the Intellectual Property Rights of any person.

- (d) As far as Seller Warrantor and each Comply Path Group Member is aware, no person has infringed or is infringing any of the Owned Intellectual Property Rights.
- (e) No person other than a Comply Path Group Member has any right to or in any of the Owned Intellectual Property Rights, or any right which would otherwise restrict the disclosure or use by a Comply Path Group Member of any of the Owned Intellectual Property Rights or the Intellectual Property Licences.
- (f) The Owned Intellectual Property Rights and the Intellectual Property Rights the subject of the Intellectual Property Licences comprise all of the Intellectual Property Rights necessary for the operation and conduct of the Comply Path Group business as at the date of this agreement.
-

19. Records

- (a) The Records of the Comply Path Group Members:
- (i) are in the possession or under the control of the Comply Path Group Members;
 - (ii) have been properly maintained in accordance with all applicable material Laws in Australia;
 - (iii) as far as each Comply Path Group Member is aware, do not contain any material inaccuracies; and
 - (iv) include all material information required or under, or to comply in all material respects with, or to support any filing made or required to be made under any applicable Law in Australia.
- (b) No Comply Path Group Member has received notice of any application or intended application for the rectification of its register of members or any other register that it is required by Law to maintain.
-

20. Leased Premises

- (a) No Comply Path Group Member has entered into any agreement, option or right of pre-emption to acquire, lease, use or occupy any property or land.
-

21. Cybersecurity and privacy

- (a) The Comply Path Group takes appropriate steps to mitigate material cyber risks associated with the Comply Path Group business.
- (b) The Comply Path Group and the business that it acquired in July 2020 (**the Comply Path Group Business**) has in the 2 year period before the date of this agreement undertaken testing (including penetration testing) of all material Systems, for weaknesses, security vulnerabilities and unauthorised accesses.
- (c) The Comply Path Group has established and operates industry standard policies, procedures and processes covering the Comply Path Group's ability to prepare for, respond to and recover from cyber-attacks or cyber-incidents affecting the Comply Path Group Business.

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- (d) Comply Path is not aware of any cyber-attacks, cyber-incidents or data breaches which in the last 5 years have compromised Systems in any material way, or resulted in material information held by the Comply Path Group being accessed or accessible by unauthorised persons.
 - (e) The Comply Path Group has and implements processes for ensuring regular system maintenance, including reasonably timely installation of software patches that address security vulnerabilities.
 - (f) The Comply Path Group is in compliance, and the Comply Path Group Business has been in compliance, with all applicable Privacy Laws.
 - (g) The Comply Path Group Business has not:
 - (i) received any written complaint from any individual;
 - (ii) been subject to any investigation, fine or penalty imposed by any Governmental Agency,regarding the Comply Path Group Business's personal information handling practices in the last 3 years.
 - (h) As far as the Comply Path is aware, there have been no data breaches or security incident involving any personal information that would be notifiable to any Governmental Agency or an affected individual under applicable Privacy Law.
 - (i) The Comply Path Group holds all consents necessary to allow it to collect, hold, use and disclose any personal information which it collects, holds, uses or discloses in the course of conducting the Comply Path Group business.

Schedule 5 – Seller Warranties

1. The Sellers' authority to sell

Each Seller severally but not jointly represents and warrants that:

- (a) The obligations of the Seller in connection with the Acquisition have been duly authorised, if applicable.
- (b) The documents to be entered into by the Seller have been duly executed by the Seller and are enforceable against the Seller in accordance with their respective terms.
- (c) Neither the execution and delivery of documents to be entered into in connection with the Acquisition, nor the performance of the Seller's obligations under those documents, will cause a breach or violation of the terms of any agreement, law or judgment, order or decree of any court or government agency.
- (d) It has all right, title and interest in and to the Sale Shares set out opposite its name in Schedule 1, free and clear of Encumbrances.
- (e) It is not subscribing for or receiving the InPayTech Purchase Shares under a disclosure document for the purposes of Chapter 6D of the Corporations Act and that a disclosure document will not be lodged with ASIC.
- (f) It is either:
 - (i) a professional investor for the purposes of section 708(11) of the Corporations Act; or
 - (ii) a sophisticated investor for the purposes of section 708(8) of the Corporations Act.

2. Trustee Sellers

Each Seller that enters into this agreement as trustee of a trust, warrants in its own capacity and as trustee of the trust that:

- (a) in respect of the trust:
 - (i) the trust is duly constituted and has not terminated, nor has the date or any event occurred for the vesting of the trust fund of the trust;
 - (ii) no action has been taken or is proposed to be taken to terminate or dissolve the trust;
 - (iii) there is no material fact or circumstance relating to the assets, matters or affairs of the trust that might, if disclosed, be expected to affect the decision of InPayTech to enter into this agreement;
 - (iv) the date for the vesting of that trust has not occurred and the whole of the funds constituting the trust fund of that trust has not been vested in a manner that puts them beyond the recourse of that party under its right of indemnity; and
- (b) in respect of the trustee:

- For personal use only
- (i) it has full legal capacity, valid power and authority under the terms of the trust and, in the case of a corporation, under its constitution or memorandum of association (if applicable) to:
 - (A) own the trust fund of that trust and carry on the business of that trust as it is now being conducted; and
 - (B) enter into and execute this agreement and to carry out the transactions contemplated by this agreement as trustee of the trust;
 - (ii) it has in full force and effect the authorisations necessary for it to enter into this agreement and perform its obligations under it and allow them to be enforced (including under the trust deed and its constitution (if any));
 - (iii) it enters into this agreement and the transactions contemplated by this agreement for the proper administration of the trust and for the benefit of all the beneficiaries of the trust;
 - (iv) it is the sole trustee of the trust, it has not given any notice of resignation and no action has been taken or is now proposed to be taken to remove it as trustee of the trust;
 - (v) it has a right, including after any set off, to be fully indemnified out of assets of the trust in respect of obligations incurred by it under this agreement and the property of the trust is sufficient to satisfy that right of indemnity;
 - (vi) it has not done anything which effects or facilitates the variation of the terms of the trust or the resettlement of the trust funds or property;
 - (vii) it is not in breach of any of its obligations as trustee of the trust, whether under the trust deed or otherwise; and
 - (viii) it is not in default under the terms of the trust.

Schedule 6 – Shareholder Resolutions

Part A

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

“That, subject to the passing of all other Required Resolutions, to the extent required for the purposes of Listing Rule 7.1 and for all other purposes, the Company is authorised to issue 573,260,447 Shares in the Company to the Sellers on the terms and conditions and in the manner set out in the Explanatory Notes.”

Part B

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

“That, subject to the passing of all other Required Resolutions, for the purposes of item 7 of section 611 of the Corporations Act, and for all other purposes, approval is given for the Company to issue 573,260,447 Shares in the Company to the Relevant Sellers and to enter into voluntary escrow deeds in respect of 573,260,447 Shares in the Company, as a result of which:

- a) Unlocked Investments Pty Ltd (or its nominees), and Digital Niche Investments Pty Limited (or its nominees), and their Associates;*
- b) GJB Consulting Pty Ltd (or its nominees) and its Associates; and*
- c) the Company and its Associates,*
will each acquire a Relevant Interest in the Shares of the Company, on the terms and conditions and in the manner set out in the Explanatory Notes.”

Part C

To consider and, if thought fit, pass the resolution as an **ordinary resolution** of the Company:

“That, subject to the passing of all other Required Resolutions, for the purposes of Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to make a significant change to the scale of its activities resulting from the completion of the Proposed Transaction, as described in the Explanatory Notes”.

Schedule 7 – Agreed Announcement

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Integrated Payment Technologies Ltd to Merge with ComplyPath Holdings Pty Ltd

Sydney, Tuesday 17 November 2020

Integrated Payment Technologies Ltd (ASX:IP1) is pleased to announce it has entered into a Merger Agreement (**Merger Agreement**) with the shareholders of Comply Path Holdings Pty Ltd (**Comply Path**) whereby IP1 will acquire 100% of the issued capital of Comply Path (**Merged Group**) (the **Transaction**). The Transaction is to be undertaken as a 100% Scrip for Scrip offer.

The Transaction is subject to shareholder approval, which will be sought at the IP1 Annual General Meeting on 21st January 2021. Should IP1 shareholders vote in favour of the transaction, then on settlement of the Transaction the Comply Path shareholders will own 50% of the shares on issue of IP1. Based on the share price of IP1 today, this notionally values Comply Path at approximately A\$19.5 million.

The Transaction is unanimously recommended by the Board of IP1.

About Comply Path

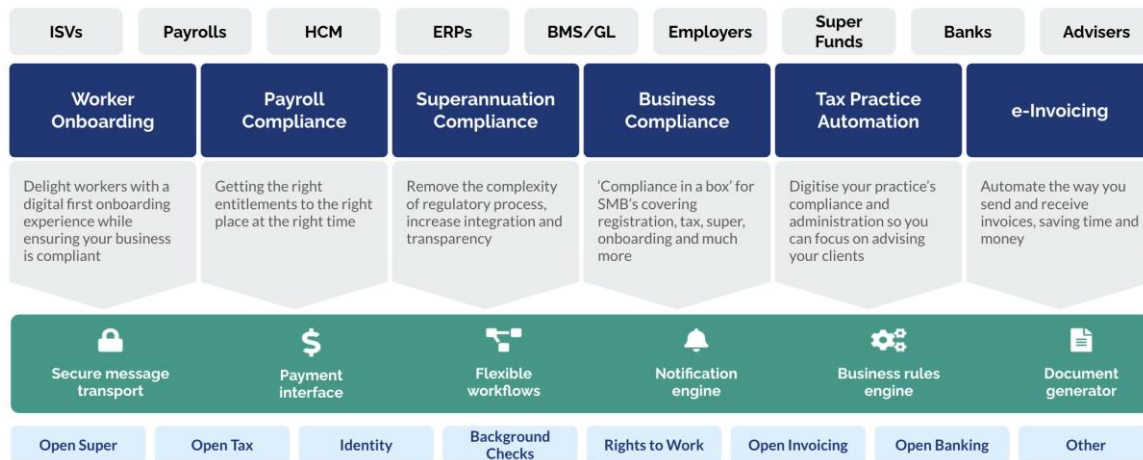
Comply Path's mission is to help businesses unlock value through compliance. Its Bond platform was established as a regtech venture in PwC Australia to improve the connectedness of the employee to member ecosystem. As of July 2020, it became a stand alone business 'Comply Path', but with all the rich compliance capability of Australia's largest professional services firm.

For over 7 years, Bond has been responsible for the secure interaction of tax and super data for over 15% of Australia's working population.

Bond also powers an award winning superannuation digital platform that has processed over \$10B in contributions payments and millions of

Single Touch Payroll transactions. It powers digital platforms for a major government super fund, a major profit-for-member super fund and a major retail super fund helping their clients comply at a lower cost whilst enabling them to explore new value for their members.

The Comply Path Bond platform solutions can be summarised as follows:



Comply Path was a proposed collaboration partner for IP1's ClickVu platform. However, as the collaboration discussion progressed, the commonality of culture, capability and industry vision led to discussing a merger of the companies in order to scale IP1's operations and to progress IP1's ClickVu solution at a more integrated and rapid pace.

Synergies in merging the activities of IP1 and Comply Path

- IP1 will immediately diversify and increase its revenues as Comply Path generated circa \$1.5m pa in licensing and consulting revenues over each of the last 2 years.
- IP1 proposes to transition its ClickSuper service to utilise Comply Path's Bond platform which will also allow the group to further rationalise its IT costs.
- IP1 aims to integrate its patented payment technology with the Comply Path Bond platform to form a best of breed messaging and payment platform.

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- The merger brings the operating model of ClickSuper, which includes holding and maintaining an ASFL and a SaaS client support services, to Comply Path which will allow IP1 to sell Comply Path's Bond platform as a SaaS model rather than its current licensing and consulting model.
 - IP1 will acquire the IP rights to Comply Path's employee and super fund member onboarding functionality which will greatly enhance the ClickSuper proposition and allow IP1 to enter the KYE ('Know Your Employee') market, which is a key driver to ClickVu acceptance.
 - IP1 will acquire the IP rights to Comply Path's Employer and Business compliance functionality which will allow IP1 to offer deeper services with ClickSuper's existing channel partners expanding Single Touch Payroll reporting and Employee entitlements to other business compliance processing.
 - IP1 will also acquire the rights to Comply Path's e-Invoicing functionality of Bond Access Point (AP) and Service Metadata Provider (SMP) solutions which enables businesses or government agencies to start sending and receiving e-invoices using PEPPOL, the international standard recently adopted by Australia as the nation's e-invoicing standard. This should greatly enhance and potentially reposition IP1's PayVu product.

Transaction details

The Transaction will be implemented via the Merger Agreement as a 100% Scrip for Scrip offer.

As part of the Transaction, 573,260,447 IP1 shares will be issued to the existing shareholders of Comply Path (being Unlocked Investments Pty Ltd, GJB Consulting Pty Ltd, Digital Niche Investments Pty Limited and Clinton Capital Partners Pty Ltd) subject to IP1 shareholder approval.

The conditions precedent to the Transaction are set out below:

- the required resolutions being validly passed by IP1 shareholders; and

- the Comply Path shareholders entering into voluntary escrow deeds whereby 50% of the IP1 shares received by them under the Transaction will be escrowed for a period of 12 months and the remaining 50% of the IP1 shares received by them will be escrowed for 24 months from issue.

No funds will be raised from the issue of IP1 shares under the Transaction.

On Completion of the Transaction:

Following completion of the Transaction:

- Comply Path will be a wholly owned subsidiary of IP1;
- Comply Path shareholders will own 50% of the Merged Group and IP1 shareholders will own the remaining 50%;
- The effect of the issue of the shares (beneficially owned) under the transaction will be as follows:

Shareholder Name	Existing Structure		Post Transaction Structure	
	No. of Shares	% Held	No. of Shares	% Held
Trent Lund and related entities	-	0.0%	257,967,201	22.5%
Joe Brasacchio and related entities	-	0.0%	257,967,201	22.5%
Colin Scully and related entities	112,661,526	19.7%	112,661,526	9.8%
Donald Sharp and related entities	68,858,177	12.0%	68,858,177	6.0%
Clinton Capital Partners Pty Ltd and related entities	-	0.0%	57,326,045	5.0%
Paul Collins and related entities	42,083,374	7.3%	42,083,374	3.7%
Andrew Blair and related entities	30,000,000	5.2%	30,000,000	2.6%
Others	319,657,370	55.8%	319,657,370	27.9%
Total	573,260,447	100.0%	1,146,520,894	100.0%

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- key management personnel will comprise existing management and staff from both IP1 and Comply Path, in particular Comply Path's current CEO, Joe Brasacchio, will become the CTO of the Merged Group; and
 - IP1 and Comply Path will agree the strategic priorities and business plan of the Merged Group, including but not limited to:
 - development and growth of the Merged Group's existing products;
 - potential rebranding of the Merged Group;
 - strategic direction of the Merged Group's business; and
 - making the existing share scheme of IP1 available to Comply Path's personnel.

Merged Group Governance

After completion of the Transaction, it is proposed that the Board of the Merged Group will be composed of:

- Don Sharp - Executive Chair;
- Paul Collins - Non Executive Director;
- Trent Lund - Non Executive Director; and
- Randolph Clinton - Non Executive Director,

with an intention to appoint an independent non executive chair within 6 months of the Transaction's shareholder approval.

Shareholder approval under ASX Listing Rule 11.1.2

IP1 is required to seek the approval of shareholders under ASX Listing Rule 11.1.2 for a significant change in the scale of its activities as a result of the Transaction and therefore the Transaction may not proceed if approval is not obtained.

ASX has indicated to IP1 that it does not require IP1 to re-comply with Chapters 1 and 2 of the ASX Listing Rules in order to complete the Transaction under Listing Rule 11.1.3.

Propose Transaction timeframe and next steps

To implement the Transaction IP1 will prepare a notice of meeting seeking shareholder approval for the Transaction. The proposed timing of dispatch of the notice of meeting to shareholders and other next steps are set out below:

Tuesday, 24 November 2020	Submit notice of meeting to ASIC for approval
Wednesday, 9 December 2020	Submit notice of meeting to ASX for approval
Tuesday, 22 December 2020	Dispatch of IP1 notice of meeting
Thursday, 21 January 2021	IP1 AGM where shareholders will vote on the Transaction
Thursday, 28 January 2021	Completion and allotment of IP1 shares issued under the Transaction

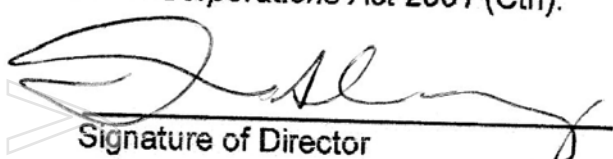
The above table is an indication only and is subject to change. IP1 is in compliance with its continuous disclosure obligations under ASX Listing Rule 3.1 and the Board of IP1 will continue to provide shareholders with updates regarding the Transaction in accordance with the ASX Listing Rules.

Authorised by:
Don Sharp
Executive Chairman
E: Don.Sharp@inpaytech.com.au
M: 0419 632 315

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This release contains forward-looking statements and information that are necessarily subject to risks, uncertainties and assumptions. Many factors could cause actual results, performance or achievements of IP1 to be materially different from those expressed or implied in this release including, amongst others, the merger transaction not proceeding as planned, changes in general economic and business conditions, regulatory environment, results of advertising and sales activities, competition, and the availability of resources. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this release. Except as required by law, IP1 assumes no obligation to update or correct the information in this release. To the maximum extent permitted by law, IP1 and its subsidiaries and officers do not make any representation or warranty as to the likelihood of fulfilment of any forward-looking statements and disclaim responsibility and liability for any forward-looking statements or other information in this release. This release should be read in conjunction with the IP1's ASX announcements and releases.

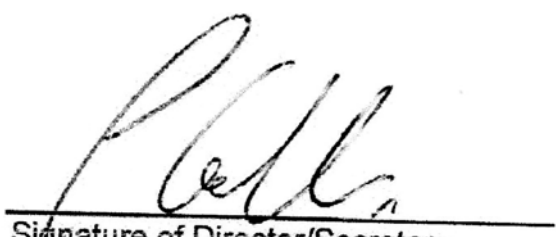
Integrated Payment Technologies Limited)
ACN 611 202 414 pursuant to Section 127)
of the *Corporations Act 2001* (Cth):)



Signature of Director

DON SHARP

Name of Director (print)



Signature of Director/Secretary

PAUL COLLINS

Name of Director/Secretary (print)

Executed by)
Comply Path Holdings Pty Ltd ACN 641)
635 494)
pursuant to Section 127 of the)
Corporations Act 2001 (Cth):)

Signature of Director

GIUSEPPE BRASACCHIO

Name of Director (print)

Signature of Director/Secretary

TRENT LUND

Name of Director/Secretary (print)

Executed by
Unlocked Investments Pty Ltd ATF the
Unlocked Investments Unit Trust
pursuant to Section 127 of
the *Corporations Act 2001* (Cth):

Signature of Sole Director / Sole Secretary

TRENT LUND

Name of Sole Director / Sole Secretary (print)



Executed as an agreement

Executed by)
Integrated Payment Technologies Limited)
ACN 611 202 414 pursuant to Section 127)
of the *Corporations Act 2001* (Cth):)

Signature of Director

DON SHARP

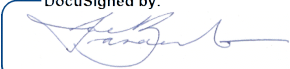
Name of Director (print)

Signature of Director/Secretary

PAUL COLLINS

Name of Director/Secretary (print)

Executed by)
Comply Path Holdings Pty Ltd ACN 641)
635 494)
pursuant to Section 127 of the)
Corporations Act 2001 (Cth):)

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Signature of Director

GIUSEPPE BRASACCHIO

Name of Director (print)

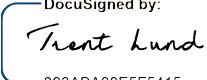
DocuSigned by:


393ABA88E5E5415...
Signature of Director/Secretary

TRENT LUND

Name of Director/Secretary (print)

Executed by
Unlocked Investments Pty Ltd ATF the
Unlocked Investments Unit Trust
pursuant to Section 127 of
the *Corporations Act 2001* (Cth):

DocuSigned by:


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Signature of Sole Director / Sole Secretary

TRENT LUND

Name of Sole Director / Sole Secretary (print)



Executed by
**Digital Niche Investments Pty Limited ATF
Digital Niche Investment Trust**
pursuant to Section 127 of
the *Corporations Act 2001* (Cth):

DocuSigned by:

393ABA88E5E5415
Signature of Director

TRENT LUND

Name of Director (print)


DocuSigned by:

61AAZECFC9C0484
Signature of Director/Secretary

EMMA LUND

Name of Director/Secretary (print)

Executed by
Giuseppe Brasacchio on behalf of **GJB
Consulting Pty Ltd ATF Giuseppe and
Francy Brasacchio Family Trust** as sole
director:

DocuSigned by:

7A7CA02E923343A
Signature of **Giuseppe Brasacchio**

Executed by
Randolf Clinton on behalf of **Clinton Capital
Partners Pty Ltd** as sole director:

DocuSigned by:

940FF0F35F8C413
Signature of **Randolf Clinton**

Online Voting User Guide

Getting Started

In order to participate in the meeting, you will need to download the App onto your smartphone device. This can be downloaded from the Google Play Store™ or the Apple® App Store by searching by app name “**Lumi AGM**”.

Alternatively, **Lumi AGM** can be accessed using any web browser on a PC, tablet or smartphone device. To use this method, please go to <https://web.lumiagm.com>.

To log in to the portal, you will need the following information:

Meeting ID: 350-950-553

Australian Residents

Username - Voting Access Code (VAC*) and **Password** (postcode of your registered address) *Voting Access Code (VAC) can be located on the first page of your proxy form or on your notice of meeting email)

Overseas Residents

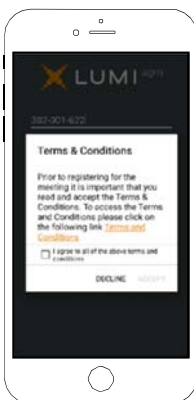
Username - Voting Access Code (VAC*) and **Password** (three character country code e.g. New Zealand – NZL. A full list of country codes can be found at the end of this guide.)

*Voting Access Code (VAC) can be located on the first page of your proxy form or on your notice of meeting email). A full list of country codes can be found at the end of this guide.

Appointed Proxy

To receive your Username and Password, please contact our share registry, Boardroom Pty Ltd on **1300 737 760** or **+61 2 9290 9600** between 8:30am to 5:30pm (Sydney Time) Monday to Friday the day before the meeting.

To join the meeting, you will be required to enter the above unique 9 digit meeting ID and select ‘Join’. To proceed to registration, you will be asked to read and accept the terms and conditions.



If you are a **Shareholder**, select 'I have a login' and enter your Username VAC (Voting Access Code) and Password (postcode or country code). If you are a **Proxyholder** you will need to enter the unique Username and Password provided by Boardroom and select '**Login**'.

If you are not a Shareholder, select 'I am a guest'. You will be asked to enter your name and email details, then select 'Enter'. Please note, guests are not able to ask questions at the meeting.



Navigating

Once you have registered, you will be taken to the **homepage** which displays your name and meeting information.



To activate the **Zoom webcast**, please click on the **Zoom Webinar** at the bottom of the screen. To watch and participate in the Annual General Meeting webinar, please follow the steps below:

Step 1

Register for the Annual General Meeting webinar by inserting your full name and email address. Please read and accept the terms and conditions before clicking on the blue 'Register' button.

Step 2

Once you have registered, you will receive a confirmation email containing details about how to join the Annual General Meeting webinar via Zoom. The confirmation email will include a link to join the meeting from a PC, Mac, iPad or Android device (including a passcode) and telephone numbers if you wish to join by telephone.

Step 3

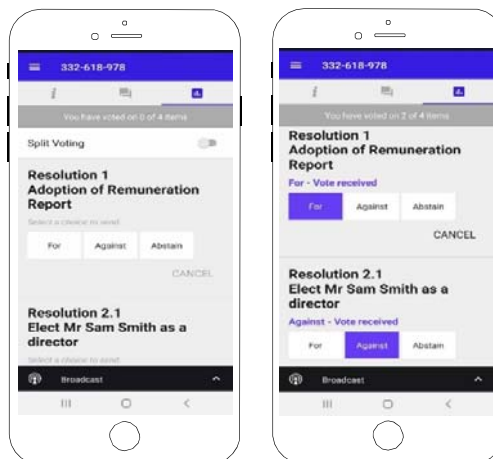
To join the Annual General Meeting webinar, you can either view the broadcast by launching Zoom or dial in by telephone.

- To view the broadcast, you must click the "Click Here to Join" link in the confirmation email. This will launch Zoom on your browser. You may then need to enter the passcode provided in the confirmation email to be admitted to the meeting.
- To dial in by telephone, you must use one of the telephone numbers provided in the confirmation email based on your current location. You will need to enter the Webinar ID and passcode specified in the confirmation email.

To Vote

If you would like to cast a vote:

1. When the Chair declares the polls open, the resolutions and voting choices will appear.
2. Press the option corresponding with the way in which you wish to vote.
3. Once the option has been selected, the vote will appear in blue.
4. If you change your mind and wish to change your vote, you can simply press the new vote or cancel your vote at any time before the Chair closes the polls.
5. Upon conclusion of the meeting the home screen will be updated to state that the meeting is now closed.



Need help? If you require any help using this system prior to or during the Meeting, please call **1300 737 760** or **+61 2 9290 9600** so we can assist you

Country Codes

For overseas shareholders, select your country code from the list below and enter it into the password field.

ABW	Aruba
AFG	Afghanistan
AGO	Angola
AIA	Anguilla
ALA	Aland Islands
ALB	Albania
AND	Andorra
ANT	Netherlands Antilles
ARE	United Arab Emirates
ARG	Argentina
ARM	Armenia
ASM	American Samoa
ATA	Antarctica
ATF	French Southern
ATG	Antigua & Barbuda
AUS	Australia
AUT	Austria
AZE	Azerbaijan
BDI	Burundi
BEL	Belgium
BEN	Benin
BFA	Burkina Faso
BGD	Bangladesh
BGR	Bulgaria
BHR	Bahrain
BHS	Bahamas
BIH	Bosnia & Herzegovina
BLM	St Barthelemy
BLR	Belarus
BLZ	Belize
BMU	Bermuda
BOL	Bolivia
BRA	Brazil
BRB	Barbados
BRN	Brunei Darussalam
BTN	Btn
BUR	Burma
BVT	Bouvet Island
BWA	Botswana
CAF	Central African Republic
CAN	Canada
CCK	Cocos (Keeling) Islands
CHE	Switzerland
CHL	Chile
CHN	China
CIV	Cote D'ivoire
CMR	Cameroon
COD	Democratic Republic of Congo
COK	Cook Islands
COL	Colombia
COM	Comoros
CPV	Cape Verde
CRI	Costa Rica
CUB	Cuba
CYM	Cayman Islands
CYP	Cyprus
CXR	Christmas Island
CZE	Czech Republic
DEU	Germany
DJI	Djibouti
DMA	Dominica
DNK	Denmark
DOM	Dominican Republic

DZA	Algeria
ECU	Ecuador
EGY	Egypt
ERI	Eritrea
ESH	Western Sahara
ESP	Spain
EST	Estonia
ETH	Ethiopia
FIN	Finland
FJI	Fiji
FLK	Falkland Islands (Malvinas)
FRA	France
FRO	Faroe Islands
FSM	Micronesia
GAB	Gabon
GBR	United Kingdom
GEO	Georgia
GGY	Guernsey
GHA	Ghana
GIB	Gibraltar
GIN	Guinea
GLP	Guadeloupe
GMB	Gambia
GNB	Guinea-Bissau
GNQ	Equatorial Guinea
GRC	Greece
GRD	Grenada
GRL	Greenland
GTM	Guatemala
GUF	French Guiana
GUM	Guam
GUY	Guyana
HKG	Hong Kong
HMD	Heard & Mcdonald Islands
HND	Honduras
HRV	Croatia
HTI	Haiti
HUN	Hungary
IDN	Indonesia
IMN	Isle Of Man
IND	India
IOT	British Indian Ocean Territory
IRL	Ireland
IRN	Iran Islamic Republic of
IRQ	Iraq
ISM	British Isles
ISL	Iceland
ISR	Israel
ITA	Italy
JAM	Jamaica
JEY	Jersey
JOR	Jordan
JPN	Japan
KAZ	Kazakhstan
KEN	Kenya
KGZ	Kyrgyzstan
KHM	Cambodia
KIR	Kiribati
KNA	St Kitts And Nevis
KOR	Korea Republic of
KWT	Kuwait
LAO	Lao Pdr
LBN	Lebanon

LBR	Liberia
LBY	Libyan Arab Jamahiriya
LCA	St Lucia
LIE	Liechtenstein
LKA	Sri Lanka
LSO	Lesotho
LTU	Lithuania
LUX	Luxembourg
LVA	Latvia
MAC	Macao
MAF	St Martin
MAR	Morocco
MCO	Monaco
MDA	Republic Of Moldova
MDG	Madagascar
MDV	Maldives
MEX	Mexico
MHL	Marshall Islands
MKD	Macedonia Former Yugoslav Rep
MLI	Mali
MLT	Mauritania
MMR	Myanmar
MNE	Montenegro
MNG	Mongolia
MNP	Northern Mariana Islands
MOZ	Mozambique
MRT	Mauritania
MSR	Montserrat
MTQ	Martinique
MUS	Mauritius
MWI	Malawi
MYS	Malaysia
MYT	Mayotte
NAM	Namibia
NCL	New Caledonia
NER	Niger
NFK	Norfolk Island
NGA	Nigeria
NIC	Nicaragua
NIU	Niue
NLD	Netherlands
NOR	Norway Montenegro
NPL	Nepal
NRU	Nauru
NZL	New Zealand
OMN	Oman
PAK	Pakistan
PAN	Panama
PCN	Pitcairn Islands
PER	Peru
PHL	Philippines
PLW	Palau
PNG	Papua New Guinea
POL	Poland
PRI	Puerto Rico
PRK	Korea Dem Peoples Republic of
PRT	Portugal
PRY	Paraguay
PSE	Palestinian Territory Occupied
PYF	French Polynesia
QAT	Qatar Re
REU	Reunion

ROU	Romania
RUS	Russian Federation
RWA	Rwanda
SAU	Saudi Arabia Kingdom Of
SDN	Sudan
SEN	Senegal
SGP	Singapore
SGS	Sth Georgia & Sth Sandwich Isl
SHN	St Helena
SJM	Svalbard & Jan Mayen
SLB	Solomon Islands
SCG	Serbia & Outlying
SLE	Sierra Leone
SLV	El Salvador
SMR	San Marino
SOM	Somalia
SPM	St Pierre And Miquelon
SRB	Serbia
STP	Sao Tome And Principe
SUR	Suriname
SVK	Slovakia
SVN	Slovenia
SWE	Sweden
SWZ	Swaziland
SYC	Seychelles
SYR	Syrian Arab Republic
TCA	Turks & Caicos Islands
TCO	Chad
TGO	Togo
THA	Thailand
TJK	Tajikistan
TKL	Tokelau
TKM	Turkmenistan
TLS	East Timor
TMP	East Timor
TON	Tonga
TTO	Trinidad & Tobago
TUN	Tunisia
TUR	Turkey
TUV	Tuvalu
TWN	Taiwan
TZA	Tanzania United Republic of
UGA	Uganda
UKR	Ukraine
UMI	United States Minor
URY	Uruguay
USA	United States of America
UZB	Uzbekistan
VNM	Vietnam
VUT	Vanuatu
WLF	Wallis & Futuna
WSM	Samoa
YEM	Yemen
YMD	Yemen Democratic
YUG	Yugoslavia Socialist Fed Rep
ZAF	South Africa
ZAR	Zaire
ZMB	Zambia
ZWE	Zimbabwe

All Correspondence to:

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia

📠 **By Fax:** +61 2 9290 9655

💻 **Online:** www.boardroomlimited.com.au

☎ **By Phone:** (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 11:00am (Sydney Time) on Tuesday 19 January 2021.**

🖥 **TO VOTE ONLINE**

📱 **BY SMARTPHONE**

STEP 1: VISIT <https://www.votingonline.com.au/ip1agm2020>

STEP 2: Enter your Postcode OR Country of Residence (if outside Australia)

STEP 3: Enter your Voting Access Code (VAC):



Scan QR Code using smartphone
QR Reader App

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

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

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders should sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **11:00am (Sydney Time) on Tuesday 19 January 2021**. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged:

💻 **Online** <https://www.votingonline.com.au/ip1agm2020>

📠 **By Fax** + 61 2 9290 9655

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia

👤 **In Person** Boardroom Pty Limited
Level 12, 225 George Street,
Sydney NSW 2000 Australia

☐ **Your Address**

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes.

Please note, you cannot change ownership of your securities using this form.

PROXY FORM**STEP 1 APPOINT A PROXY**

I/We being a member/s of **Integrated Payment Technologies Limited** (Company) and entitled to attend and vote hereby appoint:

☐

the **Chair of the Meeting** (mark box)

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Annual General Meeting of the Company to be held **Virtually on Thursday, 21 January 2021 at 11:00am (Sydney Time)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

Chair of the Meeting authorised to exercise undirected proxies on remuneration related matters: If I/we have appointed the Chair of the Meeting as my/our proxy or the Chair of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Resolutions 1, 7 and 8 I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of these Resolutions even though Resolutions 1, 7 and 8 are connected with the remuneration of a member of the key management personnel for the Company.

The Chair of the Meeting will vote all undirected proxies in favour of all Items of business (including Resolutions 1, 7 and 8). If you wish to appoint the Chair of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that resolution.

STEP 2 VOTING DIRECTIONS

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

		For	Against	Abstain*
Resolution 1	Remuneration report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of director – Donald Sharp	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Re-election of director – Sandra Barns	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval to issue shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval of acquisition of a relevant interest in shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approval for change to scale of the company's activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Approval of employee share option plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Non-executive directors' remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Approval of issue of securities under ASX listing rule 7.1A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STEP 3 SIGNATURE OF SECURITYHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / /