felix

Prospectus

Felix Group Holdings Ltd
ACN 159 858 509

Initial Public Offer

Prospectus for the offer of 33,333,333* fully paid ordinary shares at an offer price of $0.36 per Share to raise gross proceeds of $12 million.

* Excludes up to 1.49 million New Shares to be issued under the Salary Sacrifice Offer

LEAD MANAGER & BOOKRUNNER

BELL POTTER

CORPORATE ADVISER

Kidder Williams Limited

Important information

Offer

The Offer contained in this Prospectus is an invitation to acquire fully paid ordinary shares (**Shares**) in Felix Group Holdings Ltd ACN 159 858 509 (**Felix** or the **Company**). This Prospectus is issued by the Company.

Lodgement and listing

This Prospectus is dated 26 November 2020 (**Prospectus Date**) and a copy has been lodged with the Australian Securities and Investments Commission (**ASIC**).

The Company will apply to ASX Limited (**ASX**) within seven days after the Prospectus Date for admission of the Company to the official list of ASX and quotation of its Shares on ASX. None of ASIC, ASX or their respective officers take any responsibility for the content of this Prospectus or for the merits of the investment to which this Prospectus relates.

Expiry Date

No Shares will be issued or sold on the basis of this Prospectus after 25 December 2021 (**Expiry Date**).

Note to applicants

No person is authorised to provide any information, or to make any representation, about the Company or the Offer that is not contained in this Prospectus. Potential investors should only rely on the information contained in this Prospectus. Any information or representation which is not contained in the Prospectus may not be relied on as having been authorised by the Company or any other person in connection with the Offer. Except as required by law and only to the extent so required, none of the Company, nor any person associated with the Company or the Offer guarantees or warrants the future performance of the Company, the return on an investment made under the Prospectus, the repayment of capital or the payment of dividends on the Shares.

The information in this Prospectus is not financial product advice (and the Company is not licensed to provide financial product advice) and does not take into account your investment objectives, financial situation or particular needs.

It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company. The information contained in individual Sections is not intended to and does not provide a comprehensive review of the business and the financial affairs of the Company or the Shares offered under this Prospectus. The Offer does not take into account the investment objectives, financial situation or particular needs of individual investors. In particular, you should consider the risk factors that could affect the performance of Felix. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant or other independent professional adviser before deciding whether to invest in Shares. No cooling off regime (whether provided for by law or otherwise) applies in respect of the acquisition of or application for Shares under this Prospectus.

Some of the key risk factors that should be considered by prospective investors are set out in Section 4. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

If the full $12 million proposed to be raised under the Offer is not raised, the IPO will not proceed and any funds received by the Company will be returned to Applicants as soon as practicable after the Offer Period (without interest).

No person named in this Prospectus, nor any other person, guarantees the performance of Felix or the repayment of capital or any return on investment made pursuant to this Prospectus.

No offering where offering would be illegal

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares in any jurisdiction outside Australia. The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus has been prepared for publication in Australia and may not be released or distributed in the United States. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended (**US Securities Act**) or the securities laws of any state of the United States, and may not be offered or sold in the United States, or to, or for the account or benefit of a US Person (as defined in the US Securities Act), except in a transaction exempt from the registration requirements of the US Securities Act and applicable United States state securities laws. The Offer is not being extended to any investor outside Australia, other than to Institutional Investors as part of the Institutional Offer. This Prospectus does not constitute an offer or invitation to potential investors to whom it would not be lawful to make such an offer or invitation.

For details of selling restrictions that apply to the Shares in certain jurisdictions outside of Australia, please refer to Sections 7.17 and 9.10.

Statements of past performance

This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance is not indicative of future performance.

Financial information presentation

Section 5 sets out in detail the financial information referred to in this Prospectus. The basis of preparation of that information is set out in Section 5.2.

The financial information included in Section 5 has been prepared in accordance with the recognition and measurement principles prescribed in the Australian Accounting Standards (including the Australian Accounting Interpretations) issued by the Australian Accounting Standards Board (**AASB**) which are consistent with the International Financial Reporting Standards (**IFRS**) and Interpretations issued by the International Accounting Standards Board (**IASB**). Investors should note that certain financial data included in this Prospectus is not recognised under the Australian Accounting Standards and is classified as 'non-IFRS financial information' under ASIC Regulatory Guide 230 'Disclosing non-IFRS financial information' (**RG 230**). The Company considers that this non-IFRS information provides useful information to users in measuring the financial performance and condition of the Group, given the Company's short operating history and rapid revenue growth. The non-IFRS financial measures do not have standardised meanings under the Australian Accounting Standards and therefore may not be comparable to similarly titled measures presented by other entities, nor should they be interpreted as an alternative to other financial measures determined in accordance with the Australian Accounting Standards. Investors are cautioned therefore not to place undue reliance on any non-IFRS financial information and ratios included in this Prospectus.

All financial amounts contained in this Prospectus are expressed in Australian dollars and rounded to the nearest thousand unless otherwise stated. Any discrepancies between totals and sums of components in tables contained in this Prospectus may be due to rounding.

Forward looking statements and statements from third parties

This Prospectus may contain forward looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'expects', 'intends' and other similar words that involve risks and uncertainties.

Any forward looking statements are subject to various risk factors that could cause Felix's actual results to differ materially from the results expressed or anticipated in these statements. Such statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company and their respective directors and management. They are provided as a general guide only and should not be relied on as an indication or guarantee of future performance. Forward looking statements should therefore be read in conjunction with, and are qualified by reference to, the discussion of the Historical Financial Information in Section 5, risk factors as set out in Section 4, and other information in this Prospectus.

Felix cannot and does not give any assurances that the results, performance or achievements expressed or implied by the forward looking statements contained in the Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward looking statements. Felix has no intention of updating or revising forward looking statements, or publishing prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information, contained in this Prospectus, except where required by law.

This Prospectus, including the industry overview in Section 2, uses market data and third party estimates. There is no assurance that any of the third party estimates or projections contained in this information will be achieved. The Company has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risks set out in Section 4.

Disclaimer

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information not so contained may not be relied on as having been authorised by the Company or any other person in connection with the Offer. You should rely only on information in this Prospectus.

The Lead Manager to the Offer is Bell Potter Securities Limited ABN 25 006 390 772.

As set out in Section 7.9, it is expected that the Shares will be quoted on ASX. Felix, the Lead Manager, the Share Registry and any other person associated with the Offer disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement.

This disclaimer does not purport to disclaim any warranties or liability which cannot be disclaimed by law.

Exposure Period

The Corporations Act prohibits Felix from processing Applications in the seven days after the Prospectus Date (**Exposure Period**). The Exposure Period may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus. If material deficiencies are detected, the Company may:

- return any Application Monies that the Company has received;
- provide each Applicant with a supplementary or replacement Prospectus that corrects the deficiency and give each Applicant the option to withdraw the Application within one month and be repaid their Application Monies; or
- issue to each Applicant the Shares applied for in the Application, provide each Applicant with a supplementary or replacement Prospectus that corrects the deficiency and give each Applicant the option to withdraw the Application within one month.

Application Forms received prior to the expiration of the Exposure Period will not be processed until after the Exposure Period. No preference will be conferred on Application Forms received during the Exposure Period and all Application Forms received during the Exposure Period will be treated as if they were simultaneously received on the Opening Date.

Obtaining a copy of this Prospectus

A paper copy of the Prospectus is available free of charge to any person in Australia by calling the Felix Offer Information Line on 1300 214 708 (within Australia) or +61 3 9415 4034 (outside Australia) from 8.30am until 5.30pm (Melbourne time) Monday to Friday during the Offer Period.

This Prospectus is also available to Australian resident investors in electronic form at the Offer website, www.felix.net/investors. The Offer constituted by this Prospectus in electronic form is available only to Australian residents accessing the website within Australia. It is not available to persons in other jurisdictions (including the United States). Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. The Company is entitled to refuse an Application under this Prospectus if it believes the Applicant received the Offer in electronic form outside Australia in non-compliance with the laws of the relevant foreign jurisdictions.

Applications for Shares may only be made on the appropriate Application Form included in, or accompanying, this Prospectus in its paper copy form, or in its electronic form which must be downloaded in its entirety from www.felix.net/investors. By making an Application, you declare that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to, or accompanied by, this Prospectus in its paper copy form or the complete and unaltered electronic version of this Prospectus.

Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by Felix.

Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Prospectus.

Photographs in this Prospectus may be used under licence. The downloading, republication, retransmission, reproduction or other use of such photographs other than in this Prospectus is prohibited.

Company website

Any references to documents included on the Company's website at www.felix.net or the Offer website www.felix.net/investors are for convenience only, and none of the documents or other information available on the Company's website is incorporated herein by reference.

Defined terms and abbreviations

Defined terms and abbreviations used in this Prospectus are explained in the glossary in Section 11. Unless otherwise stated or implied, references to times in this Prospectus are to Melbourne, Australia time.

Privacy

By completing an Application Form, you are providing personal information to the Company and the Share Registry, which is contracted by the Company to manage Applications. The Company and the Share Registry on their behalf, collect, hold and use that personal information to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

Once you become a Shareholder, the Corporations Act and Australian taxation legislation require information about you (including your name, address and details of the Shares you hold) to be included in Felix's public register. The information must continue to be included in Felix's public register if you cease to be a Shareholder. If you do not provide all the information requested, your Application Form may not be able to be processed. The Company and the Share Registry on their behalf may disclose your personal information for purposes related to your investment to their agents and service providers including those listed below or as otherwise authorised under the *Privacy Act 1988* (Cth):

- the Share Registry for ongoing administration of the Shareholder register;
- the Lead Manager and the Company in order to assess your Application;
- other companies for the purpose of preparation and distribution of documents and for handling mail;
- market research companies for the purpose of analysing the Company's shareholder base and for product development and planning; and
- legal and accounting firms, auditors, management consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

You may request access to your personal information held by or on behalf of the Company. You can request access to your personal information or obtain further information about Felix's privacy practices by contacting the Share Registry or Felix. Felix aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact Felix or the Share Registry if any of the details you have provided change.

In accordance with the requirements of the Corporations Act, information on the Shareholder register will be accessible by members of the public.

Applications

By lodging an Application Form, you declare that you were given access to the entire Prospectus, together with an Application Form. The Company will not accept a completed Application Form if it has reason to believe that an Application Form lodged by an Applicant was not accompanied by, or included in, the Prospectus or if it has reason to believe that the Application Form has been altered or tampered with in any way.

Detailed instructions on completing the Application Form can be found on the back of the Application Form. The acceptance of an Application Form and the allocation of Shares are at the sole and absolute discretion of the Company.

No guarantee

The Shares to be issued under this Prospectus carry no guarantee with respect to payment of dividends, returns of capital or the market value of those Shares. Potential Applicants should consider that an investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

Currency

References in this Prospectus to currency are to Australian dollars unless otherwise indicated.

Independent Limited Assurance Report on the Financial Information and financial services guide

The provider of the Independent Limited Assurance Report in Section 8 on the financial information in Section 5 is required to provide Australian retail investors with a financial services guide in relation to its independent review under the Corporations Act. The Independent Limited Assurance Report and accompanying financial services guide are provided in Section 8.

This document is important and should be read in its entirety.


Questionnaire
Expand All
Environment
Company Information
Health & Safety
Industrial Relations
All of this vendors answers match the expected answers for this section.
Manage Sign Offs
Questions
Comments
1. Does the company have a current industrial instrument?
Yes (Expected: Yes)
1.1 If yes, please upload a supporting document.

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Key offer statistics and Important dates

Key offer statistics	
Item	**Amount**
Offer Price	$0.36 per Share
Gross proceeds of the Offer	$12,000,000
Total number of New Shares to be issued under the Offer[1]	33,333,333
Total number of New Shares to be issued under the Salary Sacrifice Offer	1,491,308
Total number of Shares to be held by Existing Shareholders prior to Completion of the Offer	96,734,044
Total number of securities on issue on Completion of the Offer (on an undiluted basis)	131,558,685
Number of Options on issue at Completion of the Offer	9,562,446
Total number of securities on issue on Completion of the Offer (on a fully diluted basis)	141,121,131
Indicative market capitalisation (on an undiluted basis)	$47,361,127
Pro forma historical net cash as at 30 June 2020	$11,404,000
Indicative Enterprise Value at the Offer Price	$35,957,127
Indicative Enterprise Value / FY20 sales revenue[2] (times)	9.73

1 Excludes up to 1.49 million New Shares issued under the Salary Sacrifice Offer
2 Excludes miscellaneous income and government rebates/benefits.

Important Dates

Item	Date
Prospectus Date	26 November 2020
Opening date of Offer	11 December 2020
Closing date of Offer	18 December 2020
Settlement	7 January 2021
Issue of Shares (Completion of the Offer)	8 January 2021
Expected dispatch of holding statements	12 January 2021
Expected commencement of trading on the ASX	12 January 2021

Note: This timetable is indicative only and may change. Unless otherwise indicated, all times are stated in Melbourne time. The Company and in consultation with the Lead Manager, reserve the right to vary any and all of the above dates and times without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, or to accept late Applications or bids, either generally or in particular cases, or to cancel or withdraw the Offer before Settlement, in each case without notifying any recipient of this Prospectus or Applicants). If the Offer is cancelled or withdrawn before the allocation of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens. No cooling-off rights apply to the Offer. The admission of the Company to the Official List and the commencement of quotation of the Shares are subject to confirmation from ASX.

How to invest

Applications for Shares can only be made by completing and lodging the Application Form attached to or accompanying this Prospectus.

Instructions on how to apply for Shares are set out in Section 7 and on the back of the Application Form.

Chairman's Letter

26 November 2020

Dear Investor,

On behalf of my fellow Directors, it is my pleasure to invite you to become a shareholder of Felix Group Holdings Ltd (**Felix** or **Company**).

Felix operates a cloud-based enterprise Software as a Service (**SaaS**) and marketplace platform for the commercial construction and related industries. Felix connects Contractors and their third-party Vendors, automating and streamlining a range of critical procurement-related business processes.

The Company launched its online Vendor marketplace in 2013 (now called *Vendor Marketplace*) which has grown to become a leading marketplace for the Australian commercial construction sector, used by Contractors to source Vendors and Vendors to source new business leads.

In 2015, the Company developed its enterprise solution, *Felix*, which is now recognised as a best-in-class application by leading commercial construction companies, providing the Company with a second and rapidly growing revenue stream.

Felix's enterprise customers include tier one Australian Contractors and multinational commercial construction companies. Additionally, the *Felix* platform is gaining traction in other sectors, with cornerstone customers secured in the government, utilities, mining and resources and facilities management sectors.

Contractors who have adopted the *Felix* platform typically mandate its use by their Vendors. Growth in Felix's enterprise customer base has likewise driven rapid growth in the number of Vendors (using the platform and part of the *Vendor Marketplace* platform) from 10,036 at 30 June 2017 to 39,398 at 30 September 2020. Over 800 of these Vendors are located in 42 countries outside Australia; this has occurred organically as a result of Contractors using Felix on international projects.

Once adopted by Contractors, the *Felix* platform typically becomes a core part of and deeply embedded within a Contractor's operations, making it difficult to replace. This has led to an approximate 99% retention rate for contracted ARR[1].

Felix's sales revenues have grown at a compound annual growth rate of approximately 24% per annum since FY18[2] and revenues from its enterprise solution have grown 467% over the same period. The Company is targeting further revenue growth through converting its significant Contractor pipeline, releasing new modules, increasing penetration of Contractors' project pipelines, continuing to expand its customer footprint beyond commercial construction and increasing the monetisation of its *Vendor Marketplace*. Additionally, Felix also stands to benefit from the Federal and State Governments COVID-19 stimulus measures, and the recently announced record $110 billion Federal land transport infrastructure program over the next 10 years.

Felix is seeking to raise $12 million under the Offer to, among other things, accelerate sector and geographic expansion, platform development and the release of new modules and to fund additional working capital and pay for the costs of the Offer. If the full $12 million proposed to be raised under the Offer is not raised, the IPO will not proceed and any funds received by the Company will be returned to Applicants as soon as practicable after the Offer Period (without interest).

On Completion of the Offer, new Shareholders are expected to hold 26.5% of the Shares. Existing Shareholders, will hold the remaining 73.5% of which key management and substantial shareholders make up 41.4% of the total Shares on issue. A significant portion of the Shares and Options held by the Directors and substantial Shareholders (apart from BNP Paribas Nominees and Mainstream Fund Services), will be escrowed for up to 24 months from Listing.

To apply for Shares, you will need to fill out the relevant paper or electronic Application Form included in or accompanying this Prospectus. If you have any questions about how to apply for Shares, please call the Felix Offer Information Line on 1300 214 708 (within Australia) or +61 3 9415 4034 (outside Australia) from 8.30am until 5.30pm (Melbourne time) Monday to Friday during the Offer Period. The Offer is expected to close at 5.00pm (Melbourne time) on 18 December 2020.

Detailed information about the Offer and the financial and operating performance of the Company is set out in this Prospectus. The key risks associated with an investment in Felix are set out in Section 4 and include the impact of COVID-19 on customer acquisition and retention; customer acquisition and retention with falling GDP and negative economic growth; competition; customer concentration risk; product selection and development; unforeseen expenditure and future funding and that the Group only has a short operating history and history of operating losses.

I encourage you to read the Prospectus carefully in its entirety before making your investment decision and, if you are in any doubt, please seek professional advice.

On behalf of the Board of Directors, I commend the Offer to you.

Yours faithfully,

Michael Bushby
Chairman
Felix Group Holdings Ltd

1 For the 12 months ended 30 September 2020.
2 Sales revenue represents subscription revenues received from vendors and contractors as well as configuration and implementation revenue received from Contractors. It excludes all other miscellaneous income and government rebates/benefits.

Investment overview

1. Investment overview

1.1 Business overview

Topic	Summary	For more information
Who is the Group?	The Group has developed and operates a cloud-based enterprise SaaS and marketplace platform called *Felix* for the commercial construction and related industries.	Section 3.1.1
What is the Group's history?	The Company was incorporated in August 2012 and launched an online *Vendor marketplace* in May 2013 (now called *Vendor Marketplace*), which has grown to become a leading marketplace for the Australian commercial construction sector, used by Contractors to source Vendors and Vendors to source new business leads. Since 2015, the Group has been developing an enterprise procurement solution for Contractors to source and manage Vendors. In 2020, the Group integrated the *Vendor Marketplace* with its enterprise solution to enable Contractors using the enterprise solution to access the *Vendor Marketplace* to source Vendors.	Section 3.2
What is the Group's business?	The Group offers a cloud-based SaaS solution to its Contractor and Vendor customer base to make it easier for them to find, manage and engage with each other. The *Felix* platform automates and streamlines a range of critical procurement-focused business processes. Contractors are contracted by asset owners to build or maintain capital works projects in the commercial construction and related industries. Vendors comprise the Contractors' suppliers and include subcontractors, equipment providers and service and materials providers.	Sections 3.1.1 and 3.3

1.1 Business overview

Topic	Summary	For more information
What are the Group's products and services?	The Group offers SaaS solutions for both Contractors and Vendors. **Contractors** The Group offers Contractors access to a free *Vendor Marketplace* in order to quickly find Vendors and source quotes. Contractors are able to upgrade to an enterprise solution which enables: o efficient and effective management of their supply chains and third-party risk; and o management of Vendor sourcing events. The enterprise solution comprises the following core modules: o The **Vendor Management System** which enables Contractors to manage their Vendors from prequalification to performance evaluation and ongoing compliance. o The **Sourcing module** which enables teams to centrally manage their sourcing activities. It tailors and facilitates various rapid purchasing and end-to-end RFx processes. o The **Contracts module** which enables contracts to be managed in a central and secure location and provides configurable contract summaries that capture key information. The Group has yet to monetise this offering. o ***Vendor Marketplace*** which allows Contractors to identify, source and prequalify new Vendors to strengthen their supply chain. **Vendors** Vendors are able to use the *Felix* platform for free to engage with Contractors using the platform. By upgrading to a monthly or an annual subscription, Vendors can create a public profile and receive further business opportunities through the *Vendor Marketplace*.	Section 3.5
Where are the Group's operations?	The Group's operations are based in Australia and headquartered in Hendra, Queensland.	Section 3.9

1.1 Business overview

Topic	Summary	For more information
What is Felix's competitive advantage?	*Felix* is a unique enterprise marketplace platform, developed specifically for Contractors in the commercial construction and related industries. The *Felix* platform has been adopted by some of Australasia's largest Contractors and is utilised on commercial construction and infrastructure projects both domestically and internationally. Felix sees its competitive advantages as follows: o **Integrated solution:** The Group offers an integrated suite of modules across Vendor management and sourcing activities. This sets it apart from solutions that are focused on a particular function, such as estimating or contracts. o **SaaS from day one:** Built from the ground-up as a cloud-based application, the Group is unencumbered with the types of technical and functional legacies common in older and more established competitors. o **The Company's focus is in commercial construction:** In addition to the co-founder's experience in civil engineering, the Group has collaborated closely with leading organisations in the commercial construction and related industries to ensure the *Felix* platform is tailored to their needs. The Company believes it effectively competes against larger competitors by providing a solution that has been developed specifically for the commercial construction and related industries and which can be implemented more rapidly and at a lower cost. o **The *Felix* platform's 'network effect':** As the number of Contractors and Vendors on the *Felix* platform grows, the platform's value proposition increases, improving retention of existing customers and increasing the value of the platform to prospective customers. o **Ease of use:** The *Felix* platform has been designed to be easy to use and can be used on work sites, facilitating efficient project execution. This increases user adoption, decreases rollout and support costs and enables Contractors to more effectively manage complex supply chains. o **Integrates with Contractors' software ecosystems:** The *Felix* platform's suite of solutions can be integrated with Contractors' wider software ecosystems.	Section 3.11

1.1 Business overview

Topic	Summary	For more information
What is the Group's growth strategy?	The Group is focused on becoming the market-leading procurement and marketplace platform for the commercial construction and related industries in Australia and other key international markets. The Group's growth strategy is summarised below. o **Increase number of Contractors and ARPU** by securing new customers from its pipeline of approximately 200 Contractors[1], increasing the number of modules used by existing customers as well as the extent of customer usage. The planned release of new modules and features is expected to increase APRU while enhancing the value proposition for prospective new customers. o **Further monetise *Vendor Marketplace*** once the Group achieves greater scale of its *Vendor Marketplace* and is able to offer increased value to Vendors through the planned release of the new Vendor prequalification modules. o **Grow in related sectors**, with the Group having already secured cornerstone customers in Government, utilities, mining and resources and facilities management. o **Expand offshore** by targeting Contractors in selected overseas markets. The Group's Australasian customers are already introducing the *Felix* platform to offshore markets through their international projects. This led to the organic global expansion of the *Vendor Marketplace* with Vendors located in 42 countries outside of Australia as of 31 August 2020.	Section 3.7
What impact does COVID-19 have on the Group?	COVID-19 has had an effect on the conversion of existing pipeline Contractor opportunities into customers as a result of construction sector uncertainty. However, at the same time, the Group's early stage pipeline has grown as COVID-19 has enhanced the value proposition of the Group's supply chain risk management and cloud-based remote workflow solutions.	Sections 3.12 and 4.1.1

1 *A prospective customer is added to the pipeline after a Felix sales representative has had discussions with that prospective customer, validates the prospect and adds key details such as customer representative names and titles, modules required, sector and number of estimated users, into Felix's deal management software.*

1.2 Investment highlights

Topic	Summary	For more information
Streamlines procurement and supply chain risk management	Felix's enterprise solution enables Contractors to manage their entire supply chain, while ensuring Vendor compliance. This solution digitises, streamlines and automates a large number of business processes throughout the procurement lifecycle, reducing administrative burden, increasing transparency of project costs and improving corporate governance.	Section 3.1.3
Favourable industry backdrop	Across the globe, government initiatives to stimulate economies post COVID-19 include prioritised spending on a range of infrastructure-led construction projects. For example, the Australian Government's 10-year A$110 billion land transport infrastructure program will support construction projects across road, rail, ports, airports and related infrastructure. Additionally, increasing legislative compliance (e.g. *Modern Slavery Act 2018* (Cth)) and sustainability requirements (e.g. local sourcing, Indigenous and female participation) are shifting Contractors towards technology solutions to ensure compliance and reduce administrative burden. Felix is well positioned to benefit from these favourable industry trends.	Sections 2.4 and 3.1.2
Blue chip customer base	The *Felix* platform has been adopted by leading multinational Contractors across the commercial construction, infrastructure, Government, utilities, mining and facilities management sectors. The *Felix* platform has been selected by these Contractors following extensive selection and due-diligence processes, with a strong focus on platform security and scalability.	Section 3.4
Opportunity to scale *Vendor Marketplace* and increase subscription penetration	The continued growth of the *Vendor Marketplace* and planned release of additional modules creates an opportunity to increase the number of Vendors paying subscriptions.	Section 3.7
Rapidly growing enterprise SaaS revenues	Enterprise SaaS revenues have grown at a CAGR of 467% per annum over the last two financial years[2].	Section 3.3
Deeply embedded within Contractors' operations	Once adopted by Contractors, the *Felix* platform typically becomes a core part of and deeply embedded within a Contractor's operations, making it difficult to replace. This has led to an approximate 99% retention rate of contracted ARR[3].	Sections 3.3 and 3.11

2 FY18 to FY20.
3 For the 12 months ended 30 September 2020.

1.2 Investment highlights

Topic	Summary	For more information
Significant global opportunity	As of 31 August 2020, the Company had Vendors from 42 countries outside of Australia using the *Felix* platform. This organic global Vendor growth has been driven by existing enterprise Contractors utilising the *Felix* platform on international projects.	Section 3.7
Experienced leadership team	The Company has an experienced management team, led by co-founder and CEO Mike Davis. Mike Davis is supported by an experienced management team and a Board that is chaired by Michael Bushby who has 30 years' experience in the transport sector.	Sections 6.1 and 6.2

1.3 Summary of key risks

Topic	Summary	For more information
Customer acquisition and retention in COVID-19	The COVID-19 pandemic may lead to a significant reduction in the volume and value of infrastructure and commercial construction projects resulting in a worsening of the financial performance and position of the Group's customers leading to the cancellation or non-renewal of existing contracts and a decreased ability to secure new customers. Additionally, if a material segment of the Group's customer base were to terminate their contracts early and cancel their paid subscriptions this may adversely impact revenues and earnings of the Group. The Group's ability to increase its customer base is likely to be subject to limits and there is a risk that a failure to implement, or implement successfully, some or all of the Company's strategies, including as a result of COVID-19, could adversely affect the Group's operating and financial performance.	Section 4.1.1
Customer acquisition and retention with falling GDP and negative economic growth	Felix's core Vendor management solution is tailored to the needs of the commercial construction and infrastructure projects sectors. As such, economic trends such as a continued contraction in GDP and negative economic growth are likely to negatively affect the commercial construction and infrastructure sectors. This would likely adversely affect the Group's business by reducing the number of new construction projects being undertaken that the Group may service or target to service.	Section 4.1.2

1.3 Summary of key risks

Topic	Summary	For more information
Competition	The markets in which the Group operates are competitive and are subject to increasing competition from Australia and throughout the world. The competitive environment may change adversely due to changes in government regulations, actions of competitors or changes in customer preferences. The Group's financial performance and operating margins could be adversely affected by new market entrants or by existing competitors becoming more effective.	Section 4.1.3
Customer concentration risk	Approximately $500,000 of the Group's sales revenue is generated annually from one customer, which accounted for approximately 14% of the Group's sales revenue in FY20[4]. Despite this customer signing a multi-year agreement, there is no assurance that this customer will continue to operate their business at all or to the same extent, as it is subject to its own business and market risks. The Group's financial performance and financial position would be adversely impacted if it were to lose this customer.	Section 4.1.4
Product selection and development	In order for Felix to continue to generate and increase revenue, it must assess and identify products that appeal to its current and prospective customer base. Any misjudgements in demand for products or changes in customer or user preferences or behaviours by the Group could result in reduced revenues and lower gross margins. Existing and future products may encounter development or performance issues, which could have a material adverse impact on the Group's reputation and financial performance.	Section 4.1.5
Unforeseen expenditure and future funding	While the Directors believe that the Group will have sufficient funds after Completion of the Offer to meet all of its growth and capital requirements for at least the next 24 months, the Group's capital requirements depend on numerous factors. The Group's ability to generate income from its operations and the cost or timing of achieving its growth objectives may be different from that expected resulting in the Group needing to raise additional capital. There can be no assurance that the Group will be able to raise such capital on favourable terms or at all. Failure to raise capital at all or on favourable terms may adversely affect the Group's business, financial position and financial performance.	Section 4.1.6

4 Sales revenue represents subscription revenues received from Vendors and Contractors as well as configuration and implementation revenue received from Contractors. It excludes all other miscellaneous income and government rebates/benefits.

1.3 Summary of key risks

Topic	Summary	For more information
Short operating history and history of operating losses	Felix was formed in August 2012 and launched its initial marketplace platform in May 2013. The Group is not yet cash flow positive and the Group's limited financial and operating track record is not sufficient to provide any certainty or assurance that the Group can or will achieve the growth and other objectives set out in this Prospectus. An investment in the Group should be regarded as speculative and the Directors are of the view that an investment in the Shares should be regarded as high risk. While the Group has experienced positive revenue growth since inception, it has incurred net losses every year since inception and has yet to generate an operating profit. There is a risk that the Group may not achieve profitability in the future.	Section 4.1.7
Personnel	The performance and retention of the Group's senior executives is central to its ongoing financial performance. The loss of any of the Group's key personnel or inability to recruit and retain suitably skilled and qualified personnel may have an adverse financial impact on the Group and its ability to execute its growth strategy.	Section 4.1.8
Reputation and relationships	The success of the Group is dependent on maintaining the quality of its services and a positive reputation and relationship with various third parties. Unforeseen issues, accidents or events involving the Group, could place the reputation of Felix and its relationship with third parties at risk, damage its brand or otherwise cause harm to the Group and its business dealings and impact on its future earnings and growth prospects.	Section 4.1.9
Reliance on third party IT service provider, software, technology and system related risks	The Group's business is heavily dependent on the continuity of cloud hosting infrastructure services from Amazon Web Services, a division of Amazon.com, Inc. (NASDAQ:AMZN) (**AWS**). The Group's operations would be significantly and adversely impacted if AWS were to suffer an extended outage. This may impact the Group's reputation for reliability and result in customers cancelling their subscriptions and may adversely impact the Group's financial performance and growth prospects. The Group also relies on the internet, its information and communication networks and systems in the operation of its business. Should access to the internet, its networks and systems be disrupted or internet access of *Felix* users restricted, it would adversely impact on the Group's ability to provide continuity of service impacting its operations, brand and reputation. Any failure, unscheduled down-time or cyber-attack of either the software, services or the Group's platform could result in the Group being unable to meet contractual and service level obligations, unauthorised system use, data integrity issues or data loss, integration issues with other systems and third parties, increased costs and damage to its brand and reputation.	Sections 4.1.10 and 4.1.11

1.3 Summary of key risks

Topic	Summary	For more information
Intellectual property	If a third-party accuses the Group of infringing its intellectual property rights or commences litigation against the Group for the infringement of intellectual property rights, the Group may incur significant costs in defending such action, including diversion of management's and technical personnel's time. The Group's current methods to protect its intellectual rights may not prevent the misappropriation or development of similar products and competitors may gain access to the Group's technology harming its business, operations and financial performance. No assurance can be given that the value of the Group's intellectual property rights will be completely protected or that the Group will be able to maintain its competitive position by the legal protection afforded by a combination of copyright, trade secrecy laws, patent laws, confidentiality and other intellectual property rights.	Section 4.1.12
R&D tax incentives audit risk	The Group has claimed research and development (**R&D**) tax incentives totalling $1,172,000 over the last 3 years for expenditure incurred. There is a risk that some or all of the R&D tax incentives received to date by the Group may need to be repaid (including penalties) if audits of the claims were conducted and the relevant regulatory authority formed the view that the requirements of Division 355 of the *Income Tax Assessment Act* (1997) (Cth) have not been met in full or in part.	Section 4.1.13
Expansion and foreign operations	The Group plans to expand its operations to overseas markets after it has established sufficient critical scale in the Australian market. There is no guarantee that the Group's product offering will be successful or will be able to generate material revenues outside of Australia. The Group's success in these new markets will depend on a number of factors such as the operations and product offerings of existing and new competitors in these markets, new customers' willingness to pay for the Group's services and the state of the local economy and appetite for new technology adoption. The Group will be exposed to a range of multijurisdictional risks in any new country within which it may choose to establish operations, including risks relating to use of data, labour practices, consumer preferences, difficulty in enforcing contracts, changes to or uncertainty in relevant legal and regulatory regimes.	Section 4.1.15
Macro-economic risks	Changes in general economic and share market conditions, such as tax reform, economic outlook, new legislation, demand for, and supply of, capital, movements in employment rates, commodity prices, investor sentiment, movement in interest, inflation or exchange rates or terrorism may have an adverse effect on the Group's activities. Deterioration in the general economic conditions, could affect customer expenditure, adversely affecting the Group's profitability.	Section 4.2.1

1.3 Summary of key risks

Topic	Summary	For more information
Trading in shares may not be liquid and the Escrowed Shareholders' holdings	There is currently no public market for the Shares. There is no guarantee that an active market in the Shares will develop or that the price of the Shares increases following Listing. There may be relatively few potential buyers or sellers of the Shares on ASX at any time which may increase the volatility of the market price of the Shares. Following Listing, Escrowed Shareholders will hold approximately 51,199,097 Shares (which represents approximately 38.9% of the total Shares on issue), which will also impact on liquidity for up to 2 years which may cause, or at least contribute to, limited liquidity in the market for the Shares. A significant sale by the Escrowed Shareholders (individually or collectively) at the end of the relevant Escrow Period or the perception that such sales might occur, could significantly reduce the price of the Shares.	Section 4.2.3
IPO not fully subscribed	If the full $12 million proposed to be raised under the Offer is not raised, the IPO will not proceed and any funds received by the Company will be returned to Applicants as soon as practicable after the Offer Period (without interest).	Section 4.2.4

1.4 Summary of key financial information

Topic	Summary	For more information
What is the key financial information?	The Company generated revenue of approximately $3.7 million in FY20 (excluding other miscellaneous income and government rebates/benefits) compared with approximately $3.0 million in FY19 (excluding other miscellaneous income and government rebates/benefits). In FY20, Felix generated a net loss after tax of approximately $7.2 million (including government grant income of $0.5 million), compared with a net loss of approximately $5.3 million for FY19 (including government grant income of $0.1 million).	Section 5

Historical period

$'000 June year end	FY2018 Audited	FY2019 Audited	FY2020 Audited
Sales revenue	2,417	3,013	3,696
Total revenue	2,446	3,078	4,328
EBITDA	(3,842)	(4,898)	(4,828)
EBIT	(4,183)	(5,359)	(5,135)
NLAT	(4,200)	(5,293)	(7,217)

The table below sets out the summarised audited historical and pro forma consolidated statement of financial position as at 30 June 2020. Details of the pro forma consolidated statement of financial position, including the pro forma adjustments are set out in Section 5.

$'000	Audited at 30 June 2020	Impact of the Offer	Pro Forma subscription
TOTAL ASSETS	3,429	10,480	13,909
TOTAL LIABILITIES	11,119	(8,782)	2,337
NET ASSETS	(7,690)	19,262	11,572
EQUITY	(7,690)	19,262	11,572

Topic	Summary	For more information
What is Felix's dividend policy?	The extent, timing, and payment of any dividends in the future will be determined by the Directors based on several factors including future earnings and the financial performance and position of the Company. As at the date of this Prospectus, the Company does not intend, nor expect, to declare or pay any dividends in the immediately foreseeable future.	Section 5.13

1.5 Directors

Topic	Summary	For more information
Who are the directors of Felix?	At the Listing Date, the Board will comprise four Directors, being: o Michael Bushby, Non-Executive Chairman; o Mike Davis, CEO and Executive Director; o George Rolleston, Non-Executive Director; and o Michael Trusler, Non-Executive Director. The Board brings relevant experience and skills including industry and business knowledge, financial management and corporate governance.	Section 6.1
Who are the key members of the Group's management team?	The Group's senior executive managers are: o Mike Davis, CEO and Executive Director; o James Aleman, Chief Operating Officer; o James Frayne, Chief Financial Officer and Company Secretary; and o Steve O'Keeffe, Chief Technology Officer.	Section 6.2

1.6 Significant interests of key people and related party transactions

Topic	Summary	For more information
What significant benefits and interests are payable to Directors and other persons connected with the Company or Offer?	See Section 6 for details of key management interests and remuneration. The Non-Executive Directors will receive Directors' fees, totalling initially approximately $241,000 per annum including superannuation. They will also receive 1,222,221 Options in total. Kidder Williams, a corporate advisory firm associated with David Williams (who was until 28 October 2020 a director of the Company), in addition to being paid $70,000 (excluding disbursements and GST) as a retainer for advising on the Offer, will receive a success fee of approximately $357,000 (excluding disbursements and GST) (comprising $200,000 payable in cash and $157,000 provided through the issue of 1,000,000 Options (which will be subject to the escrow restrictions outlined at Section 7.7) at Completion of the Offer). Following Completion of the Offer, Kidder Williams has been mandated as corporate adviser to the Company for a 12 month period to undertake a watching brief for 'M&A' and capital raising opportunities (should Kidder Williams be asked to advise on a specific opportunity, fees will be separately agreed). Kidder Williams was also paid fees of approximately $250,000 (excluding disbursements and GST) payable half by cash and half by the issue of Shares to act as corporate adviser in respect of the Company's April 2020 convertible note issue. At Completion of the Offer, Kidder Williams' and David Williams' voting power in the Company will be 15.3%[1]. 1 *This percentage does not reflect that David Williams has indicated that he will participate in the Offer to the extent of up to $1 million, depending on the level of investor interest.*	Section 6

1.6 Significant interests of key people and related party transactions

Topic	Summary	For more information
Who are the Existing Shareholders and what will their interests be on Completion of the Offer?	See table and notes below	Section 7.5

	Ownership of the Company at Prospectus Date		At Completion of the Offer		
	%	Shares (m)	%	Options (m)	Escrowed Shares (m)
Moggs Creek[1]	19.8%	19.11	14.5%	–	19.11
Plant Investments[2]	9.5%	9.21	7.0%	–	9.21
M.A.D Technologies[3]	8.7%	8.44	6.4%	–	8.44
BNP Paribas Nominees	8.2%	7.94	6.0%	–	3.00
Mainstream Fund Services	8.1%	7.80	5.9%	–	0.86
MADAD Ventures	6.3%	6.09	4.6%	1.13	–
Other existing shareholders	39.4%	38.13	29.0%	8.43	10.51
New Shareholders under the Offer[4]	–	34.82	26.5%	–	0.07
Total	**100%**	**131.56**	**100.0%**	**9.56**	**51.20**

1 An entity associated with David Williams

2 An entity associated with George Rolleston

3 An entity associated with Mike Davis and Michael Trusler

4 Assuming no Existing Shareholders participate in the Offer. Included in this line will be any participation in the Offer by David Williams and George Rolleston. David Williams has indicated that he will participate in the Offer to the extent of up to $1 million, depending on the level of investor interest. George Rolleston has indicated that he will participate in the Offer to the extent of $50,000.

Note: David Williams' interests also include 1,000,000 Options to be issued to Kidder Williams, a company associated with David Williams, as part consideration for its success fee in relation to advising the Company on the Offer (refer to Section 6.3.1(b) for further details). These Options will be subject to the escrow arrangements outlined in Section 7.7. Additionally, Mike Davis and Michael Trusler will receive Shares and other securities under the Employee Incentive Plan discussed in Section 6.5.1.

1.7 Key terms and conditions of the Offer

Topic	Summary	For more information
Who is the issuer of this Prospectus?	Felix Group Holdings Ltd ACN 159 858 509, a company registered in Queensland, Australia.	Section 9.1
What is the Offer?	The Offer in this Prospectus relates to an initial public offering of 33,333,333 New Shares (excluding the New Shares to be issued under the Salary Sacrifice Offer) to be issued at the Offer Price of $0.36 per Share to raise a total of $12 million. This Prospectus also involves the offer of up to 2.79 million Options under the Senior Management and Director Option Offer. There will also be an offer of New Shares and Options to Eligible Employees under the Salary Sacrifice Offer. Up to 1.49 million New Shares and 4.47 million Options will be offered under the Salary Sacrifice Offer. The New Shares being offered will represent approximately 26.5% of Shares on issue on Completion of the Offer. As part of its success fee for advising on the Offer, Kidder Williams will be issued 1 million Options. The Options will not be quoted.	Section 7.1
What is the purpose of the Offer?	The Offer is being conducted to: o provide funding to enable the Company to: – invest in platform development and new features and products; – grow its Contractor revenue base organically; – expand into new industries and geographies; – have sufficient growth and working capital; and – pay the costs of the Offer; o achieve a listing on the ASX to broaden the Company's shareholder base and provide a liquid market for its Shares; o provide the Company with the benefits of an increased profile from being an entity listed on the ASX; o provide an improved capacity to attract and retain quality staff through short and long term employee incentives; and o provide additional financial flexibility for the Company to pursue growth opportunities and improve access to capital markets.	Section 7.4

Uses	$'000	% of total
Platform development	5,700	48%
Business Development and marketing	400	3%
R&D	1,200	10%
Costs of the Offer	1,521	13%
Working capital	3,179	26%
Total	**12,000**	**100%**

Overall, these proceeds are expected to be sufficient to fund the Company's objectives for the next 24 months.

1.7 Key terms and conditions of the Offer

Topic	Summary	For more information
How much will be raised by the Offer?	The Offer is expected to raise $12 million. If the full $12 million proposed to be raised under the Offer is not raised, the IPO will not proceed and any funds received by the Company will be returned to Applicants as soon as practicable after the Offer Period (without interest).	Section 7.4
Will any Shares be subject to escrow?	The entities associated with Mike Davis, Michael Trusler, David Williams and George Rolleston, will be subject to mandatory escrow under the ASX Listing Rules and voluntary escrow for their Shares for up to 24 months from the Listing Date. This equates to approximately 38.78 million Shares being escrowed for up to 24 months from the Listing Date. Certain other Shareholders: o holding 6.75 million Shares will hold their Shares subject to mandatory escrow under the ASX Listing Rules for their Shares for 24 months from the Listing Date; o holding 2.75 million Shares will hold their Shares subject to mandatory escrow under the ASX Listing Rules for their Shares for 12 months from the issue date of their convertible notes; and o holding 2.92 million Shares will hold their Shares subject to mandatory escrow under the ASX Listing Rules for their Shares for approximately 12 months from 18 December 2020. It is expected that approximately 22.4% of the total Shares on Completion of the Offer will be subject to various mandatory escrow arrangements as noted above. Additionally, 21.79 million Shares will be subject to voluntary escrow arrangements for 24 months from the Listing Date, however 50% of these Shares will be released early if the volume weighted average price of Shares on the ASX for 15 consecutive trading days is at least 50% higher than the Offer Price after the release of the Company's half-year results for the six months ending 31 December 2021. The Company expects its Free Float immediately after the issue of the Shares offered under this Prospectus to be approximately 58.2%, assuming David Williams, George Rolleston and Michael Bushby collectively participate in the Offer to the extent of $1.10 million.	Sections 7.7 and 7.9
Will the Shares be listed?	Felix will apply to ASX no later than 7 days after the Prospectus Date for admission to the official list of ASX and quotation of Shares on ASX under the code '**FLX**'. Completion of the Offer is conditional on ASX approving this application. If approval is not given within three months after such an application is made, the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.	Section 7.9

1.7 Key terms and conditions of the Offer

Topic	Summary	For more information
How is the Offer structured?	The Offer comprises the: o Broker Firm Offer, which is only open to Australian resident investors who are not Institutional Investors and who have received a firm allocation of Shares from a Broker; o Institutional Offer, which consists of an invitation to bid for Shares made to Institutional Investors in Australia and certain overseas jurisdictions; o the Chairman's List Offer, which is open to selected investors in Australia who have received an invitation under the Chairman's List Offer; and o Senior Management and Director Option Offer and Salary Sacrifice Offer, which are both only open to certain Eligible Employees, who will receive personal invitations from the Company. There is no general public offer of Shares under the Offer.	Section 7.2
How can I apply?	Applicants under the Broker Firm Offer may apply for Shares by completing an Application Form and lodging it with the Broker who invited them to participate in the Broker Firm Offer. To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable. For further information on the Senior Management and Director Option Offer, the Salary Sacrifice Offer, the Institutional Offer and the Chairman's List Offer refer to Sections 7.11, 7.12, 7.13 and 7.14 respectively.	Section 7.10
When will I receive confirmation that my application has been successful?	It is expected that initial holding statements will be dispatched by standard post or email on or about 12 January 2021.	Section 7.9
Is the Offer underwritten?	No, the Offer is not underwritten.	Section 7.1
What is the allocation policy?	The allocation of Shares between the Broker Firm Offer, the Institutional Offer and the Chairman's List Offer will be determined by the Lead Manager with the agreement of the Company, having regard to the allocation policy outlined in Section 7.13.2. With respect to the Broker Firm Offer, it is a matter for each Broker how they allocate Shares among eligible retail clients (see Section 7.10.3). For further information on the Broker Firm Offer, refer to Section 7.10. The allocation of Shares among applicants in the Institutional Offer will be determined by the Lead Manager with the agreement of the Company. For further information on the Institutional Offer, refer to Section 7.13. Invitations to participate in the Chairman's List Offer will be made by the Company in its sole and absolute discretion. For further information on the Chairman's List Offer, refer to Section 7.14.	Sections 7.9, 7.10.3, 7.13.2 and 7.14

1.7 Key terms and conditions of the Offer

Topic	Summary	For more information
Is there any brokerage, commission or stamp duty payable by applicants?	No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer.	Section 7.9
Where can I find more information about this Prospectus or the Offer?	For more information, please call the Felix Offer Information Line on 1300 214 708 (within Australia) or +61 3 9415 4034 (outside Australia) from 8.30am until 5.30pm (Melbourne time) Monday to Friday. If you are unclear in relation to any matter or are uncertain as to whether Felix is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.	Corporate Directory
Can the Offer be withdrawn?	The Company may withdraw the Offer at any time before the issue of Shares to successful applicants under the Offer. If the Offer, or any part of it, does not proceed, all Application Monies will be refunded (without interest) in accordance with the requirements of the Corporations Act. The Company also reserves the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Shares than the amount applied or bid for. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law.	Sections 7.9 and 7.16

Industry overview

2. Industry overview

This report describes the Construction Collaboration Software market, and has been commissioned from Frost & Sullivan by the Company in respect of the Offer.

2.1 Introduction and background

Felix is a vendor of cloud-based solutions used by Contractors and asset owners to manage Vendors, typically in construction projects. The *Felix* platform offers modules for Vendor management, contracts and sourcing, as well as a *Vendor Marketplace*. The Group is therefore defined as operating within the Construction Collaboration Software market. This market is being driven by a number of factors, including growing construction activity, the need to increase construction productivity, enhanced regulatory compliance and sustainability targets in construction.

2.2 Market definition and methodology

(a) definitions

Key definitions used in this Section include the following:

Cloud Computing is a pool of compute, memory and input output **(I/O)**[1] resources, applications or operating environments with seemingly infinite scalability, delivered as a service (**aaS**)[2] over a network.

Construction Collaboration Software is defined as software used to manage all project information and processes in the construction industry – delivered either as on-premises software, or more often as a SaaS platform. The software provides tools that facilitate document and asset management, process/workflow management, Building Information Modelling **(BIM)**[3] and design management, bid and tender processes, field management and asset handover.

Software as a Service (SaaS) refers to software delivered through a public or private network.

Figure 2.1: Construction Collaboration Software market: Activities supported

Project Information Management o Managing documents o Drawings o Building Information Models o Communications and project correspondence o Audit Trails	**Project Process Management** o Managing processes o Approvals and workflows o Contract management	**Vendor & Subcontractor Management** o Pre-qualification o Compliance management o Performance evaluations o Supply chain reporting (eg. sustainability) o Cross-project vendor information sharing	**Building Information Model & Design Management** o Accessing, managing & enriching 3D models o Streamlining design coordination o Enabling format by both proprietory and open source software
Tender Processes (Sourcing) o Bid & tender package generation & distribution o Submission tracking o Bidder communication o Tender process management o Bid evaluation	**Marketplace** o Vendor & subcontractor identification o Lead generation o Public tender boards	**Field & Workforce Management** o Managing and resolving field inspections and site related issues from mobile devices o Staff onboarding and training o Site access	**Handover Solutions** o Developing digital operation o Maintenance manuals for post-construction handover to asset owners

Source: Frost & Sullivan

1 *I/O refers to any program, operation or device that transfers data to or from a computer and to or from a peripheral device.*
2 *aaS refers to the delivery of any products by vendors over a network (usually the Internet) instead of at the customer's site.*
3 *BIM digitises the functional and physical aspects of projects in the construction sector, providing more visibility and easing the decision-making process over the entire lifecycle. Apart from 3D (width, height and depth) modelling, BIM may also cover other dimensions such as 4D (time), 5D (cost), 6D (Sustainability) and 7D (facility management applications).*

(b) methodology

In writing this Section, Frost & Sullivan has used existing published data sources from government statistics, journals, articles, analyst reports and company reports and presentations, which are considered reliable. The currency used in the report is USD ($) unless stated otherwise. When converting from A$, the exchange rate used is A$1 =$0.71[4].

2.3 End-use sectors

The Group's enterprise SaaS platform addresses the procurement and vendor management requirements of the construction and infrastructure sector (including construction for mining and utilities). It can also be leveraged by facilities management (FM)[5] firms that provide maintenance and related services to support ongoing operation of built assets.

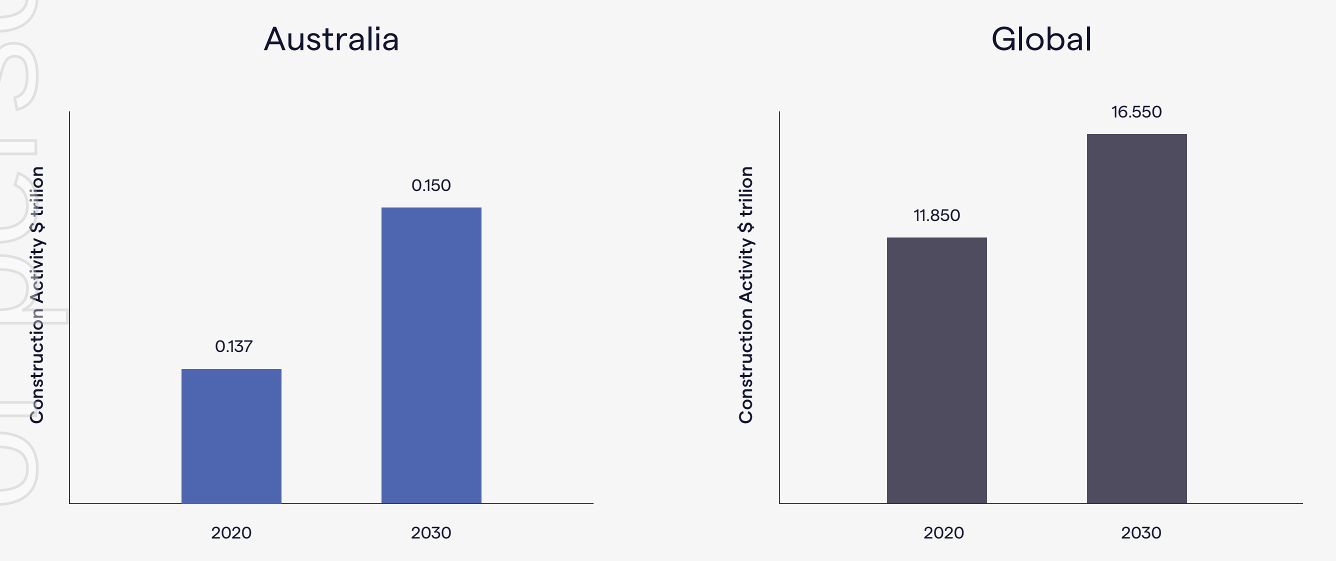
Construction

Globally, construction activity is expected to increase from $11.85 trillion in 2020 to $16.55 trillion in 2030, and in Australia from $0.137 trillion to $0.15 trillion over the same period.[6] Construction activity is expected to be supported by government-driven mega infrastructure projects. The widening infrastructure gap[7] (estimated at $15 trillion by 2040 globally)[8] is anticipated to underpin long term infrastructure spend.

A number of other trends are anticipated in the construction sector:

- consolidation of Contractors, leading to expanded geographic footprint requiring multi-site visibility and benchmarking;
- high level of regulatory oversight from all levels of government is likely to keep compliance and reporting top-of-mind for construction companies;
- the extremely fragmented ecosystem within the construction industry, with differing agendas, differing time and cost pressures and vastly different scale of operations among stakeholders, makes collaboration a critical success factor;
- traditional mindsets (reluctance to change, lack of management vision, siloed teams) are likely to give way to more proactive leverage of digital tools for enterprise-wide benefits; and
- disruption of the traditional value chain (through increased uptake of circular/sustainable construction, offsite construction, local sourcing, etc.) is likely to stimulate demand for smart procurement and vendor management tools.

Figure 2.2: Construction activity, Australia and Global, 2020 and 2030



Source: Frost & Sullivan estimates which includes construction activity in the mining and utilities sectors

4 https://www.xe.com/
5 FM includes services associated with running or maintaining a facility. This includes building operation and maintenance (mechanical and electrical (M&E) services, heating, ventilation, and air conditioning (HVAC), plumbing, building fabric maintenance, appliance testing, fire protection, alarm and detection systems maintenance), support services (cleaning, catering, vending, courier services, laundry services, post room staffing and management, reception staffing, security and safety), property management (space planning and design, landscaping, property acquisitions and disposals, relocation management, energy management, waste management, recycling services) and IT and Telecommunications services.
6 Frost & Sullivan estimates.
7 The difference between forecasts of infrastructure need to what would be delivered on the basis of current trends.
8 Global Infrastructure Hub, https://outlook.gihub.org/, accessed 30 Oct 2020.

Mining

While COVID-19-related disruptions have weakened mining commodity supply, and current global macroeconomic weakness has dented demand for some commodities, long term demand drivers (such as downstream demand for new metals and battery materials) are expected to underpin long term resources sector growth.

China's strong recovery post-COVID-19 is the major medium-term driver of demand for a range of mining commodities (e.g. iron ore, metallurgical coal, gold, aluminium, copper, nickel, zinc, lithium.)

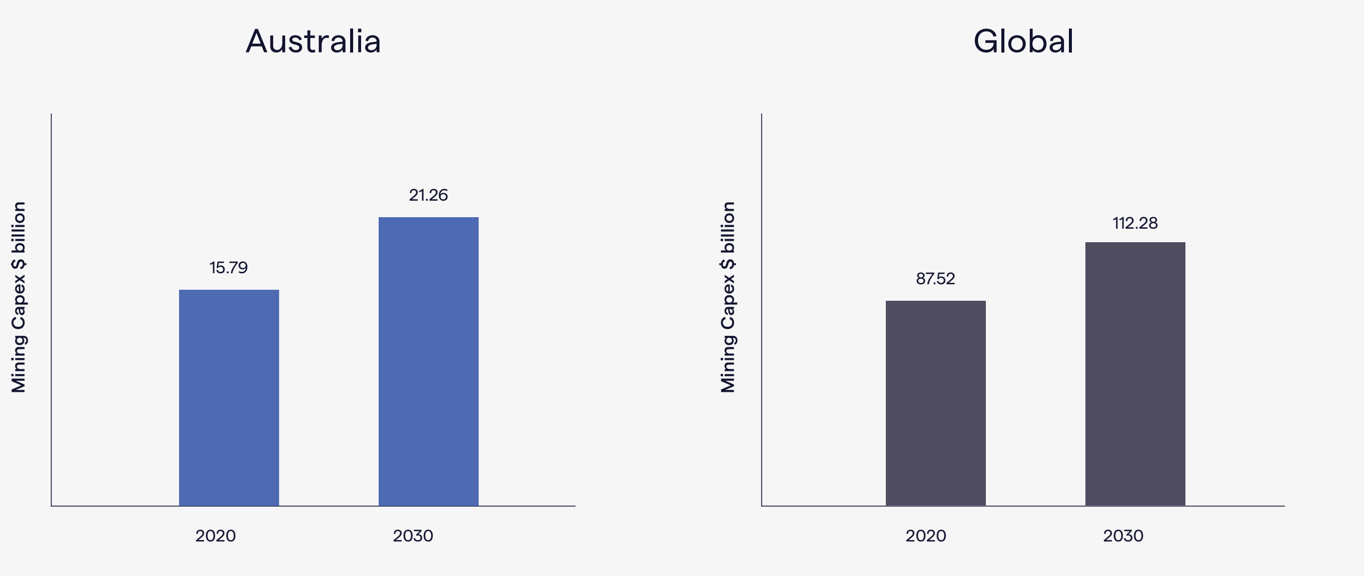
Australia is expected to capitalise on its position as a large producer and exporter of many commodities. For example, Australia is the world's largest iron ore producer, largest metallurgical coal exporter, third largest uranium producer, largest bauxite producer, largest zinc exporter, largest lithium exporter.[9]

Declining ore grades and high input costs remain productivity challenges for miners. Operational efficiency, asset life extension, an increased focus on moving towards 'zero-risk' workplaces and improved understanding and appreciation of digital transformation benefits drive digital expenditure in the mining sector.

While the initial focus of digital transformation in mining was on automation of extraction and processing activities, this has now extended to other areas of the value chain including mine design and planning, transport, logistics and trade.

Global capital expenditure (**capex**) in the mining industry is expected to increase from $87.52 billion in 2020 to $112.28 billion in 2030, and in Australia from $15.79 billion to $21.26 billion over the same period.[10]

Figure 2.3: Mining capex, Australia and Global, 2020 and 2030



Source: Frost & Sullivan estimates

9 Department of Industry, Science, Energy and Resources, Resources and Energy Quarterly, Sep 2020.
10 Frost & Sullivan estimates.

Utilities

Decentralisation, decarbonisation and digitalisation are the three transformational shifts impacting the utilities sector globally.

An estimated $3.40 trillion is forecast to be invested in renewable energy globally between 2020 and 2030. By 2030, it is expected that 54.1% of installed capacity will be renewable (including hydropower) and 37.9% will be solar and wind combined.[11]

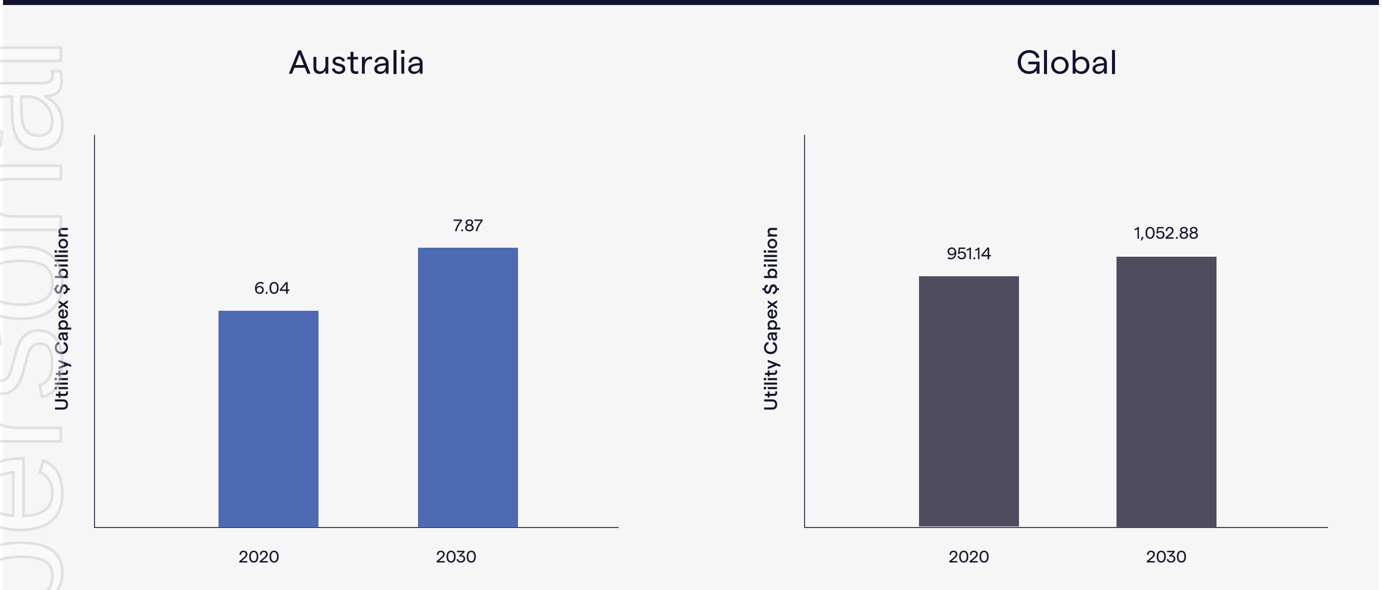
Energy prosumerism (consumers as producers of energy) is expected to emerge as one of the most prominent trends from modern energy infrastructure. This will be facilitated by virtual power plants **(VPP)**[12], microgrids[13], smart meters, battery storage, power plant modernisation, and advanced energy trading solutions (including blockchain).

In the water sector, the number of people living in places considered water-scarce is projected to rise from 3.60 billion in 2018 to 4.80 to 5.70 billion by 2050.[14] At the same time, global non-revenue water volume was estimated to be around 126.00 billion litres per year in 2019.[15] In the search for resilience,[16] water and wastewater utilities will focus spend on rehabilitating or expanding network infrastructure and implementing climate change adaptation and mitigation strategies. This will take the form of pipe replacements, decentralised water projects, treatment plant upgrades, water monitoring systems, leak detection technologies, flood control modelling, etc.

New business models will disrupt the utilities sector, forcing establishing utilities to innovate and become more customer-centric. This shift will be supported by the leverage of digital productivity and communication tools.

These factors are anticipated to increase capex in the utility sector globally from $951.14 billion in 2020 to $1,052.88 billion by 2030, and in Australia from $6.04 billion to $7.87 billion over the same period.[17]

Figure 2.4: Utility capex, Australia and Global, 2020 and 2030



Source: Frost & Sullivan estimates

11 Growth Opportunities from Decarbonisation in the Global Power Market, 2019–2030, Frost & Sullivan, Jul 2020.
12 VPP is an aggregation of decentralised distributed energy resources (DERs), energy storage systems (ESS) and controllable loads, all of which are connected and controlled via a central system (VPP software). The aggregated assets form a single imaginary power plant that can be dispatched during times of peak demand eliminating the need for investment into ancillary power generation plants for peak load management.
13 Microgrid is a group of DERs and loads that function as a single unit. A microgrid may be grid-tied or disconnected from the grid. It can be a combination of renewable energy sources, such as solar panels, wind turbines or biogas plants, battery storage and other loads.
14 The United Nations world water development report 2018.
15 Quantifying the global non-revenue water problem, R. Liemberger; A. Wyatt, IWA Publishing, May 2019.
16 Ensuring reliable and safe water supply that can adapt and respond to near-term shocks and long-term shifts.
17 Frost & Sullivan estimates.

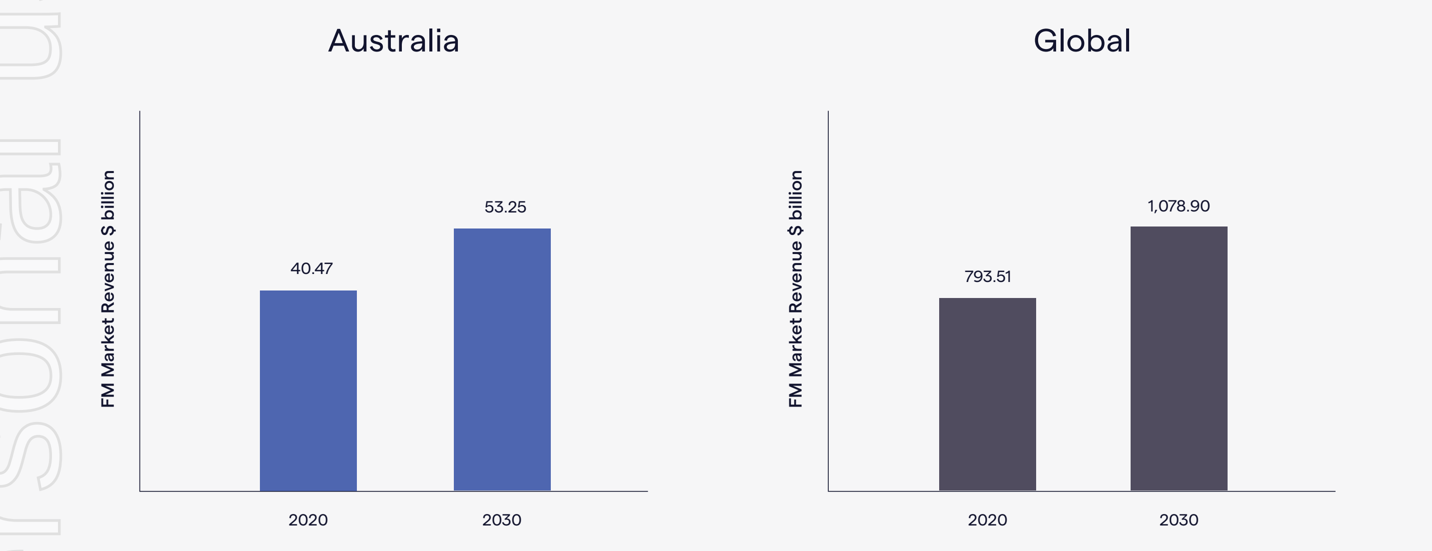
Facilities Management (FM)[18]

Globally, industry revenue for the FM industry is estimated at $793.51 billion in 2020, increasing to $1,078.90 billion by 2030, and in Australia from $40.47 billion to $53.25 billion over the same period.[19]

A number of trends are impacting the FM industry:

- workplace optimisation, energy management, data analytics, service integration and facilitating health and safety outcomes of building occupants are expected to be key opportunities for FM revenue growth;
- the future of FM is technology enabled, and COVID-19 will accelerate the use of digital technology. The Internet of Things **(IoT)**, Big Data, and advanced connectivity will drive efficiency for both service suppliers and clients;
- a value proposition based on business productivity and outcomes will be key in appealing to customers at the senior management level. The FM of the future is about improving customers' business performance rather than the sole focus on the performance of assets and buildings;
- the trend towards service integration means integrated FM **(IFM)**[20] will be the fastest growing segment in the overall FM market;
- both public and private sector FM will see growth, but public sector FM revenue is expected to grow faster (at a compound annual growth rate **(CAGR)** of 2.9% over the period 2019–2025, as opposed to 1.1% CAGR for FM for the private sector over the same period);[21] and
- FM partnerships, collaboration, and co-creation of services will be key to meeting the growth objectives and sustainability visions of customers.

Figure 2.5: FM market revenue, Australia and Global, 2020 and 2030



Source: Frost & Sullivan estimates

2.4 Market drivers for Construction Collaboration Software

The key trends supporting growth in the Construction Collaboration Software market are described in more detail below.

Long term construction activity trend: Across the globe, government initiatives to stimulate economies post COVID-19 include prioritised spending on a range of infrastructure-led construction projects. For example, the Australian Government's $78.10 billion (A$110.00 billion) land transport infrastructure program over 10 years from 2020-21 will support construction projects across road, rail, ports, airports and related infrastructure.[22] This is significantly higher than the aggregate of Commonwealth Government funding for all infrastructure over the prior decade ($47.00 billion (A$66.00 billion) over 2010-11 to 2019-20).[23] Typically, government investment in infrastructure has an annual multiplier effect of 0.4 to 2.2 times GDP.[24] Infrastructure helps create approximately 10,000 jobs for every $1.00 billion invested;[25] thus supporting demand for subcontractors and service providers across the value chain.

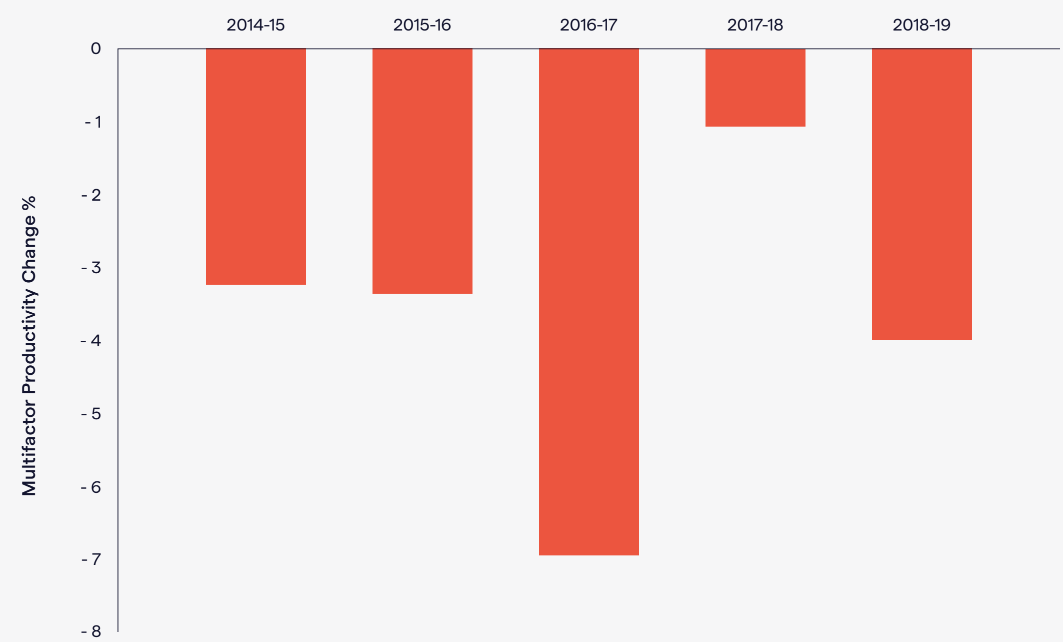
18 Given the high levels of contracting and sub-contracting within the FM industry to deliver services on an ongoing basis, the Felix platform's modules for Vendor management, contracts and sourcing, as well as the Vendor Marketplace, can be leveraged by the FM industry to improve collaboration and productivity.
19 Frost & Sullivan estimates
20 IFM refers to the provision of services from at least two distinct service segments by the same company (the main service segments comprising FM delivery are: building operation and maintenance, environmental management, information technology (IT) and telecommunications, support services, and property management). IFM may include the management of subcontractors or the company may self-deliver all services.
21 Frost & Sullivan estimates
22 Australian Government 2020-21 Budget, The Department of Infrastructure, Transport, Regional Development and Communications, Oct 2020, https://investment.infrastructure.gov.au/about/budget.aspx, accessed 29 Oct 2020
23 Infrastructure Partnerships Australia, https://infrastructure.org.au/chart-group/government-infrastructure-investment/, accessed 2 Nov 2020
24 The Role of Infrastructure Stimulus in the COVID-19 Recovery and Beyond, BCG, Sep 2020, https://www.bcg.com/en-au/publications/2020/infrastructure-stimulus-in-covid-pandemic-recovery-and-beyond, accessed 29 Oct 2020
25 Ibid

Increasing construction project complexity: Government investment in a range of mega infrastructure projects has raised the scale and complexity of construction. In addition, the margin pressure in the industry has resulted in significant consolidation of Contractors, thus increasing the scale of their operations (across types of projects and locations of projects). This consolidation prompts the search for efficiencies through the leverage of productivity tools such as collaboration software. Another factor that drives project complexity is the shift to offsite construction (prefabrication and modularisation) due to improved outcomes such as in terms of cost, quality, safety and scheduling. In 2019, offsite construction was estimated to account for 5% of residential construction in Australia,[26] and this is expected to grow steadily, increasing the complexity of the supply chain as well as demand for coordination across decentralised processes. Further, the growing interest in green buildings – which stimulate use of sustainable materials, building integrated photovoltaic **(BIPV)**, smart lighting, building energy management systems, smart HVAC, etc. – increases project complexity. For example, 40% of Australia's office space is currently 'Green Star' certified.[27]

Construction cost pressures: Construction cost pressures are one of the key drivers that encourage Contractors to leverage Construction Collaboration Software. Cost overruns – especially in large projects – can have massive repercussions on Contractors (including hefty penalties, loss of reputation, and compromised profitability of operations). Errors, delays, disputes and rework – caused by ineffective collaboration – can have significant impacts on overall project costs. Additional safety requirements on construction sites post COVID-19, supply chain disruptions, social distancing and the resulting complexity in scheduling shifts, as well as exchange rate volatility could also have serious implications on project costs. Against this heightened risk, the value that collaborations solutions brings in the form of enabling accurate, real-time, consistent and comprehensive data flows is expected to underpin demand for such solutions moving forward.

Need to raise construction productivity: Australia has experienced five consecutive years of decline in construction productivity (from 112.23 construction multifactor productivity in 2014-15 to 96.04 in 2018-19).[28] To improve the industry's performance, collaboration solutions are being integrated to help efficiently deliver project outcomes.

Figure 2.6: Construction multifactor productivity change, Australia, 2014-15 to 2018-19



Source: Estimates of Industry Multifactor Productivity, ABS, Dec 2019

Increased compliance and reporting obligations: In Australia, the construction industry has the third highest incidence rate of serious injury claims (with 15 serious claims per 1,000 employees in 2017-18) across all industries.[29] In addition, various high-profile cases that revealed serious building defects (for example, the combustible cladding class action equating to several billion dollars in relation to over 1,000 buildings in Australia) has resulted in greater scrutiny and additional verification and certification of building projects. This increased oversight – focused on safety or quality of work – is expected to spur the use of collaboration systems that can provide a clear audit trail and facilitate easy retrieval of records.

26 Modular Building Institute, https://www.modular.org/documents/public/images/2019-PMC-Report-reduced.pdf, accessed 29 Oct 2020
27 Green Building Council of Australia, https://new.gbca.org.au/rate/green-star/, accessed 29 Oct 2020
28 Estimates of Industry Multifactor Productivity, ABS, Dec 2019, https://www.abs.gov.au/statistics/industry/industry-overview/estimates-industry-multifactor-productivity/latest-release, accessed 29 Oct 2020
29 Australian Workers' Compensation Statistics, Safe Work Australia

Need to facilitate easier dispute resolutions: Leveraging collaborative tools and processes can ensure that project stakeholders effectively avoid disputes or where unavoidable, mitigate and resolve disputes. In 2019, the global average value of construction disputes was $30.7 million, and the average length of disputes was 15 months.[30] This may be due to the fragmented and highly competitive nature of the industry that tends to foster adversarial thinking and practices which creates a trust deficit. More regular communication between project staff and third parties, as well as transparency are cited as key factors in mitigating or resolving disputes and this is where collaboration software can play a significant role. Collaboration software does this by providing a comprehensive record of project correspondence and documentation, facilitating active feedback loops and updating project data in real-time.

Environmental, Social, and Corporate Governance (ESG) driven requirements: Increasingly construction firms are looking to improve their ESG performance through pursuing a range of initiatives including local sourcing, community engagement, sustainable materials sourcing, recycling and repurposing construction waste, undertaking whole-of-life carbon assessments, supply chain transparency, minimising negative impact to biodiversity, raising female participation in the workforce and supporting indigenous engagement. These initiatives require firms to track and trace resources and outputs across diverse stakeholders in a secure, reliable and efficient manner, supporting the leverage of software.

Opportunity to leverage the benefits of SaaS: The SaaS model replaces one-time licensing fees and contracts with a more affordable and recurring commitment. This pay-as-you-go approach offers Contractors greater financial flexibility. SaaS enables automated and streamlined project processes, workflows and decisions (which translate into time savings, accuracy, consistency and reduced double entry of data). It also facilitates collaboration across diverse data sets, documents and stakeholders. Bids, request reports, BIM/ Computer-Aided Design **(CAD)** drawings, project bills and other documents can be sent online in real-time. Crucially, it supports access for globally distributed users and organisations and makes possible simultaneous execution of multiple projects without overlapping workflows. By catering for users to access information, data and processes across a broad range of devices it also addresses on-the-go and work-from-home options for construction professionals. Up-to-date security features from SaaS service providers ensure project and data confidentiality. Also, scalability and software upgrades are built into the subscription model. Finally, leveraging a SaaS solution reduces the need to hire dedicate IT staff in-house for the construction firm.

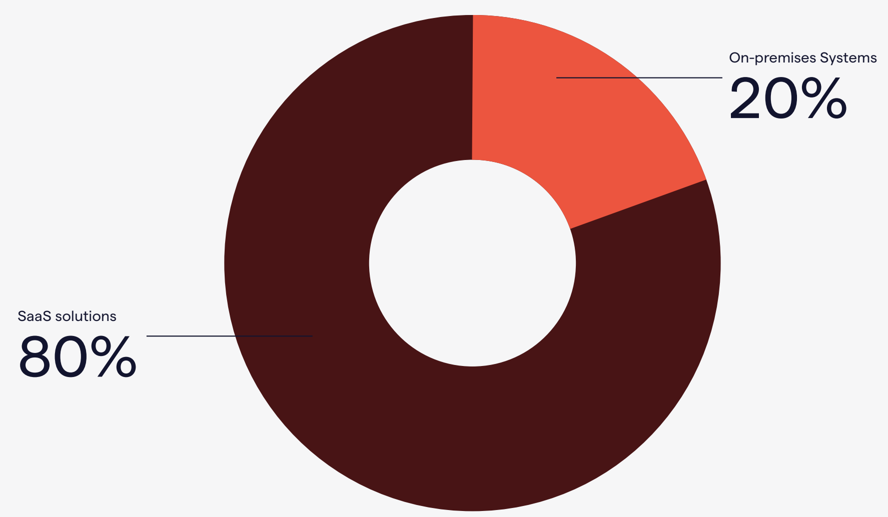
2.5 The market for Construction Collaboration Software

The market for Construction Collaboration Software is defined as total revenue for solutions providers, including licensing, subscription, maintenance and support revenue. This equates to total expenditure on these solutions by end-users.

SaaS versus on-premises: Actual market split

The Australian market is characterised by a high adoption of the SaaS based model (rather than on-premises systems), with SaaS estimated to account for 80% of Construction Collaboration Software revenue. In general, on-premises options are considered too inflexible and require extra in-house resources to maintain the system. Also, given the fragmented nature of the construction sector, with a high number of small and medium sized businesses, the affordability of SaaS makes it the preferred option. It is expected that over the long term, the SaaS model will become even more dominant.

Figure 2.7: Construction Collaboration Software, market split by deployment type, Australia, 2019



Source: Frost & Sullivan estimates

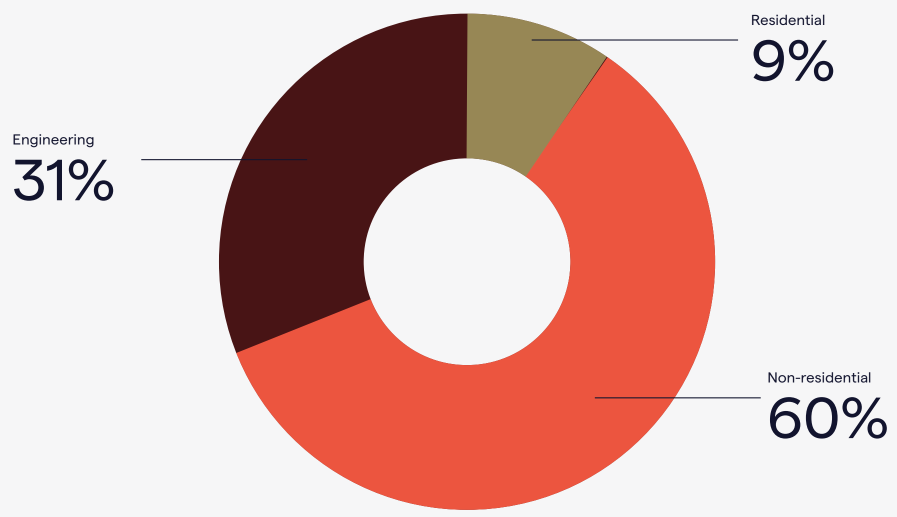
30 Global Construction Disputes Report 2020, Arcadis,

Major end-use sectors: Actual market split

Usage of collaboration software is most significant in the engineering construction segment where project complexity is highest. However, the non-residential construction sector is the largest end-market in value terms.

Construction Collaboration Software is less compelling in low-rise residential building projects. Similarly, low-rise, small commercial building projects see less uptake of Construction Collaboration Software.

Figure 2.8: Construction Collaboration Software, by end-market, Australia, 2019



Source: Frost & Sullivan estimates

* *Non-residential includes offices, retail/wholesale, warehouses, transport buildings, education, healthcare, aged care, entertainment & recreation, accommodation, religion, factories, other industrial, other commercial, agriculture & aquaculture.*
* *Engineering includes resources, utilities, transport and other.*

Total Addressable Market (TAM)

The TAM does not refer to actual market revenues but instead refers to the part of the total construction sector that is and that could potentially be customers of SaaS-based Construction Collaboration Software. Apart from current users of SaaS-based Construction Collaboration Software, this would include Contractors who currently use manual processes to share project information, who use internal installed content management systems or cloud-based generic file sharing tools. The TAM excludes that part of the total construction industry that is unlikely to become a customer of SaaS-based Construction Collaboration Software in the near future on account of their small size and inability to afford and leverage such a tool. It also excludes broader, industry-agnostic collaboration solutions that can also be used to address some collaboration use cases in the construction industry.

Assuming maximum penetration of the global construction industry by SaaS-based collaboration software, the potential market (also referred to as the TAM) is estimated at $7.20 billion in 2020. Based on the 2010 global construction activity estimate ($8,196.00 billion)[31] and the 2030 global construction forecast ($16,550.00 billion),[32] the global TAM is forecast to grow from $4.98 billion in 2010 to $10.10 billion in 2030.

Based on the above assumptions and construction output, the Construction Collaboration Software TAM for Australia in 2020 is estimated at $140.0 million.

Figure 2.9: TAM for collaboration solutions in the construction industry, Global and Australia, 2020

Parameter	Estimate	Remarks
Global construction activity	$11,850.00 billion (2020)	Frost & Sullivan estimate
Estimated maximum penetration of total construction output – Global	76% or $9,006.00 billion (2020)	To exclude residential and small scale non-residential that would not typically see a need to leverage collaboration solutions
Construction Collaboration Software proportion of project value (2020) - Global	0.08% or $7.20 billion	Frost & Sullivan estimate based on previous industry research into Construction Collaboration Software
Construction Collaboration Software TAM (2020) - Australia	$140.0 million	Frost & Sullivan estimate based on above assumptions and construction output

Source: Frost & Sullivan

31 Global Construction Perspectives & Oxford Economics, Global Construction 2025 Report
32 Frost & Sullivan

2.6 Competitive environment for Construction Collaboration Software

Key trends in the competitive landscape for Construction Collaboration Software are outlined below.

Competitive tools: Key factors providing competitive advantage in the Construction Collaboration Software market include those set out below:

- **Cloud-based solution:** The benefits of accessing technologically advanced solutions and secure storage without the customer having to invest upfront in such resources is likely to make cloud-based platforms more attractive to Contractors.
- **Core application capabilities:** The efficacy with which software modules are able to deliver promised outcomes is critical to selection and continued use.
- **Track record in the construction industry:** Platform developers with reference sites, those recommended by industry peers, and those with sales personnel who demonstrate construction industry knowledge are well positioned to grow their share of the market.
- **Technological innovation:** Platform developers with strong intellectual property pipelines and R&D investments will be able to bring to market upgrades and value-additions faster than their competitors.
- **Support and service:** Given the fact that some part of the addressable market is still more comfortable with paper-based manual processes or with generic software, platform developers will need to proactively support users with technical expertise and prompt troubleshooting.
- **Price:** SaaS-based models enjoy a clear competitive advantage over on-premises systems since they make sophisticated software accessible at affordable pricing.
- **Open application programming interfaces (APIs):** Platform developers that make it easy for customers to integrate their solution with other systems in use are more attractive than those that do not let their proprietary technology connect to the wider ecosystem of the customer.
- **Ease of use:** Platforms that are intuitive and create a positive user experience are likely to enjoy quicker uptake.
- **Security standards and policies:** Apart from the stability, redundancy, encryption and cybersecurity features required of the software platform, it is also critical that Contractors are able to leverage strong security protocols (such as settings, password access rules / permissions, password strength and activity logging).

Competitors: The table below highlights some of the Construction Collaboration Software competitors:[33]

Figure 2.10: Construction Collaboration Software, Examples of competitors,* 2020

Types of Competitors	Examples
Tier 1 market participants	Oracle, Procore, PlanGrid (Autodesk), InEight, Viewpoint (Trimble), iTWOcx (RIB Software)
Other market participants	Asite, Avetta, Beakon, Bentley Systems, Bizprac, Bluebeam, Coins, Cordell, Enstoa, EstimateOne, Hammertech, HxGN SDx Projects (Hexagon PPM), ICN Gateway, ISNetworld, Felix, Nexvia, Newforma, Pegasus, Pronamics, Rapid Global, Rave Build, Sage, Signonsite, Sitemate, Uniphi, WeBuild, Web FM and Zuuse (Payapps).

Source: Company sources and Frost & Sullivan

* *The list of competitors only includes companies with a specific focus on collaboration solutions for the Construction sector, and excludes companies offering broader/industry agnostic collaboration solutions.*

As the market has matured in different regions, there has been an increase in the number of platform developers that provide SaaS collaboration solutions for the construction sector. While a number of platform developers offer 'point solutions' that focus on a few niche use cases and offer niche features and functionality, only a few platform developers are able to offer end-to-end functionality.

33 *Examples; not a comprehensive list*

2.7 Conclusions

Despite the construction sector being slow to adopt digital tools in the past, the case for leveraging cloud-based collaboration software is more compelling today than at any other time in the past. Long term construction activity, increasing construction project complexity, construction cost pressures, the need to raise construction productivity, increased compliance and reporting obligations, the need to facilitate easier dispute resolutions, ESG-driven requirements, and the opportunity to leverage the benefits of SaaS are expected to continue driving uptake in Australia and globally.

The TAM for Construction Collaboration Software globally is estimated at $7.20 billion in 2020 and projected to reach $10.10 billion by 2030. The Construction Collaboration Software TAM for Australia in 2020 is estimated at $140.0 million.

Over the long term, the SaaS model for construction collaboration solutions is expected to become even more dominant. In addition, the construction industry will soon be looking at employing Gen Z[34] (who are generally digital natives, quick to adapt to technological changes, and with an entrepreneurial mindset). This is likely to support faster uptake of advanced collaboration tools and Construction Collaboration Software.

Disclosure

This is an independent report prepared by Frost & Sullivan. Save for the preparation of this Section and services rendered in connection with this report for which normal professional fees will be received, Frost & Sullivan has no interest in the Group and no interest in the outcome of the IPO. Payment of these fees to Frost & Sullivan is not contingent on the outcome of the IPO. Frost & Sullivan has not and will not receive any other benefits (including any commissions) and there are no factors which may reasonably be assumed to have influenced the contents of this report nor which may be assumed to have provided bias or influence. Frost & Sullivan consents to the inclusion of this report in the Prospectus in the form and context in which it is included. As at the date of this report, this consent has not been withdrawn. Frost & Sullivan does not hold a dealer's licence or Financial Services Licence. This report does not constitute advice in respect of the IPO.

34 Generation born between 1996 and 2010

Company overview

3. Company overview

3.1 Overview of Felix

3.1.1 Background

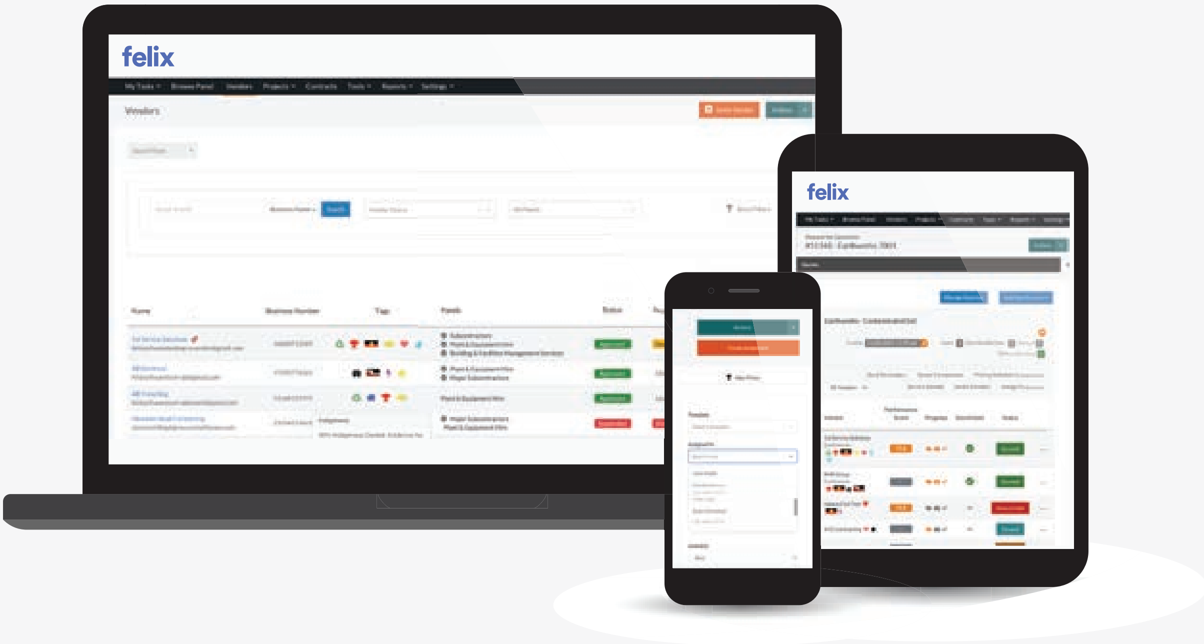
Felix is a procurement-focused enterprise SaaS and marketplace platform, connecting Contractors and their third-party Vendors in the construction and related industries.

Contractors are engaged by asset owners (e.g. Government departments, property developers, utilities companies) to deliver major projects. To execute these projects, Contractors engage third-party Vendors who deliver specific works or supply materials and equipment.

In 2012, while managing procurement on civil construction projects, Felix co-founder, Michael Trusler, identified a critical need for an online marketplace to connect participants in the construction sector and solve the myriad of inefficiencies facing the industry. This led Michael to found what was later to become *Felix*, together with the Company's current Managing Director, Mike Davis.

Felix launched its first solution, *PlantMiner* (subsequently rebranded the *Vendor Marketplace*), a cloud-based marketplace platform for the construction sector, in 2013. *PlantMiner* enabled Contractors to easily find and source quotes from relevant Vendors. Within 12 months, the platform was being used by some of Australia's largest Contractors. Following adoption of the marketplace platform, these Contractors provided feedback on how the platform could evolve into an enterprise-grade solution that enabled Contractors to better manage and engage their Vendor base. Development on this new solution commenced in 2015 and *Felix* was launched in 2017.

Figure 3.1: Users can access Felix's cloud-based solutions on any device



3.1.2 Key problems addressed by Felix

The Company has observed that the traditional systems and processes Contractors and Vendors have employed to find, manage and engage with each other are increasingly inadequate as the complexity of projects, compliance requirements and administrative burden is continually increasing.

Many Contractors still rely on basic paper, email, fax and spreadsheet-based processes to source, prequalify and manage Vendors and supply contracts, making it difficult to retain accurate Vendor and project information, remain compliant, manage their Vendors and control project costs.

Additionally, Vendor data stored by Contractors (whether manually or in an ERP system) typically cannot be accessed and updated by Vendors, increasing the risk that Vendors' data is inaccurate, out of date and/or incomplete.

Increasing legislative compliance requirements (e.g. *Modern Slavery Act 2018* (Cth)) and sustainability targets (e.g. local sourcing and female participation on construction sites) for major projects are forcing Contractors to adopt new technology solutions to ensure compliance, reduce administrative burden and assist in sourcing and engaging appropriate Vendors.

The issues faced by Vendors typically revolve around the significant challenge of accessing new opportunities to work with large Contractors, the inefficiency surrounding the bidding process and the difficultly of communicating with Contractors on projects for which they have been engaged.

Figure 3.2: Example – Multi-billion dollar infrastructure project

3.1.3 Felix's product offering

Felix's enterprise solution and *Vendor Marketplace* platform enable Contractors and Vendors to efficiently find, manage and engage each with each other.

Felix's enterprise solution enables Contractors to manage their entire supply chain, while ensuring Vendor compliance. Felix's enterprise solution digitises, streamlines and automates a large number of processes throughout the procurement lifecycle, reducing administrative burden, increasing transparency of project costs and improving corporate governance.

For Vendors, the *Vendor Marketplace* provides access to Contractors and opportunities specifically matched to their geographical location and the services or goods they offer. The administrative burden for Vendors is also reduced by the streamlining of the prequalification process.

Felix's integrated platform includes the following modules that can be licensed independently or as part of a comprehensive end-to-end solution:

- Vendor Management System (**VMS**);
- Sourcing;
- Contract management; and
- *Vendor Marketplace*.

Figure 3.3: Felix modules

Vendor Management

Seamlessly manages all tiers of Contractors' supply chains.

- Vendor self-service information management
- Semi-automated, risk-based vendor prequalification
- Comprehensive vendor database control and segmentation
- Vendor performance evaluations

Sourcing

Enables project teams to manage sourcing activities while remaining centrally documented in Felix. Tailored sourcing activities including rapid purchasing and comprehensive RFx processes, from planning to award.

- Rapid and complex sourcing
- Panel management
- Approval workflows
- Communications centre

Contracts

Stores all contracts and contract summaries in a central, secure and easily searchable repository. Contract summaries are standardised and configurable by the Contractor to capture key information, updates and variations.

Vendor Marketplace

Enables Contractors to discover new Vendors outside of their existing supply chain.

- Sophisticated requirements matching
- Detailed vendor categorisation and segmentation
- Ensures competitive pricing from bidding Vendors

3.2 History of the Group

The Group's key milestones are detailed below:

Date	Milestone
August 2012	Company co-founded by Mike Davis and Michael Trusler, who raised $850,000 of seed funding to develop an online plant and equipment rental marketplace platform
May 2013	Launched online plant and equipment rental marketplace platform *PlantMiner*
January 2015	Expanded *PlantMiner* to service subcontractors on commercial construction and infrastructure projects
October 2015	Launched enterprise SaaS platform *Procure.IT* (subsequently renamed *Felix*)
March 2016	Raised $3.7 million to fund the shift towards an enterprise strategy
April 2018	Secured first Contractor customers in commercial construction and infrastructure
May 2018	Raised $8.6 million to further develop and commercialise enterprise procurement platform *Felix*
September 2019	Signed a significant multi-year deal with one of Australia's largest construction / mining services companies
July 2020	Secured first offshore Contractors
September 2020	Rebranded *PlantMiner* as *Felix Vendor Marketplace*

Felix has previously been recognised in the:

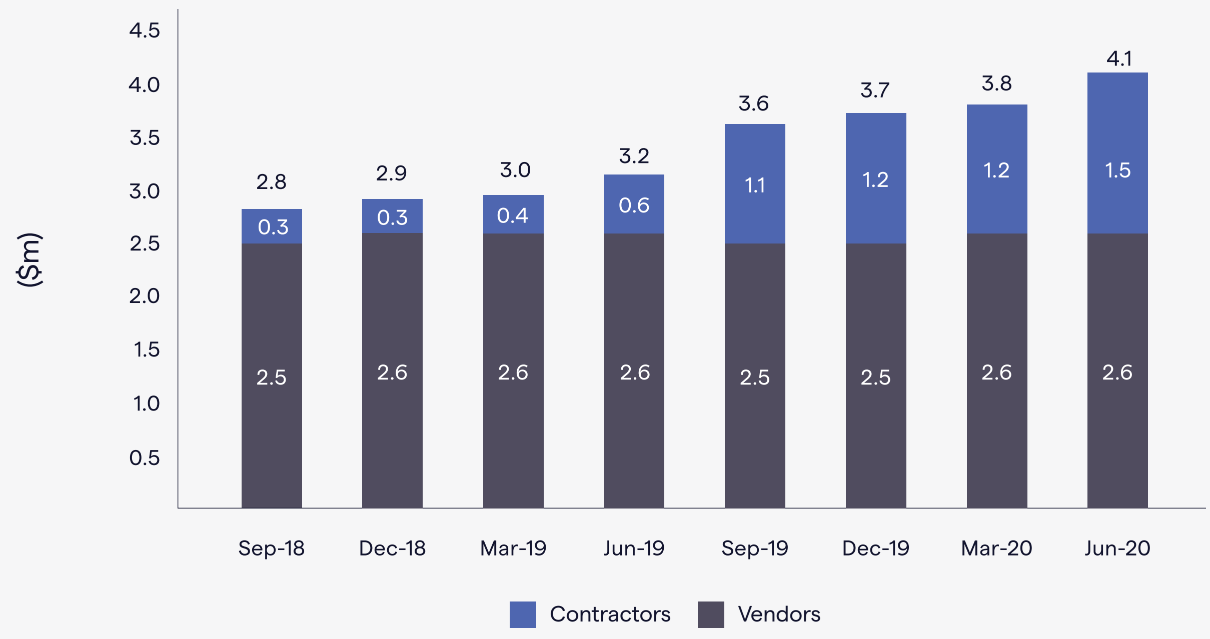
- Deloitte Technology *Fast 50 Rising Star Category;*
- Deloitte Technology *Fast 500 Asia Pacific;*
- BRW *Fast Starters*; and
- Westpac *Business of Tomorrow* - Top 20.

In 2019, Felix was a Queensland *iAward* Merit Recipient.

3.3 Business and revenue model

The Group primarily sells subscriptions to Contractors and Vendors and has subscribing customers in Australia and New Zealand. As a business-to-business (**B2B**) platform, extensive consumer advertising and marketing spend is not required to generate brand awareness.

Figure 3.4: Group Contracted ARR



Contractors

Contractors can use the *Vendor Marketplace* for free or upgrade to the enterprise solution and be charged an annual SaaS licence fee based on the number of modules they utilise and the scale of their usage (refer to Section 3.5.4 for further details). Additionally, a one-off configuration and implementation fee may be charged on a time-and-materials basis. The average contract term for Contractors as at 30 June 2020 was 26 months.

Felix's Contractor revenues (which comprised 36% of June 2020 ARR of $4.1 million) have grown on average 467% per annum over the last two financial years. The number of subscribing Contractors has increased from 8 at the end of FY18 to 15 at the end of FY19, and 24 at the end of FY20. The Company has been successful in retaining contractor accounts, with an approximate 99% total contracted ARR retention rate as at 30 September 2020[1].

A material portion of the Group's ARR relates to contracted revenues that are yet to be recognised as some Contractors are in the implementation phase of their contract which can take up to 6 months and during that period, the Company does not recognise licence fee revenue. While no Contractors have historically terminated their contracts during the implementation phase, it is possible that this may occur in the future.

The percentage of ARR that has historically related to Contractors in the implementation phase was as follows:

- 30 June 2018: 92%;
- 30 June 2019: 52%;
- 30 June 2020: 21%; and
- 30 September 2020: 20%.

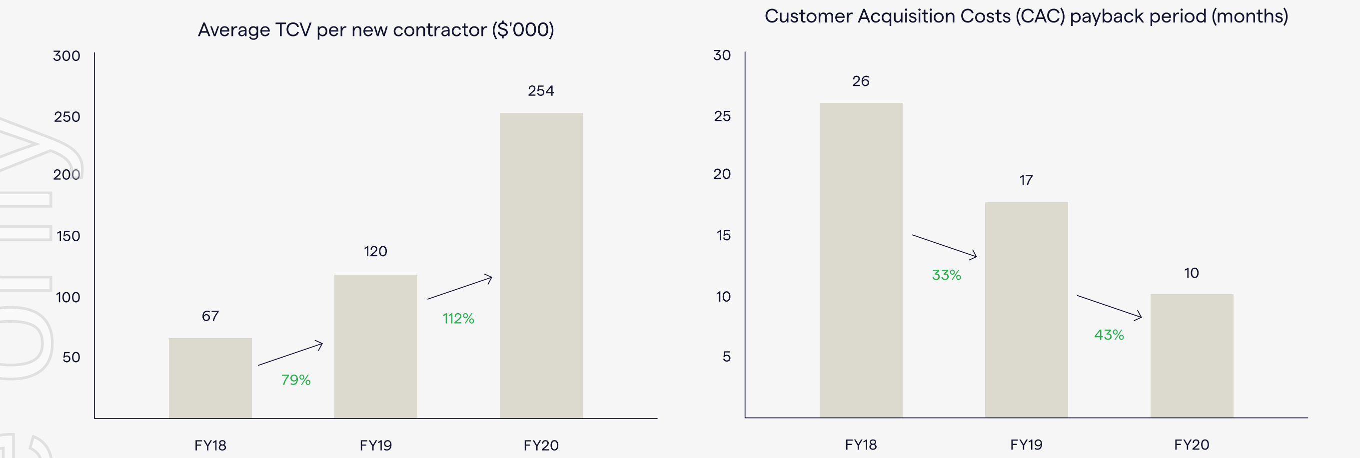
With the platform maturing and the value proposition increasing with ongoing platform development, this has resulted in a significant increase of the size of contracts won. Between FY18 and FY20, average Total Contract Value (**TCV**) per new Contractor increased by approximately 279%, from $67,000 to $254,000. This increase has contributed to the CAC payback period decreasing by over 60% from 26 months in FY18 to 10 months in FY20.

Additionally, as at 30 October 2020, the Company had approximately 200 Contractors in its pipeline[2]; these prospects include multi-billion dollar Contractors across government, construction, utilities, mining and facilities management.

1 *The contracted ARR retention is calculated by comparing the contracted ARR of Contractor customers as at 30 Sep 2019 with the contracted ARR of the same customers as at 30 September 2020.*

2 *A prospective customer is added to the pipeline after a sales representative has had discussions with the customer, validates the prospect and adds key details such as customer representative names and titles, modules required, sector and number of estimated users, into Felix's deal management software.*

Figure 3.5: Historic Average TCV per new Contractor and CAC payback period



Vendors

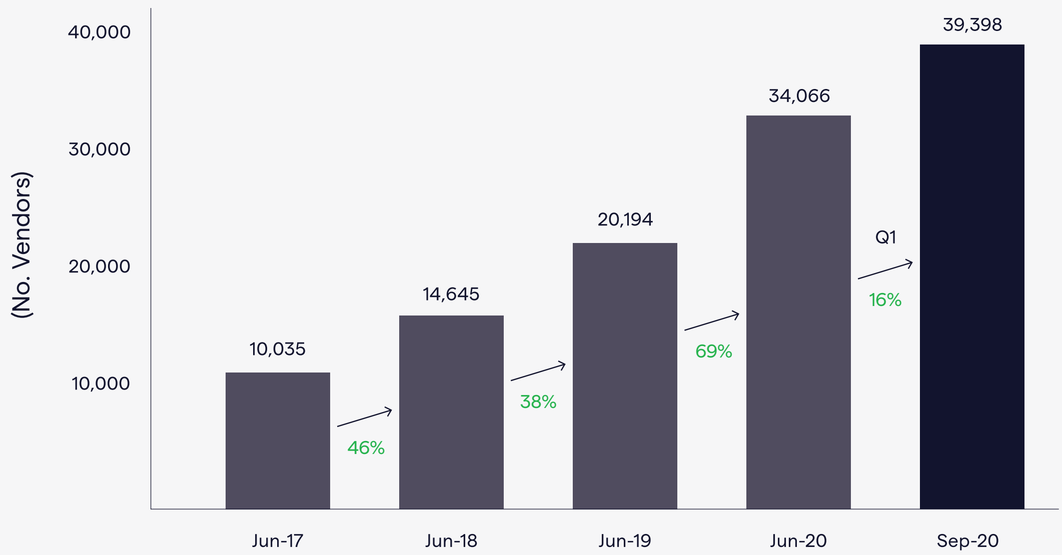
Vendors are able to use *Felix* for free to engage with Contractors who have engaged with them through the platform. However, by upgrading to a monthly or an annual subscription, Vendors can create a public profile and receive further business opportunities through the *Vendor Marketplace*.

Vendors are charged a subscription fee that is either based on the size of their fleet for equipment rental companies or the target dollar value of work they are seeking for subcontractors. As at 30 June 2020, 1,238 Vendors had subscribed out of a total 34,066 Vendors using the platform.

Felix is in the process of developing new modules, such as a centralised *Prequalification* Wallet and *Pre-qualification Passport* in order to drive further Vendor subscriptions. There is an opportunity to materially grow the size of the *Felix* Vendor network with further platform development and through by winning new Contractors. It is estimated that there are over 380,000 Vendors in Australia which presents a significant opportunity for Felix to continue to grow its Vendors base[3]. Additionally, there is an opportunity for Felix to increase the number of paying Vendors as its value proposed increases through the release of new modules. Refer to Section 3.7 for further discussion.

Risks surrounding the business model are discussed in Section 4.

Figure 3.6: Size of *Vendor Marketplace*



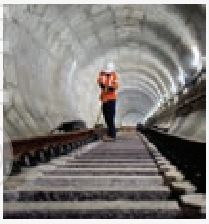
3 *Businesses in the Australian construction industry (ABS 2017-18).*

3.4 Major Contractors

Felix's customers include leading Australian Contractors across the construction and related industries. Felix is often selected over competing platforms following extensive selection and due diligence processes.

Selected client profiles

Below is a cross-section of Felix's Contractors across a range of sectors:



Client 1

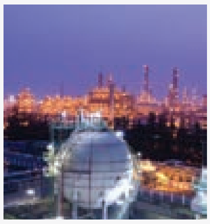
- Type: Engineering, Construction & Asset Maintenance
- Footprint: Australia, South-East Asia
- Customer since: Sep 2019
- Vendors: 8000
- Felix modules:
  - Vendor Management

Client 2

- Type: Engineering & Construction
- Footprint: Australia, NZ, South East Asia
- Customer since: May 2019
- Vendors: 2500
- Felix modules:
  - Vendor Management
  - Sourcing
  - Vendor Marketplace

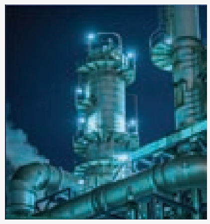
Client 3

- Type: Construction & Maintenance
- Footprint: Australia
- Customer since: Dec 2019
- Vendors: 1000
- Felix modules:
  - Vendor Management
  - Sourcing
  - Vendor Marketplace



Client 4

- Type: Engineering, Procurement, Construction & Maintenance (EPCM)
- Footprint: Australia, USA, Canada
- Customer since: Feb 2019
- Vendors: 5000
- Felix modules:
  - Vendor Management
  - Sourcing



Client 5

- Type: Pipeline Contractor
- Footprint: Australia
- Customer since: Jan 2019
- Vendors: 500
- Felix modules:
  - Vendor Management

Selected project example

Case study: Major Infrastructure Project

Size	Packages	
$6.7b	~2,500	
Duration	**Construction zones**	**Procurement staff**
5+ years	5	60

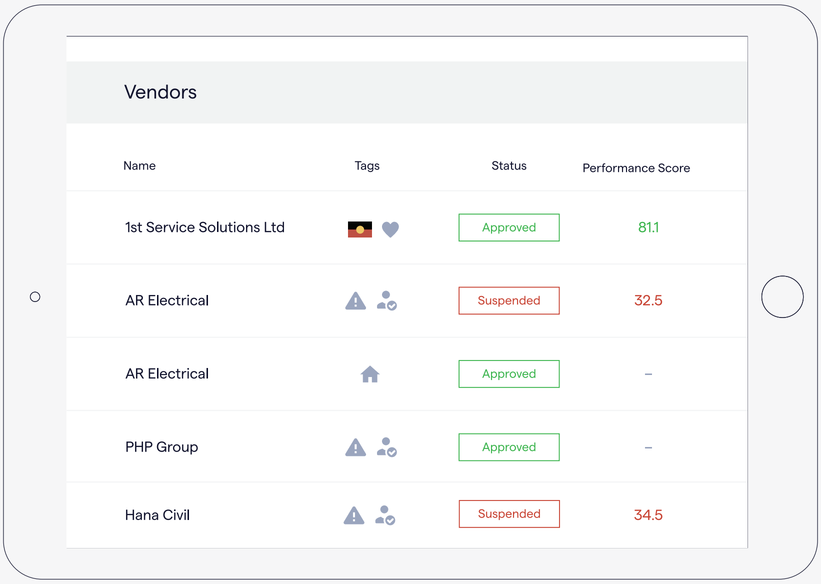
"Felix provides real-time visibility of what stage the procurement process is at, from who is waiting on approvals to the visibility of all documents and analysis."

– Head of Procurement & Contracts

3.5 The Felix core platform modules

3.5.1 Vendor Management System (VMS) module

Figure 3.7: VMS module features

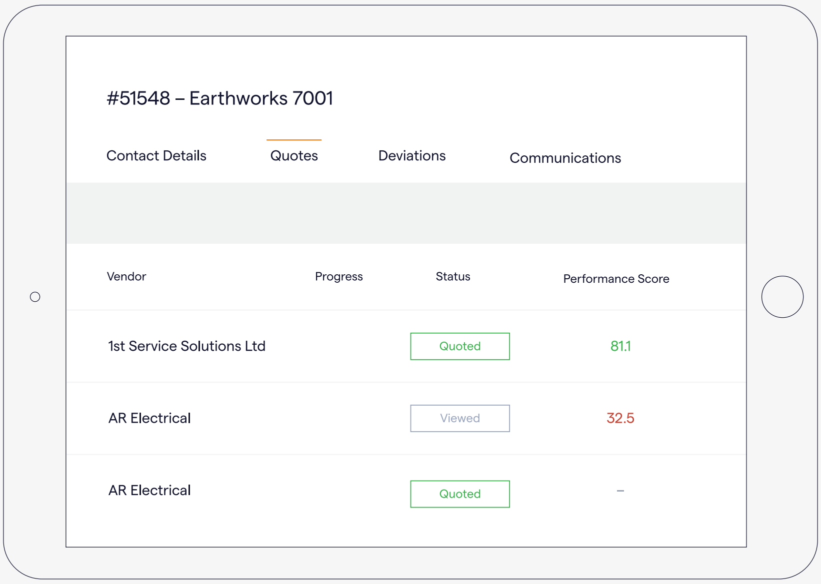


The VMS module comprises the following features which enable Contractors to effectively manage all aspects of their supply chain. Contractors are able to invite (and many mandate) their entire supply chain of Vendors to join the *Felix* platform. The VMS module offers the features below to Contractors.

- *Vendor self-service data management* - enables Vendors to manage their own data, reducing the administration burden on Contractors while ensuring that data is complete, accurate and up to date.
- *Risk-based Vendor prequalification* - allows Contractors to capture the necessary information from Vendors to facilitate prequalification, including onboarding questionnaires which are tailored for different risk categories of Vendors. Approval workflows automatically ensure that relevant stakeholders within the Contractor organisation are engaged in the process to prequalify Vendors.
- *Comprehensive Vendor database* - comprehensive supply chain data to facilitate the selection of appropriately qualified Vendors.
- *Vendor performance evaluations* - review and feedback tool enabling Contractors to provide prompt feedback to Vendors.
- *Vendor history and documentation* - provides a repository of all Vendor interactions and documentation (e.g. financial information, risk assessments, meeting minutes, etc.).

3.5.2 Sourcing module

Figure 3.8: Sourcing module features

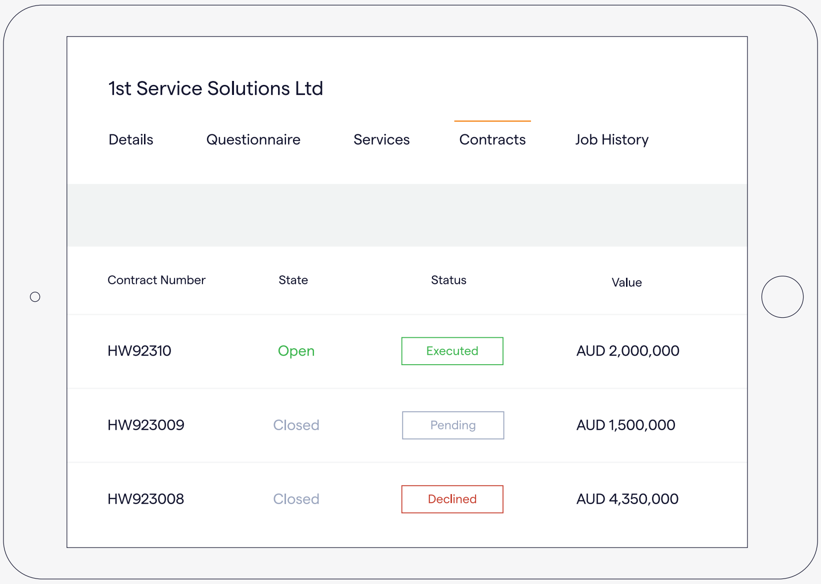


The Sourcing modules enables sourcing activities to be centrally managed and documented in *Felix*. It also facilitates a variety of sourcing activities, including rapid purchasing and comprehensive RFx processes, from planning to contract award. Key features are set out below.

- *Rapid and complex sourcing* - enables fast and informed purchasing decisions within spending limits through rapid Vendor searches by category and location. This module also facilitates greater cost control and transparency over Vendor spend and contract adherence.
- *Projects* - streamlines complex bidding processes, allowing Contractors to manage their bids from submission to award. It also provides Vendors with a single location to access bid package details, files and communications to simplify the bid submission process.
- *RFQ builder* - facilitates the release of Requests for Quotations (RFQs) based on location or category of goods and services and triggers various evaluation and approval processes with the relevant Contractor personnel, enabling control and visibility over high-risk projects with complex requirements.
- *Compare and track* - enables Contractors to build or import detailed pricing schedules to compare complex bids from Vendors and track Vendor bid progress for every sourcing event. *Felix* has a detailed comparison tool to compare bids and track progress against key criteria.
- *Communications centre* - enables complete management of all Requests for Information (RFIs), notices to tenderers and related documents in a centralised location, keeping all stakeholders informed throughout the project.

3.5.3 Contract management module

Figure 3.9: Contract management module features

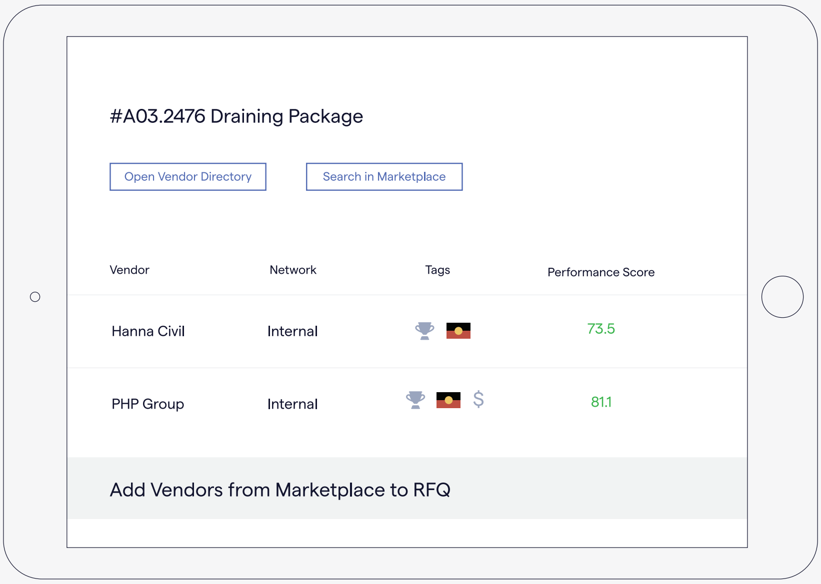


The *Felix* platform serves as a system of record for Contractors' projects. As the number of projects each Contractor manages on the platform grows, so does the amount of data that the platform securely holds. Consequently, Contractors are incentivised to maintain their subscriptions following completion of a project. Features include:

- *contract repository* - a single, centralised facility to securely store, search and manage contracts, as well as generate contract reports; and
- *contract summaries* - enables Contractors to quickly review key terms and data of existing contracts. These summaries are standardised and configurable by the Contractor to capture key contract information, updates and variations.

3.5.4 Vendor Marketplace

Figure 3.10: *Vendor Marketplace* module features



Vendor Marketplace provides Contractors with access to a free online platform to quickly find and source quotes from a marketplace of Vendors.

The subsequent development of the Company's enterprise solution also enabled Contractors (who paid to upgrade) to prequalify and source from their own database of approved Vendors who they invited to join the *Felix* platform. Vendors invited by Contractors to the *Felix* platform (joining the platform typically being made mandatory by Contractors) are automatically added to the *Vendor Marketplace* (unless they opt-out). This has resulted in the significant growth of the *Vendor Marketplace*. In September 2020, the *Vendor Marketplace* was integrated into the enterprise solution as its own module to enable Contractors to concurrently source from their existing Vendor database as well as other Vendors in the *Vendor Marketplace*.

Subscribing to the *Felix* platform allows Contractors to strengthen their supply chain and build capability for new projects in new locations. Vendors identified through the *Vendor Marketplace* already have *Felix* accounts and are therefore familiar with the *Felix* platform. Additionally, Contractors can quickly source, select and prequalify Vendors, while benefiting from a competitive bidding process.

Felix has begun to build interest and demand for the *Vendor Marketplace* integration with the enterprise solution by including it with existing licences to Contractors and plans to further monetise access to it in the medium term.

For Vendors, the *Vendor Marketplace* provides a unique free marketing channel where they can be discovered and engaged by existing *Felix* Contractors. Vendors who upgrade to a paying subscription receive a public profile and receive business opportunities from additional Contractors who are using the *Vendor Marketplace* but are not paying enterprise customers.

3.6 Other products and services

Vendor Optiqual™

Felix recently released *Vendor Optiqual*™, a prequalification framework designed for Contractors to optimise their understanding and visibility of their supply chains. Specifically, *Vendor Optiqual*™ is a preconfigured Vendor prequalification questionnaire and service categorisation template for Contractors to manage the compliance of their supply chain.

Vendor Optiqual™ has been designed based on the Company's experience working with leading Contractors and incorporates components from internationally-recognised prequalification standards PAS 91 and PAS 7000.

Prequalifying supply chains through the *Vendor Optiqual*™ framework allows Contractors to reduce administrative time by implementing an off-the-shelf Vendor prequalification and service categorisation solution, while managing supply chain risk by ensuring the level of prequalification of each Vendor is appropriate based on their risk category.

Product development

Felix is continuously investing in research and development to extend the Group's product range and capability. The Group's current *Felix* platform is the result of continuous product refinement over the last seven years from feedback and direct engagement with numerous stakeholders in Felix's target industries.

The Group aims to provide its services using a '*Continuous Delivery*' methodology which allows it to release software updates multiple times per week and respond rapidly to any software issues which may emerge. This differentiates Felix from some competitors who deploy updates according to fixed, predetermined intervals. Customers receive automatic upgrades, allowing improvements and expanded functionality within licensed modules to be made available instantly.

System implementation

While the *Felix* platform can be rapidly deployed remotely in a standard configuration, the Group has a team of project delivery managers available to configure the platform to meet a Contractor's specific needs, if required.

The Group delivers customer projects according to '*Agile Project Methodology*', which breaks a project into discrete phases and delivers value early in iterative cycles of continuous improvement and ongoing collaboration with stakeholders.

Training

Felix provides training to Contractors as a standard inclusion as part of the new Contractor implementation phase. Ongoing training is also provided based on Contractors' requirements.

Support

Felix includes support services to all users which is coordinated out of the Company's head office in Hendra, Queensland.

The Group also provides an extensive library of online self-help resources in Felix's Help Centre. The Help Centre comprises written and visual guides, troubleshooting articles and system status information for both Vendors and Contractors.

3.7 Growth opportunities

The Group is focused on becoming the market-leading procurement and marketplace platform for the commercial construction and related industries in Australia and other key international markets.

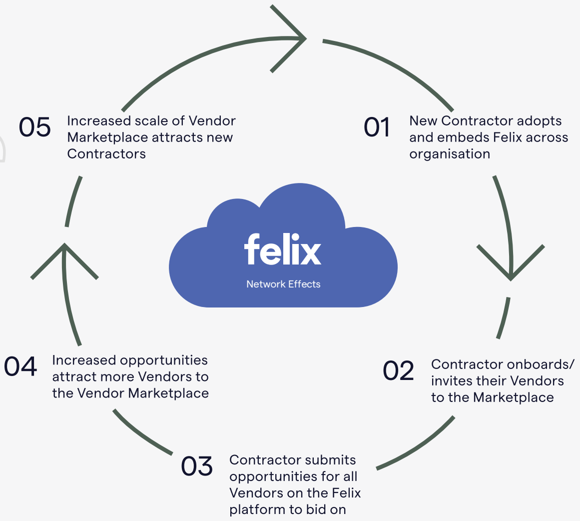
The Group has identified the key opportunities below to drive further growth.

Increase number of Contractors and ARPU

The Company has a pipeline of approximately 200 Contractors[4]. Ongoing conversion of the pipeline into subscribing customers represents a significant opportunity to increase contracted ARR and grow the *Vendor Marketplace*. This occurs due to new Contractors joining the *Felix* platform usually inviting their Vendor database to join the platform. As the scale of the Vendor network increases, the *Felix* platform's value proposition becomes more compelling for existing and prospective Contractors seeking to engage with Vendors. Likewise, as each new Contractor joins the platform, the value proposition for Vendors already on the platform to subscribe for access to the *Vendor Marketplace* increases. Vendors who join the *Felix* platform following invitations from Contractors are 'acquired' without any direct acquisition costs being incurred.

4 *A prospective customer is added to the pipeline after a sales representative has had discussions with the customer, validates the prospect and adds key details such as customer representative names and titles, modules required, sector and number of estimated users, into Felix's deal management software.*

Figure 3.11: Network effects of Felix



Felix creates increasing value for Contractors and Vendors as it continues to scale

- Increases value proposition
- Decreases customer acquisitions costs
- Increases customer 'stickiness'
- Increases margin

There is also a significant opportunity to grow ARPU by licensing more modules to existing Contractors and by scaling platform usage through additional functional departments of Contractors and through use on additional projects (including offshore).

The Group has a history of existing customers increasing their annual spend by licensing additional modules and increasing their usage metrics. The Company achieved 51% ARPU growth during FY20[5]. Furthermore, Felix's Contractor subscription ARR increased from approximately $0.2 million as of 30 June 2018 to approximately $1.5 million as of 30 September 2020.

Vendor prequalification

The Company has identified an opportunity to improve the industry's existing Vendor prequalification practices.

The typical manner in which Vendors demonstrate their qualifications and compliance credentials to Contractors is highly manual and involves a significant level of duplication, with Vendors supplying the same information repeatedly to different Contractors as well as to different project managers within the same Contractor organisation.

Additionally, Contractors typically use bespoke prequalification processes, which means that Vendors must tailor and reconfigure their applications for each Contractor / project. This makes Vendor prequalification unnecessarily burdensome and slow for both Contractors and Vendors.

The Company identified an opportunity to solve this problem by providing a solution that:

- enables Vendors to enter and store their prequalification information once in a secure, central location;
- 'Prequalifies' Vendors once based on internationally-recognised standards; and
- provides Contractors with access to a prequalified *Vendor Marketplace*.

The recently released *Vendor Optiqual*™ product which standardises and streamlines Vendor prequalification and service categorisation for Contractors, represents an important milestone in enhancing the Vendor prequalification process.

Further platform development

Through continued investment in research and development, the Group continues to expand the *Felix* platform by deepening the capability of existing modules and releasing new modules. Such development creates immediate opportunities to win new customers due to the platform's enhanced value proposition. Additionally, it also presents an opportunity to increase ARPU by upselling new features to existing Contractors.

5 *Calculated by comparing 30 June 2020 ARR to 30 June 2019 ARR.*

The Company is currently planning to develop the modules below.

- **Individual Compliance** which will enable Contractors to manage licences and qualification information from Vendors at the individual worker level, providing greater value for Contractors who don't utilise a dedicated workforce / site management solution.
- **Prequalification Wallet** which will centrally manage prequalification data for Vendors and automatically populate prequalification forms when Vendors are invited to prequalify to a Contractor organisation. This will streamline the prequalification process for Vendors.
- **Prequalification Passport** which will provide validation of the data and information in the Vendor *Prequalification Wallet* (such as ABN, insurance and banking information). Validated Vendors will be highlighted as being validated on the Vendor profile in the *Vendor Marketplace*. This will provide an increased level of quality assurance to Contractors who are looking to quickly find and engage with new Vendors.
- **Individual Profiles** which will extend *Prequalification Wallet* to the Vendor's individual employees. This will assist Vendors' employees manage their prequalification centrally.
- **Project Benchmarking** which will provide Contractors to manage and report against mandatory benchmarks such as sustainability and participation targets for major projects. This is expected to drive asset owners to mandate the use of *Felix* by their Contractors.

Monetisation of Vendor network

The adoption of the *Felix* platform by leading Contractors is rapidly growing the scale of the *Vendor Marketplace*. The release of additional platform modules for Vendors will provide an opportunity for the Company to increase the subscription penetration of Vendors.

Expansion into related sectors

In order to extend the Company's industry focus beyond commercial construction and infrastructure, Felix has recently entered other industries such as Government, utilities, mining and resources and facilities management. The Company has had early success in these sectors, with cornerstone Contractors won in each of these segments. The Company is continuing to focus on expanding its customer base within these sectors.

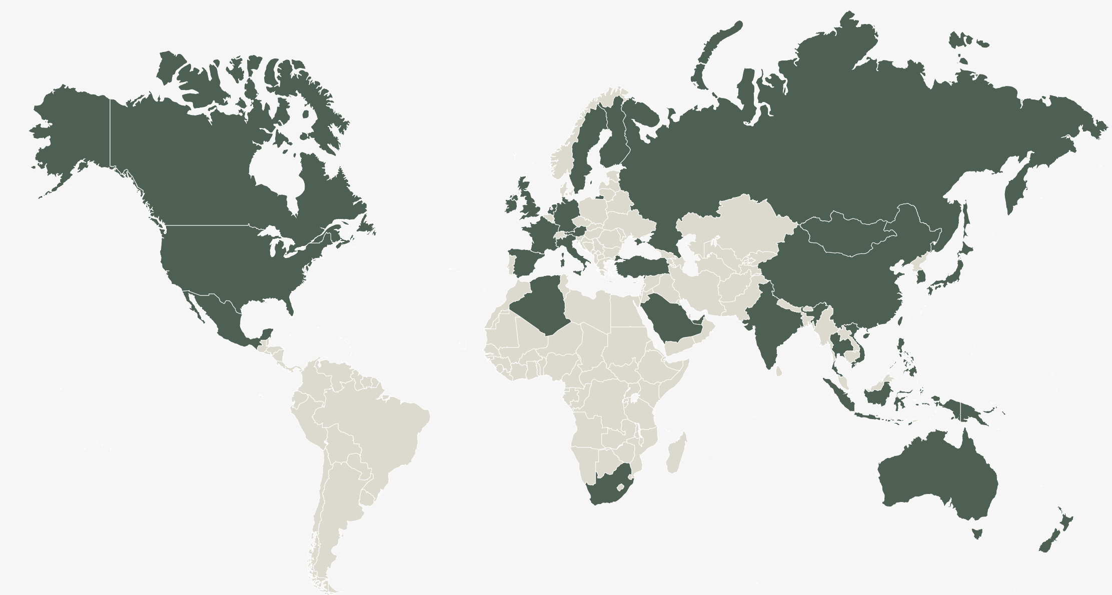
Expand into selected international markets

The Company believes there is a significant opportunity to expand into larger international markets. In 2021, the Company is aiming to secure its first Contractors outside of Australia and New Zealand.

Large existing Contractors with global supply chains are using *Felix* on international projects. This has led to the organic international growth of the *Vendor Marketplace* (without the Group focusing on offshore markets). As of 31 August 2020, the Company had Vendors located in 42 countries outside of Australia, with more than half of these Vendors based in the US.

International Vendors are yet to be monetised but the growing international *Vendor Marketplace* is expected to assist in securing offshore Contractors.

Figure 3.12: Geographical footprint of *Vendor Marketplace*



3.8 Strategic plan

The Company has developed a strategic plan that focuses on three key phases to maximise growth of the business. The three key phases are set out below.

Phase 1: Establish platform (Completed)

The Group has invested approximately $15 million into its technology platform. This has enabled it to secure contracts with major Contractors, develop growing revenue streams and drive exponential growth of its *Vendor Marketplace*.

The Group is now focused on executing Phase 2.

Phase 2: Accelerate growth (Current focus)

The Group is targeting a Contractor base of 45 Contractors and a Vendor network of 60,000 Vendors. Achieving such a target will be driven by securing approximately 10% of its existing Contractor pipeline as customers. The growth in Contractors on the platform will drive an increase in Vendor numbers. Once the Vendor network has achieved this size and after completing the development of the planned Vendor prequalification modules, the Company believes that it will be in a strong position to further monetise the *Vendor Marketplace* in Phase 3.

Phase 3: Monetise Vendors (Future focus)

During this phase of its growth, the Group plans to introduce a new, cheaper subscription model. This combined with the enhanced value proposition from the release of addition modules is expected to enable the Group to increase its subscription rate of 3.6% (1,238 Vendors) as of 30 June 2020 towards a target subscription rate of 30% of the *Vendor Marketplace*.

The proposed new revenue model for Vendors will be based on a starting subscription price of $49 per month. This will provide Vendors with access to the *Prequalification Wallet* and *Passport* modules in addition to the current subscription package, which includes lead generation and a public profile page.

The Group is targeting 100,000 Vendors in the Vendor Marketplace during this phase, which will result from further growth in its Contractor base.

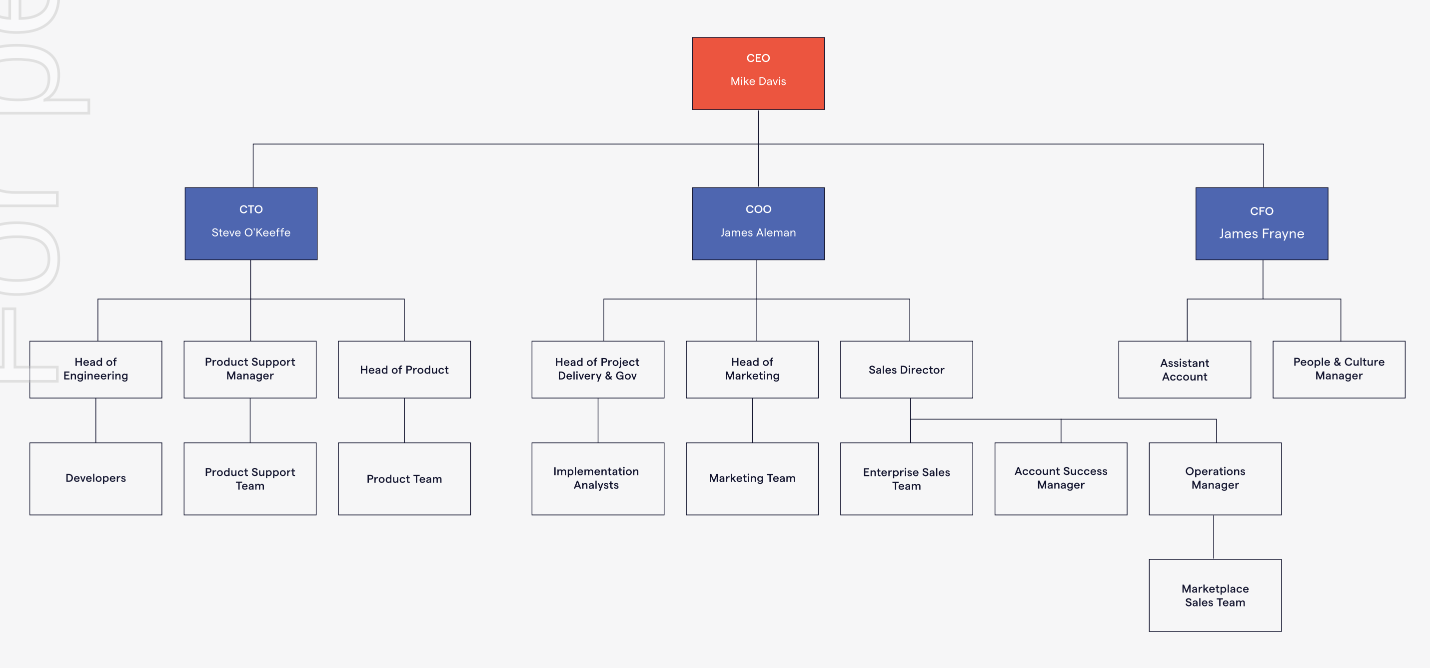
3.9 Business operations

The Group operates out of its headquarters in Hendra, Queensland.

As at 31 October 2020, the Company employed 48 full time staff (including the Executive Director, Mike Davis).

Below is the Group's organisation structure diagram.

Figure 3.13: Group organisation structure



3.10 System and security

Infrastructure

The Group's technology platform and ecosystem are underpinned by a substantial investment into enterprise-grade infrastructure and security.

The Group's cloud hosting infrastructure is provided by AWS, a division of Amazon.com, Inc. (NASDAQ:AMZN). AWS provides industry-leading managed services for hosting, storage and security, making it particularly suitable for enterprise SaaS products.

The *Felix* platform consists of a collection of applications (mainly arranged by account type) and services (for communications, authentication, etc.) that are deployed through its proprietary platform.

Read-only replica databases are used for heavy querying and reporting functions to minimise load on the main database.

Documents are encrypted and stored securely in AWS' 'Simple Storage Service'.

Automated processes ensure regular database backups including provision for a full disaster recovery scenario where AWS is completely unavailable. Additionally, a five minute restore point is generated for active databases if the Company needs to roll-back a routine change immediately.

The *Felix* platform has various redundancy measures built-in to prevent application outages, even in the event of individual systems or services failing. This has enabled Felix to exceed its targeted availability ("system uptime") of 99.98% as required by its enterprise service level agreements with Contractors.

The platform is prepared for scale by employing 'load balancers' to spread user demand across its infrastructure.

Platform security

The *Felix* platform has been designed, developed, deployed and supported according to the Company's Information Security Management System (ISMS) that has been implemented in accordance with the International Standard for Information Security, ISO/IEC 27001. Felix is working toward full ISO27001 accreditation, which is due for completion in 2021.

Felix provides all users with end-to-end industry standard encryption for their data. Additionally, the Company works closely with Contractors to understand evolving market expectations and runs a continuous process of security testing and patching activities.

3.11 Competitive advantages

The global market for construction collaboration software is significant and growing and the Company believes it has a number of advantages that set it apart from its competitors.

Integrated solution

The Group offers an integrated suite of modules across Vendor management and sourcing activities. This sets it apart from solutions that are focused on a particular function, such as estimating or contracts.

SaaS from day one

Built from the ground-up as a cloud-based application, the Group is unencumbered with the types of technical and functional legacies common in older and more established competitors who have started with large scale, on-premises implementations.

The *Felix* platform was built as a SaaS-based, scalable, secure platform, designed to allow rapid release of software updates and efficient use of computing resources. Contractors benefit from a lower cost of ownership and rapid deployment, without the time and expense of purchasing, installing and maintaining software and/or specialised hardware.

Commercial construction expertise

The Group has collaborated closely with industry-leading organisations to ensure the *Felix* platform is tailored to the needs of the commercial construction and related industries with a strong reliance on high-risk, subcontractor-focused supply chains. The Company believes it effectively competes against larger competitors by providing a solution that has been developed specifically for the commercial construction and related industries and which can be implemented more rapidly and at a lower cost.

Additionally, Felix is acknowledged as a thought leader in the construction industry. Felix's blog, which is used by the industry to follow construction project news and gain insights into construction technology, was ranked the second most popular construction sector blog in Australia in November 2020[6].

6 *Feedspot: Top 10 Australian Construction Blogs and Websites to Follow in November, 2020 (https://blog.feedspot.com/australian_construction_blogs).*

Ease of use

The *Felix* platform is designed to be easy to learn and use for a range of user types, from sole-trader Vendors to the procurement managers of large Contractors. The Company believes that enabling teams to complete complex workflows and consume critical project data from the jobsite through an intuitive User Interface (**UI**), helps to make projects and Contractors' operations more efficient. Additionally, the *Felix* platform's ease of use increases user adoption and lowers rollout and support costs.

The *Felix* platform utilises a modern UI to create a familiar and intuitive User Experience (UX). Additionally, the *Felix* platform is built entirely as a mobile-responsive application, meaning that the software can be accessed on any device (e.g. phone, tablet, desktop) without the need for installing a separate application – all that is required is access to a standard web browser.

Help resources as well as the Group's dedicated Product Support team are readily accessible to each user.

The Company believes that the COVID-19 pandemic has accentuated the need for supply chain risk management software and cloud-based technology to enable organisations to continue running effectively while their teams are working remotely. As the *Felix* platform is designed to be easy to use, existing customers were able to seamlessly manage procurement operations while their teams were working remotely during COVID-19.

Integrates seamlessly with other business applications

The Group's suite of solutions enables Contractors to integrate the *Felix* platform with other third-party applications in their existing software ecosystem. These applications may include ERP, project management and document management platforms.

In response to demand from early Contractors for integrations with their ERP software and document management systems, the Group provided bespoke integrations according to customer specifications. More recently, Felix has launched a standardised application programming interface (**API**) suite and plans to licence it as an additional module in the core platform.

3.12 COVID-19

Although existing customers have benefited from Felix's easy to use platform while working remotely during COVID-19, the pandemic has had a dampening effect on the conversion of existing pipeline Contractor opportunities into customers as a result of construction sector uncertainty.

Despite the above, the Group's early stage pipeline has grown as COVID-19 has enhanced the value proposition of the Group's supply chain risk management and cloud-based remote workflow solutions.

Risks

4. Risks

This Section describes the potential risks associated with Group's business and risks associated with an investment in the Shares. It does not purport to list every risk that may be associated with an investment in the Shares now or in the future, and the occurrence or consequences of some of the risks described in this Section are partially or completely outside the control of the Group, its Directors and senior executives.

The selection of risks has been based on an assessment of a combination of the probability of the risk occurring and impact of the risk if it did occur. The assessment is based on the knowledge of the Directors as at the date of this Prospectus, but there is no guarantee or assurance that the importance of different risks will not change or other risks will not emerge.

There can be no guarantee that the Group will deliver on its business strategy, or that any forward-looking statement contained in this Prospectus will be achieved or realised. Investors should note that past performance is not a reliable indicator of future performance. Furthermore, no assurances or guarantees can be given by the Group as to the future profitability of Felix, payment of dividends, return of capital, investment returns or the market price at which the Shares may trade on ASX. To that extent, as with any equity investment, substantial fluctuations in the value of an investment may and often do occur.

Given the nature of the Group's business, its stage of development and the risks identified in this Prospectus, investing in the Shares involves a high degree of risk and should be regarded as speculative.

Before applying for Shares, you should satisfy yourself that you have a sufficient understanding of these matters and should consider whether Shares are a suitable investment for you, having regard to your own investment objectives, financial circumstances and taxation position. If you do not understand any part of this Prospectus or are in any doubt as to whether to invest in the Shares, it is recommended that you seek professional guidance from your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser before deciding whether to invest.

Prospective investors should be aware that this is not an exhaustive list of the risks associated with an investment in Felix and should be considered in conjunction with other information disclosed in this Prospectus.

4.1 Specific risks

4.1.1 Customer acquisition and retention in COVID-19

The COVID-19 pandemic was unexpected and has had a devastating impact around the globe. The pandemic is a global political, economic and humanitarian crisis on a scale not recently experienced. The Group cannot predict with any certainty, nor can anyone else, when life may progressively return to normal in the future. It is also impossible to predict with certainty the short, medium or long-term impact on Australia and other countries around the globe.

Specifically, this pandemic may lead to a significant reduction in the volume and value of active or planned infrastructure and commercial construction projects. This may directly result in a worsening of the financial performance and position of the Group's customers leading to the cancellation or non-renewal of existing enterprise SaaS contracts and a decreased ability to secure new enterprise SaaS customers.

Additionally, Contractors and Vendors enter service contracts to utilise the *Felix* platform. The term of these contracts are typically between 2 and 3 years for Contractors and monthly or annual contracts for Vendors but in some cases can be cancelled by the Contractor or Vendor on short notice. The Group's revenues and earnings would be adversely impacted if a material segment of the Group's customer base were to terminate their contracts early and cancel their paid subscriptions. This could occur, for example, due to a shift to a competitor's product or Felix no longer meeting their users' needs.

The Group's ability to increase its customer base is likely to be subject to limits and there is a risk that a failure to implement, or implement successfully, some or all of the strategies detailed in this Prospectus for growth of customer numbers, could adversely affect the Group's operating and financial performance. The ability of the Group to implement and achieve these strategies may be impacted by COVID-19 and is dependent on its ability to continue to demonstrate value in the platform to customers and users on an ongoing basis.

4.1.2 Customer acquisition and retention with falling GDP and negative economic growth

Felix's core Vendor management solution is tailored to the needs of the commercial construction and infrastructure projects sectors. As such, economic trends such as a continued contraction in GDP and negative economic growth (as experienced during the March and June 2020 quarters in Australia and other countries) are likely to negatively affect the commercial construction and infrastructure sectors. This would likely adversely affect the Group's business by reducing the number of new construction projects being undertaken that the Group may service or target to service. Downturns in the commercial construction and infrastructure projects sectors could result in reduced sector activity and spend. This would adversely impact the Group's revenues and financial performance due to the likely downward pressure on the subscription prices that Felix can realise or charge, a reduction in the number of paid subscriptions and/or lower growth or demand in paid subscriptions.

4.1.3 Competition

Although Felix has a relatively unique offering in the market, the markets in which the Group operates are competitive and are subject to increasing competition from companies in Australia and throughout the world. There is, and can be, no assurance that the competitive environment will not change adversely due to changes in government regulations, actions of competitors or changes in customer preferences.

The Group's financial performance and operating margins could be adversely affected by new market entrants or by existing competitors becoming more effective (e.g. by improving their product offering or value proposition). The Group cannot predict the timing and scale of its competitors' actions or whether new competitors will emerge in its markets. Specifically, if an existing, well established procurement platform provider were to develop an innovative feature which materially improves its software and user experience, this could materially affect the Group's ability to grow its revenues and profitability and may reduce the value of an investment in the Shares.

4.1.4 Customer concentration risk

Approximately $500,000 of the Group's sales revenue is generated annually from one customer, which accounted for approximately 14% of the Group's sales revenue for FY20[1]. Despite this customer signing a multi-year agreement, there is no assurance that they will continue to operate their business at all or to the same extent, as it is subject to its own business and market risks.

The Group's financial performance and financial position would be adversely impacted if it were to lose this customer.

4.1.5 Product selection and development

In order for Felix to continue to generate and increase revenue, it must assess and identify products that appeal to its current and prospective customer base. Any misjudgements in demand for products or changes in customer or user preferences or behaviours could result in reduced revenues and lower gross margins. In addition, existing and future products may encounter development or performance issues, rendering them difficult or impossible to sell, which could have a material adverse impact on the Group's reputation and financial performance.

4.1.6 Unforeseen expenditure and future funding

While the Directors believe that the Group will have sufficient funds after Completion of the Offer to meet all of its growth and capital requirements for at least the next 24 months, the Group's capital requirements depend on numerous factors. Given that the Group is currently in a growth phase and focused on growing revenues rather than profitability, it is expected that the Group will need to raise further capital in the future. Additionally, the Group's ability to generate income from its operations and the cost or timing of achieving its growth objectives may be different from that expected resulting in the Group needing to raise additional capital in the near-term or earlier than expected. There can be no assurance that the Group will be able to raise such capital on favourable terms or at all. Failure to raise capital at all or on favourable terms may adversely affect the Group's business, financial position, and financial performance. See also the risk noted in Section 4.2.5.

4.1.7 Short operating history and history of operating losses

Given that Felix was only formed in August 2012 and launched its initial Marketplace platform in May 2013, there are uncertainties surrounding the future revenue growth, demand for products and prospects of the business. Furthermore, the Group is not yet cash flow positive and the Group's limited financial and operating track record is not sufficient to provide any certainty or assurance that the Group can or will achieve the growth and other objectives set out in this Prospectus. Therefore, an investment in the Group is speculative and the Directors are of the view that an investment in the Shares should be regarded as high risk.

Additionally, although the Group has experienced positive revenue growth since inception, it has incurred net losses every year since inception and has yet to generate an operating profit. There is a risk that the Group may not achieve profitability in the future.

4.1.8 Personnel

One of the Group's key strengths is its organisational culture and its people. Accordingly, the performance and retention of the Group's senior executives is central to its ongoing financial performance. The loss of any of the Group's key personnel may have an adverse financial impact on the Group.

The Group is also dependent on its ability to recruit and retain suitably skilled and qualified personnel for the ongoing implementation of the business growth initiatives and strategies set out in this Prospectus. If the Group were unable to recruit such key personnel or were such key personnel to leave the Group and the Group was not able to recruit suitable replacements in a timely manner, this could have a material adverse effect on the Group's business and its ability to execute its growth strategy.

Additionally, if key personnel left the business to work for a competitor, this could adversely impact the Group.

1 *Sales revenue represents subscription revenues received from Vendors and Contractors as well as configuration and implementation revenue received from contractors. It excludes all other miscellaneous income and government rebates/benefits.*

4.1.9 Reputation and relationships

The success of the Group is dependent on maintaining the quality of its services and a positive reputation and relationship with customers and end users, Shareholders, and to a lesser extent, third parties to grow and retain its customers and user base. Unforeseen issues, accidents or events involving the Group which, for example, lead to concern over the reliability of the Group's software, any adverse customer or user experience or inappropriate behaviour of employees, management or Directors, could place the reputation of Felix and its relationship with third parties at risk, damage its brand or otherwise cause harm to the Group and its business dealings and impact on its future earnings and growth prospects.

4.1.10 Reliance on third party IT service provider – AWS

The Group's cloud hosting infrastructure is provided by AWS, a division of Amazon.com, Inc. (NASDAQ:AMZN). The Group's business is heavily dependent on the continuity of service from AWS. While AWS is a well-established and credible cloud hosting service provider, if AWS were to suffer an extended outage, the Group's operations would be significantly and adversely impacted. This may impact the Group's reputation for reliability and result in customers cancelling their subscriptions and may adversely impact the Group's financial performance and growth prospects.

4.1.11 Software, technology and system related risks

The Group relies on the internet, its information and communication networks and systems to process, transmit and store electronic and financial information, to manage a variety of business processes and activities such as client documents, communication with customers and regulators, financial management and reporting, database management and to comply with regulatory, legal and tax requirements. Should access to the internet, its networks and systems be disrupted or internet access of Felix users restricted, it would adversely impact on the Group's ability to provide continuity of service impacting its operations, brand and reputation which may cause customers to cancel agreements or impact on the ability of the Group to secure new customers.

Increased cyber security threats and computer crime pose a potential risk to the security of the Group's information technology systems and databases, as well as the confidentiality, integrity and availability of the data stored on those systems. The loss, theft, or corruption of, or any unauthorised third party access to, the Group's data could render the Group's services unavailable for a period while the data is restored and otherwise adversely impact the Group's operations, the value of the Group's assets, its competitive position, reputation and financial performance. There is also a risk of unauthorised disclosure of users' data with associated reputational damage, claims by users, regulatory action and fines. Although the Group employs strategies and protections in an attempt to minimise security breaches and to protect data, these strategies and protections might not be entirely successful. In that event, disruption to the Group's services could adversely impact on the Group's revenue, reputation and profitability. Additionally, the loss of client data could have a severe impact on the Group's products and services and, reputation.

The Group may be adversely affected by malicious third-party applications that interfere with, or exploit, security flaws in its or its third-party provider's software, infrastructure or services. Viruses, worms and other malicious software programs could, among other things, jeopardise the security of information stored in a customer's, the Group's or a third-party provider's computer systems or disrupt or shut down the Group's operating system. If the Group's efforts to combat these malicious applications are unsuccessful, or if its software or infrastructure has actual or perceived vulnerabilities, the Group's business reputation and brand may be harmed, which may result in a material adverse effect on the Group's operations and financial position.

Additionally, any failure, unscheduled down-time or cyber-attack of either the software, services or the technology that underpins the Group's platform could result in the Group being unable to meet contractual and service level obligations, unauthorised system use, data integrity issues or data loss, integration issues with other systems and third parties, increased costs and damage to its brand and reputation.

Under the Notifiable Data Breach (NDB) Scheme which forms part of the *Privacy Act 1988* (Cth) (**Privacy Act**), Felix is obliged to report any data breaches to, among others, its customers. Under the Privacy Act, Felix may be subject to financial penalties and other enforcement action if such a breach is not reported.

4.1.12 Intellectual property

Intellectual property infringement claims

A key component of the Group's business model is dependent on its ability to offer new and existing customers and users proprietary digital software solutions and technology that provide the requisite functionality, advantages over alternative solutions and value for money. There is a risk that if the Group fails to update its solutions to meet the evolving needs of customers and users, it may lead to performance issues, a decrease in client satisfaction and potentially a loss of customers and users.

If a third-party accuses the Group of infringing its intellectual property rights or if a third-party commences litigation against the Group for the infringement of patent or other intellectual property rights, the Group may incur significant costs in defending such action, whether or not it ultimately prevails. Costs that the Group incurs in defending third-party infringement actions may also include diversion of management's and technical personnel's time. In addition, parties making claims against the Group may be able to obtain injunctive or other equitable relief that could prevent the Group from further promoting its products. In the event of a successful claim of infringement against the Group, it may be required to pay damages and obtain one or more licences from the prevailing third-party. If it is not able to obtain these licences on reasonable terms and at a reasonable cost, it could encounter delays in product introductions and loss of substantial resources while it attempts to develop alternative products.

The Group does not believe that its activities infringe any third-party's intellectual property rights. To date, no third-party has asserted this to be the case. However, in the future the Group may be subjected to infringement claims or litigation arising out of patents and pending applications of its competitors, or additional proceedings initiated by third-parties or intellectual property authorities re-examining the patentability of licensed or owned patents. The defence and prosecution of intellectual property claims and litigation, and related legal and administrative proceedings are costly and time-consuming to pursue and their outcome is uncertain. If the Group infringes the rights of third-parties, the Group could be prevented from operating its software platform and be forced to defend against litigation and to pay damages.

The Group's protection of its intellectual property rights

The Group's current methods to protect its intellectual rights may not prevent the misappropriation or development of similar products by others. Competitors may gain access to the Group's technology which could harm its business, operations and financial performance.

No assurance can be given that the value of the Group's intellectual property rights will be completely protected or that the Group will be able to maintain its competitive position by the legal protection afforded by a combination of copyright, trade secrecy laws, patent laws, confidentiality and other intellectual property rights. There can be no assurance that third parties or employees will not breach confidentiality agreements, infringe or misappropriate the Group's intellectual property or will not be able to produce a non-infringing competitive product or service. Furthermore, no assurance can be given that third-parties will not challenge the ownership by, or the rights of, the Group to its intellectual property rights, or that if the Group is required to obtain a licence from a third-party as a result of any infringement dispute, the Group will be able to obtain such licences.

4.1.13 R&D tax incentives audit risk

The Group has claimed research and development (**R&D**) tax incentives totalling $1,172,000 over the last 3 years for expenditure incurred. Under the R&D incentive framework, both the ATO and AusIndustry are entitled to audit the expenditure incurred on R&D activities to ensure that it has been incurred in accordance with the requirements of Division 355 of the *Income Tax Assessment Act 1997* (Cth). To this extent, there is a risk that some or all of the R&D tax incentives received to date by the Group may need to be repaid (including penalties) if audits of the claims were conducted and the relevant regulatory authority formed the view that the requirements of Division 355 had not been met in full or in part.

4.1.14 Changes to law or regulations may impact business operations

Felix and its customers will be subject to local laws and regulations in each jurisdiction in which it provides its services. Changes to existing laws and regulations and the introduction of new laws and regulations in a jurisdiction may adversely impact the Group's business in that jurisdiction.

4.1.15 Expansion and foreign operations

The Group currently operates only in Australia but plans to expand its operations to overseas markets after it has established sufficient critical scale in the Australian market. There is no guarantee that the Group's product offering will be successful or will be able to generate material revenues outside of Australia.

The Group's success in these new markets will depend on a number of factors such as the operations and product offerings of existing and new competitors in these markets, new customers' willingness to pay for the Group's services and the state of the local economy and appetite for new technology adoption.

Businesses that operate across multiple jurisdictions face additional complexities due to specific business requirements in each jurisdiction.

The Group will be exposed to a range of multijurisdictional risks in any new country within which it may choose to establish operations. Such risks include risks relating to use of data, labour practices, consumer preferences, difficulty in enforcing contracts, changes to or uncertainty in relevant legal and regulatory regimes (including in relation to taxation and foreign investment and practices of government and regulatory authorities) as well as other issues.

The Group's financial statements are prepared and presented in Australian dollars (**AUD**) and the majority of its costs are currently in AUD. If the Group were to offer a paid subscription-based service paid priced in a foreign currency, it would be exposed to movements in foreign exchange rates which may adversely impact the Group's profitability.

4.2 General risks

4.2.1 Macro-economic risks

Changes in general economic conditions, introduction of tax reform, new legislation, employment rates, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Group's activities, as well as on its ability to fund those activities.

Deterioration in the general economic conditions, including factors that impact negatively on disposable income of consumers, could affect customer expenditure, including on 'productivity software' which may adversely affect the Group's profitability.

4.2.2 Market conditions

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

a) general economic outlook;
b) introduction of tax reform or other new legislation;
c) interest rates, inflation rates, exchange rates and commodity prices;
d) changes in investor sentiment toward particular market sectors;
e) the demand for, and supply of, capital; and
f) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and listed SaaS companies in particular. Neither the Company nor the Directors warrant the future performance of the Group nor any return on an investment in the Company and give no assurance that the price of the Shares will increase following quotation on the ASX, even if the Group's earnings meet or exceed forecasts.

4.2.3 Trading in Shares may not be liquid and the Escrowed Shareholders' holdings

There is currently no public market through which the Shares may be sold. There can be no guarantee that an active market in the Shares will develop or be maintained. Following Listing, Escrowed Shareholders will hold approximately 51.20 million Shares (which represents approximately 38.9% of the total Shares on issue), which will also impact on liquidity for up to 2 years which may cause, or at least contribute to, limited liquidity in the market for the Shares. The price of the Shares may not increase or may fall below the Offer Price following Listing. There may be relatively few potential buyers or sellers of the Shares on ASX at any time. This may increase the volatility of the market price of the Shares.

Following the end of the relevant Escrow Period, Shares held by Escrowed Shareholders are likely to be able to be freely traded on ASX. A significant sale by the Escrowed Shareholders (individually or collectively), or the perception that such sales have occurred or might occur, could significantly reduce the price of the Shares.

4.2.4 IPO not fully subscribed

The Directors give no assurances that the objectives of the Group outlined in this Prospectus will be met. The Offer is intended to raise sufficient new capital to fund the expansion and development activities as further described in Section 7.4 and to fund working capital needs of the Group for at least 24 months following the Listing. If the full $12 million proposed to be raised under the Offer is not raised, the IPO will not proceed and any funds received by the Company will be returned to Applicants as soon as practicable after the Offer Period (without interest).

4.2.5 Access to equity and debt funding

Volatility in the financial markets could have a material adverse effect on the Group's ability to raise further capital. The Company's ability to raise additional funds will be subject to, among other things, factors beyond the control of the Company and its Directors, including cyclical factors affecting the economy and share markets generally.

In addition, any deterioration in global financial markets could impact risk appetite among lending institutions which may impact the Company's ability to enter into loan facilities. The Directors can give no assurance that future funds can be raised by the Company on favourable terms, or at all.

If the Company is unable to obtain additional funding as needed, or is unable to do so on acceptable terms, it may be required to reduce the scope of its operations and scale back its growth plans as the case may be which could adversely affect its business, financial position, operating performance and future growth prospects.

4.2.6 Requirements of a listed public company

As a listed public company, Felix will be subject to increased reporting requirements. Compliance with these requirements is likely to significantly increase legal, accounting and financial compliance costs, make some activities more difficult, time-consuming or costly, increase demand on systems and resources and be a diversion of senior management's time and attention from revenue generating activities to compliance activities.

4.2.7 Shareholder dilution

In the future, the Group may elect or be required to engage in various types of capital raisings, including the issue of Shares or other securities. While the Company will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12 month period without Shareholder approval (other than where exceptions apply), Shareholders at the time may be diluted as a result of such capital raisings if they do not participate pro rata.

4.2.8 Litigation risk

Felix offers products and services to its user base which in certain circumstances may give rise to potential legal action by users.

The Group has agreements with employees, contractors, customers, suppliers and other entities. There is a risk that the Group may be subject to litigation and other claims and disputes in the course of doing business, including contractual disputes and indemnity claims, misleading and deceptive conduct claims, intellectual property disputes and employment related claims.

There is also a risk the Group may be subject to regulatory investigations and sanctions or fines by governmental agencies in the event of non-compliance with relevant statutory or regulatory requirements. Such litigation, claims, disputes or investigations, including the costs of settling claims or paying sanctions or fines, and any associated operational impacts, may be costly and damaging to the Group's reputation and business relationships, any of which could have a material adverse effect on the Group's financial performance, position or industry standing.

4.2.9 Operational risk

The operations of the Group may be affected by various factors including failures in internal controls and fraud. To the extent that such risks may be in the control of the Group, the Group aims to mitigate these risks through separation of duties, quality checks and supervision. However, there is no guarantee these precautions will be successful. While the Group currently maintains insurance within ranges of coverage consistent with industry practice, no guarantee can be given that the Group will be able to continue to obtain such insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover any losses incurred in connection with these operational risks.

While the Group implements measures and procedures to manage operational risk, the Group's revenues and financial performance will continue to be subject to a variety of strategic and business decisions and operational risks (arising from inadequate or failed internal processes, people and systems, or external events) including:

- fraud and other dishonest activities;
- workplace safety;
- compliance and regulatory risk;
- business continuity and crisis management;
- key person and personnel risk;
- information systems integrity; and
- outsourcing risk.

4.2.10 Taxation

Any change to the current rates of taxes, or tax laws more broadly, imposed on the Group is likely to affect returns to Shareholders. In addition there may be changes to the rate of taxes imposed in overseas jurisdictions in which the Group may operate or tax legislation which generally may affect the Group and its Shareholders.

The Group has and will obtain external expert advice on the application of the tax laws to its operations. However an interpretation of taxation laws by the relevant tax authority or by the Courts that is contrary to the Group's view of those laws or the advice that it has received may increase the amount of tax to be paid and may lead to the imposition of penalties and a liability to pay interest.

In addition, an investment in Shares involves tax considerations which may differ for each Shareholder. Each investor is encouraged to obtain professional tax advice in connection with any investment in the Company.

4.2.11 Accounting standards

Australian Accounting Standards are set and amended or replaced from time to time by the AASB and are outside the control of the Group. There is also a risk that interpretations of existing Australian Accounting Standards, including those relating to the measurement and recognition of key income statement and balance sheet items, such as revenue and receivables, may differ. Changes to Australian Accounting Standards issued by the AASB or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in the Group's consolidated financial statements.

4.2.12 Force majeure events

Events may occur within or outside Australia that could impact on the Australian economy, the global economy, the operations of the Group, the price of the Shares and the Company's ability to pay dividends. Such events include but are not limited to acts of terrorism, an outbreak of war or other international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man made events or occurrences that could have an adverse effect on the demand for the Group's services and its ability to conduct its business. The Group has only a limited ability to insure against some of these risks.

Financial information

5. Financial information

5.1 Introduction

The financial information for Felix contained in this Section 5 includes the following:

- summary audited historical consolidated Statements of Profit or Loss and Other Comprehensive Income for the years ended 30 June 2018 (**FY2018**), 30 June 2019 (**FY2019**) and 30 June 2020 (**FY2020**);
- summary audited historical consolidated Statement of Cash Flows for FY2018, FY2019 and FY2020;
- audited historical consolidated Statement of Financial Position as at 30 June 2020; and
- pro forma historical consolidated Statement of Financial Position as at 30 June 2020 and the associated details of the pro forma adjustments,

(together referred to as the **Historical Financial Information**).

The Historical Financial Information should be read together with the other information contained in this Prospectus, including:

- management's discussion and analysis set out in this Section 5.7;
- the risk factors described in Section 4;
- an assessment of the impact of COVID-19 set out in Section 3.12;
- the description of the use of the proceeds of the Offer described in Section 7.4;
- the Independent Limited Assurance Report set out in Section 8; and
- the indicative capital structure described in Section 5.11.2.

Unless stated otherwise, all amounts disclosed in this Section are presented in Australian dollars and rounded to the nearest thousand. Some numerical figures included in this Prospectus have been subject to rounding adjustments. Any differences between totals and sums of components in figures or tables contained in this Prospectus may be due to rounding.

Investors should note that past performance is not an indication of future performance.

5.2 Basis of preparation and presentation of the Historical Financial Information

The Directors of Felix are responsible for the preparation and presentation of the Historical Financial Information.

The Historical Financial Information included in this Section has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards adopted by the Australian Accounting Standards Board which are consistent with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Felix's accounting policies. Felix's significant accounting policies are described in Section 5.14. Noting the details provided in Section 5.3 the accounting policies of Felix have been consistently applied throughout the periods presented.

The Historical Financial Information (other than the pro forma adjustments to the historical consolidated Statement of Financial Position as at 30 June 2020 and the results of those adjustments) has been derived from the audited historical consolidated financial statements of the Group for FY2018, FY2019 and FY2020. The financial statements for FY2018, FY2019 and FY2020 were audited by Grant Thornton Audit Pty Ltd in accordance with Australian Auditing Standards. The financial statements prepared in FY2018 were special purpose financial statements as the Directors deemed that the Group was not a reporting entity and as such there was no requirement to prepare general purpose financial statements. The FY2018 financial statements otherwise comply with all the applicable measure and recognition standards required under IFRS. The audit opinion issued to the Directors for FY2018 was unqualified but included an emphasis of matter on the basis of accounting (given it was a special purpose financial statements) as well as an emphasis of matter on going concern. The financial statements prepared for FY2019 and FY2020 were general purpose financial statements. The audit opinions issued to the Directors for FY2019 and FY2020 were unqualified but included an emphasis of matter on material uncertainty on going concern.

The Historical Financial Information is presented in an abbreviated form and does not contain all of the disclosures, statements or comparative information required by Australian Accounting Standards applicable to financial reports prepared in accordance with the Corporations Act.

The Historical Financial Information has been reviewed in accordance with the Australian Standard on Assurance Engagements *ASAE 3450 Assurance Engagements involving Fundraising and/or Prospective Financial Information* by Grant Thornton Corporate Finance Pty Ltd as set out in the Independent Limited Assurance Report in Section 8. Investors should note the scope and limitations of the Independent Limited Assurance Report.

The Historical Financial Information has been prepared for the purpose of the Offer.

5.3 Changes in Accounting Standards

AASB 9 Financial Instruments and AASB 15 Revenue from contracts with customers became mandatorily effective on 1 January 2018. The Group also early adopted AASB 16 Leases effective 1 July 2018. The nature and effect of changes arising from these standards are summarised below.

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaced AASB 139 Financial Instruments: Recognition and Measurement requirements. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an expected credit loss model for impairment of financial assets. When adopting AASB 9, there were no changes to the classification, measurement or impairment of financial assets.

AASB 15 Revenue from contracts with customers

AASB 15 Revenue from Contracts with Customers replaces AASB 118 and covers contracts for goods and services. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer so the notion of control replaces the existing notion of risks and rewards.

Under AASB 15 revenue is apportioned to individual performance obligations within customer contracts based on their relative stand-alone selling price. Based on certain criteria, revenue is then recognized either over time or at a point in time as these performance obligations are satisfied. The standard also required the capitalisation of incremental costs of obtaining a contact, and costs directly related to fulfilling a contract, where these costs are expected to be recovered. The application of AASB 15 did not have any impact on the financial position and/or financial performance of the Group.

AASB 16 Leases

The Group adopted AASB 16 Leases from 1 July 2018, which replaces AASB 117 Leases and some lease-related Interpretations. AASB 16:

- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

On adoption of AASB 16, the Group recognises on its balance sheet the minimum lease payments under its lease arrangements as 'right-of-use assets' with a corresponding financial lease liability. The financial liability is adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognised previously recognised under AASB 117 is replaced with a depreciation charge for the leased asset (included in operating costs), and an interest expense on the recognised lease liability (included in finance costs). There was no impact of adoption of AASB 16 as the Group did not have any long-term leases during FY2018 and FY2019.

5.4 Non IFRS financial measures

The Group uses certain measures to manage and report on its business that are not recognised under IFRS. These measures are collectively referred to as "non IFRS financial measures". These non IFRS financial measures do not have a prescribed definition under IFRS and therefore may not be directly comparable to similarly titled measures presented by other entities. These measures are collectively referred in this Section 5 and under Regulatory Guide 230 *Disclosing Non-IFRS Financial Information* published by ASIC as "non-IFRS financial measures". These should not be construed as an indication of, or an alternative to, corresponding financial measures determined in accordance with the IFRS. Although Felix believes these non IFRS financial measures provide useful information to users in measuring the financial performance and condition of the business, investors are cautioned not to place undue reliance on any non IFRS financial measures included in this Prospectus.

In particular the following non IFRS financial data is included:

- **EBITDA** which means earnings before interest, taxation, depreciation and amortisation;
- **EBIT** which means earnings before interest and taxation;
- **Vendor population** which represents the number of Vendors registered within the database as at the end of that financial year;
- **Vendors subscribed** which represents the number of Vendors from which revenue has been earned for the respective financial year;
- **Direct FTE** include sales, business development and marketing related employees (headcount);
- **TCV won** which represents the Total Contract Value won for the year from Contractors;
- **ARR** which represents the annual recurring revenue as at the year-end date derived from Contractors;
- **Average contractor terms** refers to the average length (in months) of the contracts in place for Contractors subscribed;
- **Sales and Marketing** which represents the total internal sales and marketing cost and external marketing cost used in lead generation of the Contractor network;

- **CAC** which represents the average cost to acquire a contractor calculated by dividing the Sales and Marketing (as defined above) for the year by the numbers of Contractors won for that year;
- **Contractor payback period** which represents the average amount of time (measured in months) it takes the Group to recoup the CAC from a Contactor; and
- **Number of Contractors** which represents the total number of Contractors subscribed to the platform at year end.

5.5 Historical consolidated Statements of Profit or Loss and Other Comprehensive Income

The table below presents the Statement of Profit or Loss and other Comprehensive Income for FY2018, FY2019 and FY2020.

Figure 5.1: Historical consolidated Statement of Profit or Loss and other Comprehensive Income

$'000	Notes	FY2018 Audited	FY2019 Audited	FY2020 Audited
Sales revenue	1	2,417	3,013	3,696
Other revenue	2	29	65	632
Total revenue		**2,446**	**3,078**	**4,328**
Employee benefits	3	(4,167)	(5,558)	(6,340)
Consultant fees	4	(696)	(1,026)	(1,401)
Other expenses from ordinary activities	5	(1,425)	(1,393)	(1,415)
EBITDA		**(3,842)**	**(4,898)**	**(4,828)**
Impairment of intangibles	6	–	–	(25)
Net change in fair value of financial liabilities at fair value through profit or loss	7	–	–	468
Depreciation and amortisation expenses	8	(341)	(461)	(750)
EBIT		**(4,183)**	**(5,359)**	**(5,135)**
Finance costs	9	(17)	66	(2,082)
Profit/(loss) before income tax		**(4,200)**	**(5,293)**	**(7,217)**
Income tax (expense) / benefit		–	–	–
Profit/(loss) attributable to members of the entity		**(4,200)**	**(5,293)**	**(7,217)**
Exchange differences on translating foreign entities	10	18	(12)	5
Total comprehensive income		**(4,182)**	**(5,305)**	**(7,212)**

Notes:
1. **Sales revenue** represents subscription revenues received from Vendors and Contractors as well as configuration and implementation revenue received from Contractors. Refer to Section 3.3 for a discussion of the Group's revenue model;
2. **Other revenue** represents all other miscellaneous income and government rebates / benefits;
3. **Employee benefits** represents payroll related expenditure, including salaries and wages, superannuation, payroll tax, director's fees, long service leave and annual leave expenses;
4. **Consultant fees** include costs associated with the hiring of external software developers based in Manilla and Poland. The costs are predominantly research and development in nature which cannot be capitalised;
5. **Other expenses** represents other operating expenditures including server hosting fees, advertising, travel and occupancy costs;
6. **Impairment** is the impairment expense associated with elements of the technology platform no longer being used;
7. **Net change in fair value of financial liabilities at fair value through profit or loss** represents the movement in the value of the embedded derivative within the convertible notes held on the balance sheet at 30 June 2020;
8. **Depreciation and amortisation** expenses relates the depreciation charge on computer and office equipment as well as the amortisation charge on the technology platform;
9. **Finance costs** include interest expenses, mainly in relation to the convertible notes issued which is the reason for the significant increase in FY2020; and
10. **Exchange differences** relates the foreign exchange translation of the New Zealand subsidiary into AUD.

5.6 Key financial and operating metrics

Set out below are the key financial and operating metrics for FY2018, FY2019 and FY2020.

Figure 5.2: Key financial and operating metrics

	FY2018	FY2019	FY2020
Vendors			
Vendor revenue ($'000)	2,249	2,524	2,565
Vendor population	14,645	20,194	34,066
Vendors subscribed	1,366	1,248	1,238
Direct FTE	30	34	34
Vendor revenue per direct FTE ($'000)	76	75	76
Contractors			
Contractors revenue ($'000)	168	489	1,131
TCV won ($'000)	402	842	2,540
Average contract term (months)	24	23	26
ARR as at year end ($'000)	231	604	1,461
Number of contractors (at year end)	8	15	24
Average total contract value per new contractor ($'000)	67	120	254
New contractors won	6	7	10
Lost contractors	–	–	(1)
Sales & Marketing ($'000)	433	648	968
CAC ($'000)	72	93	97
Average total contract value won / CAC	92.8%	129.8%	262.3%
Contractor payback period (months)	25.9	17.4	10.0
Total sales revenue	2,417	3,013	3,696
Recurring revenue %	94.2%	88.9%	92.0%
Non-recurring revenue %	5.8%	11.1%	8.0%

Notes:
1. Recurring revenue % is the proportion of sales revenue earned from Vendor and Contractor subscriptions. Non-recurring revenue % is the proportion of sales revenue earned from Contractor configuration and implementation.
2. Given the early stage of operations and noting minimal data in terms of customers lost and renewal rates (as many customers are still in their initial term of their arrangement) any life time value calculations factoring in customer churn and renewal rates would be skewed and potentially misleading.

5.7 Management discussion and analysis of the Historical Statement of Profit and Loss and Other Comprehensive Income

5.7.1 General factors affecting the historical operating results of the Group

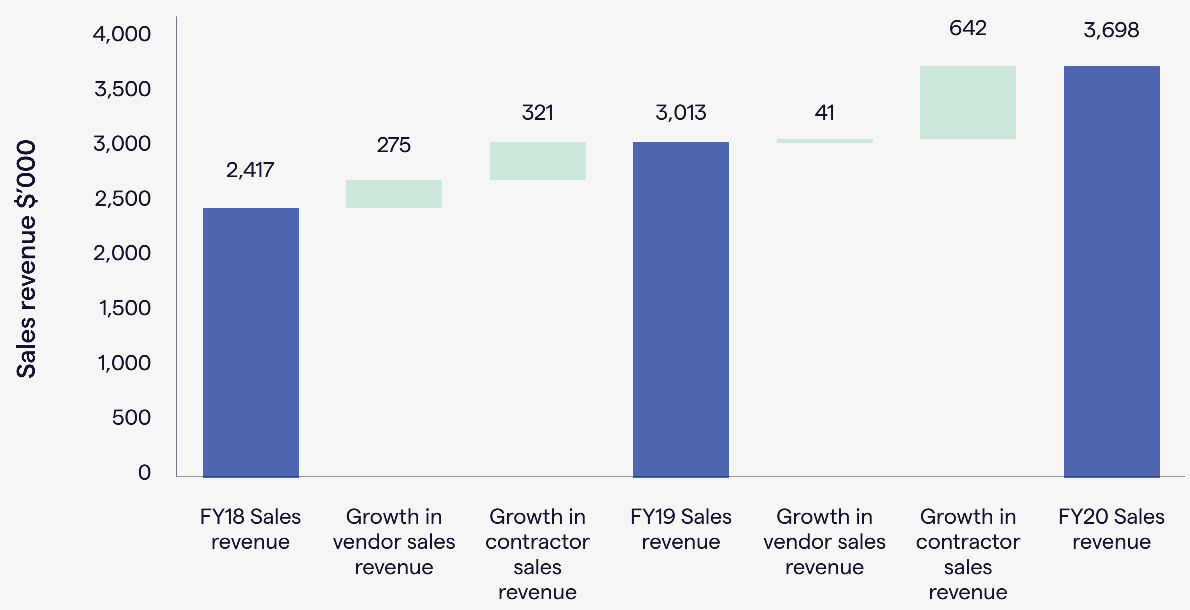
The following information has been prepared using the Group's Consolidated Historical Financial Information for FY2018, FY2019 and FY2020.

Sales revenue

Vendor revenue

The Group's primary source of revenue historically has been generated from subscription fees earned from Vendors. Subscription revenues increased by $0.3 million between FY2018 and FY2019 and remained consistent in FY2020 at $2.5 million. The numbers of Vendors subscribed to the *Felix* platform have declined over the historical period with the increase in revenues a result of an increase in the subscription fee per Vendor which was able to be secured with minimum loss of Vendors.

Figure 5.3: Vendor vs Contractor revenue bridge

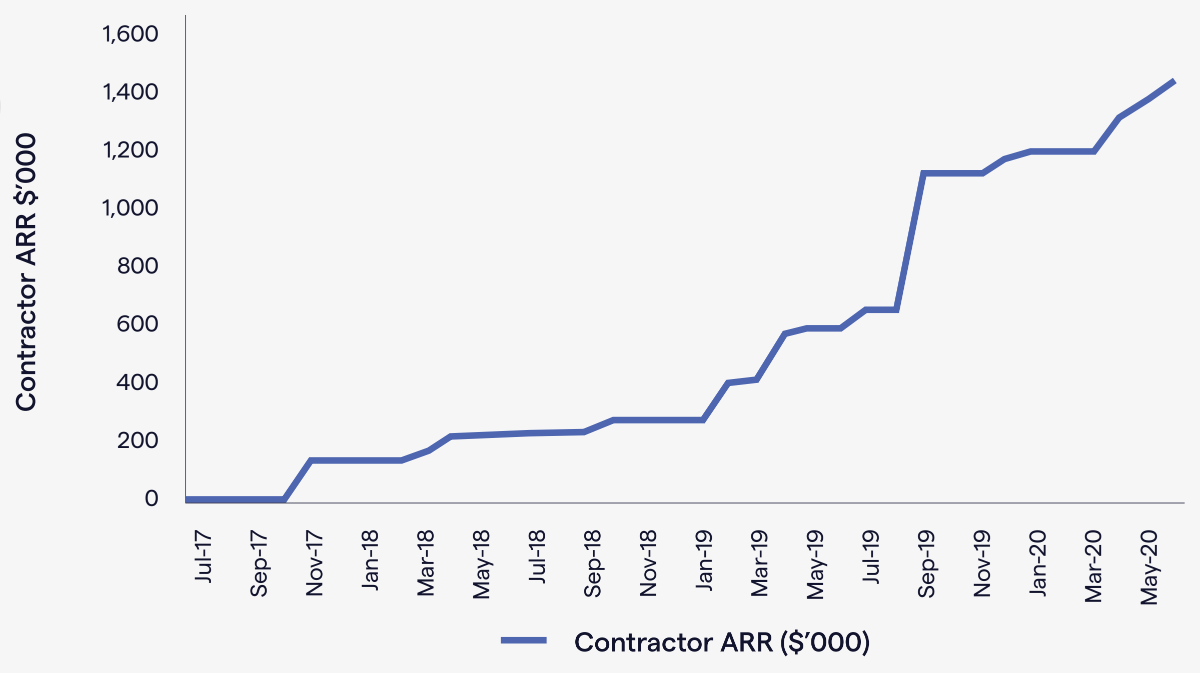


Contractor revenue

Sales revenues generated from Contractors has been the primary growth driver over the historical period. The Group generates sales revenue from Contractors through two different streams. First, subscription fees are earned through the enterprise SaaS model with Contractors subscribing to the *Felix* platform. The second form of Contractor revenues is configuration and implementation revenues. This revenue stream is non-recurring and often occurs at the beginning of the relationship with a Contractor prior to them commencing the subscription. Sales revenue generated from Contractors has increased from $0.2 million in FY2018 to $1.1 million in FY2020. This growth has been achieved through both an increase in the number of Contractors as well as the increases in the TCV. Total TCV in FY2020 was $2.5 million, a 202% increase from the TCV of the previous year. Contractor churn has been minimal as the majority of Contractors are in their initial subscription period as at 30 June 2020. ARR on the Contractor revenue has increased to $1.5 million as at 30 June 2020 as presented in Figure 5.4. The large increase in August 2019 was a result of the signing one of Australia's largest construction / mining services companies up to the *Felix* platform.

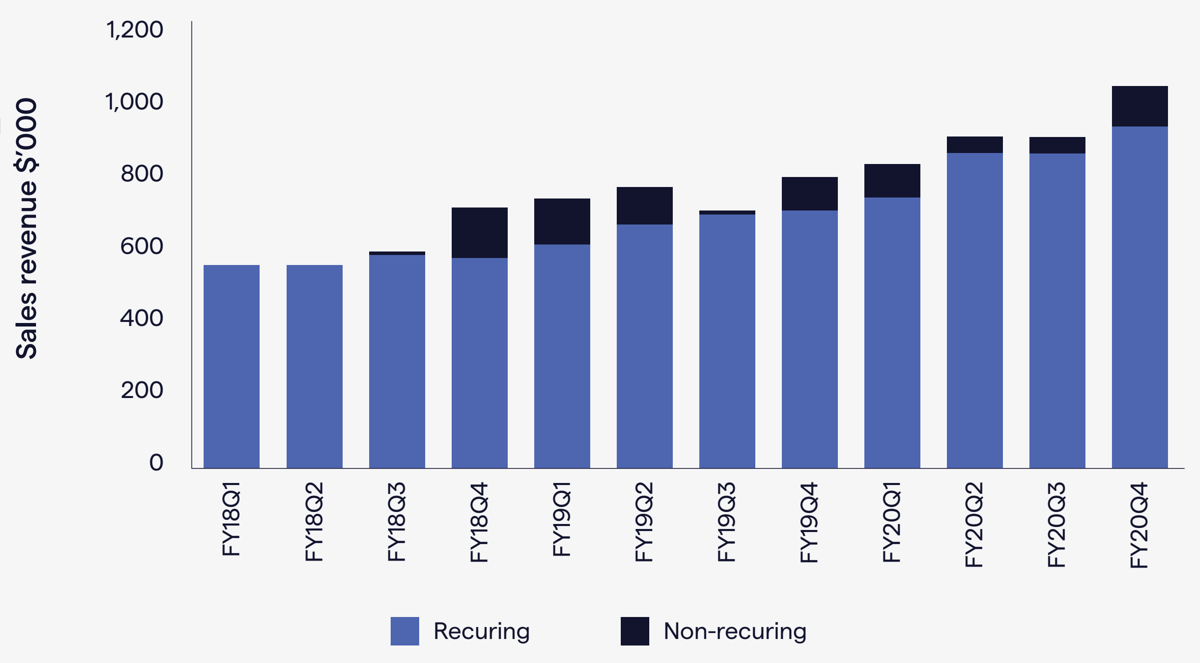
Monthly Contractor ARR

Figure 5.4: Monthly Contractor ARR



Both the Vendor and Contractor subscription revenues are classified as recurring with the subscriber generally paying upfront on an annual basis for the yearly subscription, although there has been a notable shift towards shorter Vendor subscription periods in an effort to reduce barriers to entry to the platform. There has been limited loss or churn of Contractors or Vendors over the historical period. The configuration and implementation revenues is considered to be non-recurring. Below is presented the historical revenue split between recurring and non-recurring revenue streams, the historical revenue profile largely considered to be recurring.

Figure 5.5: Quarterly recurring and non-recurring revenue



Other revenue

The increase in other revenue in FY2020 is a result of the receipt of various COVID-19 stimulus packages such as the JobKeeper allowance and cash flow boost. These are not expected to continue once the government ceases these arrangements.

Employee benefits

Employee expenses have increased between FY2018 and FY2020 through a combination of growth in headcount within the Group, as well as incremental pay increases to employees. Investment in the operations has been made to support the growth in the business as well as expected future growth. The Group has historically invested in its technical team as well as its sales teams. All employees voluntarily agreed to a 20% pay reduction from 1 April 2020 through to 1 July 2020 given the uncertainty in the general economic climate brought about by the onset of COVID-19.

Consultant fees

Consultant costs have increased over the historical period as extra costs has been incurred on the platform to support the growth initiatives of the business. The Group restructured operations in March 2020 which will lead to a reduction in consulting fees, with the costs to be borne internally through the technical team.

Other operating expenses

Other operating expenses have been consistent between FY2018 and FY2020 at approximately $1.4 million. Subscription and licence fees have increased between FY2018 and FY2020 as the server hosting fees have increased in line with the scale of the business. Advertising expenditure and travel increased in FY2019 from FY2018 levels, although FY2020 has seen reduced spend in these areas due to the onset of COVID-19 in March 2020. The renegotiation of the premises lease in FY2019 has also led to reduced occupancy costs further offsetting the increase in hosting fees.

EBITDA

EBITDA loss has increased despite the growth in revenues which is largely brought about by the internal investment made in the business with increased consulting costs and employee costs. These costs have been incurred to ensure the platform could support its growth trajectory and has adequate capacity to achieve its growth initiatives.

Depreciation and amortisation

Depreciation and amortisation has increased given the given the capitalised development costs made to the technology platform leading to a higher cost base and amortisation expense.

Net loss after tax

The Group has historically reported net operating losses. The Group has been in a development and investment phase of its business life cycle whereby investments have been made to create capacity for future growth. Significant investment has been made through expenditure with consultants and employees.

Impact of COVID-19 on the Group's financial information

Refer to Section 3.12 for details of the impact on the Group's business in light of COVID-19.

5.8 Historical Statement of Cash Flows

Set out in the table below is a summary of Felix's historical cash flows for FY2018, FY2019 and FY2020.

Figure 5.6: Historical Statement of Cash Flows

$'000	FY2018 Audited	FY2019 Audited	FY2020 Audited
Operating Cash Flows			
Reported EBITDA	(3,842)	(4,898)	(4,828)
Movement in working capital	922	(83)	(616)
Movement in contract liability	172	124	(241)
Movement in long service leave	51	49	58
Movement in FX reserve	18	(12)	5
Add back: finance costs	(17)	66	(734)
Add back: loss on disposal	-	(4)	-
Net operating cash flows	**(2,696)**	**(4,758)**	**(6,356)**
Investing Cash Flows			
Net payments for capital expenditure	(77)	(470)	(141)
Net payments for intangibles	(413)	(494)	(986)
Net investing cash flows	**(490)**	**(964)**	**(1,127)**
Net operating and investing cash flows	**(3,186)**	**(5,722)**	**(7,483)**
Financing Cash Flows			
Net repayment of borrowings	(6)	338	(30)
Net proceeds from issue of convertible notes	-	-	7,902
Net proceeds from issue of shares	8,362	(11)	–
Net financing cash flows	**8,356**	**327**	**7,872**
Net cash flows	**5,170**	**(5,395)**	**389**
Cash at the beginning of the year	**854**	**6,024**	**629**
Cash at the end of the year	**6,024**	**629**	**1,018**

5.9 Management discussion and analysis of the Historical Cash Flows

5.9.1 Operating cash flows

The Group has historically been loss making as it has incurred discretionary expenses to grow the business which has led to operating cash flows being in deficit. Movements in working capital arise due to timing differences of payments made / received. The movement in the contract liability amount relates to Vendor subscription periods as the available subscription periods to Vendors are no longer fixed at 12 months as of February 2020 when further subscription periods became available.

5.9.2 Investing cash flows

Payments for intangibles have increased as the Group has continued to invest in the development of the technology platform and incurred growing internal labour costs.

5.9.3 Financing cash flows

In May 2018, the business raised net proceeds of approximately $8.4 million through the issue of 86,963 Shares. Further funding was obtained to support the business in FY2020 through the issue of convertible notes (which are to be converted into Shares prior to the Completion of the Offer).

5.10 Statutory Pro Forma Historical Statement of Financial Position

The table below sets out the audited consolidated historical statement of financial position and adjusted to reflect the pro forma adjustments that have been made to the consolidated historical statement of financial position (further described in Section 5.11) and the pro forma consolidated historical statement of financial position as at 30 June 2020.

The pro forma consolidated historical statement of financial position is provided for illustrative purposes and is not represented as being necessarily indicative of Felix's view on its future financial position.

Figure 5.7: Audited and Pro Forma Statement of Financial Position as at 30 June 2020

$'000	Audited as at 30 June 2020	Pro forma adjustments	Pro Forma subscription
Current Assets			
Cash and cash equivalents	1,018	10,386	11,404
Trade and other receivables	192	94	286
Other current assets	783	–	783
Total current assets	**1,993**	**10,480**	**12,473**
Non Current Assets			
Plant and equipment	134	–	134
Right of use assets	309	–	309
Intangible assets	993	–	993
Total Assets	**3,429**	**10,480**	**13,909**
Current Liabilities			
Trade and other payables	455	–	455
Lease liability	165	–	165
Contract liability	1,088	–	1,088
Short term provisions	273	–	273
Borrowings	4,560	(4,560)	–
Derivative financial instruments	4,222	(4,222)	–
Total current liabilities	**10,763**	**(8,782)**	**1,981**
Non Current Liabilities			
Lease liability	155	–	155
Long service leave	201	–	201
Total Liabilities	**11,119**	**(8,782)**	**2,337**
Net Assets / (Liabilities)	**(7,690)**	**19,262**	**11,572**
Equity			
Share capital	16,765	22,152	38,917
Retained earnings	(24,454)	(2,890)	(27,344)
FX reserve	(1)	–	(1)
Total Equity	**(7,690)**	**19,262**	**11,572**

5.11 Description of pro forma adjustments

The following transactions and events contemplated in this Prospectus which are to take place on or before Completion of the Offer, referred to as the pro forma adjustments, are presented as if they, together with the Offer, had occurred on or before 30 June 2020 and are set out below.

With the exception of the pro forma transactions noted below no material transactions have occurred between 30 June 2020 and the date of this Prospectus which the Directors consider require disclosure.

Pro forma transactions:

1) interest accrued on convertible notes between 30 June 2020 and the Offer date of $0.5 million;
2) fair value loss on the derivative liability in relation to the revaluation of the derivative (recognised in connection with the convertible notes) at the date of the Offer of $1.3 million;
3) a share split will occur at the ratio of 200:1 to increase the number of Shares prior to IPO. This does not have an accounting implication;
4) the conversion of the principal, accrued interest and derivative liability on the convertible notes into a total of 36,583,444 Shares;
5) the Completion of the Offer, raising $12 million through the issue of 33,333,333 New Shares (excluding the New Shares issued under the Salary Sacrifice Offer) at an issue price of $0.36;
6) cash costs associated with the Offer totalling $1.6 million with $0.9 million being capitalised and $0.6 million being expensed. The GST claimable as a result of the RITC provisions within the GST legislation totals $0.1 million. A further $0.2 million of non-cash costs will be incurred through the issue of 1,000,000 Options issued to Kidder Williams as part of its success fee for advising on the Offer; and
7) the issue of 1,491,308 Shares worth a total of $0.5 million to Eligible Employees under the Salary Sacrifice Offer. This issue of Shares will be recorded against Employee expenses.

A deferred tax asset has not been recognised in relation to the capitalised Offer costs due to the uncertainty surrounding the flow of economic benefits that will flow in future periods.

5.11.1 Pro forma cash and cash equivalents

Felix expects that it will have sufficient cash to fund its operational requirements and business objectives following the Offer.

Figure 5.8: Audited and pro forma cash and cash equivalents as at 30 June 2020

$'000	Pro forma adjustment	Total cash and cash equivalents
Felix cash and cash equivalents at 30 June 2020		1,018
Pro forma transactions:		
Offer	5	12,000
Offer costs	6	(1,614)
Pro forma cash and cash equivalents		11,404

Notes: refer to pro forma transactions in Section 5.11 for further detail.

Financial information

5.11.2 Pro forma capital structure summary

Figure 5.9: Audited and Pro forma capital structure

		No. of shares	Share capital $'000	Accumulated losses $'000	FX reserve	Net assets $'000
Felix at 30 June 2020	Pro forma adjustment	300,753	16,765	(24,454)	(1)	(7,690)
Subsequent transactions:						
Additional interest on convertible notes	1	–	–	(465)	–	(465)
Gain/ loss on derivative liability	2	–	–	(1,263)	–	(1,263)
Shares split (200:1)	3	60,150,600	–	–	–	–
Conversion of convertible notes	4	36,583,444	10,510	–	–	10,510
Pre Offer capital structure		**96,734,044**	**27,275**	**(26,182)**	**(1)**	**1,092**
Pro forma transactions:						
Public offer	5	33,333,333	12,000	–	–	12,000
Offer costs	6	–	(895)	(625)	–	(1,520)
Staff share issue	7	1,491,308	537	(537)	–	–
Total		**131,558,685**	**38,917**	**(27,344)**	**(1)**	**11,572**

Notes: refer to pro forma transactions in Section 5.11 for further detail.

5.12 Contingent liabilities

A Group Member, Plant Miner Pty Ltd, has provided bank guarantees as at 30 June 2020 of $50,000 in relation to the premises at Navigator Road, Queensland. There were no contingent liabilities at 30 June 2020.

5.13 Dividend policy

The dividend policy of Felix is to reinvest all cash flows into the business to maximise its growth. Accordingly, no dividends are expected to be paid in the near term following Felix's listing on the ASX.

5.14 Significant accounting policies

5.14.1 Statement of significant accounting policies

Apart from cash flow information, the Historical Financial Information has been prepared under an accrual accounting method and are based on historical cost modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

5.14.2 Basis of consolidation

The Historical Financial Information consolidates those of the Company and all of its subsidiary undertakings drawn up to 30 June 2020. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Group obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of 30 June.

All transactions between Group Members are eliminated on consolidation, including unrealised gains and losses on transactions between Group Members. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal as applicable.

5.14.3 Accounting policies

a. Income tax

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and / or liabilities comprise those obligations to, or claims from, the ATO and other fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the Historical Financial Information. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

b. Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets are depreciated over their useful lives commencing from the time the asset is held ready for use.

Office equipment	10-33%
Computer equipment	25-33%
Motor vehicles	12.5%

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit and loss.

c. Financial instruments

(i) Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group Member becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

(ii) Classification and subsequent measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price, all financial assets are initially measured at fair value, adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories on initial recognition:

- amortised cost;
- fair value through profit or loss (**FVPL**); or
- equity instruments at fair value through other comprehensive income (**FVOCI**).

Classifications are determined by both:

- the entities business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial assets.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as long-term deposits that were previously classified as held-to-maturity under AASB 139.

Financial assets at FVPL

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, of which the Group has none.

Impairment of financial assets

AASB 9's impairment requirements use more forward looking information to recognise expected credit losses – the 'expected credit losses (**ECL**) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables

The Company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assess impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due.

Classification and measurement of financial liabilities

The Company's financial liabilities include borrowings and trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

d. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability is recognised.

e. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

f. Revenue

Revenue from contracts with Contractors is recognised based on the satisfaction of performance obligations at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group utilises a five-step approach to revenue recognition which requires the Group to identify contracts and performance obligations, determine the transaction price, allocate the transaction price to each performance obligation and recognise revenue as each performance obligation is satisfied.

The Group exercises judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with its customers.

The Group has two main revenue streams:

Licence revenue

Access to, and use of, the *Felix* platform is granted to customers through a subscription hosting fee. Licence fees are accounted for as a single performance obligation. The performance obligation is fulfilled over time the customer simultaneously receives and consumes the benefit of accessing the software. Contractors are typically invoiced yearly in advance, and consideration is payable when invoiced. Revenue is recognised evenly throughout the period of the subscription.

Configuration and implementation revenue

Contractors pay a fee to configure and implement the software within the business. These services are separately identifiable from other promises within the contract (such as licence fees) and are accounted for as a single performance obligation. Revenue is recognised over time as services are delivered, recognition is determined based on the effort expended relative to the effort to complete the service.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfied a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

g. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

h. GST

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

i. Foreign currency transactions and balances

The consolidated Historical Financial Information are presented in Australian Dollars ($AUD), which is also the functional currency of the Company.

Foreign currency transactions are translated into the functional currency of the respective Group Member, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations

In the Historical Financial Information, all assets, liabilities and transactions of Group Members with a functional currency other than the $AUD are translated into $AUD on consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into Australian-Dollars ($AUD) at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into $AUD at the closing rate. Income and expenses have been translated into $AUD at the average rate over the reporting period. Exchange differences are charged / credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal.

j. Intangible assets

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources; and intent to complete the development and its costs can be measured reliably.

All intangible assets, including internally developed software, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their finite life of no longer than 3 years. Residual values and useful lives are reviewed at each reporting date.

k. Employee benefits

Short-term employee benefits

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within 12 months after the end of the period in which the Employees render the related service. Examples of such benefits include wages and salaries, non-monetary benefits and accumulating sick leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The Group's liabilities for annual leave and long service leave are included in other long-term benefits as they are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are measured at the present value of the expected future payments to be made to Employees. The expected future payments incorporate anticipated future wage and salary levels, experience of Employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash outflows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

The Group presents Employee benefit obligations as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period, irrespective of when the actual settlement is expected to take place.

l. Leased assets

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payment made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain premeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably expected not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension of termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

m. Equity and reserves

Share capital represents the fair value of Shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

The foreign currency translation reserve comprises differences arising on the translation of Historical Financial Information of the Group's foreign entities into Australian Dollars.

Retained earnings include all current and prior period retained profits.

n. Key estimates and judgements

When preparing the Historical Financial Information management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below.

Useful lives of depreciable assets and intangible assets

Management reviews the useful lives of depreciable assets including intangible assets at each reporting date, based on the expected utility of the assets to the Group. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

Contract assets

Included within contract assets are the anticipated revenue amounts under non-cancellable contracts for which the service period has not yet been completed and revenue has not yet been recognised, with a corresponding liability recorded as contract liability.

Key people, interests and benefits

6. Key people, interests and benefits

6.1 Board of Directors

At the Listing Date, the Board will comprise four Directors, consisting of Michael Bushby, George Rolleston, Mike Davis and Michael Trusler.

The Board brings relevant experience and skills including industry and business knowledge, financial management and corporate governance. The Board composition is set out below.

Name and position	Experience, qualifications and expertise
Michael Bushby (Independent Non-Executive Chairman)	Michael is the Non-Executive Chairman of Felix. Michael has 30 years' experience in the transport sector. Michael is currently President of Roads Australia. He was previously a non-executive director and Chairman of EROAD Ltd (ERD:NZX), Chief Executive of Roads & Traffic Authority in NSW and held a senior position at Leighton Contractors. Michael holds a Bachelor of Engineering and a Bachelor of Business Administration from the University of Tasmania and a Masters Degree in Engineering from the University of British Columbia. He has been a Fellow of the AICD since 1998.
George Rolleston (Non-Executive Director)	George is a Non-Executive Director of Felix. George has over 15 years' experience in the financial services industry and as an entrepreneur. George holds a Bachelor of Business (Law) from Monash University and a Masters of Finance (MAPPFin) from Kaplan Professional Education. George is currently a director of MHM Automation Limited (NZX: MHM), Travlr Pty Ltd, Matrix Security Group, Suubee Pty Ltd, Asset Growth Fund Pty Ltd and Spaceships Australia Pty Ltd.
Mike Davis (Executive Director and Chief Executive Officer)	Mike is a Co-Founder and the Chief Executive Officer (Co-CEO of Felix with Michael Trusler until June 2020) and Managing Director of Felix. Mike has over 12 years' experience running technology companies. Prior to co-founding Felix, Mike founded and led global consumer e-commerce business Canvas & Canvas for three years. Prior to founding Canvas & Canvas, Mike held a senior management role with web technology company Como Group. Mike started his career as a professional sportsman and was listed at both Essendon Football Club and Carlton Football Club.
Michael Trusler (Non-Executive Director)	Michael is a Co-Founder (and was Co-CEO of Felix with Mike Davis until June 2020) and Non-Executive Director of Felix. Prior to co-founding Felix, Michael worked as a Project Engineer at MCG Group, Leighton and Inten Constructions on large infrastructure projects. Michael holds a Bachelor of Engineering from Griffith University. Michael is currently a non-executive director of Theladcollective Pty Ltd, Thomas.health Pty Ltd and Spot.family Pty Ltd.

Section 6.6.1 sets out which Directors are considered independent.

The composition of the Board committees and details of its key corporate governance policies are set out in Section 6.6.

The Board has considered the Company's immediate requirements as it transitions to an ASX listed company and is satisfied that the composition of the Board reflects an appropriate range of independence, skills and experience for the Company after Listing.

6.2 Executive management

The Company's senior executive managers are set out below:

Position	Experience, qualifications and expertise
Mike Davis (Executive Director and Chief Executive Officer)	See Section 6.1.
James Aleman (Chief Operating Officer)	James joined Felix as Chief Operating Officer in 2019 and has over 20 years' software experience in private and listed software companies. James has held multiple senior roles including VP - Sales (Australia & New Zealand) Enterprise Software for ABB and Senior Sales Director - APAC Mining - for Ventyx, an ABB Company. Prior to joining Felix, James was the Chief Operating Officer for MSL Solutions Ltd (ASX:MSL). James holds a Bachelor of Science (Hons) from the University of Leeds.
James Frayne (Chief Financial Officer and Company Secretary)	James joined the Group in 2014 as the Group Accountant and was appointed Chief Financial Officer and Company Secretary in 2018. Prior to joining the Group, James was a Senior Accountant at Grant Thornton in the Privately Held Business and Taxation Divisions. James holds an MBA from the Queensland University of Technology and a Bachelor of Business from the Queensland University of Technology. James is also a member of the Institute of Chartered Accountants Australia and New Zealand.
Steve O'Keeffe (Chief Technology Officer)	Steve joined the Group in 2015 as Head of Product and was appointed Chief Technology Officer in 2020. Steve has 15 years' experience working with enterprise software systems in the mining, construction and services sectors. Steve commenced his career working in the configuration and implementation of third-party ERP software platforms, before moving into roles overseeing the development and commercialisation of software. Steve holds a Bachelor of Engineering from the University of Queensland.

6.3 Interests and benefits

This Section 6.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

a) Director or proposed Director;
b) person named in this Prospectus who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
c) promoter of the Company; or
d) financial services licensee named in the Prospectus as a financial services licensee involved in the Offer,

holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

e) the formation or promotion of the Company;
f) property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
g) the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such persons for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director.

6.3.1 Interests of advisers

The Company has engaged the following professional advisers in relation to the Offer and the Company's April 2020 convertible note issue:

a) Bell Potter Securities Limited has acted as Lead Manager to the Offer. The Company has paid or agreed to pay the Lead Manager the fees described in Section 9.4 for these services;
b) Kidder Williams has acted as corporate adviser to the Company. The Company has paid, or agreed to pay, approximately $427,000, comprising a $70,000 (excluding disbursements and GST) retainer and a $357,000 success fee (excluding disbursements and GST) for services relating to the Offer up until the Prospectus Date. In relation to the success fee, $200,000 is payable in cash and $157,000 will be provided through the issue of 1,000,000 Options to Kidder Williams (which will be subject to the escrow restrictions outlined in Section 7.7) comprising two tranches of 500,000 Options with a 3 year exercise period and an exercise price of $0.72 and $0.58, respectively. Kidder Williams was also paid fees of approximately $250,000 (excluding disbursements and GST) payable half by cash and half by the issue of Shares to act as corporate adviser in respect of the Company's April 2020 convertible note issue. Kidder Williams has been mandated as corporate adviser to the Company for a 12 month period following the Completion of the Offer to undertake a watching brief for 'M&A' and capital raising opportunities and should Kidder Williams be asked to advise on a specific opportunity, fees will be separately agreed;
c) MinterEllison has acted as Australian legal adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately $316,000 (excluding disbursements and GST) for these services up until the Prospectus Date. MinterEllison was also paid approximately $75,000 (excluding disbursements and GST) in respect of the Company's April 2020 convertible note issue. Further amounts may be paid to MinterEllison in accordance with its normal time-based charges;
d) Grant Thornton Corporate Finance Pty Ltd has acted as Investigating Accountant and has prepared Independent Limited Assurance Report and has performed work in relation to due diligence enquiries. The Company has paid, or agreed to pay, approximately $90,000 (excluding disbursements and GST) for the above services up until the Prospectus Date. Further amounts may be paid to Grant Thornton in accordance with its normal time-based charges; and
e) Frost & Sullivan has prepared a report which has formed the basis of the Industry Overview in Section 2. The Company has paid, or agreed to pay, approximately $20,000 (excluding disbursements and GST) for the above services up until the Prospectus Date.

These amounts, and other expenses of the Offer, will be paid by the Company through the issue of Shares or out of funds raised under the Offer or from available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.4.

6.3.2 Director interests & remuneration

Executive Director's remuneration and interests

The Company has entered into an employment agreement with Mike Davis in respect of his employment as Executive Director of the Company. Refer to Section 6.4.1 for further details.

The Company has also entered into employment agreements with James Frayne, Steve O'Keeffe and James Aleman. Refer to Sections 6.4.2, 6.4.3 and 6.4.4 respectively for further details.

Non-Executive Directors' remuneration

Each of the Non-Executive Directors has entered into an appointment letter with the Company, confirming the terms of their appointment, their roles and responsibilities and the Company's expectations of them as Directors.

Under the Constitution, the Directors decide the total amount paid to all Directors as remuneration for their services as a Director. However, subject to the ASX Listing Rules, the total amount paid to all Non-Executive Directors for their services must not exceed an aggregate maximum amount of $800,000 per annum or such other maximum amount determined by the Company in general meeting.

For the initial year of Listing, the annual base Non-Executive Director fees currently agreed to be paid by the Company to each Non-Executive Director are $55,000 per year and to the Chairman $110,000 per year. The Company will also make monthly superannuation contributions for each of the Directors. However, the Directors' fees must not include a commission on, or a percentage of, profits or operating revenue.

Non-Executive Directors may be reimbursed for all travel, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or otherwise in connection with the Company's business.

Non-Executive Directors may be paid such additional or special remuneration if they, at the request of the Board, perform any extra services or make special exertions.

There are no retirement benefit schemes for Non-Executive Directors, other than statutory superannuation contributions.

Director protection deeds

The Company has entered into deeds of indemnity, access and insurance with each Director providing contractual rights, both while the Director is a director of the Company and after the Director ceases to hold office for seven years, to be indemnified by the Company (to the extent permitted by law and subject to certain other conditions) in respect of:

a) any and all liabilities (other than for legal costs of a kind referred to in the paragraph below) incurred by that Director as an officer of a Group Member; and
b) any and all reasonable legal costs incurred by a Director in defending an action for a liability incurred or allegedly incurred by a Director as an officer of a Group Member.

The deeds also contain:

a) contractual rights to access documents and records of the Group for the purposes expressly permitted by the deed, both while the Director is a director of a Group Member and after that Director ceases to hold office; and
b) contractual rights to directors' and officers' insurance cover (to the extent permitted by the Corporations Act) in respect of certain liabilities incurred by the Director for the period that each Director is a director of a Group Member and for seven years after that Director ceases to hold office.

The indemnities given by the Company under each deed of indemnity, access and insurance do not apply to any liabilities or legal costs incurred by a Director as an officer of a Group Member that have arisen from conduct by the Director that was deliberately dishonest or deliberately fraudulent or not in good faith.

If a Director is entitled to be indemnified under the deed of indemnity, access and insurance, the Company will pay the relevant amount to discharge the liability or legal cost. It is not necessary for a Director to make any payment before enforcing their rights under the deed of indemnity, access and insurance.

Directors' shareholding

Directors are not required under the Constitution to hold any Shares. On Completion of the Offer, the number of Shares held by Directors are expected to be as follows:

Figure 6.1: Directors' Share and Option holdings

Director	Shares held immediately prior to Completion of the Offer	Shares acquired / (sold) in the Offer	Shares held on Completion of the Offer (number)	Shares held on Completion of the Offer (%)	Options held on Completion of the Offer (number)
Michael Bushby	Nil	*	Nil	Nil	611,111
Mike Davis[1]	8,441,400	45,138	8,486,538	6.4%	135,415
Michael Trusler[2]	8,441,400	20,370	8,461,770	6.4%	366,665
George Rolleston[3]	10,109,074	*	10,109,074	7.7%	305,555

* Michael Bushby and George Rolleston have indicated their intention to participate in the Offer subscribing for $36,000 and $50,000 worth of Shares, respectively.

Initial Directors' security holdings will be notified to the ASX on Listing.

1 *The number of Shares held includes Shares held through M.A.D Technologies.*
2 *The number of Shares held includes Shares held through M.A.D Technologies.*
3 *The number of Shares held includes Shares held through Asset Growth Fund and Plant Investments.*

Related party transactions

Kidder Williams

Kidder Williams, a corporate advisory firm of which David Williams (a director of the Company until 28 October 2020) is Managing Director and which is wholly owned by an entity associated with David Williams, advised the Company on a $2.7 million capital raising in April 2020 and has been mandated as corporate adviser to the Company in relation to the Offer. Kidder Williams has also been mandated as corporate adviser to the Company for a 12 month period following the Completion of the Offer to undertake a watching brief for 'M&A' and capital raising opportunities. See Section 6.3.1(b) for details of Kidder Williams' fees.

Kidder Williams is expected to hold 1.05 million Shares and 1 million Options on Completion of the Offer.

6.4 Senior management interests and remuneration

6.4.1 Chief Executive Officer

The Group has entered into an employment contract with Mike Davis to govern his employment as the Chief Executive Officer.

Mike Davis will receive an annual fixed remuneration of $270,000 (exclusive of superannuation). His current employment contract provides for a cash bonus commencing from 1 July 2021 of 25% of his base salary, made up 50% for meeting or exceeding a Board agreed EBITDA budget for the financial year and 50% for role specific performance measures agreed by the Board. The Board will implement a performance based LTI plan from 1 July 2021 taking into account KPIs associated with the role.

Mike Davis may terminate his employment contract by giving 3 months' notice at any time. The Group may terminate Mike Davis' employment by providing 3 months' notice in writing.

The Group may terminate Mike Davis' employment immediately without notice in the case of serious misconduct.

Throughout, and at all times after the termination of, Mike Davis' employment with the Group, he must keep all confidential information obtained by him during his employment confidential.

On termination of Mike Davis' employment, he will be subject to post-employment restraints for 12 months from the date of termination of his employment agreement which prevent him from:

a) soliciting the Group's customers or clients to purchase services that would normally be supplied by the Group or soliciting any employees to leave the employment of the Group; and
b) engaging in any business or enterprise that competes with the Group and its business.

The employment contract provides for 20 days' paid annual leave per year as well as other customary leave entitlements specified in Mike Davis' contract.

6.4.2 Chief Financial Officer

The Group has entered into an employment contract with James Frayne to govern his employment as the Chief Financial Officer.

James Frayne will receive an annual fixed remuneration of $215,000 (exclusive of superannuation). His current employment contract provides for a cash bonus commencing from 1 July 2021 of 25% of his base salary, made up 50% for meeting or exceeding a Board agreed EBITDA budget for the financial year and 50% for role specific performance measures agreed by the Board. The Board will implement a performance based LTI plan from 1 July 2021 taking into account KPIs associated with the role.

James Frayne may terminate his employment contract by giving 3 months' notice at any time. The Group may terminate James Frayne's employment by providing 3 months' notice in writing.

The Group may terminate James Frayne's employment immediately without notice in the case of serious misconduct.

Throughout, and at all times after the termination of, James Frayne's employment with the Group, he must keep all confidential information obtained by him during his employment confidential.

On termination of James Frayne's employment, he will be subject to post-employment restraints for 12 months from the date of termination of his employment agreement which prevent him from:

a) soliciting the Group's customers or clients to purchase services that would normally be supplied by the Group or soliciting any employees to leave the employment of the Group; and
b) engaging in any business or enterprise that competes with the Group and its business.

The employment contract provides for 20 days' paid annual leave per year as well as other customary leave entitlements specified in James Frayne's contract.

6.4.3 Chief Technology Officer

The Group has entered into an employment contract with Steve O'Keeffe to govern his employment as the Chief Technology Officer.

Steve O'Keeffe will receive an annual fixed remuneration of $230,000 (exclusive of superannuation). His current employment contract provides for a cash bonus commencing from 1 July 2021 of 25% of his base salary, made up 50% for meeting or exceeding a Board agreed EBITDA budget for the financial year and 50% for role specific performance measures agreed by the Board. The Board will implement a performance based LTI plan from 1 July 2021 taking into account KPIs associated with the role.

Steve O'Keeffe may terminate his employment contract by giving 3 months' notice at any time. The Group may terminate Steve O'Keeffe's employment by providing 3 months' notice in writing.

The Group may terminate Steve O'Keeffe's employment immediately without notice in the case of serious misconduct.

Throughout, and at all times after the termination of, Steve O'Keeffe's employment with the Group, he must keep all confidential information obtained by him during his employment confidential.

On termination of Steve O'Keeffe's employment, he will be subject to post-employment restraints for 12 months from the date of termination of his employment agreement which prevent him from:

a) soliciting the Group's customers or clients to purchase services that would normally be supplied by the Group or soliciting any employees to leave the employment of the Group; and
b) engaging in any business or enterprise that competes with the Group and its business.

The employment contract provides for 20 days' paid annual leave per year as well as other customary leave entitlements specified in Steve O'Keeffe's contract.

6.4.4 Chief Operating Officer

The Group has entered into an employment contract with James Aleman to govern his employment as the Chief Operating Officer.

James Aleman will receive an annual fixed remuneration of $250,000 (exclusive of superannuation). His current employment contract provides for a quarterly cash bonus of up to 25% of his base salary awarded on a quarterly basis based on performance and other discretionary components. The Board will implement a performance based LTI plan from 1 July 2021 taking into account KPIs associated with the role.

James Aleman may terminate his employment contract by giving 3 months' notice in writing at any time. The Group may terminate James Aleman's employment by providing 3 months' notice in writing.

The Group may terminate James Aleman's employment immediately without notice in the case of serious misconduct.

Throughout, and at all times after the termination of, James Aleman's employment with the Group, he must keep all confidential information obtained by him during his employment confidential.

On termination of James Aleman's employment, he will be subject to post-employment restraints for 12 months from the date of termination of his employment agreement which prevent him from:

a) soliciting the Group's customers or clients to purchase services that would normally be supplied by the Group or soliciting any employees to leave the employment of the Group; and
b) engaging in any business or enterprise that competes with the Group and its business.

The employment contract provides for 20 days' paid annual leave per year as well as other customary leave entitlements specified in James Aleman's contract.

6.5 Employee incentive arrangements

The Board believes that the adoption of an employee incentive arrangement as part of the Company's overall remuneration framework is critical to the development of a high performance culture within the Company.

Accordingly, to assist in the attraction, motivation and retention of management and employees, the Board plans to establish various incentive arrangements that will apply on Listing as set out below.

6.5.1 Employee Incentive Plan

The Company has adopted an employee incentive plan (**Employee Incentive Plan**). The Employee Incentive Plan is designed to:

a) provide an incentive for Eligible Employees to remain in their employment in the long term;
b) recognise the ongoing ability of Eligible Employees and their expected efforts and contribution in the long term to the performance and success of the Group; and
c) provide Eligible Employees with the opportunity to acquire an equity interest in the Company and/or a right to acquire an equity interest in the Company, in accordance with the Employee Incentive Plan rules.

The Senior Management and Director Option Offer and Salary Sacrifice Offer are offered to Eligible Employees in accordance with the terms of the Employee Incentive Plan. The Company may offer additional Shares and Options under the Employee Incentive Plan or additional incentive schemes to the management and Employees over time.

Eligible Employees may nominate an individual or entity that is an associate (as that expression is defined in section 318 of the *Income Tax Assessment Act 1936* (Cth)) to hold their Shares or Options on their behalf.

Offer

Under the Employee Incentive Plan, Eligible Employees may be offered Shares or granted Options from time to time, subject to the conditions (if any) determined by the 'Plan Committee' (being the Board or a committee of the Board) in its absolute discretion and specified in the offer.

Terms and conditions

The Plan Committee may set the terms and conditions (including conditions in relation to vesting and any applicable exercise conditions) on which it will offer Shares or grant Options under the Employee Incentive Plan. The Plan Committee will determine the procedure for offering Shares or granting Options (including the form, terms and content of any offer, invitation or acceptance procedure) in accordance with the rules of the Employee Incentive Plan.

Options granted to a participant under the Employee Incentive Plan cannot be dealt with unless the Plan Committee has given written consent to deal with the Option or any interest in the Option.

Ranking of Shares

Unless otherwise determined by the Board at the time of an offer, all Shares issued (including Shares issued on exercise of Options) under the Employee Incentive Plan will rank equally in all respects with the other issued Shares.

Voting and dividend rights of Options

Options do not carry any voting or dividend rights.

Exercise of Options

Options granted to Senior Management under the Senior Management and Director Option Offer and all participants under the Salary Sacrifice Offer will be automatically exercised on the satisfaction of the relevant vesting conditions attached to the Offers, subject to the participant being employed by a Group Member on the vesting date. Directors' Options are exercisable by the participant within 3 years from the date on which they vest. On exercise of the Options, the participant will be provided with Shares in the Company.

The Plan Committee may offer Options (or Shares) with different terms on future grants.

Lapse of Options

Options will lapse if the applicable vesting conditions are not met during the prescribed performance period. Options which have vested but are not automatically exercisable will lapse on the expiry date of those Options.

In addition, Options will lapse if in the Plan Committee's opinion, the Employee:

a) has been dismissed or removed from office for a reason which entitles a Group Member to dismiss the participant without notice;
b) has acted fraudulently or with gross misconduct in relation to the affairs of the Group Member; or
c) has done an act which brings the Group or any Group Member into disrepute.

Quotation

Options will not be quoted on the ASX. The Company will apply for official quotation of any Shares issued under the Employee Incentive Plan either on the issue of Shares or issue of Shares on exercise of Options, in accordance with the ASX Listing Rules.

Options exercise price

Options granted under the Senior Management and Director Option Offer and Salary Sacrifice Offer have a varying exercise prices; the Directors' Options will have an exercise price equal to the Offer Price and the Senior Management and Salary Sacrifice Options will have a nil exercise price. The Plan Committee may offer Options with an exercise price on future grants.

Plan limit

The Company will not issue:

a) Options under the Senior Management and Director Option Offer, where the total number of Options exceeds 5% of the total Shares on issue at the relevant time; or
b) Shares or Options under the Salary Sacrifice Offer, where the total number of Shares that would be issued (including Shares issued on the exercise of the Options) exceeds 5% of the total Shares on issue at the relevant time.

In respect of future grants of Options or Shares to participants, an offer of Shares or Options must not be made if making the offer would breach the 5% capital limit on the issue of shares as set out in ASIC Class Order 14/1000 in relation to employee share schemes or contravene the Corporations Act, ASX Listing Rules or instruments of relief issued by ASIC from time-to-time.

To the extent permitted by law, the Board may offer such number of Shares or Options which is greater than 5% of the issued Shares from time to time, provided that the Company will only issue up to the 5% capital limit as set out in ASIC Class Order 14/1000, with the balance to be issued pursuant to other available exemptions, including, for example, section 708 of the Corporations Act.

Cessation of employment

The Employee Incentive Plan contains provisions concerning the treatment of Options in the event an Employee ceases employment.

6.5.2 Senior Management and Director Option Offer

As referred to in Section 7.11, the Company is making a Senior Management and Director Option Offer under which the Non-Executive Directors, Executive Directors and certain Eligible Employees will be offered the opportunity to apply for Options for no consideration. The Directors' Options will have an exercise price equal to the Offer Price and the Senior Management Options will have a nil exercise price. These parties will receive a separate offer and acceptance letter in relation to their personal offers of Options under this Prospectus. Up to 2.79 million Options will be issued under the Senior Management and Director Option Offer.

6.5.3 Salary Sacrifice Offer

As referred to in Section 7.12, the Company is making an offer under a Salary Sacrifice Offer under which Eligible Employees will be offered the opportunity to apply for Shares and Options for no consideration. These parties will receive a separate offer and acceptance letter in relation to their personal offers of Shares and Options under this Prospectus. Up to $536,878 worth of Shares and up to 4.47 million Options will be offered under the Salary Sacrifice Offer.

6.6 Corporate governance

This Section 6.6 explains how the Board oversees the management of the Company's business. The Board is responsible for the overall corporate governance of the Company, including establishing and monitoring key performance goals. The Board monitors the operational and financial position and performance of the Company and oversees its business strategy including approving the strategic goals of the Company and considering and approving an annual business plan, including a budget.

The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of the Company. In conducting the Company's business with these objectives, the Board seeks to ensure that the Company is properly managed to protect and enhance Shareholder interests and that the Company, its Directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing the Company, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the Company's business and which are designed to promote the responsible management and conduct of the Company.

The Company is seeking a listing on the ASX. The ASX Corporate Governance Council has developed and released the ASX Recommendations for Australian listed entities in order to promote investor confidence and to assist companies in meeting stakeholder expectations. The ASX Recommendations are not prescriptions, but guidelines, and the Board is entitled not to adopt a particular recommendation if it considers it inappropriate in the context of the business. However, under the ASX Listing Rules, the Company will be required to provide a statement in its annual report disclosing the extent to which it has followed the ASX Recommendations in the reporting period. Where the Company does not follow a recommendation, it must identify the recommendation that has not been followed and give reasons for not following it.

Except as set out below, the Board does not anticipate that it will depart from the recommendations of the ASX Corporate Governance Council. However, it may do so in the future if it considers such a departure would be reasonable or necessary. The Board anticipates that the charters and policies will be further developed and refined as the Company and its management systems and capabilities develop in the years ahead. Copies of the Company's key policies and practices and the charters for the Board and each of its committees are available at www.felix.net/investors.

6.6.1 Board of Directors

The Board comprises four members, being Michael Bushby (Non-Executive Chairman), George Rolleston (Non-Executive Director), Mike Davis (Executive Director and Chief Executive Officer) and Michael Trusler (Non-Executive Director).

Biographies of the Board members are provided in Section 6.1.

The ASX Recommendations state that there should ideally be a majority of independent Non-Executive Directors comprising the Board and that the chairperson position be held by an independent Non-Executive Director. The Directors have reserved absolute discretion to determine the appropriate composition of the Board from time to time.

Additionally, presently three Directors on the Board are not independent, which the Board does not consider will impair the functioning of the Board. The Company's intention is to eventually have a majority of independent non-executive directors on the Board. However, given the current size of the Board and circumstances of the Company, this is not currently possible.

The Board Charter sets out guidelines for the purpose of determining independence of Directors and has adopted a definition of independence that is based on that set out in the ASX Recommendations. The Board considers an independent Non-Executive Director to be one who is independent of the Company's management and who is free of any business or other relationship that could materially interfere with the independent exercise of their unfettered and independent judgement. The Board reviews the independence of each Director in light of interests disclosed to the Board from time-to-time.

Mike Davis is not considered by the Board to be independent as he is an Executive Director of the Company and significant Shareholder in the Company. George Rolleston and Michael Trusler are also not considered by the Board to be independent as they are significant Shareholders in the Company and, up until June 2020, Michael Trusler was Co-CEO of the Company.

The Board considers that Michael Bushby is an independent Director for the purpose of the ASX Recommendations as he is free from any interest, position, association or relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of his judgement.

Accordingly, the Board will consist of one independent Director. The Board considers that Michael Bushby brings an objective and independent judgment to the Board's deliberations and he makes a valuable contribution to the Company through the skills he brings to the Board and his understanding of the Company's business.

6.6.2 Board Charter

The Board has adopted a written charter to clarify the roles and responsibilities of the Board members which will take effect from Listing. The charter sets out:

a) the Board composition;
b) the Board's role and responsibilities;
c) the relationship and interaction between the Board and senior management; and
d) the authority delegated by the Board to senior management and Board committees.

The composition of the Board is to be determined in accordance with the following principles:

a) the Directors should have an appropriate range of skills, experience and expertise to allow them to understand and competently deal with current and emerging business issues; and
b) the Directors must be capable of effectively reviewing and challenging the performance of senior management and exercising independent judgment.

The Board must have a minimum of three and a maximum of eight Directors. The Company's intention is to have a majority of independent non-executive directors in each committee listed in Section 6.6.3, however given the size of the Board and circumstances of the Group, this may not always be possible.

The Directors (other than the Chief Executive Officer) may only hold office for a continuous period of up to three years, or until the third annual general meeting, following the Director's appointment or election, whichever is the longer, but are eligible for re-election.

The role of the Board is to act in the best interests of the Company as a whole and is accountable to Shareholders for the overall direction, management and corporate governance of the Company and the Group.

The Board's responsibilities include:

a) overseeing the Group, including providing leadership and setting its strategic objectives, control and accountability systems;
b) appointing the Chairperson of the Board;
c) appointing and removing the Chief Executive Officer;
d) monitoring the performance of the Chief Executive Officer;
e) where appropriate, ratifying the appointment and removal of senior executives;
f) ratifying other senior executive appointments, organisational changes and senior management remuneration policies and practices;
g) approving succession plans for senior management;
h) monitoring senior executives' performance and implementation of strategy, and ensuring appropriate resources are available;
i) reporting to Shareholders;
j) providing strategic advice to senior management;
k) approving senior management's corporate strategy and performance objectives;
l) determining and financing of dividend payments;
m) approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures;
n) approving and monitoring corporate, financial and other reporting systems, including external audit, and overseeing their integrity;
o) reviewing and ratifying systems of risk management, accountability, internal compliance and control, and legal compliance to ensure appropriate compliance frameworks and controls are in place;
p) reviewing and overseeing the implementation of the code of conduct for directors, senior executives and all other employees;
q) approving the charters of the various Board committees;
r) monitoring and ensuring compliance with all legal and regulatory requirements and ethical standards and policies; and
s) monitoring and ensuring compliance with best practice corporate governance requirements.

The management function is conducted by the Chief Executive Officer and senior management, as directed by the Board. Senior management must supply the Board with information that will enable the Board to assess senior management's performance against measurable and qualitative indicators as decided by the Board.

In carrying out its responsibilities and functions, the Board may delegate any of its powers to a Board committee, subject to ultimate responsibility residing with the Directors. The Board has established Audit, Risk and Compliance and Nomination and Remuneration committees, each of which has a separate charter outlining its terms of reference.

The Board collectively, and individual Directors, may seek independent professional advice at the Company's expense, subject to the approval of the Chairperson of the Board.

6.6.3 Board committees

The Board may from time-to-time establish committees to assist in the discharge of its responsibilities. The Board has established an Audit, Risk and Compliance Committee and a Nomination and Remuneration Committee.

Audit, Risk and Compliance Committee

Under its charter, the Audit, Risk and Compliance Committee should comprise at least three Directors, all being Non-Executive Directors and a majority of independent directors. All members of this committee must be financially literate and able to read and understand financial statements and at least one member must be a qualified accountant or other financial professional with experience of financial and accounting matters.

At present George Rolleston, Michael Bushby and Mike Davis are members of the Audit, Risk and Compliance Committee. George Rolleston will act as chair of the committee. The terms of their appointment are at the discretion of the Board and vacancies may be filled as they arise.

The Board has determined at this time, not to follow the ASX Recommendations that all members of this committee be Non-Executive Directors and that the chair of this committee be an independent director who is not the Chairperson of the Board. The Company believes it is appropriate for Mike Davis, an executive director, to be a part of this committee given his significant understanding of the environment in which the Company operates and knowledge of the Company and risks associated with its operation. Additionally, given the size and composition of the Board it is not currently possible for there to be a majority of independent directors or an independent chair of this committee. It is the Company's intent to find a suitably experienced candidate to assume the position of chair of the Audit, Risk and Compliance Committee as soon as reasonably practicable after Listing.

The Audit, Risk and Compliance Committee will assist the Board in carrying out its accounting and auditing, financial reporting, and compliance and risk related responsibilities including by:

a) ensuring effective internal and external audit functions and overseeing the Group's relationship with the external auditor;
b) overseeing the preparation of the financial statements and reports;
c) overseeing the Group's financial controls and systems;
d) monitoring, reviewing and assessing the Company's compliance, including the effectiveness of its compliance program;
e) assisting in ensuring appropriate compliance information is provided to the Board; and
f) maintaining open communication channels among the Committee, management and internal and external advisers in order to review and discuss specific issues, exchange views and information and confirm respective duties and responsibilities as appropriate.

Non-committee members, including members of the senior management team and the external auditor may attend meetings by invitation of the Audit, Risk and Compliance Committee as it deems appropriate.

The Audit, Risk and Compliance Committee chairperson must report to the Board the committee's findings after each Audit, Risk and Compliance Committee meeting. The committee will meet as often as it considers necessary.

Nomination and Remuneration Committee

Under its charter, the Nomination and Remuneration Committee should comprise of at least three Directors, all being Non-Executive Directors and a majority of whom should be independent Directors and the chairperson should be an independent Director.

Currently, Michael Bushby, George Rolleston and Michael Trusler are members of the Nomination and Remuneration Committee. Michael Bushby will act as chair of this committee and is independent.

The objective of the Nomination and Remuneration Committee is to help the Board fulfil its statutory, fiduciary and regulatory responsibilities and achieve its objectives to ensure that the Company:

a) has a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties;
b) has coherent remuneration policies and practices to attract and retain executives and directors who can reasonably be expected to create value for Shareholders;
c) observes those remuneration policies and practices; and
d) fairly and responsibly rewards executives having regard to the performance of the Group, the performance of the executives and the general external pay environment.

The Nomination and Remuneration Committee is also responsible for:

a) identifying and recommending to the Board, nominees for membership of the Board including the Chief Executive Officer;
b) annually evaluating the performance of the Board, both collectively and individually;
c) reviewing, approving and recommending to the Board for adoption executive remuneration and incentive policies and practices;
d) reviewing the remuneration of Non-Executive Directors for serving on the Board and any committee (both individually and in total); and
e) reviewing any insurance premiums or indemnities for the benefit of directors and officers.

The Board must decide appointments, rotations and resignations with the committee having regard to the ASX Listing Rules, the Corporations Act and the Constitution.

The Nomination and Remuneration Committee will regularly report to the Board about committee activities, issues and related recommendations that require Board attention or approval. The committee will meet as often as it considers necessary.

The Nomination and Remuneration Committee may seek professional advice from employees of the Group and from appropriate external advisers, at the Company's cost. The committee may meet with external advisers without management being present.

6.6.4 Company policies

Shareholder communications policy

The Board's aim is to provide Shareholders with sufficient information to assess the performance of the Company and to inform them of major developments affecting the affairs of the Company relevant to Shareholders in accordance with all applicable laws. The Company has adopted a Shareholder communications policy to take effect from Listing which aims to promote effective communication with its Shareholders and encourage effective participation at general meetings of the Company.

Information will be communicated to Shareholders through the lodgement of all relevant financial and other information with ASX and publishing information on the Company's website.

In particular, the Company's website will contain information about it, including media releases, key policies and the charters of its Board committees. All relevant announcements made to the market and any other relevant information will be posted on the Company's website as soon as they have been released to ASX.

Securities trading policy

The Company has adopted a securities trading policy which will apply to the Company, its Directors, employees, any persons having authority and responsibility for planning, directing and controlling the activities of the Company, whether directly or indirectly, and their associates.

The policy is intended to explain the types of conduct in relation to dealings in Shares that are prohibited under the Corporations Act and establish procedures in relation to dealings in Shares.

The securities trading policy defines certain 'trading windows' during which trading in Shares by Directors, officers and certain key management personnel is permitted. Those trading windows are currently defined as during the one month period beginning at the close of trading on the day after the dates on which:

a) the Company announces its half-yearly results to the ASX;
b) the Company announces its full year results to the ASX;
c) the Company holds its annual general meeting (assuming an update of the full year's results is given at the meeting); and
d) any additional periods determined by the Board from time-to-time.

In all instances, buying or selling of Shares is not permitted at any time by any person who possesses price-sensitive information. A copy of this securities trading policy will be available on the Company's website.

Market disclosure policy

Once listed on the ASX, the Company will be required to comply with the continuous disclosure obligations of the ASX Listing Rules and the Corporations Act. Subject to the exceptions in the ASX Listing Rules, the Company will be required to disclose any information to the ASX that is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares.

The Company is committed to observing its continuous disclosure obligations under the ASX Listing Rules and the Corporations Act. The Company has adopted a market disclosure policy to take effect from Listing which establishes procedures that are aimed at ensuring the Group fulfils its obligations in relation to the timely disclosure of material price sensitive information. The Chief Executive Officer, in consultation with the Board, will review the market disclosure policy as often as the Board considers necessary. Under the policy, only the Chief Executive Officer, Chief Financial Officer or Chairperson of the Board may speak on behalf of the Company to institutional investors, stockbroking analysts and the media as an authorised spokesperson.

Under the policy, a disclosure committee will be responsible for managing the Company's compliance with its continuous disclosure obligations. The disclosure officer will be responsible for the disclosure of material information to the ASX and must maintain a procedural methodology for disclosure and record keeping. Under the policy, the disclosure officer will be the Company Secretary. The form and content of any announcement of the Group in relation to a major matter requires the approval of the Chairperson of the Board prior to release.

In addition to being provided to the ASX, continuous disclosure announcements will also be available on the Company's website at www.felix.net.

Diversity policy

The Board has formally approved a diversity policy in order to address and actively facilitate a more diverse and representative management and leadership structure.

The policy:

a) supports the commitment of the Company and its controlled entities to an inclusive workplace that embraces and values diversity;
b) provides a framework for new and existing diversity related initiatives, objectives, strategies and programs within the business of the Group;
c) supports the commitment of the Group to informing Shareholders regarding its progress towards implementation and achievement of its diversity objectives; and
d) supports the commitment of the Company to aim for compliance with the ASX Recommendations.

The Company will annually review, assess and report on gender diversity within the Group. The Board will include in the Annual Report each year its objectives for achieving gender diversity and its progress in achieving those objectives.

Fraud and corruption policy

Any fraud or corruption committed against the Company is a major concern to the Company. The Company requires all officers, employees and contractors at all times to act honestly and with integrity and to safeguard the Company resources for which they are responsible. The Company is also committed to protecting all revenue, expenditure and assets from any attempt to gain illegal financial or other benefits. Accordingly, the Company has adopted a fraud and corruption policy.

The fraud and corruption policy applies to all officers, employees (including Directors, executives and managers) and contractors of the Group.

The purpose of the policy is to protect the assets and reputation of the Company by:

a) reinforcing the commitment and responsibility of the Board and the senior management to identify fraudulent and corrupt activities and for establishing policies, controls and procedures for prevention and detection of these activities;
b) reinforcing the requirement for all employees and others to refrain from corrupt and fraudulent conduct and encourage the reporting of any instance of fraud or corrupt conduct;
c) providing a framework for conduct of investigations to ensure that all suspected fraudulent and corrupt activity is dealt with appropriately; and
d) assigning responsibility for the development of controls to prevent and detect fraud.

Code of conduct for Directors and senior management

The Company is committed to maintaining the highest ethical standards in the conduct of its business activities. Accordingly, the Board has adopted a formal code of conduct, to take effect from Listing, for the following purposes:

a) to articulate the high standards of honesty, integrity and ethical and law-abiding behaviour expected of Directors and senior executives;
b) to encourage the observance of those standards to protect and promote the interests of Shareholders and other stakeholders (including employees, customers, suppliers and creditors);
c) to guide Directors and senior executives as to the practices thought necessary to maintain confidence in the Company's integrity; and
d) to set out the responsibility and accountability of Directors and senior executives to report and investigate any reported violations of this code or unethical or unlawful behaviour.

The code of conduct applies to:

a) the Directors including the Chief Executive Officer;
b) the Chief Financial Officer; and
c) any other employee or officer of the Company and its related bodies corporate who has the opportunity to materially influence the integrity, strategy and operations of the business and financial performance of the Group.

Whistleblower policy

The Company is committed to transparency and to building an environment in which people feel free to raise legitimate issues relating to the Company's operations. Accordingly, the Company has adopted a whistleblower policy which sets out information about the types of disclosures that qualify for protection, the protections available to whistleblowers, how the Company will investigate disclosures, support whistleblowers and protect them from detriment and how the Company will ensure fair treatment of employees who are the subject of or are mentioned in disclosures.

Officers and employees of the Company, individuals who are an associate of the Company and individuals who supply goods or services to the Company or employees of a supplier are 'eligible whistleblowers' and will be protected by the policy and the protections under the Corporations Act and the *Taxation Administration Act 1953* (Cth) for whistleblowers.

Details of the Offer

7. Details of the Offer

7.1 Description of the Offer

This Prospectus relates to an initial public offering of Shares at an offer price of $0.36 per Share and offer of Options to certain Eligible Employees. The Offer contained in this Prospectus is an invitation to apply for:

a) 34.82 million New Shares offered by the Company, including under the Salary Sacrifice Offer; and
b) 9.56 million Options offered by the Company,

(collectively, **Offer**).

The total number of Shares on issue at Completion of the Offer assuming it is fully subscribed will be 131.56 million. 51.20 million of these Shares will be held by the Existing Shareholders and subject to ASX imposed mandatory escrow and voluntary escrow arrangements described in Section 7.7. All Shares will rank equally with each other. The Options will not be quoted.

The Offer is not underwritten. However, if the full $12 million proposed to be raised under the Offer is not raised, the IPO will not proceed and any funds received by the Company will be returned to Applicants as soon as practicable after the Offer Period (without interest).

A summary of the Lead Manager Engagement Agreement, including the events which would entitle the Lead Manager to terminate the Lead Manager Engagement Agreement, is set out in Section 9.4.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.2 Structure of the Offer

The Offer comprises:

a) the Broker Firm Offer, which is only open to Australian resident investors who are not Institutional Investors and who have received a firm allocation of Shares from a Broker;
b) the Institutional Offer, which consists of an invitation to bid for Shares made to Institutional Investors in Australia and certain overseas jurisdictions;
c) the Chairman's List Offer, which is open to selected investors in Australia who have received an invitation under the Chairman's List Offer; and
d) the Senior Management and Director Option Offer and Salary Sacrifice Offer, which are only open to certain Eligible Employees.

No general public offer of Shares will be made under the Offer.

The allocation of Shares between the Broker Offer, the Institutional Offer and the Chairman's List Offer will be determined by the Lead Manager with the agreement of the Company, having regard to the allocation policy described in Section 7.13.2. Further detail of the allocation policies is described in Sections 7.10.3, 7.13.2 and 7.14.

The Shares offered under the Salary Sacrifice Offer are New Shares and are sufficient to meet all applications made under the Salary Sacrifice Offer. Such applications will not impact the allocation of Shares under the Broker Firm Offer and the Institutional Offer.

7.3 Important dates

Item	Date
Prospectus Date	26 November 2020
Opening date of Offer	11 December 2020
Closing date of Offer	18 December 2020
Settlement	7 January 2021
Issue of Shares (Completion of the Offer)	8 January 2021
Expected dispatch of holding statements	12 January 2021
Expected commencement of trading on the ASX	12 January 2021

These dates are subject to change and are indicative only. The Company, in consultation with the Lead Manager, reserves the right to vary the dates and times of the Offer, including to close the Offer early, extend the Offer or accept late Applications, without notifying any recipient of this Prospectus or any Applicants. Applicants are encouraged to submit their Applications as early as possible.

7.4 Purpose of the Offer and use of proceeds

The purpose of the Offer is to:

a) provide funding to enable the Company to:
   i) invest in platform development and new features and products;
   ii) further grow Contractors;
   iii) expand into new industries and geographies;
   iv) have sufficient growth and working capital; and
   v) pay the costs of the Offer;
b) achieve a listing on the ASX to broaden the Shareholder base and provide a liquid market for Shares;
c) provide the Company with the benefits of an increased profile from being an entity listed on the ASX;
d) provide an improved capacity to attract and retain quality staff through short and long term employee incentives; and
e) provide additional financial flexibility for the Company to pursue growth opportunities and improve access to capital markets.

The Offer is expected to raise approximately $12 million. Overall, these proceeds are expected to be sufficient to fund the Company's objectives for the next 24 months. If the full $12 million is not raised, the IPO will not proceed and any funds received by the Company will be returned to Applicants as soon as practicable after the Offer Period (without interest).

The table below sets out in detail the use of the proceeds raised from the Offer and the proposed use of proceeds raised from the Offer.

Figure 7.1: Sources and uses of funds

Sources of Funds	$'000	%	Use of Funds*	$'000	%
IPO Proceeds	12,000	100%	Marketing and growth initiatives	400	3%
			Platform development	5,700	48%
			Research and development	1,200	10%
			Working capital	3,179	26%
			Professional fees and ASX listing cost	1,521	13%
Total	**12,000**	**100%**	**Total**	**12,000**	**100%**

* *Net of recoverable GST.*

7.5 Shareholders

The details of the ownership of Shares as at the Prospectus Date and of the expected ownership of the Shares at the Completion of the Offer are shown in the table below:

Figure 7.2: Shareholders

	Ownership of the Company as:			
	At the Prospectus Date		At Completion of the Offer	
	Shares (m)	%	Shares (m)	%
Moggs Creek[1]	19.11	19.8%	19.11	14.5%
Plant Investments Ltd[2]	9.21	9.5%	9.21	7.0%
M.A.D. Technologies[3]	8.44	8.7%	8.44	6.4%
BNP Paribas Nominees Pty Limited	7.94	8.2%	7.94	6.0%
Mainstream Fund Services	7.80	8.1%	7.80	5.9%
MADAD Ventures Pty Ltd	6.09	6.3%	6.09	4.6%
Other Existing Shareholders	38.13	39.4%	38.13	29.0%
New Shareholders under the Offer[4]	–	– %	34.82	26.5%
Total	**96.73**	**100%**	**131.56**	**100%**

Note: Totals may differ due to rounding

1 An entity associated with David Williams

2 An entity associated with George Rolleston

3 An entity associated with Mike Davis and Michael Trusler

4 Assuming no Existing Shareholders participate in the Offer. Included in this line will be any participation in the Offer by David Williams and George Rolleston. David Williams has indicated that he will participate in the Offer to the extent of up to $1 million, depending on the level of investor interest. George Rolleston has indicated that he will participate in the Offer to the extent of $50,000.

Note: David Williams' interests also include 1 million Options to be issued to Kidder Williams, a company associated with David Williams, as part consideration for its success fee in relation to advising the Company on the Offer (refer to Section 6.3.1(b) for further details). Additionally, Mike Davis and Michael Trusler will receive Shares and other securities under the Employee Incentive Plan discussed in Section 6.5.1.

7.6 Optionholders

The details of the ownership of 9.56 million Options as at Listing is shown in the table below and on the assumption that the people referred to below accept the offer of Options made to them under the Senior Management and Director Option Offer and Salary Sacrifice Offer.

Figure 7.3: Optionholders

	At Listing	
	Options (m)	%
MADAD Ventures Pty Ltd	1.13	11.8%
SFO Ventures Pty Ltd	0.16	1.7%
Senior Management and Director Options	2.79	29.2%
Salary Sacrifice Options	4.47	46.8%
Kidder Williams	1.00	10.5%
Total	**9.56**	**100%**

Notes: The Options issued to MADAD Ventures Pty Ltd have an exercise price of $545,000 and the Options issued to SFO Ventures Pty Ltd have an exercise price of $75,000. Both of these tranches of Options are transferable, have customary anti-dilution clauses and are exercisable until the earlier of: a change of control of Felix; the holder transferring all its Shares to a third party; and approximately 16 September 2021.

7.7 Escrow agreements

The Escrowed Shareholders have agreed to continue to hold their Shares after Listing under mandatory escrow arrangements required by ASX and voluntary escrow arrangements (collectively, **Escrow Arrangements**). Under the Escrow Arrangements, the Escrowed Shareholders have undertaken not to dispose of any interest in or to grant any security over any of the Shares held by them during the Escrow Period.

The purpose of the Escrow Arrangements is to align the interests of the Escrowed Shareholders with those of new Shareholders and to promote an orderly market for the Shares by preventing any sell-down of Escrowed Shares by the Escrowed Shareholders during the Escrow Period.

These restrictions will generally terminate between 12 to 24 months after the Listing.

During the Escrow Period, the Escrowed Shareholders may not 'deal' with their Escrowed Shares, except as permitted by the ASX Listing Rules or ASX in writing.

For the purposes of the Escrow Arrangements, 'dealing' is broadly defined and means to:

a) dispose of, or agree or offer to dispose of, a restricted security;
b) create, or agree to create, any security interest in a restricted security; or
c) do, or omit to do, any act if the act or omission would have the effect of transferring effective ownership or control of that restricted security,

except as permitted in the ASX Listing Rules or by ASX in writing but does not include or restrict the exercise of any voting rights for the restricted securities.

7.8 Corporate, financial and other information about Felix

Details of the Company's formation, registration and tax status, along with information regarding the Company's corporate structure, are set out at Section 9.

The Group's pro forma consolidated historical statement of financial position as at 30 June 2020, including details of the pro forma adjustments, is set out in Sections 5.10 and 5.11.

The Directors believe that, on Completion of the Offer, the Company will have sufficient working capital available to carry out its stated business objectives.

7.9 Terms and conditions of the Offer (other than Senior Management and Director Option Offer and Salary Sacrifice Offer)

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary shares in Felix).
What are the rights and liabilities attached to the security being offered?	A description of the Shares, including the rights and liabilities attaching to these, is set out in Section 9.6.
What is the consideration payable for each security being offered?	The Offer Price is $0.36 per Share. Successful applicants under the Broker Firm Offer and Institutional Offer will pay the Offer Price per Share.
What are some key conditions of the Offer	The Offer is conditional on Listing. Additionally, if the full $12 million proposed to be raised under the Offer is not raised, the IPO will not proceed and any funds received by the Company will be returned to Applicants as soon as practicable after the Offer Period (without interest).

Topic	Summary
What is the Offer period?	The key dates, including details of the Offer period, are set out in the 'Key offer statistics and Important dates' section at the front of this Prospectus. No securities will be issued on the basis of this Prospectus later than the Expiry Date of 25 December 2021.
What is the Exposure Period?	The seven day period after the date of lodgement of this Prospectus allowing for the Prospectus to be examined by market participants prior to the raising of funds. This period may be extended by ASIC by up to a further seven days.
What are the cash proceeds to be raised?	Approximately $12 million will be raised under the Offer.
What is the allocation policy?	The allocation of Shares between the Broker Firm Offer, the Institutional Offer and the Chairman's List Offer will be determined by the Lead Manager with the agreement of the Company, having regard to the allocation policy outlined in Section 7.13.2. With respect to the Broker Firm Offer, it is a matter for the Brokers how they allocate Shares among eligible retail clients (see Section 7.10.3). For further information on the Broker Firm Offer, refer to Section 7.10. The allocation of Shares among applicants in the Institutional Offer will be determined by the Lead Manager with the agreement of the Company. For further information on the Institutional Offer, refer to Section 7.13. Invitations to participate in the Chairman's List Offer will be made by the Company in its sole and absolute discretion. For further information on the Chairman's List Offer, refer to Section 7.14.
When will I receive confirmation whether my application has been successful?	It is expected that initial holding statements will be mailed by standard post on or about 12 January 2021. Refunds (without interest) to applicants who make an application together with cash and receive an allocation of Shares, the value of which is smaller than the amount of the Application Monies, will be made as soon as practicable after settlement of the Offer.
Will the Shares be quoted?	The Company will apply within seven days of the Prospectus Date for admission to the official list and quotation of the Shares on ASX under the code '**FLX**'. Completion of the Offer is conditional on, among other things, ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest, as soon as practicable in accordance with the requirements of the Corporations Act. The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company. ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Offer or the Shares offered for subscription.
When are the Shares expected to commence trading?	It is expected that trading of the Shares on ASX will commence on or about 12 January 2021. It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk. The Company and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial holding statement, whether on the basis of a confirmation of allocation provided by any of them, through the Offer Information Line, by a Broker or otherwise.

Topic	Summary
Is the Offer underwritten?	No. However, the Lead Manager has been appointed to manage the Offer (other than the Senior Management and Director Option Offer and the Salary Sacrifice Offer). Details are provided in Section 9.4 of the Lead Manager Engagement Agreement.
Are there any escrow arrangements?	Yes. Details are provided in Section 7.7.
What will be the Free Float?	The Company expects its Free Float immediately after the issue of the Shares offered under this Prospectus to be approximately 58.2%, assuming David Williams, George Rolleston and Michael Bushby collectively participate in the Offer to the extent of $1.10 million.
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer.
What should I do with any enquiries?	All enquiries in relation to this Prospectus should be directed to the Offer Information Line on 1300 214 708 (within Australia) or +61 3 9415 4034 (outside Australia) from 8.30am until 5.30pm (Melbourne time) Monday to Friday during the Offer Period. If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant, tax adviser or other independent and qualified professional adviser before deciding whether to invest.

7.10 Broker firm offer

Topic	Summary
Who can apply in the Broker Firm Offer?	Australian resident investors who are not Institutional Investors and who have received a firm allocation from a Broker. Investors should contact the Broker that offered them their firm allocation to determine whether they have been allocated Shares under the Broker Firm Offer.
How to apply for Shares in the Broker Firm Offer?	Complete the Application Form accompanying this Prospectus. Broker Firm Applicants must lodge their Application Form and Application Monies with the Broker that offered them their firm allocation in accordance with that Broker's directions. By making an Application, you declare that you were given access to this Prospectus, together with an Application Form.
What is the minimum and maximum Application amount?	The minimum Application amount is $2,000. There is no maximum Application amount.

Topic	Summary
What is the Offer Period?	The Broker Firm Offer is expected to: o open at 9.00am (Melbourne time) on 11 December 2020; and o close at 5.00pm (Melbourne time) on 18 December 2020. All dates are subject to change and are indicative only. The Company and the Lead Manager has the right to vary these dates, without prior notice, including the right to close the Offer early or to withdraw the Offer and to accept late Applications (either generally or in particular cases). Applicants are encouraged to submit their Application Forms as early as possible. Please contact your Broker for instructions.
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Broker Firm Offer.
How can I obtain a copy of this Prospectus and Application Form?	By downloading a Prospectus and Application Form from www.felix.net/investors or by requesting a Prospectus by contacting the Offer Information Line on 1300 214 708 (within Australia) or +61 3 9415 4034 (outside Australia) from 8.30am until 5.30pm (Melbourne time) Monday to Friday during the Offer Period.

7.10.1 Application Monies

Applicants under the Broker Firm Offer must pay their Application Monies in accordance with instructions from the Broker that offered them the firm allocation.

Application Monies received under the Offer will be held on trust in a special purpose account until Shares are issued to successful Applicants. Applicants under the Offer whose Applications are not accepted, or who are allocated a lesser dollar amount of Shares than the amount they applied, will be mailed a refund (without interest) of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by the Company.

You should ensure that sufficient funds are held in the relevant account to cover your Application Monies. If the amount of Application Monies is less than the amount specified on the Application Form, you may (unless your Broker advises otherwise) be taken to have applied for such lower dollar amount of Shares as for which your cleared Application Monies will pay (and to have specified that amount on your Application Form) or your Application may be rejected.

7.10.2 Acceptance of Applications

An Application in the Broker Firm Offer is an offer by the Applicant to the Company to acquire Shares, for all or any of the Application Amount specified in and accompanying the Application Form, at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Application Form. To the extent permitted by law, the offer by an Applicant is irrevocable.

An Application may be accepted by the Company and the Lead Manager in respect of the full amount, or any lower amount than that specified in the Application Form, without further notice to the Applicant. Acceptance of an Application in full or in part will give rise to a binding contract.

The Lead Manager and the Company reserve the right to reject any Application under the Offer.

All dates are subject to change and are indicative only. The Company and the Lead Manager has the right to vary these dates, without prior notice, including the right to close the Offer early or to withdraw the Offer and to accept late Applications (either generally or in particular cases). Applicants are encouraged to submit their Application Forms as early as possible.

7.10.3 Allocation policy under Broker Firm Offer

The allocation of firm stock to Brokers will be determined by the Lead Manager with the agreement of the Company It will be a matter for the Brokers as to how they make firm allocations among their Broker clients and they (and not the Company and the Lead Manager) will be responsible for ensuring that Broker clients who have received a firm allocation from them receive the relevant Shares. There is no assurance that any person will be allocated any Shares or the number of Shares for which they apply.

7.10.4 Confirmation of allocation

Initial holding statements are expected to be despatched on or around 12 January 2021.

Broker Firm Offer Applicants wishing to find out their Allocation prior to receiving an initial holding statement should contact their Broker. However, if you are an Applicant in the Broker Firm Offer and sell Shares before receiving an initial holding statement, you do so at your own risk, even if you have obtained details of your holding from your Broker.

Shares are expected to commence trading on ASX on a normal settlement basis on or about 12 January 2021.

7.11 Senior Management and Director Option Offer

The Executive Directors and certain Eligible Employees will be offered Options under the Senior Management and Director Option Offer.

Non-Executive Directors, Executive Directors and certain Eligible Employees that are determined by the Plan Committee to be Senior Management who will be offered the opportunity to apply for up to 2.79 million Options.

The exercise price for each Option will vary, with the Director Options having an exercise price equal to the Offer Price and the Senior Management Options having a nil exercise price.

All Options will not be quoted.

The Director Options totalling 1.22 million Options will all be issued on Listing, with 50% vesting 3 months after Listing and the remaining 50% will vest 12 months after Listing, subject to the Directors remaining on the Board and a 3 year expiry from Listing. However all the Director Options and Shares issued on exercise of those Options will be subject to a 24 months mandatory escrow from Listing.

The Senior Management Options will be issued on Listing for nil consideration. These Options will automatically vest and be automatically exercised for nil consideration as follows: 1/4 will vest on 30 June 2023; 1/4 will vest on 30 June 2024; 1/4 will vest on 30 June 2025 and 1/4 will vest on 30 June 2026, provided that the participant remains an Eligible Employee and the market capitalisation of the Company is greater than its pre-money IPO valuation. If the market capitalisation of the Company on a vesting date is not greater than the Company's pre-money IPO valuation, the relevant vesting date will be extended by a further 12 months. All Shares issued on the vesting will be subject to a 12 month escrow period.

These parties will receive a separate offer and acceptance letter in relation to their personal offers of Options under this Prospectus.

The Senior Management and Director Option Offer is funded by the Company and the costs of the Senior Management and Director Option Offer have been taken into account in the financial information presented in Section 5.

The written offer, together with access to this Prospectus, will be provided to the relevant parties, detailing the terms of the Senior Management and Director Option Offer and the timetable applicable (which is the same as the timetable applicable to the Broker Firm Offer). These parties should read the written offer and this Prospectus carefully and in its entirety, before deciding whether to apply for Options under the Senior Management and Director Option Offer (including any summary of the Australian tax issues relating to tax resident holders who acquire Options under the Senior Management and Director Option Offer set out in the separate offer letter). If you are unclear in relation to any matter or are uncertain as to whether Options are a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, tax adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

7.12 Salary Sacrifice Offer

Certain Eligible Employees are entitled to participate in the Salary Sacrifice Offer. An eligible employee is (**Eligible Employee**):

- an individual whom the Plan Committee determines to be in the full-time or part-time employment of a Group Member (including any employee on parental leave, long service leave or other special leave as approved by the Plan Committee);
- a director of a Group Member;
- an individual who provides services to a Group Member whom the Plan Committee determines to be an employee for the purposes of the Employee Incentive Plan; or
- an individual or entity that is an associate (as that expression is defined in section 318 of the *Income Tax Assessment Act 1997* (Cth)) of an employee and which the Plan Committee determines to be an employee for the purposes of the Employee Incentive Plan,

that the Plan Committee has determined is to receive an Offer under the Employee Incentive Plan.

For the avoidance of doubt, a person is an Eligible Employee only if he or she satisfies one of the conditions set out above.

Certain Eligible Employees will be offered the opportunity to apply for Options and Shares equal to two times the value of their salary which was agreed to be foregone by that Eligible Employee in the period 1 April 2020 (or from the date of employment if later) to 30 June 2021. These parties will receive a separate offer and acceptance letter in relation to their personal offers of Shares and nil exercise priced Options under this Prospectus. Up to $536,878 worth of Shares will be issued on Listing and up to 4.47 million nil exercise priced Options will be offered under the Salary Sacrifice Offer, with 1/3 of these Options automatically being exercised on 1 July 2021 and 2/3 of these Options being automatically exercised on 1 July 2022. The Options will not be quoted.

A written offer, together with access to this Prospectus, will be provided to certain Eligible Employees, detailing the terms of the Salary Sacrifice Offer and the timetable applicable (which is the same as the timetable applicable to the Broker Firm Offer). These Eligible Employees should read the written offer and this Prospectus carefully and in its entirety, before deciding whether to apply for Shares and Options under the Salary Sacrifice Offer (including the summary of the Australian tax issues relating to tax resident Shareholders who acquire Shares and Options under the Salary Sacrifice Offer provided with the separate offer letter). If you are unclear in relation to any matter or are uncertain as to whether Shares and Options are a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, tax adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

7.13 Institutional Offer

7.13.1 Invitations to bid

The Institutional Offer consists of an invitation prior to or after the date of this Prospectus to certain Institutional Investors in Australia and certain other jurisdictions to apply for Shares under this Prospectus. Application procedures for Institutional Investors have been, or will be, advised to the Institutional Investors by the Lead Manager.

7.13.2 Allocation policy under the Institutional Offer

The allocation of Shares among Applicants in the Broker Firm Offer, the Institutional Offer and the Chairman's List Offer is determined by the Lead Manager with the agreement of the Company.

The Lead Manager, with the agreement of the Company, will have absolute discretion regarding the basis of allocation of Shares among Institutional Investors and there is no assurance that any Institutional Investor will be allocated any Shares, or the number of Shares for which it has bid.

The allocation policy will be influenced by the following factors:

a) number of Shares bid for by particular bidders;
b) the timeliness of the bid by particular bidders;
c) desire for an informed and active trading market following listing on ASX;
d) desire to establish a wide spread of institutional shareholders;
e) overall level of demand under the Broker Firm Offer and the Institutional Offer;
f) the size and type of funds under management of particular bidders;
g) the likelihood that particular bidders will be long term shareholders; and
h) any other factors that Felix and the Lead Manager considered appropriate.

7.14 Chairman's List Offer

The Chairman's List Offer is open to selected investors in Australia who have been made a personal offer by the Chairman of the Company.

Up to 2.78 million Shares are to be offered under the Chairman's List Offer which will be allocated at the discretion of the Chairman and the Company.

The Company reserves the right in its absolute discretion not to issue any Shares under the Chairman's List Offer or allocate a lesser number of Shares than the number applied.

7.15 Lead Manager Engagement Agreement

The Offer (other than the Senior Management and Director Option Offer and Salary Sacrifice Offer) is managed by the Lead Manager. The Lead Manager and the Company have entered into the Lead Manager Engagement Agreement under which the Lead Manager has been appointed as arranger and manager to the Offer. A summary of certain terms of the agreement, including the termination provisions, is provided in Section 9.4.

7.16 Discretion regarding the Offer

The Company may withdraw the Offer at any time before the issue of Shares to successful Applicants under the Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest) in accordance with the requirements of the Corporations Act.

The Company also reserves the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late applications or bids either generally or in particular cases, reject any application or bid, or allocate to any applicant or bidder fewer Shares than the amount applied or bid for. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law.

7.17 Selling restrictions

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise permit a public offering of the Shares in any jurisdiction outside Australia. The Offer is not an offer or invitation in any jurisdiction where, or to any person to whom, such an offer or invitation would be unlawful.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

The Offer and the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction in the United States and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons, except in accordance with an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act, and any other applicable securities laws.

This Prospectus may not be distributed in the United States and may only be distributed to persons to whom the Offer may be lawfully made in accordance with the laws of any applicable jurisdiction.

Each Applicant will be taken to have represented, warranted and agreed as follows:

a) it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities law of any state of the United States and may not be offered, sold or resold in the United States, or to or for the account or benefit of US Persons, except in a transaction exempt from, or not subject to, registration under the US Securities Act and any other applicable securities laws;
b) it is not in the United States or a US Person, and is not acting for the account or benefit of a US Person;
c) it has not and will not send the Prospectus or any other material relating to the Offer to any person in the United States or to any person that is, or is acting for the account or benefit of, a US Person; and
d) it will not offer or sell the Shares in the United Sates or to, or for the account or benefit of, any US Person or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration under the US Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered or sold.

7.18 ASX listing, registers and holding statements

7.18.1 Application to ASX for listing and quotation of Shares

Application for admission of the Company to the official list of ASX and quotation of the Shares on ASX will be made to ASX no later than seven days after the date of this Prospectus. The Company's ASX code will be '**FLX**'.

If the Company does not make such an application within seven days after the date of this Prospectus, or the Company is not admitted to the official list of ASX within three months of the date of this Prospectus (or any longer period permitted by law), the Offer will be cancelled and all Application Monies will be refunded (without interest).

The fact that ASX may admit the Company to the official list is not to be taken as an indication of the merits of the Company or the Shares offered for subscription. Trading of Shares on ASX, if admission to the official list is granted, is expected to commence on or about 12 January 2021.

Subject to certain conditions (including any waivers obtained by the Company from time to time), the Company will be required to comply with the ASX Listing Rules.

7.18.2 CHESS and Issuer sponsored holdings

The Company will apply to participate in ASX's Clearing House Electronic Subregister System (**CHESS**), in accordance with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, an electronic CHESS subregister or an issuer sponsored subregister. For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS sub-register. All other Shares will be registered on the issuer sponsored sub-register.

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Securityholder Reference Number (**SRN**) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their Shareholding. Certificates will not be issued.

Independent Limited Assurance Report

Grant Thornton

An instinct for growth™

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The Board of Directors
Felix Group Limited
Suite 501
Level 5, 14 Martin Place
Sydney NSW 2000

26 November 2020

Dear Directors

INDEPENDENT LIMITED ASSURANCE REPORT AND FINANCIAL SERVICES GUIDE

Introduction

This report has been prepared at the request of the directors of Felix Group Limited and its controlled entities ("Felix" or "the Group") for inclusion in the prospectus to be dated on or about 26 November 2020 (the "Prospectus") in respect of the initial public offering of fully paid ordinary shares in Felix ("the Offer") and admission to the Australian Securities Exchange.

Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") holds an Australian Financial Services Licence (AFS Licence Number 247140). This report is both an Independent Limited Assurance Report, the scope of which is set out below, and a Financial Services Guide, as attached at **Appendix A**.

Expressions defined in the Prospectus have the same meaning in this report, unless otherwise specified.

Scope

Grant Thornton Corporate Finance has been engaged by the Directors to perform a limited assurance engagement in relation to the following historical financial information of the Group:

Statutory Historical and Pro Forma Historical Financial Information

The statutory historical and pro forma historical financial information of the Group, as set out in the Prospectus comprises:

- The statutory consolidated historical statement of profit and loss and other comprehensive income for the year ended 30 June 2018 ("FY2018"), year ended 30 June 2019 ("FY2019"), and year ended 30 June 2020 ("FY2020") which are included in Section 5.5 of the Prospectus;
- the statutory historical consolidated statement of cash flows for FY2018, FY2019 and FY2020 which are included in Section 5.8 of the Prospectus; and

- the statutory consolidated historical statement of financial position as at 30 June 2020 which is included in Section 5.10 of the Prospectus;

(together the "Statutory Consolidated Historical Financial Information").

Pro Forma Consolidated Historical Financial Information

- The pro forma consolidated historical statement of financial position as at 30 June 2020 and the pro forma adjustments applied as at that date which is included in Section 5.11 of the Prospectus.

(the "Pro Forma Consolidated Historical Financial Information")

(together the **Historical Financial Information**)

The Statutory Consolidated Historical Financial Information and Pro Forma Consolidated Historical Financial Information are presented in an abbreviated form, insofar as they do not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001 (Cth).

The Historical Financial Information has been prepared for inclusion in the Prospectus and has been derived from the audited consolidated financial statements of Felix (formerly Miner Group Pty Ltd) for FY2018, FY2019 and FY2020. The financial statements of Felix for FY2018, FY2019 and FY2020 were audited by Grant Thornton Audit Pty Ltd in accordance with Australian Auditing Standards. The financial statements prepared in FY2018 were special purpose financial statements as the Directors deemed that the Group was not a reporting entity and as such there was no requirement to prepare general purpose financial statements. The FY2018 financial statements otherwise comply with all the applicable measure and recognition standards required under IFRS. The audit opinion issued to the Directors for FY2018 was unqualified but included an emphasis of matter on the basis of accounting (given it was a special purpose financial statements) as well as an emphasis of matter on going concern. The financial statements prepared for FY2019 and FY2020 were general purpose financial statements. The audit opinions issued to the Directors for FY2019 and FY2020 were unqualified but included an emphasis of matter on material uncertainty on going concern.

As described in Section 5.2 of the Prospectus the stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and the Group's adopted accounting policies.

The Pro Forma Consolidated Historical Financial Information has been derived from the Statutory Consolidated Historical Financial Information after adjusting for the effects of the pro forma adjustments described in Section 5.11 of the Prospectus (the "Pro Forma Adjustments").The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and the Group's adopted accounting policies applied to the Pro Forma Adjustments as if those events or transactions had occurred as at the date of the Statutory Consolidated Historical Financial Information. Due to its nature, the Pro Forma Consolidated Historical Financial Information does not represent the Group's actual or prospective financial position, financial performance or cash flows.

Directors' Responsibility

The Directors are responsible for:

- the preparation and presentation of the Historical Financial Information including the selection and determination of the pro forma adjustments made to the Statutory Historical Financial Information and included in the Pro Forma Historical Financial Information; and
- the information contained within the Prospectus.

This responsibility includes for the operation of such internal controls as the Directors determine are necessary to enable the preparation of the Statutory Historical Financial Information and Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Historical Financial Information based on the procedures performed and evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450: "*Assurance Engagements involving Corporate Fundraisings and/ or Prospective Financial Information"*.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly we will not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report of the Group used as a source of the financial information.

We have performed the following procedures as we, in our professional judgement, considered reasonable in the circumstances.

Historical Financial Information

- consideration of work papers, accounting records and other documents, including those dealing with the extraction of the Statutory Consolidated Historical Financial Information from the audited financial statements of the Group covering the year ended 30 June 2018, year ended 30 June 2019 and year ended 30 June 2020;
- consideration of the appropriateness of the pro forma adjustments described in Section 5.11 of the Prospectus;
- enquiry of the Directors, management and others in relation to the Statutory Consolidated Historical Financial Information;
- analytical procedures applied to the Statutory Consolidated Historical Financial Information;
- a review of the work papers, accounting records and other documents of the Group and its auditors; and
- a review of the consistency of the application of the stated basis of preparation and adopted accounting policies as described in the Prospectus used in the preparation of the Statutory Consolidated Historical Financial Information and Pro Forma Consolidated Historical Financial Information; and
- Consideration of the appropriateness of the pro forma adjustments described in Section 5.11 of the Prospectus.

Our limited assurance engagement has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdiction outside of Australia and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

We have assumed, and relied on representations from certain members of management of the Group, that all material information concerning the prospects and proposed operations of the Group has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Conclusion

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that:

Statutory Consolidated Historical Financial Information

The Statutory Historical Financial Information as set out in the Prospectus and comprising:

- the statutory consolidated historical statement of profit and loss and other comprehensive income for FY2018, FY2019 and FY2020;
- the statutory consolidated historical statement of cash flows for FY2018, FY2019 and FY2020;
- the statutory historical consolidated statement of financial position as at 30 June 2020,

are not presented fairly, in all material aspects, in accordance with the stated basis of preparation described in Section 5.2 of the Prospectus.

Pro Consolidated Forma Historical Financial Information

The Pro Forma Consolidated Historical Financial Information as set out in the Prospectus and comprising:

- the pro forma consolidated statement of financial position as at 30 June 2020; and
- the pro forma transactions set out in Section 5.11 of the Prospectus,

are not presented fairly, in all material aspects, in accordance with the stated basis of preparation described in Section 5.2 of the Prospectus.

Restriction on Use

Without modifying our conclusion, we draw your attention to Section 5.2 of the Prospectus which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, this Independent Limited Assurance Report may not be suitable for another purpose.

Consent

Grant Thornton Corporate Finance consents to the inclusion of this Independent Limited Assurance Report in the Prospectus in the form and context in which it is included.

Liability

The liability of Grant Thornton Corporate Finance is limited to the inclusion of this report in the Prospectus. Grant Thornton Corporate Finance makes no representation regarding, and has no liability, for any other statements or other material in, or omissions from the Prospectus.

Independence or Disclosure of Interest

Grant Thornton Corporate Finance does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. Grant Thornton Corporate Finance will receive a professional fee for the preparation of this Independent Limited Assurance Report. Yours faithfully,

GRANT THORNTON CORPORATE FINANCE PTY LTD

Jonathan Mather

Partner

Grant Thornton
An instinct for growth™

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Appendix A (Financial Services Guide)

This Financial Services Guide is dated 26 November 2020.

1 About us

Grant Thornton Corporate Finance Pty Ltd (ABN 59 003 265 987, Australian Financial Services Licence no 247140) (Grant Thornton Corporate Finance) has been engaged by Felix Group Limited and its controlled entities ("Felix" or "the Group") to provide a report in the form of an Independent Limited Assurance Report (the "Report") for inclusion in a Prospectus dated on or about 26 November 2020 (the "Prospectus") relating to the offer of fully paid ordinary shares in the Group (the "Offer"). You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2 This Financial Services Guide

This Financial Services Guide (FSG) is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about Grant Thornton Corporate Finance generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3 Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities and superannuation products and deal in a financial product by applying for, acquiring, varying or disposing of a financial product on behalf of another person in respect of securities and superannuation products.

4 General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs. You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

5 Fees, commissions and other benefits we may receive

Grant Thornton Corporate Finance charges fees to produce reports, including the Report. These fees are negotiated and agreed with the entity which engages Grant Thornton Corporate Finance to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report, Grant Thornton Corporate Finance will receive from the Group a fee of $90,000 plus GST, which is based on commercial rates plus reimbursement of out-of-pocket expenses.

Partners, Directors, employees or associates of Grant Thornton Corporate Finance, or its related bodies corporate, may receive dividends, salary or wages from Grant Thornton Australia Ltd.

None of those persons or entities receive non-monetary benefits in respect of, or that is attributable to, the provision of the services described in this FSG.

6 Referrals

Grant Thornton Corporate Finance - including its Partners, Directors, employees, associates and related bodies corporate - does not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

7 Associations with issuers of financial products

Grant Thornton Corporate Finance and its Partners, Directors, employees or associates and related bodies corporate may from time to time have associations or relationships with the issuers of financial products. For example, Grant Thornton Australia Ltd may be the auditor of, or provide financial services to the issuer of a financial product and Grant Thornton Corporate Finance may provide financial services to the issuer of a financial product in the ordinary course of its business.

In the context of the Report, Grant Thornton Corporate Finance considers that there are no such associations or relationships which influence in any way the services described in this FSG.

8 Independence

Grant Thornton Corporate Finance is required to be independent of Felix in order to provide this Report. The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this Report, and have not had within the previous two years, any shareholding in or other relationship with Felix Group Limited (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Offer.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Offer, other than the preparation of this Report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this Report. This fee is not contingent on the outcome of the Offer. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the Report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this Report.

9 Complaints

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Australian Financial Complaints Authority (AFCA) (membership no. 11800). All complaints must be in writing and addressed to the Head of Corporate Finance at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to AFCA who can be contacted at:

Australian Financial Complaints Authority

GPO Box 3
Melbourne, VIC 3001
Telephone: 1800 931 678 (free call)

Email: info@afca.org.au

Grant Thornton Corporate Finance is only responsible for the Report and FSG. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

10 Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

11 Contact Details

Grant Thornton Corporate Finance can be contacted by sending a letter to the following address:

Head of Corporate Finance

Grant Thornton Corporate Finance Pty Ltd

Level 17, 383 Kent Street

Sydney, NSW, 2000

Additional information

9. Additional information

9.1 Registration

The Company was incorporated in Queensland on 9 August 2012 as an Australian proprietary company limited by shares. On 26 March 2019, the Company converted to an Australian public company limited by shares and on 13 February 2020 the Company changed its name to 'Felix Group Holdings Ltd'.

9.2 Tax status

The Company expects to be taxed as an Australian tax resident public company for the purpose of Australian income tax law. The financial year of the Company will end on 30 June annually.

9.3 Corporate structure

The following diagram shows the corporate structure of the Group on Completion of the Offer.

All of the Group Members (other than Felix Software NZ Ltd) are registered in Queensland, Australia. Felix Software NZ Ltd is a New Zealand entity.

Miner Group R&D Pty Ltd and Felix Software NZ Ltd are two dormant entities; the former was a business unit that never became operational. Felix Software NZ Ltd relates to the former New Zealand operations, which included an office and local team. This business ceased operating in 2016, following the strategic decision by the Company to focus on the Australian market.

Figure 9.1: Corporate structure of the Group

9.4 Lead Manager and Bookrunner

Bell Potter has been engaged by the Company to act as sole and exclusive Lead Manager and Bookrunner for the Offer. The engagement agreement (**Lead Manager Engagement Agreement**) includes the following:

a) Bell Potter's role in providing advice and recommendations on the structure of the Offer, familiarising itself with the business, operations, assets, liabilities, financial condition and prospects of the Company, coordinating the marketing of the Company and the Offer, assisting with drafting of the Prospectus and other Offer documents, participating in the due diligence process, liaising with regulatory bodies such as ASX and ASIC, conducting the bookbuild and allocating Shares in consultation with the Company;
b) that the Offer will not be underwritten by Bell Potter;
c) Bell Potter will be paid a fee of 4.5% of the gross amount raised under the Offer (excluding any Application Monies provided by David Williams (or a related entity) or any proceeds received under the Chairman's List Offer). Additionally, Bell Potter will be paid a fee of 1% of the Chairman's List Offer proceeds capped at a maximum allocation of $1 million. If the allocation under the Chairman's List Offer is greater than $1 million, Bell Potter will be paid a fee of 4.5% of the proceeds above that $1 million;
d) a right for Bell Potter to appoint other brokers provided Bell Potter will be responsible for the payment of their fees;
e) a right for Bell Potter (but not an obligation) to be a member or invitee of the due diligence committee formed for the Offer;
f) a broad indemnification of Bell Potter and its related bodies corporate and their respective officers, directors, employees, advisers and representatives by the Company, to the maximum extent permitted by law, from and against all claims and losses which arise directly or indirectly from the services provided by Bell Potter under the agreement or the Offer generally;
g) the limitation of Bell Potter's liability and responsibility if the Offer does not proceed or the desired amount of capital is not raised;

h) a right for Bell Potter to be reimbursed by the Company for all its reasonable out of pocket expenses incurred in connection with the Offer;
i) a term expiring on the earlier of Completion of the Offer or 24 months after the date of the agreement unless it is terminated earlier;
j) a right of the Company and Bell Potter to terminate the agreement with or without cause by giving written notice at any time prior to the earlier of the commencement of the deal roadshow, the making of a firm commitment offer to any investor by Bell Potter to subscribe for Shares or the signing of any underwriting agreement or offer management agreement in connection with the Offer;
k) an obligation on the Company to pay Bell Potter's fees if the Company terminates the agreement and subsequently completes the Offer or a similar capital raising within 12 months from the date of termination;
l) Bell Potter's right of first refusal to act as lead manager in any equity capital raisings undertaken by the Company within 12 months following the expiry or termination of the agreement; and
m) representations, warranties and undertakings provided by the Company to Bell Potter relating to customary matters including conduct of the Company (including limitations on the Company in relation to financing or material agreements and commitments prior to the Offer), confidentiality, conflicts of interest, ongoing due diligence, disclosure of information provided by the Company, powers and capacities of the Company, and compliance with applicable laws and ASX Listing Rules.

9.5 Material contract summaries

Other than the Lead Manager Engagement Agreement summarised in Section 9.4, the Board does not consider that there are any contracts which are significant or material to the Company.

9.6 Rights attaching to Shares

9.6.1 Introduction

The rights and liabilities attaching to ownership of Shares arise from a combination of the Constitution, statute, the ASX Listing Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that the Company is admitted to the official list of ASX.

9.6.2 Voting at a general meeting

At a general meeting of the Company, subject to any rights or restrictions attaching to any class of Shares, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each fully paid Share held and a fraction of a vote for each partly paid Share held equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable.

9.6.3 Meetings of members

Each Shareholder is entitled to receive notice of, attend and vote at, general meetings of the Company and to receive all notices and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the ASX Listing Rules.

9.6.4 Dividends

The Board may resolve to pay dividends to Shareholders and fix the amount of the dividend, the time for determining entitlements to the dividend and the timing and method of payment. For further information in respect of the Company's proposed dividend policy, see Section 5.13.

9.6.5 Transfer of Shares

Subject to the Constitution, Shares may be transferred by a proper transfer effected in accordance with the ASX Settlement Operating Rules, by a written instrument of transfer which complies with the Constitution or any other form approved by the Directors. The Company may participate in any computerised or electronic system for market settlement, securities transfer and registration conducted in accordance with the Corporations Act, the ASX Listing Rules or the ASX Settlement Operating Rules, or corresponding laws or financial market rules in any other country.

The Board may refuse to register a transfer of Shares where permitted to do so under the Corporations Act, the ASX Listing Rules or the ASX Settlement Operating Rules. The Board must refuse to register a transfer of Shares when required to by the Corporations Act, the ASX Listing Rules or the ASX Settlement Operating Rules.

9.6.6 Issue of further shares

Subject to the Corporations Act, the ASX Listing Rules, the Constitution and the ASX Settlement Operating Rules, the Directors may issue, or grant options in respect of, or otherwise dispose of further shares on such terms and conditions as the Directors resolve.

9.6.7 Winding up

Without prejudice to the rights of the holders of Shares issued on special terms and conditions, if the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company, divide among the Shareholders in kind all or any of the Company's assets and for that purpose, determine how it will carry out the division between the different classes of Shareholders, but may not require a Shareholder to accept any Shares or other securities in respect of which there is any liability.

9.6.8 Non-marketable parcels

Subject to the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules, the Company may sell the Shares of one or more Shareholders who hold less than a marketable parcel of Shares (unless the Shareholder has notified the Company in writing before a specified date that they wish to retain their Shares).

9.6.9 Share buy-backs

Subject to the Corporations Act and the ASX Listing Rules, the Company may buy back Shares on terms and at times determined by the Board.

9.6.10 Variation of class rights

Subject to the Corporations Act and the terms of issue of a class of shares, the rights attaching to any class of shares in the Company may be varied or cancelled:

a) with the consent in writing of the holders of three-quarters of the issued shares included in that class; or
b) by a special resolution passed at a separate meeting of the holders of those shares.

In either case, in accordance with the Corporations Act, the holders of at least 10% of the votes in the class of shares, the rights of which have been varied or cancelled, may apply to a Court of competent jurisdiction to exercise its discretion to set aside such variation or cancellation.

9.6.11 Dividend reinvestment plan

The Directors may establish a dividend reinvestment plan (under which any Shareholder or any class of Shareholders may elect to reinvest cash dividends paid or payable by the Company by acquiring by way of issue or transfer (or both) Shares or other securities).

9.6.12 Directors – appointment and rotation

Under the Constitution, the minimum number of Directors that may comprise the Board is three and the maximum is eight. Directors are elected at general meetings of the Company. Retirement will occur on a rotational basis so that no Director (excluding the Managing Director) holds office without re-election for a period in excess of three years or beyond the third annual general meeting following the meeting at which the Director was last elected, whichever is longer. The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who will then hold office until the next annual general meeting of the Company.

9.6.13 Directors – voting

Questions arising at a meeting of the Board will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. Subject to the Corporations Act, each Director has one vote. Subject to the ASX Listing Rules, in the case of an equality of votes, the chairperson of a meeting has a casting vote in addition to his or her deliberative vote.

9.6.14 Directors – remuneration

Subject to the ASX Listing Rules, the Directors, other than an Executive Director, will be paid by way of fees for services up to the maximum aggregate sum of $800,000 per annum or such other amount as may be approved by the Company in general meeting. The initial remuneration of the Directors is set out in Sections 6.3.2 and 6.4.1. Shares, options, rights and other share-based payments may be provided to Non-Executive Directors and the value of any such Shares, options, rights and other share-based payments will not be included in the aggregate maximum. The Constitution also makes provision for the Company to pay all reasonable expenses of Directors in attending meetings and carrying on their duties.

9.6.15 Indemnities

The Company, to the extent permitted by law, indemnifies each person who is or has been an officer of the Company against:

a) any liability (other than for legal costs) incurred by that person as a director or officer of the Company or its subsidiaries; and
b) reasonable legal costs incurred by that person in defending an action for a liability of that person as an officer of the Company or its subsidiaries.

The Company, to the extent permitted by law, may make a payment (whether by way of an advance, loan or otherwise) to a Director in respect of legal costs incurred by that person in defending an action for a liability of that person.

The Company, to the extent permitted by law, may pay, or agree to pay, a premium for a contract insuring a person who is or has been a Non-Executive Director or officer against any liability incurred by that person as a Director.

9.6.16 Inspection of records

Except as otherwise required by the Corporations Act, the Directors may determine whether and to what extent, and at what times and places and under what conditions, the financial records and other documents of the Company or any of them will be open for inspection by Shareholders other than Directors.

A Shareholder other than a Director does not have the right to inspect any financial records or other documents of the Company unless the Shareholder is authorised to do so by a Court order or a resolution of the Directors.

9.7 Litigation and claims

As at the Prospectus Date, there are no claims or legal proceedings of a material nature in which the Company or its subsidiaries are directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of the Company and the Company is not aware of any such legal proceedings that are pending or threatened.

9.8 Consents to be named and disclaimers of responsibility

Each of the parties referred to below (each a **Consenting Party**), to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each of the Consenting Parties has given and has not, before the lodgement of the Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named. None of the Consenting Parties referred to below has made any statement that is included in this Prospectus or any statement on which a statement is made in this Prospectus is based, other than as specified below:

a) Bell Potter has given its written consent to be named in this Prospectus as Lead Manager in relation to the Offer in the form and context in which it is named;
b) Kidder Williams has given its written consent to be named in this Prospectus as Corporate Adviser to the Company in relation to the Offer in the form and context in which it is named;
c) MinterEllison has given its written consent to be named in this Prospectus as Australian legal adviser to the Company in relation to the Offer in the form and context in which it is named;
d) Grant Thornton Corporate Finance Pty Ltd has given its written consent to be named in this Prospectus as Investigating Accountant to the Company in relation to the Financial Information in the form and context in which it is named and has given and not withdrawn its consent to the inclusion in this Prospectus of its Independent Limited Assurance Report, financial services guide and the statements specifically attributed to it in the text of, or by a footnote in, this Prospectus, in the form and context in which they are included (and all other references to that report and those statements), but it does not otherwise make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by Grant Thornton Corporate Finance Pty Ltd;
e) Grant Thornton Audit Pty Ltd has given its written consent to be named in this Prospectus as auditor and to the inclusion of and references to the audit and review of relevant financial statements and related statements contained in this Prospectus, but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by Grant Thornton Audit Pty Ltd;
f) Computershare Investor Services Pty Limited has given its written consent to be named in this Prospectus as the Company's share registry in the form and context in which it is named; and
g) Frost & Sullivan has given its written consent to be named in this Prospectus and to the inclusion of its report in Section 2 and certain statements being included in this Prospectus which are specifically attributed to it in the text of, or by a footnote in, this Prospectus, in the form and context in which they are included (and all other references to that report and those statements).

9.9 Taxation considerations

This Section provides a general overview of the Australian tax considerations for Australian resident investors who acquire Shares through the Offer. The comments in this Section are based on the Australian taxation laws (including established interpretations of those laws) as at the Prospectus Date, which may change.

This Section is general in nature and is not intended to be an authoritative or a complete statement of the Australian taxation laws. It should be noted that the Australian taxation laws are complex and the investor's own circumstances will affect the taxation outcomes of making an investment in Shares through the Offer. It is therefore recommended that investors seek independent professional advice, having regard to their own specific circumstances, in considering an investment in Shares through the Offer.

The categories of investors considered in this summary are limited to individuals, companies and trusts (other than superannuation or pension funds), each of whom holds their Shares on capital account and are residents of Australia.

This summary does not consider the consequences for investors who are non residents of Australia (or hold their Shares through a permanent establishment outside of Australia), partnerships, superannuation or pension funds, insurance companies, banks, investors that hold their Shares on revenue account (or any deemed revenue holding rules) or carry on a business of trading in shares or investors who are exempt from Australian tax. This summary also does not cover the consequences for investors who are subject to Division 230 of the *Income Tax Assessment Act 1997* (Cth) (the Taxation of Financial Arrangements or TOFA regime) or the investment manager regime in subdivision 842-I of the *Income Tax Assessment Act 1997* (Cth) (the IMR regime). Investors should seek professional advice to determine if Shares are held in this capacity (and the corresponding income tax implications should this apply).

9.9.1 Dividends on a Share - Australian tax residents

Dividends may be paid to Shareholders in respect of their Shares. Franking credits may be attached to such dividends. Franking credits broadly represent the extent to which a dividend is paid out of profits that have been subject to Australian income tax at the Company level. It is possible for a dividend to be fully franked, partly franked or unfranked.

Australian tax resident Shareholders will be required to include dividends in their assessable income in the income year in which the dividends are paid. To the extent that the dividends are franked, subject to the comments below, the associated franking credits should also be included in the Australian tax resident Shareholder's assessable income (i.e. the dividends are required to be "grossed-up"). In such circumstances, Shareholders are subject to tax at their applicable rate of tax (including the Medicare levy) on the grossed-up dividends received (but may be entitled to a tax offset for the associated franking credits as discussed below).

To the extent that the dividends are unfranked, there is no gross-up (or tax offset) and Australian tax resident Shareholders are subject to tax at their applicable rate of tax (including the Medicare levy) on the unfranked dividends received.

The distribution statement provided by the Company to Shareholders for the dividends paid should advise of the franking status of the dividends.

9.9.2 Australian resident individuals

Subject to the comments on the qualified person rules below, to the extent that the franking credits received by Shareholders that are Australian tax resident individuals exceeds the amount of total income tax payable, those Shareholders should be entitled to a refund from the ATO of any excess franking credits over and above total income tax payable in an income year. Where the franking credits are less than the tax payable on the dividends paid by the Company, those Shareholders will need to pay an additional amount of tax at their applicable rate of tax (including the Medicare levy).

9.9.3 Trusts

Subject to the comments on the qualified person rules below in relation to Shareholders that are trusts (other than trustees of complying superannuation entities or trusts treated as companies for tax purposes), such Shareholders should include any franking credits in determining the net income of the trust. The relevant beneficiary may then be entitled to a corresponding tax offset, subject to certain requirements being satisfied.

In relation to trusts, the rules surrounding the taxation of dividends are complex and advice should be sought to confirm the appropriate taxation considerations and treatment.

9.9.4 Corporate Shareholders

Shareholders that are Australian tax resident companies (including those entities which are deemed to be companies) are also entitled to a tax offset equal to the amount of franking credits received (subject to the comments on the qualified person rules below), however unlike non-corporate Shareholders, they are unable to claim refunds for excess franking credits. Where excess franking credits exist, a corporate Shareholder should be entitled to have the surplus credits converted into carry forward tax losses.

Corporate Shareholders (including those entities which are deemed to be companies) should also be entitled to a franking credit in their franking accounts equal to the franking credits received in respect of the dividends. A corporate Shareholder may be able to then use the credits to make franked distributions to its Shareholders.

9.9.5 Qualified Person Rules

There are certain limitations imposed by the Australian taxation law which may prevent a Shareholder from obtaining the benefit of any franking credits. In this regard, Shareholders seeking to claim tax offsets for franking credits must be "qualified persons" in respect of the relevant dividends.

In broad terms, Shareholders who have held their Shares "at risk" for at least 45 days (excluding the dates of acquisition and disposal) should be qualified persons and should be able to claim a tax offset for the amount of franking credits received.

Special rules apply to arrangements which involve the making of related payments to pass on the benefit of any dividends paid, or in the context of franked dividends received through trusts or partnerships. Under the related payment rule, a different testing period applies where an investor or an associate of the investor has made, or is under an obligation to make, a related payment in relation to a dividend. A related payment is one where an investor or their associate effectively passes on the benefit of the dividend to another person.

Individual Australian Shareholders whose total franking tax offsets (for all franked distributions received in the income year) do not exceed $5,000 for the income year should generally be deemed to be qualified persons (provided also that no related payments are made with respect to the dividend).

Investors should seek professional advice to determine if these requirements, as they apply to them, have been satisfied.

9.9.6 Integrity rules

A specific integrity rule prevents taxpayers from obtaining a tax benefit from franking credits where dividends are received as a result of "dividend washing". Dividend washing is a practice through which taxpayers seek to claim two sets of franking credits by selling shares held on the ASX ex-dividend and then effectively re-purchasing a substantially equivalent parcel of shares cum-dividend on a special ASX trading market.

Shareholders should consider the impact of these provisions (and other dividend tax and franking credit integrity provisions) having regard to their own personal circumstances.

9.9.7 Taxation of Share disposals

Australian tax resident Shareholders who hold their Shares on capital account will be required to consider the impact of the capital gains tax (**CGT**) provisions in respect of the disposal of their Shares.

The earlier of the disposal of Shares or the entry into a contact to dispose of the Shares will give rise to a CGT event for Shareholders at that time. Where the capital proceeds received on the disposal of the Shares exceed the CGT cost base of those Shares, Australian tax resident Shareholders will make a capital gain. The CGT cost base of the Shares should generally be equal to the issue price or acquisition price of the Shares plus, among other things, non-deductible incidental costs associated with the acquisition and disposal of the Shares. In respect of the CGT cost base of the Shares, this amount may be reduced as a result of receiving non-assessable distributions from the Company, such as returns of capital.

Conversely, Australian tax resident Shareholders may make a capital loss on the disposal of Shares where the capital proceeds received on disposal are less than the reduced CGT cost base of the Shares.

All capital gains and losses made by an Australian tax resident Shareholder for an income year are aggregated. To the extent that a net capital gain exists, such Shareholders should be able to reduce the net capital gain by any amount of unapplied net capital losses or revenue losses carried forward from previous income years (provided the relevant loss recoupment tests are satisfied) or current year revenue losses. Any remaining net capital gain (after the application of any carried forward tax losses or current year revenue losses) will then be required to be included in the Australian tax resident Shareholder's assessable income (subject to comments below in relation to the availability of the CGT discount concession) and taxable at the Shareholder's applicable rate of tax (including Medicare levy). Where a net capital loss is made, the loss can only be deducted against capital gains and are capable of being carried forward indefinitely, provided the relevant loss recoupment tests are satisfied. The tax loss utilisation tests do not apply to capital losses of trusts.

Non-corporate Shareholders may be entitled to a concession which discounts the amount of capital gain that is assessed. Broadly, the concession is available where the Shares have been held for 12 months or more prior to the occurrence of the CGT relating to the disposal. The concession results in a 50% reduction in the assessable amount of a capital gain for an individual Shareholder, after offsetting any current or carried forward losses. The concession is not available to corporate Shareholders (including those deemed to be companies).

In relation to trusts, the rules surrounding capital gains and the CGT discount are complex, but the benefit of the CGT discount may flow through to relevant beneficiaries, subject to certain requirements being satisfied.

Australian tax resident investors who hold Shares on revenue account should seek separate independent professional advice.

9.9.8 Taxation of a return of capital the Company without a cancellation of the Shares

Where a return of capital is made by the Company, the cost base and reduced cost base of the Shareholder's Shares for CGT purposes will be reduced by the amount of the return of capital. To the extent that the cost base of the Shares is reduced to below zero, any excess of the return of capital amount should trigger a capital gain.

The amount returned may also include a dividend component, or be deemed under taxation law to include a dividend component. The taxation implications of this dividend component should be the same as set out above under Sections 9.9.1 to 9.9.6.

9.9.9 Non-resident CGT withholding

Rules have fairly recently been enacted which can apply to the disposal of certain taxable Australian property under contracts entered into on or after 1 July 2016, whereby, a 12.5% non-final withholding tax may be applied. However, the rules should not apply to the disposal of a Share on the ASX (in accordance with a specific exemption).

9.9.10 Tax File Number (TFN) and Australian Business Number (ABN)

An Australian tax resident Shareholder is not required to quote a TFN, or where relevant, ABN, to the Company. However, if a TFN or ABN is not quoted and no exemption is applicable, income tax is required to be deducted by the Company at the highest marginal rate (currently 45% plus Medicare levy of 2%) from certain dividends paid. Australian tax resident Shareholders may be able to claim a tax credit/rebate (as applicable) in respect of any tax withheld on dividends in their income tax returns.

No withholding requirements should apply in respect of fully franked dividends paid in respect of the Shares.

9.9.11 Stamp duty

No stamp duty should be payable by a Shareholder on the acquisition or disposal of Shares. Furthermore, under current stamp duty legislation, stamp duty would not ordinarily be payable on any subsequent acquisition of Shares by a Shareholder provided the Company remains listed on the ASX (and provided the acquisition is less than 90% of the Shares in the Company).

9.9.12 Goods and Services Tax

Under current Australian GST law, GST is not applicable to the acquisition or disposal of Shares. The ability of Shareholders to recover any GST incurred as an input tax credit in relation to costs associated with the Offer (such as costs relating to professional advice obtained by Shareholders regarding the Offer) would vary according to individual circumstances and as such this should be reviewed by Shareholders prior to making any claim.

No GST should be payable by Shareholders on receiving dividends (or other distributions) paid by the Company.

9.9.13 Senior Management and Director Option Offer and Salary Sacrifice Offer

The Company will provide a general summary of Australian tax considerations relating to the Senior Management and Director Option Offer and Salary Sacrifice Offer to the applicable Eligible Employees with the written offer provided to them.

9.10 International Offer Restrictions

This Prospectus does not constitute an offer of New Shares in any jurisdiction in which it would be unlawful. In particular, this Prospectus may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the **SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (**FMC Act**). The New Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

9.11 Expenses of the Offer

The table below sets out the estimated total expenses of the Offer (excluding GST).

Item of expenditure	Amount ($)
ASX fees	120,000
Lead Manager fees*	540,000
Professional advisers' fees**	904,000
Miscellaneous	60,000
Total	**1,624,000**

* *Broker commissions will only be paid on applications made through a licensed securities dealers or Australian financial services licensee and accepted by the Company. The amount calculated is based on 100% of Applications being made in this manner. For those Applications made directly to and accepted by the Company no broker commissions will be payable and the expenses of the Offer will be reduced and the additional funds will be put towards working capital. This amount assumes that Bell Potter is paid its full 4.5% fee on the $12 million raised under the Offer.*

** *Includes approximately $157,000 of Options to be issued to Kidder Williams as part payment of its success fee in relation to advising on the Offer (see Section 6.3.1(b) for further details).*

9.12 Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

9.13 Continuous disclosure obligations

Following admission of the Company to the Official List, the Company will be a 'disclosing entity' (as defined in section 111AC of the Corporations Act) and, as such, will be subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company will be required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities, unless an exception applies.

Price sensitive information will be publicly released on the ASX before it is disclosed to Shareholders and market participants. Distribution of other information to Shareholders and market participants will also be managed through disclosure to the ASX. In addition, the Company will post this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

9.14 Governing law

This Prospectus and the contracts that arise from the acceptance of the applications and bids under this Prospectus are governed by the law applicable in Queensland and each Applicant and bidder submits to the exclusive jurisdiction of the courts of Queensland.

9.15 Statement of Directors

The issue of this Prospectus has been authorised by each Director. Each Director has consented to lodgement of this Prospectus with ASIC and issue of this Prospectus and has not withdrawn that consent.

Corporate directory

10. Corporate directory

Company Registered Office

Felix Group Holdings Ltd (Head Office)
4/34 Navigator Place
Hendra QLD 4011

Lead Manager to the Offer

Bell Potter Securities Limited
Level 29 101 Collins Street
Melbourne VIC 3000

Corporate Adviser

Kidder Williams Ltd
Level 4 60 Collins Street
Melbourne VIC 3000

Legal Adviser to the Offer

MinterEllison
Level 20 447 Collins Street
Melbourne VIC 3000

Investigating Accountant

Grant Thornton Corporate Finance Pty Limited
Level 17 383 Kent Street
Sydney NSW 2000

Auditor

Grant Thornton Audit Pty Ltd
Level 18 145 Ann Street
Brisbane QLD 4000

Share Registry

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067

Felix Offer Information Line

Within Australia:	1300 214 708
Outside Australia:	+61 3 9415 4034
Hours of operation:	8.30am to 5.30pm (Melbourne time) Monday to Friday

Felix Website

www.felix.net

Glossary

11. Glossary

Term	
$, A$ or AUD	Australian dollars
AASB	Australian Accounting Standards Board
ABN	Australian Business Number
ABS	Australian Bureau of Statistics of the Australian Government
Applicant(s)	A person who submits an Application
Application(s)	An application made to subscribe for Shares or Options offered under this Prospectus
Application Form	The application form attached to or accompanying this Prospectus (including the electronic form)
Application Monies or Application Amount	The amount accompanying an Application Form submitted by an Applicant
ARPU	Average revenue per user
ARR	The expected sum of the contracted average annual licence fees of all customers at the end of any month. The average annual licence fee is calculated over the life of each customer contract which ranges from 1 to 3 years.
ASIC	Australian Securities and Investment Commission
Asset Growth Fund	Asset Growth Fund Pty Ltd ABN 81 139 913 929
ASX	ASX Limited ABN 98 008 624 691 or the financial market known as the Australian Securities Exchange operated by it, as the context requires
ASX Listing Rules	The listing rules of ASX
ASX Recommendations	The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th edition, February 2019)
ASX Settlement Operating Rules	The rules of ASX Settlement Pty Ltd ABN 49 008 504 532
ATO	Australian Taxation Office
Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board
BNP Paribas Nominees	BNP Paribas Nominees Pty Limited ABN 54 084 150 023 as nominee for BNP Paribas Securities Services as custodian for SCS Super Pty Limited as trustee for Australian Catholic Super and Retirement Fund
Board or Board of Directors	The board of directors of the Company
Broker	Any ASX participating organisation selected by the Lead Manager and the Company to act as Broker to the Offer

Term	
Broker Firm Offer	The Offer of Shares under this Prospectus to Australian resident investors who are not Institutional Investors and have received a firm allocation from their Broker, as described in Section 7.10
CAC	Customer acquisition costs
CAGR	Compound annual growth rate
CEO	Chief Executive Officer
Chairman's List Offer	The offer described in Section 7.14
Closing Date	The date by which Applications must be lodged for the Offer, being 18 December 2020. This date may be varied by the Company and the Lead Manager, without prior notice
Company or Felix	Felix Group Holdings Ltd ACN 159 858 509
Completion of the Offer	The completion of the Offer, being the date on which Shares are issued or transferred to successful Applicants in accordance with the terms of the Offer
Constitution	The constitution of the Company which is effective from the date of this Prospectus and summarised in this Prospectus at Section 9.6, subject to the Listing proceeding
Contractor	A contractor engaged by a developer for a construction project
Corporations Act	*Corporations Act 2001* (Cth)
Corporate Directory	The Corporate Directory in Section 10 of this Prospectus
Director	A director of the Company
Employee	An employee of the Group
Eligible Employees	Has the meaning given to that term in Section 7.12
Employee Incentive Plan	The Felix Employee incentive plan described in Section 6.5.1
ERP	Enterprise resource planning
Escrow Arrangements	Has the meaning given in Section 7.7
Escrowed Shareholders	Certain Existing Shareholders, including the entities associated with Mike Davis, Michael Trusler, David Williams and George Rolleston, who have some or all of their Shares subject to escrow arrangements
Executive Director	An executive director of the Company
Existing Shareholders	A Shareholder as at the date of this Prospectus
Expiry Date	25 December 2021, being 13 months after the date of this Prospectus
FM	Has the meaning given to that term in Section 2.3
Free Float	The percentage of Shares that are not restricted securities or subject to voluntary escrow and are held by non-affiliated Shareholders (i.e. Shareholders who are not related parties of the Company or their associates)

Term	
FY	Financial year or year ended or ending 30 June. For example, FY20 is the financial year ended 30 June 2020
GDP	Gross Domestic Product
Group	The Company and its subsidiaries
Group Member	An entity within the Group
GST	Goods and services or similar tax imposed in Australia
Historical Financial Information	The financial information described as Historical Financial Information in Section 5
Institutional Investor	An investor to whom offers or invitations in respect of securities can be made without the need for a prospectus (or other formality, other than a formality which the Company is willing to comply with), including in Australia persons to whom offers or invitations can be made without the need for a lodged prospectus under section 708 of the Corporations Act (other than section 708(1)) and in New Zealand, persons to whom offers and invitations can be made without the need for a registered prospectus under section 3(2)(a) of the Securities Act 1978 NZ
Institutional Offer	The invitation to Institutional Investors under this Prospectus to acquire Shares, as described in Section 7.13
Investigating Accountant	Grant Thornton Corporate Finance Pty Limited ACN 003 265 987
IPO	Initial public offering
Kidder Williams	Kidder Williams Ltd ABN 81 117 667 204
KPI	Key performance indicator
Lead Manager or Bell Potter	Bell Potter Securities Limited ABN 25 006 390 772
Lead Manager Engagement Agreement	Has the meaning given in Section 9.4
Listing	Admission of Felix to the official list of ASX and quotation of the Shares on the ASX
Listing Date	The date on which the Company is admitted to the Official List of ASX and quotation of the Shares commences
LTI	Long term incentive
m	Million
M.A.D. Technologies	M.A.D. Technologies Pty Ltd ACN 159 837 171
Mainstream Fund Services	Mainstream Fund Services Pty Ltd ACN 118 902 891 as custodian for Perennial Private to Public Opportunities Fund ABN 11 289 455 632
MADAD Ventures	MADAD Ventures Pty Ltd ABN 92 056 847 226
Moggs Creek	Moggs Creek Pty Ltd ACN 060 875 738 as trustee for Moggs Creek Superannuation Fund ABN 79 889 898 893
New Shares	The new Shares to be issued under the Offer

Term	
NLAT	Net loss after tax
Non-Executive Director	A non-executive director of the Company
Offer	The offer of Shares and Options under this Prospectus
Offer Period	The period from the date on which the Broker Firm Offer opens on 11 December 2020 until the Closing Date
Offer Price	$0.36 per Share
Option	An option to acquire an unissued Share
Optionholder	A holder of at least one Option
Plant Investments	Plant Investments Ltd NZBN 9429041232866
Prospectus	This document (including the electronic form of this Prospectus) and any supplementary or replacement Prospectus in relation to this document
Prospectus Date	The date on which a copy of this Prospectus is lodged with ASIC, being 26 November 2020
RFx	Represents any document which is a request including for example, requests for proposals (RFPs) and requests for quotations (RFQs)
SaaS	Software-as-a-Service, a software licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted
Salary Sacrifice Offer	The invitation to certain Eligible Employees to apply for Shares and Options, as described in Section 7.12
Section	A section of this Prospectus
Senior Management	Senior employees of the Company who are selected to participate in the Senior Management and Director Option Offer
Share	A fully paid ordinary share in the capital of the Company
Shareholder	A holder of at least one Share
Share Registry	Computershare Investor Services Pty Limited ABN 48 078 279 277
Vendor	A third party subcontractor or service provider engaged or to be engaged by a Contractor to provide services to the Contractor in relation to a construction project

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