IncentiaPay Ltd
ACN 167 603 992

Notice of 2022 Extraordinary General Meeting
Explanatory notes
Proxy form

Time:	3:00pm (Sydney time)
Date:	Monday, 23 May 2022
How to attend:	Via the online platform at: https://meetings.linkgroup.com/INPEGM22

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Details of the Meeting

An Extraordinary General Meeting (**Meeting**) will be held at 3:00pm (Sydney time) on Monday, 23 May 2022 via the online platform provided by our Share Registry, Link Market Services.

Joining the Meeting

Join online meeting: https://meetings.linkgroup.com/INPEGM22.

Participation at the Meeting

Shareholders can participate in the meeting online via https://meetings.linkgroup.com/INPEGM22.

The online platform will allow shareholders to attend the meeting, ask questions during the meeting and vote at the meeting. Further details on how to participate online will be published in the Virtual Meeting Online Guide available on the IncentiaPay Limited ACN 167 603 992 website at https://www.incentiapay.com/investor-centre/investor-services/.

If you plan to attend the meeting online, the Company encourages you to submit a directed proxy vote as early as possible. Details of how to submit a proxy vote are set out below.

Important voting information

The business of the Meeting affects your shareholding and your vote is important. The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered shareholders at 3:00pm (Sydney time) on Saturday, 21 May 2022.
You may either vote by proxy or during the meeting.

Voting at the Meeting

We recommend logging in to the online platform at least 15 minutes prior to the scheduled start time for the Meeting by entering https://meetings.linkgroup.com/INPEGM22 into a web browser on your computer or online device.

To submit votes or questions, shareholders will need their Shareholder Reference Number (**SRN**) or Holder Identification Number (**HIN**). Proxyholders will need their proxy code which Link Market Services will provide via email on the day before the Meeting.

Voting will be open until the Chairman closes the Meeting, upon which Shareholders will have an additional 5 minutes to finalise and submit their votes.

More information about online participation in the Meeting (including asking questions via the virtual platform) is available in the Virtual Meeting Online Guide available at https://www.incentiapay.com/investor-centre/investor-services/.

Voting by proxy

To vote by proxy, either:

1. complete and sign the enclosed proxy form and deliver the proxy form:

   (a) by hand to:

   Link Market Services
   Level 12, 680 George Street
   Sydney NSW 2000; or

   (b) by post to

   IncentiaPay Ltd
   C/- Link Market Services
   Locked Bag A14
   Sydney South NSW 1235; or

   (c) by facsimile to:

   +61 2 9287 0309; or

2. visit www.linkmarketservices.com.au:

   - select 'Investor Login' and in the Single Holding section enter IncentiaPay Ltd or the ASX code INP in the Issuer name field, your Security Reference Number (**SRN**) or Holder Identification Number (**HIN**) (which is shown on the front of your Proxy Form), postcode and security code which is shown on the screen and click 'Login'; and
   - select the 'Voting' tab and then follow the prompts. You will be taken to have signed your Proxy Form if you lodge it in accordance with the instructions given on the website. You will be taken to have signed your proxy form if you lodge it in accordance with the instructions given on the website.

If you wish to appoint a proxy to vote for you at the Meeting, your proxy form must be received not later than 48 hours before the commencement of the Meeting. Proxy forms received later than this time will be invalid.

There may be restrictions on how your proxy can vote on certain resolutions to be considered at the Meeting. Further details of when these restrictions apply, and what you can do to ensure that your proxy can vote as you intend, are set out in the section of this document headed Voting Exclusions.

The Chair intends to vote all proxies given to the Chair in favour of the resolutions in Items 1, 2 and 3.

Notice of Extaordinary General Meeting

Notice is hereby given that an Extraordinary General Meeting of shareholders of IncentiaPay Ltd ACN 167 603 992 (**Company**) will be held at 3:00pm (Sydney time) on Monday, 23 May 2022 via the online platform https://meetings.linkgroup.com/INPEGM22. Voting at the meeting will be conducted via poll.

Explanatory Notes

The explanatory notes to this notice of meeting provide additional information on matters to be considered at the Meeting. The explanatory notes form part of this notice. Some terms and abbreviations used in this notice of meeting and the explanatory notes are defined at the end of the explanatory notes in the section headed Glossary.

Items of business

1. Approval of entry into the Convertible Loan Deed and issue of Shares under the Convertible Loan Deed

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

"That, subject to and conditional upon the passing of Resolution 2, for the purposes of item 7 of section 611 of the Corporations Act, Chapter 2E of the Corporations Act and for all other purposes, approval is given for the Company to enter into the Convertible Loan Deed and for the issue of Shares under the Convertible Loan Deed, details of which are set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

Note: a voting exclusion applies to this resolution – see Voting Exclusions below.

2. Approval of entry into the Loan Security

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

"That, subject to and conditional upon the passing of Resolution 1, for the purposes of Chapter 2E of the Corporations Act, ASX Listing Rule 10.1 and for all other purposes, approval is given for the Company to enter into the Loan Security, details of which are set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

Note: a voting exclusion applies to this resolution – see Voting Exclusions below.

3. Modify the constitution

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

"That for the purposes of section 136(2) of the Corporations Act 2001 (Cth) and for all other purposes, the Constitution of the Company be modified to adopt the changes set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

Dated: 21 April 2022
By order of the Board

Ben Newling
Company Secretary

Voting exclusions

Item 1 – Approval of entry into the Convertible Loan Deed and issue of Shares under the Convertible Loan Deed

In accordance with the Corporations Act, the Company will disregard any votes cast in favour of Item 1 by or on behalf of:

- New Gold Coast Holdings Limited; or
- an Associate of New Gold Coast Holdings Limited.

However, the above prohibition does not apply if the vote is cast:

- by a person as proxy for a person who is entitled to vote on the resolution, in accordance with the directions on the Proxy Form; and
- it is not cast on behalf of New Gold Coast Holdings Limited (or any of its Associates).

Item 2 – Approval of entry into the Loan Security

Voting exclusions under the Listing Rules

As required by the Listing Rules, the Company will disregard any votes cast in favour of Item 2 by or on behalf of:

- New Gold Coast Holdings Limited (being the person acquiring the substantial asset and the person who will obtain the material benefit and financial benefit as a result of the transaction); or
- an Associate of those persons.

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

- it is cast by a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions on the Proxy Form;
- it is cast by the Chair as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction on the Proxy Form to vote as the Chair decides; or
- it is cast by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided that:
  - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting, on this resolution; and
  - the holder votes on the resolution in accordance with the directions given by the beneficiary to the holder to vote in that way.

Voting prohibition under the Corporations Act

In accordance with section 224 of the Corporations Act, a vote on this resolution must not be cast (in any capacity) by or on behalf of New Gold Coast Holdings Limited or any of its Associates. However, the above prohibition does not apply if the vote is cast:

- by a person as proxy for a person who is entitled to vote on the resolution, in accordance with the directions on the Proxy Form; and
- it is not cast on behalf of New Gold Coast Holdings Limited (or any of its Associates).

Explanatory notes

These explanatory notes have been prepared for Shareholders in connection with the business to be conducted at the Extraordinary General Meeting (**Meeting**) to be held at 3:00pm (Sydney time) on Monday, 23 May 2022 via the online platform https://meetings.linkgroup.com/INPEGM22.

These notes provide information which the Directors believe to be material to Shareholders in deciding how to vote on the resolutions to be put to the Meeting.

If you are in any doubt about what to do in relation to this document or about how to vote on the resolutions to be put to the Meeting, you should seek advice from an accountant, solicitor or other professional advisor.

Item 1 – Approval of entry into the Convertible Loan Deed and issue of Shares under the Convertible Loan Deed

Background

On 16 March 2022, the Company announced that it had entered into a convertible loan deed with New Gold Coast Holdings Limited (**NGCH**) dated on or about 16 March 2022 (**Convertible Loan Deed**). The Convertible Loan Deed provides that a $22,500,000 facility (**Principal Amount**) will be loaned to the Company (as borrower) from NGCH (as lender) as follows:

(a) on commencement, $5 million of the Principal Amount will be taken as drawn down by the Company and used in repayment of Company's outstanding amounts under the loan deed between NGCH and the Company dated 2 June 2021 (**First Loan Deed**);

(b) on commencement, $500,000 of the Principal Amount will be made available to the Company for the purpose of repaying any amounts outstanding under the loan deed between Suzerain Investments Holdings Limited (**Suzerain**) and the Company dated on or about 27 February 2020, as amended from time to time (**Suzerain Loan Deed**);

(c) $7 million of the Principal Amount will be made incrementally available to the Company to be drawn down up to and including December 2022 for working capital purposes; and

(d) $10 million of the Principal Amount will be made incrementally available to the Company to be drawn down up to and including March 2023 for growth capital purposes.

Under the Convertible Loan Deed, NGCH may elect to convert some or all of the outstanding balance of the Principal Amount, including any interest accrued and capitalised, into an issue of new fully paid ordinary shares (**Shares**) in the Company (**Proposed Conversion**).

The Convertible Loan Deed shall not become binding on the Company and NGCH unless and until the following condition precedents have been satisfied:

(e) the Company obtains the approval of its shareholders:

  (i) under item 7 of section 611 of the Corporations Act and Chapter 2E of the Corporations Act in connection with the entry by the Company into, and the issue of the Shares under, the Convertible Loan Deed; and

  (ii) under Chapter 2E of the Corporations Act and ASX Listing Rule 10.1 in connection with the Loan Security; and

(f) the Company obtains any and all consents, waivers or approvals from Suzerain under the Suzerain Loan Deed in connection with the Company's entry into and performance under the Convertible Loan Deed.

Under Item 1 of this Notice, the Company is seeking approval under Chapter 2E and item 7 of section 611 of the Corporations Act for the purpose of satisfying the condition precedent in paragraph 1.1(e)(i) above. Whereas, under Item 2 of this Notice, the Company is seeking approval under Chapter 2E of the Corporations Act and ASX Listing Rule 10.1 for the purpose of satisfying the condition precedent in paragraph 1.1(e)(ii) above.

A comprehensive summary of the material terms and conditions of the Convertible Loan Deed is set out in Schedule 1 to this Notice.

About NGCH

NGCH is a company registered and incorporated in Mauritius, with Mauritius company number 137225 C2/GBL. As at the date of this Notice, NGCH does not hold any Shares in the Company, however, together with its Associates (listed below), NGCH has the power to control 73.33% of all votes attaching to the Company's Shares.

The Associates of NGCH are set out at Schedule 2 to this Notice. Further details of the voting power of NGCH and its Associates are contained in the notice of change of interests of substantial holder, announced to ASX on 3 February 2022.

Obligation to seek approval for the issue of Shares to NGCH

As a condition precedent under the Convertible Loan Deed, the Company is obliged to use its reasonable endeavours to seek and obtain approval under item 7 of section 611 of the Corporations Act by a requisite majority of Shareholders for entry into the Convertible Loan Deed, and the future issue of Shares to NGCH in the event of a Proposed Conversion. This Resolution is being put to Shareholders for approval to satisfy this condition precedent.

The Company's funding arrangements

On 3 June 2021, the Company announced it had entered into the First Loan Deed under which it received a $5 million unsecured loan facility. This facility was predominantly used to fund the development of the Company's technology and customer experience platform. On 20 January 2022, the Company received approval from its shareholders at the 2021 Annual General Meeting to enter into the First Loan Security in connection with the First Loan Deed.

On 8 December 2021, the Company completed a 1 for 4.3 renounceable pro rata entitlement offer for new Shares in the Company (**Rights Issue**). The proceeds of the Rights Issue were used for capital investment, business development and general working capital purposes.

On 17 December 2021, the Company announced that it was engaged in discussions with Suzerain regarding the availability of a new credit facility. The Convertible Loan Deed is the outcome of these discussions, albeit, the parties have determined that Suzerain's Associate, NGCH, is to be the entity lending the Principal Amount to the Company.

On 20 January 2022, the Company raised approximately $430,000 via a private placement of Shares. The proceeds of this placement were used for general working capital purposes.

Independent Expert's Opinion

The Company has appointed Leadenhall Corporate Advisory as the Independent Expert to prepare the Independent Expert's Report, the purpose of which is to state whether or not, in its opinion, the Company entering into the Convertible Loan Deed and the issue of Shares to NGCG under the Proposed Conversion is 'fair' and 'reasonable' to Shareholders.

The Independent Expert has concluded that the Company entering into the Convertible Loan Deed and the Proposed Conversion is not fair but reasonable.

The Independent Expert has assessed the value of a Share (inclusive of a premium for control) to lie in the range of $0.029 to $0.037 per Share, which compares to its assessed post-conversion value of a Share, on a minority interest basis (assuming full conversion of the loan facility under the Convertible Loan Deed at conversion price of $0.022 per Share), of between $0.019 to $0.023 per Share. As the range of the Independent Expert's assessed value pre-entry into the Convertible Loan Deed (inclusive of a premium for control) is greater than the range of the assessed value after entry into the Convertible Loan Deed (without conversion), the Independent Expert has concluded that the Proposed Conversion is not fair to Shareholders.

However, the Independent Expert has concluded that benefits to the Shareholders exist in the form of a conversion price being above the 30-day VWAP and limited and the Convertible Loan Deed providing the Company with sufficient cash to continue trading for the foreseeable future. This and other benefits of the entry into the Convertible Loan Deed and Proposed Conversion, which are described in further detail in the Independent Expert's Report, outweigh the disadvantages (such as the Shareholders being potentially diluted upon the Proposed Conversion occurring). Accordingly, while the Independent Expert has concluded that the Proposed Conversion is not fair, it has concluded that the entry into the Convertible Loan Deed and Proposed Conversion is reasonable in the absence of a superior proposal.

A complete copy of the Independent Expert's Report is provided in Annexure A to this Notice and on the Company's website at https://www.incentiapay.com/investor-centre/investor-services/.

Effect of approval on the Company's capital structure

Current capital structure of the Company

On the basis of no other capital issues or changes, below is a table setting out the Company's current capital structure and the possible capital structure on conversion of the loan under the Convertible Loan Deed (at a conversion price of $0.022 per Share). This calculation further assumes that:

(a) the Company will meet all of its obligations with respect to interest under the Convertible Loan Deed resulting in no additional amounts being capitalised;

(b) the entire Principal Amount will be converted;

(c) any fractional amount of Shares will be rounded up to the nearest whole Share; and

(d) the conversion will occur on the last day of the Conversion Period, being 31 December 2024.

Date	Balance of Shares on issue
21 April 2022, the date of this Notice.	1,265,063,625
31 December 2024, post full conversion under the Convertible Loan Deed (assuming all conditions precedent are satisfied).	2,287,790,898

Voting power of NGCH and (its Associates)

As at the date of this Notice, NGCH has a voting power in Shares of 73.33%. The current voting power of each of NGCH's Associates is set out in the third column of the table in Schedule 2.

The maximum voting power and the maximum increase in voting power held by NGCH and its Associates following conversion of the loan under the Convertible Loan Deed at $0.022 per Share and assuming no other issues of Shares is as follows:

Shareholder	Number of Shares held (before)	Voting power (before)	Number of Shares held (after)	Voting power (after)	Maximum change in voting power
NGCH (and Associates)	927,570,550	73.33%	1,950,297,823	85.25%	11.92%
NGCH	Nil	73.33%	1,022,727,273	85.25%	11.92%

The maximum voting power and maximum increase in voting power of each of NGCH's Associates is set out in the respective fourth and fifth columns of the table in Schedule 2.

Approval in relation to item 7 of section 611 of the Corporations Act

Pursuant to section 606(1) of the Corporations Act, a person must not acquire a relevant interest in the issued voting Shares of a listed company or an unlisted company with greater than 50 members if the person acquiring the interest does so through a transaction in relation to securities entered into by, or on behalf or, the person and because of that transaction, that person's or someone else's voting power increases:

(a) from below 20% to more than 20%; or

(b) from a starting point that is above 20% to below 90%.

The voting power of a person in a body corporate is determined in accordance with section 610 of the Corporations Act.

The calculation of a person's voting power in a company involves determining the voting Shares in the company in which the person and the person's Associates have a relevant interest in.

A person has a relevant interest in securities of a company if they individually, or jointly:

(c) are the holder of the securities;

(d) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or

(e) have the power to dispose of or control the exercise of a power to dispose of, the securities.

Item 7 of section 611 of the Corporations Act provides an exception to the prohibition under section 606 of the Corporations Act. This exception provides that a person may acquire a relevant interest in a company's voting Shares if Shareholders of the company approve the acquisition.

For the exemption of item 7 of section 611 of the Corporations Act to apply, Shareholders must be given all information known to the person proposing to make the acquisition or their Associates, or known to the company, that is material to the decision on how to vote on the Resolution. In ASIC Regulatory Guide 74, ASIC has indicated what additional information should be provided to Shareholders in these circumstances.

The Resolution in Item 1 of this Notice seeks Shareholder approval, for the purposes of item 7 of section 611 of the Corporations Act, to allow NGCH to undertake the Proposed Conversion where such conversion will result in the voting power of NGCH (and that of its Associates) increasing from a starting point that is above 20% to below 90%.

The following information is provided in compliance with item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74:

<u>A.</u> <u>The identity of NGCH, its Associates and any person who will have a relevant interest in the Shares to be allocated to NGCH or its Associates.</u>

The Company proposes to enter into the Convertible Loan Deed with NGCH and any Shares issued as part of the Proposed Conversion therein will be issued to NGCH or its wholly-owned subsidiary.

The identity of NGCH is set out above under the heading "About NGCH".

The persons set out in Schedule 2 are Associates of NGCH and will have voting power in any Shares issued under the Convertible Loan Deed.

This Resolution also seeks approval of the acquisition of a relevant interest by each of the Associates in Schedule 2.

<u>B.</u> <u>Maximum extent of increase in NGCH's (and its Associates') voting power and the maximum voting power of NGCH (and its Associates) following the Proposed Conversion</u>

NGCH and its Associates have a voting power of 73.33% in the Company's Shares as at the date of this Notice.

The maximum extent of the voting power in Shares (and resulting voting power in the Company) and the maximum extent of increase in voting power of NGCH is set out above in the table under the sub-heading "Voting power of NGCH and its Associates)". The maximum extent of the voting power in Shares (and resulting voting power in the Company) and the maximum extent of increase in voting power of NGCH's Associates is set out in the respective fourth and fifth columns of the table in Schedule 2.

The Convertible Loan Deed provides that in the event of any reorganisation of the Company's capital, the number of Shares to be issued will be reorganised in the same manner as the Shares so that NGCH and existing Shareholders are not adversely prejudiced.

C. An explanation of the reasons for the Proposed Conversion

The Company seeks to enter into the Convertible Loan Deed to secure additional working capital and growth capital as well as restructure its financing arrangements with NGCH. Under the Convertible Loan Deed, the Company is obligated to use reasonable endeavours to put forward this Resolution to Shareholders and receive their approval as a condition precedent.

D. When the Proposed Conversion is to occur

As outlined in the summary of the Convertible Loan Deed's terms set out in Schedule 1, NGCH may give written notice to the Company during the Conversion Period (from the date the Convertible Loan Deed becomes binding, assuming all conditions precedent are satisfied, until 31 December 2024) to convert the monies owing under the loan into Shares, to be issued to NGCH (or its wholly owned subsidiary) within 5 business days at the issue price. The issue price is calculated as being the higher of:

(a) $0.022 per Share; or

(b) the volume weighted average price of Shares traded on ASX during the period of 30 trading days concluding on the trading day before the issue date of the relevant Shares, plus an additional 20%.

E. Material terms of the Proposed Conversion

The material terms of the Proposed Conversion are set out above under subsection D.

F. Details of the terms of any other relevant agreement between the Company and NGCH that is conditional on (or directly or indirectly depends on) Shareholders' approval of the Proposed Conversion

Other than the Loan Security which is subject to approval by the Shareholders under Item 2 of this Notice, there are no other relevant agreements between the Company and NGCH that are conditional upon Shareholder approval of the Proposed Conversion in this Resolution.

G. NGCH's intentions regarding the future of the Company if Shareholders approve this Resolution

NGCH has no current intention to change the Company's business. NGCH is supportive of the current Board and its stated objectives. NGCH has no current intention to inject further capital into the Company nor any intentions with respect to a transfer of assets between the Company and NGCH (or its Associates). Further, NGCH has no current intention to redeploy the assets of the Company.

H. NGCH's intentions to significantly change the financial or dividend distribution policies of the Company

NGCH has no intention to change the financial or dividend distribution policies of the Company.

I. Interests of the Directors in this Resolution

Other than Dean Palmer and Jeremy Thorpe, no Director has any interest in the outcome of this Resolution other than their interests arising solely in their capacity as Shareholders of the Company (to the extent they hold Shares).

Dean Palmer and Jeremy Thorpe are nominee directors of Suzerain (an Associate of NGCH), Associates of NGCH and have an interest in the outcome of this Resolution. Dean Palmer and Jeremy Thorpe have abstained from making any recommendations in relation to this Resolution.

J. The identity, qualifications and associations (with NGCH of its Associates) of any person who is intended to become a director if Shareholders approve this Resolution

NGCH has no current intention to appoint new Directors to the Company.

Advantages if this Resolution is approved

The key advantage to the Company if this Resolution is approved is that the Company will be able to enter into the Convertible Loan Deed (assuming all other conditions precedent are satisfied). This will accordingly mean:

(a) the Company will receive additional capital and an improved likelihood of being able to continue to operate as a going concern; and

(b) due to the Proposed Conversion, free and available cash generated during the term of the Convertible Loan Deed will be able to be directed towards growth, working capital requirements and other sources and uses of funds to enhance Shareholder value.

Key risks and disadvantages if this Resolution is approved

The key risks and disadvantages to the Company if this Resolution is approved are:

(a) NGCH will be able to convert the loan facility under the Convertible Loan Deed in full to acquire voting power in the Company in excess of 20%, which will reduce the voting power of other existing Shareholders (including their ability to influence decisions, such as the composition of the Board). As detailed above under the sub-heading "Voting power of NGCH and its Associates", if the full amount of the Proposed Conversion is undertaken on the last day of the Conversion Period, NGCH and its Associates would acquire a 85.25% voting power in the Company;

(b) if NGCH elects to undertake the Proposed Conversion for the full amount, the issue of Shares as part of this conversion will dilute the exposure of Shareholders to the economic interests of owning Shares;

(c) you may not agree with the recommendation by the Directors (other than Jeremy Thorpe and Dean Palmer) and the Independent Expert's opinion that the Convertible Loan Deed and Proposed Conversion is not fair but reasonable. You may believe that the Convertible Loan Deed and Proposed Conversion is not fair nor reasonable, or otherwise not in your best interest or in the best interests of Shareholders; and

(d) the Company may be a less attractive takeover target. Any bidder for the Company under a takeover proposal would require NGCH and its Associates to support their bid in order to be successful. This may be a deterrent to future bidders. However, the Directors (other than Jeremy Thorpe and Dean Palmer) consider that NGCH and its Associates' existing 73.33% shareholding may, for all practical purposes, already be sufficient to prevent a bidder from acquiring 100% of the Company by takeover or scheme of arrangement.

Possible scenarios on the Convertible Loan Deed depending on the outcome of Item 1 and Item 2 of this Notice

Items 1 and 2 of this Notice must both be passed in order for the Convertible Loan Deed to become binding upon the Company and NGCH. Accordingly, if Item 1 is passed and Item 2 is not passed or vice versa, the Convertible Loan Deed will not become binding and the Proposed Conversion will not proceed.

Interests and recommendation of the Directors

Apart from Jeremy Thorpe and Dean Palmer, none of the other Board members have an interest in the outcome of this Resolution other than their interests arising solely in their capacity as Shareholders of the Company (to the extent that they hold Shares). Each of the Directors who holds Shares in the Company (or whose associated entities hold Shares) and is entitled to vote, will vote their Shares in favour of this Resolution.

Jeremy Thorpe and Dean Palmer have an interest in the outcome of this Resolution (by reason of being nominee directors of Suzerain (an Associate of NGCH)) and are Associates of NGCH (by reason of acting in concert with NGCH (together with Suzerain) in relation to the Company's affairs) and do not make any recommendation with how to vote on this Resolution.

The Directors (other than Jeremy Thorpe and Dean Palmer) recognise that the Proposed Conversion will be extremely dilutive to existing Shareholders. However, at the time that the Convertible Loan Deed was entered into (which requires the Company to put forward and pass this Resolution as a condition precedent), the Directors (other than Jeremy Thorpe and Dean Palmer) were of the view that the potential issue of those Shares was in the best interests of the Company taking into account all relevant circumstances, despite the potential for dilution. In particular, the potential issue of those Shares was proposed because the Company may not have an alternative way to meet its obligations to make cash repayments to NGCH under the terms of the Convertible Loan Deed.

Accordingly, the Directors (other than Jeremy Thorpe and Dean Palmer) recommend that Shareholders vote in favour of this Resolution. The Directors' recommendations (other than Jeremy Thorpe and Dean Palmer) are based on the reasons set out in the section titled "Advantages if this Resolution is passed" above.

The Directors are not aware of any other information other than as set out in this Notice that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass this Resolution.

Approval in relation to Chapter 2E of the Corporations Act

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

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

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

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

NGCH is a related party of the Company by virtue of being an associate of Suzerain. Suzerain is a related party by virtue of section 228(1) of the Corporations Act, being an individual that controls the Company pursuant to section 50AA of the Corporations Act. Furthermore, the issue of Shares under the Proposed Conversion constitutes giving a financial benefit.

Information required by Chapter 2E of the Corporations Act

The following information is provided to Shareholders for the purposes of Chapter 2E of the Corporations Act.

A. Identity of the related party

The party receiving the financial benefit is NGCH, or its wholly owned subsidiaries (which there are none). NGCH is a related party of the Company by virtue of being an associate of Suzerain. Suzerain is a related party by virtue of section 228(1) of the Corporations Act, being an individual that controls the Company pursuant to section 50AA of the Corporations Act.

B. Nature of the financial benefit

The nature of the financial benefit to be provided to NGCH (assuming it proceeds with the Proposed Conversion) is:

(a) the issue of Shares as outlined under the sub-heading "Voting power of NGCH and its Associates)";

(b) the interest to be paid by the Company under the Convertible Loan Deed; and

(c) immediate repayment of the amounts owing under the First Loan Deed.

A. Directors' recommendations and Directors' interests in the outcome of this Resolution

The Director' recommendations and their interests in the outcome of this Resolution are set out under the heading "Interests and recommendation of the Directors" above.

B. Valuation of the financial benefit

As set out in the Independent Expert's Report, the Independent Expert has made an assessment of the fair market value of the Company before the entry into the Convertible Loan Deed (on a controlling interest basis) and after the entry (on a minority interest basis without any Proposed Conversion occurring). See pages 29 to 39 of the Independent Expert's Report including details of the valuation approach, analysis and evaluation of the Independent Expert.

C. Related party's existing voting power

The existing voting power of NGCH and its Associates are set out above under the sub-heading "Voting power of NGCH and its Associates)".

D. Dilution effect of the Proposed Conversion on the existing Shareholders' interests

The dilutionary effect of the issue of the Share as part of the Proposed Conversion if this Resolution is approved is set out under the sub-headings "Voting power of NGCH and its Associates)" and "Current capital structure of the Company" above.

E. Other Information

Other than the information set out above and otherwise contained in this Explanatory Statement, the Company believes that there is no further information that would be reasonably required by Shareholders to consider whether or not to pass this Resolution.

ASX Listing Rules approval

ASX Listing Rule 7.1

Exception 16 set out in Listing Rule 7.2 provides that if an issue of securities is approved for the purposes of item 7 of section 611 of the Corporations Act, Listing Rule 7.1 and 7.1A do not apply. Accordingly, the Company is not required to seek approval for the issue of Shares as part of the Proposed Conversion under either Listing Rules 7.1 or 7.1A.

ASX Listing Rule 10.11

Listing Rule 10.11 provides that a listed company must not issue equity securities to a related party without Shareholder approval. Exception 6 set out in Listing Rule 10.12 provides that if an issue of securities is approved for the purposes of item 7 of section 611 of the Corporations Act, no additional Shareholder approval is required. Accordingly, the Company is not required to seek approval for the issue of Shares as part of the Proposed Conversion under Listing Rule 10.11.

Board recommendation

The Directors (excluding Jeremy Thorpe and Dean Palmer) recommend that shareholders vote **in favour** of this Item.

Item 2 – Approval of entry into Loan Security

Background

As set out under the "Background" heading of Item 1 of this Explanatory Statement, the Company entered into the Convertible Loan Deed with NGCH on or about 16 March 2022. As a condition precedent under the Convertible Loan Deed, the Company is seeking approval under this Resolution to enter into the Loan Security. As this Resolution concerns the Convertible Loan Deed and the Company's funding arrangements, the disclosure set out under the heading "The Company's funding arrangements" under Item 1 is relevant and applicable to this Resolution also.

The Loan Security provides that the Company grants a security interest over its present and future acquired property to NGCH to secure payment of all debts and monetary liabilities of the Company to NGCH under the Convertible Loan Deed (if the Resolution in Item 1 is passed). A summary of the Loan Security is set out at Schedule 3.

For personal use only

ASX Listing Rule 10.1

Listing Rule 10.1 provides that a listed company must not acquire or agree to acquire a substantial asset from, or dispose of or agree to dispose of, a substantial asset to:

- a related party;
- a child entity;
- a person who is, or was at any time in the 6 months before the transaction, a substantial (10%+) holder in the Company;
- an associate of a person referred to in Listing Rules 10.1.1 to 10.1.3; or
- a person whose relationship with the Company or a person referred to in Listing Rules 10.1.1 to 10.1.4 is such that, in ASX's opinion, the issue or agreement should be approved by Shareholders,

unless it obtains the approval of its Shareholders.

NGCH is a related party of the Company by virtue of being an associate of Suzerain. Suzerain is a related party by virtue of section 228(1) of the Corporations Act, being an individual that controls the Company pursuant to section 50AA of the Corporations Act. The Loan Security, in substance, involves a granting of a security interest over all of the Company's present and future assets and as such, is treated as a disposal of a substantial asset for the purposes of the Listing Rules. It therefore requires approval of the Company's Shareholders under Listing Rule 10.1.

Item 2 seeks the required Shareholder approval for the Company to enter into the Loan Security under and for the purposes of, among other things, Listing Rule 10.1. Subject to the passing of Item 1, if Item 2 is passed, the Company will enter into the Loan Security. The effect of entering into the Loan Security is that the exposure of the Company's assets under the security interest under the Loan Security will be used as collateral to secure the indebtedness of the Company arising under the Convertible Loan Deed.

If 2 is not passed, the Company will not enter into the Loan Security and the Convertible Loan Deed will not become binding.

Specific information required under Listing Rule 10.5

In accordance with the requirements of Listing Rule 10.5, the following information is provided:

- The person to whom the Company is proposing to dispose of the substantial asset is NGCH (please see the disclosure under the heading "About NGCH" in Item 1).
- NGCH falls under the category in Listing Rule 10.1.1 as a related party of the Company by virtue of being an associate of Suzerain. Suzerain is a related party by virtue of section 228(1) of the Corporations Act, being an individual that controls the Company pursuant to section 50AA of the Corporations Act.
- The asset being disposed of is all of the Company's present and future assets (which are being used as collateral for the purposes of securing the indebtedness under the Convertible Loan Deed (if the Resolution in Item 1 is passed)).
- The consideration for the disposal is the new debt funds drawn down under the Convertible Loan Deed (if the Resolution in Item 1 is passed).
- The Company will use the funds drawn under the Convertible Loan Deed (if the Resolution in Item 1 is passed) for the purposes of working capital, growth capital and repayment of the outstanding amounts under the First Loan Deed and Suzerain Loan Deed.
- The Company intends to undertake the Loan Security as soon as practicable after approval under this resolution is obtained (and in any case, within one month of the date of the Meeting).
- A summary of the material terms of the Loan Security is set out at Schedule 3. A summary of the material terms of Convertible Loan Deed is set out at Schedule 1.
- A voting exclusion statement for this resolution is included in this notice of meeting.

- The Company has appointed the Independent Expert to opine on whether the Loan Security is fair and reasonable. See the discussion on the Independent Expert Report below.

Independent Expert

As required by Listing Rule 10.5.10, the Company has appointed Leadenhall Corporate Advisory as the Independent Expert to report on whether the entry in the Loan Security is fair and reasonable to the holders of the Company's Shares who are entitled to vote on this Resolution. This is the same Independent Expert's report for the purposes of the Resolution under Item 1 of this Notice and the commentary set out under the heading "Independent Expert's Opinion" is relevant to this Resolution also. The Independent Expert has concluded that the entry into the Loan Security is not fair but reasonable. The Independent Expert's Report is set out at Annexure A to this Notice.

As required by Listing Rule 10.6.2, the Company has uploaded the Independent Expert's Report onto its website at the following link https://www.incentiapay.com/investor-centre/investor-services/. A Shareholder may request that the Company provide it with a hard copy of the Independent Expert's Report at no cost. If Shareholders wish to exercise this right, it may email the Company Secretary, Ben Newling, at ben.newling@entertainment.com.au with details of their Shareholding and an address for the Independent Expert's Report to be sent.

Approval in relation to Chapter 2E of the Corporations Act

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

- obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- give the benefit within 15 months following such approval,

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

The Loan Security constitutes the giving of a financial benefit and NGCH is a related party of the Company by virtue of being an associate of Suzerain. Suzerain is a related party by virtue of section 228(1) of the Corporations Act, being an individual that controls the Company pursuant to section 50AA of the Corporations Act. The Loan Security involves the giving of a financial benefit as it provides that NGCH has the benefit of a security interest over the Company's assets. In the event of a default under the Convertible Loan Deed, NGCH will be able to enforce and have access to the Company's assets for sale and to be repaid under the Convertible Loan Deed.

Information required by Chapter 2E of the Corporations Act

The following information is provided to Shareholders for the purposes of Chapter 2E of the Corporations Act.

<u>A. Identity of the related party</u>

The party receiving the financial benefit is NGCH. NGCH is a related party of the Company by virtue of being an associate of Suzerain. Suzerain is a related party by virtue of section 228(1) of the Corporations Act, being an individual that controls the Company pursuant to section 50AA of the Corporations Act.

<u>B. Nature of the financial benefit</u>

The nature of the financial benefit to be provided to NGCH is the provision of a security interest over the Company's assets to secure the repayments under the Convertible Loan Deed (if the Resolution in Item 1 is passed).

<u>C. Directors' recommendations and Directors' interests in the outcome of this resolution</u>

Apart from Jeremy Thorpe and Dean Palmer, none of the other Board members have an interest in the outcome of this resolution other than their interests arising solely in their capacity as Shareholders of the Company (to the extent that they hold Shares). Each of the Directors who holds Shares in the

Company (or whose associated entities hold Shares) and is entitled to vote, will vote their Shares in favour of this resolution.

Jeremy Thorpe and Dean Palmer have an interest in the outcome of this resolution (by reason of being nominee directors of Suzerain (an Associate of NGCH)) and are Associates of NGCH (by reason of acting in concert with NGCH in relation to the Company's affairs). Therefore, Mr Thorpe and Mr Palmer do not make any recommendation with how to vote on this resolution.

The Directors (other than Jeremy Thorpe and Dean Palmer) believe that the transaction contemplated under this resolution provides the Company with certainty and a better outcome for its financial position compared to if the resolution is not passed. The Directors (other than Jeremy Thorpe and Dean Palmer) also believe that the Loan Security is a transaction ordinarily entered into with lending transactions, particularly lending transactions on such terms as under the Convertible Loan Deed.

The Directors (other than Jeremy Thorpe and Dean Palmer) recommend that Shareholders vote in favour of this resolution.

D. Valuation of the financial benefit

As set out in the Independent Expert's Report, the Independent Expert has made an assessment of the cost of the Loan Security to the Shareholders. See pages 29 to 39 of the Independent Expert's Report including details of the valuation approach, analysis and evaluation of the Independent Expert.

E. Other information

Other than the information set out above and otherwise contained in this Explanatory Statement, the Company believes that there is no further information that would be reasonably required by Shareholders to consider whether or not to pass this resolution.

Board recommendation

The Board (other than Jeremy Thorpe and Dean Palmer) recommends that shareholders vote **in favour** of this Item.

The Company proposes to adopt a new constitution which is compliant with the ASX Listing Rules, reflects the current circumstances of the Company and provides greater certainty in respect of the Corporations Act.

Item 3 – Modify the constitution

The Company is seeking to modify its Constitution to align with recent changes to the Corporations Act and to better reflect the Company's current circumstances. The Company's Constitution can be viewed at https://www.asx.com.au/asxpdf/20140908/pdf/42s2lp7vlr03rf.pdf.

The Company is seeking to make the following amendments to the Constitution:

(a) amend all references to the Company's previous name 'BPS Technology Limited' to 'IncentiaPay Limited' to reflect the Company's current name;

(b) in Article 4(a), amend the words 'Queensland' to 'New South Wales' to change the jurisdiction of the courts to reflect the Company's current principal place of business;

(c) in Article 28(a), insert the words 'a wholly virtual meeting enabled by use of virtual meeting technology or a meeting at' after 'including' and prior to '2 or more' to enable the Company to continue to hold wholly-virtual Shareholder meetings in accordance with the *Corporations Amendment (Meetings and Documents) Act 2022* (**Amendment Act**);

(d) in Article 37(a), insert the words 'Subject to Article 37(k) at the beginning to reflect this Article as being subject to the change in paragraph (e) below; and

(e) as a new Article 37(k), insert the following words:

If the Company is included in the official list of ASX, then a resolution put to vote at any meeting of Shareholders must be decided on a poll (and not a show of hands) if:

(i) *the notice of meeting sets out an intention to propose the resolution and stated the resolution; or*

(ii) *the Company has given notice of the resolution in accordance with section 249O of the Corporations Act; or*

(iii) *a poll in demanded in accordance with Article 40.*

to reflect the new voting requirements placed upon listed companies by the Amendment Act.

The modified Constitution will have effect from the time the Resolution in Item 3 is passed. If the Resolution in Item 3 is passed, the Company will lodge a copy of the modified Constitution with ASX.

Pursuant to section 136 of the Corporations Act, this resolution is a special resolution which must be passed by at least 75% of the votes cast by shareholders entitled to vote on the resolution.

Board recommendation

The Board recommends that shareholders vote **in favour** of this Item.

Enquiries

Shareholders are asked to contact Mr Ben Newling, Company Secretary, at ben.newling@entertainment.com.au if they have any queries or would like to make comments in respect of the matters set out in these documents.

Schedule 1 – Summary of Convertible Loan Deed

The key terms of the Convertible Loan Deed are set out below.

Loan Facility

The Convertible Loan Deed provides that NGCH will provide the Company with the Principal Amount as follows:

(a) on commencement, $5 million of the Principal Amount will be taken as drawn down by the Company and used in repayment of Company's outstanding amounts under First Loan Deed;

(b) on commencement, $500,000 of the Principal Amount will be made available to the Company for the purpose of repaying any amounts outstanding under the Suzerain Loan Deed;

(c) $7 million of the Principal Amount will be made incrementally available to the Company to be drawn down up to and including December 2022 for working capital purposes; and

(d) $10 million of the Principal Amount will be made incrementally available to the Company to be drawn down up to and including March 2023 for growth capital purposes.

Conditions Precedent

The Convertible Loan Deed does not become binding on the parties and is of no force or effect unless and until:

(a) the Company obtains the approval of its shareholders:

  (i) under item 7 of section 611 of the Corporations Act and Chapter 2E of the Corporations in connection with the entry by the Company into and issue of the Shares under the Convertible Loan Deed; and

  (ii) under Chapter 2E of the Corporations Act and ASX Listing Rule 10.1 in connection with the Loan Security; and

(b) the Company obtains any and all consents, waivers or approvals from Suzerain under the Suzerain Loan Deed in connection with the Company's entry into and performance under this deed.

Interest rate and repayment

If there is no event of default:

(a) the interest rate accruing under the facility provided under the Convertible Loan Deed is 12.5% per annum calculated daily; and

(b) any interest accruing must be paid monthly by the Company.

The Company must repay the aggregate of the outstanding balance of the Principal Amount, all interest payable under the Convertible Loan Deed (whether capitalised or not) and all other amounts payable by the Company under the Convertible Loan Deed on 31 December 2024 (**Repayment Date**).

If an event of default has occurred there will be no capitalisation of interest and accrued and uncapitalised interest will be payable on the last day of each month during the term and on the Repayment Date (without limiting NGCH's right to exercise its rights under the Convertible Loan Deed or any security interest (applicable) following an event of default).

Interest on overdue monies will be payable at the overdue rate, being 14.5% per annum. Interest at the overdue rate must be paid on demand and if not paid will be capitalised monthly (without limiting NGCH's right to exercise its rights under the Convertible Loan Deed or any security interest (applicable) following an event of default).

Conversion

NGCH may give written notice to the Company during the Conversion Period (from the date the Convertible Loan Deed becomes binding, assuming all conditions precedent are satisfied, until 31

December 2024) to convert the monies owing under the loan into Shares, to be issued to NGCH (or its wholly owned subsidiary) within 5 business days at the issue price calculated as being the higher of:

(a) $0.022 per Share; or

(b) the volume weighted average price of Shares traded on ASX during the period of 30 trading days concluding on the trading day before the issue date of the relevant Shares, plus an additional 20%.

NGCH may give more than one notice to covert during the Conversion Period.

In the event of any reorganisation of the Company's capital, the number of Shares to be issued will be reorganised in the same manner as the Shares so that NGCH and existing Shareholders are not adversely prejudiced.

Immediately following the issue of any Shares on conversion of the loan facility, the Company must:

(c) apply for quotation of the Shares Shares on the ASX and do all things necessary to ensure that the Shares Shares are quoted on such terms and conditions as are usual for quotation of securities; and

(d) take all steps to procure the delivery to NGCH of a holding statement for the Shares.

Security

The loan facility under the Convertible Loan Deed will be secured by the Loan Security (subject to the Company obtaining approval under Listing Rule 10.1 (being the Resolution set out at Item 2 of this Notice)).

Repayment

The Company may repay the loan facility under the Convertible Loan Deed (in whole or party) at any time before the Repayment Date. The Company must give no less than 3 Business Days' notice of such prepayment and must:

(a) prepay in accordance with that notice; and

(b) pay any outstanding interest (whether or not capitalised) on the prepayment amount at the same time as it pays that prepayment amount.

On the Repayment Date, the Company must pay NGCH the aggregate of:

(c) the outstanding balance of the Principal Amount;

(d) all interest payable under the Convertible Loan Deed (whether or not capitalised); and

(e) all other amounts payable by the Company under the Convertible Loan Deed.

Event of default

It will be an event of default if any of the following events occur:

(a) the Company fails to:

    (i) pay an amount under the Convertible Loan Deed when due;

    (ii) to comply with any of its obligations under the Convertible Loan Deed; or

    (iii) satisfy within the time stipulated anything which NGCH made a condition of its waiving compliance with a condition precedent or undertaking in this deed;

(b) an Insolvency Event occurs with respect to the Company or the Company (or an analogous process under an overseas law is commenced);

(c) the Company ceases or threatens to cease to carry on its business or a substantial party of its business;

(d) any Security Interest securing amounts greater than $100,000 become enforceable or is enforced over all or any of the assets and undertakings of the Company (or an analogous process under an overseas law is commenced);

(e) a distress, attachment or other execution is levied, enforce or applied for over all or any of the assets or undertakings of the Company (or an analogous process under an overseas law is commenced);

(f) a warranty, representation or statement made by the Company under the Convertible Loan Deed is untrue or misleading in any material respect;

(g) an obligation of the Company in the Convertible Loan Deed becomes wholly or partly invalid, void, voidable or unenforceable;

(h) the Company repudiates the Convertible Loan Deed or evidences an intention to repudiate it;

(i) it is or becomes unlawful for the Company to perform any of its obligations under the Convertible Loan Deed;

(j) if the drawn down funds are used by the Company for any use other the purposes stated in the Convertible Loan Deed;

(k) any debt in relation to a finance related transaction by the Company in excess of $100,000 (other than under the Convertible Loan Deed):

  (i) is or becomes due and payable before the due date for payment as a result of an event of default or review event (however described); or

  (ii) is not paid when due (after taking into account any applicable grace period); or

(l) an event or series of events, whether related or not, including any material adverse change in the property or financial condition of the Company, occurs which has or is likely to have a material adverse effect on:

  (i) the ability of the Company to comply with its obligations under the Convertible Loan Deed; or

  (ii) the effectiveness, priority or enforceability of the whole or any part of the Convertible Loan Deed.

If an event of default is continuing then NGCH may be notice to the Company, declare that any remaining amounts owing are immediately due and payable.

Representations and Warranties

The Company makes the following representations and warranties:

(a) as at the date of the Convertible Loan Deed, it has full and lawful authority to execute and deliver the Convertible Loan Deed and to perform or cause to be performed its obligations under the Convertible Loan Deed;

(b) as at the date of the Convertible Loan Deed, the Convertible Loan Deed constitutes a full and binding legal obligation on it;

(c) as at the date of the Convertible Loan Deed, the Convertible Loan Deed does not conflict with or result in the breach of or default under any provision of its constituent documents (if applicable) or any material term or provision of any agreement deed, writ, order, injunction, rule, judgment, law or regulation to which it is a party or is subject or by which it is bound;

(d) as at the date of the Convertible Loan Deed, it has obtained all authorisations and approvals necessary for it to lawfully enter into and perform its obligations under the Convertible Loan Deed;

(e) as at the date of the Convertible Loan Deed, to the best of the Company's knowledge, all information in respect of the Company given by or on behalf of the Company or its representatives to NGCH, or released to ASX, in relation to the Company and the loan facility contemplated under the Convertible Loan Deed, is accurate and complete;

(f) its payment obligations under the Convertible Loan Deed rank at least pari passu with all of its unsecured and unsubordinated obligations generally;

(g) on conversion of the loan facility, the Shares issued will rank on an equal footing in all respects with the then existing issued Shares of the same class in the capital of the Company;

(h) there is no restriction on the issue of any Shares and the issue and allotment of any Conversion Shares will not trigger any pre-emptive or similar right held by any person;

(i) to the best of the Company's knowledge, all information in respect of the Company given by or on behalf of the Company or its representatives to NGCH, or released to ASX, in relation to the Company and the loan security contemplated by the Convertible Loan Deed, is accurate and complete;

(j) there are no escrow or other provisions restricting the on-sale of all or any of any Shares by NGCH;

(k) it is a corporation validly existing under the laws of the place of its incorporation;

(l) it has the power to enter into and perform its obligations under this deed, to carry out the transactions contemplated by it and to carry on its business as now conducted or contemplated;

(m) it has taken all necessary corporate action to authorise the entry into and performance of the Convertible Loan Deed and to carry out the transactions contemplated by it;

(n) the Convertible Loan Deed is valid and binding and its obligations are enforceable in accordance with its terms, subject to any necessary stamping and registration and subject to equitable principles; and

(o) the execution and performance by the Company of the Convertible Loan Deed and the transactions contemplated by it does not and will not violate any provision of:

    (i) any laws or rules of a governmental agency (including a securities exchange);

    (ii) its constitution or constituent documents; or

    (iii) any other document or agreement binding on it or its assets;

    (iv) and, except as provided by the Convertible Loan Deed, did not and will not:

    (v) create or impose a security interest on any of its assets; or

    (vi) allow a person to accelerate or cancel an obligation with respect to a finance debt, or constitute an event of default, cancellation event, prepayment event or similar event (whatever called) under an agreement relating to a finance debt, whether immediately or after notice or lapse of time or both.

Negative pledge

The Company undertakes not to do any of the following without the prior written consent of NGCH:

(a) create or allow to exist a Security Interest over its assets other than:

    (i) any Security Interest in favour of NGCH or a Permitted Security Interest;

    (ii) any Security Interest arising in the ordinary course of business in connection with goods supplied to the Company and securing money on account of the unpaid purchase price for those goods that is not more than 30 days overdue;

    (iii) any bankers' liens, right of set-off or other netting arrangement arising in respect of any transactional banking facilities or derivative transactions where the relevant financial institution has not provided any finance debt;

    (iv) a Security Interest arising in favour of a government agency (including a securities exchange) or in respect of money payable for work performed by suppliers, mechanics, workmen, repairmen or their employees and, in each case, arising in the ordinary course of business, unless (in each case) there is default in payment of money secured by that security interest; or

(v) any Security Interest over its assets to secure finance debts incurred under a finance or capital lease (as defined in the Australian Accounting Standards immediately before 1 January 2019) (**Finance Lease**);

(b) deposit or lend money on terms that it will not be repaid until its or another person's obligations or indebtedness are performed or discharged, nor to deposit money with or lend money to a person to whom it is, or is likely to become, actually or contingently indebted;

(c) incur any finance debt other than finance debt incurred:

(i) under any other existing finance debt as at the date of the Convertible Loan Deed provided that the terms and amount of that finance debt have been approved by NGCH in writing and the principal amount of such finance debt is not increased above the amount outstanding or available as at the date of the Convertible Loan Deed;

(ii) under any non-speculative derivative transaction entered into in the ordinary course of business;

(iii) in respect of any class order guarantees entered into by Group members pursuant to Part 2M.6 of the Corporations Act where the only members of that class order are Group members;

(iv) in connection with tax funding and sharing arrangements with Group members or any GST grouping arrangements of the Group;

(v) under any Finance Lease or non-real property operating lease of any asset entered into in the ordinary course of ordinary business not exceeding $100,000 (or its equivalent) in aggregate any time;

(d) enter into an agreement with respect to the acquisition of assets on title retention terms except in the ordinary course of day-to-day trading;

(e) either in a single transaction or in a series of transactions whether related or not and whether voluntary or involuntary, dispose of any asset of the Company other than:

(i) disposals made for market value in the ordinary course of the ordinary trading business of the Company;

(ii) disposals of obsolete plant and equipment not required for the efficient operation of its business, on arm’s length terms and at fair market value;

(iii) disposals on arm’s length terms in exchange for comparable assets;

(iv) disposals arising as a result of the grant of Security permitted by the Convertible Loan Deed;

(f) enter into any merger, reconstruction or amalgamation; and

(g) acquire any Shares or securities, or a business or undertaking (or, in each case, any interest in any of them) or make any investment, in each case, other than in, of or to a Group member as at the date of the Convertible Loan Deed.

Schedule 2 – Associates of NGCH

Name	Nature of Association	Voting power (before)	Voting power (after)	Maximum change in voting power
Australia Fintech Pty Ltd ACN 619 156 099 as trustee of the Australian Fintech Trust	An entity that acts in concert with NGCH in relation to the Company's affairs.	73.33%	85.25%	11.92%
Clifford Young Warren	A person that acts in concert with NGCH in relation to the Company's affairs.	73.33%	85.25%	11.92%
Dean Palmer	A person that acts in concert with NGCH in relation to the Company's affairs.	73.33%	85.25%	11.92%
Jeremy Thorpe	A person that acts in concert with NGCH in relation to the Company's affairs.	73.33%	85.25%	11.92%
Skybound Fidelis Investments Limited ACN 151 776 706	An entity that acts in concert with NGCH in relation to the Company's affairs.	73.33%	85.25%	11.92%
LC Abelheim Ltd (Mauritian Company 084085)	An entity that acts in concert with NGCH in relation to the Company's affairs.	73.33%	85.25%	11.92%
SilverSpoon Nominees Ltd (Mauritian Company 94054)	An entity that acts in concert with NGCH in relation to the Company's affairs.	73.33%	85.25%	11.92%
Suzerain Investments Holdings Limited (BVI Company 1934540)	An entity that acts in concert with NGCH in relation to the Company's affairs.	73.33%	85.25%	11.92%

Schedule 3 – Summary of Loan Security

The key terms of the Loan Security are set out below.

Security interest

The Company grants a security interest over all its present and after acquired property (**Secured Property**) to NGCH to secure payment of all debts and monetary liabilities of the Company to NGCH under the Convertible Loan Deed.

Priority of security interest

(a) The Company and NGCH agree that the security interest granted under the Loan Security takes priority over all other security interests granted by the Company other than any security interests permitted under the Convertible Loan Deed and any security interest mandatorily preferred by law.

(b) The security interests granted under the Loan Security have the same priority in respect of all debts of the Company owing under the Convertible Loan Deed (**Secured Monies**), including future advances.

(c) Nothing in the Convertible Loan Deed is to be construed as an agreement or consent by NGCH to subordinate the security interest granted under the Loan Security in favour of any person.

Discharge of security interests

Subject to the terms of the Convertible Loan Deed, at the written request of the Company, NGCH must discharge and release the security interests granted under the Loan Security and re-transfer the Company its right and interest in all property transferred to NGCH as part of the security interest under the Loan Security (being Accounts and Chattel Paper which are not, or cease to be revolving assets) if the Secured Monies have been fully and finally paid and if the Company has performed all its obligations under the Loan Security, and Convertible Loan Deed.

Restricted Dealings

(a) The Company may not grant a Security Interest over any of its Secured Property or dispose of Secured Property.

(b) The Company must do anything reasonably necessary to ensure that a third person cannot acquire a Security Interest in any Secured Property (except as permitted under the Convertible Loan Deed).

Enforcement

On the occurrence of an event of default under the Convertible Loan Deed, but only while it is continuing, NGCH may:

(a) declare that the Secured Monies are immediately due and payable;

(b) declare that the Secured Monies are payable on demand;

(c) terminate or suspend all or any obligations of NGCH under the Convertible Loan Deed;

(d) enforce the Security Interest of the Company granted under the Loan Security; and/or

(e) exercise any power conferred on NGCH under the Loan Security and/or the Convertible Loan Deed.

On enforcement of a Security Interest of the Company granted under the Loan Security, the Company will have no right to deal, for any purpose, with any of its Secured Property, other than by or through NGCH, a Controller or an attorney appointed under the Loan Security.

Appointment of Controller

While an event of default is continuing, NGCH may at any time:

(a) appoint any person or any two or more persons jointly, or severally, or jointly and severally to be a receiver or a receiver and manager of the Secured Property (**Controller**);

(b) appoint another Controller in addition to or in place of any Controller;

(c) remove or terminate the appointment of any Controller at any time and on the removal, retirement or death of any Controller, appoint another Controller and, at any time give up, or re-take, possession of the Secured Property; and

(d) fix the remuneration and direct payment of that remuneration and any costs, charges and expenses of a Controller out of the proceeds of any realisation of the Secured Property.

Powers of Controller

The Controller has broad powers to manage and carry on the business of the Company (including to make decisions in relation to the conduct of its business as it sees fit). The following are examples of the powers the Controller (but is not an exhaustive list):

(a) manage or enter into possession or assume control of the Secured Property;

(b) accept the surrender of, grant or renew any lease or licence in respect of the use or occupation of Secured Property (on any terms that NGCH or the Controller thinks fit);

(c) sell any part of the Secured Property (on any terms that NGCH or the Controller thinks fit);

(d) grant any person an option to purchase any of the Secured Property;

(e) acquire any interest in any property in the name of, or on behalf of the Company, which forms part of the Secured Property;

(f) carry on or concur in carrying on any business of the Company in respect of that Secured Property;

(g) to raise or borrow money, in the name of or on behalf of the Company, from NGCH or any person approved by NGCH in writing (and secure that money in priority to, equal with or after the Security Interest granted under the Loan Security;

(h) to give guarantees;

(i) to make or accept compromises or arrangements;

(j) do anything that the Company can do in relation to the Secured Property;

(k) issue Shares in the Company;

(l) employ or discharge any person as employee, contractor, agent, professional adviser or auctioneer for the purposes of the Loan Security;

(m) do anything incidental to the exercise of any power; and

(n) delegate any powers of the Controller.

Appointment of Attorney

The Company appoints NGCH, each Controller (if any has been appointed) and each officer of NGCH, severally as its attorney to do any of the following after an event of default (so long as such default is continuing) to:

(a) do anything which ought to be done by the Company under the Loan Security;

(b) do anything which ought to be done by the Company in respect of its Secured Property under the Loan Security;

(c) exercise any right, power, authority, discretion or remedy of the Company under the Loan Security or any agreement forming part of its Secured Property;

(d) do anything which, in the reasonable opinion of NGCH, the Controller or Attorney, is necessary or expedient for securing or perfecting a Security Interest of the Company granted under the Loan Security;

(e) execute in favour of NGCH any legal mortgage, transfer, assignment and any other assurance of any of the Secured Property and may send any instructions, messages or communications by which the Secured Property can be transferred or otherwise dealt with;

(f) execute deeds of assignment, composition or release in respect of the Secured Property;

(g) sell or otherwise part with the possession of any of the Secured Property; and

(h) generally, do any other thing, whether or not of the same kind as those set out in paragraphs (a) to (g) above, which in the reasonable opinion of NGCH, the Controller or Attorney is necessary or expedient:

  (i) to more satisfactorily secure the Secured Property; or

  (ii) in relation to any of the Secured Property.

The Attorney may, at any time, for any of the purposes in (a) to (h) above, appoint or remove any substitute or delegate or sub-attorney.

Enforceability and obligations

(a) The Security Interest granted by the Company under the Loan Security is enforceable and unconditional in all circumstances.

(i) The obligations of the Company and its Security Interest granted under the Loan Security are not released, discharged or otherwise affected by any fact, matter or circumstance which may affect the priority or enforceability of such obligations.

Glossary

2021 Annual General Meeting means the Company's 2021 annual general meeting held on 20 January 2022.

Amendment Act means *Corporations Amendment (Meetings and Documents) Act 2022*.

Annual Financial Report or **Annual Report** means the 2021 Annual Report to Shareholders for the period ended 30 June 2021 as lodged by the Company with ASX on 30 September 2021.

Associate has the meaning given to it by the ASX Listing Rules.

ASX means ASX Limited ACN 008 624 691 or the financial market operated by it, as the context requires, of 20 Bridge Street, Sydney NSW 2000.

ASX Listing Rules or **Listing Rules** means the official listing rules of the financial market operated by ASX Limited.

Board means the current board of Directors of the Company.

Business Day means a day on which trading takes place on the stock market of ASX.

Chair means the person chairing the Meeting.

Closely Related Party of a member of the KMP means:

(a) a spouse or child of the member;

(b) a child of the member's spouse;

(c) a dependant of the member or of the member's spouse;

(d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the Company; or

(e) a company the member controls.

Company means IncentiaPay Ltd ACN 167 603 992.

Constitution means the Company's constitution.

Controller means a receiver or a receiver and manager of the Secured Property.

Conversion Period means the period from the date the Convertible Loan Deed becomes binding, assuming all conditions precedent are satisfied, until 31 December 2024.

Convertible Loan Deed means the convertible loan deed between the Company and NGCH dated on or about 16 March 2022 and whose terms are set out at Schedule 1.

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

Director means a current director of the Company.

Dollar or "**$**" means Australian Dollar.

Explanatory Statement means the explanatory statement accompanying this notice of meeting.

Extraordinary General Meeting or **EGM** or **Meeting** means an extraordinary general meeting of the Company and, unless otherwise indicated, means the extraordinary general meeting convened by this notice of meeting.

Finance Lease means any a lease constituting a finance or capital lease under GAAP in force immediately prior to 1 January 2019.

First Loan Deed means the loan deed for a $5,000,000 loan facility between NGCH and the Company dated on or about 2 June 2021.

First Loan Security means the general security deed to be entered into between the Company and NGCH to secure the loan provided by the NGCH under the First Loan Deed.

Independent Expert means Leadenhall Corporate Advisory.

Independent Expert's Report means the report prepared by the Independent Expert and set out in Annexure A to this Notice.

KMP means key management personnel of the Company.

Loan Security means the first ranking security interest over all the Company's present and after acquired property that will be provided by the Company in favour of NGCH to secure the Company's debt obligations under the Convertible Loan.

NGCH means New Gold Coast Holdings, a company registered and incorporated in Mauritius, with Mauritius company number 137225 C2/GBL.

Permitted Security Interest means:

(a) the security interest in favour of Suzerain under the general security deed between Suzerain and the Company dated on or about 27 December 2019, as amended from time to time;

(b) the security interest in favour of Skybound Fidelis Investment Ltd ACN 151 776 706 as trustee for the Skybound Fidelis Credit Fund ABN 19 587 332 202 (**Skybound**) under the general security deed between Skybound and the Company dated on or about 8 December 2020; and

(c) the security interest in favour of Commonwealth Bank of Australia with registration number 201508040025061.

Principal Amount means the $22,500,000 loan facility.

Proposed Conversion means the conversion of some or all of the outstanding balance of the Principal Amount, including any interest accrued and capitalised, into an issue of new Shares under the Convertible Loan Deed.

Repayment Date means 31 December 2024.

Rights Issue means the Company's 1 for 4.3 renounceable pro rata entitlement offer for new Shares in the Company which was completed on 8 December 2021.

Secured Monies means all debts of the Company owing under the Convertible Loan Deed.

Secured Property means all of the Company's present and after-acquired property.

Security Interest means a security interest (in whatever form, including a security interest pursuant to sections 12(1) and 12(2) of the PPSA but excluding a deemed security interest pursuant to section 12(3) of the PPSA).

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

Shareholder means a holder of a Share.

Skybound means Skybound Fidelis Investment Ltd ACN 151 776 706 as trustee for the Skybound Fidelis Credit Fund ABN 19 587 332 202.

Suzerain means Suzerain Investments Holdings Limited, a company registered in the British Virgin Islands with registration number 1934540.

Suzerain Loan Deed means the loan deed between Suzerain and the Company dated on or about 27 February 2020, as amended from time to time.

Suzerain Loan Security means the general security deed between the Company and Suzerain dated on or about 27 December 2019, as amended from time to time.

VWAP means the volume weighted average price with respect to the price of Shares on ASX over the specified period.

Annexure A – Independent Expert's Report

(*See over leaf*)

Now you know LEADENHALL

INCENTIAPAY LIMITED

ISSUE OF CONVERTIBLE LOAN

INDEPENDENT EXPERT'S REPORT AND FINANCIAL SERVICES GUIDE
13 APRIL 2022

13 April 2022

Stephen Harrison
Chairman
IncentiaPay Limited
Level 6, Suite 7, 3 Spring Street,
Sydney NSW 2000

Dear Stephen,

Independent Expert's Report for IncentiaPay Limited

1. Introduction

IncentiaPay is a company listed on the Australian Securities Exchange ("**ASX**") with a market capitalisation of approximately $19 million. IncentiaPay is an integrated loyalty and payment solutions provider operating primarily in Australia and New Zealand. IncentiaPay uses its technology-enabled loyalty platform and digital marketing programs to help its clients attract and engage consumers.

Suzerain Investment Holdings Limited ("**Suzerain**") is a British Virgin Islands based investment company that is currently the largest shareholder of IncentiaPay with a 73.3% shareholding (including shareholdings held by its associates). New Gold Coast Holdings Limited ("**New Gold Coast**') and Suzerain are associates pursuant to the Corporations Act 2001.

On 3 June 2021, IncentiaPay entered into a $5 million loan facility with New Gold Coast. Subsequently, on 15 March 2022, IncentiaPay entered into a convertible loan deed with New Gold Coast with a total facility limit of $22.5 million ("**Convertible Loan**"). The Convertible Loan facility will be drawn for the purpose of repaying the existing $5 million loan from New Gold Coast (of which approximately $3.1 million has been drawn to date), repaying a $0.5 million loan from Suzerain (plus $0.1 million of capitalised interest) and for working capital and growth capital requirements. The loan bears an interest rate of 12.5% per annum plus a monthly administration fee. The Convertible Loan will be secured by all present and after-acquired property of IncentiaPay, ranking ahead of any present security, and is to be repaid on or before 31 December 2024. The Convertible Loan is non-binding until shareholder approval is obtained.

We have defined entering the Convertible Loan facility, including the granting of security and potential conversion of the Convertible Loan, as the ("**Proposed Transaction**").

Further background details are set out in Section 1 of our detailed report.

2. Purpose of the report

There are a number of different regulatory requirements for an independent expert's report.

Listing Rule 10.1

ASX Listing Rule 10.1 requires a listed entity to obtain shareholders' approval before it sells a substantial asset to a related party. As the Convertible Loan will be secured by all current and future assets of IncentiaPay, granting security involves the potential disposal of a substantial asset. As Suzerain currently holds a 73.3% interest in IncentiaPay, and Suzerain and New Gold Coast are related parties, the Proposed Transaction is with a related party. Approval for granting the security is therefore required from IncentiaPay shareholders that are not associated with Suzerain or New Gold Coast ("**Non-Associated Shareholders**").

ASX Listing Rule 10.5.10 requires that the Notice of Meeting sent to shareholders in respect of such a transaction must include a report on the Proposed Transaction from an independent expert. The independent expert's report must state whether the transaction is fair and reasonable to Non-Associated Shareholders.

ADELAIDE Level 4, 33 Franklin St, Adelaide SA 5000
SYDNEY Level 6, 111 Elizabeth St, Sydney NSW 2000
ABN 11 114 534 619 AFSL 293586
leadenhall.com.au
office@leadenhall.com.au

Section 611

Under the Proposed Transaction, if New Gold Coast exercises its option to convert its debt into shares, the shareholding of New Gold Coast (including shares held by associate Suzerain) will increase above the existing 73.3% shareholding. Approval for the Proposed Transaction is therefore being sought at a general meeting of IncentiaPay's shareholders in accordance with Item 7 ("**Item 7**") of Section 611 of the Corporations Act 2001 ("**s611**").

Chapter 2E of the Corporations Act 2001

Chapter 2E of the Corporations Act 2001 ("**Chapter 2E**") requires a public company to obtain shareholders' approval before giving financial benefits to related parties. The Australian Securities and Investments Commission ("**ASIC**") recommends an independent expert's report to be obtained as part of the materials accompanying the notice of meeting.

Purpose

The directors of IncentiaPay have therefore requested Leadenhall Corporate Advisory Pty Ltd ("**Leadenhall**") to prepare an independent expert's report assessing whether the Proposed Transaction is fair and reasonable to Non-Associated Shareholders.

This report has been prepared for the exclusive purpose of assisting Non-Associated Shareholders in their consideration of the Proposed Transaction.

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

3. Basis of evaluation

When an independent expert's report is prepared to cover a number of different regulatory requirements with different measures of fairness, our preferred approach is to adopt the most onerous of the possible tests.

For the Proposed Transaction, we consider the s611 test to be more onerous than the Listing Rule 10.1 test. This arises because a control premium is taken into account under the s611 test but not under the Listing Rule 10.1 test.

In accordance with *Regulatory Guide 111: Content of Expert Reports* ("**RG111**") issued by ASIC we have assessed the Proposed Transaction as if it was a takeover offer for IncentiaPay. Accordingly, in order to assess whether the Proposed Transaction is fair and reasonable to Non-Associated Shareholders, we have:

- Assessed it as fair if the value of an IncentiaPay share after the Proposed Transaction is greater than or equal to the value of an IncentiaPay share before the Proposed Transaction. Our valuation before the Proposed Transaction has been undertaken on a control basis whereas our valuation after the Proposed Transaction has been undertaken on a minority basis.
- Assessed it as reasonable if it is fair, or if despite not being fair, the advantages to Non-Associated Shareholders outweigh the disadvantages.

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

4. The Proposed Transaction is not fair

Assessed value of IncentiaPay before the Proposed Transaction

We have assessed the fair market value of an IncentiaPay share using the discounted cash flow method. Our valuation is summarised in the following table:

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

Equity Value (Control Basis) ($'000)		
	Low	High
Enterprise value	**41,463**	**51,468**
Non-operating liabilities	(3,796)	(3,796)
Net debt	(1,329)	(1,329)
Equity value	**36,338**	**46,343**
Ordinary shares on issue ('000)	1,265,064	1,265,064
Unvested employee shares[1]	-	-
Assessed value per ordinary share on a control basis ($)	**0.029**	**0.037**

Source: Leadenhall analysis
Note 1: We have not attributed any value to the unvested employee shares as the probability of the shares vesting is extremely low. We note that any attributing any reasonable amount of value to the unvested employee shares would not alter our conclusion.

The enterprise value is based on a cash flow model prepared by IncentiaPay management. We reviewed the assumptions for reasonableness and confirmed they are appropriate for our purpose. We applied a discount rate of 15.0% to 17.0% to the projected cash flows to obtain the enterprise value.

We undertook a sensitivity analysis to highlight which assumptions had the greatest impact on the valuation conclusion. The assumption with the greatest impact is the sales generated by the new Seamless Rewards program.

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

Further details of our valuation of IncentiaPay before the Proposed Transaction are provided in Section 6 of our detailed report.

Assessed value of IncentiaPay before the Proposed Transaction

Our assessment of the value of an IncentiaPay share after the Proposed Transaction was based on the same discounted cash flow analysis, adjusted for the impact of the Proposed Transaction. Our valuation is summarised in the following table:

Table 2: Assessed value of an IncentiaPay share after the Proposed Transaction

Equity Value (Liquid Minority Basis) ($'000)		
	Low	High
Enterprise value	**41,463**	**51,468**
Non-operating liabilities	(3,796)	(3,796)
Surplus cash	21,171	21,171
Equity value (control basis)	**58,838**	**68,843**
Discount for lack of control (25%)	(14,709)	(17,211)
Equity Value (liquid minority basis)	**44,128**	**51,632**
Ordinary shares on issue ('000)	1,265,064	1,265,064
Shares issued upon conversion ('000)	1,022,727	1,022,727
Assessed value per share on a liquid minority basis ($)	**0.019**	**0.023**

Source: Leadenhall analysis

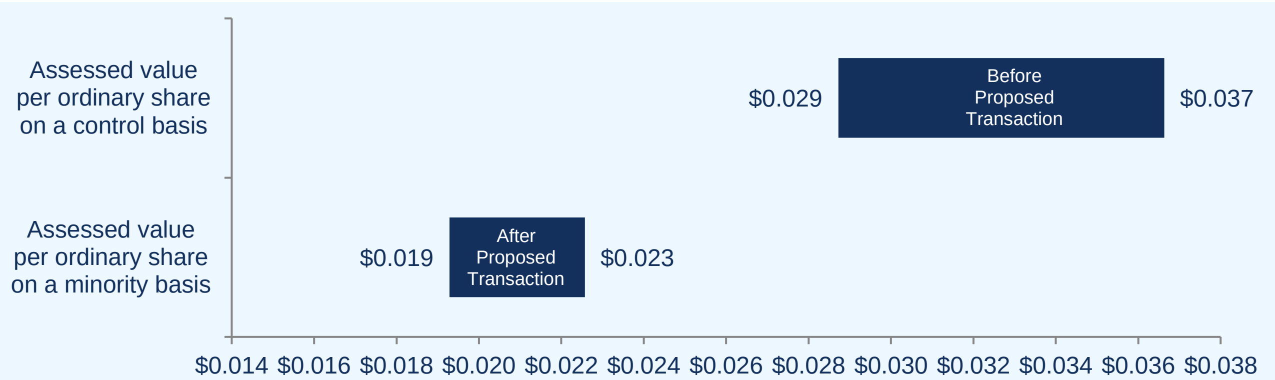
The key differences relate to the shares to be issued and increase in surplus cash from the full conversion of the Convertible Loan, as well as a discount for lack of control ("**DLOC**") to reflect that market trading in IncentiaPay shares after the Proposed Transaction would be on a non-controlling basis.

Further details of our valuation of IncentiaPay after the Proposed Transaction are provided in Section 6 of our detailed report.

Conclusion on fairness

The following figure shows a comparison of our assessed value of an IncentiaPay share before the Proposed Transaction and our assessed value of an IncentiaPay share after the Proposed Transaction:

Figure 1: Assessment of fairness



Source: IncentiaPay and Leadenhall analysis
Note: Comparison is made on a fully diluted basis.

As the value of an IncentiaPay share after the Proposed Transaction (on a minority basis) is less than the assessed value of an IncentiaPay share before the Proposed Transaction (on a control basis), we have assessed the Proposed Transaction as being not fair.

5. The Proposed Transaction is reasonable

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

Advantages

The main advantages of the Proposed Transaction are:

- **Access to cash** - the assessed control value of IncentiaPay presented above is premised on an injection of capital to cover near term cash outflows. Other than the Proposed Transaction, IncentiaPay has no alternative sources of capital presently available to it. Therefore, if the Proposed Transaction is not approved, IncentiaPay is likely to run out of cash in the near term, before it is able to receive the potential benefits of its new Seamless Rewards strategy.
- **Conversion price above 30-day VWAP** - as the loan is convertible at the greater of $0.022 per share or the 30-day volume weighted average price ("**VWAP**") prior to conversion plus an additional 20%, the conversion price will always be greater than the recent market price for IncentiaPay shares at the time of conversion and is also currently at the high end of our assessed value for a minority shareholder. Thus, conversion is value accretive to Non-Associated Shareholders, notwithstanding they will not receive a full control premium.
- **Limited alternatives available** - IncentiaPay management has explored alternative sources of capital to fund its short-term cash requirements. However, other shareholders and potential lenders have not offered the same level of financial support as New Gold Coast and its associates. As at the date of this report, no alternative long-term financing proposals existed.

Disadvantages

The main disadvantage of the Proposed Transaction is:

- **Dilution of interests** - interests of Non-Associated Shareholders would be further diluted upon conversion of the Convertible Loan. If the Convertible Loan facility is fully drawn down prior to conversion (assuming all else remains constant), New Gold Coast and its associates would potentially increase their shareholding to beyond 75% and would be able to pass special resolutions on their own. Therefore, New Gold Coast and its associates would obtain a significant amount of control and may not always act in the best interests of minority shareholders, subject to compliance with relevant laws and regulations.
- **Possible increased illiquidity** – possible increased illiquidity in the trading of IncentiaPay shares as potential investors may be deterred by the increasing shareholding of New Gold Coast and its associates.

Conclusion on reasonableness

We consider the advantages of the Proposed Transaction to outweigh the disadvantages. Specifically, by approving the Proposed Transaction Shareholders will have the possibility participating in a recovery for IncentiaPay, whereas without the Proposed Transaction, it is likely that the value of IncentiaPay shares will fall to zero. Thus, in the absence of a superior offer we have assessed the Proposed Transaction as reasonable.

6. Opinion

In our opinion, the Proposed Transaction is not fair but reasonable to Non-Associated Shareholders.

This opinion should be read in conjunction with our detailed report which sets out our scope, analysis and findings in more detail.

Yours faithfully

Richard Norris	Nathan Timosevski
Director	**Director**

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

LEADENHALL CORPORATE ADVISORY PTY LTD

ABN 11 114 534 619

Australian Financial Services Licence No: 293586

FINANCIAL SERVICES GUIDE

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

Financial Services Guide

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

Financial Services We are Licensed to Provide

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

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

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

General Financial Product Advice

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

Benefits that We May Receive

We charge fees for providing reports. These fees will be agreed with the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis. Leadenhall is entitled to receive a fixed fee of $35,000 (excl. GST) for preparing this report. This fee is not contingent upon the outcome of the Proposed Transaction.

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

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

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

Independence

In the previous two years we have prepared two independent expert's reports for IncentiaPay. This work did not involve Leadenhall participating in setting the terms of, or any negotiations leading to, the Proposed

Transactions. We therefore consider ourselves to be independent for the purpose of this engagement, in accordance with *Regulatory Guide 112: Independence of Experts.*

Referrals

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

Complaints Resolution

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

Leadenhall Corporate Advisory Pty Ltd
GPO Box 1572
Adelaide SA 5001

Email: office@leadenhall.com.au

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

If you do not get a satisfactory outcome, you may lodge a complaint with the Australian Financial Complaints Authority (AFCA). AFCA provides fair and independent financial services complaint resolution services that are free to consumers and can be contacted as follows:

Website: www.afca.org.au

By post: Australian Financial Complaints Authority, GPO Box 3, Melbourne VIC 3001

Compensation Arrangements

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

13 April 2022

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1 THE PROPOSED TRANSACTION

1.1 Background

IncentiaPay is an ASX-listed company with a market capitalisation of approximately $19 million. IncentiaPay is an integrated loyalty and payment solutions provider operating primarily in Australia and New Zealand. IncentiaPay uses its technology-enabled loyalty platform and digital marketing programs to help its clients attract and engage consumers.

Suzerain is a British Virgin Islands based investment company that is currently the largest shareholder of IncentiaPay with a 73.3% shareholding (including shareholdings held by its associates). New Gold Coast and Suzerain are associates pursuant to the Corporations Act 2001. On 3 June 2021, IncentiaPay entered into a $5 million loan facility with New Gold Coast. Subsequently, on15 March 2022, IncentiaPay entered into a Convertible Loan deed with New Gold Coast with a total facility limit of $22.5 million. The Convertible Loan facility will be drawn for the purpose of repaying the existing $5 million loan from New Gold Coast (of which approximately $3.1 million has been drawn to date), repaying a $0.5 million loan from Suzerain (plus $0.1 million of capitalised interest) and for working capital and growth capital requirements. The loan bears an interest rate of 12.5% per annum plus a monthly administration fee. Subject to shareholder approval, the loan will be secured by all present and after acquired property of IncentiaPay, ranking ahead of any present security, and is to be repaid on or before 31 December 2024.

1.2 Terms of the Convertible Loan

Key terms of the Convertible Loan are summarised in the table below:

Table 3: Summary of key terms of the Convertible Loan

<table>
<tr><th colspan="2">Key terms of Convertible Loan deed between IncentiaPay and New Gold Coast</th></tr>
<tr><td>Total loan amount</td><td>$22.5 million</td></tr>
<tr><td>Drawdowns[1]</td><td>
<table>
<tr><th>($m)</th><th>Pre approval</th><th>Post approval</th><th>Jun-22</th><th>Sep-22</th><th>Dec-22</th><th>Mar-23</th><th>Total</th></tr>
<tr><td>Working capital</td><td>5.0</td><td>2.5</td><td>1.8</td><td>1.6</td><td>1.6</td><td>-</td><td>12.5</td></tr>
<tr><td>Growth capital</td><td>0.0</td><td>1.4</td><td>1.5</td><td>3.6</td><td>2.5</td><td>1.0</td><td>10.0</td></tr>
<tr><td>Total</td><td>5.0</td><td>3.9</td><td>3.3</td><td>5.2</td><td>4.1</td><td>1.0</td><td>22.5</td></tr>
</table>
</td></tr>
<tr><td>Administration fee</td><td>$36,667 payable monthly in arrears during the term of the loan</td></tr>
<tr><td>Repayment date</td><td>31 December 2024</td></tr>
<tr><td>Loan security</td><td>Shareholder approval is to be obtained to enter into a general security deed over the assets of IncentiaPay (or amend the 2019 general security deed to cover the Convertible Loan deed)</td></tr>
<tr><td>Interest rate</td><td>12.5% p.a. to be paid monthly in arrears</td></tr>
<tr><td>Conversion period</td><td>The period between the date of the deed and ending on 31 December 2024</td></tr>
<tr><td>Conversion price</td><td>The greater of $0.022 or the 30-day VWAP prior to conversion plus a 20% premium</td></tr>
<tr><td>Conversion shares</td><td>The conversion shares will rank equally in all respects with all other shares</td></tr>
<tr><td>Loan repayment</td><td>IncentiaPay may repay the loan (in whole or part) at any time before the repayment date</td></tr>
</table>

Notes:

1. *Drawdown timetable subject to change. The $5 million expected to be drawn down in January 2022 relates to the pre-existing unsecured loan facility which can be drawn down without shareholder approval. This loan will be repaid from via drawdown on the Convertible Loan facility (subject to the requisite approvals).*

2 SCOPE

2.1 Purpose of the report

Listing Rule 10.1

ASX Listing Rule 10.1 requires a listed entity to obtain shareholders' approval before it sells a substantial asset to a related party. An asset is substantial if its value, or the consideration being paid for it, is 5% or more of the equity in the listed entity, as set out in its latest accounts lodged with the ASX. As the Convertible Loan will be secured by all of the assets of IncentiaPay, the Proposed Transaction involves the potential disposal of a substantial asset. As New Gold Coast and Suzerain are related parties and Suzerain is currently a 73.3% shareholder of IncentiaPay, the Proposed Transaction is with a related party.

ASX Listing Rule 10.5.10 requires that the Notice of Meeting sent to shareholders in respect of such a transaction must include a report on the Proposed Transaction from an independent expert. The independent expert's report must state whether the transaction is fair and reasonable to Non-Associated Shareholders.

Section 611

An acquisition of securities that enables a shareholder to increase its relevant interests in a listed company from below 20% to above 20%, or increases a greater than 20% holding is prohibited under Section 606 of the Corporations Act 2001 ("**s606**"), except in certain circumstances.

One of the exceptions to s606 is where the acquisition is approved at a general meeting of the target company in accordance with Item 7 of Section 611 of the Corporations Act 2001. Under the Proposed Transaction, New Gold Coast and its associates will increase their existing 73.3% shareholding if New Gold Coast exercises its option to convert its debt into shares. Approval for the Proposed Transaction is therefore being sought at a general meeting of IncentiaPay's shareholders in accordance with Item 7.

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

Chapter 2E of the Corporations Act 2001

New Gold Coast is a related party of IncentiaPay by virtue of being an entity controlled by Clifford Young Warren. Clifford Young Warren is a related party by virtue of Section 228(1) of the Corporations Act, being an individual that controls IncentiaPay pursuant to section 50AA of the Corporations Act.

Chapter 2E requires a public company to obtain shareholders' approval before giving financial benefits to related parties. The Proposed Transaction entails the provision of a financial benefit to New Gold Coast in relation to the following:

- Providing the assets of IncentiaPay as security for the Convertible Loan
- New Gold Coast exercising its option to convert its debt into shares.

There are no specific requirements for an independent expert's report to be prepared in these circumstances. However, ASIC recommends an independent expert's report to be obtained as part of the materials accompanying the notice of meeting under Sections 218 to 221 of the Corporations Act 2001.

2.2 Basis of evaluation

Introduction

RG111 requires a separate assessment of whether a transaction is 'fair' and whether it is 'reasonable' for both control transactions under s611 and related party transactions under Listing Rule 10.1. We have therefore considered the concepts of 'fairness' and 'reasonableness' separately.

Consistent with RG111.63 we have provided only one analysis of whether the Proposed Transaction is fair and reasonable. The basis of assessment selected and the reasons for that basis are discussed below.

Fairness

Listing Rule 10.1

According to RG111.57 'a proposed related party transaction is fair if '*the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity*'. This comparison should be made '*assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.*'

Section 611

Should the Proposed Transaction be approved, New Gold Coast and its associates will be able to increase their controlling stake in IncentiaPay. Therefore, we have assessed the Proposed Transaction as a control transaction in accordance with RG111.8.

RG111.25 requires a transaction that is approved under s611 that is comparable to a takeover bid to be evaluated as if it was a takeover bid. RG111.11 defines a takeover offer as being fair if the value of the consideration is equal to, or greater than, the value of the securities subject to the offer.

Selected approach

When an independent expert's report is prepared to cover a number of different regulatory requirements with different measures of fairness, our preferred approach is to adopt the most onerous of the possible tests.

For the Proposed Transaction, we consider the s611 test to be more onerous than the Listing Rule 10.1 test. This arises because a control premium is taken into account under the s611 test but not under the Listing Rule 10.1 test. As a result, we have assessed the Proposed Transaction as fair if the value of an IncentiaPay share after the Proposed Transaction is greater than or equal to the value of an IncentiaPay share before the Proposed Transaction.

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

As Non-Associated Shareholders would retain their IncentiaPay shares if the Proposed Transaction proceeds, the effective consideration is the continued ownership of an IncentiaPay share. After the Proposed Transaction, the value of an IncentiaPay share has been assessed on a minority interest basis (i.e. excluding a control premium) as Non-Associated Shareholders would continue to own a minority stake in IncentiaPay should the Proposed Transaction occur.

Basis of value

We have assessed the value of an IncentiaPay share (both before and after the Proposed Transaction) at fair market value, which is defined by the International Glossary of Business Valuation Terms as:

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

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

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

Reasonableness

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

- New Gold Coast and its associates pre-existing voting power in IncentiaPay
- The absence of other large holdings in IncentiaPay shares
- The liquidity of the market in IncentiaPay's shares
- Any special value of IncentiaPay to New Gold Coast and its associates
- The likely market price of IncentiaPay's shares if the Proposed Transaction is rejected
- The value of IncentiaPay to an alternative bidder and the likelihood of an alternative offer.

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

2.3 Individual circumstances

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

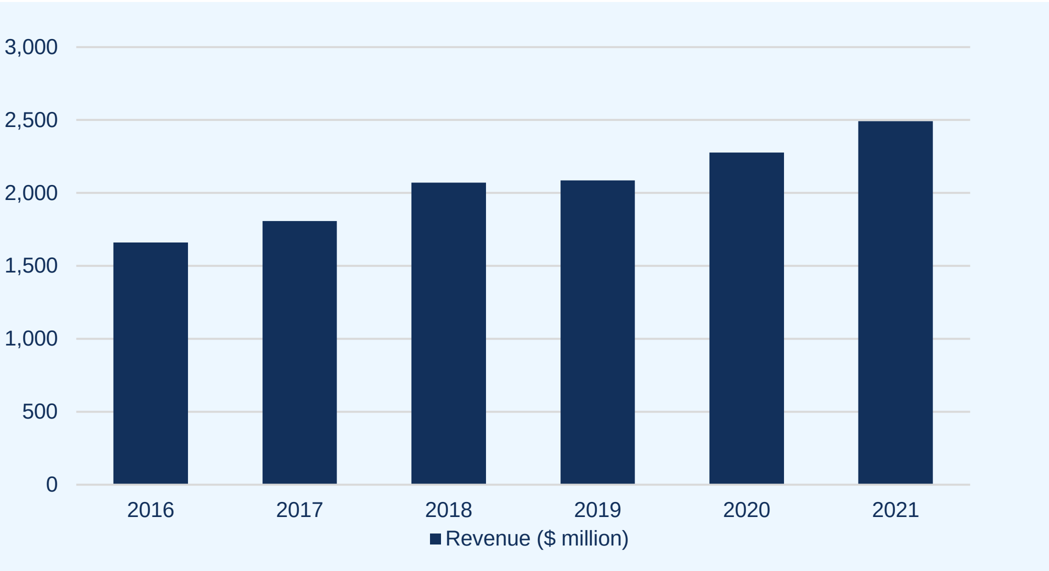
3 INDUSTRY ANALYSIS

As IncentiaPay is an integrated loyalty and payment solutions provider utilising digital marketing programs to enable businesses across different sectors to specifically target and connect with potential customers, we have focused our analysis on the Australian digital advertising industry.

3.1 Overview of the Digital Advertising Industry in Australia

The Australian digital advertising industry has seen strong growth over the past 5 years, experiencing a compound annual growth rate ("**CAGR**") of 8.1% to $2.3 billion as shown in Figure 1 below. This is largely attributable to the increasing use of internet enabled devices and increasing awareness among businesses and organisations that digital marketing can be more effective when targeting key markets, when compared with more traditional print and television marketing.

Figure 2: Historical revenue growth



Source: IBISWorld

3.2 Customers and Services

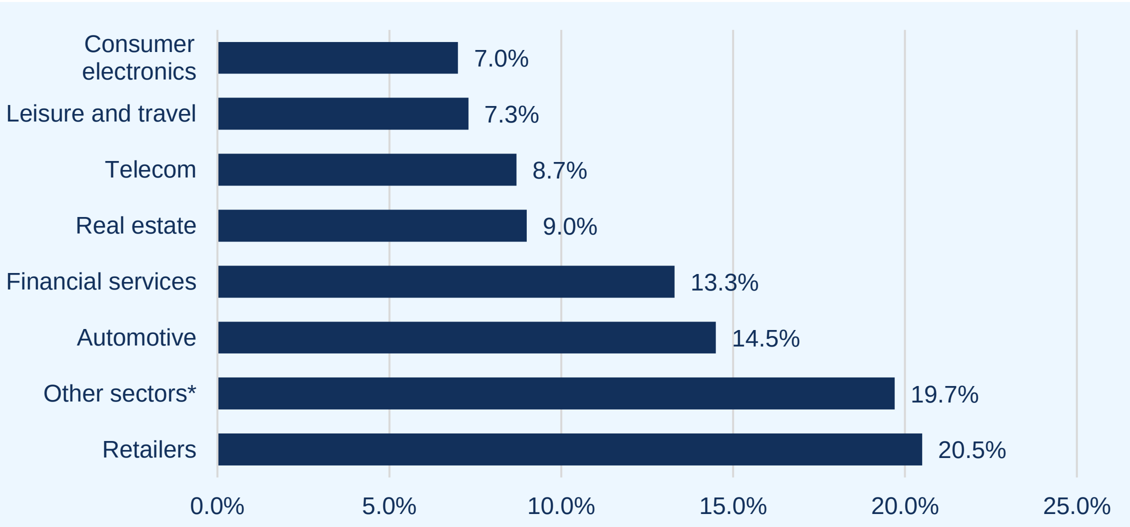
The digital advertising industry services a diverse range of customers from retailers to financial services companies. Services provided by industry participants can be broadly classified into:

- **Search engine marketing:** Accounting for approximately 44% of total industry revenue, this form of marketing involves increasing the visibility of a client's website and product offering on popular search engines by improving its ranking in search results. This may include pay-per-click arrangements, whereby an advertiser pays a search engine to place a link to the customer's website at the top of a search results page. Placement of the link is associated with keywords and the advertiser pays each time the link is clicked. Although this segment accounts for the largest proportion of service segmentation in the industry, demand for this search engine marketing has decreased over the last five years.
- **Digital advertising content creation:** Accounting for approximately 38% of total industry revenue, this form of marketing involves the creation of new digital advertising content such as video marketing, banner adverts and sponsorships which are created to client specifications and targeted at a particular segment of the market. Media space is then purchased on key websites such as news and other media websites, as well as social media platforms. Demand for content creation has increased over the previous five years, with clients increasingly demanding new and innovative advertising content and distribution channels.

- **Other services:** Accounting for approximately 18% of total industry revenue are other services. These services include advertising via online classifieds and email marketing campaigns, as well as lead generation, loyalty schemes and affiliate marketing management services. This is the segment in which IncentiaPay operates. The past five years has seen greater demand for these services and this segment has seen a corresponding increase in revenue over the period.

The table below provides a breakdown of downstream customers requesting digital advertising services.

Figure 2: Major market segmentation



Source: IBISWorld
** Other includes pharmaceutical and healthcare companies, media and communications companies, as well as government and public-sector institutions.*

3.3 Regulatory Shifts

Over the last three years, Australia has been subject to several regulatory processes that have directly impacted the digital advertising industry. The Australian Competition and Consumer Commission ("**ACCC**") has conducted a number of inquiries into the industry, including:

- Digital platforms inquiry
- New media bargaining code
- Customer loyalty schemes review
- Digital advertising services inquiry
- Digital platform services inquiry.

Customer loyalty schemes

Customer loyalty schemes are a form of digital advertising that incentivises customers to make repeat purchases. Commonly, after a customer has joined a loyalty scheme, they may earn points, a discount, or some other incentive when making purchases under the scheme. When points are earned, they may be redeemed for cashback on future purchases, or outright for goods and services.

The use of customer loyalty schemes is widespread in the Australian economy, particularly in the airline, supermarket, credit card, hotel and car rental industries. Consumer participation is also high, with almost 90% of consumers estimated to be a member of a customer loyalty scheme and the average Australian participating in four to six customer loyalty schemes.

The ACCC recently conducted an inquiry into customer loyalty schemes which addressed the following:

- **Consumer issues:** whether consumers are informed and receive the benefits advertised by loyalty schemes.
- **Data practices:** the collection, use and disclosure of customer data.

- **Competition issues:** the potential impact of loyalty schemes on competing firms as well as new entrants.

As part of its report, the ACCC made five recommendations regarding certain business practices and called on operators of customer loyalty schemes to review and consider their practices within the context of the Australian Consumer Law ("**ACL**"). The five recommendations include:

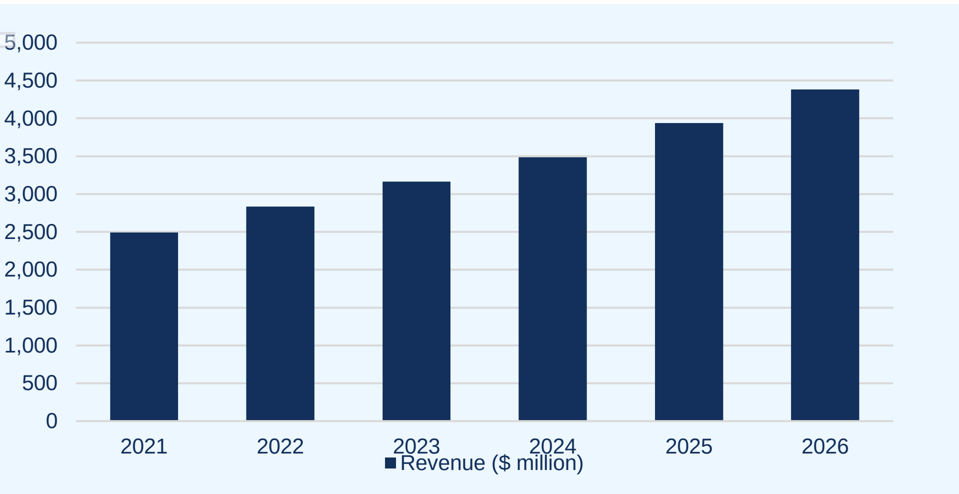
- **Improve how loyalty schemes communicate with customers:** loyalty scheme operators need to review their approach to presenting terms and conditions of loyalty schemes and ensure changes are fair and adequately identified.
- **Prohibition against unfair contract terms and certain unfair trading practices:** the ACCC recommended that the ACL be amended so that unfair contract terms are prohibited (not just voidable under the current law), and that the ACL include a prohibition against certain unfair trading practices.
- **End the practice of automatically linking members' payment cards to their loyalty scheme profile:** some providers of loyalty schemes currently link customers payment cards to their loyalty scheme profile in order to track their purchasing behaviour and transaction activities, even when not using the loyalty card.
- **Improve the data practices of loyalty schemes:** the ACCC takes the view that current privacy policies of loyalty schemes are opaque, leaving customers with the inability to make informed choices about the collection, use and disclosure of their data.
- **Strengthen protections in the Privacy Act and broader reform of the Australian privacy law:** the ACCC made this recommendation in order to maintain effective protection of customers' personal information in the longer term, including a proposed review of the current objectives of the Privacy Act and the introduction of a statutory tort for serious invasions of privacy.

The above inquiry indicates that scrutiny of the digital advertising industry in Australia will continue for the foreseeable future. Industry participants should therefore prepare for changes to market conditions within the scope of the ACL, Competition and Consumer Act, and the Privacy Act.

3.4 Outlook

According to IBISWorld, revenue growth is expected to increase over the five years to 2025-26 compared to the previous five years as the economy recovers from the COVID-19 pandemic. The industry is approaching saturation due to, amongst other things, the growing ease by which downstream customers can purchase and manage their own online ads, which is likely to contribute to dampening demand for services in some segments of the industry over the next five years. That being said, segments of the industry with high consumer spread and participation levels, such as customer loyalty schemes, are in a better position to capitalise on the benefits of the economy returning to normal levels post COVID-19. Overall, industry revenue is expected to grow at an annualised rate of 11.6% over the next five years to reach $3.9 billion.

Figure 3: Forecast revenue growth



Source: IBISWorld

4 PROFILE OF INCENTIAPAY

4.1 Background

IncentiaPay is an integrated loyalty and payment solutions provider operating primarily in Australia and New Zealand. It provides membership subscriptions for payment discounts and other offers. IncentiaPay was first established in 1994 as Entertainment Publications, which thereafter became affectionately known as the Entertainment Book, with its iconic published book offering members access to exclusive offers. In September 2016, Entertainment Publications was acquired by ASX-listed BPS Technology Limited ("**BPS**"), which subsequently changed its name to IncentiaPay in April 2018.

In 2019, IncentiaPay announced the shift from selling its publications to becoming fully application based. The publications were officially discontinued from 1 June 2020 with memberships now exclusively available on application which can be activated at any time. The application allows users to conveniently search, save and instantly redeem offers on their mobile devices, with regular additions of offers all year round. More recently, IncentiaPay entered into a strategic partnership with Spineka Group, leveraging IncentiaPay's content and relationships to deliver new products and value propositions for its customers. As part of the arrangement, IncentiaPay obtained a multiyear licence for Spineka Group's technology platforms. This licence provides IncentiaPay with a platform for promoting digital marketing programs to help businesses attract and engage consumers.

A brief history of IncentiaPay is set out in the table below:

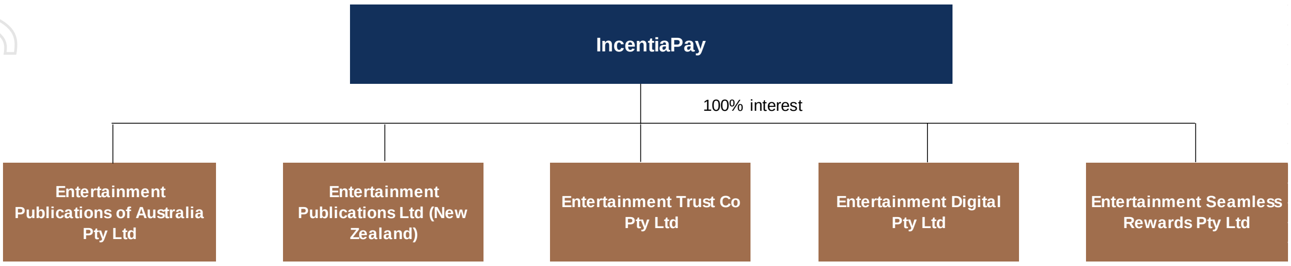
Year	Event
1994	♦ Established as Entertainment Publications.
2016	♦ Entertainment Publications was acquired by BPS, a company listed on the ASX, which owned Bartercard and had a minority stake in Now Book It.
2018	♦ BPS changed its name to IncentiaPay. ♦ IncentiaPay acquired ASX-listed Gruden Group. ♦ Divestiture of Bartercard, the Government division of Gruden Group and IncentiaPay's minority stake in Now Book It.
2019	♦ Sale of the Performance Marketing division of Gruden Group. ♦ Entered into $19 million convertible loan arrangement with Suzerain.
2020	♦ Suzerain converted the $19 million debt into 410.6 million ordinary shares, increasing its shareholding in IncentiaPay from 20% to 70%. ♦ Additional $9.8 million loan from Suzerain agreed. ♦ The iconic Entertainment Book was discontinued from 1 June 2020. ♦ On 3 August 2020, IncentiaPay announced a strategic partnership with Paywith. ♦ On 29 September 2020, IncentiaPay and Suzerain entered into a convertible loan deed which provided for the previous unsecured loan of $9.8 million to be secured over the company's present and future assets, and the option for Suzerain to convert the loan into ordinary shares, subject to shareholder approval. ♦ Moved to a smaller, more cost-effective head office, implementation of tighter controls over expenditure.
2021	♦ Suzerain and its associates converted loans into ordinary shares, taking their combined equity interest to 73.3%. ♦ On 3 June 2021, IncentiaPay entered into an additional unsecured loan of $5 million with New Gold Coast to be used for working capital due to seasonality of revenue, and to expedite the development of the company's technology and customer experience platforms. ♦ Organisational restructure and other cost saving initiatives implemented. ♦ New Chief Executive Officer appointed in December 2021.

Source: IncentiaPay

4.2 Corporate Structure

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

Figure 4: IncentiaPay corporate structure



Source: IncentiaPay

4.3 Overview of Operations

IncentiaPay is currently managed as one segment, being the Entertainment Publications business. The breakdown of FY20 and FY21 revenue is as follows:

Figure 5: FY20 revenue breakdown

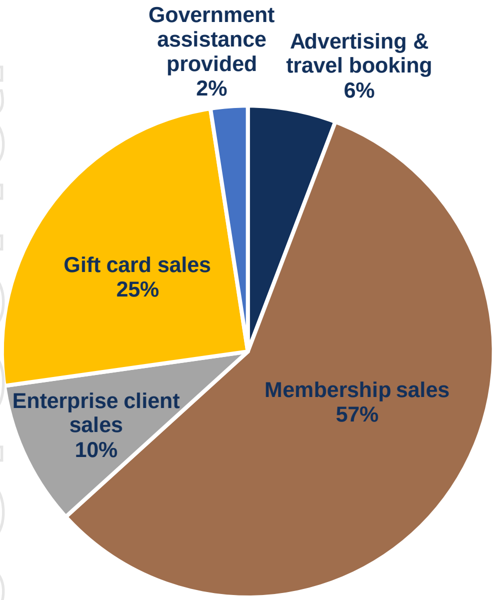
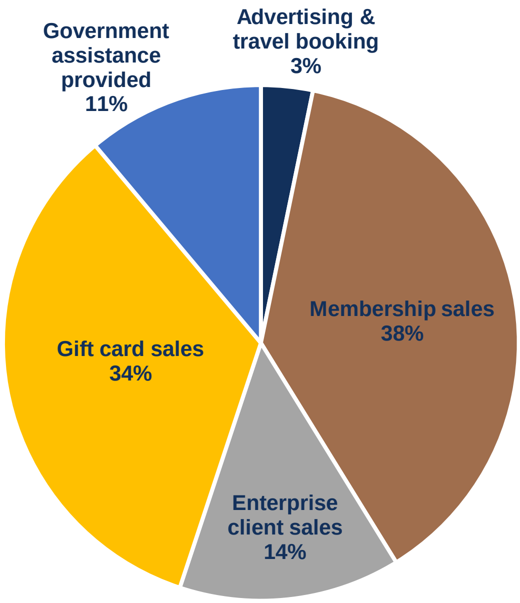


Figure 6: FY21 revenue breakdown



The Entertainment Publications business generates revenue from the following income streams:

- **Membership sales:** Membership sales is the largest revenue stream of IncentiaPay. Membership provides access to thousands of 2-for-1 and up to 50% off offers from over 7,000 business partners in dining, travel, activities, and retail across over 15,000 partner locations in Australia, New Zealand and Bali. Membership is available across 21 major cities, regional areas and country towns. Subscriptions are for a period of between 12 to 24 months depending on the subscription plan selected.

  Up to 20% of membership sales go directly to more than 13,000 fundraisers for charities, schools, sports clubs and community groups.

- **Gift card sales:** Gift card sales is IncentiaPay's second largest revenue stream. Gift cards are provided by both gift card aggregators and merchants and are sold to IncentiaPay's members at a discount to face value.

- **Enterprise client sales:** Entertainment Publications enters into contracts with corporate customers to develop a program of special offers, discounts, promotions and booking facilities for their customers or employees over the period of time applicable in the contract.

- **Advertising and travel booking:** Revenue is generated through the Entertainment digital platform by placing advertisements, and through the distribution of offers and promotions on behalf of businesses to members.
- **Government assistance:** Comprised of cash flow boost and JobKeeper payments provided by the Federal Government during the COVID-19 pandemic.

4.4 Competitive Position

The table below sets out the strengths, weaknesses, opportunities and threats analysis for IncentiaPay.

Strengths	Weaknesses
♦ The new management team, established between 2018 and 2021, is experienced with industry-specific knowledge and a track record in managing and growing similar businesses. ♦ The enhanced digital product has flexibility which allows membership to commence at any time. New product options, such as multi-city and multi-year, have also been introduced which led to a 29% increase in average revenue per transaction in the 2020 sales season. ♦ IncentiaPay has a stable and strong relationship with its merchants	♦ IncentiaPay currently has limited access to capital, with a heavy reliance on New Gold Coast and its associates for funds. As a result, growth may be inhibited and there is a going concern risk if New Gold Coast and its associates withdraw their support in future. ♦ IncentiaPay is heavily reliant on several third-party contractors which provide essential services such as software and product development. This exposes IncentiaPay to risks of performance failures or price increases which IncentiaPay is unable to effectively control.
Opportunities	**Threats**
♦ The recent restructuring of the continuing business has significantly reduced operating expenses, thus an anticipated increase in revenues for the continuing business (from a post-COVID rebound, new business opportunities is expected to lead to a significant increase in profits. ♦ The partnership with Spineka Group helps IncentiaPay facilitate the delivery of new products and expand its customer outreach with limited capital outlay.	♦ IncentiaPay is significantly impacted by the COVID-19 pandemic with significantly lower revenues than in prior periods. ♦ Payment solutions technology is constantly evolving which poses a threat of new entrants with superior technology and features to IncentiaPay. ♦ Continued regulatory changes and scrutiny could pose a threat to the way IncentiaPay conducts its business.

Source: Leadenhall analysis

4.5 Key Personnel

The senior management team of IncentiaPay include:

Table 4: Key personnel of IncentiaPay

Directors	Experience
Stephen Harrison Chairman	Mr Harrison has been the Chairman of IncentiaPay since 2019 and has over 30 years of experience in the financial services, funds management, M&A, private equity and accounting fields – primarily focused on the energy, technology, IT services, infrastructure, financial services, health, entertainment and natural resource sectors. He is also currently serving as Chairman of two other public companies in Australia; NobleOak Life Limited and Conscious Capital Limited.
Jeremy Thorpe Non-executive Director	Mr Thorpe has over 30 years of experience in corporate finance, structured finance, private equity, consumer and business credit. He is the Managing Director and Chief Executive Officer of Skybound Capital AU Pty Ltd and serves on the board of that company's subsidiary and Skybound Capital Limited's Australian subsidiary and associated companies.
Charles Romito Non-executive Director	Dr Romito is an experienced management consultant with an extensive background across venture capital and private equity, lead syndicate investing and management academia. Prior to his role at IncentiaPay, he was a Chief Operating Officer in a venture capital fund.
Dean Palmer Non-executive Director	Mr Palmer has more than 20 years of experience across a variety of industries including finance, property and funds management. He is the founder and Chief Executive Officer of Skybound Fidelis Investment Limited – a specialist structured finance, commercial credit, and property fund manager. He also serves on the boards of subsidiaries and associate companies within Skybound Australia's group of companies. Skybound Fidelis Investment Limited is a related entity of Suzerain Investments Limited and New Gold Coast Holdings.
Ani Chakraborty Chief Executive Officer	Mr Chakraborty has over 20 years' experience in strategy transformation in digital, service operations and capital-intensive industries. He is skilled in strategy, program design, as well as technology and operations implementation.
Ben Newling Chief Financial Officer & Company Secretary	Mr Newling joined IncentiaPay in 2018 and has more than 15 years of experience across general management and corporate advisory within investment banking, retail banking and technology.

Source: IncentiaPay

4.6 Financial performance

The financial year ("**FY**") for IncentiaPay is a twelve-month period ending 30 June. The audited consolidated statements of financial performance for FY19, FY20 and FY21 are set out in the table below.

Table 3: IncentiaPay's financial performance

$'000	FY19	FY20	FY21
Revenue	**64,572**	**42,205**	**19,435**
Operating expenses			
Direct expenses of providing services	(41,919)	(23,937)	(8,931)
Employee expenses	(19,141)	(16,980)	(9,450)
Other expenses	(14,118)	(7,672)	(5,605)
Bad debts	(447)	(2,810)	101
EBITDA	**(11,053)**	**(9,194)**	**(4,450)**
Depreciation and amortisation expense	(2,015)	(5,466)	(3,344)
Impairment loss	(14,553)	(4,990)	-
EBIT	**(27,621)**	**(19,650)**	**(7,794)**
Gain on disposal of investment	600	-	
Interest income	-	-	
Interest expenses	(346)	(1,295)	(794)
Loss before tax	**(27,367)**	**(20,945)**	**(8,588)**
Income tax benefit/(expense)	(786)	(3,717)	186
Loss from discontinued operations	(9,751)	(29)	(6)
Loss after tax	**(37,904)**	**(24,691)**	**(8,408)**

Source: IncentiaPay

In relation to the historical financial performance of IncentiaPay set out above, we note the following:

- Revenue has decreased over the periods observed due to declines in membership renewals and gift card sales predominantly because of the impact of COVID-19. These declines were partially offset by JobKeeper payments of $2.3 million received through FY21.
- Membership subscriptions revenues experienced a $16.6 million or 16.9% decline on FY20 figures, as many of the membership program offers were heavily skewed toward COVID-19 affected categories such as the hospitality, entertainment, travel and leisure industries. Gift card sales experienced a $3.4 million or 31.8% decline on FY20 figures as high performing gift card categories such as cinema, entertainment, travel and leisure activities continued to be affected by the impacts of COVID-19 for the duration of FY21.

  Part of the drop in revenue is also attributed to the first full year operating exclusively under a digital app-based model.
- Direct expenses have decreased significantly in FY21 in line with the shift from print to digital memberships, as well as a combination of a reduction in gift card purchases and delays in the launch of fundraising events due to the impact of COVID-19.
- Employee expenses have also decreased approximately 45% in FY21 as a result of several actions taken to reduce operating costs including an organisational restructure and reduced salaries to employees in the first half of the financial year.
- Other expenses include office lease costs and third-party costs paid to contractors for the provision of services such as software and product development. These expenses have also decreased in FY21 with IncentiaPay moving its head office into smaller, more cost-effective premises in Spring St, Sydney and the implementation of tighter controls over the expenditure process.
- Bad debts written off during FY21 is principally associated with the write-off of $2.9 million in deferred consideration for the sale the Bartercard business.

- Depreciation and amortisation expenses in FY21 largely relate to the amortisation of the software intangible asset (largely comprising costs associated with capitalised web development) after a re-assessment of its useful life. Costs related to Technology Transformation Projects ("**TTP**") were capitalised, during the second half of the year.
- FY21 interest expenses mainly relate to the interest-bearing convertible loans which are provided by Suzerain at interest rates of 10% and 12.5% per annum.

4.7 Financial position

The audited statements of financial position as at 30 June 2019, 2020, and 2021 are set out in the table below.

Table 5: IncentiaPay's financial position

$'000	30-Jun-19	30-Jun-20	30-Jun-21
Current assets			
Cash and cash equivalents	3,460	5,307	3,228
Trade and other receivables	3,423	992	1,000
Inventories	96	134	155
Other current assets	7,853	2,351	1,968
Total current assets	**14,832**	**8,784**	**6,351**
Non-current assets			
Property, plant and equipment	2,383	1,327	811
Deferred tax assets	3,717	-	-
Right-of-use asset	-	2,781	158
Trade and other receivables	2,414	-	523
Intangible assets	22,507	14,387	15,813
Total non-current assets	**31,021**	**18,495**	**17,305**
Total assets	**45,853**	**27,279**	**23,656**
Current liabilities			
Trade and other payables	(5,941)	(6,235)	(5,981)
Borrowings	(4,169)	(517)	(4,579)
Provisions & other current liabilities	(1,833)	(764)	(1,042)
Lease liability	-	(1,731)	(1,055)
Current tax liabilties	(186)	(186)	-
Deferred revenue	(21,394)	(6,219)	(4,526)
Total current liabilities	**(33,523)**	**(15,652)**	**(17,183)**
Non-current liabilities			
Trade and other payables	-	-	-
Borrowings	(466)	(2,691)	(28)
Provisions	(217)	(182)	(132)
Lease liability	-	(2,158)	(1,123)
Deferred revenue	-	(350)	(32)
Total non-current liabilities	**(683)**	**(5,381)**	**(1,315)**
Total liabilities	**(34,206)**	**(21,033)**	**(18,498)**
Net assets	**11,647**	**6,246**	**5,158**
Other information			
Net working capital balance[1]	(17,796)	(9,741)	(8,426)
Debt to equity ratio	0.40	1.14	1.32

Source: IncentiaPay
Note 1: Net working capital includes trade and other receivables, inventories, other current assets, trade and other payables, provisions and other liabilities and deferred revenue. Net working capital balances are negative as revenue is typically collected upfront.

In relation to the historical financial position of IncentiaPay set out above, we note the following:

- The cash balance relates to cash at bank.
- Trade and other receivables are recognised at fair value less any provision for loss allowance. IncentiaPay determines the loss allowance by analysing how balances change from one month to the next until they reach 90 days and by reviewing data over the last twelve months to determine the level of recovery of those receivables older than 90 days. IncentiaPay impairs the balance based on an assessment of the credit quality of the customers and their previous trading patterns.
- Other current assets relate to prepaid sales commissions paid for the sale of memberships and costs incurred for the development of the following year's membership package (i.e. print production prepayments).
- Deferred tax assets were derecognised in FY20 as it is uncertain if future taxable profits in the short term will be sufficient to utilise these losses.
- Right-of-use assets relate to leased property and are initially measured at cost equal to the lease liability and adjusted by any accrual lease payments and onerous lease provision. The right-of-use asset is depreciated over the shorter of the asset's life and the lease term on a straight-line basis.
- Intangible assets relate to residual goodwill from previous acquisitions. Other components of intangible assets consist of brand names, international rights, technology and software assets acquired. Costs related to TTP were capitalised, during the second half of the year.
- Trade and other payables represent liabilities for goods and services received by IncentiaPay that remain unpaid at the end of the reporting period. These liabilities have payment terms of 60 days.
- Lease liabilities relate to the right-of-use asset, specifically the leased property.
- Deferred revenue relates to performance obligations to members which are not yet satisfied at the end of the reporting period. IncentiaPay receives upfront cash payments at the point of membership sales, for which revenue is recognised over time.
- Borrowings as at 30 June 2021 predominantly relate to amounts borrowed from Suzerain and related entities.

Going concern risks

IncentiaPay's auditors have raised concerns regarding its ability to continue as a going concern (including in their FY21 audit report) as a result of:

- Uncertainties in meeting the cash flow projections, in particular its revenue performance
- Concerns in its ability to obtain further financing from Suzerain and its associates as required
- Historical losses incurred.

However, we consider IncentiaPay to be a going concern because Suzerain and its associates are the major shareholder of IncentiaPay and have an interest in keeping IncentiaPay solvent.

4.8 Capital structure and shareholders

As at 31 January 2022, IncentiaPay had a total of 1,265,063,625 ordinary shares on issue. The following table sets out details of IncentiaPay's substantial shareholders as at that date:

Table 6: IncentiaPay's substantial shareholders

Shareholder	No. of shares held	% Total shares
Suzerain Investment Holdings Limited[1]	927,570,550	73.3%
Citicorp Nominees Pty Ltd[2]	41,107,388	3.2%
Other shareholders	296,385,687	23.4%
Total	**1,265,063,625**	**100.0%**

Source: IncentiaPay
Notes:
1. Includes holdings held by related entity, Australia Fintech Pty Ltd.
2. None of the nominee shareholders hold an individual, substantial interest in IncentiaPay.

We note Suzerain, an associate of New Gold Coast, is the controlling shareholder and there are no other shareholders with a holding over 5%.

As at 31 December 2021, there were approximately 6.9 million shares issued to key management personnel as part of the Loan Funded Scheme ("**LFS**") approved by shareholders at the Annual General Meeting in December 2020. Key terms of the LFS are summarised in the following table:

Table 6: Summary of key terms of the LFS

Key terms of the LFS	
Maximum number proposed to be issued	6.9 million fully paid ordinary shares[1]
Issue price	Five-day VWAP immediately before the relevant issue date. The issue price will be funded by a non-recourse loan from IncentiaPay
Vesting conditions	Following shareholder approval, the shares were issued on 9 October 2020 in full but held in voluntary escrow. The shares will be granted to the executives in five tranches when vesting conditions are met. The first tranche vested on the issue of the shares while subsequent tranches vest subject to the continued employment of the executives up to the relevant date on which the vesting conditions are tested. Performance targets may include: ♦ IncentiaPay meeting or exceeding the FY21 budget ♦ A share price target after the release of the FY22 and FY23 annual reports ♦ alternative share price target for the full duration of FY22 and FY23, subject to continued employment until 30 June 2023. The final tranche will vest periodically, at the discretion of the board, whenever another tranche vests and whenever a portion of the Convertible Loan facility between IncentiaPay and Suzerain is converted into shares such that the final tranche offsets potential dilution from the conversion. The escrow period expires on the later of the date of the final tranche vesting or 31 October 2023. Under a change of control event (unrelated to Suzerain), any unvested loan funded shares that have not ceased to be eligible will automatically vest.

Notes:

1. *Since establishment of the LFS, approximately 4.9 million shares have been issued to Mr Henry Jones whilst a further 22 million shares were forfeited by Mr Jones who is no longer an employee of IncentiaPay.*

4.9 Share trading

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

Figure 7: Share price performance of IncentiaPay shares

Source: S&P Capital IQ
Note: Actual volume traded on 3 August 2020 was 59,592,680 shares

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

- The significant increase in volume and share price from 2.6 cents to 4.3 cents on 3 August 2020 followed the same-day announcement of a partnership with Paywith.
- The spike in volume and fall in share price from 4.4 cents to 3.8 cents between 27 August 2020 and 28 August 2020 was likely attributable to the preliminary announcement of IncentiaPay's unaudited full year results for FY20.
- The increase in volume and share price to 5.8 cents on 19 February 2021 was likely due to Suzerain converting $6,376,514 of its $9,825,000 facility into IncentiaPay shares. As a result of this conversion, 187,544,529 fully paid ordinary shares were issued on 29 January 2021 at $0.034 per share. On the same day, IncentiaPay released its quarterly financial results, showing a clean balance sheet due to the conversion.

4.10 Outlook

In the past IncentiaPay has focussed on a business to consumer ("**B2C**") marketing strategy and as a result COVID-19 has had a significant negative effect on IncentiaPay's business over the last two years. As restrictions ease and case numbers drop, it is expected that business conditions for leisure and tourism industries will improve. However, the timing of a sustained recovery is uncertain as new COVID-19 variants and subsequent restrictions have the potential to negatively impact the industry again in the future.

To offset some of the COVID-19 impacts and position the business for future growth, IncentiaPay are undertaking an organisational restructure to focus on new technology and business to business ("**B2B**") solutions to drive future growth.

IncentiaPay plans on delivering these results via the following two channels:

- **B2C:** Further changes designed to streamline the new digital platform by enabling simpler operations, delivering an enhanced customer experience, the introduction of additional distribution channels to consumers, as well as brand and marketing investment. An example of this strategy is the expected launch of the Entertainment Wine Community in quarter four of FY22. The Entertainment Wine Community is IncentiaPay's first online marketplace in partnership with Junovate (James Halliday) and Spineka. The marketplace connects customers with Australian wineries and enables them to purchase from multiple cellar doors in one transaction. Over 100 wineries have provided expressions of interest to participate as at 31 December 2021.

- **B2B:** The introduction of a new B2B focused growth strategy via the company's white label loyalty and rewards programs, reduced cost to service, as well as growing revenues via the adoption of a transactional pricing model, where the company earns revenue on both sides of the marketplace (merchant and consumer). An example of this strategy is the proposed B2B Seamless Rewards program, which is designed to provide tailored, entertainment-based incentives, loyalty and rewards programs to large enterprise customers via a card linked offer or card scheme with an existing loyalty program. IncentiaPay has entered into an agreement with software company, the Spineka Group to develop and maintain the technology for the Seamless Rewards program.

5 VALUATION METHODOLOGY

5.1 Available Valuation Methodologies

To estimate the fair market value of IncentiaPay, we have considered common market practice and the valuation methodologies recommended in RG 111. There are a number of methods that can be used to value a business including:

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

Each of these methods is appropriate in certain circumstances and often more than one approach is applied. The choice of methods depends on several factors such as the nature of the business being valued, the return on the assets employed in the business, the valuation methodologies usually applied to value such businesses and availability of the required information. A detailed description of these methods and when they are appropriate is provided in 0.

5.2 Selected Methodology

In selecting an appropriate valuation methodology for IncentiaPay (both before and after the Proposed Transaction), we have considered the following:

Table 7: Consideration of methodologies

Method	Considerations	Approach
Discounted cash flow	♦ IncentiaPay has a variable revenue and cost profile due to significant changes in the business model with proposed initiatives to be implemented in phases over the period to FY25, which is best evaluated with a discounted cash flow method. ♦ We have been provided with financial projections to FY26, prepared by IncentiaPay's management. We have used the projections as a basis for our own cash flow model.	Selected
Capitalisation of earnings	♦ There are a limited number of transactions (market trading and M&A) involving companies with comparable businesses to IncentiaPay. ♦ IncentiaPay has experienced operating losses historically with a volatile earnings profile expected in the near-to-mid-term due to significant changes in the business model. Therefore, the capitalisation of earnings method is not appropriate.	Not considered
Asset based methods	♦ IncentiaPay is neither an asset-based business nor an investment holding company. Asset based methods are generally not appropriate for operating businesses as they ignore the value of most internally generated intangible assets. ♦ Although IncentiaPay has a history of operating losses and significant debt, we consider it to be a going concern as ongoing funding for the business is provided by New Gold Coast and its associates. Therefore, an asset method is not appropriate.	Not considered
Share trading	♦ Share market trading in IncentiaPay shares has been moderately liquid, with periods where no shares have been traded. Therefore, an analysis of share market trading is not as reliable as the discounted cash flow method as a primary valuation methodology in assessing the intrinsic value of an IncentiaPay share.	Cross-check

Method	Considerations	Approach
	♦ As a broad cross-check to the discounted cash flow valuation: • Before the Proposed Transaction – we have analysed share market trading in IncentiaPay shares before announcement of the Proposed Transaction and the control premium implied by our assessed value per share. • After the Proposed Transaction – we have compared our analysis of share market trading in IncentiaPay shares since the announcement of the Proposed Transaction with our assessed value per share on a minority basis, adjusted for expected impacts associated with the Proposed Transaction.	

6 VALUATION OF INCENTIAPAY BEFORE THE PROPOSED TRANSACTION

6.1 Background

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

6.2 Discounted Cash Flow Method

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

- Reviewed, and adjusted as appropriate, the cash flow projections prepared by management for the five-year period from January 2022 to December 2026 (CY22 to CY26).
- Determined an appropriate discount rate.
- Assessed the long-term growth rate beyond the forecast period.
- Calculated the enterprise value based on the preceding assumptions.
- Assessed the value of any non-operating assets and liabilities.
- Calculated the value of an IncentiaPay share (equity value) based on the preceding analysis.

6.3 Cash Flow Projections

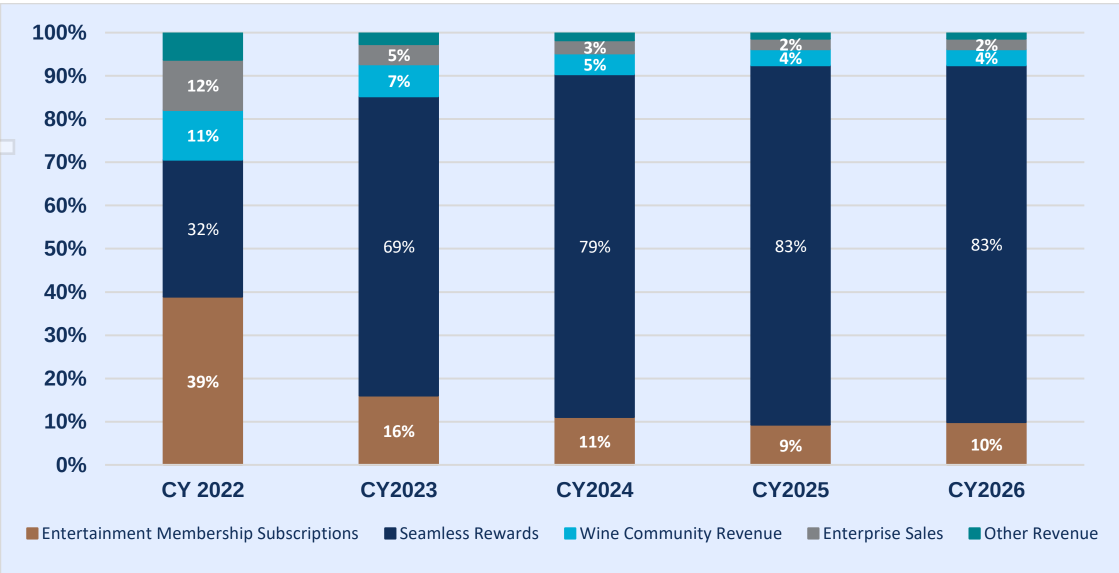
We have used IncentiaPay's audit reviewed and board approved impairment model, as the basis for our own cash flow model. We have undertaken a detailed analysis of the forecasts and have discussed the key assumptions behind the forecast with IncentiaPay's management. We have considered supporting information to determine the reasonableness of the cash flow projections and considered the residual risks associated with achieving the forecasts. Based on these discussions and analysis, we consider the assumptions to be reasonable for the purposes of our analysis.

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

6.3.1 Revenue

Forecast revenue contribution by segment is set out in the figure below.

Figure 3: Forecast revenue contribution by segment



Source: IncentiaPay

Entertainment membership subscriptions

Historically, entertainment membership subscriptions have formed the largest component of IncentiaPay's total revenue.

Since inception, the number of membership subscriptions has averaged approximately 380,000 per annum, with a peak of approximately 570,000 in FY13. Membership subscriptions have since decreased steadily with the growth in popularity of digital payment technologies and online platforms with similar product offerings to IncentiaPay. This declining trend accelerated IncentiaPay's decision to replace publications with digital and application-based membership subscriptions in FY19. Despite the implementation of the mobile subscription model, the impact of COVID-19 on the travel, leisure and entertainment industries has resulted in a continued decline in subscription numbers and revenue in FY20 and FY21.

The recovery from COVID-19 is forecast to be relatively slow over the next two years, with forecast CY22 revenue slightly down on actual FY21and in line with actual run rates for the second half of CY21. Growth of 10% per annum is forecast from July 2023, which we consider to be a reasonable estimate of a gradual return to normal trading conditions.

Seamless Rewards

Seamless Rewards is a new B2B initiative designed to provide tailored, entertainment-based incentives that integrate into existing, or form the basis for new, loyalty reward programs for large corporate clients. Each corporate client will be able to curate their offering from the available merchants which will largely be sourced based on existing relationships with IncentiaPay. Seamless Rewards is a card-based program. IncentiaPay generates revenue as a percentage of each transaction performed by a loyalty scheme customer with one of the participating merchants. This revenue structure is a departure from the traditional subscription-based model and is expected to be more profitable for IncentiaPay. The new offer is not expected to materially impact the revenues of the existing B2C and B2B businesses. The Seamless Rewards program is currently in the testing phase with seven pilot partners, and discussions are progressing with a further twelve identified potential clients. First revenue is forecast to be generated in July 2022, with significant growth forecast through to CY25. In CY25, total transaction volume (of which IncentiaPay receives a percentage) is forecast to be in excess of $500 million. This would represent approximately 2% of total restaurant and café sales at FY21 levels (based on data sourced from IBISWorld). Given that IncentiaPay also has relationships with entertainment and tourism providers, forecast market share of the total addressable market would be less than 2%. Given the type of corporate partners IncentiaPay is targeting, we do not consider the total forecast market share to be unreasonable.

Wine Community

Wine Community represents revenue from the newly established Entertainment Wine Community online marketplace that is forecast to go live in April 2022. IncentiaPay will receive a percentage of each sale generated through the platform with total platform sales forecast to increase from by 72% between CY22 and CY24. Based on an estimated market size for direct-to-consumer wine sales in Australia of $1 billion in FY21[1], forecast sales imply a market share of 0.73% in CY22 to 1.33% in CY26.

The forecast ramp up in sales is relatively rapid from the launch in CY22 and into CY23. Whilst we consider that the forecast market penetration timeframe is relatively ambitious, given the partnership with the well-known industry expert James Halliday and IncentiaPay's existing consumer database, it does not appear unreasonable. From CY24 onwards, more modest growth of 3% per annum is forecast.

Enterprise clients

Historically, enterprise clients were the second largest revenue stream of IncentiaPay. This revenue stream includes corporate clients such as Zurich, Red Energy, HSBC and Budget Direct. These clients provide dining and leisure benefits to their customers via IncentiaPay's product offering. Despite relatively high customer retention rates, COVID-19 has also had a significant negative impact on this segment with revenue falling from $4.1 million in FY20 to $3.0 million in FY21. Revenue is forecast to continue to fall in CY22, with growth of 5% per annum thereafter. Forecast revenue is not expected to reach pre-COVID levels as IncentiaPay shifts its B2B focus to the new Seamless Rewards business.

[1] *'The Value of DTC Results of the Cellar door and direct-to-consumer survey 2019, Wine Australia, October 2021*

Gift cards

Gift cards are provided by both gift card aggregators and merchants and are sold to IncentiaPay's members at a discount to face value. They have historically been an important revenue stream for IncentiaPay, but along with other revenue streams, sales in gift cards have decreased since FY19 with the onset of COVID-19. Management expects gift card revenues to increase by 10% year on year from FY24.

Other revenue

Other revenue is comprised of paid advertising, entertainment travel, gift card sales margin and other revenue. Key assumptions for each of these segments are discussed below:

- **Paid advertising:** is comprised of revenue generated through the placement of advertisements on the company's digital platform, and through the distribution of offers and promotions on behalf of businesses to members.

  Paid advertising revenue, as with other revenue streams, has continued to decrease since FY19 as a result of the COVID-19 pandemic and continued restrictions on travel and commercial activity. This trend is expected to continue through CY23 with 5% year-on-year growth forecast from CY24 onwards.
- **Entertainment travel:** is comprised of revenue from commissions received on travel bookings. This revenue stream has had below average performance since FY19 as a result of the COVID-19 pandemic, however growth of 10% per annum is forecast from CY24 as the travel industry recovers.
- **Gift cards:** relates to margin on gift card sales which is expected to be flat across the forecast period.
- **Other revenue:** IncentiaPay have forecast a 3% year-on-year increase in other revenue.

6.3.2 Gross margin

Gross margin is expected to fall over the forecast period as growth is driven by the lower margin Seamless Rewards business.

6.3.3 Operating expenses

Employee costs

Employee costs are the largest component of operating expenses. Employee costs are projected to continue to decline in CY22 and CY23 as a result of reduced headcount from the organisational restructure and IncentiaPay's drive for higher productivity. Subsequent to CY23, wages are forecast to increase at 3% per annum.

Other operating expenses

Other operating expenses primarily relate to information technology expenses, property expenses and operating costs associated with the new Seamless Rewards and Wine Community businesses. Total operating expenses are forecast to remain flat in CY22 as operating efficiencies implemented during COVID continue to flow through. The forecast increase of 6% in CY23 is due to increased costs associated with new businesses. From CY24 growth in operating expenses is forecast at 3% per annum.

6.3.4 Taxation

We have applied the Australian corporate tax rate of 30%. Historical carried forward tax losses are included in the cash flows and are forecast to be fully utilised by CY25.

6.3.5 Working capital

The company's negative working capital balance is forecast to increase each year in line with revenue growth.

6.3.6 Other initiatives

Spending on other initiatives is projected to be $5.0 million by CY22 and is comprised of the following items:

- $3 million technology investment,
- $1 million brand spending
- $2 million as an undefined future requirement.

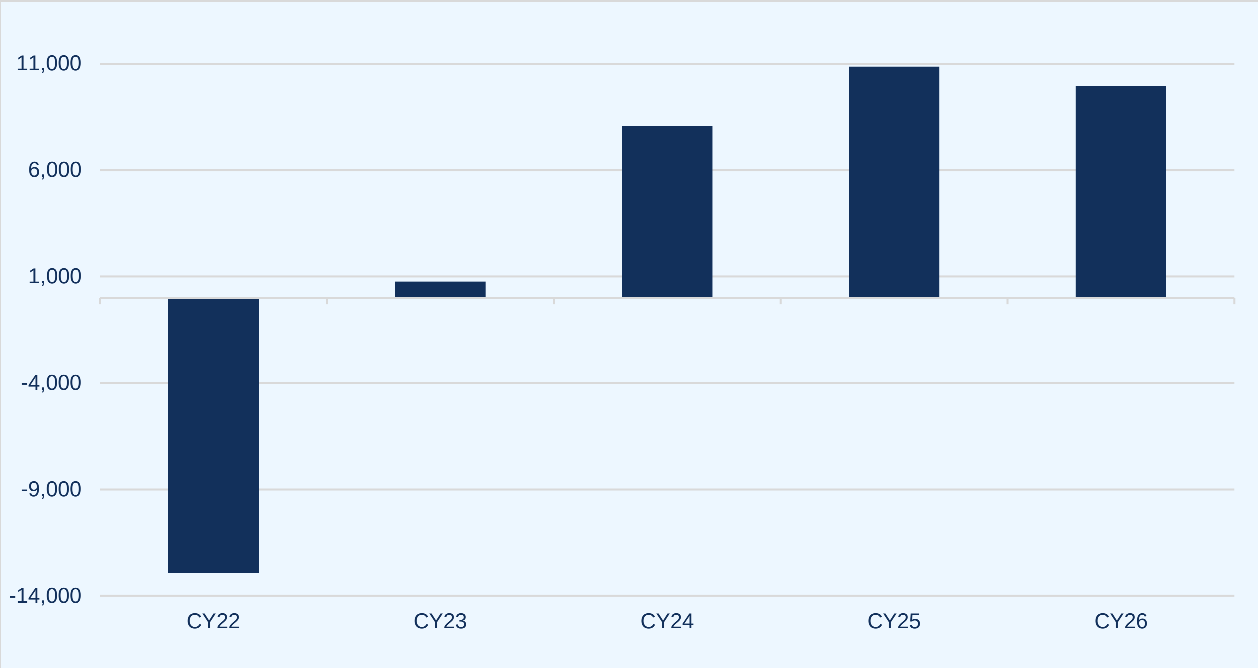
6.3.7 Capital expenditure

Capital expenditure is comprised of a provision for PP&E costs of circa $500,000 per annum.

6.3.8 Projected free cash flows

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

Figure 4: Projected free cash flows



Source: Leadenhall analysis

In summary, we note:

- The significant, negative free cash flow in CY22 is attributable to the combination of a slow recovery from the impacts of COVID-19 and capital outlay of $5.0 million.
- The gradual increase in free cash flows from CY23 is predominantly as a result of net revenue from the Wine Community and Seamless Rewards business strategies outlined above.
- The reduction in free cash flow in CY26 is due to an increase in tax payable after the last of the historical tax losses are utilised in CY25.

6.3.9 Reasonableness of assumptions

While we have not undertaken a review of the projections in accordance with AUS 804 – The Audit of Prospective Financial Information, we have undertaken a detailed review of the forecasts prepared by IncentiaPay management and have discussed the key assumptions with them. Further, we note that cash flows are based on the IncentiaPay impairment model which has been audit reviewed and approved by the IncentiaPay board. Based on this analysis, we consider these assumptions to be reasonable for the purpose of our analysis.

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

6.4 Discount Rate

We have applied a discount rate of between 15.0% and 17.0% (nominal, post-tax, weighted average cost of capital ("**WACC**")) to the projected cash flows. We calculated the discount rate using the capital asset pricing model ("**CAPM**") based on the assumptions set out in Appendix 3.

6.5 Terminal Growth

The terminal value represents the value of the cash flows beyond the forecast period. Terminal values are commonly calculated based on the discount rate and the expected long-term growth rate of future cash flows. We have used a terminal growth rate of 3.0% being the high end of the long-term Reserve Bank of Australia's inflation target, which we consider is a reasonable estimate of long-term growth in cash flows for IncentiaPay. Any alternative reasonable assessment of the terminal growth rate would not impact our conclusion on the fairness and reasonableness of the Proposed Transaction.

6.6 Non-operating Assets and Liabilities

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

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

Each of these factors are considered below.

Surplus assets

IncentiaPay does not hold any assets of this nature.

Non-operating liabilities

We have identified the following non-operating liabilities of IncentiaPay:

Table 8: Non-operating liabilities of IncentiaPay

Description ($'000)	
Tax backlog	(1,889)
Other non-operating items	(1,907)
Total non-operating liabilities	**(3,796)**

Source: Leadenhall analysis

A brief summary of each of the identified non-operating liabilities is provided below:

- **Tax backlog:** Cash payments in relation to unpaid, historical tax expenses that include payroll tax, goods and services tax and withholding income tax.
- **Other non-operating items**: Other non-operating items include lease obligations, fees for cancellation of previous office leased space, one-off legal fees, costs associated with a legal challenge by ASIC, and IT redundancy.

Net debt

The net debt position for IncentiaPay as at 31 January 2022 is set out in the table below:

Table 9: Net debt summary IncentiaPay

Description ($'000)	
Cash	3,616
Technology loan	(1,208)
Existing Suzerain loan	(606)
Existing New Gold Coast loan	(3,131)
Net debt	**(1,329)**

Source: Leadenhall analysis
Note 1: We have assumed book value is representative of fair market value for all borrowings including the Convertible Loan.

In relation to the net debt position set out above we note the following:

- There has been no material change in the balances since 31 January 2022.
- The technology loan was provided by Skybound Fidelis Investment Limited (an Associate of New Gold Coast) for specific technology capex investment which has been fully drawn and spent.
- The Suzerain loan relates to an existing $0.5 million loan plus capitalised interest. This loan will be repaid from the proceeds of the Convertible Loan.
- The New Gold Coast loan relates to the drawdown on the existing $5 million loan facility which will be repaid from proceeds of the Convertible Loan (subject to the necessary approvals). If the Proposed Transaction is not approved the existing $5 million facility will remain and would not be convertible to IncentiaPay shares.

6.7 Assessed Value Before the Proposed Transaction

Summary

The preceding analysis leads to an assessed value of an IncentiaPay share before the Proposed Transaction, on a control basis, of between 2.9 cents and 3.7 cents as set out in the following table:

Table 10: Assessed value of an IncentiaPay share before the Proposed Transaction

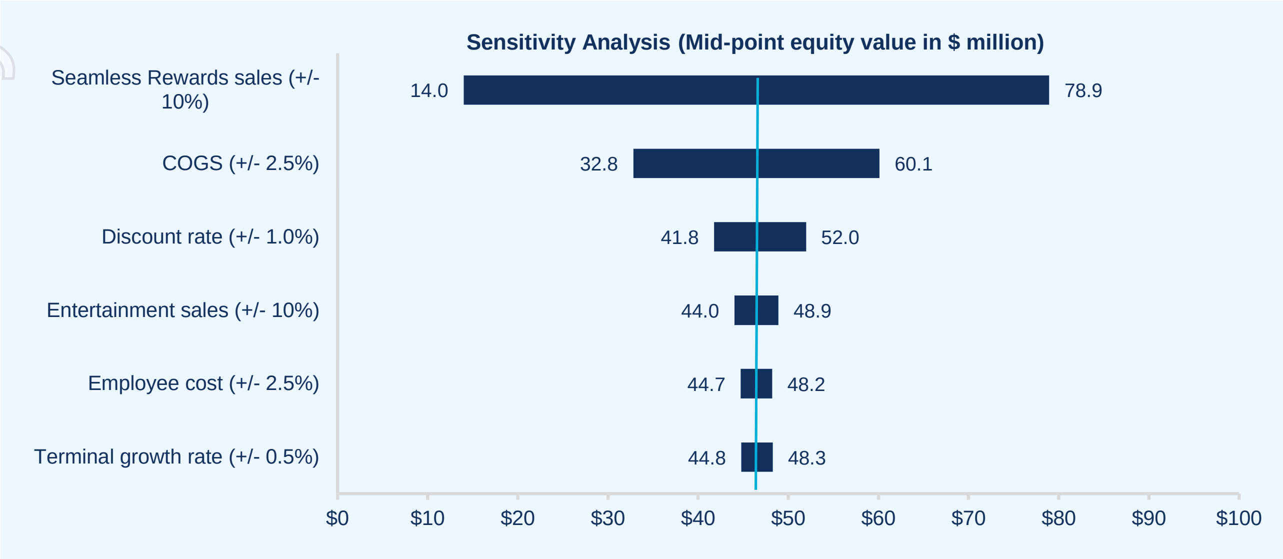
Equity Value (Control Basis) ($'000)	Low	High
Enterprise value	**41,463**	**51,468**
Non-operating liabilities	(3,796)	(3,796)
Net debt	(1,329)	(1,329)
Equity value	**36,338**	**46,343**
Ordinary shares on issue ('000)	1,265,064	1,265,064
Unvested employee shares[1]	-	-
Assessed value per ordinary share on a control basis ($)	**0.029**	**0.037**

Source: Leadenhall analysis
Note 1: We have not attributed any value to the unvested employee shares as the probability of the shares vesting is extremely low. We note that any reasonable value attributable to the unvested employee shares would not alter our conclusion.

Sensitivity analysis

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

Figure 5: Sensitivity analysis



Source: Leadenhall analysis

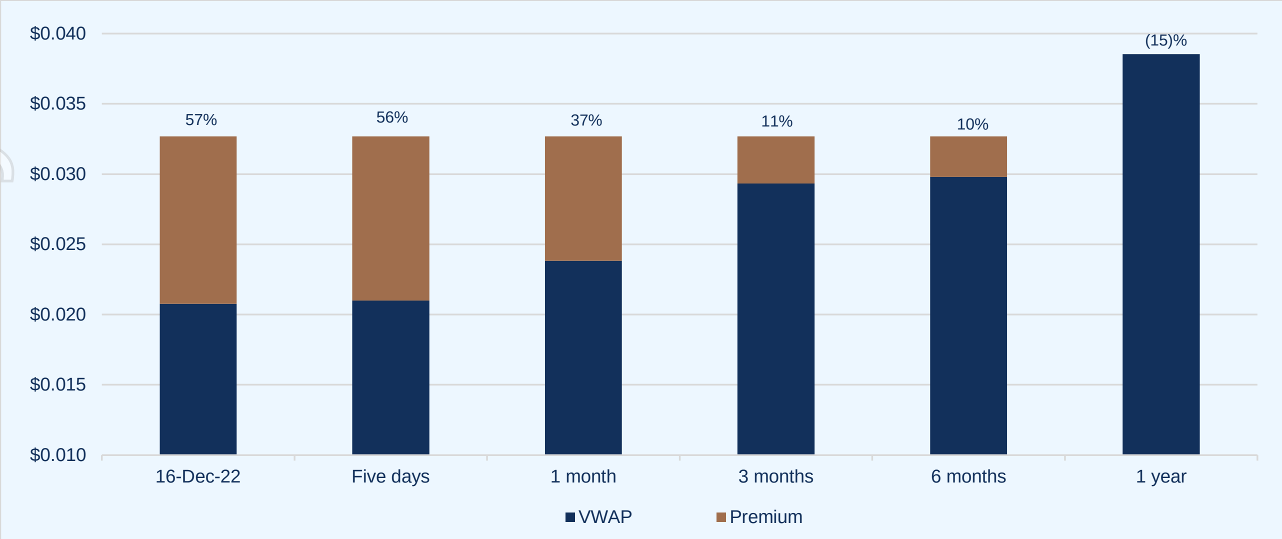
6.8 Analysis of Share Trading Cross-Check

Market trading in IncentiaPay shares prior to the announcement of the Proposed Transaction on 17 December 2021 provides an indication of the market's assessment of the value of IncentiaPay on a minority basis. We have presented an analysis of recent trading in IncentiaPay shares in Section 4.9 above. When assessing market trading, it is necessary to consider whether the market is informed and liquid. In this regard, we note:

- IncentiaPay shares are closely held. Therefore, daily values traded over the past two years are approximately $23,663 on average, with the average declining to approximately $20,413 over the recent year. This level is below the level at which many institutional investors may wish to trade and may be seen as a deterrent for other significant investors.
- IncentiaPay is a listed company with continuous disclosure obligations under the ASX Listing Rules, thus the market is reasonably informed about its activities. However, there is uncertainty regarding its ability to continue as a going concern. Investing in IncentiaPay may therefore be perceived as speculative.

As a result of these factors, we consider the market trading to be reasonably well-informed but only moderately liquid. We have therefore undertaken only a high-level analysis of share market trading by assessing the level of control premium implied by our mid-point valuation range compared to the VWAP of an IncentiaPay share over various periods during the year leading up to the announcement of the Proposed Transaction (which we note is near the date of our valuation analysis), as set out in the figure below.

Figure 6: Implied control premium to market trading prices



Source: S&P Capital IQ and Leadenhall analysis

The generally observed range for control premiums is between 20% and 40%. In addition, the average takeover premium observed for transactions in the information technology sector in Australia between 2007 and 2017 ranged from 1% to 100%. Further information on observed control premiums and takeover premiums is included in Appendix 4.

The implied control premium varies significantly across the different periods presented above. The more recent datapoints are most relevant as they reflect the current outlook for IncentiaPay. Overall, we consider that the implied control premium analysis provides broad support for our primary discounted cash flow value of IncentiaPay before the Proposed Transaction.

6.9 Conclusion on Value Before the Proposed Transaction

Based on our discounted cash flow analysis and share trading cross-check, we have selected a valuation range for a share in IncentiaPay of between 2.9 cents and 3.7 cents, on a control basis as at the valuation date of 1 February 2022.

7 VALUATION OF INCENTIAPAY AFTER THE PROPOSED TRANSACTION

7.1 Introduction

If the Proposed Transaction is approved, the Non-Associated Shareholders will continue to own a share in IncentiaPay. However, RG111.25 requires an independent expert to evaluate an issue of securities under s611 as if it was a takeover offer.

Accordingly, the value of an IncentiaPay share after the Proposed Transaction has been assessed on a minority interest basis (i.e. excluding a control premium) as the Non-Associated Shareholders will own a minority stake in IncentiaPay should the Proposed Transaction proceed.

7.2 Assessed Value After the Proposed Transaction

In order to assess the value of an IncentiaPay share after the Proposed Transaction, we have assessed:

- The enterprise value of IncentiaPay before the Proposed Transaction on a control basis (Section 6).
- Adjustments for non-operating assets and liabilities in relation to the expected impacts associated with the Proposed Transaction.
- A discount for lack of control ("**DLOC**") as the Non-Associated Shareholders would own a minority stake in IncentiaPay should the Proposed Transaction proceed.
- The number of shares expected to be on issue after the Proposed Transaction, assuming full conversion of the Convertible Loan facility.

The value of an IncentiaPay share after the Proposed Transaction is between 2.0 cents and 2.3 cents as follows:

Table 11: Assessed value of an IncentiaPay share after the Proposed Transaction

Equity Value (Liquid Minority Basis) ($'000)	Low	High
Enterprise value	**41,463**	**51,468**
Non-operating liabilities	(3,796)	(3,796)
Surplus cash	21,171	21,171
Equity value (control basis)	**58,838**	**68,843**
Discount for lack of control (25%)	(14,709)	(17,211)
Equity Value (liquid minority basis)	**44,128**	**51,632**
Ordinary shares on issue ('000)	1,265,064	1,265,064
Shares issued upon conversion ('000)	1,022,727	1,022,727
Assessed value per share on a liquid minority basis ($)	**0.019**	**0.023**

Source: Leadenhall analysis

Enterprise value of IncentiaPay on a control basis

As discussed in Section 6, we have assessed the enterprise value of IncentiaPay before the Proposed Transaction on a control basis to be between $41.5 million and $51.5 million.

Surplus cash after the Proposed Transaction

As the IER is required because of the potential conversion of the Convertible Loan, we have assumed full draw down of the facility and conversion occurs shortly after the completion of the Proposed Transaction. This would result in a surplus cash balance after the conversion as set out in the table below.

Table 12: Surplus cash summary

Description ($'000)	
Cash	3,616
Proceeds from Convertible Loan	18,764
Technology loan	(1,208)
Surplus cash	**21,171**

Source: Leadenhall analysis

Note: Proceeds from Convertible Loan is net of the repayment of the existing Suzerain ($0.6 million) and New Gold Coast ($3.1 million) loans which will be repaid from the proceeds of the Convertible Loan.

Discount for lack of control

As Non-Associated Shareholders would retain their IncentiaPay shares if the Proposed Transaction proceeds, they would continue to own a minority stake in IncentiaPay. Consistent with the requirements of RG 111, the value of the consideration must be determined on a minority interest basis. In order to estimate the value of a minority interest it is necessary to apply a DLOC to the value of a 100% equity interest in the business. This discount takes into account the lack of control that a minority shareholder has over the affairs of a company and is described in more detail in Appendix 4.

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

Table 13: Factors affecting DLOC

DLOC considerations	
Factors indicative of lower DLOC	**Factors indicative of higher DLOC**
♦ The Board currently comprises an independent chairperson and three non-executive directors, two of whom are associated with New Gold Coast. The existence of independent directors would tend to reduce the level of DLOC.	♦ After the Proposed Transaction (assuming full draw down of the facility and conversion occurs), New Gold Coast and its associates will collectively own an 85% interest in IncentiaPay. Thus, New Gold Coast and its associates degree of control at a shareholder level is significant as they would be able to pass special resolutions on their own. This would imply a higher DLOC. ♦ IncentiaPay shares are closely held by New Gold Coast and its associates and apart from Citicorp Nominees Pty Ltd (who holds approximately 3.2% of the shares in IncentiaPay prior to the Proposed Transaction), shares are dispersed over a large number of holders. A wider dispersion of other holdings increases the DLOC. ♦ IncentiaPay does not currently pay dividends. A low dividend pay-out typically increases the DLOC.

Source: Leadenhall analysis

As a result of these considerations, we have selected a DLOC of 25%. Any alternate DLOC would not impact our conclusion on the fairness and reasonableness of the Proposed Transaction.

Shares on issue after the Proposed Transaction

In our consideration of the number of shares after the Proposed Transaction, we have included:

- 1,265.1 million ordinary shares on issue before the Proposed Transaction as set out in Section 4.8.

- 1,022.7 million ordinary shares to be issued assuming full conversion of the Convertible Loan facility limit of $22.5 million, at the conversion price of $0.022 (lowest conversion price possible under the convertible note deed which results in the highest possible number of shares issued). We note that the 30-day VWAP as at 7 March 2022 was $0.017 ($0.020 after application of a 20% premium as set out in the Convertible Loan deed).

The number of shares outstanding after the Proposed Transaction is set out in the table below:

Table 14: Shares outstanding after the Proposed Transaction

Description ('000)	
Shares outstanding before the Proposed Transaction	1,265,064
Shares to be issued upon full conversion of loan	1,022,727
Total shares	**2,287,791**

Source: IncentiaPay

7.3 Analysis of Share Trading Cross-Check

Market trading in IncentiaPay shares since the announcement of the Proposed Transaction may provide an indication of the market's assessment of the value of IncentiaPay after the Proposed Transaction (on a minority basis). When assessing market trading, it is necessary to consider whether the market is informed and liquid. In this regard, we note:

- Average daily values traded have declined to approximately $2,904 since announcement of the Proposed Transaction.
- IncentiaPay released its annual report on 30 September 2021 with an emphasis of matter raised by KPMG regarding its ability to continue as a going concern. Investing in IncentiaPay therefore continues to remain being perceived as speculative.
- The announcement of the Proposed Transaction on 17 December, was brief and referred to early-stage negotiations with Suzerain to provide a further credit facility of approximately $17 million. Given the preliminary nature of the negotiations, and limited recent trading in IncentiaPay shares, it is possible that the impact of the Proposed Transaction has not been priced in by investors in trading activity subsequent to the announcement.

As a result of these factors, we consider the market trading to be reasonably well informed but relatively illiquid. After the announcement of the Proposed Transaction, IncentiaPay shares have traded in the range of 1.4 cents to 2.2 cents with a VWAP of 1.8 cents. This is broadly consistent with our valuation range.

7.4 Conclusion on Value After the Proposed Transaction

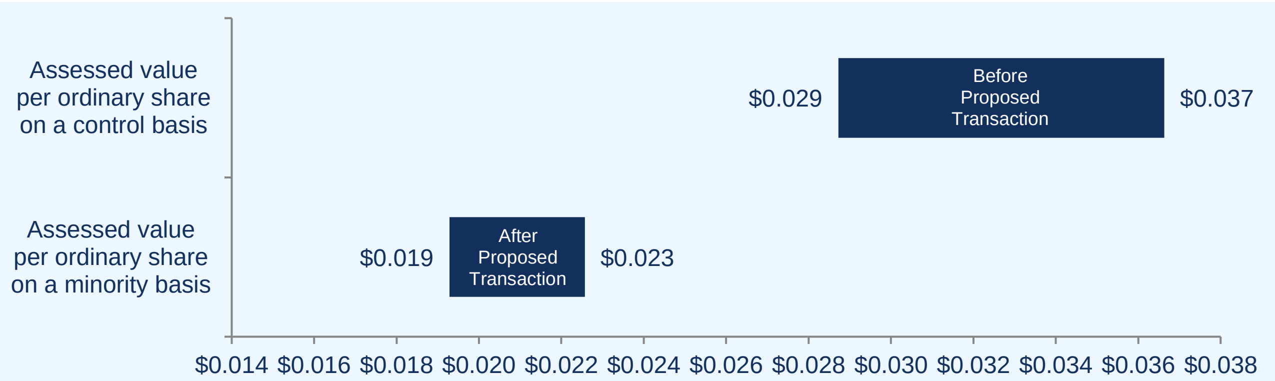
Based on our discounted cash flow analysis and share trading cross-check, we have selected a valuation range for a share in IncentiaPay after the Proposed Transaction of between 1.9 cents and 2.3 cents, on a minority basis as at the valuation date of 1 February 2022.

8 EVALUATION

8.1 Fairness

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

Figure 7: Assessment of fairness



Source: IncentiaPay and Leadenhall analysis
Note: Comparison is made on a fully diluted basis.

As the value of an IncentiaPay share after the Proposed Transaction (on a minority basis) is less than the assessed value of an IncentiaPay share before the Proposed Transaction (on a control basis), we have assessed the Proposed Transaction as being not fair.

8.2 Reasonableness

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

Advantages

Access to cash

The assessed control value of IncentiaPay presented above is premised on an injection of capital to cover near term cash outflows. Other than the Proposed Transaction, IncentiaPay has no alternative sources of capital presently available to it. Therefore, if the Proposed Transaction is not approved, IncentiaPay is likely to run out of cash in the near term, before it is able to receive the potential benefits of its new Seamless Rewards strategy.

The Proposed Transaction will provide IncentiaPay with sufficient cash to continue trading for the foreseeable future providing management's plans for Seamless Rewards are realised.

Conversion price above 30-day VWAP

As the loan is convertible at the greater of $0.022 per share or the 30-day VWAP prior to conversion plus an additional 20%, the conversion price will always be greater than the recent market price for IncentiaPay shares at the time of conversion and is also currently at the high end of our assessed value for a minority shareholder. Thus, conversion is value accretive to Non-Associated Shareholders, notwithstanding they will not receive a full control premium.

Limited alternatives available

IncentiaPay management has explored alternative sources of capital to fund its short-term cash requirements. However, other shareholders and potential lenders have not offered the same level of financial support as New Gold Coast and its associates. As at the date of this report, no alternative long-term financing proposals existed.

In a wind-up scenario we consider it highly unlikely that Shareholders would receive any distributions. While IncentiaPay has a net asset position, that is substantially driven by the carrying value of intangible assets that would have limited, if any, realisable value in a liquidation scenario.

Disadvantage

Dilution of interests

Interests of Non-Associated Shareholders would be further diluted upon conversion of the Convertible Loan. If the Convertible Loan facility is fully drawn down prior to conversion (assuming all else remains constant), New Gold Coast and its associates would potentially increase their shareholding to beyond 75% and would be able to pass special resolutions on their own. Therefore, New Gold Coast and its associates would obtain a significant amount of control and may not always act in the best interests of minority shareholders, subject to compliance with relevant laws and regulations.

Given the current shareholding structure, this provides little difference to the practical level of control already enjoyed by New Gold Coast and its associates.

Possible increased illiquidity

Possible increased illiquidity in the trading of IncentiaPay shares as potential investors may be deterred by the increasing shareholding of New Gold Coast and its associates.

Conclusion on reasonableness

We consider the advantages of the Proposed Transaction to outweigh the disadvantages. Specifically, by approving the Proposed Transaction Shareholders will have the possibility participating in a recovery for IncentiaPay, whereas without the Proposed Transaction, it is likely that the value of IncentiaPay shares will fall to zero. Thus, in the absence of a superior offer we have assessed the Proposed Transaction as reasonable.

8.3 Opinion

The Proposed Transaction is not fair but reasonable to Shareholders.

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

APPENDIX 1: GLOSSARY

Term	Meaning
ACCC	Australian Competition and Consumer Commission
ACL	Australian Consumer Law
AIFRS	Australian equivalent to international financial reporting
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
AUD	Australian Dollar
B2B	'Business to business' transaction
B2C	'Business to consumer' transaction
BPS	BPS Technology Limited
CAGR	Compound Annual Growth Rate
CAPM	Capital Asset Pricing Model
Chapter 2E	Chapter 2E of the Corporations Act 2001
Convertible Loan	The $22.5 million loan facility provided by New Gold Coast with an option to convert into IncentiaPay shares,
Corporations Act	The Corporations Act 2001
CY	Calendar year
DLOC	Discount for lack of control
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Fair market value	The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arms' length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
FY	Financial year
IncentiaPay	IncentiaPay Limited
Item 7	Item 7 of Section 611 of the Corporations Act
Leadenhall	Leadenhall Corporate Advisory Pty Ltd
LFS	Loan Funded Scheme
New Gold Coast	New Gold Coast Holdings Limited
Non-associated Shareholder	IncentiaPay shareholders not associated with New Gold Coast
NPAT	Net profit after tax
P / E	Price to Earnings
PBT	Profit before tax
Proposed Transaction	Collectively, the 22.5 million Convertible Loan agreement between IncentiaPay and New Gold Coast, the possible conversion of the Convertible Loan and the granting of security for the Convertible Loan.
RG111	Regulatory Guide 111: Content of Expert Reports
RG74	Regulatory Guide 74: Acquisitions Approved by Members
Section 606	Section 606 of the Corporations Act 2001
Shareholders	Current non-associated shareholders of New Gold Coast
Suzerain	Suzerain Investment Holdings Ltd
US	United States of America

Term	Meaning
USD	US Dollar
Valuation date	1 February 2022
VWAP	Volume weighted average price
WACC	Weighted Average Cost of Capital

APPENDIX 2: VALUATION METHODOLOGIES

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

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

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

Discounted Cash Flow Method

Description

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

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

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

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

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

Use of the Discounted Cash Flow Method

A discounted cash flow approach is usually preferred when valuing:

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

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

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

Capitalisation of Earnings Method

Description

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

- A level of future maintainable earnings
- An appropriate capitalisation rate or multiple.

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

Revenue – most commonly used for companies that do not make a positive EBITDA or as a cross-check of a valuation conclusion derived using another method.

EBITDA - most appropriate where depreciation distorts earnings, for example in a company that has a significant level of depreciating assets but little ongoing capital expenditure requirement.

EBITA - in most cases EBITA will be more reliable than EBITDA as it takes account of the capital intensity of the business.

EBIT - whilst commonly used in practice, multiples of EBITA are usually more reliable as they remove the impact of amortisation which is a non-cash accounting entry that does not reflect a need for future capital investment (unlike depreciation).

NPAT - relevant in valuing businesses where interest is a major part of the overall earnings of the group (e.g. financial services businesses such as banks).

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

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

Use of the Capitalisation of Earnings Method

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

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

Asset Based Methods

Description

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

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

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

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

Use of Asset Based Methods

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

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

Asset based methods are not appropriate if:

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

Analysis of Share Trading

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

Industry Specific Rules of Thumb

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

APPENDIX 3: DISCOUNT RATE

The selected discount rate applied in our discounted cash flow analysis for IncentiaPay has been determined using the weighted average cost of capital. We have estimated the cost of equity component with the capital asset pricing model.

Post-tax cost of equity (K_e)

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

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

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

The components of the CAPM formula are:

Table 15: Components of CAPM

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

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

Risk-free rate (R_f)

The relevant risk-free rate of return is the return on a risk-free security, typically over a long-term period. In practice, long dated government bonds are an acceptable benchmark for the risk-free security. We have selected a risk-free rate of 2.18%, being the yield on 10-year Australian Government bonds as at 16 February 2022.

Equity market risk premium (EMRP)

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

Leadenhall undertakes a review of the EMRP at least every six months, taking account of market trading levels and industry practice at the time. Our most recent analysis of the implied EMRP in Australia was in December 2021. As a result, we are currently recommending an EMRP of 6.75% for Australia.

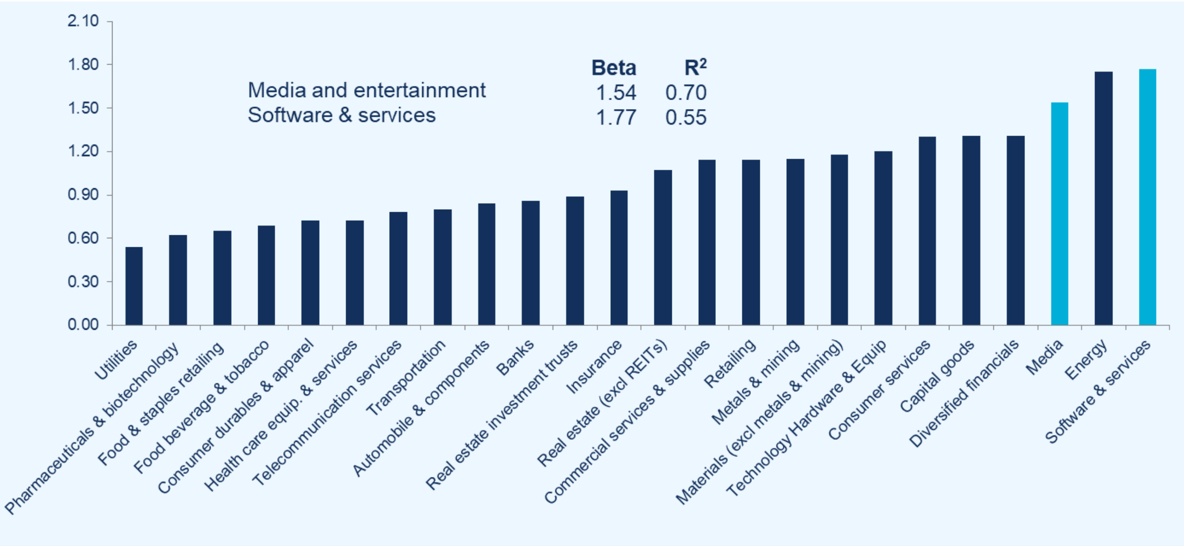
Beta estimate (β)

Description

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

Beta is a measure of the relative riskiness of an asset in comparison to the market as a whole – by definition, the market portfolio has an equity beta of 1.0. The equity betas of various Australian industries listed on the Australian Stock Exchange are reproduced below.

Figure 8: Industry betas



Source: SIRCA as at 31 September 2021 (latest available)

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

Table 16: Comparable company betas

Company	Country	Market Cap (A$m)	Gearing D/EV	Asset Beta SIRCA	Asset Beta LH	R^2 SIRCA	R^2 LH
Australian Loyalty & Payment Solutions Providers							
EML Payments Limited	Australia	1,128	-6.8%	2.91	2.01	0.29	0.18
Crowd Media Holdings Limited	Australia	29	13.4%	1.43	(0.54)	0.03	0.01
IncentiaPay Limited	Australia	24	-7.5%	1.82	1.84	0.05	0.07
RooLife Group Ltd	Australia	12	-29.5%	2.11	0.82	0.04	0.01
Rewardle Holdings Limited	Australia	7	12.9%	3.44	3.20	0.15	0.16
Invigor Group Limited	Australia	4	56.0%	0.14	0.05	0.00	0.00
Average		**201**	**34.4%**	**1.63**	**1.33**		
Median		**18**	**34.4%**	**1.63**	**1.33**		
International Loyalty & Payment Solutions Providers							
Shopify Inc.	Canada	156,444	-5.4%	n/a	1.43	n/a	0.18
Pinduoduo Inc.	China	107,457	-51.1%	n/a	1.79	n/a	0.08
Expedia Group, Inc.	United States	46,223	13.1%	n/a	0.93	n/a	0.18
Rakuten Group, Inc.	Japan	18,784	-74.9%	n/a	1.23	n/a	0.13
Alliance Data Systems Corporation	United States	5,049	77.7%	n/a	0.38	n/a	0.13
Yelp Inc.	United States	3,762	-19.6%	n/a	1.47	n/a	0.19
Groupon, Inc.	United States	1,114	-37.1%	n/a	2.85	n/a	0.19
Quotient Technology Inc.	United States	882	-8.3%	n/a	0.77	n/a	0.04
Snipp Interactive Inc.	Canada	62	-12.7%	n/a	1.73	n/a	0.04
Average		**37,753**	**45.4%**	**n/a**	**1.17**		
Median		**5,049**	**45.4%**	**n/a**	**1.23**		
Average - Overall		**22,732**	**39.9%**	**1.63**	**1.21**		
Median - Overall		**1,114**	**34.5%**	**1.63**	**1.23**		

Source: S&P Capital IQ as at 16 February 2022; SIRCA as at 31 September 2021
Notes:
1. Gearing levels represent the five-year average gearing levels.
2. The outliers are highlighted in grey and have been excluded from the average and median calculations.

Selected beta (β)

In selecting an appropriate beta for IncentiaPay, we have considered the following:

- The industry equity betas for the Australian Media and Entertainment and Software and Services industries are 1.54 and 1.77 respectively.
- The average asset beta for comparable Australian loyalty and payment solutions providers is between 1.33 and 1.63, excluding outliers.
- The average asset beta for comparable international loyalty and payment solutions providers is 1.17 while the median asset beta is 1.23, excluding outliers.
- The overall average asset beta is 1.21 while the median asset beta is between 1.23 excluding outliers and SIRCA data.
- The industry equity betas are less directly relevant in terms of business models than the comparable company betas, however they do have a much higher R^2 and as such we still consider the industry betas to be a relevant benchmark for comparison to the calculated equity beta.

As a result of these considerations, we have selected an asset beta between 1.20 and 1.30 for IncentiaPay, which is in line with the average of the comparable companies. This equates to an equity beta of 1.41 and 1.53 after applying our selected gearing level of 20%. Our selected gearing level takes into consideration IncentiaPay's long-term need for leverage to fund its growth and maximise returns to shareholders, constrained by the lack of ability to support significant levels of debt given its poor profitability and cash flow generation. The selected gearing level is within the range of the comparable companies' gearing levels.

Specific company risk premium (α)

Size premium

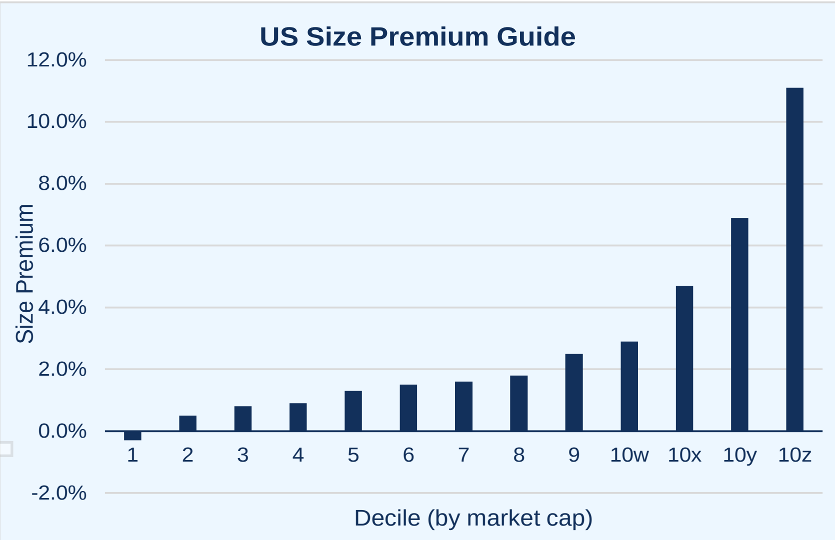
The size premium is the additional return that investors require for the risks of investing in small businesses. To date, whilst it has not been possible to isolate the specific causes of size premiums (other than simply size), many factors have been suggested, including:

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

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

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

Table 17: Evidence of size premium



Source: Duff & Phelps Cost of Capital Navigator, data through 31 December 2018
Note: The first decile represents the largest companies while the 10z decile represents the smallest companies by market capitalisation.

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

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

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

Table 18: Leadenhall size premium bandings

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

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

Based on its market capitalisation of $24 million as at 16 February 2022, IncentiaPay would be considered a micro-cap public company and as such a size premium of between 5% and 8% would generally apply. Accordingly, we have selected a size premium of 6.5% to 7.5%.

Other company specific risks

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

Dividend Imputation

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

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

Conclusion on cost of equity

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

Table 19: Estimated cost of equity for IncentiaPay

Components	Low	High
Risk free rate (R_f)	2.18%	2.18%
Asset beta (β_A)	1.20	1.30
Equity beta (β_E)	1.41	1.53
Equity market risk premium (EMRP)	6.75%	6.75%
Size premium (α_{size})	6.5%	7.5%
Specific risk premium (α_c)	0.0%	0.0%
Assessed cost of equity (k_e)	**18.2%**	**20.0%**

Source: Leadenhall analysis

Post-tax weighted average cost of capital (WACC)

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

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

The components of the WACC formula are:

Table 20: Components of WACC

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

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

Cost of equity (K_e)

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

Corporate tax rate (t_c)

The corporate tax rate in Australia is 30% and we have adopted this rate in calculating the WACC for IncentiaPay.

Cost of debt capital (K_d)

The cost of borrowing is the expected future borrowing cost of the relevant project and/or business. We have assessed the cost of debt capital for IncentiaPay to be between 4.5% and 5.5%, based on current indicative lending rates for businesses of similar size as IncentiaPay.

Debt and equity mix

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

Ultimately for each company there is likely to be a level of debt/equity mix that represents the optimal capital structure for that company. In estimating the WACC, the debt/equity mix assumption should reflect what would be the optimal or target capital structure for the relevant asset. We have selected a debt to enterprise value of 20.0% which takes into consideration IncentiaPay's long-term need for leverage to fund its growth and maximise returns to shareholders, constrained by the lack of ability to support significant levels of debt given its poor profitability and cash flow generation. The selected gearing level is within the range of the comparable companies' gearing levels.

Calculation of WACC

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

Table 21: Estimated WACC for IncentiaPay

Components	Low	High
Assessed cost of equity (k_e)	**18.2%**	**20.0%**
Cost of debt (K_d)	4.5%	5.5%
Gearing (D/V)	20.0%	20.0%
Tax rate (t)	30.0%	30.0%
Calculated WACC	**15.2%**	**16.8%**
Selected WACC	**15.0%**	**17.0%**

APPENDIX 4: CONTROL PREMIUM

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

Background

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

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

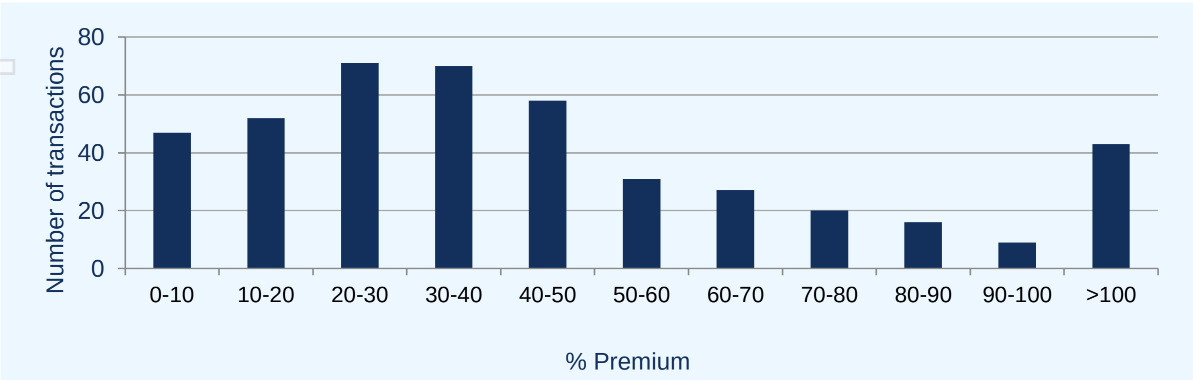
The most common approach to quantifying a control premium is to analyse the size of premiums implied from prices paid in corporate takeovers. Another method is the comparison between prices of voting and non-voting shares in the same company. We note that the size of the control premium should generally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

Takeover Premiums

Dispersion of premiums

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

Figure 9: Takeover premium by size



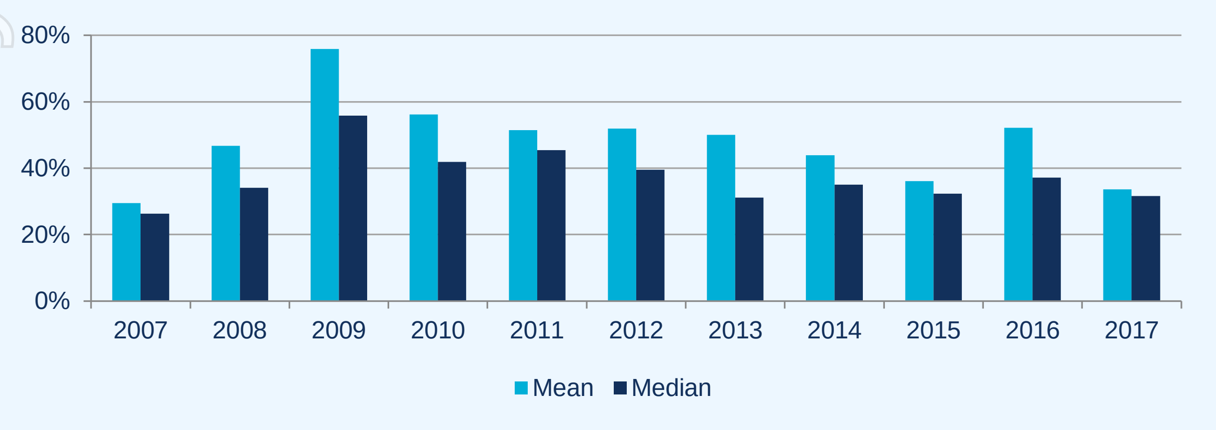
Sources: S&P Capital IQ, Leadenhall analysis

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

Premiums over time

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

Figure 10: **Average takeover premium (1 month)**



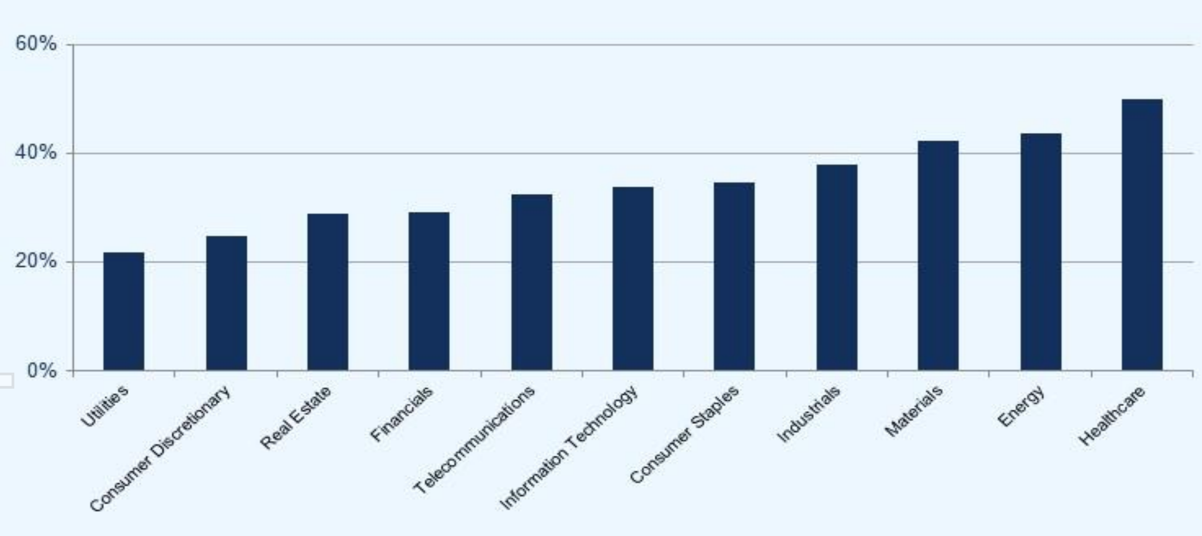
Sources: S&P Capital IQ, Leadenhall analysis
Note: The average premiums presented above exclude transactions with implied control premiums below zero and transactions which we consider to be outliers.

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

Premiums by industry

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

Figure 11: Average takeover premium (2007 to 2017)



Sources: S&P Capital IQ, Leadenhall analysis
Note: The average premiums presented above exclude specific transactions with implied control premiums below zero or over 100% which we consider to be outliers.

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

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

Industry Practice

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

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

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

Alternative View

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

Impact of Methodologies Used

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

Discounted cash flow

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

Capitalisation of earnings

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

Asset based methodologies

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

Intermediate Levels of Ownership

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

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

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

> 50%

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

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

20% to 50%

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

< 20%

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

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

Key factors in determining a reasonable control premium

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

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

Shareholders' agreement - the existence and contents of a shareholder's agreement, with any protection such as tag along and drag along rights offered to minority shareholders lowers the appropriate control premium.

APPENDIX 5: QUALIFICATIONS, DECLARATIONS AND CONSENTS

Responsibility and purpose

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

Reliance on information

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

Prospective information

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

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

Market conditions

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

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

Indemnities

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

Qualifications

The personnel of Leadenhall principally involved in the preparation of this report were Richard Norris, BA (Hons), FCA, M.App.Fin, F.Fin, Simon Dalgarno, B.Ec, FCA, F.FINSIA, Nathan Timosevski, BBus, Grad Dip App Fin, BV Specialist, CA, A.FINSIA Thomas Peatey Bcomm, LLB and Katy Lawrence, BCom., Grad Dip App Fin, BV Specialist, CA.

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

Independence

Leadenhall has acted independently of IncentiaPay. Compensation payable to Leadenhall is not contingent on the conclusion, content or future use of this report.

incentiapay

IncentiaPay Limited
ACN 167 603 992

LODGE YOUR VOTE

ONLINE
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BY FAX
+61 2 9287 0309

BY HAND
Link Market Services Limited
Parramatta Square, Level 22, Tower 6,
10 Darcy Street, Parramatta NSW 2150

ALL ENQUIRIES TO
Telephone: +61 1300 554 474

X99999999999

PROXY FORM

I/We being a member(s) of IncentiaPay Ltd and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

☐ **the Chairman of the Meeting (mark box)**

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name and email of the person or body corporate you are appointing as your proxy. An email will be sent to your appointed proxy with details on how to access the virtual meeting.

Name

Email

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Extraordinary General Meeting of the Company to be held at **3:00pm (Sydney time) on Monday, 23 May 2022** (the **Meeting**) and at any postponement or adjournment of the Meeting.

The Meeting will be conducted as a virtual meeting and you can participate by logging in online at **https://meetings.linkgroup.com/INPEGM22** (refer to details in the Virtual Meeting Online Guide).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

STEP 2

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.
Please read the voting instructions overleaf before marking any boxes with an ☒

Resolutions	For	Against	Abstain*
1 Approval of Entry into the Convertible Loan Deed and Issue of Shares under the Convertible Loan Deed	☐	☐	☐
2 Approval of Entry into the Loan Security	☐	☐	☐
3 Modify the constitution	☐	☐	☐

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

STEP 3

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)	Joint Shareholder 2 (Individual)	Joint Shareholder 3 (Individual)
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

(a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and

(b) return both forms together.

SIGNING INSTRUCTIONS

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

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting virtually the appropriate "Certificate of Appointment of Corporate Representative" must be received at registrars@linkmarketservices.com.au prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **3:00pm (Sydney time) on Saturday, 21 May 2022,** being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:

ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).

BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link **www.linkmarketservices.com.au** into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

QR Code

To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.

BY MAIL

IncentiaPay Ltd
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

BY FAX

+61 2 9287 0309

BY HAND

delivering it to Link Market Services Limited*
Parramatta Square
Level 22, Tower 6
10 Darcy Street
Parramatta NSW 2150

* During business hours (Monday to Friday, 9:00am–5:00pm)