

Company Announcements Platform
ASX Limited
20 Bridge Street
Sydney NSW 2000

6 November 2017

**Future Fibre Technologies Limited ACN 064 089 318 off-market takeover bid for
MaxSec Group Limited ACN 000 029 265
Commencement of dispatch of bidder's and target's statements and
supplementary bidder's and target's statements**

Future Fibre Technologies Limited ACN 064 089 318 (**FFT**) has today commenced sending its bidder's statement (**Bidder's Statement**) and supplementary bidder's statement (**Supplementary Bidder's Statement**) to offerees in relation to its off-market takeover bid for all of the ordinary shares in MaxSec Group Limited ACN 000 029 265. Accompanying the bidder's statement and supplementary bidder's statement is the target's statement and supplementary target's statement.

A copy of the Bidder's Statement and Supplementary Bidder's Statement are attached to this letter.

Kim Clark
Company Secretary

BIDDER'S STATEMENT

OFFER BY

FUTURE FIBRE TECHNOLOGIES LIMITED

ACN 064 089 318

to acquire all of your shares in

MAXSEC GROUP LIMITED

ACN 000 029 265

for

1 FFT Share for every 4 of your MaxSec Shares

ACCEPT

This Bidder's Statement is dated 18 October 2017.

The Offer is dated 6 November 2017 and will close at 7.00pm Sydney time on 7 December 2017, unless extended.

Please call 1300 737 760 (or +61 2 9290 9600 for overseas domiciled holders) if you require assistance with your acceptance.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to how to deal with it, you should consult your legal, financial or other professional adviser as soon as possible

LEGAL ADVISERS

Lawyers | **McCullough
Robertson**

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Important notices

Key Dates

Announcement Date	25 August 2017
Bidder's Statement lodged with ASIC	18 October 2017
Date of Offer	6 November 2017
Close of Offer Period (unless extended or withdrawn)	7 December 2017

You should read this Bidder's Statement in its entirety. A copy of this Bidder's Statement was lodged with ASIC on 18 October 2017. Neither ASIC, nor any of its officers, take any responsibility for the content of this Bidder's Statement. A copy of this Bidder's Statement was also provided to ASX on 18 October 2017. Neither ASX, nor any of its officers, take any responsibility for the content of this Bidder's Statement.

This Bidder's Statement is given by Future Fibre Technologies Limited ACN 064 089 318 (**FFT**) under part 6.5 Corporations Act and sets out certain disclosures required by the Corporations Act together with the terms of the Offer to acquire your shares in MaxSec Group Limited ACN 000 029 265 (**MaxSec**).

This Bidder's Statement is dated 18 October 2017. It includes an Offer dated 6 November 2017 on the Offer Terms set out in Schedule 1.

Investment decisions

This Bidder's Statement constitutes only general advice and does not take into consideration your individual investment objectives, financial situation or particular needs. You may wish to seek independent financial and taxation advice before deciding whether or not to accept the Offer for your MaxSec Shares.

Forward looking statements

This Bidder's Statement contains certain forward looking statements and statements of current intention. The forward looking statements in this Bidder's Statement reflect views held at the date of this Bidder's Statement. Such statements are only predictions and are subject to inherent risks and uncertainties. The risks this Offer is subject to are discussed in detail under Section 9.

You should be aware that those statements involve inherent risks and uncertainties. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and those deviations are both normal and to be expected.

None of FFT, its officers or any person named in this Bidder's Statement with their consent or involved in the preparation of this Bidder's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward-looking statement, except to the extent required by law. You should not place undue reliance on those statements. Matters as yet not known to FFT or not currently considered material by FFT may cause actual results or events to be materially different from those expressed, implied or projected in any forward looking statements. Any forward looking statement contained in this document is qualified by this cautionary statement

Information regarding MaxSec

The information contained in this Bidder's Statement on MaxSec and MaxSec Shares has been prepared by FFT using publicly available information.

None of that information has been independently verified by FFT. Accordingly, FFT does not make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

Further information relating to MaxSec's business may be included in the Target's Statement, which MaxSec must provide to its shareholders in response to this Bidder's Statement.

Notice for U.S. Shareholders

This Bidder's Statement does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. The securities described herein have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (U.S. Securities Act) or the securities laws of any state or other jurisdiction of the United States. Accordingly, such securities may not be offered or sold, directly or indirectly, to any person in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. This Bidder's Statement may not be forwarded, distributed or reproduced in whole or in part in any jurisdiction where it would be unlawful, including the United States.

The Offer is being made for shares of an Australian company and is subject to the laws of Australia. It is important for U.S. shareholders to be aware that the transaction is subject to takeover and disclosure laws and regulations in Australia that are different from those in the United States. Certain of the U.S. federal securities laws applicable to tender offers will not apply to the transaction and you may not have the same rights or protections applicable to equivalent transactions conducted in the United States. It may be difficult for you to enforce your rights and any claim you may have arising under the U.S. federal securities laws, since FFT is located in Australia, and some or all of its officers and directors may be residents of Australia.

Notice to all other foreign shareholders outside the U.S., New Zealand, and Singapore

This Bidder's Statement and the Offer are subject to Australian disclosure requirements which may be different from those applicable in other jurisdictions. This Bidder's Statement and the Offer do not constitute an offer in any place which, or to any person to whom, it would not be lawful to make such an offer.

The distribution of this Bidder's Statement may, in some countries, be restricted by law or regulation. Accordingly, persons who come into possession of this Bidder's Statement should inform themselves of, and observe, those restrictions.

Defined terms

A number of defined terms are used in this Bidder's Statement. Unless the contrary intention appears, the context requires otherwise or words are defined in Section 14 of this Bidder's Statement, words and phrases in this Bidder's Statement have the same meaning and interpretations as in the Corporations Act.

Privacy statement

FFT has collected your information from the register of MaxSec Shareholders. The Corporations Act permits information to be made available to certain persons, including FFT. Your information may also be disclosed on a confidential basis to FFT's related bodies corporate and external service providers and may be required to be disclosed to regulators such as ASIC. You can contact us for details of information held by us about you.

How to accept

Acceptances for the Offer must be received before the close of the Offer Period.

There are different ways to accept the Offer depending on how you hold your MaxSec Shares. You should read Section 3 for full details on how to accept the Offer.

For CHESS Holdings

Before the end of the Offer Period:

- (a) instruct your Controlling Participant (for example, your Broker) to initiate acceptance of the Offer on your behalf under Rule 14.14 of the ASX Settlement Operating Rules;
- (b) complete, sign and send the Acceptance Form accompanying this Bidder's Statement directly to your stockbroker or Controlling Participant; or
- (c) complete, sign and return the Acceptance Form in accordance with the instructions on it so that FFT is authorised to instruct your Controlling Participant to initiate acceptance of the Offer on your behalf.

For Issuer Sponsored Holdings

Complete and sign the enclosed Acceptance Form in accordance with the instructions on that form and within this Bidder's Statement and return it so that it is received before the end of the Offer Period to:

BY HAND

Boardroom Pty Limited
MaxSec Group Limited Takeover
Grosvenor Place
Level 12, 225 George Street
SYDNEY NSW 2000
AUSTRALIA

BY MAIL (a reply paid envelope is enclosed)

Boardroom Pty Limited
MaxSec Group Limited Takeover
GPO Box 3993
SYDNEY NSW 2001

Acceptance Form

The Acceptance Form which accompanies this Bidder's Statement forms part of the Offer. The requirements on the Acceptance Form must be observed in accepting the Offer for your MaxSec Shares.

Enquiries

If you are in any doubt how to deal with this document, you should consult your Broker or your legal, financial or other professional adviser.

If you have any questions about the Offer or how to accept it, please call the shareholder information line on 1300 737 760 (or +61 2 9290 9600 for overseas domiciled holders) between 9.00am and 5.00pm Monday to Friday.

Offers to Foreign Shareholders

If you are a Foreign Shareholder, unless FFT otherwise determines that:

- (a) it is lawful and not unduly onerous and not unduly impracticable to make the Offer to you and to issue you with FFT Shares on acceptance of the Offer; and
- (b) it is not unlawful for you to accept the Offer by the law of the relevant place outside Australia, its external territories New Zealand, or Singapore,

you will not be entitled to receive FFT Shares as consideration for your MaxSec Shares.

If you are a Foreign Shareholder and you accept the Offer, or your MaxSec Shares are compulsorily acquired, you will not receive FFT Shares, and will instead receive the cash amount calculated under clause 5.3 of Schedule 1 as part of the nominee process explained in Section 13.12.

Further information about the entitlement of a Foreign Shareholder is set out in Section 13.12.

Letter from the Chairman

Future Fibre Technologies Ltd
10 Hartnett Close, Mulgrave
Victoria 3170, Australia
www.fftsecurity.com
ABN 67 064 089 318
P +61 3 9590 3100

Dear MaxSec Shareholder

The Future Fibre Technologies Offer

On behalf of Future Fibre Technologies Limited (**FFT**), we are pleased to present FFT's Offer to acquire all of your shares in MaxSec Group Limited (**MaxSec**).

The Offer Consideration is 1 FFT Share for every 4 MaxSec Shares you own. This represents a premium of 35% on MaxSec's share price on 17 October 2017 and 9.3% based on MaxSec's one month VWAP¹.

We encourage you to read this Bidder's Statement for more details about the Offer and about FFT. If you have any questions on the Offer, please contact your legal, financial or other professional adviser or call the Shareholder information line on 1300 737 760 (or +61 2 9290 9600 for overseas domiciled holders) on weekdays between 9.00am and 5.00pm or visit the FFT website at www.fftsecurity.com.

About FFT

FFT is a leading developer and manufacturer of fibre optic intrusion detection security systems. Deployed by some of the most security conscious industrial, military and government organisations in the world, FFT's advanced security systems:

- detect and locate perimeter intrusions;
- identify third-party interference on oil and gas pipelines; and
- protect sensitive data network communications cables.

With over 1,500 systems installed in more than 65 countries, FFT has established a solid reputation for delivering highly intelligent, reliable, and award winning intrusion detection solutions.

Benefits of the Offer

The directors of FFT believe that a merger of MaxSec and FFT would be in the interests of the shareholders of both companies. The increased size, scale and geographical footprint of a merged business as well as potential synergies and operational benefits² could see a re-rating of the merged business. We believe shareholders will also benefit from improved liquidity that might come from the increase in market capitalisation and the number of shares on issue in the merged business.

¹ VWAP means the volume weighted average price of a security.

² Assumes FFT attains a 100% interest in MaxSec. At the date of this Bidder's Statement, FFT is not able to reliably estimate the quantum or timing of potential synergies (or potential one-off costs which may need to be incurred in order for FFT to obtain such synergies) resulting from a merger with MaxSec.

FFT's Offer represents value for your investment in MaxSec. If you accept the Offer and the Offer becomes or is declared unconditional, this will result in you immediately receiving benefits from the 11.6% premium implied in our Offer³ relative to the three month VWAP of MaxSec Shares prior to the Announcement Date as well as participating in any upside from the merged business.

MaxSec Board support

The Independent Directors⁴ of the MaxSec Board unanimously recommend that MaxSec Shareholders accept the Offer and have indicated their intention to do so for the MaxSec Shares that they hold or control, unless there is a Superior Proposal.

Conditions of the Offer

The Offer is subject to a number of Defeating Conditions, including an 80 percent minimum acceptance condition. The terms of the Offer, including the Defeating Conditions, are set out in Schedule 1 and Schedule 2 to this Bidder's Statement.

We encourage you to read this Bidder's Statement for more details about the Offer and about FFT. The Offer is open for your acceptance until 7.00pm Sydney time on 7 December 2017, unless extended. If you wish to accept the Offer, please complete the acceptance steps in the manner described in Section 3.

I look forward to your acceptance and welcoming you as a shareholder of Future Fibre Technologies Limited.

Yours sincerely



Mr Terence Winters
Chairman

³ Based on the 3 month VWAP for FFT up to 24 August 2017 versus the 3 month VWAP for MaxSec up to 24 August 2017. The value of the Offer will continue to change during the Offer Period as the FFT Share price changes.

⁴ Independent Directors of MaxSec means all of MaxSec's non-conflicted directors. The Independent Directors are identified in Section 13.7 of this Bidder's Statement.

1 Why you should accept FFT's Offer

1.1 MaxSec Board support for the Offer

The MaxSec Independent Directors⁵ have unanimously recommended that you accept the Offer and have indicated their intention to do so for the MaxSec Shares that they own or control, unless a Superior Proposal emerges.

1.2 The Offer represents a premium to historic MaxSec Share prices

The Offer provides substantial value to MaxSec Shareholders as it represents a highly attractive premium over the historical market price of MaxSec Shares

The Offer is equivalent to approximately \$0.034 per MaxSec Share compared to the closing price of MaxSec Shares the trading day before the Bidder's Statement of \$0.025 and represents:

- (a) a 9.3% premium to the VWAP of MaxSec Shares for one month before the Bidder's Statement;
- (b) a 3.8% premium to the VWAP of MaxSec Shares for three months before the Bidder's Statement; and
- (c) a 6.3% premium to the VWAP of MaxSec Shares for six months before the Bidder's Statement date.

By way of comparison, this is equivalent to approximately \$0.03 per MaxSec Share compared to the closing price of MaxSec Shares the trading day before the Announcement Date of \$0.044 and represents:

- (a) a 2% discount to the VWAP of MaxSec Shares for one month before the Announcement Date;
- (b) an 11.6% premium to the VWAP of MaxSec Shares for three months before the Announcement Date; and
- (c) a 20.4% premium to the VWAP of MaxSec Shares for six months before the Announcement Date.

The implied value of the Offer will fluctuate with the FFT share price. Accordingly, if the FFT share price falls, the value of the Offer will also fall. Likewise, if the FFT share price rises, the value of the Offer will rise.

1.3 You will have an on-going interest in the merged FFT and MaxSec business⁶

The merging of the businesses' may lead to⁷:

- MaxSec gaining access to FFT's strategic relationships with leading Systems Integrators and distributors;

⁵ Independent Directors of MaxSec means all of MaxSec's non-conflicted directors. The Independent Directors are identified in Section 13.7 of this Bidder's Statement.

⁶ Assumes FFT attains a 100% interest in MaxSec.

⁷ Realising synergies is a potential major benefit of merging FFT and MaxSec, however, at the date of this Bidder's Statement, FFT is not able to reliably estimate the quantum or timing of potential synergies (or potential one-off costs which may need to be incurred in order for FFT to obtain such synergies) resulting from a merger with MaxSec. Potential synergies may not be realisable unless FFT attains a 100% interest in MaxSec.

- An expanded customer base and product and service range, increased sales channels and increased opportunities to cross-sell products and services creating a platform for significant further expansion;
- Improved utilisation of existing facilities and infrastructure;
- Consolidation of shared services (finance, administration and customer care); and
- Reduced governance and compliance costs.

1.4 A larger combined shareholder base and a significantly increased market capitalisation which may provide increased liquidity for both FFT and MaxSec shareholders

The merger of MaxSec and FFT could result in a significantly increased market capitalisation. This may provide increased liquidity for both FFT and MaxSec shareholders.

The increased market capitalisation may also benefit MaxSec's business performance by improving AVA Global's (a division of MaxSec) access to market opportunities with potential customers that have asset based compliance hurdles.

1.5 The merger will combine two of Australia's leading security companies, well-positioned to actively participate in further consolidation of the global security industry

The merger of MaxSec and FFT is a logical extension of an effective collaboration already in place between the two companies. MaxSec and FFT already share sales facilities, staff and activities in countries including the U.S. and Singapore. A strong mutual understanding and alignment exists through cross company management interactions and senior appointments (notably Mr Robert Broomfield as Chairman of MaxSec and Chief Executive Officer of FFT, and Mr Christopher Fergus as Executive Director of MaxSec and Non-executive Director of FFT).

1.6 Capital gains tax relief

Capital gains tax rollover relief may be available for MaxSec Shareholders in respect of the FFT Shares that they receive under the Offer. This relief may be available if FFT increases its holding to at least 80 percent of the MaxSec Shares on issue as a result of the Offer. See Section 11 for a discussion of the tax consequences where CGT rollover relief is not available.

1.7 There is no brokerage on accepting the Offer

On acceptance of this Offer, you will exchange your MaxSec shares for FFT shares without incurring brokerage fees. Any such costs will be borne by FFT.

If you choose not to accept the Offer, should you wish to exchange your MaxSec Shares for FFT shares, you may be required to sell your shares on market, and use the proceeds to purchase FFT shares. You may ordinarily be required to pay brokerage fees on both the sale and the purchase of shares.

1.8 There may be adverse consequences associated with not accepting the Offer

If you choose not to accept the Offer, you should be aware that:

- if FFT becomes entitled to compulsorily acquire your MaxSec Shares, it intends to do so and if your MaxSec Shares are compulsorily acquired, you will still receive the Offer Consideration for your MaxSec Shares but at a later date than you would have received it if you had accepted the Offer;
- if FFT obtains control of MaxSec, it intends, subject to compliance with the Corporations Act and Listing Rules, to seek removal of MaxSec from the official list of ASX; and

- (c) while there are many factors that will influence the market price of MaxSec Shares, in the absence of the Offer or a competing bid it is possible that the MaxSec Share price will fall below the value implied by the Offer.

2 Frequently asked questions about the Offer

Question	Answer
Important Notice	The information set out in this Section is a summary only of FFT's Offer and is qualified by the detailed information set out elsewhere in this Bidder's Statement. You should read the entire Bidder's Statement and the Target's Statement before deciding whether to accept the Offer.
Who is FFT?	Future Fibre Technologies Limited (FFT) is a public company listed on the ASX. For more information about FFT, please see Section 4.1.
What is the Offer?	FFT is making an offer to acquire all your MaxSec Shares. If you accept the Offer you will receive (subject to the conditions of the Offer being satisfied or waived) 1 FFT Share for every 4 MaxSec Shares you own.
Do the MaxSec Directors support the Offer?	Yes, all Independent Directors have recommended that MaxSec Shareholders accept the Offer and have indicated their intention to do so for the MaxSec Shares that they own or control within seven days of the date of MaxSec's Target's Statement, unless there is a Superior Proposal.
How long is the Offer open for?	The Offer opens on 6 November 2017 and is scheduled to close at 7.00pm Sydney time on 7 December 2017 (unless extended).
What are the conditions of the Offer?	The Offer is subject to the following Defeating Conditions: (a) 80 percent minimum acceptance condition; (b) no Prescribed Occurrences; (c) no material regulatory action; (d) Regulatory Approvals; (e) no Material Adverse Change; (f) appropriately dealing with the MaxSec Options; and (g) all other approvals of a third party which are necessary. This is only a summary of the key conditions. The conditions are set out in full in Schedule 2. FFT may choose to waive certain Defeating Conditions in accordance with the Offer Terms. If the conditions are not satisfied or waived then the Offer will not proceed.
Do I have to pay any fees?	No brokerage, charges or stamp duty will be payable by you on acceptance of the Offer. If you choose to sell your MaxSec Shares on market, you may incur brokerage costs and GST on those costs.
What should I do?	To accept the Offer, you should: (a) read this Bidder's Statement in full; (b) read MaxSec's Target's Statement in full; (c) consult your Broker, financial or other professional adviser if you are in any doubt as to what action to take or how to accept the Offer; and (d) accept the Offer in the manner described in Section 3. If you have any queries about the Offer, you may also call the shareholder information line on 1300 737 760 (or +61 2 9290 9600 for overseas domiciled holders) between 9.00am and 5.00pm Monday to

Question	Answer
How do I accept the Offer?	Friday. The Offer may only be accepted for all of your MaxSec Shares. The manner in which you accept the Offer depends on whether you hold your MaxSec Shares in an Issuer Sponsored Holding, a CHES Holding, or if you are a Broker or a Non-Broker Participant. Full details on how to accept the Offer are set out in Section 3. For CHES Holdings Before the end of the Offer Period: (a) instruct your Controlling Participant (for example, your Broker) to initiate acceptance of the Offer on your behalf under Rule 14.14 of the ASX Settlement Operating Rules; (b) complete, sign and send the Acceptance Form accompanying this Bidder's Statement directly to your stockbroker or Controlling Participant; or (c) complete, sign and return the Acceptance Form in accordance with the instructions on it so that FFT is authorised to instruct your Controlling Participant to initiate acceptance of the Offer on your behalf. For Issuer Sponsored Holdings you must complete, sign and return the Acceptance Form in accordance with the instructions on it. Return it to the address indicated on the form so that it is received before the end of the Offer Period. A reply paid envelope (not able to be used by MaxSec Shareholders outside Australia) is enclosed for your convenience. Mailing and delivery addresses If you reside in Australia, you can use the reply paid envelope enclosed with this Bidder's Statement. The delivery address is: Boardroom Pty Limited MaxSec Group Limited Takeover Grosvenor Place Level 12, 225 George Street SYDNEY NSW 2000 AUSTRALIA The mailing address is: Boardroom Pty Limited MaxSec Group Limited Takeover GPO Box 3993 Sydney NSW 2001 AUSTRALIA
If I accept the Offer, when will I receive consideration for my MaxSec Shares?	Provided that the necessary transfer documents accompany your Acceptance Form, you will be issued FFT Shares within one month of the later of: (a) the date you accept the Offer; and (b) the date the Offer becomes unconditional. In any event, you will receive the consideration you are entitled to within 21 days after the Offer closes (assuming all conditions of the Offer are satisfied or waived).

Question	Answer
What rights will my FFT Shares have?	The FFT Shares issued under the Offer will be fully paid and will rank equally for dividends and other rights with existing FFT Shares. A detailed explanation of the rights and liabilities attaching to FFT Shares is set out in Section 13.3.
Will my FFT Shares be listed on ASX?	An application will be made within seven days after the start of the Offer Period to ASX for official quotation of the FFT Shares issued pursuant to the Offer. Quotation of the FFT Shares to be issued under the Offer will not be automatic but will depend on ASX exercising its discretion to admit them to the official list. However, FFT is already admitted to the official list of ASX and shares in FFT in the same class or on the same terms as those to be issued under the Offer are already quoted.
What happens if I accept the Offer?	If you accept the Offer and it becomes or is declared unconditional, you will be issued FFT Shares within the time specified above. Once you accept the Offer (even while it remains subject to Defeating Conditions) you will not be able to sell your MaxSec Shares on market or otherwise deal with the Rights attaching to your MaxSec Shares, subject to your limited statutory rights to withdraw your acceptance in certain circumstances.
What happens if I do not accept the Offer?	If you do not accept the Offer, you will remain a MaxSec Shareholder and will not be issued FFT Shares. However, if FFT becomes entitled to compulsorily acquire your MaxSec Shares, it intends to do so. If this occurs, you will still receive the Offer Consideration for your MaxSec Shares but at a later date than you would have received it if you had accepted the Offer.
What are the tax implications of accepting the Offer?	A general description of the taxation treatment for certain Australian resident MaxSec Shareholders accepting the Offer is set out in Section 11. You should not rely on that description as advice for your own affairs. You should consult your taxation adviser for detailed taxation advice before making a decision as to whether or not to accept the Offer for your MaxSec Shares. MaxSec Shareholders should be aware that if FFT does not acquire ownership of 80 percent of MaxSec Shares, then rollover relief will not be available to MaxSec Shareholders in respect of any capital gain that is made on the receipt of FFT Shares as consideration.
What are the significant risks of the Offer?	You should carefully consider the risk factors that could affect the performance of FFT and the Merged Group before deciding whether to accept the Offer. Many of these risks are outside the control of FFT and its Directors, and cannot be mitigated. A summary of the key risks is set out in Section 9.
What happens if I exercise my MaxSec Options?	The Offer extends to MaxSec Shares that are issued before the end of the Offer Period on the exercise of MaxSec Options. If you exercise your MaxSec Options, you can accept the Offer for the MaxSec Shares received from the exercise of those Options.
Further information	If you have any questions in relation to the Offer or how to accept it, or if you have lost your Acceptance Form and require a replacement, please call the shareholder information line on 1300 737 760 (or +61 2 9290 9600 for overseas domiciled holders) between 9.00am and 5.00pm Monday to Friday.

3 How to accept the Offer

3.1 Issuer Sponsored Holdings

If you hold your MaxSec Shares in an Issuer Sponsored Holding, you will need to complete, sign and return the Acceptance Form accompanying this Bidder's Statement in accordance with the instructions on that form and deliver it or send it by post so that it is received by FFT's share registry before the end of the Offer Period. A reply paid envelope (for use within Australia only) is enclosed with this Bidder's Statement.

3.2 CHESS Holdings

If you hold your MaxSec Shares in a CHESS Holding:

- (a) instruct your Controlling Participant (for example, your Broker) to initiate acceptance of the Offer on your behalf under Rule 14.14 of the ASX Settlement Operating Rules;
- (b) complete, sign and send the Acceptance Form accompanying this Bidder's Statement directly to your stockbroker or Controlling Participant; or
- (c) complete, sign and return the Acceptance Form in accordance with the instructions on it so that FFT is authorised to instruct your Controlling Participant to initiate acceptance of the Offer on your behalf;

before the end of the Offer Period.

A reply paid envelope (for use within Australia only) is enclosed for your convenience.

3.3 Brokers or Non-Broker Participants

If you are a Broker or a Non-Broker Participant, you will need to initiate acceptance of the Offer under the requirements of the ASX Settlement Operating Rules before the end of the Offer Period.

4 Profile of FFT

4.1 Overview of FFT and its principal activities

Future Fibre Technologies Limited (FFT) is a public company incorporated in Australia and listed on the ASX (ASX Code: FFT). The market capitalisation of FFT as at the date of this Bidder's Statement is approximately \$16.7 million.

Established in 1994, FFT's technology has grown to become the technology of choice for many perimeter protection applications. With over 1,500 systems deployed in more than 65 countries, FFT has established a reputation for delivering advanced and cost-effective perimeter intrusion detection solutions.

FFT systems have been adopted by airports, governments, military, defence, oil and gas industries, as well as a broad range of commercial organisations.

Using its patented advanced technologies, FFT manufactures and markets a range of fibre optic intrusion detection and location systems for perimeter, pipeline and network security that are, effective solutions for securing high value assets and critical infrastructure.

FFT has established itself as a global leader in its field and with its track record of delivering highly intelligent, reliable, and award-winning intrusion detection solutions for the protection of critical sites and infrastructures.

As at the date of this Bidder's Statement, FFT had a Relevant Interest in 61,500,000 MaxSec Shares, representing voting power in MaxSec of approximately 13%.

4.2 Directors and senior management

The directors of FFT are set out below:

Mr Terence Winters – Chairman

Mr Winters serves as Chairman and Non-Executive Director on the Boards of a number of charities and public and private companies in Australia, Asia and the UK. He is widely recognised throughout the Information Technology and Communications (ITC) industries for his track record of leading early stage technology companies through the various phases of capitalisation, commercialisation and international development. He is currently Chairman of Intelledox Pty Ltd, Converge International Pty Ltd and TasmaNet Pty Ltd, and is a Director of Redflex Holdings Limited. He is a Fellow of the Australian Institute of Company Directors (FAICD).

Mr Robert Broomfield – Chief Executive Officer

Mr Broomfield is an experienced business executive with more than 20 years of management experience including the past 18 years in senior positions within companies operating in the security industry. Prior to joining FFT, he was with Vision Systems Limited, where he served as the General Manager of Asia Pacific for their Fire and Security systems. In addition to his international sales and marketing success, Mr Broomfield has extensive experience in operations management, including product engineering, procurement, manufacturing and operations. He has previously had 10 years experience with IBM in Australia and the United States. He is currently chairman of Maxsec Group Limited an Australian listed company.

Dr Frederick Davis – Non-executive Director

Dr Davis is an experienced leader and manager of technology innovation businesses having worked for the last 20 years in senior management positions. Prior to joining the FFT Board as a Non-executive Director, Fred was COO and an Executive Director for FFT, led Business and New Product Development for Universal Biosensors Inc., and was Managing Director and CEO for Invetech Pty Ltd, a leading contract product development and manufacturing firm that played a pivotal role in the success of ASX listed Vision Systems Limited. Dr Davis' specialist experience includes strategic management, business development, and advanced technology development and manufacturing. He has studied at the Strategic Management Institute, Harvard and Mt. Eliza Business Schools, and is a Graduate Member of the Australian Institute of Company Directors.

Mr Christopher Fergus – Non-executive Director

Mr Fergus is currently Executive Director & SVP Strategy & Business Development, MaxSec and CEO of its secure international logistics division, AVA Global. Based in Dubai, Christopher is a UK national and has extensive experience within the security integration and services sectors, having previously worked for the FTSE 100 and world's leading security services provider, G4S, for over 20 years. Joining the company as a graduate trainee in 1994, he worked across a number of continents in a number of roles, most recently as Regional Managing Director, Middle East, managing a portfolio of Security & FM joint ventures.

Mr Mark Stevens – Non-executive Director

With more than 30 years of experience in senior management roles with multi-national corporations, Mr Stevens is a seasoned executive with broad experience in sales and general management in the information technology and telecommunications sectors. Mr Stevens has held senior positions with Nortel Networks Inc., Aircom International Limited, ECI Telecom Ltd, Transmode Systems AB, and more recently Infinera Corporation. He has lived and worked in Europe, the United States, Singapore and Australia. He holds a Master of Business Administration from the University of Melbourne, a Bachelor of Engineering degree from Monash University and is a Graduate Member of the Australian Institute of Company Directors.

The members of senior management of FFT are set out below:

Leigh Davis – Chief Financial Officer and Company Secretary

Leigh is a CPA with more than 20 years finance and accounting experience across a range of industries including energy, technology and telecommunications. Leigh has served as Chief Financial Officer and Company Secretary of both ASX listed and unlisted companies, and has previously held Commercial Finance and Corporate Reporting roles in Australia, the United Kingdom and Europe for NYSE, NASDAQ and FTSE listed companies. Leigh holds a Bachelor of Business (Accounting) degree and a MBA from London Business School. He is also a graduate of the Australian Institute of Company Directors (GAICD).

Mark Horton – Global Sales and Marketing Director

Mark has nearly 30 years of experience in the electronic security sector across a wide range of regions including Europe, the Middle East, North Africa, and Asia Pacific. Mark has held a number of senior positions in the security industry, most recently as the Regional Sales Director Middle East for G4S where he had responsibility for developing a diverse portfolio of security and FM joint ventures with a total revenue of USD \$1bn with a focus on developing the groups regional and global technology strategies. Mark is responsible for driving the sales strategy to position FFT as the market leader in fibre optic solutions for perimeter, pipeline and data network security.

Kim Clark – Joint Company Secretary

Kim is an experienced business professional with 21 years' experience in the Banking and Finance industries and 6 years as a Company Secretary (in-house) of an ASX300 company. Her experience includes debt and capital raising, risk management, mergers and acquisitions, compliance and governance. Kim currently acts as Company Secretary to various ASX listed and unlisted companies in Australia and is the Head of Corporate Services for Boardroom Pty Limited's Queensland office.

4.3 Financial profile of FFT

The financial report for FFT for the year ended 30 June 2017 as contained in FFT's Annual Report for the year ended 30 June 2017, was lodged with ASX on 30 August 2017.

FFT's financial position as at 30 June 2017 can be summarised as follows:

- Total assets of \$20,226,000
- Net assets of \$16,866,000
- Cash and Cash Equivalents net of debt of \$6,930,000

For the year ended 30 June 2017, the following results were recorded:

- Sales revenues of \$12,896,000
- Net loss of \$7,820,00 which included a \$1,364,000 provision for impairment of receivables and foreign exchange losses of \$811,000.

4.4 Publicly available information

FFT is a company listed on ASX (Code: FFT) and is subject to the continuous and periodic disclosure requirements of the ASX Listing Rules and the Corporations Act. FFT has an obligation under the Listing Rules (subject to certain exceptions) to notify ASX immediately of any information of which it becomes aware concerning FFT which a reasonable person would expect to have a material effect on the price or value of FFT Shares.

A substantial amount of information on FFT is publicly available and may be accessed by referring to FFT on www.asx.com.au.

This Bidder's Statement incorporates by reference some of the content of FFT's Annual Report for the year ended 30 June 2017.

A list of announcements made by FFT to ASX between 1 July 2017 and the date of this Bidder's Statement is set out in Schedule 3. This information may be relevant to your assessment of the Offer. Copies of the announcements are available from ASX.

4.5 Further information

Further information about FFT can be found on FFT's website: www.fftsecurity.com.

5 Information about FFT Shares

5.1 Issued securities

At the date of this Bidder's Statement, the following FFT Securities are on issue:

- 124,028,440 FFT Shares; and
- 8,810,000 FFT Options.

5.2 Substantial holders

At the date of this Bidder's Statement the substantial holders in FFT are:

Substantial holder	Interest	Substantial holding
HSBC Custody Nominees (Australia) Limited	27,195,664	21.9%
Citicorp Nominees Pty Ltd	20,120,009	16.2%
Bell Potter Nominees Ltd (BB Nominees A/C)	14,093,182	11.4%
Pierce Group Asia Pte Limited	19,229,940	15.5%
	80,38,795	65.0%

5.3 FFT Share price

- The VWAP of FFT Shares on ASX for the one month before the date of this Bidder's Statement was 11.7 cents (compared to 12.9 cents if calculated on the day before the Announcement Date).
- The VWAP of FFT Shares on ASX for the five trading days before the date of this Bidder's Statement was 11.4 cents (compared to 13.6 cents if calculated on the day before the Announcement Date).
- The closing price of FFT Shares on ASX on 17 October 2017 (being the last trading day that FFT Shares traded prior to the date of this Bidder's Statement) was 13.5 cents (compared to 12.0 cents if calculated on the day before the Announcement Date).
- The highest recorded sale price of FFT Shares on ASX in the four months before the date this Bidder's Statement was lodged with ASIC was 18.5 cents on 25 August 2017.
- The lowest recorded sale price of FFT Shares on ASX in the four months before this Bidder's Statement was lodged with ASIC was 11.0 cents on multiple dates, and most recently 17 October 2017.

5.4 Rights and liabilities attached in the FFT Shares offered

- The FFT Shares issued as consideration under the Offer will be fully paid and rank equally with existing FFT Shares from the date of their issue.
- FFT Shares are quoted on ASX under the code 'FFT'.
- An application will be made within seven days after the start of the Offer Period to ASX for official quotation of the FFT Shares issued pursuant to the Offer. Quotation is not guaranteed or automatic on such an application to ASX. Nothing in this Bidder's Statement will be taken to state or imply that the FFT Shares issued under this Offer will be quoted on ASX, but

quotation is expected in the ordinary course as FFT is already admitted to the Official List of ASX.

The rights and restrictions attaching to the FFT Shares which will be issued as the consideration, or part of the consideration, under the Offer are primarily set out in the FFT Constitution and in the Corporations Act and are subject to statutory, common law and ASX Listing Rule requirements.

5.5 FFT Options

The table below provides key details of FFT Options on issue as at the date of the Bidder's Statement. In addition, FFT has agreed to award 200,000 options to Christopher Fergus with an exercise price of \$0.21 and an expiry date of 3 years from grant date, being a date on which shareholder approval is obtained at a general meeting of shareholders. The issue is yet to be approved at a meeting of shareholders.

Option Holder	Grant Date	Expiry Date	Exercise Price	Vested and Exercisable
KTM Capital	11/05/2015	11/05/2018	\$0.875	3,400,000
R. Broomfield	15/03/2015	15/03/2020	\$0.230	1,500,000
F. Davis	18/07/2014	18/07/2019	\$0.233	1,200,000
L. Davis	15/03/2015	15/03/2018	\$0.350	900,000
T. Winters	15/03/2015	15/03/2018	\$0.350	200,000
M. Stevens	15/03/2015	15/03/2018	\$0.350	200,000
M. Horton	28/04/2017	28/04/2020	\$0.230	600,000
Options held by other employees of FFT	15/03/2015	15/03/2018	\$0.350	810,000
				8,810,000

6 Profile of MaxSec

6.1 Disclaimer

The following information on MaxSec has been prepared by FFT using publicly available information, and has not been independently verified. Accordingly, FFT does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of this information.

The information about MaxSec in this Bidder's Statement should not be considered comprehensive.

In addition, the Corporations Act requires MaxSec to provide a Target's Statement to MaxSec Shareholders in response to this Bidder's Statement, setting out certain material information concerning MaxSec.

6.2 Overview of MaxSec and its principal activities

MaxSec Group Limited (**MSP**), is a public company incorporated in Australia and listed on the ASX (ASX Code: MSP). The market capitalisation of MSP as at the date of this Bidder's Statement is approximately \$11.8 million.

MSP, through its divisions BQT Solutions (**BQT**) and Ava Global (**Ava**), is a leading designer, developer, and global provider of integrated security and turnkey solutions and a global provider of secure logistics and storage services.

BQT has an experienced research and development team, a strong portfolio of proprietary products and, where relevant, sources products through partnerships with leading manufacturers to meet the supply requirements of its customers.

The product portfolio of BQT consists of quality, reliable and secure smart card based access control, biometric solutions, and electromechanical locking devices, which are installed in thousands of locations globally.

Ava provides secure international logistics of high value cargo on a fully insured door to door basis. Ava offers a truly global service capability, delivered from its own, strategically located offices (New York, London, Frankfurt, Dubai, and Singapore) with support from a network of strategic partners.

In addition, Ava provides secure custodial storage facilities for bullion and precious metals traded on the market. Ava also has a dedicated risk manager and risk management team to provide consultancy services including feasibility studies to support supply chain management.

A range of industries use Ava's solutions, including mining, refineries, financial institutions, bullion traders, government and central banks.

6.3 Directors and senior management

Mr Robert Broomfield – Non-executive Chairman

Refer to Section 4.2.

Mr Geoffrey Cleaves – Chief Executive Officer, Executive Director and Company Secretary

Mr Cleaves has over 25 years' experience in finance and operations management within the property, media, print, manufacturing, oil and gas and investment sectors, last 20 years in senior management positions with both listed and unlisted corporations. During Geoff's career he has held senior management positions with organisations such as Stockland Group, Chase Corporation, Milton Corporation, Trafalgar Corporate Group, Australian Petroleum Fund and the Independent Print Media Group. Geoff is a professional manager and his core competencies include general management, investment, asset and funds management, treasury and finance.

Mr Christopher Fergus – Executive Director

Refer to Section 4.2.

Mr Johan Landsberg – Non-executive Director

Mr Landsberg was born in 1969 in South Africa. He served as an Officer in the South African Defence Force before starting his professional career in the services industry. Mr. Landsberg migrated to Australia in 1999. He joined the security industry as a senior executive in various capacities in the successful implementation of large technology deployments in Australia. He has broad experience in related areas including distribution, contract, and risk management. Mr. Landsberg was previously a senior executive of MaxSec Group Limited and returns with both a good understanding of the Company's history and a wealth of experience gained in the industry. Mr. Landsberg is currently contracted to the public sector providing commercial and technical guidance on the deployment of technologies in large scale implementations. Mr. Landsberg holds no positions on Boards of other Australian listed companies.

Jared Pearson – Company Secretary

Mr Jared Pearson is a Chartered Accountant, who was appointed on 29 July 2015. He has been involved in public practice for 12 years and has considerable experience in accounting, taxation law and business practices.

6.4 Financial profile of MaxSec

The financial report for MaxSec for the year ended 30 June 2017 as contained in MaxSec's Preliminary Final Report for the year ended 30 June 2017, was lodged with ASX on 24 August 2017.

MaxSec's financial position as at 30 June 2017 can be summarised as follows:

- Total assets of \$7,118,000
- Net assets of \$4,813,000
- Cash and Cash Equivalents net of debt of \$1,587,000

For the year ended 30 June 2017, the following results were recorded:

- Sales revenues of \$7,429,000
- Net loss of \$3,435,000

6.5 Important note on sources of information

FFT has relied on the information in financial reports issued by MaxSec to prepare the financial information for MaxSec contained in this Bidder's Statement. Financial information relating to MaxSec has been sourced from its Annual Report for the year ended 30 June 2017, which was lodged with ASX on 27 September 2017.

FFT does not, except as required by law, make any representation or warranty, express or implied, as to the accuracy or completeness of this information.

6.6 Publicly available information

MaxSec is a company listed on ASX and is subject to the periodic and continuous disclosure requirements of the Listing Rules and the Corporations Act. A substantial amount of information on MaxSec is publicly available and may be accessed by referring to MaxSec on www.asx.com.au.

6.7 Further information

Further information about MaxSec can be found on MaxSec's website: www.maxsec.com.

6.8 Recent price performance of MaxSec Shares

MaxSec Shares are quoted on ASX under the code MSP.

The closing price of MaxSec Shares on ASX on the last trading day before the Announcement Date was \$0.044. The closing price of MaxSec Shares on ASX on 17 October 2017, being the last trading day before the date of this Bidder's Statement, was \$0.025.

The highest recorded closing price of MaxSec Shares on ASX in the three months before 17 October 2017, being the last trading day before the date of this Bidder's Statement, was \$0.046 on 24 August 2017. The lowest recorded closing price of MaxSec Share on ASX in the three months before 17 October 2017, being the last trading day before the date of this Bidder's Statement, was \$0.024 on 12 October 2017.

7 Profile of Merged Group

7.1 Introduction

The profile of the Merged Group will vary depending on the outcome of the Offer. Unless otherwise indicated, the description of the Merged Group in this Section 7 assumes that MaxSec is a wholly-owned subsidiary of FFT. If FFT is not entitled to compulsorily acquire MaxSec Shares during the Offer Period, some of the benefits that would otherwise accrue to FFT if MaxSec were to become a wholly-owned subsidiary of FFT may not be fully realised.

7.2 Overview of the Merged Group

The Merged Group would be publicly listed on the ASX. It would operate three divisions, Future Fibre Technologies, BQT Solutions, and Ava Global, making it a leading designer, developer, and global provider of integrated perimeter security and access control solutions and a global provider of secure logistics and storage services.

The Merged Group would have larger operations and greater geographic spread than FFT currently has. This will assist it to reach more customers and provide the Merged Group with additional buying power and resources. In addition, it is envisaged that the Merged Group will be able to realise other economies of scale.

7.3 Pro forma balance sheet assuming FFT acquires 100 percent of MaxSec

Summary of information

The information included in this Section 7 is pro forma financial information for the Merged Group comprising FFT and MaxSec as at 30 June 2017 and assuming two scenarios. The first is that FFT acquires 100 percent of MaxSec and the second scenario is that FFT acquires 80 percent of MaxSec. FFT's offer is conditional on obtaining 80 percent acceptances. The unaudited pro forma combined balance sheet of the Merged Group as at 30 June 2017 (**Pro Forma Balance Sheet**) presented below has been produced with reference to the audited financial report for FFT as at 30 June 2017 and the audited final report of MaxSec as at 30 June 2017. It is adjusted to account for subsequent events deemed material to the Merged Group. The unaudited pro forma combined income statement of the Merged Group for the year ended 30 June 2017 (**Pro Forma Income Statement**) presented below has also been produced with reference to the audited financial report for FFT as at 30 June 2017 and the audited final report of MaxSec as at 30 June 2017. It is adjusted to account for subsequent events deemed material to the Merged Group.

The financial information reflects the latest publicly available information for MaxSec that is capable of being compared.

The pro forma financial information does not represent what the Merged Group would look like on a consolidated basis, since it is not possible to produce this information from publicly available information. No adjustments for potential synergy benefits have been included as the exact timing and amount of those benefits cannot be reliably estimated. However, the Pro Forma Balance Sheet does reflect the issue of new FFT shares to MaxSec Shareholders, and other adjustments required as a result of this Offer.

The Pro Forma Balance Sheet is for illustrative purposes only and is based on numerous assumptions that may or may not reflect the actual financial position of the Merged Group after completion of the Offer. In addition, the Pro Forma Balance Sheet is presented in a summary format and therefore does not contain all the disclosures required under the Corporations Act.

Financial information relating to MaxSec has been sourced from its audited financial reports for the full year ended 30 June 2017. FFT has relied on the information in financial reports issued by MaxSec to prepare the financial information for MaxSec contained in this document.

FFT does not, except as required by law, make any representation or warranty, express or implied, as to the accuracy or completeness of this information.

FFT has had limited access to the independent directors, management and staff of MaxSec and to any working papers, accounting records or other documents for the purposes of preparing this financial information.⁸ Therefore, it has not been possible to independently verify any of the financial information relating to MaxSec used in this document, for providing pro forma financial information.

The pro forma financial information presented in this section should also be read in conjunction with the risks set out in Section 9, other information contained in this Bidder's Statement, and the accounting policies of FFT and MaxSec as disclosed in their most recent financial reports.

No forward looking financial statements

This document does not provide revenue or profit projections for the Merged Group. FFT does not believe that it has reasonable grounds to include revenue or profit forecasts in this Bidder's Statement. FFT believes that the inclusion of revenue or profit forecasts would be unduly speculative and potentially misleading for MaxSec Shareholders.

⁸ Procedures have been established by both FFT and MSP to ensure the applicable common directors' were able to uphold their legal and fiduciary obligations to each company, including excluding those directors from discussions in relation to the Offer.

Pro Forma Balance Sheet 100% of MaxSec

Set out below is the Pro Forma Balance Sheet.

A\$'000 (thousand)	FFT 30 June 2017	% of Pro forma	MSP 30 June 2017	% of Pro forma	Adjust- ments	% of Pro forma	Pro forma 30 June 2017
<i>Current Assets:</i>							
Cash and cash equivalents	6,945	81%	1,587	19%	-	0%	8,532
Trade and other receivables	4,985	79%	1,907	30%	(542)	-9%	6,350
Inventories	4,206	79%	1,102	21%	-	0%	5,308
Other current assets	320	78%	90	22%	-	0%	410
Total current assets	16,456	80%	4,686	23%	(542)	-3%	20,600
<i>Non-current assets:</i>							
Plant and equipment	1,012	91%	97	9%	-	0%	1,109
Intangibles	2,758	54%	2,335	46%	-	0%	5,093
Goodwill	-	0%	-	0%	9,307	100%	9,307
Total non-current assets	3,770	24%	2,432	16%	9,307	60%	15,509
Total assets	20,226	56%	7,118	20%	8,765	24%	36,109
<i>Current liabilities:</i>							
Trade and other payables	2,220	59%	2,070	55%	(542)	-14%	3,748
Provisions	1,089	85%	195	15%	-	0%	1,284
Borrowings	15	100%	-	0%	-	0%	15
Total current liabilities	3,324	66%	2,265	45%	(542)	-11%	5,047
<i>Non-current liabilities:</i>							
Provisions	36	47%	40	53%	-	0%	76
Borrowings	-	0%	-	0%	-	0%	-
Total non-current liabilities	36	47%	40	53%	-	0%	76
Total liabilities	3,360	66%	2,305	45%	(542)	-11%	5,123
Net assets	16,866	54%	4,813	16%	9,307	30%	30,986
<i>Equity:</i>							
Issued capital	44,183	76%	66,857	115%	(53,002)	-91%	58,038
Reserves	625	70%	23,951	2691%	(23,686)	- 2661%	890
Accumulated losses	(27,942)	100%	(85,995)	308%	85,995	-308%	(27,942)
Total equity	16,866	54%	4,813	16%	9,307	30%	30,986

Pro Forma Income Statement 100% of MaxSec

Set out below is the Pro Forma Income Statement.

A\$'000 (thousand)	FFT FY2017	% of Pro forma	MSP FY2017	% of Pro forma	Adjust- ments	% of Pro forma	Pro forma FY2017
Sales revenue	12,896	68%	7,429	39%	(1,316)	-7%	19,009
Other revenue	247	39%	392	61%	0	0%	639
Total revenue	13,143	67%	7,821	40%	(1,316)	-7%	19,648
Cost of goods sold	(6,030)	64%	(4,663)	50%	1,316	-14%	(9,377)
Gross profit	7,113	69%	3,158	31%	0	0%	10,271
Employee benefit expenses	(7,483)	65%	(4,015)	35%	0	0%	(11,498)
Other operating expenses	(7,135)	76%	(2,265)	24%	0	0%	(9,400)
EBITDA	(7,505)	71%	(3,122)	29%	0	0%	(10,627)
Depreciation & amortisation	(826)	71%	(330)	29%	0	0%	(1,156)
EBIT	(8,331)	71%	(3,452)	29%	0	0%	(11,783)
Finance costs	(15)	83%	(3)	17%	0	0%	(18)
Interest received	526	96%	20	4%	0	0%	546
Profit Before Tax	(7,820)	69%	(3,435)	31%	0	0%	(11,255)
Income tax	0	0%	0	0%	0	0%	0
Profit After Tax	(7,820)	69%	(3,435)	31%	0	0%	(11,255)

Pro Forma Balance Sheet 80% of MaxSec

Set out below is the Pro Forma Balance Sheet.

A\$'000 (thousand)	FFT 30 June 2017	% of Pro forma	MSP 30 June 2017	% of Pro forma	Adjust- ments	% of Pro forma	Pro forma 30 June 2017
<i>Current Assets:</i>							
Cash and cash equivalents	6,945	81%	1,587	19%	-	0%	8,532
Trade and other receivables	4,985	79%	1,907	30%	(542)	-9%	6,350
Inventories	4,206	79%	1,102	21%	-	0%	5,308
Other current assets	320	78%	90	22%	-	0%	410
Total current assets	16,456	80%	4,686	23%	(542)	-3%	20,600
<i>Non-current assets:</i>							
Plant and equipment	1,012	91%	97	9%	-	0%	1,109
Intangibles	2,758	54%	2,335	46%	-	0%	5,093
Goodwill	-	0%	-	0%	9,307	100%	9,307
Total non-current assets	3,770	24%	2,432	16%	9,307	60%	15,509
Total assets	20,226	56%	7,118	20%	8,765	24%	36,109
<i>Current liabilities:</i>							
Trade and other payables	2,220	59%	2,070	55%	(542)	-14%	3,748
Provisions	1,089	85%	195	15%	-	0%	1,284
Borrowings	15	100%	-	0%	-	0%	15
Total current liabilities	3,324	66%	2,265	45%	(542)	-11%	5,047
<i>Non-current liabilities:</i>							
Provisions	36	47%	40	53%	-	0%	76
Borrowings	-	0%	-	0%	-	0%	-
Total non-current liabilities	36	47%	40	53%	-	0%	76
Total liabilities	3,360	66%	2,305	45%	(542)	-11%	5,123
Net assets	16,866	54%	4,813	16%	9,307	30%	30,986
<i>Equity:</i>							
Issued capital	44,183	80%	66,857	121%	(55,773)	-101%	55,267
Reserves	625	70%	23,951	2691%	(23,686)	-2661%	890
Accumulated losses	(27,942)	100%	(85,995)	308%	85,995	-308%	(27,942)
<i>Equity attributable to equity holders of the parent</i>	<i>16,866</i>	<i>60%</i>	<i>4,813</i>	<i>17%</i>	<i>6,536</i>	<i>23%</i>	<i>28,215</i>
Non-controlling interests	-	0%	-	0%	2,771	100%	2,771
Total equity	16,866	54%	4,813	16%	9,307	30%	30,986

Pro Forma Income Statement 80% of MaxSec

Set out below is the Pro Forma Income Statement.

A\$'000 (thousand)	FFT FY2017	% of Pro forma	MSP FY2017	% of Pro forma	Adjust- ments	% of Pro forma	Pro forma FY2017
Sales revenue	12,896	68%	7,429	39%	(1,316)	-7%	19,009
Other revenue	247	39%	392	61%	0	0%	639
Total revenue	13,143	67%	7,821	40%	(1,316)	-7%	19,648
Cost of goods sold	(6,030)	64%	(4,663)	50%	1,316	-14%	(9,377)
Gross profit	7,113	69%	3,158	31%	0	0%	10,271
Employee benefit expenses	(7,483)	65%	(4,015)	35%	0	0%	(11,498)
Other operating expenses	(7,135)	76%	(2,265)	24%	0	0%	(9,400)
EBITDA	(7,505)	71%	(3,122)	29%	0	0%	(10,627)
Depreciation & amortisation	(826)	71%	(330)	29%	0	0%	(1,156)
EBIT	(8,331)	71%	(3,452)	29%	0	0%	(11,783)
Finance costs	(15)	83%	(3)	17%	0	0%	(18)
Interest received	526	96%	20	4%	0	0%	546
Profit Before Tax	(7,820)	69%	(3,435)	31%	0	0%	(11,255)
Income tax	0	0%	0	0%	0	0%	0
Profit After Tax	(7,820)	69%	(3,435)	31%	0	0%	(11,255)
<i>Attributable to:</i>							
Equity holders of the parent (FFT)	(7,820)	74%	(2,748)	26%	0	0%	(10,568)
Non-controlling interests	0	0%	(687)	100%	0	0%	(687)

7.4 Pro forma adjustments and transaction assumptions

The following key assumptions have been made in producing the Pro Forma financial statements:

General

The pro forma information has been prepared using Australian Accounting Standards, and International Financial Report Standards and reflects the accounting policies of FFT. It has not been audited. Amounts presented have been rounded.

The pro forma information has been prepared by aggregating the balance sheets of FFT and MaxSec as at 30 June 2017.

The pro forma information excludes the impact of general trading and other non-recurring transactions which have occurred since 30 June 2017, but are not considered to materially impact the financial position presented in the Pro Forma Balance Sheet.

MaxSec acquisition

Financial information about MaxSec has been obtained from publicly available sources. FFT is not aware of any events subsequent to the MaxSec balance date of 30 June 2017 which would materially alter the Pro Forma Balance Sheet.

The Pro Forma Balance Sheet assumes the acquisition of MaxSec by FFT had been completed by that date. The actual date of the acquisition will be at a later date. AASB 3 'Business Combinations' states that the acquirer shall, at the acquisition date, allocate the cost of a business combination by recognising the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair values at that date. Accordingly, FFT will assess the fair value of identifiable net assets of MaxSec on completion of the acquisition.

The calculation of purchase consideration payable by FFT of 1 FFT Share for every 4 MaxSec Shares was calculated applying the closing price of FFT's shares on the trading day immediately before the Bidder's Statement Date.

The Pro Forma Balance Sheet is based on the assumption that the fair value of assets (other than intangible assets) and liabilities of MaxSec are equal to their book value. A full purchase price allocation exercise will be undertaken post acquisition, and the fair value of the assets will be more accurately assessed at that time. This will not impact on the valuation of the business, but may impact the classification between tangible, identifiable intangible assets and goodwill.

Identifiable intangible assets recognised on acquisition may need to be amortised over the period of their economic benefit to the Merged Group and those amortisation charges will reduce future reported earnings. Due to limited public information available on MaxSec, it is not possible for FFT to identify all of the intangible assets and consequent amortisation charges at this stage.

It is assumed that all MaxSec Options are cancelled and FFT Options equal to their fair value are issued to MaxSec Option holders as part of the acquisition (subject to approval for any issue to a director of FFT).

For fair value accounting purposes, each FFT Share issued under the Offer is assumed to have an issue price of \$0.135 (being the closing price of FFT Shares on ASX on the trading day immediately before the Bidder's Statement Date). The actual fair value of FFT Shares to be issued under the Offer is determined by the market price of FFT Shares at the actual date of acquisition of MaxSec.

The accounting policies of FFT and MaxSec are similar and consistent in all material aspects.

It is assumed that FFT will not recognise a deferred tax asset for MaxSec's or its own existing tax losses due to the uncertainty of realisation of the tax assets, as both companies have reported

tax losses in their most recent two financial years. Neither company has recognised a deferred tax asset in their financial accounts as at 30 June 2017.

7.5 Prospective financial information of the Merged Group

FFT has given careful consideration as to whether a reasonable basis exists to produce reliable and meaningful forecast financial information on the Merged Group. The board of directors of FFT has concluded that providing forecast financial information would be misleading. A reasonable basis does not exist for producing forecasts that would be sufficiently meaningful and reliable, particularly considering the effect that variations in key inputs may have on future earnings performance.

8 FFT's intentions

8.1 Introduction and important note

This section sets out FFT's current intentions for:

- (a) the continuation of MaxSec's business;
- (b) any major changes to be made to MaxSec's business, including any redeployment of the fixed assets of MaxSec; and
- (c) the future employment of the present employees of MaxSec.

FFT's current intentions for MaxSec have been formed following a review of facts, information and circumstances about MaxSec that were either publicly available at the date of this Bidder's Statement or provided by MaxSec during the course of limited due diligence enquiries. That review by FFT did not provide FFT with sufficient facts, information and circumstances necessary to finally determine its intentions for MaxSec. As such, statements set out in this section are statements of current intention only which may change as new information becomes available or circumstances change.

Following the close of the Offer, it is FFT's intention to undertake a further detailed review of the operations, assets, structure and employees of MaxSec. The objective of the detailed review will be to:

- (a) evaluate the performance, prospects and strategic relevance of the MaxSec business and assets to FFT;
- (b) evaluate how the assets of the MaxSec business can be best utilised to achieve sales growth for the combined business; and
- (c) evaluate opportunities for more efficient utilisation of assets for the combined business.

This review may result in the modification or curtailment of some of MaxSec's existing projects and activities.

Only upon completion of the detailed review, and in light of all material facts and circumstances will FFT finally determine its intentions for MaxSec and will take the action as it considers desirable to achieve optimum integration and synergies.

8.2 Intentions upon acquisition of 90 percent or more of MaxSec Shares

This section sets out FFT's current intentions if it acquires 90 percent or more of the MaxSec Shares and is entitled to proceed to compulsory acquisition of the outstanding MaxSec Shares.

Compulsory acquisition

If it becomes entitled to do so, FFT intends to compulsorily acquire any outstanding MaxSec Shares under section 661B Corporations Act.

In those circumstances, FFT is also entitled to acquire MaxSec Shares issued after the Offer closes but before the compulsory acquisition notice is given (under section 661A(4)(b) Corporations Act) and on exercise of the MaxSec Options, up to six weeks after the notices are given (under section 661A(4)(c) Corporations Act).

FFT also has the right, under part 6A.2 Corporations Act, to seek to compulsorily acquire any of the MaxSec Options which it has not acquired or have not been exercised if FFT:

- (a) achieves 90 percent voting power in MaxSec; and
- (b) holds full beneficial interests in at least 90 percent by value of all securities of MaxSec that are either MaxSec Shares or convertible into MaxSec Shares.

Any MaxSec Options will be dealt with pursuant to the option exchange arrangements summarised in Section 13.2.

Amendment of MaxSec's constitution

FFT intends to amend the constitution of MaxSec to reflect its status as a wholly-owned subsidiary of FFT.

ASX listing

After conclusion of the compulsory acquisition process, FFT intends to procure that MaxSec be removed from the official list of ASX.

Directors

FFT intends to replace members of the MaxSec Board and of the board of any company on which MaxSec has nominee directors with FFT nominee directors and retain directors who already serve on the FFT board.

FFT's present intention is to appoint Mr Terence Winters, Dr Frederick Davis and Mr Mark Stevens to the MaxSec Board. Profiles for each of the proposed directors are set out in Section 4.2.

Operations

FFT will perform a detailed review of MaxSec's operations post merger to determine the best approach to managing the operations of MaxSec and maximising their long term value. FFT's current intention is to continue operations of both BQT and AVA and to explore opportunities that are available to the Merged Entity to accelerate sales growth in a profitable manner.

Employees

With the benefit of a detailed review post merger, FFT will consider the best allocation of MaxSec employees to continuing and new roles. The review of MaxSec operations may result in redundancies or additional staff recruitment.

FFT's current intention is to continue the employment of the majority of MaxSec present employees.

If any employees are made redundant, they will receive their full entitlements at law.

8.3 Intentions upon acquisition of between 50 percent and 90 percent of MaxSec Shares

This section sets out FFT's current intentions if, by virtue of acceptance of the Offer, it was to gain effective control of MaxSec but was not entitled to proceed to compulsory acquisition of the outstanding MaxSec Shares.

Compulsory acquisition

If FFT does not become entitled to compulsorily acquire MaxSec Shares under section 661B Corporations Act, it may nevertheless become entitled to exercise the general compulsory acquisition power under part 6A.2 Corporations Act in the future. FFT intends to exercise that power over the MaxSec Shares if it becomes entitled to do so.

ASX listing

ASX guidance indicates that ASX would likely approve an application for MaxSec to be removed from the official list of ASX without the need for shareholder approval if an application is made within a month of the end of the Offer period if:

- (a) at the end of the Offer, FFT owns or controls at least 75% of the MaxSec Shares and the Offer remained open for at least two weeks after FFT attained ownership or control of at least 75% of the MaxSec Shares; and
- (b) the number of MaxSec Shareholders (other than FFT) having holdings with a value of at least \$500 is fewer than 150.

In addition, ASX guidance indicates that ASX would likely approve an application for MaxSec to be removed from the official list of ASX with shareholder approval, and where such removal is sought later than 12 months after the close of the Offer, FFT would be entitled to vote on the resolution approving the removal. FFT intends to apply to ASX for MaxSec to be removed from the official list of the ASX if it is able to make such an application to the ASX and it is approved.

Directors

Depending on the level of ownership achieved, it is FFT's intention to replace some or all of the members of the MaxSec Board (and the board of any company on which MaxSec has nominee directors) with FFT nominee directors. FFT would ensure that there remains strong independent board representation in those circumstances.

Intentions generally (including about matters at Section 8.2 above)

If, following the close of the Offer, MaxSec becomes a controlled entity but not a wholly owned subsidiary of FFT, it is the present intention of FFT to procure that the new MaxSec Board implements the objectives and goals outlined in Section 8.2 to the extent possible and appropriate.

Limitations on intentions

To the extent that MaxSec is not a wholly owned subsidiary of FFT and there are minority shareholders of MaxSec, FFT intends to ensure that the FFT nominees appointed to the board of MaxSec will act at all times in accordance with their fiduciary duties and that all requisite shareholder approvals and other legal requirements are complied with in pursuing any of the intentions outlined above.

The requirement to have regard to those fiduciary duties in the context of a partly owned company and the possible requirements of minority shareholder approval may prevent the particular objective being achieved.

8.4 Intentions upon acquisition of less than 50 percent of MaxSec Shares

FFT will endeavour to implement its intentions as it has outlined in Section 8.3 to the extent to which it is able to do so, subject to the limitations identified in Section 8.3.

8.5 Intentions generally

Except for the changes and intentions set out in this Section 8, FFT intends, based on the information presently known to it:

- (a) to continue the business of MaxSec;
- (b) not to make any major changes to the business of MaxSec or the deployment of MaxSec assets; and
- (c) to continue the employment of the majority of MaxSec employees.

To the extent that FFT does not obtain at least 90% of MaxSec Shares, it reserves its rights to potentially conduct a further takeover bid for the remaining MaxSec Shares at a future date.

9 Risks

Before deciding whether to accept the Offer, you should read this entire Bidder's Statement carefully.

MaxSec Shareholders will receive FFT Shares as consideration under the Offer. The value of FFT Shares will depend on the future performance of FFT and the market price of FFT Shares from time to time. The future performance of FFT may be influenced by factors associated with investing in both the technology hardware and equipment industry and listed securities generally which are beyond the control of FFT.

MaxSec Shareholders should be aware of the following key risks that may affect the performance of the Merged Group and the value of FFT Shares issued as the Offer Consideration.

9.1 Specific business risks associated with FFT

Set out below are examples of risks associated with FFT. In determining these risks, the Directors have concentrated on risks attaching specifically to an investment in FFT as compared to risks of the technology hardware and equipment industry and MaxSec, to which MaxSec Shareholders are already exposed.

Funding risk

Whilst FFT does not currently expect to need additional funding to undertake its operating plan there can be no guarantee that FFT will not need to source additional funding or that FFT is able to source funding on commercially-acceptable terms.

Debt covenants

FFT, at the date of this Bidder's Statement, has an unused debt facility which is subject to a number of covenants including a tangible net worth test and capital ratio. In the event of unforeseen fluctuations in asset values, FFT may be in breach of its loan covenants and would not be able to draw funds under the facility.

Relationships with key customers and suppliers

Although FFT has a diverse customer base, there may be a material adverse effect on FFT's financial position and performance if a number of high value customers experience difficulties or do not perform to expectations, or if their contracts were terminated or these relationships did not continue.

FFT's business is dependent on the continuation of a number of agreements. As with any contractual arrangement, parties to those arrangements may default in the performance of their obligations, become insolvent or seek to amend the terms of the arrangements without the consent of FFT, or necessary regulatory approvals may be withdrawn or not issued.

To retain flexibility and maximise supplier price competition, FFT does not have fixed supply agreements for many of the components and services that it uses. FFT instead relies on its commercial relationships with certain suppliers and the diverse supply options for ongoing supply. The Directors have no reason to believe that these relationships will break down. However, if the relationships do not continue, there may be a material adverse effect on FFT's financial position and performance.

Management of future growth

FFT aims to increase the number of its employees and offices and the scope of its supporting infrastructure. This growth is likely to result in new and increased responsibilities for management and could place a significant strain on FFT's management.

FFT will be required to continue to implement and improve its systems in a timely manner in order to accommodate the increased number of transactions and customers and the increased size of its operations. A failure to do so may adversely affect FFT's revenue and profitability. Failure to expand into the pipeline and data network markets as planned could also impact FFT's future growth.

Shortage of personnel

The success and growth strategy of FFT depends in part upon its ability to attract and retain appropriate management and sales, technological and operating personnel. There is a risk that FFT will not be able, or has not budgeted sufficient amounts, to attract and retain appropriate staff to meet its future requirements.

Regulatory changes

Changes in laws, regulations or industry or government bodies' policies and practices (or the interpretation or application of those laws, regulations or policies) may have a material adverse effect on FFT's financial position or performance.

Competition

There are other companies that sell security intrusion detection solutions for perimeters, pipeline and networks applications, some based on fibre-optics and some based on different technologies. There are other large organisations that provide complex security solutions that have developed in-house perimeter intrusion detection solutions. The convergence of IT and security has, and is expected to continue to rapidly evolve, with new entrants and large players releasing new offerings in specific areas, that are adjacent to, or may influence End User's adoption of technology solutions.

FFT expects to face competition from such organisations, some of which will have greater financial, technical and marketing resources. Increased competition could result in margin reductions, underutilisation of employees, reduced operating margins and loss of market share. Any of these occurrences could materially adversely affect FFT's business, operating results and financial condition.

While FFT is aware of companies offering perimeter intrusion detection solutions, there is little public information available about potential competitors in the emerging pipeline and data network markets.

Although the Directors believe FFT has priced its products competitively, there can be no assurance that existing or new competitors will not duplicate FFT's strategy.

Export licence

FFT has a Defence Export Controls Outreach program (DECO) export licence. If that licence was terminated it would severely restrict the ability of FFT to operate. The Directors have no reason to believe that the licence will be revoked or have conditions attached to it that would be capable of impacting adversely on the operations of FFT.

Termination of material contracts

There are a number of existing contracts which are material to FFT's business. Further contracts will likely be entered into by FFT which will also be material to FFT's business.

Many of these contracts are, or will be, governed by laws other than laws of Australia. There may be difficulties in enforcing contracts in jurisdictions other than Australia. Apart from the usual uncertainties and costs of litigation, there may be regulatory or practical considerations which frustrate the enforceability, or enforcement, of such contracts against foreign or foreign-owned counterparties. These matters may have a significant adverse effect on FFT's ability to enforce its contracts and may have a significant adverse effect more generally on FFT's business and profitability.

Apart from that, FFT is exposed to the potential of third party insolvency. If a third party with whom FFT has dealings becomes insolvent, this may also have a significant adverse effect on FFT and on its business and profitability. It should be noted that foreign insolvency laws are not necessarily similar to Australian insolvency laws.

Cancellation or delay of an infrastructure project

FFT's products are often specified by System Integrators as part of a tender in large construction or installation projects. The cancellation or delay of a project where FFT has been specified as the security system provider could have adverse implications on FFT's expected revenue. This risk is mitigated by the fact that the cancellation of a project would free up financial resources necessary to pursue other sales opportunities for other projects.

Product liability

FFT's contracts with its clients generally contain provisions drafted to limit FFT's exposure to product liability claims. However, it is possible that the limitation of liability provisions may not be effective in certain jurisdictions. Hence there can be no assurance that FFT will not be subject to such claims.

Intellectual property risk

FFT has patents and trademarks protecting some of its intellectual property. Know-how contained in confidential documentation and software source code associated with FFT intellectual property may be appropriated by a third party to the detriment of FFT. There are risks associated with theft or misuse of the source codes which could materially impact on FFT's business.

FFT's confidential engineering documentation and proprietary source codes used in the FFT products are protected by restricted access of internal networks and hard copy documentation. External access to electronic documentation and source code is restricted by controlled passwords and firewalls. All network data is protected from loss by secure backup processes and remote secure storage.

Exchange rates

FFT operates internationally and in several currencies. Accordingly, fluctuations in prevailing exchange rates affect FFT's profitability and financial position. Currently, most of FFT's revenues are in US dollars and the majority of its costs are in Australian dollars. However, the mix of currencies in which FFT pays its costs and earns its revenues is changing over time. As that mix changes, there may be a greater impact on profitability in Australian dollar terms.

FFT's financial statements are prepared and presented in Australian dollars, and any appreciation in the Australian dollar against other currencies in which FFT transacts may adversely impact its financial performance and position.

Global nature

FFT has supplied products to End Users in, and provides products and services to companies in multiple jurisdictions across the world. FFT primarily sells through System Integrators, while also providing its own commissioning services into many of these jurisdictions. Changes in local policies, regulations and legislations can affect FFT in ways that are hard to predict.

Government policies and procedures regulating security solutions approvals and certification may change over time resulting in local laws and practices that are time consuming and resource-intensive to comply with, or which are unclear. Required approvals may be difficult to obtain. Some of the jurisdictions in which FFT operates in the future may experience sudden civil unrest or major political change.

FFT's operations may be adversely affected by the risks associated with operating in such jurisdictions, which may impact on its ability to grow the business in overseas markets.

As a supplier of security solutions that are subject to oversight and approval by the Australian Government's Department of Defence's Defence Export Controls, FFT can be restricted in the countries and companies that it can sell to, and these restrictions may vary with time and impact FFT's market access.

More generally, FFT will have to adapt to local business and contract customs in jurisdictions where it currently operates and where it plans to operate. This may result in FFT operating on less profitable terms than it has operated on historically, or ceasing to operate in such jurisdictions, which may adversely affect FFT's results or operations.

Supply chain risk

FFT sources a number of key technology components such as laser and optical devices, and some complete products that make up its total solution. These devices are manufactured by third parties, which also manufacture devices for other companies (including on-sellers and distributors, who may also sell those products) through their own direct channels. These devices contain electronic components that are used in other devices manufactured for other businesses that have more purchasing power than FFT.

The global supply of these components has limitations and demand for these components is growing. If other companies were to order more of these components than can be manufactured in a timely fashion then this may disrupt or delay device orders made by FFT. FFT may not be able to satisfy requests by End Users or System Integrators for more devices.

This would likely have a material adverse effect on FFT's ability to generate revenue. If disruptions were prolonged, they could have a material adverse effect on FFT's ability to continue to grow its business.

Litigation and Disputes

Legal and other disputes (including industrial disputes) may arise from time to time in the ordinary course of operations. There is a risk that material or costly disputes or litigation could impact on the financial performance and the value of FFT.

9.2 General risks

Changes in Accounting Policy

FFT must report and prepare financial statements in accordance with prevailing accounting standards and policies. There may be changes in these accounting standards and policies in the future which may have an adverse impact on FFT's reported financial performance and financial position.

Economic conditions

The price at which FFT Shares trade on ASX may be determined by a range of factors including movements in local and international equity and bond markets, general investor sentiment in those markets, inflation, interest rates, general economic conditions and outlooks and changes in the supply of, and demand for, technology hardware and equipment industry securities.

Share market conditions

The market for FFT Shares may also be affected by a wide variety of events and factors including variations in FFT's operating results, recommendations by securities analysts, and the operating and trading price performance of other listed technology hardware and equipment industry entities that investors consider to be comparable to FFT. Some of these factors could affect FFT's share price regardless of FFT's underlying operating performance.

Currency Risk

FFT securityholders who reside outside of Australia, or who rely on funding denominated in a currency other than the Australian dollar, should be aware of the impact that fluctuations in exchange rates may have on the value of their investments in, and returns from, FFT.

Forward looking statements

Certain information in this Bidder's Statement constitutes forward looking information that is subject to risks and uncertainties and a number of assumptions, which may cause the actual expenditure and achievement of milestones and other outcomes of the combined group to be different from the expectations expressed or implied in this Bidder's Statement.

9.3 Specific business risks associated with the Merged Group

Implementation risks

The respective boards of FFT and MaxSec have assumed a successful integration of FFT and MaxSec. Integration risks include possible differences in management culture, failure to achieve expected synergies and savings and loss of key personnel. There is no guarantee that integration will be successful, or that it will be achieved within the expected time frame and cost. Inability to effectively manage integration may adversely affect the performance of the Merged Group and its future prospects.

Diversification

As holders of FFT Shares following implementation of the Offer, MaxSec Shareholders will be exposed to a more diversified organisation than MaxSec. That diversification may continue in the future. A more diverse business may mean MaxSec Shareholders are exposed to a more diverse range of risks.

FFT Shares

Under the Offer, MaxSec Shareholders are issued with FFT Shares in consideration for the transfer of MaxSec Shares. The share price performance of a listed company, such as FFT, is subject to general fluctuations in the share market. These fluctuations can result from a wide variety of factors, some of which are beyond the control of FFT, such as:

- (a) general economic conditions, including changes in inflation rates, interest rates and exchange rates;
- (b) variations in the domestic and international markets for listed stocks;
- (c) changes to government policy, legislation or regulation; and

- (d) inclusion or removal from market indices.

In particular, the share prices for many companies may reflect a diverse range of issues which are not specific to the company concerned, such as acts of terrorism and the general state of the economy. These market fluctuations may adversely affect the price of the FFT Shares. An investment in FFT Shares therefore carries risks that the share price may fall and no guarantee can be made about the declaration of any dividends or returns of capital.

Market for shares in FFT

There can be no guarantee that a liquid market in FFT Shares will exist after implementation of the Offer. There may be relatively few, or many, potential buyers or sellers of FFT Shares on ASX at any given time. This may affect the prevailing market price at which Shareholders are able to sell their shares.

9.4 Offer specific risks

Conditions of the Offer

As described in Schedule 2 of the Bidder's Statement, the Offer is subject to a number of conditions.

Subject to any statutory withdrawal rights that may be available, MaxSec Shareholders who accept the Offer whilst it still remains conditional will no longer be able to trade their MaxSec Shares on the ASX or withdraw their acceptance of the Offer. MaxSec Shareholders should be aware that the market price of MaxSec Shares may exceed the implied price under the Offer during the Offer Period.

For those MaxSec Shareholders who accept the Offer and the conditions remain unsatisfied at the end of the Offer Period, and are not otherwise waived by FFT, there is no obligation on FFT to issue FFT Shares to you as consideration for your MaxSec Shares. In those circumstances, any acceptances of the Offer will be void and you would then be free to deal with your MaxSec Shares.

Limited withdrawal rights

MaxSec Shareholders may only withdraw their acceptance of the Offer in limited circumstances. Otherwise, MaxSec Shareholders will be unable to withdraw their acceptances, even if the value of the FFT Shares to be issued to MaxSec Shareholders as consideration varies from the date of their acceptance.

Issue of FFT Shares as the Offer consideration

MaxSec Shareholders are being offered consideration under the Offer that comprises a specified number of FFT Shares, rather than a number of FFT Shares with a specified market value. As a result, the value of the consideration will fluctuate depending upon the market value of the FFT Shares. Furthermore, if current FFT Shareholders or current MaxSec Shareholders who accept the Offer do not wish to hold shares in the Merged Group and seek to sell their shares, this may have a material adverse effect on the Merged Group and the market price of FFT Shares.

Accordingly, the market value of the FFT Shares at the time you receive them may vary significantly from their market value on the date of your acceptance of the Offer. This may result in the value of the consideration to MaxSec Shareholders increasing as well as decreasing.

Less than 100 percent ownership

It is possible that FFT may not acquire all MaxSec Shares under the Offer. The impact upon FFT of acquiring less than 100 percent will depend upon the final level of ownership acquired. However, the existence of minority shareholders in MaxSec could have an impact on FFT's intentions regarding MaxSec (refer to Sections 8.2 to 8.5).

Assumed financial information for MaxSec

There is a risk that the publicly available financial information provided by MaxSec and utilised by FFT in formulating the Offer and preparing this Bidder's Statement is not materially correct.

Taxation risks

FFT cannot give advice on the tax consequences of the Offer, which will depend on the specific circumstances of each MaxSec Shareholder.

A criteria for the availability of CGT rollover relief is that FFT increases its holding of MaxSec Shares to at least 80 percent as a result of the Offer. There is a risk that FFT will not receive sufficient acceptances under the Offer to meet this criterion and, in these circumstances, CGT rollover relief will not be available to MaxSec Shareholders.

FFT will notify all MaxSec Shareholders if it receives sufficient acceptances to satisfy this requirement.

Reporting risks

FFT has assumed that MaxSec has met all of its reporting obligations and that disclosures made by it are true in all material respects and are not misleading in any material respects.

Dilution risks

As the consideration payable for the Offer consists partly of FFT Shares, the interests of existing FFT Shareholders (which may include MaxSec Shareholders following completion of the Offer) will be diluted to some degree.

10 Sources of Offer Consideration

10.1 Offer Consideration

The consideration for the acquisition of MaxSec Shares under the Offer is to be satisfied by the issue of FFT Shares. The Offer Consideration is 1 FFT Share for every 4 MaxSec Shares.

The relative amount of FFT Shares to be issued will depend on the number of MaxSec Shares that FFT acquires under the Offer.

The calculations in this section on the maximum consideration to be paid by FFT assume that, as a result of the Offer, FFT acquires all MaxSec Shares on issue at the date of this Bidder's Statement.

10.2 Maximum number of FFT Shares

The maximum number of FFT Shares which are required to be issued under the Offer if acceptances are received for all the MaxSec Shares on issue at the date of this Bidder's Statement is approximately 102,627,732 (excluding rounding adjustments).

While not anticipated, if all MaxSec Option holders convert their MaxSec Options into MaxSec Shares before the end of the Offer Period and accept the Offer, an additional 5,300,000 FFT Shares would be required to be issued (excluding rounding adjustments).

FFT Shares issued under the Offer are exempt from ASX Listing Rule 7.1 (which prohibits issues exceeding 15 percent of a company's share capital in any 12 month period). Accordingly, FFT has the capacity to issue the maximum number of FFT Shares that may be required under the Offer.

11 Tax considerations

11.1 Introduction

The following is a summary of the potential Australian income tax and capital gains tax (**CGT**) consequences generally applicable to MaxSec Shareholders who dispose of MaxSec Shares under the Offer. This summary is based on the law and practice in effect on the date of this Bidder's Statement.

The following summary is not intended to be an authoritative or complete statement of the tax law applicable to the specific circumstances of every MaxSec Shareholder. In particular this summary is only applicable to MaxSec Shareholders that are Australian residents for income tax purposes and hold their MaxSec Shares on capital account for investment purposes and only considers the Australian tax position.

This summary does not apply to MaxSec Shareholders:

- who hold their MaxSec Shares as trading stock or as revenue assets;
- who acquired their MaxSec Shares as part of an employee share scheme operated by MaxSec;
- that may be subject to special tax rules, such as financial institutions, insurance companies, partnerships (except where expressly stated), tax exempt organisations, trusts (except where expressly stated), superannuation funds (except where expressly stated) or temporary residents; or
- who are subject to the taxation of financial arrangements rules in relation to gains and losses on their MaxSec shares.

All MaxSec Shareholders are advised to seek independent professional advice about their particular circumstances and non-resident MaxSec Shareholders should seek their own advice on the Australian and foreign taxation consequences of any sale of their MaxSec Shares.

11.2 CGT consequences on the disposal of MaxSec Shares

A MaxSec Shareholder that accepts the Offer and whose MaxSec Shares are subsequently transferred to FFT, is taken to have disposed of their MaxSec Shares for Australian CGT purposes. Shareholders make a capital gain equal on disposal of their MaxSec Shares to the extent that the market value of the Offer consideration exceeds the tax cost base of the MaxSec Shareholders' MaxSec Shares (subject to the availability of the CGT discount (see below) and any losses available to be offset against the capital gain).

The capital proceeds received for the disposal of the MaxSec Shares should be calculated by reference to the market value of FFT Shares that each MaxSec Shareholder will receive.

The sum of all capital gains incurred by a MaxSec Shareholder in the year in which the transaction occurs, reduced by any capital loss incurred during that year, or carried forward from prior years (known as the net capital gain), should be included in the assessable income of the MaxSec Shareholder.

Alternatively, a MaxSec Shareholder will make a capital loss on the transfer of their shares to FFT, equal to the amount by which the reduced cost base of their MaxSec Shares is more than the capital proceeds (i.e. value of shares in FFT) they receive under the Offer. A capital loss may be used to offset a capital gain made in the same income year or be carried forward to offset a capital gain made in a future income year (subject to the satisfaction of certain loss recoupment tests which apply if the MaxSec Shareholder is a company or trust).

Cost base of MaxSec Shares generally

Generally, the cost base of MaxSec Shares should be equal to the amount paid to acquire the MaxSec Shares. Other incidental costs incurred by a MaxSec Shareholder in respect of their acquisition or ownership of MaxSec Shares (such as brokerage and un-deducted borrowing costs) may also be included in the cost base of the MaxSec Shares they own.

11.3 CGT rollover

Where FFT acquires 80% of the Shares in MaxSec, a MaxSec Shareholder may be eligible to choose for scrip for scrip CGT rollover relief in respect of the disposal of MaxSec Shares, so that any CGT payable on the disposal of their MaxSec Shares is deferred.

If a MaxSec Shareholder elects for CGT rollover relief to apply, any capital gain that they would otherwise make on the disposal of their MaxSec Shares will be disregarded, as the only consideration that MaxSec Shareholders will receive in respect of their MaxSec Shares are replacement shares in FFT.

The benefit of choosing scrip for scrip rollover relief will depend on the individual circumstances of each MaxSec Shareholder and therefore MaxSec Shareholders should discuss this with their tax advisers.

Where rollover relief is chosen, the tax cost base of the FFT Shares received by the MaxSec Shareholders should equal the tax cost base of the MaxSec Shares disposed of. This tax cost base will be allocated on a proportionate basis across the FFT Shares received. This cost base will be relevant in determining any future CGT liability on the subsequent disposal of the FFT Shares.

For the purposes of determining whether the CGT discount applies on any subsequent disposal of the FFT Shares, the date on which the MaxSec Shareholders will be deemed to have acquired the FFT Shares will be the day they acquired their original MaxSec Shares.

Generally, where MaxSec Shareholders prepare their income tax return on the basis that scrip for scrip rollover has been applied, this will be sufficient evidence of making the choice to obtain rollover relief.

In certain circumstances, it may be necessary for FFT to make a joint election with MaxSec Shareholders in order for CGT rollover relief to apply. To the extent a joint election is necessary for rollover relief to apply then, at the request of the MaxSec Shareholder and provided the MaxSec Shareholder has informed FFT in writing of the cost base of their MaxSec Shares, FFT may make the joint election. FFT confirms that it will not make any choice or election under the CGT rollover provisions that would prevent MaxSec Shareholders from obtaining CGT rollover relief where available.

However, if the FFT Offer becomes unconditional and FFT does not increase its holding to at least 80 percent of the MaxSec Shares on issue as a result of the Offer, CGT rollover relief will not be available for any MaxSec Shareholders.

11.4 CGT discount

Any MaxSec Shareholder who is an individual, the trustee of a trust or a complying superannuation entity that does not choose CGT rollover relief may be entitled to a 'CGT discount' in calculating the net capital gain to be included in their assessable income.

MaxSec Shareholders will be eligible for CGT discount provided that:

- (a) the MaxSec Shares were acquired at least 12 months before disposal to FFT;
- (b) the MaxSec Shareholder did not choose to index the cost base of their MaxSec Shares;
and

- (c) the CGT discount is applied to the capital gain after any available capital losses are first applied to reduce the capital gain.

The CGT discount allows a MaxSec Shareholder who is an individual or the trustee of a trust to discount the capital gain by 50 percent, including only the remaining 50 percent of the capital gain in the taxable income of that individual or trust.

A MaxSec Shareholder that is a complying superannuation entity may discount the capital gain by 33 $\frac{1}{3}$ percent and include 66 $\frac{2}{3}$ percent of the capital gain in the taxable income of that complying superannuation entity.

The CGT discount is not available to a MaxSec Shareholder that is a company.

11.5 Stamp duty

Neither the sale of MaxSec Shares, nor the issue of FFT Shares should give rise to any stamp duty liability for existing MaxSec Shareholders.

11.6 Goods and Services Tax (GST)

The sale of MaxSec Shares by existing shareholders as contemplated will not attract GST. Similarly, no GST will be payable on the acquisition of FFT Shares.

Where shareholders are registered or required to be registered for GST, any GST incurred on expenses that relate to the sale of existing shares or acquisition of new shares may not be recoverable if the individual shareholder exceeds the financial acquisitions threshold as set out in the relevant GST legislation. However, a reduced input tax credit equal to 75% of the GST incurred may still be available if the acquisition constitutes a reduced credit acquisition.

Where MaxSec Shareholders are not registered, or required to be registered for GST, no GST implications should arise in relation to the Offer.

11.7 Obtain your own taxation advice

Do not rely on the comments or the statements contained in this Bidder's Statement as advice about your own affairs. The taxation laws are complex and there could be implications in addition to those generally described in this Bidder's Statement.

Accordingly, consult your own tax advisers for advice applicable to your individual needs and circumstances. To the extent permitted by law, FFT does not accept any responsibility for tax implications for individual MaxSec Shareholders.

FFT is not a registered tax agent under the *Tax Agent Services Act 2009* (Cth) and cannot provide tax advice to specific MaxSec Shareholders. MaxSec Shareholders should obtain tax advice from a registered tax agent on the consequences of accepting the Offer.

12 Important documents

12.1 Bid Implementation Agreement

On 24 August 2017, FFT and MaxSec entered into a Bid Implementation Agreement for the proposed takeover bid by FFT for all the MaxSec Shares.

The terms of the Bid Implementation Agreement include:

- (a) MaxSec Independent Directors recommend that MaxSec Shareholders accept the Offer, unless there is a Superior Proposal;
- (b) until the end of the Offer Period, MaxSec must comply with the no shop, no due diligence, no talk and no termination conditions; and
- (c) a mutual break fee is payable in certain circumstances in amount of 1% of the market value of MaxSec*.

Break fee

MaxSec has agreed to pay FFT a break fee of 1% of the market value of MaxSec*, if:

- (a) at any time during the Offer Period:
 - (i) any director of MaxSec makes any public statement to the effect that he or she does not support (or no longer supports) the takeover bid; or
 - (ii) any Independent director fails to recommend the Offer or, having done so, publicly withdraws or varies his or her favourable recommendation of the Offer (or any part of it);
 - (iii) any MaxSec Director publicly recommends, promotes or otherwise endorses a Competing Proposal;
 - (iv) a Superior Proposal is announced or is open for acceptance;
 - (v) any person other than FFT (or its Associates) acquires a Relevant Interest in more than 20% of the MaxSec Shares; or
- (b) MaxSec breaches a term of the Bid Implementation Agreement and that breach results in a valid termination of the Bid Implementation Agreement.

FFT has agreed to pay MaxSec a break fee of 1% of the market value* of MaxSec if the takeover bid has not occurred on or before the End Date as a direct result of the failure by FFT to perform or satisfy any of its material obligations under the Bid Implementation Agreement.

Exclusivity and other limitations

MaxSec has agreed not to:

- (a) take any action which may lead to a Competing Proposal (no shop condition); or
- (b) negotiate or enter into discussions about a Competing Proposal or respond to a Competing Proposal (no talk condition).

* Based on the Offer Consideration using the closing price of FFT's Shares of 24 August 2017 being the trading day immediately before the Announcement Date.

MaxSec can enter into discussions or negotiations in response to any unsolicited proposal, if MaxSec's financial adviser reasonably considers it could lead to a Superior Proposal and MaxSec's legal adviser considers that failing to respond to the proposal would be contrary to the fiduciary duties of the MaxSec Directors.

12.2 Deed of variation to Bid Implementation Agreement

On 16 October 2017, FFT and MaxSec entered into a deed of variation of the Bid Implementation Agreement to:

- (a) change the minimum acceptance threshold from 90% to 80%;
- (b) update the indicative timetable for the takeover bid; and
- (c) clarify that the Independent Directors are the MaxSec Directors recommending that MaxSec Shareholders accept the Offer, unless there is a Superior Proposal.

13 Additional information

13.1 FFT is a disclosing entity

As FFT is offering FFT Shares as consideration for the acquisition of MaxSec Shares, the Corporations Act requires that this Bidder's Statement includes all information that would be required for a prospectus for an offer of FFT Shares under sections 710 to 713 Corporations Act. FFT does not need to issue a separate prospectus for the offer of the FFT Shares as the offer occurs under a takeover bid.

FFT is a disclosing entity (as defined in section 111AC of the Corporations Act) for the purposes of section 713 Corporations Act that is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, FFT is required to continuously disclose to the market any information it has which a reasonable person would expect to have a material effect on the price or the value of FFT's securities.

FFT Shares have been quoted on ASX during the 12 months before the date of this Bidder's Statement. For this reason, FFT is only required to disclose information in this Bidder's Statement that would usually be required where its shares have been continuously quoted securities.

In general terms, where FFT's shares are continuously quoted securities the prospectus is only required to contain information on the effect of the Offer on FFT and the rights and liabilities attaching to the FFT Shares. It is not necessary to include general information on all of the assets and liabilities, financial position and performance, profits and losses or prospects of the issuing company unless that information has been excluded from a continuous disclosure notice in accordance with the Listing Rules and it is information that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of those matters and the rights and liabilities attaching to the FFT Shares.

Information that is already in the public domain is not reported in this Bidder's Statement other than that which is considered necessary to make this Bidder's Statement complete. FFT, as a disclosing entity under the Corporations Act, states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with ASIC by FFT (not being documents referred to in section 1274(2)(a) Corporations Act) may be obtained from, or inspected at, an ASIC office; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request during the Offer Period:
 - (i) the financial statements of FFT for the 12 months ended 30 June 2017 (being the annual financial report most recently lodged by FFT with ASIC);
 - (ii) the half-year financial report lodged for the six months ended 31 December 2016 lodged with ASIC by FFT; and
 - (iii) all continuous disclosure notices given by FFT after the lodgement of that annual financial report with ASIC and before the lodgement of this Bidder's Statement with ASIC.

If you would like to receive a copy of any of these documents or publications, please contact FFT's bid information line weekdays between 9.00am and 5.00pm on 1300 737 760 (Australia only) or +61 2 9290 9600 (outside Australia).

Copies of all documents lodged with ASIC in relation to FFT can be inspected at the registered office of FFT during normal office hours. A list of announcements made by FFT on ASX between 1 July 2017 and the date of this Bidder's Statement as it appears in Schedule 3.

Other than information contained in this Bidder's Statement, there is no information which has been excluded from a continuous disclosure notice in accordance with the Listing Rules and is information that a MaxSec Shareholder or a professional adviser to a MaxSec Shareholder would reasonably require for the purposes of making an informed assessment of:

- (a) the assets and liabilities, financial position and performance, profits and losses and prospects of FFT; or
- (b) the rights and liabilities attaching to the FFT Shares.

None of the information referred to in this Section 13.1 is incorporated by reference into this Bidder's Statement or is included with this Bidder's Statement.

13.2 Capital structure of FFT

Current

The total number of FFT Shares on issue is 124,028,440 listed shares.

FFT has granted 8,810,000 options over unissued shares in FFT on the following terms:

Tranche	Number of options	Exercise Price	Expiry Date
1	1,200,000	\$0.23	18 July 2019
2	1,500,000	\$0.23	15 March 2020
3	2,110,000	\$0.35	15 March 2018
4	3,400,000	\$0.875	11 May 2018
5	600,000	\$0.23	28 April 2020

Future events

FFT has agreed to award 200,000 unlisted options to Christopher Fergus with an exercise price of \$0.21 and an expiry date of 3 years from grant date, being a date on which shareholder approval is obtained at a general meeting of shareholders. The issue is yet to be approved at a meeting of shareholders.

The effect of this Offer on FFT's capital structure is set out in Section 7.

Options

It is proposed that a total of 21,200,000 MaxSec Options on issue (which comprises all of the MaxSec Options currently on issue) will be cancelled in exchange for being issued options in FFT (**FFT Options**) on the following terms:

- (a) the FFT Options will be issued with no issue price;
- (b) the FFT Options will be fully vested at grant date;
- (c) the FFT Options will have the same expiry date as the corresponding MaxSec Options;
- (d) the optionholders will receive one FFT Option for every four MaxSec Options; and
- (e) the FFT Options will have an equivalent exercise price (after taking into account the difference between the value of the FFT Shares and the MaxSec Shares).

FFT and MaxSec will enter into tripartite option exchange agreements (**Option Exchange Agreements**) with the relevant optionholders in due course to formalise these arrangements. The Option Exchange Agreements are subject to the Offer being declared unconditional.

One of the MaxSec optionholders is Mr Robert Broomfield, who is a common director of both MaxSec and FFT. The Option Exchange Agreement sought to be entered into with Mr Broomfield provides that the issue of FFT Options to him will be subject to FFT obtaining shareholder approval to do so. If shareholders of FFT do not approve the issue, all MaxSec Options held by Mr Broomfield will be cancelled in exchange for a cash payment by FFT of \$0.01 per MaxSec Option held by Mr Broomfield.

MaxSec has made an application to ASX for a waiver from Listing Rule 6.23.2 for the purposes of the MaxSec Options. Absent the waiver sought, Listing Rule 6.23.2 requires Shareholders approval to be obtained for the cancellation of MaxSec Options for consideration. The waiver sought is consistent with ASX Guidance Note 17 in relation to a standard waiver to permit a listed entity to cancel unquoted options for consideration without the approval of the holders of ordinary securities, where the cancellation is pursuant to a takeover bid. ASX granted the waiver on 10 October 2017 subject to the following conditions:

- (a) the Offer being declared unconditional by FFT in compliance with the Corporations Act;
- (b) full details of the cancellation of MaxSec Options being included in the Bidder's Statement and Target's Statement; and
- (c) FFT acquiring voting power in MaxSec of at least 50.1%.

13.3 Rights and liabilities attaching to FFT Shares

The rights and liabilities attaching to ownership of the FFT Shares arise from a combination of FFT's constitution, statute, the Listing Rules and general law.

A summary of the significant rights and liabilities attaching to FFT's Shares is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of FFT Shareholders.

Voting at a general meeting

Subject to any shares which may in the future be issued with special or preferential rights, every member present in person at a general meeting of FFT or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each fully paid FFT Share held. On a poll, partly paid shares confer a fraction of a vote in proportion to the amount paid up on the share.

Meeting of members

Each FFT Shareholder is entitled to receive notice of, attend and vote at meetings of FFT and to receive all notices, accounts and other documents required to be sent to FFT Shareholders under FFT's constitution, the Corporations Act and the Listing Rules.

Dividends

The Directors may authorise the payment to members of dividends as and when permitted by the Corporations Act. Dividends are payable on all FFT Shares in proportion to the amount of the total issue price paid or credited as paid for the FFT Shares. This is subject to any special or preferential rights attached to any class of shares created after the issue of the FFT Shares. If a fully paid share is on issue for part only of the period in respect of which a dividend is payable, the dividend for that share will be apportioned and paid according to the proportion that the part of that period for which the share is on issue and is fully paid is of the total period for which the dividend is payable.

Transfer of FFT Shares

FFT Shares may be transferred by a proper transfer effected under the ASX Settlement Operating Rules, or by a written instrument of transfer in any usual form or in any other form approved by the Directors.

The Directors may only decline to register a transfer of FFT Shares (other than a proper transfer under the ASX Settlement Operating Rules) where permitted or required to do so under the Listing Rules. If the Directors refuse to register a transfer, FFT must, within five Business Days after the transfer is lodged with FFT, give the party lodging the transfer written notice of the refusal and the reason for refusal. The Directors must decline to register a transfer of FFT Shares when required by the Corporations Act or the Listing Rules.

Issue of further FFT Shares

The Directors may allot, issue, grant options in respect of, or otherwise dispose of, further shares in FFT on terms as they see fit. However, the Directors must act in accordance with the restrictions imposed by FFT's constitution, the Corporations Act, the Listing Rules and any rights for the time being attached to the shares in any special class of those shares.

Winding-up

If FFT is wound up, then, subject to any special rights attaching to any class of shares, FFT Shareholders will be entitled to participate in any surplus assets of FFT in proportion to the amount paid up (or which ought to have been paid up) on their FFT Shares when the winding-up begins.

Share buy-back

Subject to the provisions of the Corporations Act and the Listing Rules, FFT may buy back FFT Shares on terms and at times determined by the Directors.

Variation of class rights

Unless otherwise provided by FFT's constitution or by the terms of issue of a class of shares, the rights attaching to any class of shares may be varied or abrogated:

- (a) with the consent in writing of the holders of three-quarters of the issued shares included in that class; or
- (b) with the sanction of a special resolution passed at a separate meeting of the holders of those shares.

In either case, the holders of not less than ten percent of the votes in the class of shares, the rights of which have been varied or abrogated, may apply to a court of competent jurisdiction to exercise its discretion to set aside that variation or abrogation.

Dividend reinvestment plan and bonus share plan

FFT's constitution authorises the Directors to establish and maintain dividend reinvestment plans (whereby any member may elect that dividends payable by FFT be reinvested by way of subscription for shares in FFT) and bonus share plans (whereby any member may elect to forego any dividends that may be payable on all or some of the FFT Shares held by that member and to receive instead FFT Shares).

Indemnities

To the extent permitted by law, FFT indemnifies every officer and former officer of FFT against a liability incurred by the person acting in that capacity. In addition, every officer is indemnified out of the assets of FFT against any liability incurred in defending any civil or criminal proceedings in which judgment is given in favour of the officer, or in which the officer is acquitted.

Alteration of FFT's constitution

FFT's constitution can only be amended by special resolution passed by at least 75% of FFT Shareholders present and voting at a general meeting of FFT. FFT must give at least 28 days written notice of its intention to propose a resolution as a special resolution.

13.4 Capital structure of MaxSec

- (a) FFT's Offer is to acquire all of the issued MaxSec Shares that it does not already own.
- (b) At the date of this Bidder's Statement, there are 472,010,928 MaxSec Shares on issue.

13.5 Details of FFT's relevant interests in MaxSec Shares

At the date of this Bidder's Statement, the number of MaxSec Shares in which FFT had a Relevant Interest is set out below:

Class of securities	Total number in class	% of MaxSec Shares on issue
MaxSec Shares	61,500,000 MaxSec Shares ⁹	13.0%

As at the date of this Bidder's Statement FFT has voting power of 13.0% in MaxSec.

⁹ As announced by FFT on 25 August 2017, FFT was issued 61,500,000 MaxSec Shares at an issue price of \$0.03 per MaxSec Shares.

FFT reserves the right to purchase MaxSec Shares outside the Offer at any time during the Offer Period, subject to the Corporations Act.

13.6 Details of FFT's Directors' relevant interests in MaxSec Shares

At the date of this Bidder's Statement, the following Directors of FFT have a Relevant Interest in MaxSec Shares:

Director	Class of securities	Total number in class	% of MaxSec Shares on issue
Robert Broomfield	MaxSec Shares	5,625,000 MaxSec Shares	0.91%
Robert Broomfield	MaxSec Options	1,000,000 MaxSec Options	N/A
Christopher Fergus	MaxSec Shares	12,000,000 MaxSec Shares	2.92%

13.7 Independent Directors of MaxSec

FFT understands that Mr Robert Broomfield and Mr Christopher Fergus consider it inappropriate that they make a recommendation about the Offer, on the basis that they are common directors of FFT and MaxSec. Accordingly, the Independent Directors are:

- (a) Mr Geoffrey Cleaves; and
- (b) Mr Johan Landsberg.

13.8 Offer extends to new MaxSec Shares

The Offer extends to MaxSec Shares that come into existence during the period from the Register Date to the end of the Offer Period due to a conversion of or exercise of rights or convertible securities including unexercised MaxSec Options on issue as at the Register Date.

If a holder of MaxSec Options exercises those options, he or she can accept the Offer for the MaxSec Shares received from the exercise of those options.

13.9 Valuation of MaxSec Shares for purposes of the minimum bid price rule

FFT may rely on the provisions of ASIC Corporations (Minimum Bid Price) Instrument 2015/1068. That Instrument provides relief from the requirement in section 621(4) of the Corporations Act and allows a bidder up to five business days before the date of the takeover bid to value quoted securities that it is offering as part of its bid consideration, for the purpose of determining whether the value of FFT's bid consideration at least equals the maximum value of consideration paid by FFT for MaxSec Shares in the four months prior to the date of the Offer (described in section 13.5 above).

Relying on that relief, FFT may value FFT Shares to be provided under the Offer at any date nominated by FFT (**Valuation Date**) up to five business days before the date of the Offer. The valuation is determined by calculating the VWAP of FFT Shares in the ordinary course of trading on ASX during two full trading days before the Valuation Date.

Under section 621(4A) (as inserted in the Corporations Act by ASIC Corporations (Minimum Bid Price) Instrument 2015/1068) the following information is provided:

- (a) valuation of FFT Shares under section 621(4A): \$0.1240 per FFT Share

- (b) Valuation Date: 31 October 2017
- (c) trading days on which valuation is based: 30 October 2017 and 31 October 2017

The value of the Offer Consideration per MaxSec Share for the purposes of section 621 of the Corporations Act using this valuation is therefore A\$0.031.

The value exceeds the maximum value of consideration paid by FFT for MaxSec Shares in the four months prior to the date of Offer (described in Section 13.5 above).

FFT Shares can fall as well as rise and may be subject to varied and unpredictable influences. Accordingly there is no guarantee that 1 FFT Share will continue to be worth equal to or above \$0.1240. The highest and lowest closing prices of FFT Shares on the ASX in the four months before the Valuation Date were \$0.185 and \$0.110 respectively.

13.10 Inducing benefits given during previous four months

Except as set out in this Bidder's Statement, neither FFT nor any of its Associates has, during the period of four months before the date of the Offer, or in the period commencing on the date of this Bidder's Statement and ending on the date of the Offer, given, offered or agreed to give, a benefit to another person where the benefit was likely to induce the other person, or an associate, to:

- (a) accept an Offer; or
- (b) dispose of MaxSec Shares,

which benefit was not offered to all MaxSec Shareholders under the Offer.

13.11 Miscellaneous matters

ASIC relief

ASIC has published various class order instruments providing for modifications and exemptions that apply generally to all persons, including FFT, about the operation of chapter 6 Corporations Act. FFT may rely on this class order relief.

FFT has relied on the modification to section 636(3) Corporations Act in paragraph 5(d) of ASIC Class Order 13/521 'Takeover Bids' to include references to certain statements in documents lodged with ASIC and ASX without obtaining the consent of the persons to whom those statements are attributed.

As required by Class Order 13/521, FFT will make available a copy of the documents containing these statements (or relevant extracts from these documents), free of charge to MaxSec Shareholders who request them before the end of the Offer Period. To obtain a copy of these documents (or the relevant extracts) MaxSec Shareholders should contact the shareholder information line on 1300 737 760 (Australia only) or +61 2 9290 9600 (outside Australia) between 9.00am and 5.00pm Monday to Friday.

ACCC approval

From publically available information in relation to MaxSec's operations, FFT believes that the ACCC will not have concerns in relation to, or propose to intervene in, the Offer. As a result, FFT has not sought, and does not propose to seek, clearance from the ACCC in relation to the Offer.

ASX confirmations

FFT has received confirmation from ASX that Listing Rules 11.1.2 and 11.1.3 do not apply to the Offer.

MaxSec has obtained a waiver of Listing Rule 6.23.2 from ASX for the purposes of the MaxSec Options. Listing Rule 6.23.2 requires that shareholder approval of MaxSec be obtained for the cancellation of options for consideration.

Other regulatory matters

FFT is not aware of any other Regulatory Approval which is required for it to acquire control or ownership of MaxSec.

13.12 Foreign Shareholders

If you are a Foreign Shareholder, unless FFT otherwise determines that:

- (a) it is lawful and not unduly onerous and not unduly impracticable to make the Offer to you and to issue you with FFT Shares on acceptance of the Offer; and
- (b) it is not unlawful for you to accept the Offer by the law of the relevant place outside Australia, its external territories or New Zealand,

you will not be entitled to receive FFT Shares as consideration for your MaxSec Shares.

Instead, FFT will:

- (a) arrange for the issue to the Nominee of the number of FFT Shares to which you and all other Foreign Shareholders would have been entitled but for clause 2.2 of the Offer Terms (Schedule 1); and
- (b) cause the Nominee to offer for sale those FFT Shares within five Business Days after the end of the Offer Period in the manner, at the price and on other terms as are determined by the Nominee; and
- (c) pay to you the amount ascertained under the formula in clause 5.3 of the Offer Terms (Schedule 1).

Notwithstanding anything else contained in this Bidder's Statement, FFT is not under any obligation to spend any money or undertake any action to satisfy itself of the eligibility of Foreign Shareholders to receive FFT Shares.

13.13 Consents

This Bidder's Statement includes statements which are made in, or based on statements which are made in, documents provided by MaxSec or announced on the company announcements platform of ASX by MaxSec. No person who has made any of these statements has consented to the statement being included in or accompanying this Bidder's Statement in the form and context in which it is included.

- (a) McCullough Robertson has given and have not, before the lodgement of this Bidder's Statement with ASIC, withdrawn their written consent to being named in this Bidder's

Statement as legal advisers to FFT in respect of the Offer in the form and context in which they are named.

- (b) Boardroom Pty Limited has given and has not, before the lodgement of this Bidder's Statement with ASIC, withdrawn its written consent to being named in this Bidder's Statement as registry to FFT in respect of the Offer in the form and context in which it is named.
- (c) Each of McCullough Robertson and Boardroom Pty Limited:
 - (i) does not make, or purport to make, any statement in this Bidder's Statement or any statement on which a statement in this Bidder's Statement is based other than, in the case of a person referred to above as having given their consent to the inclusion of a statement, a statement included in this Bidder's Statement with the consent of that person; and
 - (ii) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Bidder's Statement, other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement or report which has been included in this Bidder's Statement with the consent of that party.

13.14 Fees and benefits payable to Directors and advisers

Other than as set out below or elsewhere in this Bidder's Statement, no:

- (a) Director or proposed director of FFT;
- (b) person named in this Bidder's Statement as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Bidder's Statement; or
- (c) promoter of FFT,

has, or had within two years before the date of this Bidder's Statement, any interest in:

- (d) the formation or promotion of FFT;
- (e) any property acquired or proposed to be acquired by FFT in connection with its formation or promotion or in connection with the issue of FFT Shares under the Offer; or
- (f) the offer of FFT Shares under this Bidder's Statement,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Director or a proposed director of FFT as an inducement to become, or to qualify as, a Director of FFT or to any of those persons otherwise for services rendered by them in connection with the formation or promotion of FFT or the offer of FFT Shares under this Bidder's Statement.

The Directors of FFT have the following Relevant Interests in FFT Shares (either held directly, held by entities controlled by them or held by entities of which they are directors or held by family members) at the date of this Bidder's Statement:

Director	FFT Shares	% of FFT Shares on issue	Options
Robert Broomfield	1,500,000	1.20%	1,500,000
Terence Winters	877,380	0.70%	200,000
Mark Stevens	-	-	200,000
Frederick Davis	-	-	1,200,000
Christopher Fergus	-	-	-

FFT reviews executive remuneration and other terms of employment annually (through a remuneration committee), having regard to performance, relevant comparative information and independent expert advice. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing FFT's operations. Remuneration and other terms of employment for the managing director and certain other senior executives are formalised in service agreements. Incentive-based remuneration packages linked to personal and corporate key performance indicators are in place for each executive.

These incentives are structured to align executive reward with the achievement of strategic objectives and the creation of shareholder value. The personal and corporate key performance indicators and other targets for each executive are reviewed at least annually to ensure that they remain relevant and appropriate, and may agree to vary the stated indicators or targets to ensure that the short term rewards and long term rewards offered to each executive incentivise performance and achievement that are consistent with FFT's goals and objectives. A significant portion of the incentive plan is provided by way of FFT Shares through a deferred employee share plan which seeks to align executive performance with shareholders' interests. FFT's remuneration policy is designed to align management, and therefore FFT's performance with shareholder wealth.

Insurance and indemnity arrangements are in place for officers of FFT. To the extent permitted by law, FFT indemnifies every person who is or has been an officer against:

- (a) any liability to any person (other than FFT, related entities or a major shareholder) incurred while acting in that capacity and good faith; and
- (b) costs and expenses incurred by that person in that capacity in successfully defending legal proceedings and ancillary matters.

For this purpose 'officer' means any Director or secretary of FFT or any subsidiary of FFT. Under the terms of the indemnity, FFT must maintain indemnity insurance coverage for a period of seven years after the officer held their position in FFT and allow the officer access to certain records after ceasing to hold office in FFT for a period of seven years.

McCullough Robertson has acted as legal advisers to FFT in relation to the Offer. McCullough Robertson is entitled to receive professional fees on a normal basis.

13.15 Expiry date

No FFT Shares will be issued on the basis of the Offer contained in this Bidder's Statement after the date that is 13 months after the date of this Bidder's Statement.

13.16 Other material information

Except as set out elsewhere in this Bidder's Statement, there is no other information that is:

- (a) material to the making of a decision by a MaxSec Shareholder whether or not to accept an Offer; and
- (b) known to FFT,

and has not previously been disclosed to MaxSec Shareholders.

14 Definitions and interpretation

14.1 Definitions

In this Bidder's Statement:

Term	Definition
ACCC	means the Australian Competition and Consumer Commission.
Acceptance Form	means the form of acceptance and transfer accompanying this Bidder's Statement.
Announcement Date	means 25 August 2017, being the date of announcement of the Offer.
ASIC	means the Australian Securities and Investments Commission.
Associates	in the context of a body corporate includes: (a) a director, secretary and shareholder of the body corporate; (b) a body corporate that is a Related Body Corporate; (c) a director, secretary and shareholder of that Related Body Corporate; (d) the trustee of any trust under which the persons described in clauses (a), (b) and (c) or any of them, may benefit; (e) any person who is a related party for the purposes of section 228 Corporations Act; and (f) in the particular matter to which the associate reference relates, any person or persons with whom the body corporate: (i) is acting or proposes to act in concert; or (ii) is or proposes to become associated, whether formally or informally.
ASX	means ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires).
ASX Settlement Operating Rules	means the settlement rules of ASX Settlement Pty Limited (ABN 49 008 504 532), the body which administers the CHESS system in Australia), a copy of which is available at www.asx.com.au .
Bid Implementation Agreement	means the agreement between FFT and MaxSec dated 24 August 2017 documenting FFT's proposal to make a takeover bid to acquire all the MaxSec Shares.
Bidder's Statement	means this document, being the statement of FFT under part 6.5 division 2 Corporations Act relating to the Offer.
Broker	means a person who is a share broker and a participant in CHESS.
Business Day	means a business day as defined in the Listing Rules.
CHESS	means the Clearing House Electronic Subregister System, which provides for electronic share transfer in Australia.
CHESS Holding	means a holding of MaxSec Shares on the CHESS

Term	Definition
	subregister of MaxSec.
Competing Proposal	means a transaction which, if completed, would mean a person other than FFT (and its Associate) would: (a) acquire a Relevant Interest in 20% or more of MaxSec's securities; (b) acquire Control of MaxSec; (c) acquire all or a substantial part of MaxSec's business, assets or undertaking; (d) otherwise acquire or merge with MaxSec; or (e) enter into any agreement, arrangement or understanding requiring the party to abandon, or otherwise fail to proceed with, the Proposal, or otherwise having that effect.
Control	has the meaning given in section 50AA of the Corporations Act.
Consolidated Group	has the same meaning as in the <i>Income Tax Assessment Act 1997</i> (Cth).
Controlling Participant	means the Broker or Non-Broker Participant who is designated as the controlling participant for shares in a CHESS Holding under the ASX Settlement Operating Rules.
Corporations Act	means <i>Corporations Act 2001</i> (Cth).
Defeating Condition	means each of the conditions of the Offer set out in Schedule 2.
Directors	means the directors of FFT.
Encumbrance	means any one or more of the following: (a) any interest, right or power that in substance secures payment or performance of any obligation, for example a mortgage, charge or security interest under the <i>Personal Property Securities Act 2009</i> (Cth); (b) any preferential or adverse interest of any kind; (c) a right to buy or use assets, for example a hire purchase agreement, option, licence, lease or agreement to purchase; (d) a right to set-off or right to withhold payment of a deposit or other money; (e) an easement, restrictive covenant, caveat or similar restriction over property; (f) an agreement to create any of the items referred to in paragraphs (a) to (e) above or to allow any of those items to exist; or (g) a notice under section 255 Tax Act (1936), subdivision 260-A in schedule 1 <i>Taxation Administration Act 1953</i> (Cth) or any similar legislation.
End Date	means the earlier of: (a) the day the Bid Implementation Agreement is validly terminated; (b) the day the Bidder and its Associates obtain a

Term	Definition
	Relevant Interest in 80% of the MaxSec Shares; and (c) five Business Days after the end of the Offer Period.
End User	means a party that has an FFT product installed, including by a System Integrator.
FFT	means the bidder, Future Fibre Technologies Limited ACN 064 089 318.
FFT Share	means a fully paid ordinary share in the capital of FFT.
Foreign Shareholder	means a MaxSec Shareholder whose address on the MaxSec share register is in a jurisdiction other than Australia or its external territories, New Zealand or Singapore.
GST	has the meaning it has in the GST Act.
GST Act	means the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
Government Agency	means: (a) a government or government department or other body; (b) a governmental, semi-governmental or judicial person; or (c) a person (whether autonomous or not) who is charged with the administration of a law.
Independent Directors	means those MaxSec Directors listed in Section 13.7.
Insolvency Event	means any of the following events occurring in relation to a party: (a) a liquidator, receiver, receiver and manager, administrator, official manager or other controller (as defined in the Corporations Act), trustee or controlling trustee or similar official is appointed over any of the property or undertaking of the party; (b) the party is, or becomes unable to, pay its debts when they are due or is or becomes unable to pay its debts within the meaning of the Corporations Act, or is presumed to be insolvent under the Corporations Act; (c) the party ceases to carry on business; or (d) an application or order is made for the liquidation of the party or a resolution is passed or any steps are taken to liquidate or pass a resolution for the liquidation of the party, otherwise than for the purpose of an amalgamation or reconstruction.
Issuer Sponsored Holding	means a holding of MaxSec Shares on MaxSec's issuer sponsored subregister.
Listing Rules	means the Listing Rules of ASX and any other rules of ASX which are applicable while the Company is admitted to the Official List of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.

Term	Definition
Material Adverse Change	means: (a) any matter, event or circumstance which happens, is announced or becomes known to FFT after the Announcement Date which (individually or when aggregated with all those matters, events or circumstances) has resulted in or is likely to result in either: (b) the value of consolidated net assets of the MaxSec Group being reduced by at least \$750,000 against what they would have been but for the matters, events or circumstances; or (c) the ongoing consolidated annual net profit after tax, in any financial year after the one ending 30 June 2017, of the MaxSec Group being reduced by at least \$750,000 against what it would have been but for the matters, events or circumstances; (d) FFT becomes aware, prior to the end of the Offer Period, that MaxSec has breached its continuous disclosure obligations under the Listing Rules and, had a reasonable bidder in similar circumstances to FFT known of the information giving rise to such breach prior to the Announcement Date, it would have resulted in that reasonable bidder offering less Offer Consideration under the Offer, but does not include: (a) any matter, event or circumstance arising from changes in economic or business conditions which impact on MaxSec and its competitors in a similar manner; (b) any change in taxation rates or taxation laws which impact on MaxSec and its competitors in a similar manner; (c) any change in accounting policy required by law; or (d) any change occurring directly or indirectly as a result of any matter, event or circumstance required by this document, the Proposal or the transactions contemplated by them.
Material Contract	means a contract or commitment: (a) requiring total payments in excess of an amount equal to 10% of MaxSec's revenues for the previous financial year; or (b) which is not entered into in the ordinary course of the business of FFT or MaxSec (as applicable), unless the contract or commitment is demonstrably beneficial to the operations of MaxSec FFT (as applicable) and the relevant party's business.
MaxSec	means the target company, MaxSec Group Limited ACN 000 029 265.
MaxSec Board	means the board of directors of MaxSec.
MaxSec Directors	means the current directors of MaxSec.

Term	Definition
MaxSec Group	means MaxSec and each of its Subsidiaries.
MaxSec Options	means options over unissued MaxSec Shares.
MaxSec Shareholder	means a registered holder of MaxSec Shares.
MaxSec Shares	means fully paid ordinary shares in the capital of MaxSec.
Merged Group	means FFT and each of its Subsidiaries (including the MaxSec Group) which will exist as a result of the takeover bid as constituted by the Offer, should the takeover proceed to its conclusion.
Nominee	means an entity to be appointed by FFT after the date of this Bidder's Statement with the prior approval of ASIC.
Non-Broker Participant	means a non-broker participant under the ASX Settlement Operating Rules.
Offer or Offers	means the offer by FFT on the Offer Terms to acquire MaxSec Shares referred to in Section 2 of this Bidder's Statement.
Offer Consideration	means 1 FFT Share for every 4 MaxSec Shares.
Offer Period	means the period commencing on 6 November 2017 and ending at 7.00pm Sydney time on 7 December 2017, or any later date to which the Offer is extended.
Offer Terms	means the terms of the Offer set out in Schedule 1 to this Bidder's Statement.
Prescribed Occurrences	means: (a) (conversion) MaxSec converts all or any of its shares into a larger or smaller number of shares; (b) (reduction of share capital) MaxSec resolves to reduce its share capital in any way; (c) (buy-back) MaxSec: (i) enters into a buy-back agreement; or (ii) resolves to approve the terms of a buy-back agreement under the Corporations Act; (d) (distribution) MaxSec makes or declares, or announces an intention to make or declare, any distribution (whether by dividend, capital reduction or otherwise and whether in cash or in specie); (e) (issuing shares or options) a member of the MaxSec Group: (iii) issues shares; (iv) grants an option over its shares; or (v) agrees to make an issue of shares or grant an option over its shares, in each case to a person outside the MaxSec Group; (f) (securities or other instruments) a member of the MaxSec Group: (i) issues securities or other instruments convertible into shares or debt securities; or (ii) agrees to issue securities or other

Term	Definition
	instruments convertible into shares or debt securities, in each case to a person outside the MaxSec Group;
(g)	(constitution) a member of the MaxSec Group adopts a new constitution or modifies or repeals its constitution or a provision of it;
(h)	(disposals) a member of the MaxSec Group disposes, or agrees to dispose of, the whole or a substantial part of its business or property;
(i)	(acquisitions, disposals or tenders) a member of the MaxSec Group: (i) acquires or disposes of; (ii) agrees to acquire or dispose of; or (iii) offers, proposes, announces a bid or tenders for, any business, asset (excluding stock in the normal course of business), interest in a joint venture, entity or undertaking, the value of which exceeds \$1 million;
(j)	(Encumbrances) a member of the MaxSec Group creates any Encumbrance over the whole or a substantial part of its business or property (other than in the ordinary course of business and other than a lien which arises by operation of law or legislation securing an obligation not yet due and consistent with past practice);
(k)	(board) any person is appointed to the MaxSec Board, other than those nominated by FFT;
(l)	(employment arrangements) a member of the MaxSec Group: (i) materially increases the remuneration of, or otherwise varies the employment arrangements with, any of its directors or employees; or (ii) accelerates the rights of any of its directors or employees to compensation or benefits of any kind, other than in the ordinary course of business or as a result of contracted arrangements that are consistent with past practice and in effect at the date of this document;
(m)	(termination or retention payment) a member of the MaxSec Group pays, or agrees to pay any of its directors or employees a termination or retention payment (otherwise than as required by an existing contract which, at the date of this document, is in place and has been disclosed to FFT);
(n)	(commitments and settlements) a member of the MaxSec Group: (i) enters into or agrees to enter into any Material Contract; (ii) terminates or amends in a material manner

Term	Definition
	any Material Contract;
	(iii) waives any material third party default of a Material Contract; or
	(iv) accepts as a settlement or compromise of a material matter relating to a Material Contract, less than the full compensation due to MaxSec or a Subsidiary of MaxSec;
(o)	(financial arrangements) a member of the MaxSec Group amends (or agrees to amend) in any material respect any arrangement with its financial advisers in respect of the transactions contemplated by this document;
(p)	(capital expenditure) a member of the MaxSec Group undertakes or agrees to undertake capital expenditure in excess of \$250,000 in aggregate;
(q)	(insolvency) an Insolvency Event occurs in respect of any member of the MaxSec Group;
(r)	(financial indebtedness) excluding trade debtors in the ordinary course of business, a member of the MaxSec Group provides financial accommodation (irrespective of what form of Financial Indebtedness that accommodation takes) in excess of \$250,000;
(s)	(breach of law) a member of the MaxSec Group takes or omits to take action which results in a breach of law material to a member of the MaxSec Group;
(t)	(accounting policy) a member of the MaxSec Group changes any accounting policy applied by them to report their financial position;
(u)	(related party) excluding transactions between FFT and MaxSec (if occurring at a point in time that the parties may be considered related parties), a member of the MaxSec Group enters into or resolves to enter into a transaction with any related party of MaxSec as defined in section 228 Corporations Act; or
(v)	(tax liability) MaxSec or any other member of the MaxSec Group does anything that results in a taxable gain for the MaxSec Group by either causing a Subsidiary to cease being a member of the MaxSec Group or causing the MaxSec Group to cease being a Consolidated Group,
	but a Prescribed Occurrence does not include:
(a)	an issue of MaxSec Shares on exercise of an option that had been granted on or before the date of this document;
(b)	any matter required to be done or brought about by MaxSec under this document or which is contemplated by the Proposal; or
(c)	any other matter, the undertaking of which FFT has approved in writing.
Proposal	means the proposal to make the Offer.

Term	Definition
Pro Forma Balance Sheet	means the pro forma combined balance sheet of the Merged Group referred to in Section 7.3 of this Bidder's Statement.
Register Date	means 18 October 2017.
Regulatory Authority	includes: (a) ASX, ASIC, ACCC, the Foreign Investment Review Board and the Australian Taxation Office; (b) a Government Agency; (c) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and any regulatory organisation established under statute.
Regulatory Approvals	means all approvals or consents that are required by law, regulation or regulatory policy, as are necessary to permit: (a) the Offer to be lawfully made to and accepted by MaxSec Shareholders; and (a) the acquisition of the MaxSec Shares by FFT.
Relevant Interest	has the meaning given to that term by section 9 Corporations Act.
Rights	means all accretions, rights or benefits of whatever kind attaching to or arising from MaxSec Shares directly or indirectly after the date of this Bidder's Statement, including, without limitation, all dividends or other distributions and all rights to receive any dividends or other distributions, or to receive or subscribe for shares, stock units, notes, bonds, options or other securities, declared, paid or made by MaxSec or any of its Subsidiaries.
Subsidiaries	has the meaning given to that term by Section 9 Corporations Act.
Superior Proposal	means a Competing Proposal that, in the opinion of the Independent Directors acting reasonably and taking into account all material aspects of the Competing Proposal available to it, is: (a) reasonably capable of being completed; and (b) more favourable to MaxSec Shareholders than the Proposal.
System Integrator	means parties that specialise in bringing together technology component subsystems into a whole and ensuring that those subsystems function together.
Target's Statement	means the target's statement, to be prepared by MaxSec in response to this Bidder's Statement.
VWAP	means the volume weighted average price of a security.

14.2 Interpretation

In this Bidder's Statement, unless the context otherwise requires:

- (a) headings are for convenience and do not affect the interpretation;

- (b) words or phrases defined in the Corporations Act have the same meaning in this Bidder's Statement;
- (c) a reference to a Section is a reference to a Section of this Bidder's Statement;
- (d) a singular word includes the plural and vice versa;
- (e) if a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- (f) a reference to a person includes a corporation, trust, partnership, unincorporated body, government and local authority or agency, or other entity whether or not it comprises a separate legal entity;
- (g) a reference to legislation or to a provision of legislation (including subordinate legislation) is to that legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it; and
- (h) a reference to '\$' or 'dollar' is to Australian currency.

15 Approval of Bidder's Statement

The copy of this Bidder's Statement that is to be lodged with ASIC has been approved by a unanimous resolution passed by the Directors of FFT on 18 October 2017.

Signed by Mr Mark Stevens, Director of FFT, under section 351 Corporations Act.



Mr Mark Stevens

Director
Future Fibre Technologies Limited

Schedule 1

Terms of the Offer

1 Offer

- 1.1 FFT offers, to each holder of MaxSec Shares at 7.00pm Sydney time on the Register Date, to acquire all of your MaxSec Shares together with all the Rights attaching to them on the terms set out in this Schedule 1. This Offer extends to any person who is able during the Offer Period to give good title to MaxSec Shares and has not already accepted an Offer for those MaxSec Shares.
- 1.2 This Offer extends to all MaxSec Shares that:
 - (a) exist at the Register Date; and
 - (b) that are issued during the period from the Register Date to the end of the Offer Period due to the conversion of, or exercise of the rights attached to, any securities which confer on the holder the right to have MaxSec Shares issued to them.
- 1.3 By accepting this Offer, you undertake to transfer to FFT not only the MaxSec Shares to which the Offer relates but also all the Rights attached to the MaxSec Shares.
- 1.4 FFT Shares issued under this Offer will rank equally in all respects with FFT Shares on issue at the Register Date.
- 1.5 This Offer is dated 6 November 2017.

2 Offer Consideration

- 2.1 Subject to clause 2.2 of this Schedule 1, the price under the Offer Consideration is 1 FFT Share for every 4 MaxSec Shares you own.

Foreign Shareholders

- 2.2 If at the time this Offer is made to you, you are a Foreign Shareholder and FFT does not make a determination under Section 13.12, you will not be entitled to receive FFT Shares as consideration for your MaxSec Shares. Instead, you will receive a cash amount calculated under clause 5.3 of this Schedule 1.

Fractional entitlements

- 2.3 If you accept the Offer and are entitled to receive a fraction of an FFT Share, the number of FFT Shares you are entitled to under this Offer is rounded up to the next whole number of FFT Shares if it is 0.5 or more, and rounded down to the nearest whole number if it is less than 0.5. If you are entitled to a fraction of a cent, that fraction is rounded to the nearest cent on the same basis. If FFT reasonably believes that you have manipulated your holding of MaxSec Shares to take advantage of rounding up, then any fractional entitlement is aggregated or rounded down to the next whole number of FFT Shares.

3 Offer Period

The Offer will remain open for acceptance during the period commencing on 6 November 2017, and ending at 7.00pm Sydney time on 7 December 2017, unless it is withdrawn or extended under the Corporations Act.

4 How to accept this Offer

All of your holding

- 4.1 This Offer is for all of your MaxSec Shares.

Acceptance procedure for MaxSec Shareholders

- 4.2 The acceptance procedure will depend on whether your MaxSec Shares are in a CHESS Holding or an Issuer Sponsored Holding.

If you hold your MaxSec Shares in a CHESS Holding

- 4.3 You must comply with the ASX Settlement Operating Rules.
- 4.4 If you are a sponsored CHESS holder of MaxSec Shares, to accept the Offer you must:
- (a) instruct your Controlling Participant to initiate acceptance of the Offer on your behalf under Rule 14.14 of the ASX Settlement Operating Rules;
 - (b) complete, sign and send the accompanying Acceptance Form directly to your stockbroker or Controlling Participant; or
 - (c) complete and sign the Acceptance Form and mail or deliver it to the address below and authorise FFT to instruct your Controlling Participant to initiate acceptance of the Offer on your behalf;

before the end of the Offer Period.

If you hold your MaxSec Shares in an Issuer Sponsored Holding

- 4.5 If your MaxSec Shares are in an Issuer Sponsored Holding, then to accept this Offer you must complete, sign and return the accompanying Acceptance Form in accordance with the instructions on it and deliver it or send it by post so that it is received by FFT's share registry of the Offer before the end of the Offer Period.

If you are a Broker or a Non-Broker Participant

- 4.6 If you are a Broker or Non-Broker Participant, initiate acceptance under the requirements of the ASX Settlement Operating Rules before the end of the Offer Period.

Mailing and delivery addresses

- 4.7 The mailing and delivery addresses for completed Acceptance Forms are as follows.

The mailing address is:

Boardroom Pty Limited
MaxSec Group Limited Takeover
Grosvenor Place
GPO Box 3993
SYDNEY NSW 2000
AUSTRALIA

- 4.8 Alternatively you may deliver the Acceptance Form and any associated documents to:

Boardroom Pty Limited
MaxSec Group Limited Takeover
Grosvenor Place
Level 12, 225 George Street
SYDNEY NSW 2000
AUSTRALIA

- 4.9 A reply paid envelope (not able to be used by MaxSec Shareholders outside Australia) is enclosed for your convenience.

Acceptance Form

- 4.10 The Acceptance Form which accompanies this Offer forms part of it. The requirements on the Acceptance Form must be observed in accepting this Offer for your MaxSec Shares.

Power of attorney, deceased estate

- 4.11 When accepting this Offer, you must also forward for inspection:
- (a) if the Acceptance Form is signed by an attorney, the power of attorney; and
 - (b) if the Acceptance Form is signed by the executor of a will or the administrator of the estate of a deceased MaxSec Shareholder, the relevant grant of probate or letters of administration.

When acceptance is complete

- 4.12 Acceptance of this Offer will not be complete until the completed Acceptance Form has been received at one of the addresses set out in clause 4.7 above and the requirements of this clause have been met, provided that:
- (a) FFT may in its sole discretion waive any or all of those requirements at any time; and
 - (b) where those requirements have been complied with for some but not all of your MaxSec Shares, FFT may, in its sole discretion, deem your acceptance of this Offer complete in respect of those MaxSec Shares for which the requirements have been complied with but not in respect of the remainder.
- 4.13 If your Acceptance Form is returned by post it will be taken as received before the end of the Offer Period if the envelope in which it is sent is postmarked before the end of the Offer Period.

5 Provision of consideration

When consideration is provided

- 5.1 Subject to clauses 5.3 and 5.4 of this Schedule 1, you will receive the consideration you are entitled to within one month of the later of:
- (a) the date you accept the Offer; and
 - (b) the date the Offer becomes unconditional.
- 5.2 In any event, you will receive the consideration you are entitled to within 21 days after the end of the Offer Period (assuming all Defeating Conditions are satisfied or waived).

Payments to Foreign Shareholders

- 5.3 If you accept the Offer and you are a Foreign Shareholder and FFT does not make a determination under Section 13.12 of this Bidder's Statement:

- (a) FFT will arrange for the issue to the Nominee of the number of FFT Shares to which you and all other Foreign Shareholders would have been entitled under the Offer but for clause 2.2 of this Schedule 1;
- (b) FFT will cause the Nominee to offer for sale the FFT Shares as soon as practicable, or otherwise in the manner, at the price and on terms as are determined by the Nominee;
- (c) FFT will cause the Nominee to pay to you the amount calculated under the following formula:

$$\frac{\text{Net Proceeds of Sale} \times \text{Your FFT Shares}}{\text{Total Nominee FFT Shares}}$$

where:

- (i) **Net Proceeds of Sale** means the amount which is received by the Nominee upon the sale of all FFT Shares under this clause 5.3 less brokerage and other sale expenses;
- (ii) **Your FFT Shares** means the number of FFT Shares which would, but for clause 2.2 of this Schedule 1, have been allotted to you under the Offer;
- (iii) **Total Nominee FFT Shares** means the total number of FFT Shares allotted to the Nominee under this clause 5.3;
- (d) you will receive your share of the proceeds of this sale in Australian currency;
- (e) payment will be made by cheque posted to you at your risk by ordinary mail at the address provided on your Acceptance Form; and
- (f) under no circumstances will interest be paid on your share of the proceeds of this sale, regardless of any delay in remitting these proceeds to you.

Where additional documents are required

5.4 Where the Acceptance Form requires additional documents to be given with your acceptance (such as a power of attorney), if the documents are given:

- (a) with your acceptance, FFT will provide the consideration in accordance with clause 5.1 of this Schedule 1;
- (b) after acceptance and before the end of the Offer Period and the Offer is subject to a Defeating Condition at the time that FFT is given the documents, FFT will provide the consideration by the end of whichever period ends earlier:
 - (i) within one month after the contract resulting from your acceptance of the Offer becomes unconditional; and
 - (ii) 21 days after the end of the Offer Period;
- (c) after acceptance and before the end of the Offer Period and the Offer is unconditional at the time that FFT is given the documents, FFT will provide the consideration by the end of whichever period ends earlier:
 - (i) one month after FFT is given the document; and
 - (ii) 21 days after the end of the Offer Period; or
- (d) after the end of the Offer Period, FFT will provide the consideration within 21 days after the documents are given, but if at the time FFT is given the documents, the contract

resulting from your acceptance of the Offer is still subject to one or more of the Defeating Conditions, FFT will provide the consideration within 21 days after that contract becomes unconditional.

- 5.5 If you do not give FFT the required additional documents within one month after the end of the Offer Period, FFT may, in its sole discretion, rescind the contract resulting from your acceptance of the Offer.

Where FFT is entitled to any Rights

- 5.6 If FFT becomes entitled to any Rights on acceptance of this Offer, you must give FFT all documents that FFT needs to give FFT title to those Rights. If you do not give those documents to FFT, or if you have received the benefit of those Rights, FFT will deduct from the consideration otherwise due to you the amount (or value, as reasonably assessed by FFT) of those Rights.

Payment to be mailed by cheque

- 5.7 Payment of any cash amount to which you are entitled (by virtue of you being a Foreign Shareholder) will be mailed by cheque (or otherwise as agreed by FFT) in Australian currency. Cheques will be sent to the address on the Acceptance Form by pre-paid ordinary mail or, if you have an overseas address, by pre-paid airmail.

Clearances for offshore residents

- 5.8 If, at the time of acceptance of this Offer, you are resident in or of a place outside Australia, you will not be entitled to receive any consideration under this Offer until all requisite authorities or clearances of the Reserve Bank of Australia (whether under the *Banking (Foreign Exchange) Regulations 1959* (Cth) or otherwise), or of the Australian Taxation Office, have been obtained.

6 Conditions of the Offer

Conditions

- 6.1 This Offer and the contract that results from acceptance of this Offer are subject to fulfilment of the Defeating Conditions.

Nature of conditions

- 6.2 Each of the Defeating Conditions set out in each paragraph and subparagraph of Schedule 2:
- (a) constitutes and will be construed as a separate, several and distinct condition;
 - (b) is a condition subsequent; and
 - (c) until the expiration of the Offer Period will be for the benefit of FFT alone and may be relied upon only by FFT.

Conditions apply to multiple events

- 6.3 Where an event occurs that would mean at the time the event occurs a Defeating Condition would not be satisfied, each Defeating Condition affected by that event becomes two separate conditions on identical terms except that:
- (a) one of them relates solely to that event; and
 - (b) the other specifically excludes that event.
- 6.4 FFT may declare the Offer free under clause 6.5 from either of those conditions without declaring it free from the other and may do so at different times. This clause may apply any number of

times to a Defeating Condition (including a condition arising from a previous operation of this clause).

Effect of breach or non-fulfilment

6.5 The breach or non-fulfilment of any of the Defeating Conditions does not prevent a contract arising to acquire your MaxSec Shares resulting from your acceptance of this Offer. If at the end of the Offer Period, in respect of any Defeating Condition:

- (a) FFT has not declared the Offers (and they have not become) free from that Defeating Condition; or
- (b) that Defeating Condition has not been satisfied,

all contracts resulting from the acceptance of the Offers and all acceptances that have not resulted in binding contracts are void. In that case, FFT will return the Acceptance Form together with all documents to the address shown in the Acceptance Form.

FFT may decide Offer is free from all or any of the Defeating Conditions

6.6 FFT may at any time at its sole discretion but in compliance with section 650F and section 630(1) Corporations Act, declare the Offers free from all or any of the Defeating Conditions by written notice to MaxSec not later than seven days before the end of the Offer Period.

Date for giving notice on status of Defeating Conditions

6.7 The date for giving a notice on the status of the Defeating Conditions as required by section 630(1) Corporations Act is the date seven days before the end of the Offer Period, subject to variation under section 630(2) Corporations Act if the Offer Period is extended.

Effect of acceptance

6.8 Once you have accepted this Offer, you will be unable to revoke your acceptance and the contract resulting from your acceptance will be binding on you, unless:

- (a) by the end of the Offer Period, the Defeating Conditions have not all been satisfied or waived in which case, this Offer will automatically terminate; and
- (b) the circumstances set out in section 650E Corporations Act apply.

6.9 By signing and returning the Acceptance Form, you will be deemed to have:

- (a) irrevocably accepted this Offer (and each variation of this Offer) in respect of all your MaxSec Shares despite any difference between that number and the number of MaxSec Shares shown in the Acceptance Form;
- (b) irrevocably authorised FFT to alter the Acceptance Form on your behalf by:
 - (i) inserting correct details of your MaxSec Shares;
 - (ii) filling in any blanks remaining on the Acceptance Form; and
 - (iii) rectifying any errors in, and omissions from, the Acceptance Form,

as may be necessary to make the Acceptance Form a valid acceptance of this Offer and to enable registration of the transfer of your MaxSec Shares to FFT;

- (c) represented and warranted to FFT, as a condition of the contract resulting from your acceptance of the Offer, that at the time of acceptance and at the time of transfer to FFT:

- (i) you have paid to MaxSec all amounts which are due for payment for your MaxSec Shares;
 - (ii) all of your MaxSec Shares are fully paid and free from all mortgages, charges, liens and other encumbrances of any nature; and
 - (iii) you have full power and capacity to sell and transfer those MaxSec Shares;
- (d) granted to FFT and each of its Directors power of attorney to sign any document or do any thing on your behalf necessary to cause MaxSec to issue a replacement share certificate for those MaxSec Shares;
- (e) agreed to:
 - (i) do anything necessary to ratify any act taken or purported to be taken by FFT or any of its Directors under the power of attorney granted by clause 6.9(d) of this Schedule 1; and
 - (ii) indemnify FFT and each of its Directors in respect of that act;
- (f) from the time of acceptance until the Offer has become unconditional, until the earlier of the withdrawal of your acceptance under section 650E Corporations Act or the end of the Offer Period, irrevocably appointed FFT or any nominee of FFT as your attorney to exercise all your powers and rights attaching to your MaxSec Shares including (without limitation) to requisition, convene, attend and vote at all general meetings of MaxSec or appoint a proxy or proxies to attend and vote on your behalf at that meeting, where the passing or defeat of any resolution before the meeting might adversely affect the likelihood of the Offer being successful and to do so in a way which would prevent that effect arising;
- (g) on this Offer or any takeover contract becoming unconditional, irrevocably appointed FFT or any nominee of FFT as your attorney to exercise all your powers and rights attaching to your MaxSec Shares including (without limitation):
 - (i) to requisition, convene, attend and vote at all general meetings of MaxSec or appoint a proxy or proxies to attend and vote on your behalf at that meeting; and
 - (ii) sign all documents and resolutions relating to your MaxSec Shares, and generally to exercise all powers and rights which you may have as a MaxSec Shareholder and perform actions as may be appropriate to vest good title in your MaxSec Shares in FFT;
- (h) agreed that in exercising the powers conferred by the power of attorney in clause 6.9(f) of this Schedule 1, FFT is entitled to act in the interests of FFT;
- (i) agreed not to attend or vote in person at any general meeting of MaxSec or to exercise or purport to exercise any of the powers conferred on FFT or its nominee in clause 6.9(f) of this Schedule 1;
- (j) agreed to accept the FFT Shares, to which you have become entitled by acceptance of this Offer, subject to the constitution of FFT and have authorised FFT to place your name on the register of members for those FFT Shares; and
- (k) if your MaxSec Shares are in a CHESS Holding and you sign and return the Acceptance Form, irrevocably authorised FFT:
 - (i) to instruct your Controlling Participant to initiate acceptance of this Offer for your MaxSec Shares under the ASX Settlement Operating Rules; and

- (ii) to give any other instructions in relation to your MaxSec Shares to your Controlling Participant on your behalf under the sponsorship agreement between you and that Controlling Participant.

Withdrawal

- 6.10 FFT may withdraw unaccepted Offers at any time with the written consent of ASIC and subject to the conditions (if any) specified in that consent.

Variation

- 6.11 FFT may vary this Offer in accordance with the Corporations Act.

7 Acceptances by transferees and nominees

Who may accept the Offer

- 7.1 During the Offer Period:

- (a) any person who is able to give good title to a parcel of MaxSec Shares may accept (if they have not already accepted an offer in the form of this Offer) as if an offer on terms identical with this Offer has been made to that person; and
- (b) any person who holds one or more parcels of MaxSec Shares as trustee, nominee, or otherwise on account of another person, may accept as if a separate offer had been made in relation to:
 - (i) each of those parcels; and
 - (ii) any parcel they hold in their own right.

Holding shares

- 7.2 A person is taken to hold MaxSec Shares if the person is, or is entitled to be registered as, the holder of those MaxSec Shares.

Holding shares on trust or as a nominee

- 7.3 A person is taken to hold MaxSec Shares on trust for, as nominee for, or on account of, another person if that person:
- (a) is entitled to be registered as the holder of MaxSec Shares; and
 - (b) holds the interest in the MaxSec Shares on trust for, as nominee for, or on account of, that other person.

Effective acceptance

- 7.4 An acceptance of an Offer under clause 7.1(b) of this Schedule 1 is ineffective unless:
- (a) the person who holds on account of another person, gives that other person written notice stating that the MaxSec Shares consist of a separate parcel; and
 - (b) the acceptance specifies the number of MaxSec Shares in that parcel.

Notice of acceptance

- 7.5 A notice under clause 7.4(a) of this Schedule 1 must be made in writing.

- 7.6 A person may, at the one time, accept for two or more parcels under clause 7.6 of this Schedule 1 as if there had been a single offer for a separate parcel consisting of those parcels.

8 Other matters

Notices and other communications

- 8.1 Subject to the Corporations Act, a notice or other communication given by FFT to you in connection with this Offer is deemed to be duly given if it is in writing and:
- (a) is delivered at your address as recorded on the register of members of MaxSec or the address shown in the Acceptance Form; and
 - (b) is sent by pre-paid ordinary mail, or in the case of an address outside Australia by pre-paid airmail, to you at either of those addresses.

Return of documents

- 8.2 If:
- (a) this Offer is withdrawn after your Acceptance Form has been sent to FFT, but before it has been received; or
 - (b) for any other reason FFT does not acquire the MaxSec Shares to which your Acceptance Form relates,

FFT will despatch at your risk your Acceptance Form together with all other documents forwarded by you.

9 Costs and expenses

All costs and expenses of the preparation, despatch and circulation of the Offers and all stamp duty payable for a transfer of MaxSec Shares for which Offers are accepted, will be paid by FFT.

10 Official quotation of FFT Shares

- 10.1 Subject to clause 1 of this Schedule 1, the FFT Shares offered by FFT as consideration under the Offer will rank equally with FFT Shares on issue at the Register Date.
- 10.2 FFT has been admitted to the official list of ASX and shares of the same class as those to be issued as consideration under the Offer have been granted official quotation by ASX.
- 10.3 An application will be made within seven days after the start of the Offer Period to ASX for official quotation of the FFT Shares issued pursuant to the Offer. However, official quotation is not granted automatically on application.
- 10.4 Under section 625(3) Corporations Act, the Offer is subject to a condition that application for admission to quotation of the FFT Shares issued under the Offer is made within seven days after the start of the Offer Period and permission for admission to quotation will be granted no later than seven days after the end of the Offer Period. This condition may not be waived.

Schedule 2

Conditions of the Offer

The Offer and any contracts resulting from acceptance of the Offer are subject to fulfilment of the following conditions:

- 1 **(Minimum acceptance)** Before the end of the Offer Period, FFT has a Relevant Interest in at least 80% (by number) of MaxSec Shares.
- 2 **(Regulatory Approvals)** Before the end of the Offer Period, the Regulatory Approvals are:
 - (a) granted, given, made or obtained unconditionally, or on the basis of conditions that impose only non-material requirements incidental to the approval or consent;
 - (b) remain in full force and effect; and
 - (c) do not become subject to any notice, indication or intention to revoke, suspend, restrict, modify or renew them.
- 3 **(No regulatory action)** Between the Announcement Date and the end of the Offer Period:
 - (a) no preliminary or final decision, order or direction is made or issued by any Regulatory Authority;
 - (b) no action, proceeding or investigation is announced, commenced or threatened by any Regulatory Authority; and
 - (c) no application is made to any Regulatory Authority (other than by FFT or any Associate of FFT),

which is likely to or purports or threatens to restrain, prohibit, impede or otherwise adversely affect the making of the Offer, the acquisition of the MaxSec Shares by FFT, the rights of FFT in respect of MaxSec and the MaxSec Shares or the continued operation of the businesses of MaxSec or its Subsidiaries (other than any action or decision by or application to ASIC or the Takeovers Panel in exercise of the powers or discretions conferred by the Corporations Act).
- 4 **(No Prescribed Occurrences)** Between the Announcement Date and the end of the Offer Period, there is no occurrence of a Prescribed Occurrence.
- 5 **(No Material Adverse Change)** Between the Announcement Date and the end of the Offer Period, there is no occurrence of a Material Adverse Change.
- 6 **(MaxSec Options)** Before the end of the Offer Period all of the MaxSec Options are exercised, cancelled or transferred to FFT or are the subject of agreements or arrangements entered into between FFT and the relevant holder of the MaxSec Options that will cause the MaxSec Options to be cancelled or transferred to FFT.
- 7 **(Third party consents)** All other approvals of a third party which FFT determines are necessary to undertake and successfully complete the Offer are obtained.

Schedule 3

FFT announcements to ASX since 1 July 2017

Date	Announcement
25 July 2017	Government security order valued at over A\$900K received
31 July 2017	Appendix 4C quarterly
2 August 2017	Share trading policy
10 August 2017	FFT secures new utilities order valued at \$369K
11 August 2017	FFT secures Asian border protection order for A\$230k
24 August 2017	MSP: FFT acquires 13.7% stake in MSP
24 August 2017	FFT makes strategic investment in MSP acquiring 13.7% stake
24 August 2017	Trading Halt
25 August 2017	MSP: Proposed Merger of MSP and FFT
25 August 2017	Intention to Make Takeover Bid
25 August 2017	Preliminary Final Report
25 August 2017	MSP: Future Fibre Technologies Limited ASX FFT Placement Clarification
29 August 2017	Becoming a substantial holder for MSP
30 August 2017	Annual Report to shareholders
30 August 2017	Appendix 4G and Corporate Governance Statement
30 August 2017	Response to ASX Aware Query
04 September 2017	FFT FY18 Revised Guidance
20 September 2017	FFT Investor Presentation on FY2017 Financial Results
20 September 2017	FFT presentation re proposed merger with MSP
25 September 2017	FFT secures New Aura Ai orders at over \$1.1M
29 September 2017	Annual General Meeting – notice of meeting
4 October 2017	Update to Merger Presentation 20 Sept 2017
16 October 2017	Appendix 4C – quarterly
16 October 2017	Bid Implementation Agreement Variation
17 October 2017	Senior Management Change

Corporate directory

Company

Future Fibre Technologies Limited
10 Hartnett Close
MULGRAVE VIC 3170
+61 3 9590 3100
www.fftsecurity.com

Legal Advisers

McCullough Robertson Lawyers
Level 11
Central Plaza Two
66 Eagle Street
BRISBANE QLD 4000
+61 7 3233 8888
www.mccullough.com.au

Directors

Mr Terence Winters – Chairman
Mr Robert Broomfield – Chief Executive Officer
and Executive Director
Dr Frederick Davis – Non-executive Director
Mr Christopher Fergus – Non-executive Director
Mr Mark Stevens – Non-executive Director

Share Registry

Boardroom Pty Limited
Grosvenor Place
Level 12, 225 George Street
SYDNEY NSW 2000
1300 737 760
www.boardroomlimited.com.au

ACCEPTANCE AND TRANSFER FORM

in respect of the Offer by Future Fibre Technologies Limited ABN 67 064 089 318 (Future Fibre)
to acquire all of your Shares in MaxSec Group Limited ABN 89 000 029 265 (MaxSec).

THIS IS AN IMPORTANT DOCUMENT

IF YOU DO NOT UNDERSTAND IT PLEASE CONSULT YOUR FINANCIAL, LEGAL OR OTHER PROFESSIONAL ADVISER IMMEDIATELY

STEP 1 – Check your details below (see over)

Number of MaxSec
Shares you Hold

HIN/SRN *

(*A new SRN may be allocated to you
solely for the purpose of this offer)

Sub
Register

Use this Acceptance Form to accept the Offer by Future Fibre for all your MaxSec Shares on the terms of the Bidder's Statement dated 18 October 2017 and any replacements or supplements to it. You should read the Bidder's Statement, which accompanies this Acceptance Form. Capitalised terms used in this Acceptance Form have the same meaning as in the Bidder's Statement unless otherwise defined. By accepting the Offer, you are accepting for ALL of your MaxSec Shares (even if different to the number of shares stated above). You cannot accept for only part of your MaxSec Shares.

If you need help completing this Acceptance Form or have any enquiring in relation to Future Fibre's offer, please contact the Future Fibre share registry on 1300 737 760 (within Australia) or +61 2 9290 9600 (for callers from outside Australia) Monday to Friday between 8.30am to 5.30pm (EST).

STEP 2 – For Issuer Sponsored Holdings only

If your MaxSec Shares are held on the Issuer Sponsored Sub-register (see "Sub-register" above) or if at the time of your acceptance you are entitled to be (but are not yet) registered as a holder of your MaxSec Shares, to accept the Offer you must **sign below** and **return this form**.

* OFFER CONSIDERATION

**1 Future Fibre Share for
every 4 of your MaxSec
Shares.**

* NB: See section 12.11 of the Bidder's
Statement for details on Ineligible Foreign
Shareholders.

STEP 3 – For CHESS Holdings only

If your MaxSec Shares are held on the CHESS Sub-register (see "Sub-register" above) to accept the Offer you can either:

- Contact your Controlling Participant – normally your Broker – and instruct them to accept the Offer on your behalf
(If you do that and your Controlling Participant follows those instructions, you do not need to complete and return this Acceptance Form);

OR

- If you want Future Fibre to contact your Controlling Participant on your behalf, write their details here and sign and return this form. By doing so you authorise Future Fibre to instruct your Controlling Participant to initiate acceptance of the Offer and to take all other steps necessary to cause acceptance of the Offer in accordance with the ASTC Settlement Rules.

BROKER DETAILS (CHESS HOLDINGS ONLY)

Your Broker's Name:

Your Broker's
Address:

Your Broker's
Telephone Number:

STEP 4 – Sign as indicated below

I/We, the securityholder(s) named above, being the holder(s) of MaxSec Shares:

- (1) ACCEPT the Offer in respect of **ALL** of my/our MaxSec Shares;
- (2) AGREE TO TRANSFER my/our MaxSec Shares to Future Fibre for the consideration specified in the Offer, and in accordance with the terms of the Offer;
- (3) AUTHORISE Future Fibre, its officers and agents to correct any errors in or omissions from this Acceptance Form to make it an effective acceptance of the Offer and enable registration of the transfer of the MaxSec Shares to Future Fibre; and
- (4) AGREE to be bound by the terms of the Offer.

Please refer overleaf for further instructions on how to complete this form

If this form is signed under power of attorney, the attorney declares that they have no notice of the revocation of the power of attorney.

Individual or Securityholder 1

Securityholder 2

Securityholder 3

Sole Director and Sole Company
Secretary

Director

Director/Company Secretary (delete
one)

Please enter your telephone number where you may be contacted during business hours

Dated ___/___/2017

Telephone number: _____

Your acceptance must be received BEFORE the Offer Period ends (being 5pm (EST) on 4 December 2017 unless extended). If the Acceptance Form is sent by mail, you may use the enclosed reply paid envelope.

How to complete this Acceptance Form and ACCEPT the Offer

1. Your Name & Address details

Your pre-printed name and address is as it appears on the share register of MaxSec. If you are Issuer Sponsored and this information is incorrect, please make the correction on this form and initial the correction. Securityholders sponsored by a Broker on the CHESS Sub-register should advise their Broker of any changes.

2. Issuer Sponsored Holdings

(as indicated by "Issuer Sponsored" appearing next to "Sub-register" on this Acceptance Form)

If your MaxSec Shares are in an Issuer Sponsored Holding, or if you are not yet registered as the holder of your MaxSec Shares, then to accept the Offer, **you must fill out this Acceptance Form overleaf and return it to one of the addresses shown below.**

3. CHESS Holdings

(as indicated by "CHESS" appearing next to "Sub-register" on this Acceptance Form)

If your MaxSec Shares are in a CHESS Holding, you do not need to complete and return this Acceptance Form to accept the Offer. You can contact your Controlling Participant, normally your Broker, and instruct them to accept the Offer on your behalf. If you decide to use this Acceptance Form, follow the instructions below.

It is the responsibility of the eligible securityholder to allow sufficient time for their Controlling Participant to initiate acceptance on their behalf in accordance with ASTC Settlement Rule 14.14. You must ensure that this Acceptance Form is received in sufficient time before the end of the Offer Period to enable us to instruct your Controlling Participant to effect acceptance on CHESS during business hours.

If your holding is CHESS sponsored and you send your Acceptance Form to Boardroom Pty Limited, they will send the relevant acceptance message to CHESS for forwarding to your Controlling Participant for acknowledgement. Future Fibre and Boardroom Pty Limited will not be responsible for any delays incurred by this process.

If you sign and return this Acceptance Form to one of the below addresses either in respect of an Issuer Sponsored Holding or so that contact may be made with your Controlling Participant on your behalf, you warrant to Future Fibre (and authorise Future Fibre to warrant on your behalf) that you have full legal and beneficial ownership of the MaxSec Shares and that Future Fibre will acquire them free from all mortgages, charges, liens, encumbrances (whether legal or equitable), restrictions on transfer and free from any third party rights.

4. Signature(s)

You must sign the form as follows in the space provided overleaf:

Joint Holding:	Where the securityholding is in more than one name all of the MaxSec Shareholders must sign.	Deceased Estate:	All executors must sign and, if not already noted by the MaxSec registry, attach a certified copy of probate, letters of administration or grant accompanied (where required by law for the purpose of the transfer) by a certificate of payment of death or succession duties and (if necessary) a statement in terms of section 1071B(9)(b)(iii) of the Corporations Act.
Power of Attorney:	To sign under power of attorney, you must attach a certified copy of the power of attorney to this form when you return it. By signing this form under a power of attorney, you will have declared that you have no notice of revocation of the power and are able to further delegate power under it under the Bidder's Statement.	Companies:	This form must be signed by either 2 directors or a director and a company secretary. Alternatively, where the company has a sole director and, pursuant to the Corporations Act, there is no company secretary, or where the sole director is also the sole company secretary, that director may sign alone. Delete titles as applicable.

Additional Notes

- Sold all your MaxSec Shares** – if you have sold all of your MaxSec Shares, please send this form and your Bidder's Statement to the stockbroker who acted on your behalf.
- Recently bought or sold MaxSec Shares** – if you have recently bought or sold any MaxSec Shares, your holding may differ from that shown on the front of this form. If so, please alter the number of MaxSec Shares shown as your registered holding on the front of this form to the number of MaxSec Shares you now hold (including any MaxSec Shares of which you are entitled to become registered as holder), initial the alteration and indicate the name of the stockbroker who acted for you.

Information you supply on this Acceptance Form will be used by Future Fibre and Boardroom Pty Limited for the primary purpose of processing your acceptance of the Offer and to provide you with the consideration payable under the Offer. This information may be disclosed to Future Fibre's professional advisers, securities brokers, printing and mailing providers and other third parties in connection with the Offer. If you do not supply this information, your acceptance may not be processed and you may not receive the consideration payable. You may have rights to access the personal information you have supplied. Please see Boardroom Pty Limited's privacy policy on its website.

This Acceptance Form must be received at the relevant address shown below before the end of the Offer Period.

Postal address

Boardroom Pty Limited
MaxSec Offer
GPO BOX 3993
SYDNEY NSW 2001

Delivery in person

Boardroom Pty Limited
MaxSec Offer
Level 12, 225 George Street
SYDNEY NSW 2000

If the Acceptance Form is sent by mail, you may also use the enclosed reply paid envelope.

Neither Future Fibre nor Boardroom Pty Limited takes any responsibility if you lodge this Acceptance Form at any other address or by any other means.

Future Fibre Technologies Limited

Supplementary Bidder's Statement

1 Introduction

This document is the first supplementary bidder's statement (**Supplementary Bidder's Statement**) to the bidder's statement dated 18 October 2017 (**Original Bidder's Statement**) issued by Future Fibre Technologies Limited ACN 064 089 318 (**FFT**) in relation to FFT's off-market takeover bid for all of the ordinary shares in MaxSec Group Limited ACN 000 029 265 (**MaxSec**).

This Supplementary Bidder's Statement is given pursuant to Division 4 of Part 6.5 of the *Corporations Act 2001* (Cth) (**Corporations Act**) in compliance with the requirements of section 643 Corporations Act.

The Supplementary Bidder's Statement supplements and is to be read together with the Original Bidder's Statement. This document prevails in the event of any inconsistency with the Original Bidder's Statement.

This is an important document and requires your immediate attention.

If you are in any doubt about how to deal with this document, you should contact your legal, financial, tax or other professional advisor immediately.

1.1 Important notices

A copy of the Supplementary Bidder's Statement was lodged with the Australian Securities and Investments Commission (**ASIC**) on 02 November 2017. Neither ASIC nor any of its officers take any responsibility for the consents of this Supplementary Bidder's Statement.

1.2 Defined terms

Unless the context otherwise requires, capitalised terms in this Supplementary Bidder's Statement have the same meaning given to them in section 14 of the Original Bidder's Statement. The rules of interpretation set out in section 14.2 of the Original Bidder's Statement also apply to the Supplementary Bidder's Statement, unless the context otherwise requires.

2 Amendments to the Original Bidder's Statement

The information below is to supplement and amend the information presently contained in the Original Bidder's Statement. Namely, the Original Bidder's Statement is amended as follows:

2.1 Chairman's letter

Footnote 2 of the Chairman's Letter states, among other things, that:

'at the date of this Bidder's Statement, FFT is not able to reliably estimate the quantum or timing of potential synergies (or potential one-off costs which may need to be incurred in order for FFT to obtain such synergies) resulting from a merger with MaxSec.'

FFT reaffirms this position and therefore retracts all previous announcements it has made relating to the quantum or timing of potential synergies resulting from a merger with MaxSec in any other public announcements previously made by FFT.

2.2 Section 5.2 of Original Bidder's Statement

Section 5.2 of the Original Bidder's Statement is replaced with the following:

At the date of this Supplementary Bidder's Statement the substantial holders in FFT are:

<i>Substantial holder</i>	<i>Interest</i>	<i>Substantial holding</i>
<i>RSA Associates Limited</i>	<i>27,000,000</i>	<i>21.77%</i>
<i>Pierce Group Asia Pte Limited (and related entities)</i>	<i>19,229,940</i>	<i>15.50%</i>
<i>Plexis Holdings Limited</i>	<i>12,978,420</i>	<i>10.46%</i>
<i>Seafirst Australia Pty Ltd, Seafirst Nominees Pty Ltd</i>	<i>12,151,580</i>	<i>9.80%</i>
	<i>71,359,940</i>	<i>57.53%</i>

2.3 Section 7 of Original Bidder's Statement

A new section 7.6 is to be included in the Original Bidder's Statement as follows:

Based on the shareholders of both FFT and MaxSec as at the date of this Supplementary Bidder's Statement, the table below shows the substantial holders of the Merged Group assuming FFT acquires 100 percent of MaxSec:

<i>Substantial holder</i>	<i>Interest</i>	<i>Substantial holding</i>
<i>RSA Associates Limited</i>	<i>27,000,000</i>	<i>11.91%</i>
<i>Pierce Group Asia Pte Limited (and related entities)</i>	<i>24,439,012</i>	<i>10.78%</i>
<i>Plexis Holdings Limited (and related entities)</i>	<i>20,913,957</i>	<i>9.23%</i>
<i>Seafirst Australia Pty Ltd, Seafirst Nominees Pty Ltd</i>	<i>12,151,580</i>	<i>5.36%</i>
	<i>84,504,549</i>	<i>37.28%</i>

2.4 Item 6.9(f) of Schedule 1

FFT hereby undertakes that it shall not seek to rely upon the power of attorney expressed in item 6.9(f) of Schedule 1 of the Original Bidder's Statement unless and until such time that the Offer becomes unconditional.

3 Approval of the Supplementary Bidder's Statement

The Supplementary Bidder's Statement has been approved by a unanimous resolution of the directors of FFT.

This Supplementary Bidder's Statement is dated 02 November 2017, which is the date it was lodged with ASIC.

A handwritten signature in black ink, appearing to read 'Terry Winters', written in a cursive style.

Mr Terence Winters
Chairman
Future Fibre Technologies Limited

Target's Statement

by

MaxSec Group Limited (MaxSec)
(ACN 000 029 265)
(ASX Code: MSP)

In relation to the Offer by

Future Fibre Technologies Ltd (FFT)
(ACN 064 089 318)

to acquire all the ordinary Shares in MaxSec Group Limited

MaxSec's Independent Directors recommend that you

ACCEPT THE OFFER

in the absence of a Superior Proposal

This is an important document and requires your immediate attention.

If you are in any doubt as to how to deal with it, you should consult your financial or other professional adviser.

Letter from the Chairman of MaxSec

Dear Shareholder,

On 25 August 2017 Future Fibre Technologies Limited (**FFT**) announced an off-market takeover bid for all of your MaxSec Group Limited (**MaxSec**) Shares. FFT is offering 1 FFT Share for every 4 MaxSec Shares you own.

Based on the closing price of FFT shares on 17 October 2017, the Offer Price values the total equity of MaxSec at approximately \$15.9 million. The implied value of the offer will fluctuate with the FFT share price. Accordingly, if the FFT share price falls, the value of the Offer will also fall. Likewise, if the FFT share price rises, the value of the Offer will rise.

The below table sets out the implied premium that FFT has offered based on FFT's share price and MaxSec's share price, as calculated on a consideration basis of 1 FFT share for each 4 MaxSec Shares, during the relevant VWAP period. 24 August 2017, being the date prior to the announcement of the bid by FFT and 17 October 2017, being the date immediately prior to the release of this Target Statement:

Period	MaxSec share price	Offer Price premium
ASX closing share price on 17 October 2017	\$0.025	35%
ASX closing share price on 24 August 2017	\$0.044	(31.82)%
1 month VWAP to 24 August 2017	\$0.033	(2.12)%
3 month VWAP to 24 August 2017	\$0.030	13.33%
6 month VWAP to 24 August 2017	\$0.029	20.00%
12 month VWAP to 24 August 2017	\$0.028	56.43%

The below table sets out the implied premium that FFT has offered based on FFT's share price and MaxSec's share price, as calculated on a consideration basis of 1 FFT share for each 4 MaxSec Shares, during the relevant VWAP period. 17 October 2017 being the date immediately prior to the release of this Target Statement:

Period	MaxSec share price	Offer Price premium
ASX closing share price on 17 October 2017	\$0.025	35%
ASX closing share price on 24 August 2017	\$0.044	(31.82)%
1 month VWAP to 17 October 2017	\$0.0268	9.3%
3 month VWAP to 17 October 2017	\$0.0305	3.8%
6 month VWAP to 17 October 2017	\$0.0295	6.3%
12 month VWAP to 17 October 2017	\$0.0284	37.5%

FFT currently controls approximately 13.03% of MaxSec.

MaxSec has appointed Titan Partners Pty Limited (**Titan**) as the independent expert to opine on whether the Offer is fair and reasonable. Titan has concluded that the Offer is not fair but reasonable.

The Independent Board Committee (**IBC**) unanimously recommend that you accept the Offer in the absence of a Superior Proposal. The prospects of a Superior Proposal emerging from a third party are

limited. As at the date of this Target's Statement, no competing proposal has been received by MaxSec.

The reasons for the IBC recommendation are set out below:

1. The Independent Expert has concluded that the Offer is not fair but reasonable.
2. The IBC are not aware of any Superior Proposal.
3. If the Offer does not result in the compulsory acquisition of all MaxSec shares but FFT and its Associates increase their shareholding in MaxSec, FFT and its Associates may have increased influence over MaxSec.
4. The all script Offer provides an opportunity to retain an interest in the MaxSec business, (be it diluted by the FFT business).
5. You will not pay any brokerage fees on disposal of MaxSec Shares if done by accepting the Offer.

If you are considering selling your MaxSec shares on market as opposed to accepting the Offer, please refer to Section 3 of this Target's Statement.

Each of the Directors who hold MaxSec Shares have agreed (as set out in the Bid Implementation Agreement) to accept the Offer in respect of all of the MaxSec shares controlled by them, in the absence of a Superior Proposal.

Together with this Target's Statement, you should have received a Bidder's Statement from FFT, which provides information on the Offer. Instructions on how to accept the Offer are contained in Section 3 of the Bidder's Statement. The terms of the Offer are described in more detail in Section 4 of this Target's Statement and Schedule 1 of the Bidder's Statement.

The Offer is scheduled to close at 7:00 pm on 7 December 2017 (unless extended or withdrawn). Your Board will keep you informed of any further material developments in relation to the Offer as they occur. If you have any queries in relation to the Offer, please contact your stockbroker, financial advisory, lawyer and/or please submit your query in writing to PO Box 808, North Ryde BC, North Ryde NSW 1670, Australia or by email to investors@maxsec.com.

I urge you to read this Target's Statement and the Bidder's Statement in their entirety and consider the Offer having regard to your own personal risk profile, investment strategy and tax position. If you are in any doubt as to the action you should take in relation to the Offer, I would recommend you consult a professional financial adviser.

Yours Sincerely,



Robert Broomfield

Chairman

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Important information

Nature of this document

This is a target's statement dated 18 October 2017 given under Part 6.5 of Chapter 6 of the Corporations Act by MaxSec in response to the Bidder's Statement dated 18 October 2017 and lodged by FFT with ASIC and served on MaxSec on 18 October 2017.

ASIC and ASX disclaimer

A copy of this Target's Statement has been lodged with ASIC and ASX. Neither ASIC or ASX nor any of their respective officers takes any responsibility for the contents of this Target's Statement.

No account of personal circumstances

The recommendations of the Directors contained in this Target's Statement do not take into account the individual investment objectives, financial situation or particular needs of each Shareholder. You may wish to seek independent professional advice before making a decision as to whether to accept or reject the Offer.

Defined terms

Defined terms used in this Target's Statement are capitalised. Definitions of these terms are set out in Section 9. Unless the contrary intention appears, the context requires otherwise or words are defined in Section 9, words and phrases in the Target's Statement have the same meaning and interpretation as in the Corporations Act.

Forward-looking statements

Except for historical information contained in this Target's Statement, there may be matters discussed in this Target's Statement that are forward-looking statements. Such statements are only predictions and are subject to inherent risks and uncertainty. Those risks and uncertainties include factors and risks specific to the industry in which MaxSec and FFT operate as well as general economic conditions and prevailing exchange rates and interest rates. Actual events or results may differ materially. For a discussion of important risk factors which could cause actual results to differ materially from such forward-looking statements, refer to Section 6 of this Target's Statement.

None of the MaxSec Directors, any person named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, except to the extent required by law.

The forward-looking statements in this Target's Statement on behalf of MaxSec only reflect views held as at the date of this Target's Statement.

Notice to foreign shareholders

The distribution of this Target's Statement may, in some countries, be restricted by law or regulation. Persons who come into possession of this Target's Statement should inform themselves of and observe those restrictions.

Sources of Information

Information included in this Target's Statement relating to FFT and its business has been derived from the Bidder's Statement and publicly available sources published by FFT. Information regarding any other listed company included in this Target's Statement has also been derived solely from publicly available sources published by those companies.

Subject to the foregoing and to the maximum extent permitted by law, MaxSec and its Directors disclaim all liability for any information concerning FFT including in this Target's Statement. Shareholders should form their own views concerning FFT from publicly available information.

Privacy

MaxSec has collected your personal information from the register of MaxSec Shareholders for the purposes of providing you with this Target's Statement. The type of information that MaxSec has collected about you includes your name, contact details and information on your shareholding in MaxSec. The Corporations Act requires the names and addresses of MaxSec Shareholders to be held in a public register.

MaxSec has also provided or will provide personal information about its Shareholders to FFT in accordance with the Corporations Act and the ASX Settlement Operating Rules.

Key points

- FFT is offering one FFT Share for every four MaxSec Shares held.
- The Offer is subject to the conditions set out in Schedule 2 of the Bidder's Statement.
- Unless extended or withdrawn beforehand, the Offer will expire at 7.00pm (Sydney time) on 7 December 2017.
- In the absence of a Superior Proposal the Independent Directors unanimously recommend that you **ACCEPT** the offer.
- In the absence of a Superior Proposal each Director currently intends to **ACCEPT** the Offer for all of the Shares they or their Associates own or control.

Important dates

Event	Date
Offer received	18 October 2017
Offer Period commences	6 November 2017
Date of this Target's Statement	18 October 2017
Close of the Offer Period (unless extended or withdrawn)	7 December 2017

Shareholder enquiries

If you have any queries regarding the Offer, please submit your query in writing to PO Box 808, North Ryde BC, North Ryde NSW 1670, Australia or by email to investors@maxsec.com, or consult your financial or other professional advisor.

Frequently asked questions about the Offer

Question	Answer
What is the Offer?	FFT is making an offer to acquire all your MaxSec Shares. If you accept the Offer you will receive (subject to the conditions of the Offer being satisfied or waived) 1 FFT Shares for every 4 MaxSec Shares you own (Offer Consideration).
What choices do I have as a MaxSec Shareholder?	As a MaxSec Shareholder, you have the following choices in respect of your Shares: ➤ accept the Offer; ➤ sell MaxSec Shares on the ASX (unless you have previously accepted the Offer and you have not validly withdrawn your acceptance); or ➤ do nothing. There are several implications in relation to each of the above choices. A summary of these implications is set out in Section 3 of this Target's Statement.
Do the MaxSec Directors support the Offer?	The Independent Directors have recommended that MaxSec Shareholders accept the Offer and all the Directors have indicated their intention to do so for the MaxSec Shares that they own or control within seven days of the date of this Target's Statement, unless there is a Superior Proposal.

Question	Answer
How long is the Offer open for?	The Offer opens on 6 November 2017 and is scheduled to close at 7.00pm on 7 December 2017 (unless extended).
What are the conditions of the Offer?	The Offer is subject to a number of Defeating Conditions which are summarised below: (a) 80 percent minimum acceptance condition; (b) Regulatory Approvals; (c) no material regulatory action; (d) no Prescribed Occurrences; (e) no Material Adverse Change; (f) all MaxSec Options are exercised, cancelled or transferred to FFT; and (g) all other approvals of a third party which are necessary. This is only a summary of the key conditions. The conditions are set out in full in Section 4.1. FFT may choose to waive certain of the Defeating Conditions in accordance with the Offer Terms.
What happens if the conditions of the Offer are not satisfied or waived?	If the conditions are not satisfied or waived before the Offer closes, the Offer will lapse. You would then be free to deal with your MaxSec Shares even if you had accepted the Offer.
Do I have to pay any fees?	No brokerage, charges or stamp duty will be payable by you on acceptance of the Offer. If you choose to sell your MaxSec Shares on market, you may incur brokerage costs and GST on those costs.
What should I do?	You should: (a) read the FFT Bidder's Statement in full; (b) read this Target's Statement in full; (c) consult your broker, financial or other professional adviser if you are in any doubt as to what action to take; and (d) make a decision to accept or reject the Offer. If you have any queries about the Offer, you may submit your query in writing to PO Box 808, North Ryde BC, North Ryde NSW 1670, Australia or by email to investors@maxsec.com.

Question	Answer
How do I accept the Offer?	The Offer may only be accepted for all of your MaxSec Shares. The manner in which you accept the Offer depends on whether you hold your MaxSec Shares in an Issuer Sponsored Holding, a CHESS Holding, or if you are a Broker or a Non-Broker Participant. Full details on how to accept the Offer are set out in Section 3 of the Bidder's Statement. For CHESS Holdings you should instruct your stockbroker or other Controlling Participant to initiate acceptance of the Offer on your behalf in sufficient time for the Offer to be accepted before the end of the Offer Period. For Issuer Sponsored Holdings you must complete, sign and return the acceptance form in accordance with the instructions on it. Return it to the address indicated on the form so that it is received before the end of the Offer Period. A reply paid envelope (not able to be used by MaxSec Shareholders outside Australia) is enclosed in the Bidders Statement for your convenience. Mailing and delivery addresses If you reside in Australia, you can use the reply paid envelope enclosed with the FFT Bidder's Statement. The mailing and delivery address is: Boardroom Pty Limited MaxSec Group Limited Takeover Grosvenor Place Level 12, 225 George Street SYDNEY NSW 2000 AUSTRALIA
If I accept the Offer, when will I receive consideration for my MaxSec Shares?	Provided that the necessary transfer documents accompany your acceptance form, you will be issued FFT Shares within one month of the later of: (a) the date you validly accept the Offer; and (b) the date the Offer becomes or is declared unconditional. In any event, you will be paid within 21 days after the Offer closes (assuming all conditions of the Offer are satisfied or waived).
What rights will my FFT Shares have?	The FFT Shares issued under the Offer will be fully paid and will rank equally for dividends and other rights with existing FFT Shares. A detailed explanation of the rights and liabilities attaching to FFT Shares is set out in Section 5 of the Bidders Statement.
Will my FFT Shares be listed on ASX?	FFT has indicated it will make an application within seven days after the start of the Offer Period to ASX for official quotation of the FFT Shares to be issued under the Offer. Quotation of the FFT Shares to be issued under the Offer will not be automatic but will depend on ASX exercising its discretion to admit them to the official list. However, FFT is already admitted to the official list of ASX and shares in FFT in the same class or on the same terms as those to be issued under the Offer are already quoted.

Question	Answer
What happens if I accept the Offer?	If you accept the Offer and it becomes or is declared unconditional, you will be issued FFT Shares within the time specified above. Once you accept the Offer (even while it remains subject to Defeating Conditions) you will not be able to sell your MaxSec Shares on market or otherwise deal with the Rights attaching to your MaxSec Shares, subject to your limited statutory rights to withdraw your acceptance in certain circumstances.
What happens if I do not accept the Offer?	If you do not accept the Offer, you will remain a MaxSec Shareholder and will not be issued FFT Shares. However, if FFT becomes entitled to compulsory acquire your MaxSec Shares, it intends to do so. If this occurs, you will still receive the Offer Consideration for your MaxSec Shares but at a later date than you would have received it if you had accepted the Offer.
What are the tax implications of accepting the Offer?	A general description of the taxation treatment for certain Australian resident MaxSec Shareholders accepting the Offer is set out in Section 11 of the Bidders Statement. You should not rely on that description as advice for your own affairs. You should consult your taxation adviser for detailed taxation advice before making a decision as to whether or not to accept the Offer for your MaxSec Shares. MaxSec Shareholders should be aware that if FFT does not acquire ownership of 80 percent of MaxSec Shares, then rollover relief will not be available to MaxSec Shareholders for the portion of the capital gain that is made from the receipt of FFT Shares as consideration.
What are the significant risks of the Offer?	You should carefully consider the risk factors that could affect the performance of FFT or the merged FFT and MaxSec group before deciding whether to accept the Offer. Many of these risks are outside the control of FFT and its Directors, and cannot be mitigated. A summary of the key risks is set out in Section 9 of the Bidders Statement and Section 6 of this Target Statement.

1. Summary of the Offer

This Section sets out a summary of the main features of the Offer.

1.1. The Offer

The Offer is being undertaken by way of an off-market takeover bid. The Offer is a takeover offer for all of the issued Shares of MaxSec. The proposed consideration was one FFT Share for every four MaxSec Shares.

The number of FFT Shares that you will be issued the Offer will be calculated based on the VWAP of the FFT Shares over the two trading day period on the ASX commencing on 30 October 2017 and ending on 31 October 2017 (each date inclusive), which is \$0.1240 per FFT Share. For further details please see Section 13.9 of the Bidders Statement.

MaxSec established an Independent Board Committee (**IBC**), comprising the Independent Directors, to consider the Offer.

Unless extended or withdrawn beforehand, the Offer will expire at 7.00pm (Sydney time) on 7 December 2017.

1.2. Assessment of the Offer

Before making a decision whether to accept or reject the Offer, you should read this Target's Statement carefully and seek independent financial and taxation advice.

Shareholders should also consider the risks associated with the Offer which are set out in Section 9 of the Bidder's Statement.

1.3. Terms and conditions of the Offer

The full terms and conditions of the Offer are set out in Schedule 1 of the Bidder's Statement and are considered in Section 4 of this Target's Statement.

1.4. How to Accept

Details of how you can accept the Offer are contained in Section 3 of the Bidder's Statement.

Acceptances must be received by 7.00pm (Sydney time) on 7 December 2017 unless the Offer is extended. If you accept the Offer you are prevented from selling your MaxSec Shares to anyone else. Once you accept you cannot withdraw your acceptance except in limited circumstances.

FFT may withdraw the Offer in limited circumstances (refer to Section 6.10 of Schedule 1 of the Bidder's Statement for more details).

1.5. How to Reject

If you wish to reject the Offer, you need not take any action.

2. Directors' recommendations and intentions

2.1. Directors' recommendations

After taking into account each of the matters in this Target's Statement (including the Independent Expert's Report) and in the Bidder's Statement, the Independent Directors recommend that you accept the Offer, in the absence of a Superior Proposal. Mr Robert Broomfield and Mr Christopher Fergus consider it inappropriate that they make a recommendation about the Offer, on the basis that they are common directors of FFT and MaxSec.

The Independent Directors unanimously recommend you ACCEPT the Offer for the following reasons:

(a) the Independent Expert has concluded that the Offer is not fair but reasonable

Despite not being fair, the Independent Expert considers the Offer to be reasonable due to the following advantages to the Shareholders upon completion of the Offer:

- Shareholders retain participation in future earnings and growth of MaxSec;
- improved liquidity of listed securities as part of a larger entity in terms of market capitalisation and broadened shareholder base;
- the combination of complementary businesses of MaxSec and FFT will allow for the integration of product offerings;
- operational synergies and costs savings are expected to be derived from the merger;
- an expansion in market exposure of MaxSec as part of a larger business and access to FFT's market share;
- the merger will help improve balance sheet strength;
- the strengthened balance sheet (including cash reserves) will support MaxSec operations without raising additional capital; and
- as no alternative offers have been received.

The Independent Directors have considered the above advantages in accordance with ASIC Regulatory Guide 111 and recommend you accept the Offer (in the absence of a Superior Proposal).

(b) Your Directors currently intend to accept in the absence of a Superior Proposal

Your Directors that have Shares have stated that they currently intend to accept the FFT Offer in respect of the MaxSec Shares that they or their Associates own or control, in the absence of a Superior Proposal.

In the event of a Superior Proposal arising the Independent Directors reserve the right to change their recommendation and their intention to accept the Offer.

The IBC have considered the Offer in relation to other possible courses of action including continuing with current expansion plans and preparing for a possible exit event at some time in the future (rather than now).

By recommending acceptance in the absence of a Superior Proposal the Independent Directors can confirm their view that the Offer presents real value at this time and recognise that any future exit plans are subject to a degree of uncertainty.

(c) MaxSec is expected to retain its business, culture and character within a highly credible and successful global organisation

FFT's current intentions if it acquires an interest in 90% or more of the Shares are set out in Section 8 of the Bidder's Statement and Section 6.3 of this Target's Statement. FFT currently intend, based on the information presently known to it:

- to continue the business of MaxSec;
- not to make any major changes to the business of MaxSec or the deployment of MaxSec assets; and
- to continue the employment of the majority of MaxSec employees.

(d) Fair value

Your Directors believe that the total scrip consideration of 1 FFT Share for every 4 MaxSec Shares you own, offered by FFT represents a fair value for your MaxSec Shares. The closing price for FFT's shares on 17 October 2017 was \$0.135. The closing price for MaxSec's shares on 17 October 2017 was \$0.025. In formulating this view, the Directors have had regard to the future growth potential and the inherent risks that are associated with achieving that future growth on a standalone basis.

MaxSec Shareholders will, if the Offer is successful, hold 49% of the fully paid ordinary shares and voting rights in the combined entity. Conversely, based on the 30 June 2017 financial statements, MaxSec would have contributed (to the combined group):

- (a) 19% of cash at bank;
- (b) 21% of Inventories;
- (c) 23% of current assets;
- (d) 16% of net assets;
- (e) 39% of revenue (pre intercompany FFT sales*); and
- (f) 31% of gross profit.

**In the FY17 results, a meaningful portion of MaxSec revenue came from re-selling FFT products in South East Asia. FFT's products were successful in winning \$1.3 million of business which was fulfilled through MaxSec's BQT division. Through this in-market engagement, MaxSec was able to see first hand the demand for FFT's products, and the ability for a combined sales resource to market both BQT and FFT products to the same end users and integrators. Further, MaxSec was able to win this business by leveraging off FFT's balance sheet strength to offer acceptable delivery timeframes, trading terms and back-to-back undertakings to the relevant customers.*

Your Directors have also taken into account inhibitors to potential future growth, including access to working capital, cash at bank, net assets, procurement qualification criteria, geographic reach and their ability to attract strong global partners and customers. In short, MaxSec needs both working capital and operating capital to continue its growth plan and to expand geographically. It also needs the ability to attract and retain high quality staff, customers and strong relationships with distributors, system integrators and consultants and AVA's strategic security partners. MaxSec believe that the strengths of the merged business will greatly enhance MaxSec's ability to provide further growth.

FFT is one of the worlds leading fibre based perimeter intrusion detection companies. It's technology is used by large government and commercial businesses in more than 60 countries. FFT has shipped more than 1,500 of its systems and generated more than \$45 million in revenue in the past three financial years. FFT has 45 employees located in 8 countries.

MaxSec has generated around \$17 million in revenue over the last three financial years and has 34 staff located in 8 countries. FFT has established a number of strong relationships with systems integrators and distributors, which MaxSec should benefit from if the groups are merged.

Your Directors have had regard to FFT's recent announcements which demonstrate that it has a strong balance sheet, forecast positive cash flow and earnings, and has made significant progress in achievement of its FY18 revenue guidance. On 16 October 2017, FFT released its Appendix 4C ("4C") for Q1 FY2018. The 4C, along with the covering announcement, stated that FFT had achieved its second consecutive quarter of operating cash flow positive and had generated positive operating cash flow for the quarter ending 30 September 2017 of approximately \$0.645m. FFT also stated that it had invoiced \$4.3m during the quarter, out of \$7.5m of contracts secured for FY2018 to date. FFT also stated that it had achieved an unaudited net profit of \$0.6m for the first quarter of FY2018 and had a cash balance of \$5.5m with no debt.

FFT's strong balance sheet and global reference customers are expected to greatly assist both of MaxSec's divisions, BQT Solutions and Ava Global, in their efforts to secure new customers and grow internationally. Access to FFT's balance sheet is expected to greatly assist with working capital needs and provide additional coverage for Ava Global in its efforts to obtain customer approvals, particularly within the banking sector, in which clients have high asset based compliance hurdles.

Your Directors consider that the FFT Offer provides compelling and tangible value and appropriately positions the MaxSec business for future growth and success.

The Independent Expert's Report by Titan (an independent expert not associated with either MaxSec or FFT) is set out in Appendix A. Titan has concluded in the Independent Expert's Report that the Offer is not fair but reasonable.

Further, the combining of two small, complimentary, listed companies is expected to produce joint savings in areas of management, finance, administration, audit and listing fees. These savings are estimated by FFT at more than \$1M per year.

(e) Currently no Superior Proposal

Your Directors have also considered the Offer in relation to other possible courses of action including continuing with current expansion plans and preparing for a possible exit event at some time in the future (rather than now).

Your Directors have formed the view that the Offer from FFT is currently the proposal that provides the most compelling opportunity for MaxSec Shareholders and employees and provides a sufficiently certain and advantageous outcome for all stakeholders.

As stated above it is important that you note that the unanimous recommendation made by the Independent Directors is subject to no Superior Proposal emerging. See also the right reserved by the Independent Directors to change their recommendation and decide not to accept the Offer set out in 2.1(a) of this Target's Statement.

As at the date of this Target's Statement, your Directors have not received a Superior Proposal, nor are they aware of any party with an intention make such a proposal.

(f) Potential for increased influence of MaxSec and delisting on ASX

If the Offer does not result in the compulsory acquisition of all MaxSec Shares (see section 4.13 of this Target's Statement), FFT and its Associates could ultimately hold more than their current 13.03% shareholding but less than the 80% shareholding required for compulsory acquisition. If the Offer does result in such an increase in the major shareholding of FFT and its Associates, FFT and its Associates may have the capacity to exert greater influence over the manner in which MaxSec's business is conducted.

If the Offer is not successful, the liquidity of MaxSec Shares may be lower than at present, thereby impacting on MaxSec's Shareholder's ability to sell their MaxSec Shares at price levels that reflect

their value. Additionally, if FFT acquires control over 75% or more of MaxSec Shares, it will be able to pass a special resolution of MaxSec. This will enable FFT to, among other things, amend MaxSec's constitution. Additionally, in certain circumstances, as outlined in Section 8 of the Bidders Statement, FFT intends to apply to ASX to have MaxSec delisted.

2.2. Summary of key considerations for accepting the Offer

Although the Offer is recommended by the Independent Directors, you should be aware of potential disadvantages of the takeover, which may be relevant to your decision whether to accept the Offer. Some factors that may lead you to reject the Offer are set out below.

(a) Disagree with Directors

You may consider the proposed takeover by FFT and the consideration offered by FFT is not in your best interests, or not in the best interests of all MaxSec Shareholders.

(b) Having regard to your personal circumstances

In making a decision whether to accept the Offer you should carefully consider your personal circumstances and have regard to the following matters:

- you may believe that the Offer Price is inadequate;
- the nature and terms of the Offer and your own assessment of the value of the Offer;
- your view on FFT;
- your view on other possible courses of action for MaxSec including continuing with current expansion plans;
- you may believe that a Superior Proposal will emerge for MaxSec;
- you may believe that the Offer will not be successful;
- taxation implication (refer to Section 11 of the Bidder's Statement);
- risks associated with investing in FFT Shares (refer to Section 9 of the Bidder's Statement).

These are not an exhaustive statement of all factors which may have an impact on your personal circumstances.

2.3. Directors' intentions in relation to the Offer

Each Director who holds MaxSec Shares currently intends to accept the Offer in respect of all of those shares except in the case of a Superior Proposal or in the circumstances set out in Section 4.15 of this Target's Statement.

The interests of each MaxSec Director in MaxSec Shares are set out in Section 5.5 of this Target's Statement.

3. Your choices as a shareholder

MaxSec Shareholders should seek professional advice if they are unsure as to whether acceptance of the Offer is in their best interests, taking in account their individual circumstances.

The Bidder's Statement contains important information which MaxSec Shareholders are urged to read carefully. MaxSec Shareholders should note that MaxSec has not undertaken investigations to verify the accuracy or completeness of the information contained in the Bidder's Statement and neither MaxSec nor its Directors or advisers make any representation as to the accuracy or completeness of information contained in the Bidder's Statement. To the fullest extent permitted by law, each of those parties disclaims liability to any person who acts in reliance on that information.

MaxSec Shareholders who would like further information on MaxSec or FFT before making a decision about the Offer are encouraged to exercise their rights under the Corporations Act to obtain copies of all documents lodged by MaxSec or FFT with ASIC or the ASX. Alternatively, you can visit the websites of MaxSec or FFT.

During the Offer Period, MaxSec Shareholders may either:

(a) ACCEPT THE OFFER

Details of how you can accept the Offer are contained in Section 3 of the Bidder's Statement.

Acceptances must be received by 7.00pm (Sydney time) on 7 December 2017 unless the Offer is extended. If you accept the Offer you are prevented from selling your MaxSec Shares to anyone else unless you withdraw your acceptance when you have the right to do so. The right to withdraw an acceptance of the Offer is limited.

OR

(b) SELL YOUR MAXSEC SHARES ON MARKET

You can sell your MaxSec Shares on market at any time if you have not already accepted the Offer.

If you sell your MaxSec Shares on market, you:

- (i) will not receive the benefits of:
 - any future growth potential of MaxSec;
 - any potential higher competing offer for your MaxSec Shares; or
 - any potential improvement in consideration under the Offer,
 (although there is no certainty as to whether such events will occur);
- (ii) may incur brokerage; and
- (iii) may be liable for capital gains tax or income tax on the sale.

You should seek your own specific professional advice regarding the taxation consequences of selling your MaxSec Shares on market.

OR

(c) REJECT THE OFFER

If you wish to retain your MaxSec Shares, you need take no action in relation to the Offer.

You should note that if FFT acquires 90% of Shares and the compulsory acquisition provisions of the Corporations Act are satisfied, it will be entitled to compulsorily acquire the Shares that it does not already own.

You should also note that if FFT acquires more than 50% but less than 90% of Shares, you will be exposed to the risks associated with being a minority Shareholder.

4. Conditions and other Offer information

4.1. Conditions of the Offer

FFT's Offer is subject to a number of conditions. Those conditions are set out in full in Schedule 2 of the Bidder's Statement.

By way of a broad overview, the conditions to the Offer are:

- (a) **(minimum acceptance)**: at the end of the Offer Period, FFT has a relevant interest in at least 80% (by number) of all MaxSec Shares;
- (b) **(Regulatory Approvals)**: all relevant Regulatory Approvals are obtained or remain in full force and effect by the end of the Offer Period;
- (c) **(no regulatory action)**: no regulatory actions, of various kinds, occurring during the Offer Period (subject to certain exceptions);
- (d) **(no Prescribed Occurrences)**: no Prescribed Occurrences occurring during the Offer Period;
- (e) **(no Material Adverse Change)**: no occurrence of a Material Adverse Change during the Offer Period;
- (f) **(MaxSec Options)**: at the end of the Offer Period, all of the MaxSec Options are exercised, cancelled or transferred to FFT or are the subject of agreements or arrangements entered into between FFT and the relevant holder of the MaxSec Options that will cause the MaxSec Options to be cancelled or transferred to FFT;
- (g) **(third party consents)**: all other approvals of a third party which FFT determines are necessary to implement the Offer.

The above is only a summary of the conditions of the Offer. Please refer to Schedule 2 of the Bidder's Statement for a full description of the conditions of the Offer.

The Bid Implementation Agreement also includes a number of other key provisions including exclusivity provisions (including notification provision and no shop and no talk restrictions on MaxSec (although the no talk restrictions are subject to a standard "fiduciary limitation" exception)) and various other requirements that relate to the conduct of the MaxSec business, operations and assets.

4.2. Likelihood of satisfaction of the conditions

Your Directors are not currently aware of any reason why any of the defeating conditions may not be fulfilled.

4.3. Implications of conditions not being satisfied

If the Bid does not proceed because the conditions to the Offer are not satisfied or waived then all contracts resulting from acceptance are void and you will remain the holder of your Shares.

In the event that FFT does not proceed with the Bid, for whatever reason, your Directors intend that the existing business plan will continue to apply. Your Directors would continue to assess growth and other business opportunities as they arise.

4.4. Notice of Status of Condition

Section 6.7 of Schedule 1 of the Bidder's Statement indicates that the date for FFT to give a Notice of Status of Conditions to the ASX and MaxSec as required by section 630(1) of the Corporations Act is the date seven days before the end of the Offer Period.

FFT is required to set out in its Notice of Status of Conditions:

- whether the Offer is free of any or all of the conditions;
- whether, so far as FFT knows, any of the conditions have been fulfilled; and
- FFT's voting power in MaxSec.

If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period. In the event of such an extension, FFT is required, as soon as practicable after the extension, to give a notice to the ASX and MaxSec that states the new date for the giving of the Notice of Status of Conditions. If a condition is fulfilled (so that the Offer becomes free of that condition) during the Offer Period but before the date on which the Notice on Status of Conditions is required to be given, FFT must, as soon as practicable, give the ASX and MaxSec a notice that states that the particular condition has been fulfilled.

4.5. Offer Period

Unless FFT's Offer is extended or withdrawn, it is open for acceptance from 6 November 2017 until 7.00pm Sydney time on 7 December 2017.

4.6. Extension of the Offer Period

FFT may extend the Offer Period at any time before it gives the Notice of Status of Conditions (referred to in section 4.4 of this Target's Statement) while the Offer is subject to conditions. If the Offer is unconditional (that is, all the conditions are fulfilled or freed), FFT may extend the Offer Period at any time before the end of the Offer Period.

FFT may only extend the Offer Period after it gives the Notice of Status of Conditions in limited circumstances.

In addition, there will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period, FFT improves the consideration offered under the Offer.

If this event occurs, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.

4.7. Withdrawal of Offer

FFT may not withdraw the Offer if you have already accepted it. Before you accept the Offer, FFT may (subject to constraints in the Bid Implementation Agreement) withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent. If you have accepted the Offer and FFT withdraws the Offer with ASIC's consent, the contract arising from your acceptance may become void because the outstanding conditions would not have been fulfilled or freed at the time of FFT's withdrawal of the Offer.

Your Directors note that there is currently no suggestion that FFT will wish to withdraw the Offer nor that ASIC would impose this condition in any event. We refer to Section 6.10 of Schedule 1 of the Bidder's Statement in relation to the circumstance where the Bidder may withdraw the Offer.

4.8. Effect of Acceptance

The effect of acceptance of the Offer is set out in Sections 6.8 and 6.9 of Schedule 1 of the Bidder's Statement. MaxSec Shareholders should read these provisions in full to understand the effect that acceptance will have on their ability to exercise the Rights (as defined in the Bidder's Statement) attaching to their MaxSec Shares and the representations and warranties which they give by accepting of the Offer.

4.9. Your Ability to Withdraw Your Acceptance

You only have limited rights to withdraw your acceptance of the Offer.

You may only withdraw your acceptance of the Offer if FFT varies the Offer in a way that postpones, for more than one month, the time when FFT needs to meet its obligations under the Offer. This will occur if FFT extends the Offer Period by more than one month and the Offer is still subject to conditions.

4.10. When Will You Receive Your Consideration if You Accept the Offer

In the usual case, you will be issued your consideration on or before the later of:

- one month after the date you validly accept the Offer if the Offer is, at the time of acceptance, unconditional; and
- one month after the date the Offer becomes or is declared unconditional,

but, in any event (assuming the Offer becomes or is declared unconditional), no later than 21 days after the end of the Offer Period.

However, there are certain exceptions to the above timetable for the issuing of consideration. Full details of when you will be issued your consideration are set out in Schedule 1 of the Bidder's Statement.

4.11. Effect of an Improvement in Consideration on Shareholders who have already accepted the Offer

If FFT improves the consideration offered under its takeover bid, all MaxSec Shareholders, whether or not they have accepted the Offer before that improvement in consideration, will be entitled to the benefit of that improved consideration.

4.12. Lapse of Offer

The Offer will lapse if the Offer conditions are not freed or fulfilled by the end of the Offer Period; in which case, all contracts resulting from acceptance of the Offer and all acceptances that have not resulted in binding contracts are void. In that situation, you will be free to deal with your MaxSec Shares as you see fit.

4.13. Compulsory Acquisition

There are two mechanisms under which FFT may become entitled to compulsorily acquire your MaxSec Shares:

- (a) If FFT and its Associates have Relevant Interests in at least 90% (by number) of all MaxSec Shares during or at the end of the Offer Period and FFT and its Associates have acquired at least 75% of the Non-Associated Shares – you will be paid the last price offered by FFT for MaxSec Shares before compulsory acquisition commences. FFT must give compulsory acquisition notices within one month from the end of the Offer Period if it wishes to acquire MaxSec Shares in the manner described. MaxSec Shareholders may challenge any compulsory acquisition (although this would require the challenging Shareholders to establish that the terms of the Offer do not represent fair value for their MaxSec Shares).

- (b) If FFT and its Associates do not have a Relevant Interest in at least 90% of all MaxSec Shares during or at the end of the Offer Period, FFT may be entitled to compulsorily acquire any outstanding MaxSec Shares if at a later time FFT and its Related Body Corporate have the full beneficial interest in at least 90% (by number) of all of the issued shares in MaxSec. If this threshold is satisfied, FFT must give a compulsory acquisition notice to MaxSec Shareholders setting out a number of matters, together with an independent expert's report stating whether the offer for the MaxSec Shares is of fair value. Unless minority MaxSec Shareholders who collectively hold 10% or more (in number) of the MaxSec Shares the subject of the notice object, the acquisition will proceed. However, if 10% or more do object, the acquisition can only proceed with the approval of the court (such approval must be given if FFT satisfies the court that a fair value is being offered for the MaxSec Shares). This general compulsory acquisition power can only be exercised within six months of the date on which MaxSec reaches the relevant 90% threshold.

If compulsory acquisition occurs, MaxSec Shareholders who have their MaxSec Shares compulsorily acquired are likely to be issued their consideration approximately 5 to 6 weeks after the compulsory acquisition notices are dispatched to them.

FFT has indicated in its Bidder's Statement (refer to Sections 8.2 and 8.3 of the Bidder's Statement) that it intends to compulsorily acquire outstanding MaxSec Shares under the Corporations Act, if it becomes entitled to do so.

4.14. Break Fee

The Company has agreed to pay FFT a break fee of 1% of the market value of MaxSec¹ in the following circumstances:

- any Director makes any public statement to the effect that he or she does not support (or no longer supports) the Bid;
- any Independent Director fails to recommend the Offer or, having done so, withdraws or varies the recommendation of the Offer;
- any Director recommends a Competing Proposal;
- a Superior Proposal is announced and is open for acceptance;
- any person other than FFT (or its Associates) acquires a Relevant Interest in more than 20% of MaxSec Shares; or

MaxSec breaches a term of the Bid Implementation Agreement and that breach results in a valid termination of the Bid Implementation Agreement.

More details are set out in Section 12.1 of the Bidder's Statement.

4.15. Right to change recommendation reserved

The Independent Directors also reserve the right to change their recommendation if they form the view that the transaction becomes uncommercial or is not in the best interests of shareholders. Depending on the circumstances this may or may not cause the break fee to be payable. If the Independent Directors change their recommendation they reserve the right not to accept the Offer in relation to the shares they control.

¹ Based on the Offer Consideration using the closing price of FFT Shares of 24 August 2017 being the trading day immediately before the Offer was announced.

4.16. Foreign Shareholders

The manner in which foreign shareholders are to be treated under the Offer is set out in Section 13.12 of the Bidder's Statement.

5. Information of MaxSec

5.1. Overview of MaxSec and its principal activities

MaxSec is a leading global provider of integrated security and turn-key solutions. MaxSec Group has a world class research and development team, a strong portfolio of proprietary products and, where relevant, sources products through partnerships (including with FFT) with leading manufacturers to meet the supply requirements of its customers. The product portfolio consists of smart card based access control, biometric solutions and electromechanical locking devices, which are installed in thousands of locations globally. In 2016, MaxSec established a new business, Ava Global, to provide secure international logistics of high value cargo on a fully insured door to door basis. Ava Global offer a global service capability, delivered from its own strategically located offices (New York, London, Frankfurt, Dubai and Singapore) with support from a network of specialist and strategic partners in over 100 countries.

MaxSec released its 4E preliminary financial report on 24 August 2017 providing the results for the consolidated MaxSec Group Limited (the **Group**) entity. Below is a summary, you should refer to all of the information released to the ASX, including the notes to the financial statements.

(a) Revenue and Profit

Revenue from ordinary activities for the year ended 30 June, 2017 increased 71% to \$7.449 million from the previous year (2016: \$4.344 million). The Group generated a net loss of \$3.435 million during the year to 30 June, 2017, (2016: \$1.390 million).

The increase in revenue was principally due to the establishment and growth of operations of Ava, our secure logistics division and the increased sales and marketing activity of the BQT Solutions division. The net loss for the financial year is \$3.435 million (2016: \$1.390 million) and represents the Group's costs in establishing and developing Ava Global as well as the establishment of additional resources to expand the BQT Solutions business into developing markets.

(b) Net Cash

Net Cash used by Operating Activities was \$2.733 million (2016: \$1.276M), receipts from customers amounted to \$7.429 million (2016: \$4.763M) and payments to suppliers and employees amounted to \$10.482 million (2016: \$6.272M) The net cash used in Operating Activities is reflective of the costs of operation and development of the BQT Solutions business and the establishment and development of the secure international logistics division, Ava Global.

Net cash used in investing activities amounted to \$576K (2016: \$545K) and relates primarily to our investment in new products and technology platforms which will provide both revenue benefits and cost savings in future periods.

There was no cash raised in financing activities for the year (2016: \$6.121M). This amount raised in the previous year was for the establishment of secure international logistics division, Ava Global and for the expansion of the BQT Solutions business.

Net cash available to the Group was \$1.587 million (2016: \$4.968M).

(c) Operations

The development and establishment of our secure logistics business unit, Ava Global is progressing to plan. Ava is now building its portfolio of foundation clients and is positioned to develop its' business through a global network of offices and strategic partnerships across six continents.

Ava Global has now executed service level agreements with key foundation clients who have a total annual international secure logistics spend in excess of \$45 million and are in advanced discussions with clients that spend in excess of \$60 million.

During the year BQT Solutions have appointed additional sales resources in the US, European and MENA markets and have focused our sales and marketing team with the appointment of a Global Sales and Marketing Executive who is tasked to expand our relationships with our blue chip clients as well as developing new opportunities on a global platform.

(d) New Products

BQT Solutions product portfolio has expanded during the year with the development and addition of our miPASS Access template management system and range of managed biometric products, miPASS Strata offline access control system, OSDP output readers, Phase and amplitude modulation shift migration readers and improvements to our range of highly secure smart readers.

(e) Summary and Outlook

The financial performance of the Group is in line with our expectation, considering the investment into the Ava Global business and our ongoing BQT Solutions expansion program.

Year ended		Net Profit / (Loss)	Revenue
30 June, 2017	(\$000's)	(3,435)	7,449
30 June, 2016	(\$000's)	(1,392)	4,344
30 June, 2015	(\$000's)	411	5,202

The Directors remain focused on continuing along the path of delivering the Group's stated strategic objectives as noted below and continue to support management in implementing and executing these objectives to increase shareholder value, these are:

- Develop and launch new products and services to increase market share and profitability;
- targeted acquisitions to grow the product portfolio, revenue and profits;
- implementation and continued development of a direct sales model for BQT's traditional core markets and a distribution model for developing and other markets;
- integrated sales approach offering holistic security solutions to Group clients; and
- cost control and working capital maximisation initiatives.

5.2. Board Members of MaxSec

As at the date of this Target's Statement, there are four Board members of MaxSec.

Mr Robert Broomfield – Non-executive Chairman

Mr Broomfield is the Chief Executive Officer and Executive Director of FFT. He is an experienced business executive with more than 20 years of management experience including the past 18 years in senior positions within companies operating in the security industry. Prior to joining FFT, he was with Vision Systems Limited, where he served as the General Manager of Asia Pacific for their Fire and Security systems. In addition to his international sales and marketing success, Mr Broomfield has extensive experience in operations management, including product engineering, procurement, manufacturing and operations. He has previously had 10 years experience with IBM in Australia and the United States.

Mr Geoffrey Cleaves – Chief Executive Officer, Executive Director and Company Secretary

Mr Cleaves has over 25 years' experience in finance and operations management within the property, media, print, manufacturing, oil and gas and investment sectors, last 20 years in senior management positions with both listed and unlisted corporations. During Mr Cleaves' career he has held senior

management positions with organisations such as Stockland Group, Chase Corporation, Milton Corporation, Trafalgar Corporate Group, Australian Petroleum Fund and the Independent Print Media Group. Mr Cleaves' is a professional manager and his core competencies include general management, investment, asset and funds management, treasury and finance.

Mr Christopher Fergus – Executive Director

Mr Fergus is currently Executive Director & SVP Strategy & Business Development for MaxSec and Chief Executive Officer of its secure international logistics division, AVA Global. Based in Dubai, Mr Fergus is a UK national and has extensive experience within the security integration and services sectors, having previously worked for the FTSE 100 and world's leading security services provider, G4S, for over 20 years. Joining G4S as a graduate trainee in 1994, he worked across a number of continents in a number of roles, most recently as Regional Managing Director, Middle East, managing a portfolio of Security & FM joint ventures. Mr Fergus is also a non-executive director of FFT.

Mr Johan Landsberg – Non-executive Director

Mr Landsberg was born in 1969 in South Africa. He served as an Officer in the South African Defence Force before starting his professional career in the services industry. Mr. Landsberg holds qualifications in Business Management and Marketing as well as various safety and security related certifications. Mr. Landsberg was previously a senior executive of MaxSec and holds both a good understanding of the Company's history and a wealth of experience gained in the industry. Mr. Landsberg migrated to Australia in 1999. He joined the security industry as a senior executive in various capacities in the successful implementation of large technology deployments in Australia. He has broad experience in related areas including distribution, contract, and risk management. Mr. Landsberg was also engaged until late 2014 by the public sector to provide commercial and technical guidance on the deployment of technologies in large scale implementations which included the implementation of new transport ticketing system on rail in NSW. Mr. Landsberg is currently the Group General Manager of a privately owned group of companies and is responsible for the strategic and commercial directions of this group globally. Mr. Landsberg joined the Board on 6 May 2010 and holds no positions on boards of other Australian listed companies.

5.3. Key management

As at the date of this Target's Statement, the key management personnel of MaxSec include:

Name	Position
Geoffrey Cleaves	Chief Executive Officer
Christopher Fergus	SVP Strategy & Business Development; CEO of Ava Global
Tom McMorrow	BQT Solutions Head of Sales & Marketing

5.4. Ownership

As at 17 October 2017, the last practicable trading day prior to the date of this Target's Statement, based on substantial shareholder notices lodged with the ASX and registry data, the top 20 shareholders of MaxSec were:

Shareholders	Shares	%
Future Fibre Technologies Limited	61,500,000	13.03
HSBC Custody Nominees (Australia) Limited	35,525,135	7.53
Bell Potter Nominees Ltd	31,742,146	6.72

Shareholders	Shares	%
Dixon Trust Pty Ltd	21,257,707	4.50
Pierce Atlantic Pte Ltd	20,836,289	4.41
Bannaby Investments Pty Limited	20,488,934	4.34
Mr David Malcolm South	17,000,000	3.60
4c Controls Inc	12,800,000	2.71
Mr Christopher Fergus	12,000,000	2.54
Mr Steven Gary Hirst	11,938,161	2.53
Mr Neil Richard Hingston + Ms Pauline Ruth Hingston	7,309,239	1.55
Mr Michael David Bevan	7,000,000	1.48
Carrier International Pty Ltd	5,950,000	1.26
Brownlow PR Pty Ltd	5,500,000	1.17
Mr Matthew Ian James + Mrs Heather Bernice James	5,500,000	1.17
Mr Joseph Morrin	5,000,000	1.06
Twoinvest Pty Limited	5,000,000	1.06
Mr Patrick Benedict Twomey + Ms Genevieve Rosvall	5,000,000	1.06
Citicorp Nominees Pty Limited	4,952,419	1.05
Mr Daniel James Harris	4,750,000	1.01
Top 20 Shareholders	301,050,030	63.78
Total Shares Issued	472,010,928	100.00

5.5. Directors' interests in MaxSec Shares

As at the date of this Target Statement, the Directors and their Associates have interests in the following MaxSec Shares and Options:

Name of Director	Number of Options	Number of MaxSec Shares*
Robert Broomfield	1,000,000	5,625,000
Geoffrey Cleaves	5,000,000	NIL
Christopher Fergus	NIL	12,000,000
Jacobus Landsberg	500,000	NIL

*Note: includes Shares issued on exercise of all Options before the Offer is made.

There have been no acquisitions or disposals of MaxSec Shares by the Directors in the period of four months immediately preceding the date on which the Bidder's Statement was served on MaxSec.

5.6. Directors' interests in FFT Shares

As at the date of this Target Statement, the Directors and their Associates have interests in the following FFT Shares and FFT Employee Share Options:

Name of Director	Number of Options	Number of FFT Shares
Robert Broomfield	1,500,000	1,500,000
Geoffrey Cleaves	NIL	NIL
Christopher Fergus	NIL	NIL
Jacobus Landsberg	NIL	NIL

5.7. Ava Global Performance Plan

Ava Global is a wholly owned subsidiary of MaxSec. Certain senior employees and consultants of Ava Global are participants of a performance plan. The relevant performance plan may, subject to certain terms and conditions, provide performance remuneration to the senior employees (as set out below).

The performance plan allows for relevant senior employees to obtain an amount set aside as a "pooled allocation" of up to 32.7% of the exit value of Ava Global in excess of \$5 million or the debt and equity funding provided to Ava Global to run the business (being the greater of \$5 million or the funding amount). As at 15 September 2017, peak funding totalled \$5.6 million.

In addition, the plan provides for a shared annual bonus pool of 32.7% of the net profits that the Ava Global business unit generates for MaxSec. As at 15 September 2017, no net profits had been generated.

In both cases, an employee's right to participate in the performance plan expires if the employee resigned or was terminated at any time during the first three years.

As at 15 September 2017, 26.7% of the total "pooled allocation" under the plan had been allocated to 3 current employees and 2 consultants who are retained under consultancy agreements. Of the allocation, 16.2% has been allocated to Mr. Christopher Fergus, the Chief Executive Officer of Ava Global and a director of MaxSec.

If the sale of Ava Global does not occur by 1 February 2021, the performance plan terminates and the "pooled allocation" to senior employees and consultants is no longer applicable.

5.8. Information on securities in MaxSec

As at the date of this Target's Statement, there are 472,010,928 Shares on issue and 21,200,000 unquoted Options on issue.

The Directors refer to Section 13.5 of the Bidder's Statement and note as follows:

- (a) as far as they are aware, the holdings of FFT as set out in Section 13.5 of the Bidder's Statement accurately reflect the current position;
- (b) they are not aware of any other person being an associate of FFT during the previous four month period;
- (c) they are not aware of any benefit being given or offered to be given to any person by FFT or an associate of FFT with respect to the Offer; and
- (d) as far as they are aware, FFT's relevant interest in MaxSec Shares and Voting Power is as set out in Section 13.5 as at the date of the Bidder's Statement.

5.9. MaxSec Options

(a) Employee Share Option Plan

Over the past three years, MaxSec has granted to certain key management personnel Options under the terms of the Plan. The Options did not require the participants to pay any price on exercise.

The Options are offered subject to the terms and conditions of the Plan, which provide (in summary) that:

- each Option issued under the Plan confers on its holder the entitlement to acquire one MaxSec Share (by way of issue) at the exercise price determined by the Board (in no circumstances be less than \$0.025) upon exercise (once vesting conditions have been satisfied);
- MaxSec Shares issued under the Plan will rank equally in all respects with existing MaxSec Shares on issue on and from the date of issue; and
- MaxSec Shares issued under the Plan will be quoted on the ASX in accordance with the Listing Rules.

Details of the Options granted under the terms of the Plan are set out below.

Tranche	No. on Issue	Grant Date	Vesting Date	Expiry Date
1	3,250,000	19 May 2015	21 November 2016	19 May 2020
2	3,250,000	19 May 2015	21 November 2017	19 May 2020

(b) Unsecured loan facility

On 4 November 2011, MaxSec issued 6,700,000 Options to Pandon Holdings Pte Limited ("Pandon Options") in part consideration for the establishment of an unsecured loan facility of \$201,000 to fund working capital requirements.

A summary of the terms and conditions of the Pandon Options are as follows:

- the Pandon Options are fully vested and will be exercisable at any time up to 31 December 2017 at the exercise price of \$0.03;
- the Pandon Options are transferable;
- MaxSec Shares issued on the exercise of Pandon Options will rank equally in all respects with existing MaxSec Shares on issue on and from the date of issue; and
- MaxSec Shares issued on the exercise of Pandon Options will be quoted on the ASX in accordance with the Listing Rules.

(c) Full underwritten rights issue

On 29 February 2016, MaxSec issued 8,000,000 Options ("KTM Options") in part consideration for performance of underwriting services by KTM Capital Pty Limited ("KTM Capital") in a non-renounceable rights issue to raise funds towards expanding headcount, global sales footprint and working capital for product orders. MaxSec was directed to issue the KTM Options to KTM Capital's nominees as follows:

Number of KTM Options	Nominee
4,000,000	Bannaby Investments Pty Limited
4,000,000	IFM Pty Limited

A summary of the terms and conditions of the KTM Options are as follows:

- the KTM Options are fully vested and will be exercisable at any time up to 31 December 2020 at the exercise price of \$0.03;
- the KTM Options are transferable;
- MaxSec Shares issued on the exercise of KTM Options will rank equally in all respects with existing MaxSec Shares on issue on and from the date of issue; and
- MaxSec Shares issued on the exercise of KTM Options will be quoted on the ASX in accordance with the Listing Rules.

5.10. Effect of the Offer on Options

Under the Bid Implementation Agreement, it is a condition precedent to FFT's performance that MaxSec and FFT must use reasonable endeavours to obtain relevant optionholders' agreement to cancel or transfer the Options to FFT. This condition precedent can only be waived by written agreement between FFT and MaxSec.

It is proposed that a total of 21,200,000 MaxSec Options on issue will be cancelled in exchange for issued options in FFT (**FFT Options**) on the following terms:

- the FFT Options will be issued with no issue price;
- the FFT Options will be fully vested at grant date;
- the FFT Options will have the same expiry date as the corresponding MaxSec Options;
- the Optionholders will receive one FFT Option for every four MaxSec Options; and
- the FFT Options will have an equivalent exercise price (after taking into account the difference between the value of the FFT Share and the MaxSec Share).

FFT and MaxSec will enter into tripartite option exchange agreements (**Option Exchange Agreements**) with the relevant optionholders in due course to formalise the arrangements of the MaxSec Options. The Option Exchange Agreements are subject to the Offer being declared unconditional.

The Option Exchange Agreement with Mr Robert Broomfield provides that the issue of FFT Options to Mr Broomfield will be subject to FFT obtaining shareholders' approval. If shareholders of FFT do not approve the issue, MaxSec Options held by Mr Broomfield will be cancelled in exchange of a cash payment by FFT.

MaxSec has made an application to ASX for a waiver from Listing Rule 6.23.2 for the purposes of the MaxSec Options. Absent the waiver sought, Listing Rule 6.23.2 requires Shareholders approval to be obtained for the cancellation of MaxSec Options for consideration. The waiver sought is consistent with ASX Guidance Note 17 in relation to a standard waiver to permit a listed entity to cancel unquoted options for consideration without the approval of the holders of ordinary securities, where the cancellation is pursuant to a takeover bid. ASX has granted the waiver on 10 October 2017 subject to the following conditions:

- the Offer being declared unconditional by FFT in compliance with the Corporations Act;
- full details of the cancellation of MaxSec Options being included in the Bidder's Statement and Target's Statement; and
- FFT acquiring voting power in MaxSec of at least 50.1%.

5.11. Benefits and Agreements with MaxSec Directors

(a) Benefits in connection with retirement from office

As a result of the Offer, no person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from a board or managerial office of MaxSec or Related Body Corporate of MaxSec.

(b) Agreements connected with or conditional on the Offer

There are no agreements made between any Board member of MaxSec and any other person in connection with, or conditional upon, the outcome of the Offer other than in their capacity as a holder of MaxSec Shares or MaxSec Employee Share Options.

(c) Benefits from FFT or its Related Body Corporates

None of the Board members of MaxSec has agreed to receive, or is entitled to receive, any benefit from FFT or its Related Body Corporates which is conditional on, or is related to, the Offer, other than in their capacity as a holder of MaxSec Shares or MaxSec Employee Share Options.

5.12. The Board following Completion of the Offer

With the exception of Mr Robert Broomfield and Mr Christopher Fergus, the current Directors will be replaced with persons nominated by FFT. FFT's present intention is to appoint Mr Terence Winters, Mr Frederick Davis and Mr Mark Stevens to the Board. Profiles for each of the proposed directors are set out in Section 8 of the Bidder's Statement.

6. Important Information and Risks

6.1. Independent Expert's Report

This Target's Statement includes, in Appendix A, a copy of a report by Titan (an independent expert not associated with either MaxSec or FFT), stating whether, in its opinion, the Offer is fair and reasonable and giving reasons for forming that opinion

MaxSec's Board recommend that you read the report in full.

By way of summary, Titan has concluded that the Offer is not fair but reasonable.

6.2. Minority Ownership Consequences

FFT is entitled to compulsorily acquire all outstanding MaxSec Shares if it acquires 90% or more of MaxSec Shares (see Section 8 of the Bidder's Statement for further details).

If FFT and its Associates acquire more than 51% but less than 90% of the MaxSec Shares then, FFT and its Associates will increase their existing substantial shareholding in MaxSec but will not be entitled to acquire the MaxSec Shares that have not been accepted into the Offer. Any increase to this existing majority shareholding could have a number of possible implications, including:

- (a) the MaxSec share price may fall immediately following the end of the Offer Period and it is unlikely that MaxSec's share price will contain any takeover premium;
- (b) the liquidity of MaxSec Shares may be lower than at present;
- (c) FFT has indicated in the Bidder's Statement that it will seek to have MaxSec removed from the official list of the ASX. If this occurs, MaxSec Shares will not be able to be bought or sold on the ASX;
- (d) if FFT and its Associates acquire 75% or more of the MaxSec Shares it will be able to pass a special resolution of MaxSec. This will enable FFT and its Associates to, among other things, change MaxSec's constitution; and it may be unlikely that a subsequent takeover bid for MaxSec will emerge at a later date from a third party.

6.3. FFT intentions

FFT has indicated its intentions should the bid proceed in accordance with Section 8 of the Bidder's Statement, which sets out FFT's intentions in each of the following scenarios:

- (a) upon acquisition of 90% or more of MaxSec Shares;
- (b) upon acquisition of between 50% and 90% of MaxSec Shares; and
- (c) upon acquisition of less than 50% of MaxSec Shares.

FFT intends to undertake a detailed review of the operations, assets, structure and employees of MaxSec. This review may result in changes to the existing projects, activities and operations of MaxSec. The review of MaxSec's operations may also result in redundancies or additional staff recruitment.

A summary of FFT's intentions upon acquisition of 90% or more of MaxSec Shares are as follows:

- to compulsorily acquire any outstanding MaxSec Shares;
- to amend the constitution of MaxSec to reflect its status as a wholly-owned subsidiary of FFT;
- to procure that MaxSec be removed from the official list of ASX after conclusion of the compulsory acquisition process; and

- to replace members of the Board with directors nominated by FFT and retain Directors who already serve on the FFT board.

6.4. Taxation implications

A general description of the taxation treatment for certain Australian resident MaxSec Shareholders accepting the Offer is set out in Section 11 of the Bidder's Statement.

You should not rely on that description as advice for your own affairs.

You should consult your taxation adviser for detailed taxation advice before making a decision as to whether or not to accept the Offer for your MaxSec Shares.

MaxSec Shareholders should be aware that if FFT does not acquire ownership of 80% of MaxSec Shares, then rollover relief will not be available to MaxSec Shareholders for the portion of the capital gain that is made from the receipt of FFT Shares as consideration.

6.5. Overview of Risks

Section 9 of the Bidder's Statement outlines the risks that FFT Shareholders may face. It assumes that MaxSec Shareholders accept the Offer and become FFT Shareholders. If Maxsec Shareholders do not accept the Offer and FFT is unable to proceed to compulsory acquisition the risks associated with being a Maxsec Shareholder remain as they are today with one proviso, FFT may be the majority shareholder of Maxsec and this could change the risks associated with holding Maxsec Shares.

Please read this information carefully. If you require further information in order to decide whether or not to accept the Offer, please contact your professional adviser.

There are a number of risks, some specific to Maxsec, some specific to FFT and some of a general nature, which may either individually or in combination materially and adversely affect the future operating and financial performance of a merged FFT and MaxSec group, its investment returns and the value of the Shares. Many of these risks are outside the control of FFT, Maxsec and its directors and cannot be mitigated.

There can be no guarantee that FFT or Maxsec (or the merged entity) will achieve its objectives or that any forward looking statements or forecasts will eventuate. This Section describes the major risks associated with an investment in FFT (integrating Maxsec).

6.6. Risks specific to the FFT business

Competition

There are other companies that sell security intrusion detection solutions for perimeter, pipeline and network applications, some based on fibre-optics and some based on different technologies. There are other large organisations that provide complex security solutions that have developed in-house perimeter intrusion detection solutions.

The convergence of IT and security has, and is expected to continue to rapidly evolve, with new entrants and large players releasing new offerings in specific areas (for example, video analytics), that are adjacent to, or may influence end user's adoption of technology solutions. FFT expects to face competition from such organisations, some of which will have greater financial, technical and marketing resources. Increased competition could result in margin reductions, underutilisation of employees, reduced operating margins and loss of market share. Any of these occurrences could materially adversely affect FFT's business, operating results and financial condition.

While FFT is aware of companies offering perimeter intrusion detection solutions, there is little public information available about potential competitors the emerging pipeline and data network markets.

Business contracts risk

There are a number of existing contracts which are material to FFT's business (see definition of "Material Contract" in Section 14 of the Bidder's Statement). Further contracts will likely be entered into by FFT which will also be material to FFT's business.

Many of these contracts are, or will be, governed by laws other than laws of Australia. There may be difficulties in enforcing contracts in jurisdictions other than Australia. Apart from the usual uncertainties and costs of litigation, there may be regulatory or practical considerations which frustrate the enforceability, or enforcement, of such contracts against foreign or foreign-owned counterparties. These matters may have a significant adverse effect on FFT's ability to enforce its contracts and may have a significant adverse effect more generally on FFT's business and profitability.

Apart from that, FFT is exposed to the potential of third-party insolvency. If a third-party with whom FFT has dealings becomes insolvent, this may also have a significant adverse effect on FFT and on its business and profitability. It should be noted that foreign insolvency laws are not necessarily similar to Australian insolvency laws.

Exchange rates

FFT operates internationally and in several currencies. Accordingly, fluctuations in prevailing exchange rates affect FFT's profitability and financial position.

Currently, most of FFT's revenues are in US dollars and most of its costs are in Australian dollars. However, the mix of currencies in which FFT pays its costs and earns its revenues is changing over time. As that mix changes, there may be a greater impact on profitability in Australian dollar terms.

FFT's financial statements are prepared and presented in Australian dollars, and any appreciation in the Australian dollar against other currencies in which FFT transacts may adversely impact its financial performance and position.

Intellectual property stolen

FFT has patents and trademarks protecting some of its intellectual property. Know-how contained in confidential documentation and software source code associated with FFT intellectual property may be appropriated by a third party to the detriment of FFT which could materially impact on its business. FFT's confidential engineering documentation and proprietary source codes used in the FFT products is protected by restricted access to internal networks and hard copy documentation. External access of electronic documentation and source code is restricted by controlled passwords and firewalls. All network data is protected from loss by secure backup process and remote secure storage, while all incoming emails and attachments are scanned for viruses. There are risks associated with theft or misuse of the source codes.

Global nature

FFT has supplied products to end users in, and provides products and services to companies, in multiple jurisdictions across the world. FFT primarily sells through System Integrators, while also providing its own commissioning services into many of these jurisdictions. Changes in local policies, regulations and legislations can affect FFT in ways that are hard to predict.

Government policies and procedures regulating security solutions approvals and certification may change over time resulting in local laws and practices that are time consuming and resource-intensive to comply with, or which are unclear. Required approvals may be difficult to obtain. Some of the jurisdictions in which FFT operates in the future may experience sudden civil unrest or major political change.

FFT's operations may be adversely affected by the risks associated with operating in such jurisdictions, which may impact on its ability to grow the business in overseas markets.

As a supplier of a security solution that is subject to oversight and approval by Australian Defence Export control it can be restricted in the countries and companies that it can sell to, and these restrictions may vary with time and impact FFT's market access.

More generally, FFT will have to adapt to local business and contract customs in jurisdictions where it currently operates and where it plans to operate. This may result in FFT operating on less profitable terms than it has operated on historically, or ceasing to operate in such jurisdictions, which may adversely affect FFT's results or operations.

Supply chain disruption risk

FFT sources a number of key technology components such as laser and optical devices, and some complete products that make up its total solution. These devices are manufactured by third parties, which also manufacture devices for other companies (including on-sellers and distributors, and may also sell those products) through their own direct channels. These devices contain electronic components that are used in other devices manufactured for other businesses that have more purchasing power than FFT.

The global supply of these components has limitations and demand for these components is growing.

If other companies were to order more of these components than can be manufactured in a timely fashion then this may disrupt or delay device orders made by FFT. FFT may not be able to satisfy requests by end users or System Integrators for more devices.

This would likely have a material adverse effect on FFT's ability to generate revenue. If disruptions were prolonged, they could have a material adverse effect on FFT's ability to continue to grow its business.

Funding risk

FFT's forecast capital expenditure for the Merged Group for the 12 months ended 30 June 2018 is set out in Section 7.3 of the Bidders Statement. Whilst FFT does not currently expect to need additional funding to undertake its capital expenditure program there can be no guarantee that FFT will not need to source additional funding or that FFT is able to source funding on commercially-acceptable terms.

Debt covenants

FFT, at the date of the Bidder's Statement, has an unused debt facility which is subject to a number of covenants including a tangible net worth test and capital ratio requirement. In the event of unforeseen fluctuations in asset values, FFT may be in breach of its loan covenants and would not be able to draw funds under the facility.

Relationships with key customers and suppliers

Although FFT has a diverse customer base, there may be a material adverse effect on FFT's financial position and performance if a number of high value customers experience difficulties or do not perform to expectations, or if their contracts were terminated or these relationships did not continue.

FFT's business is dependent on the continuation of a number of agreements. As with any contractual arrangement, parties to those arrangements may default in the performance of their obligations, become insolvent or seek to amend the terms of the arrangements without the consent of FFT, or necessary regulatory approvals may be withdrawn or not issued.

To retain flexibility and maximise supplier price competition, FFT does not have fixed supply agreements for many of the components and services that it uses. FFT instead relies on its commercial relationships with certain suppliers and the diverse supply options for ongoing supply. FFT's directors have stated that they have no reason to believe that these relationships will break down. However, if the relationships do not continue, there may be a material adverse effect on FFT's financial position and performance.

Management of future growth

FFT has a stated aim to increase the number of its employees and offices and the scope of its supporting infrastructure. This growth is likely to result in new and increased responsibilities for management and could place a significant pressure on FFT's management.

FFT will be required to continue to implement and improve its systems in a timely manner in order to accommodate the increased number of transactions and customers and the increased size of its operations. A failure to do so may adversely affect FFT's revenue and profitability. Failure to expand into the pipeline and data network markets as planned could also impact FFT's future growth.

Shortage of personnel

FFT's success and growth strategy depends in part upon its ability to attract and retain appropriate management and sales, technological and operating personnel. There is a risk that FFT will not be able, or has not budgeted sufficient amounts, to attract and retain appropriate staff to meet its future requirements.

Regulatory changes

Changes in laws, regulations or industry or government bodies' policies and practices (or the interpretation or application of those laws, regulations or policies) may have a material adverse effect on FFT's financial position or performance.

Export licence

FFT has a Defence Export Controls Outreach program export licence. If that licence was terminated it would severely restrict the ability of FFT to operate. The FFT directors have stated that they have no reason to believe that the licence will be revoked or have conditions attached to it that would be capable of impacting adversely on the operations of FFT.

Cancellation or delay of an infrastructure project

FFT's products are often specified by system integrators as part of a tender in large construction or installation projects. The cancellation or delay of a project where FFT has been specified as the security system provider could have adverse implications on FFT's expected revenue. This risk is mitigated by the fact that the cancellation of a project would free up financial resources necessary to pursue other sales opportunities for other projects.

Product liability

FFT's contracts with its clients generally contain provisions to limit FFT's exposure to product liability claims. However, it is possible that the limitation of liability provisions may not be effective in certain jurisdictions. Hence there can be no assurance that FFT will not be subject to such claims.

Global nature

FFT has supplied products to End Users in, and provides products and services to companies in multiple jurisdictions across the world. FFT primarily sells through system integrators, while also providing its own commissioning services into many of these jurisdictions. Changes in local policies, regulations and legislation can affect FFT in ways that are hard to predict.

Government policies and procedures regulating security solutions approvals and certification may change over time resulting in local laws and practices that are time consuming and resource-intensive to comply with, or which are unclear. Required approvals may be difficult to obtain. Some of the jurisdictions in which FFT operates in the future may experience sudden civil unrest or major political change.

FFT's operations may be adversely affected by the risks associated with operating in such jurisdictions, which may impact on its ability to grow the business in overseas markets.

As a supplier of security solutions that are subject to oversight and approval by the Australian Government's Department of Defence, Defence Export Controls, FFT can be restricted in the countries and companies that it can sell to, and these restrictions may vary with time and impact FFT's market access.

More generally, FFT will have to adapt to local business and contract customs in jurisdictions where it currently operates and where it plans to operate. This may result in FFT operating on less profitable terms than it has operated on historically, or ceasing to operate in such jurisdictions, which may adversely affect FFT's results or operations.

Litigation and Disputes

Legal and other disputes (including industrial disputes) may arise from time to time in the ordinary course of operations. There is a risk that material or costly disputes or litigation could impact on the financial performance and the value of FFT.

Implementation risks

The respective boards of FFT and MaxSec have assumed a successful integration of FFT and MaxSec. Integration risks include possible differences in management culture, failure to achieve expected synergies and savings and loss of key personnel. There is no guarantee that integration will be successful, or that it will be achieved within the expected time frame and cost. Inability to effectively manage integration may adversely affect the performance of the Merged Group and its future prospects.

Diversification

As holders of FFT Shares following implementation of the Offer, MaxSec Shareholders will be exposed to a more diversified organisation than MaxSec. That diversification may continue in the future. A more diverse business may mean MaxSec Shareholders are exposed to a more diverse range of risks.

6.7. Risks associated with holding Shares

Share market conditions

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

- general economic outlook;
- interest rates and inflation rates;
- currency fluctuations;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

The market price of the Shares can fall as well as rise.

Economic conditions

The operating and financial performance of FFT is influenced by a variety of general economic and business conditions including the level of inflation, international share markets, interest rates and exchange rates, government fiscal, monetary and regulatory policies. A prolonged deterioration in general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, could be expected to have a material adverse impact on FFT's business or financial situation.

Government

Changes in government, monetary policies, taxation and other laws can have a significant influence on the outlook for companies and investor returns.

7. Financial information on MaxSec

7.1. The basis of presentation of historic financial information

The historical financial information below relates to MaxSec on a stand-alone basis and accordingly does not reflect any impact of the Offer. It is an extract only and the full financial accounts for MaxSec for the financial periods described below, which include the notes to the accounts, can be found in MaxSec's 2015, 2016 and 2017 annual report, which have been released to MaxSec Shareholders.

7.2. Statement of financial position

The historical balance sheets of MaxSec set out below have been extracted from the audited financial statements of MaxSec for the years ended 30 June 2017, 2016 and 2015, being the last audited financial statement prior to the date of this Target's Statement. The full audited financial report, including notes are contained in the relevant annual reports.

	Note	Consolidated Group		
		2017	2016	2015
		\$	\$	\$
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	6	1,587,005	4,967,862	681,621
Trade and other receivables	7	1,907,206	1,770,706	2,176,711
Inventories	8	1,101,862	1,042,706	878,513
Other assets	9	90,146	117,145	94,333
TOTAL CURRENT ASSETS		4,686,269	7,898,419	3,831,178
NON-CURRENT ASSETS				
Property, plant and equipment	11	96,857	104,580	63,801
Intangible assets	12	2,334,715	2,148,563	1,892,978
TOTAL NON-CURRENT ASSETS		2,431,572	2,253,143	1,956,779
TOTAL ASSETS		7,117,841	10,151,562	5,787,957
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	13	2,069,957	1,015,038	1,566,831
Provisions	14	194,928	159,438	171,566
TOTAL CURRENT LIABILITIES		2,264,885	1,174,476	1,738,397
NON-CURRENT LIABILITIES				
Provisions	14	39,823	53,663	43,656
TOTAL NON-CURRENT LIABILITIES		39,823	53,663	43,656
TOTAL LIABILITIES		2,304,708	1,228,139	1,782,053
NET ASSETS		4,813,133	8,923,423	4,005,904
EQUITY				
Issued capital	15	66,857,280	66,857,280	60,761,198
Reserves	16	23,950,674	24,626,427	24,414,434
Retained earnings/(accumulated losses)		(85,994,821)	(82,560,284)	(81,169,728)
Parent interest		4,813,133	8,923,423	4,005,904
Non-controlling interest		-	-	-
TOTAL EQUITY		4,813,133	8,923,423	4,005,904

7.3. Statement of financial performance

The historical income statements of MaxSec set out below have been extracted from the audited financial statements of MaxSec for the years ended 30 June 2015, 2016 and 2017.

	Note	2017	2016 \$	2015 \$
Continuing operations				
Revenue	3a	7,448,724	4,344,273	5,202,243
Other income	3a	391,975	251,576	213,283
Raw materials and consumables used	4	(4,662,817)	(1,656,787)	(2,591,918)
Employee benefits expense		(4,014,572)	(1,303,094)	(1,185,034)
Depreciation and amortisation expense		(329,842)	(275,561)	(153,036)
Finance costs		(3,212)	(5,118)	(5,437)
Other expenses		(2,264,793)	(2,745,843)	(1,068,631)
Profit before income tax		(3,434,537)	(1,390,554)	411,470
Income tax expense		-	-	-
Profit from continuing operations		(3,434,537)	(1,390,554)	411,470
Discontinued operations				
Profit/(Loss) for the year from discontinued operations after tax		-	-	-
Net Profit for the year		(3,434,537)	(1,390,554)	411,470
Other comprehensive income:				
Other comprehensive income for the year, net of tax		-	-	-
Total comprehensive income for the year		(3,434,537)	(1,390,554)	411,470
Profit attributable to:				
Members of the parent entity		(3,434,537)	(1,390,554)	411,470
Non-controlling interest		-	-	-
		(3,434,537)	(1,390,554)	411,470
Total comprehensive income attributable to:				
Members of the parent entity		(3,434,537)	(1,390,554)	411,470
Non-controlling interest		-	-	-
		(3,434,537)	(1,390,554)	411,470
Earnings per share				
From continuing and discontinued operations:				
Basic earnings per share (cents)	19	-0.837 cents	-0.339 cents	0.216 cents
Diluted earnings per share (cents)	19	-0.796 cents	-0.322 cents	0.195 cents

8. Other Material Information

8.1. Material litigation

As at the date of this Target's Statement, MaxSec is not involved in any material litigation and is not aware of any pending material legal action to which it may be exposed.

8.2. Publicly Available Information and Disclosures about MaxSec

MaxSec is a listed "disclosing entity" for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed company, MaxSec is subject to the listing rules of ASX which require continuous disclosure of any information MaxSec has concerning it that a reasonable person would expect to have a material effect on the price or value of its securities (subject to some exceptions).

The ASX maintains files containing publicly disclosed information about all listed companies. MaxSec's files are available for inspection on the ASX website (www.asx.com.au). In addition, MaxSec is required to lodge various documents with ASIC. Copies of documents lodged with ASIC in respect of MaxSec may be obtained from, or inspected at, an ASIC office.

MaxSec's annual report for the year ended 30 June 2017 was provided to shareholders on 27 September 2017. Copies are available upon request.

8.3. Consents

Titan Partners Pty Limited has given and before lodgement of this Target's Statement has not withdrawn its written consent to be named as Independent Expert to MaxSec in the form and context in which it is named.

KardosScanlan Pty Limited has given and before lodgement of this Target's Statement has not withdrawn its written consent to be named as legal adviser to the Offer in the form and context in which it is named.

Computershare Investor Services Pty Limited has given and before lodgement of this Target's Statement has not withdrawn its written consent to be named as share registry to the Offer in the form and context in which it is named.

Each of Titan Partners Pty Limited, KardosScanlan Pty Limited and Computershare Investor Services Pty Limited:

- (a) has not authorised or caused the issue of the Target's Statement;
- (b) does not make, or purport to make, any statement in this Target's Statement other than as specified in this Section; and
- (c) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding and takes no responsibility for, any part of this Target's Statement other than the reference to its name and the statements (if any) included in this Target's Statement with the consent of that party as specified in this Section.

In addition, this Target's Statement includes statements which are made in, or based on statements made in documents lodged with ASIC or given to ASX. Under ASIC Class Order CO 13/521, the makers of those statements are not required to consent to, and have not consented to, inclusion of those statements in this Target's Statement. Any Shareholders who would like a copy of any of those documents may obtain a copy (free of charge) during the Offer Period.

As permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Target's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or

- from a public official document or a published book, journal or comparable publication.

Pursuant to this ASIC Instrument, the consent of such persons to whom statements or documents are attributable is not required for the inclusion of those statements in this Target Statement.

In addition, as permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Target's Statement contains share price trading data sourced from IRESS without its consent.

8.4. Other material information

The Directors are of the opinion that there is no other information that Shareholders or their professional advisers would reasonably require to make an informed assessment whether or not to accept an Offer, being information which:

- (a) is contained in the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- (b) it is reasonable for Shareholders and their professional advisers to expect to find in this Target's Statement; and
- (c) is known to any Director.

In deciding what information should be included in this Target's Statement, your Directors have had regard to, amongst other things, the matters which Shareholders (or their professional advisers) may reasonably be expected to know, including information contained in documents previously sent to Shareholders and information available from public sources such as ASX (www.asx.com.au) ASIC or the MaxSec website at www.maxsec.com.

The Board members of MaxSec have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the Board members of MaxSec do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

9. Definitions

The following defined terms are used throughout this Target's Statement unless the context otherwise requires. These terms are used throughout this Target's Statement.

\$	Australian Dollars.
ACCC	Australian Competition and Consumer Commission.
ASIC	Australian Securities and Investments Commission.
Associate	Has the same meaning given to that term in section 9 of the Corporations Act.
ASX	ASX Limited (ABN 98 008 624 691) or the financial products market, Australian Securities Exchange, as the context requires.
ASX Settlement	ASX Settlement Pty Limited (ACN 008 504 532), the body which administers the CHES system in Australia.
ASX Settlement Operating Rules	The settlement rules of ASX Settlement, a copy of which is available at www.asx.com.au .
Ava Global	A business division of MaxSec operated via the following subsidiaries: (a) Ava Global DMCC; (b) Ava USA Inc.; and (c) Ava Germany GmbH.
Bid Implementation Agreement	Bid implementation agreement entered between FFT and MaxSec on 24 August 2017.
Bidder or FFT	Future Fibre Technologies Limited (ACN 064 089 318).
Bidder's Statement	The bidder's statement of FFT dated 18 October 2017.
Board	The board of Directors of MaxSec.
BQT Solutions	A business division of MaxSec operated via the following subsidiaries: (a) BQT Solutions (Australia) Pty Ltd; (b) BQT Solutions (UK) Limited; (c) BQT Solutions America Inc.; (d) BQT Solutions (SEA) Pte. Ltd.; (e) BQT Solutions (NZ) Limited; (f) BQT Intelligent Security Systems Pty Ltd; and (g) 4C Satellites Ltd.
CHES	The Clearing House Electronic Sub-register System, which

provides for electronic share transfer in Australia.

Competing Proposal

Means a transaction which, if completed, would mean a person other than the Bidder (and its Associate) would:

- (a) acquire a Relevant Interest in 20% or more of the Target's securities;
- (b) acquire Control of the Target;
- (c) acquire all or a substantial part of the Target's business, assets or undertaking;
- (d) otherwise acquire or merge with the Target; or
- (e) enter into any agreement, arrangement or understanding requiring the party to abandon, or otherwise fail to proceed with, the Proposal, or otherwise having that effect.

Consolidated Group

Has the same meaning as in the *Income Tax Assessment Act 1997* (Cth).

Controlled Entity

Has the meaning given to that word in the Corporations Act.

Corporations Act

The Corporations Act 2001 (Cth).

Director

A director of MaxSec.

Encumbrance

Means any one or more of the following:

- (a) any interest, right or power that in substance secures payment of performance of any obligation, for example a mortgage, charge or security interest under the *Personal Property Securities Act 2009* (Cth);
- (b) any preferential or adverse interest of any kind;
- (c) a right to buy or use assets, for example a hire purchase agreement, option, licence, lease or agreement to purchase;
- (d) a right to set-off or right to withhold payment of a deposit or other money;
- (e) an easement, restrictive covenant, caveat or similar restriction over property;
- (f) an agreement to create any of the items referred to in paragraphs (a) to (e) above or to allow any of those items to exist; or
- (g) a notice under section 255 of *Tax Act (1936)*, subdivision 260-A in schedule 1 *Taxation Administration Act 1953* (Cth) or any similar legislation.

FFT Share

An ordinary Share in FFT.

Financial Indebtedness	Means any debt or other monetary liability (whether actual or contingent) in respect of money borrowed or raised or any financial accommodation including under or in respect of any: (a) bill, bond, debenture, note or similar instrument; (b) acceptance, endorsement or discounting arrangement; (c) guarantee; (d) finance or capital lease; (e) agreement for the deferral of a purchase price or other payment in relation to the acquisition of any asset or service; or (f) obligation to deliver goods or provide services paid for in advance by a financier.
Foreign Law	A law of any jurisdiction other than an Australian jurisdiction.
Governmental Agency	Any government, semi-government, administrative, fiscal, judicial or regulatory body, department, commission, authority, tribunal, agency or entity.
Independent Directors	Geoffrey Cleaves and Johann Landsberg.
Independent Expert	Titan Partners Pty Limited (ABN 66 461 910 176).
Independent Expert's Report	The independent expert's report prepared by the Independent Expert in relation to the Offer as set out in Annexure A.
Insolvency Event	Means any of the following events occurring in relation to a party: (a) a liquidator, receiver, receiver and manager, administrator, official manager or other controller (as defined in the Corporations Act), trustee or controlling trustee or similar official is appointed over any of the property or undertaking of the party; (b) the party is, or becomes unstable to, pay its debts when they are due or is or becomes unstable to pay its debts within the meaning of the Corporations Act, or is presumed to be insolvent under the Corporations Act; (c) the party ceases to carry on business; or (d) an application or order is made for the liquidation of the party or a resolution is passed or any steps are taken to liquidate or pass a resolution for the liquidation of the party, otherwise than for the purpose of an amalgamation or reconstruction.
MaxSec Option or Option	An option over unissued MaxSec Share.
MaxSec Share	An ordinary Share in MaxSec.

Material Adverse Change

Means:

- (a) Any matter, event or circumstance which happens, is announced or becomes known to the Bidder after the date of the Bid Implementation Agreement which (individually or when aggregated with all those matters, events or circumstances) has resulted in or is likely to result in either:
 - (i) the value of consolidated net assets of MaxSec being reduced by at least \$750,000 against what they would have been but for the matters, events or circumstances; or
 - (ii) the ongoing consolidated annual net profit after tax, in any financial year after the one ending 30 June 2017, of MaxSec being reduced by at least \$750,000 against what it would have been but for the matters, events or circumstances;
- (b) the Bidder becomes aware, prior to the end of the Offer Period, that the Target has breached its continuous disclosure obligations under the Listing Rules and, had a reasonable bidder in similar circumstances to the Bidder known of the information giving rise to such breach prior to 25 August 2017, it would have resulted in that reasonable bidder offering less consideration under the Offer,

but does not include:

- (a) any matter, event or circumstance arising from changes in economic or business conditions which impact on MaxSec and its competitors in a similar manner;
- (b) any change in taxation rates or taxation laws which impact on MaxSec and its competitors in a similar manner;
- (c) any change in accounting policy required by law; or
- (d) any change occurring directly or indirectly as a result of any matter, event or circumstance required by the Bid Implementation Agreement, the proposal to make the Offer or the transactions contemplated by them.

Material Contract

Means a contract or commitment:

- (a) requiring total payments in excess of an amount equal to 10% of MaxSec's revenues for the previous financial year; or
- (b) which is not entered into in the ordinary course of the business of the Bidder or MaxSec (as applicable),

unless the contract or commitment is demonstrably beneficial to the operations of the Bidder or MaxSec (as applicable) and the relevant party's business.

MaxSec Group

MaxSec and each of its Subsidiaries.

MaxSec Shareholder

A registered holder of MaxSec Shares.

Non-Associated Shares	All of MaxSec Shares that FFT or its associates do not already own.
Offer	The offer dated 6 November 2017 by FFT to acquire all of MaxSec Shares on the terms set out in the Bidder's Statement.
Option	An option to subscribe for MaxSec Share.
Plan	MaxSec Employee Share Option Plan.
Prescribed Occurrence	Means: (a) (conversion) MaxSec converts all or any of its shares into a larger or smaller number of shares; (b) (reduction of share capital) MaxSec resolves to reduce its share capital in any way; (c) (buy-back) MaxSec: (i) enters into a buy-back agreement; or (ii) resolves to approve the terms of a buy-back agreement under the Corporations Act; (d) (distribution) MaxSec makes or declares, or announces an intention to make or declare, any distribution (whether by dividend, capital reduction or otherwise and whether in case or in specie); (e) (issuing shares or options) a member of the MaxSec Group: (i) Issues shares; (ii) Grants an option over its shares; or (iii) Agrees to make an issue of shares or grant an option over its shares, In each case to a person outside the MaxSec Group; (f) (securities or other instruments) a member of the MaxSec Group: (i) issues securities or other instruments convertible into shares or debt securities; or (ii) agrees to issue securities or other instruments convertible into shares or debt securities, in each case to a person outside the MaxSec Group; (g) (constitution) a member of the MaxSec Group adopts a new constitution or modifies or repeals its constitution or a provision of it; (h) (disposals) a member of the MaxSec Group disposes, or agrees to dispose of, the whole or a substantial part of its business or property;

- (i) **(acquisitions, disposals or tenders)** a member of the MaxSec Group:
 - (i) acquires or disposes of;
 - (ii) agrees to acquire or dispose of; or
 - (iii) offers, proposes, announces a bid or tenders for, any business, asset (excluding stock in the normal course of business), interest in a joint venture, entity or undertaking, the value of which exceeds \$1 million;
- (j) **(Encumbrances)** a member of MaxSec Group creates any Encumbrance over the whole or a substantial part of its business or property (other than in the ordinary course of business and other than a lien which arises by operation of law or legislation securing an obligation not yet due and consistent with past practice);
- (k) **(board)** any person is appointed to the Board, other than those nominated by the Bidder;
- (l) **(employment arrangements)** a member of MaxSec Group:
 - (i) materially increases the remuneration of, or otherwise varies the employment arrangements with, any of its directors or employees; or
 - (ii) accelerates the rights of any of its directors or employees to compensation or benefits of any kind, other than in the ordinary course of business or as a result of contracted arrangements that are consistent with past practice and in effect at the date of the Bid Implementation Agreement;
- (m) **(termination or retention payment)** a member of MaxSec Group pays, or agrees to pay any of its directors or employees a termination or retention payment (otherwise than as required by an existing contract which, at the date of the Bid Implementation Agreement, is in place and has been disclosed to the Bidder);
- (n) **(commitments and settlements)** a member of MaxSec Group:
 - (i) enters into or agrees to enter into any Material Contract;
 - (ii) terminates or amends in a material manner any Material Contract;
 - (iii) waives any material third party default of a Material Contract; or
 - (iv) accepts as a settlement or compromise of a material matter relating to a Material Contract, less than the full compensation due to MaxSec or a

Subsidiary of MaxSec;

- (o) **(financial arrangements)** a member of MaxSec Group amends (or agrees to amend) in any material respect any arrangement with its financial advisers in respect of the transactions contemplated by the Bid Implementation Agreement;
- (p) **(capital expenditure)** a member of MaxSec Group undertakes or agrees to undertake capital expenditure in excess of \$250,000 in aggregate;
- (q) **(insolvency)** an Insolvency Event occurs in respect of any member of MaxSec Group;
- (r) **(financial indebtedness)** excluding trade debtors in the ordinary course of business, a member of MaxSec Group provides financial accommodation (irrespective of what form of Financial Indebtedness that accommodation takes) in excess of \$250,000;
- (s) **(breach of law)** a member of MaxSec Group takes or omits to take action which results in a breach of law material to a member of MaxSec Group;
- (t) **(accounting policy)** a member of MaxSec Group changes any accounting policy applied by them to report their financial position;
- (u) **(related party)** excluding transactions between the Bidder and MaxSec (if occurring at a point in time that the parties may be considered related parties), a member of MaxSec Group enters into or resolves to enter into a transaction with any related party of MaxSec as defined in section 228 of the Corporations Act; or
- (v) **(tax liability)** MaxSec or any other member of MaxSec Group does anything that results in a taxable gain for MaxSec by either causing a Subsidiary to cease being a member of MaxSec Group or causing MaxSec Group to cease being a Consolidated Group,

but a Prescribed Occurrence does not include:

- (a) an issue of MaxSec Shares on exercise of an option that had been granted on or before the date of the Bid Implementation Agreement;
- (b) any matter required to be done or brought about by MaxSec under the Bid Implementation Agreement or which is contemplated by the proposal to make the Offer; or
- (c) any other matter, the undertaking of which the Bidder has approved in writing.

Relevant Interest

Has the same meaning given to that term in sections 608 and 609 of the Corporations Act.

Regulatory Approvals

All approvals or consents that are required by law, regulation or regulatory policy, as are necessary to permit:

- (a) the Offer; and
- (b) the acquisition of the MaxSec Shares by the Bidder.

Share	A fully paid ordinary share.
Shareholder	A holder of one or more Shares.
Subsidiaries	Has the same meaning given to that term in section 9 of the Corporations Act.
Superior Proposal	Means a Competing Proposal that, in the opinion of the MaxSec Board acting reasonably and taking into account all material aspects of the competing proposal available to it, is: (a) reasonably capable of being completed; and (b) more favourable to MaxSec Shareholders than the Offer.
Target's Statement	This target's statement, being the statement of MaxSec under Part 6.5 Division 3 of the Corporations Act.
Voting Power	Has the same meaning given to that term in section 610 of the Corporations Act.
VWAP	Means the volume weighted average price of a security.

10. Interpretation

In this Target's Statement, unless the context requires otherwise:

- (a) a reference to a word includes the singular and the plural of the word and vice versa;
- (b) a reference to a person in this Target's Statement or any other document or agreement includes its successors and permitted assigns;
- (c) a reference to a gender includes any gender;
- (d) a reference to an item in a Section, Schedule, Annexure or Appendix is a reference to an item in the section of or schedule, annexure or appendix to this Target's Statement and references to this Target's Statement include its schedules and any annexures;
- (e) if a word or phrase is defined, then other parts of speech and grammatical forms of that word or phrase have a corresponding meaning;
- (f) a term which refers to a natural person includes a company, a partnership, an association, a corporation, a body corporate, a joint venture or a Governmental Agency;
- (g) headings are included for convenience only and do not affect interpretation;
- (h) a reference to a document or agreement including this Target's Statement, includes a reference to that document or agreement as amended, novated, supplemented, varied or replaced from time to time;
- (i) a reference to a thing includes a part of that thing and includes but is not limited to a right;
- (j) the terms "included", "including" and similar expressions when introducing a list of items do not exclude a reference to other items of the same class or genus;
- (k) a reference to a statute or statutory provision includes but is not limited to:
 - (i) a statute or statutory provision which amends, extends, consolidates or replaces the statute or statutory provision;
 - (ii) a statute or statutory provision which has been amended, extended, consolidated or replaced by the statute or statutory provision; and
 - (iii) subordinate legislation made under the statute or statutory provision including but not limited to an order, regulation, or instrument;
- (l) reference to "\$", "A\$", "Australian Dollars" or "dollars" is a reference to the lawful tender for the time being and from time to time of the Commonwealth of Australia; and
- (m) a reference to an asset includes all property or title of any nature including but not limited to a business, a right, a revenue and a benefit, whether beneficial, legal or otherwise.

11. Authorisation of the Directors

The Directors of MaxSec have unanimously approved the contents of this Target's Statement and its lodgement with ASIC.

Dated: 18 October 2017

Signed

A handwritten signature in blue ink, appearing to be 'R. Broomfield', is written over a faint, light blue circular stamp or watermark.

For and on behalf of MaxSec Group Limited

Mr Robert Broomfield

Director

Appendix A



MaxSec Group Limited

(ASX: MSP)

ACN 000 029 265

Independent Expert's Report

Report to Shareholders on the Proposed Takeover Offer from
Future Fibre Technologies Limited for all the issued shares in MaxSec Group Limited

Report Issued: 18 October 2017

18 October 2017

The Directors
MaxSec Limited
PO Box 808, North Ryde BC,
North Ryde NSW 1670

Dear Sirs,

**Titan Partners Corporate
Finance Pty Limited**
Australian Financial Services
Licence Number: 427275
ABN 38 177 095 636
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Sydney NSW 2000
PO Box R415
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INDEPENDENT EXPERT'S REPORT – MAXSEC LIMITED

1. Introduction

Titan Partners Corporate Finance Pty Limited ("**Titan Partners Corporate Finance**", "**we**") was appointed by the directors for MaxSec Group Limited ("**MaxSec**", "**MSP**" or the "**Company**") as an independent expert, to provide an opinion on whether the proposal by Future Fibre Technologies Limited ("**FFT**", the "**Bidder**") to acquire all the issued ordinary shares in the Company is fair and reasonable.

On 25 August 2017, FFT and MaxSec jointly announced to their shareholders the intention of FFT to make an all-scrip takeover bid for all of the shares in MaxSec it does not currently hold, for a consideration of 1 FFT share for every 4 MaxSec shares ("**Proposed Transaction**").

To assist the shareholders of MaxSec (the "**Shareholders**") in making an informed decision on whether to accept or reject the takeover offer from FFT, in accordance with Section 640 of the Corporations Act 2001, we have been appointed by the Directors of MaxSec to prepare an Independent Expert's Report to express an opinion on whether or not the Proposed Transaction is fair and reasonable to Shareholders.

Our findings are presented in the Independent Expert Report (the "**Report**") herein.

Titan Partners Corporate Finance is independent of MaxSec and FFT, with no interest or involvement in the outcome of the Proposed Transaction, other than the preparation of this Report.

2. Summary of Opinion

2.1 Opinion

We conclude, based on the assessment outlined in the remainder of this Report, that the Proposed Transaction is considered to be not fair but reasonable to the Shareholders. The principal factors that we have considered in forming our opinion are summarised below.

2.2 Assessment of Fairness

In determining whether the Proposed Transaction is fair to the Shareholders, we have compared the assessed fair value of a share in MaxSec on a controlling basis to the value of consideration offered, being shares in FFT, on a minority interest basis. The analysis is set out in section 10 and summarised below.

MaxSec Group Limited Valuation Summary		
	Low	High
Value of MaxSec per share on a Controlling Basis	\$0.038	\$0.043
Value of 4 MaxSec shares on a Controlling Basis	\$0.150	\$0.172
Value of Consideration offered for every 4 MaxSec share being 1 FFT share on a minority basis	\$0.129	\$0.136

Source: Titan Partners Corporate Finance Analysis

In accordance with Regulatory Guide 111 Content of expert reports (“**RG111**”), the above valuation analysis indicates that, in the absence of any other relevant information, the Proposed Transaction is deemed to be not fair to Shareholders as the valuation of consideration offered in FFT shares on a minority basis, is less than the value of MaxSec shares on a controlling basis. Therefore we must conclude the Proposed Transaction is not fair.

2.3 Assessment of Reasonableness

RG111 of the Australian Securities and Investments Commission (“**ASIC**”) considers an Offer to be reasonable if:

- The Offer is fair; or
- Despite not being fair, but considering other significant factors, shareholders should accept the Offer in the absence of any higher bid before the close of the Offer.

We have considered the analysis in Section 10 of this Report, in terms of advantages and disadvantages of the Proposed Transaction. In forming our opinion we have also considered the following relevant qualitative factors:

Advantages	Disadvantages
• Shareholders retain participation in future earnings and growth of MaxSec. • Improved liquidity of listed securities as part of a larger entity in terms of market capitalisation and broadened shareholder base. • Combination of complementary businesses of MaxSec and FFT to integrate product offerings. • Operational synergies and costs savings expected to be derived from the Proposed Transaction. • Potential expansion in market exposure of MaxSec as part of a larger business and access to FFT’s market share. • The Proposed Transaction will help ensure an improved balance sheet strength. • Strengthened balance sheet including cash reserves to support MaxSec operations without raising additional capital. • No alternative offers received.	• Exposure to integration risk of merging MaxSec into FFT. • Implementation costs will be incurred and borne by MaxSec as part of the Proposed Transaction. • Deterrence of alternative offers from other parties. • Dilution of the relative interest of current Shareholders in MaxSec business.

In our opinion, despite the Proposed Transaction being assessed as not fair, after our assessment of the above advantages and disadvantages we consider the Proposed Transaction to be reasonable to the Shareholders.

2.4 Other Factors

The above summary of our opinion and conclusion should be read in conjunction with the remainder of this Report and Appendices as attached herein.

Titan Partners Corporate Finance has prepared a Financial Services Guide as required by Corporations Act 2001 and is attached at Appendix 1. This Report is for general financial advice only and was prepared without taking into account the objectives and circumstances of individual Shareholders of the Company. Our Report herein should be read in conjunction with the Target’s Statement which it accompanies.

Unless the context requires otherwise, references to “we”, “our” and similar terms refer to Titan Partners Corporate Finance.

Yours faithfully

Titan Partners Corporate Finance Pty Limited

A handwritten signature in black ink, appearing to read 'B. Higgs', with a long, sweeping horizontal line above it.

BRAD HIGGS

Director

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3. Scope of Report

3.1 Purpose of the Report

The purpose of this Report is to assist and advise on whether, in our opinion, the Proposed Transaction is fair and reasonable to the Shareholders.

Section 640 of the *Corporations Act 2011* requires that, to assist shareholders in their decision to accept or reject a takeover offer, a Target's Statement in response to a takeover offer is to be accompanied by an Independent Expert's Report, where either:

- the bidder's voting power in the target is 30% or higher; or
- where the bidder and target have one or more common directors.

MaxSec and FFT currently have directors whom serve on the boards of both companies.

Titan Partners Corporate Finance has been engaged by the directors of MaxSec to prepare an Independent Expert's Report with respect to the Proposed Transaction for this purpose.

This Report has been in accordance with requirements under Section 640 of the *Corporations Act 2011*, and ASIC issued Regulatory Guides 111 ("RG111") and 112 ("RG112").

Our Report is to be included in the Target's Statement to be issued to Shareholders and has been prepared for the exclusive purpose of assisting the Shareholders in their consideration of the Proposed Transaction.

3.2 Basis of Assessment

In preparing the Report herein, we consider RG111 dated March 2011 which sets out requirements of expert reports.

The ASIC regulations require an independent expert to consider takeover proposals under the concepts of "fairness" and "reasonableness". We therefore separately consider whether the Proposed Transaction is "fair" and "reasonable" from the perspective of the Shareholders.

RG111 indicates the principles and matters which it expects an expert person preparing an independent expert report to consider, including:

- 'fair and reasonable' is not regarded as a compound phrase;
- an offer is 'fair' if the value of the offer price of the shares being issued as consideration is equal to or greater than the value of the securities subject to the offer;
- the comparison should be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash;
- the expert should not consider the percentage holding of the 'bidder' or its associates in the target when making this comparison;
- an offer is 'reasonable' if it is 'fair'; and
- an offer might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

In accordance with the requirements of RG111, we have compared the fair value of a share in MaxSec on a controlling basis to the value of consideration offered, being shares in FFT, on a minority interest basis.

3.3 Sources of Information

In forming our opinion on the Proposed Transaction and preparing the Report herein, we have considered, adopted and relied upon certain information prepared by the management of MaxSec and FFT, and external parties. Refer to Appendix 4 for a list of our sources of information.

3.4 Limitations and Reliance on Information

Our opinions are based on economic, financial, operational and other conditions and expectations prevailing at the date of this Report. These conditions can change significantly over relatively short periods of time and, if such material change occurs, the opinions expressed in this Report could differ.

Titan Partners Corporate Finance has no obligation to, nor does it undertake to, advise any person of any change in circumstances that has come to its attention after the date of this Report or to review, revise or update this Report or the opinions contained herein.

We have evaluated the information set out in Section 3.3 through analysis, enquiry and review, as appropriate for the purposes of preparing this Report and forming our opinion on the Proposed Transaction. Titan Partners Corporate Finance do not warrant that our evaluation has identified or verified all of the matters that an audit, extensive examination or due diligence investigation may disclose.

We have relied on certain representations and relevant information provided by the directors of MaxSec and FFT. This information was evaluated through analysis, enquiry and review. However, such information is often not capable of external verification or validation and has therefore not been independently verified.

To the extent that there are any legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Titan Partners Corporate Finance:

- assumes no responsibility and offers no legal opinion or interpretation on any issue; and
- has generally assumed that matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so.

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4. Summary of Proposed Transaction

4.1 Background

On 25 August 2017, MaxSec announced to the Australian Securities Exchange Limited (“**ASX**”) that FFT intends to make an off-market takeover bid for all of the MaxSec shares it does not currently hold.

The Proposed Transaction envisages an all-scrip transaction, whereby the shareholders will be offered one FFT share for every four MaxSec shares held. A Bid Implementation Agreement (“**BIA**”) setting out the framework for the Proposed Transaction has been entered into between MaxSec and FFT.

MaxSec also announced on the same day, the Proposed Transaction has the unanimous support of voting directors, whom intend to recommend its acceptance in the absence of a superior offer.

There are two common directors between MaxSec and FFT, specifically:

- The Chief Executive Officer and director of FFT, Robert Broomfield, is also a director on the board of MaxSec as Non-Executive Chairman;
- The Chief Executive of the Ava Global division of MaxSec unit, Mr Chris Fergus, is a director on the boards of both MaxSec and FFT.

The Proposed Transaction will be subject to number of conditions as announced by both companies, including:

- Minimum acceptance of 80% by number of MaxSec shares;
- Regulatory approvals are received for the Proposed Transaction;
- No regulatory action by any regulatory authority which prevents FFT from making the Proposed Transaction or continued operation of the MaxSec business;
- No prescribed occurrences between the date of announcement and the end of the offer period for the Proposed Transaction;
- No occurrence of a material adverse change;
- All options of MaxSec are exercised, cancelled or transferred to FFT; and
- All necessary third party approvals for the Proposed Transaction are obtained.

4.2 Placement

On 24 August 2017, the day prior to announcement of the Proposed Transaction, MaxSec completed a placement transaction where FFT acquired 61,500,000 shares in the Company at a price of \$0.03 per share for a total of \$1.845 million (the “**Placement**”). As a result of the Placement, FFT became a substantial shareholder of the Company with a 13% interest in MaxSec. FFT did not have any financial interests in the Company prior to the Placement.

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4.3 Shareholding – Post Proposed Transaction

As the Proposed Transaction is an all-scrip based takeover bid, we have set out the impact on the FFT shareholding structure and relative interests of current MaxSec and FFT shareholders upon completion.

Future Fibre Technologies Limited Illustrative Post Transaction Shareholdings		
	Shares	%
Current Issued shares of FFT	124,028,440	51%
Current Issued shares of MaxSec	472,010,928	
Equivalent FFT shares issued at 1 FFT:4 MaxSec Shares	118,002,732	49%
Total issued shares after Proposed Transaction	242,031,172	100%

Source: FFT Management, MaxSec Management, Titan Partners Corporate Finance Analysis

Based on the offer ratio of 1 FFT share for every 4 MaxSec shares under the Proposed Transaction and the shares on issue as at the date of this Report, current MaxSec shareholders will hold a collective interest of 49% in the combined MaxSec/FFT entity upon completion.

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5. Profile of MaxSec

5.1 Background

Overview

Founded in 1995, MaxSec is a provider of integrated security and turn-key solutions. MaxSec is a public company listed on the ASX (ASX: MSP). The Company develops, manufactures and supplies high quality, high security card and biometric readers, electromechanical locks and related electronic security products through its BQT Solutions and Magna businesses. MaxSec operates in the United Kingdom, Middle East, Africa, United States of America (“USA”), Singapore, Vietnam, Australia and New Zealand.

The Company provides a wide range of both “off-the-shelf” solutions and purpose tailored solutions. MaxSec has a dedicated research and development team, a portfolio of proprietary products and, where relevant, sources products through partnerships with leading manufacturers to meet the supply requirements of its customers. MaxSec continuously expands sales channels to enlarge its distribution base and increase volume. The product portfolio of the Company consists of smart card based access control, biometric solutions and electromechanical locking devices, which are installed in over 1,000 locations globally.

The Company’s customers comprises:

- **System integrators** – such as Siemens, Honeywell, SECOM, Schneider Electric, United Technologies, Johnson Controls;
- **Distributors** – such as Honeywell, Hills, Seadan, Locksmiths Supply Company, Accesshardware, Secure Access Technologies, Ness Security Products;
- **End Users** – such as Qantas, Vodafone, Australia Post, HSBC, Australian Federal Police and others.

MaxSec operates through two business divisions, namely BQT Solutions (“**BQT**”) and Ava Global (“**Ava**”), specifically:

BQT Solutions

BQT Solutions established in 1995 is a designer, developer and manufacturer of Mifare Classic® and Mifare DESFire® smart card and biometric access control technologies, as well as a range of quality electromechanical locking products.

In 2010 BSQ Solutions acquired Magna Electronics Pty Ltd, which extended its product portfolio with electronic locks. Now BQT Solutions smart reader and card systems, biometric solutions, electric locking and access control products are used globally at over 3,500 sites in over 50 countries. The Company introduced a range of “off-the-shelf” products to provide access control security to market wide, from liminary and critical infrastructure right through to secure products for commercial, industrial and residential applications. BQT Solutions’ network of offices include representation in the United Kingdom, USA, United Arab Emirates, Australia, New Zealand and Singapore.

Ava Global

In 2016, MaxSec established a new business known as Ava, to provide secure international logistics of high value cargo on a fully insured door to door basis. Ava commenced operations during FY2017. Ava offers a global service capability, delivered from its own strategically located offices (New York, London, Frankfurt, Dubai and Singapore), with support from a network of specialist and strategic partners in over 50 countries.

The key sectors where Ava provides services are:

- **Precious Metals Mining** – transportation of pre-refined precious metal from mine site to refiner. Mine sites are generally in remote locations requiring complex logistical solutions;
- **Bullion** – transportation from refinery or secure storage locations to central banks, investment banks or jewellery manufacturers;
- **Currency** – large scale foreign currency transportations between central banks, commercial banks, wholesale bank note dealers and foreign exchange houses; and

- Security Print – transportation of secure paper, credit cards, tax stamps, holograms and other secure print items.

MaxSec designs and develops its own products as well as resells third-party manufactured products. The BQT business operates a production facility in New Zealand, as well as utilises contract manufacturers.

5.2 Ownership Structure

The following table sets out the shareholding structure of MaxSec as at 19 September 2017:

MaxSec Group Limited Current Ownership Structure		
Name	Shares	%
Major Shareholders		
Future Fibre Technologies Limited	61,500,000	13.03
HSBC Custody Nominees (Australia) Limited	30,525,254	6.47
Bell Potter Nominees Ltd	27,742,146	5.88
Dixon Trust Pty Ltd	21,257,707	4.50
Pierce Atlantic Pte Ltd	20,836,289	4.41
Bannaby Investments Pty Limited	20,488,934	4.34
Mr David Malcolm South	17,000,000	3.60
4c Controls Inc	12,800,000	2.71
Mr Christopher Fergus	12,000,000	2.54
Mr Steven Gary Hirst	11,618,161	2.46
Mr Neil Richard Hingston + Ms Pauline Ruth Hingston	7,309,239	1.55
Mr Michael David Bevan	7,000,000	1.48
Carrier International Pty Ltd	5,950,000	1.26
Brownlow PR Pty Ltd	5,500,000	1.17
Mr Matthew Ian James + Mrs Heather Bernice James	5,500,000	1.17
Mr Daniel James Harris	5,000,000	1.06
Mr Joseph Morrin	5,000,000	1.06
Old Mutual International Isle Of Man Limited	5,000,000	1.06
Twoinvest Pty Limited	5,000,000	1.06
Mr Patrick Benedict Twomey + Ms Genevieve Rosvall	5,000,000	1.06
Top 20 Shareholders	292,027,730	61.87
Total Shares Issued	472,010,928	100.00

Source: Share Register as at 19 September 2017

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5.3 MaxSec Announcements

The following table sets out the recent announcements for MaxSec.

MaxSec Group Limited Recent Company Announcements	
Announcement Date	Title
16/10/2017	FFT: Bid Implementation Agreement Variation
16/10/2017	Bid Implementation Agreement Variation Announced
12/10/2017	Ceasing to be a substantial holder
06/10/2017	Notice of General Meeting/Proxy Form
06/10/2017	FFT: Update to Merger Presentation 20 Sept2017
05/10/2017	Update to merger presentation released on 20/09/2017
03/10/2017	Response to ASX Appendix 3Y query
27/09/2017	MSP ASX Appendix 4G YE30/6/2017
27/09/2017	Annual Report to shareholders
26/09/2017	Becoming a substantial holder from FFT
25/09/2017	Change of Director's Interest Notice
21/09/2017	Change in substantial holding
20/09/2017	MSP - FFT Merger Presentation
20/09/2017	FFT: FFT presentation re proposed merger with MSP

Source: Australian Securities Exchange

5.4 Industry Overview

MaxSec operates in two industries, being secure access control and secure logistics. Both industries are very specific, therefore we considered the access control business as part of perimeter intrusion prevention systems market, and reviewed secure logistics industry separately.

A. Perimeter Intrusion Prevention Systems Industry

Perimeter intrusion prevention systems include mechanical and electronic systems that protect the perimeter of a facility, preventing the entry of unauthorized personnel. The components of perimeter intrusion prevention systems include barriers and gates, sensors, warning devices, personal identification systems, and control and communication systems. The effectiveness of perimeter intrusion prevention systems can be measured by how successful they are in identifying and deterring different threats.

Based on the products, the perimeter intrusion prevention systems market can be segmented into access control systems, alarms and notification systems, and surveillance systems.

- **Access control systems:** Devices such as electronic locks, biometric readers, and card readers for authorized individuals to gain access to premises.
- **Alarms and notification systems:** Devices such as intrusion alarms that are required to notify security personnel in case of an intrusion.
- **Surveillance systems:** Hardware devices such as cameras, storage management, encoders and decoders, recorders, and video management software.

In research undertaken by Technavio¹, the global perimeter intrusion prevention systems market was valued at \$13.52 billion in 2014 and projected to reach \$20.37 billion by 2019, growing at a Compound Annual Growth Rate ("CAGR") of 8.54%. FFT Management estimates that the current addressable market for FFT is USD 1 billion to 2 billion. Access control systems are likely to gain prominence during the forecast period, where Asia Pacific ("APAC")

¹ A global technology research and advisory company, based in London, UK. "Global Perimeter Intrusion Prevention Systems Market 2015-2019".

and Latin America are likely to experience growth from increasing awareness of the advantages of perimeter intrusion prevention systems.

The adoption of perimeter intrusion prevention systems is high in the case of critical infrastructure such as oil and gas industries, manufacturing industries, water treatment plants, and nuclear plants. The increase in the number of thefts and unlawful activities in residential and commercial buildings are also likely to impact market growth during the forecast period. Further, the governments of countries such as the USA and the United Kingdom (“UK”) have necessitated the usage of perimeter intrusion prevention systems to ensure security. With advances in technology, and the emergence of biometric access control readers, the market is seeing considerable growth. However, market saturation in developed countries could lead to a decline in growth rates. Also, a number of new security solutions are being introduced in the market, leading to a decrease in the use of traditional perimeter intrusion prevention systems.

Market Trends

Requirements for customised solutions. Many vendors in the market are developing solutions to cater to the specific needs of customers. They provide open architecture systems that can adapt to the existing security network of an organization. Customised perimeter intrusion prevention solutions include control of access of personnel, maintenance of 24/7 on-site operations, security policy management, provision of a detailed reporting system, badge management, and maintenance of metal detection systems and scanner options.

Rise in number of infrastructure projects. With the development of infrastructure projects in the Middle East², the use of perimeter intrusion prevention systems has become critical as they are essential in preventing intruders from entering the premises. The construction industry in the Middle East is expected to increase investment, after reduced expenditure on surveillance systems during the economic crisis, while growing oil production infrastructures in Saudi Arabia also create huge demand. In addition, a number of upcoming electricity and water projects will increasingly focus on the installation of security equipment.

Adoption of cloud-based surveillance services. Vendors in the market have been offering cloud-based surveillance services or video surveillance as a service (“VSaaS”). The adoption of VSaaS can benefit companies in a number of ways as it provides advantages such as pay-per-use, low initial investment and maintenance, and easy deployment.

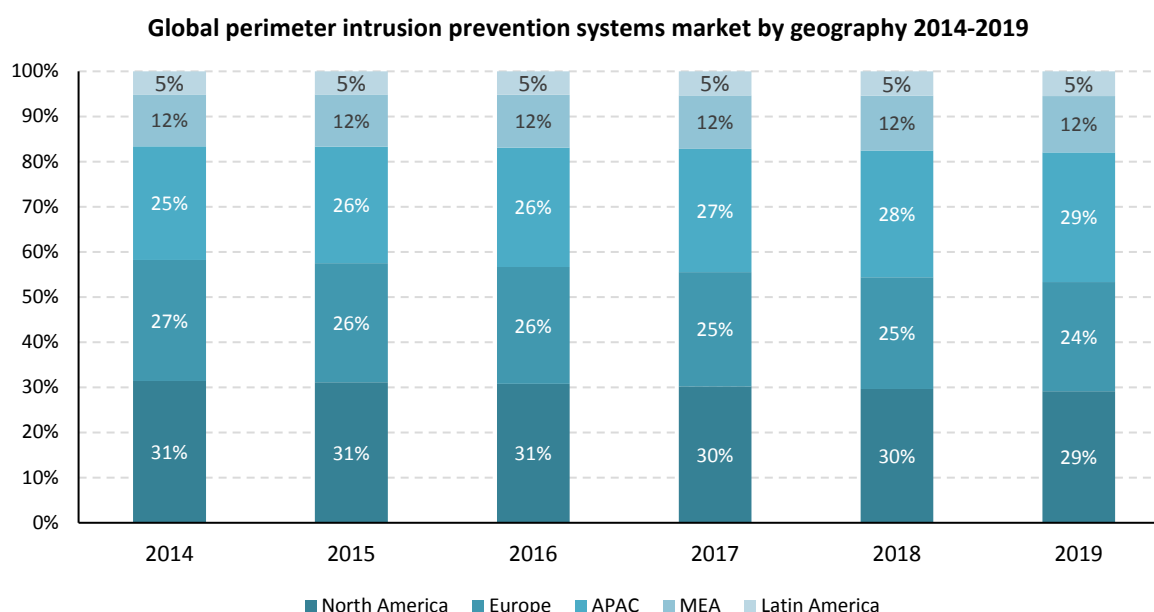
Usage of video analytics and intelligent video surveillance. A number of retailers are using intelligent video surveillance in retail stores by integrating video analytics and point of sale, for improved sales, marketing, and operations. In the past, the use of surveillance systems was restricted to loss prevention and catching shoplifters. But, the applications of intelligent video surveillance have increased with advances in technology.

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² Such as Haramain High Speed Rail in Saudi Arabia, Al Maktoum airport in United Arab Emirates (“UAE”), Hamad International airport in Qatar, and Dubai and Abu Dhabi metro in UAE

Geographical Overview

According to the research by Technavio, in 2014, North America accounted for the largest market share with 31.40%, followed by Europe with 26.84%, as shown in the following chart. Over the forecast period to 2019, the market shares of North America and Europe are expected to decline due to the adoption of perimeter intrusion prevention systems, while the APAC, Middle East and Africa (“MEA”), and Latin America will increase due to the growing investment by the governments of countries such as Brazil and UAE on perimeter intrusion prevention systems.



Source: Technavio Research; *Global Perimeter Intrusion Prevention Systems Market 2015-2019*; 2015.

Specifically with respect to regional markets, the research by Technavio notes that:

- North America was valued at USD 4.25 billion in 2014 and projected reach \$5.93 billion by 2019, where Canada and Mexico will become the largest revenue contributors in the region, with adoption driven by an increase in criminal activities targeting enterprises and government, and increasing use of biometric systems.
- A growing adoption of surveillance systems by retail stores to counter thefts and shift toward cost-efficient access control systems to enhance physical security of commercial buildings in North America.
- Europe market was valued at USD 3.63 billion in 2014 and projected to reach \$4.93 billion by 2019, growing at a CAGR of 6.30%, where Russia and the UK are the major revenue contributors. Due to the economic uncertainty in the region, the market is seeing a decline in demand. However, stabilization of the economy during the forecast period will contribute to market revenue.
- End-users in Europe are becoming less price-conscious and more conscious about security, which is increasing the adoption of smart homes, while an aging population with the need for secure living is fuelling the demand for residential security, leading to increased adoption of perimeter intrusion prevention systems.
- A number of regional players are entering the European market with new technologies, which is likely to increase the revenue flow in the region.
- APAC market was valued at USD 3.40 billion in 2014 and is estimated to reach \$5.86 billion by 2019, growing at a CAGR of 11.48%, driven by rapid adoption in large industries in China and India.
- Devices with new technologies are expected to be adopted in APAC, such as systems for the Hyderabad Airport, India comprising an electro-fence system on top of the airport's concrete wall and monitoring to secure communication between all electro fence controllers.
- MEA market was valued at USD1.55 billion in 2014 and is projected to reach \$2.54 billion by 2019, growing at a CAGR of 10.30%.
- High adoption of perimeter intrusion prevention systems for a number of infrastructure projects such as oil and gas utilities and nuclear plants is leading to revenue growth of the market.

Competitive Landscape

The market is highly fragmented with the presence of various vendors. The major vendors in the market, including Axis Communications, Bosch Security Systems, Honeywell Security, Qognify, and Tyco provide cameras, access control systems, and alarms. They can be distinguished on the basis of their features, industries served, and technologies provided. Other major vendors in access control industry are Allegion, Anixter and Assa Abloy.

Access Control

In 2014, access control systems were in the early growth stage while alarms and notification systems and surveillance systems were in the late growth stage. During the forecast period, access control systems are likely to experience growth due to integration with alarms and notification systems. With an increase in the number of infrastructure projects, the adoption of surveillance systems is likely to increase by 2019.

In the research undertaken by Technavio, the global market for access control systems was valued at USD 5.59 billion in 2014 and projected to reach USD 9.01 billion by 2019, growing at a CAGR of 10.01%. MaxSec management estimates that the current addressable market for BQT is USD 0.6 billion to 1.5 billion.

Access control systems are used to restrict unauthorized access. With the emergence of smart homes, the use of access control systems has increased; they help in the automation of electronic locks and lighting in residences. However, the growth rate of the segment is likely to decrease during the forecast period due to the emergence of advanced authentication technologies such as biometrics. Biometric readers grant access to individuals only when their identity is confirmed with the information stored in the database.

B. Secure Logistics Market

Secure logistics refers to physical transportation of cash and other valuables from one location to another.

The global secure logistics market size was valued by Grand View Research³ at USD 48.19 billion in 2015. According to the market research by Technavio, the global secure logistics market is likely to exceed USD 72.00 billion by 2020. MaxSec Management estimates that the current addressable market for AVA is USD 0.60 billion to 0.75 billion. The rising security concerns among corporate and banks have increased the requirement for secure movement and management services for currency. The European Union has established a structure for overcoming the constraints and to facilitate the mobility of production factors which include land, labour, and capital.

Based on applications, the industry has been segmented into cash management, diamonds, jewellery & precious metal, manufacturing, and others. The other application segment includes retail and public infrastructure. The cash management segment dominated the industry in 2015 and is expected to remain the same over the forecast period. This growth is attributed to the rapidly growing penetration of ATMs in the emerging countries.

The segment application includes cash-in-transit, cash processing, and ATM services. Cash-in-transit involves picking up money from the banks and delivering to the designated cash points, such as ATMs. The service providers utilize armoured trucks to transport valuables that reduce risks and increase security by reducing the opportunity for theft.

The carriers offer Automated Teller Machine (ATM) services in conjunction with the traditional cash-in-transit service and are regulated by regional, national, and local legislations. The responsible authorities for the industry include the Ministry of Justice, the Ministry of Interior, and the Police. Regulations which may impose the minimum number of crew members, type of vehicles to be used, and restrictions on the use of firearms.

The Research by Technavio indicates that the global secure logistics market in 2015 was dominated by the European, Middle East and Africa ("EMEA") region, accounting for 50.50%; while Latin America (33.91%) and North America

³ A market research and consulting company based in San Francisco, USA. "Secure Logistics Market Analysis by Application (Cash Management, Diamonds, Jewellery & Precious Metal, Manufacturing), By Type (Static, Mobile), By Region (North America, Europe, Asia Pacific, Latin America, MEA), and Segment Forecasts, 2014 - 2025".

(20.99%) are the two other key regions, with APAC being the smallest market (6.21%). We note specific trends in the three larger markets identified in the Technavio research as follows.

EMEA

The secure logistics market in EMEA was valued by Technavio at USD 2.18 billion in 2015. With cash transactions accounting for nearly 70%-80% of commercial transactions in Europe, and the number of ATMs expected to reach 3.5 million by 2017, the secure logistics market in EMEA is expected to grow in the near future. Though the debt crisis in Europe during 2010-2012 did impact the region, the market is expected to recover with Germany, Portugal, and Spain being its key contributors. Africa is another emerging market, with major customers from sectors such as telecommunications, aviation, mining, oil and gas, embassies, and ports.

Latin America and North America

The secure logistics market in Latin America was valued by Technavio at USD 990 million in 2015 and in North America was valued by Technavio at USD 1.96 billion. The Latin America market is expected to grow rapidly while North America is projected to grow steadily during the forecast period to 2022. The United States, Brazil, Colombia, and Argentina are the major contributors in the Americas market. Security services are in great demand from the commercial, industrial, and financial sectors in Latin America, while a well-developed transport infrastructure and willingness of customers in North America to outsource cash management and security services to third-party logistics firms will help the market grow during the forecast period.

C. Conclusion

Both the Perimeter Intrusion Prevention Systems industry, which includes Access Control, and the Secure Logistics Industry are global industries with the North America and Latin America regions accounting for over half of total market. Research indicates growth is expected to continue in the medium term across both markets, driven by the development of new technologies and regional market trends.

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5.5 Historical Financial Performance

The financial performance of MaxSec for the three most recent financial years being FY2015, FY2016 and FY2017 are summarised in the table below.

MaxSec Group Limited Historic Operating Results							
\$'000s	Notes	FY2015 Actual	%	FY2016 Actual	%	FY2017 Actual	%
Revenue	1	5,161	100.0%	4,314	100.0%	7,429	100.0%
Interest income		42	0.8%	30	0.7%	20	0.3%
Other income	2	213	4.1%	252	5.8%	392	5.3%
Expenses							
Raw materials and consumables used	3	2,592	50.2%	1,657	38.4%	4,663	62.8%
Employee benefits expense	4	1,185	23.0%	1,303	30.2%	4,015	54.0%
Depreciation and Amortisation expenses		153	3.0%	276	6.4%	330	4.4%
Finance Costs		5	0.1%	5	0.1%	3	0.0%
Other expenses	5	1,069	20.7%	2,746	63.6%	2,265	30.5%
Profit Before Tax		411	8.0%	(1,391)	(32.2%)	(3,435)	(46.2%)
Plus: Finance Expenses		5	0.1%	5	0.1%	3	0.0%
Minus: Interest Income		42	0.8%	30	0.7%	20	0.3%
Reported EBIT		375	7.3%	(1,416)	(32.8%)	(3,451)	(46.5%)
Plus: Amortisation & Depreciation		153	3.0%	276	6.4%	330	4.4%
Reported EBITDA		528	10.2%	(1,140)	(26.4%)	(3,121)	(42.0%)

Source: Historical Financial Statements

We note the following with respect to the historical financial performance of MaxSec:

- With respect to sales revenues:
 - Sales decreased in FY2016 to \$4.314 million compared to \$5.161 million due to one off sales of the third party products in FY2015;
 - Sales increased from \$4.314 million in FY2016 to \$7.429 million, predominantly due to the establishment and growth of operations of Ava division, secure logistics division, and the increased sales and marketing activity of the BQT Solutions division.
- We note other income comprises R&D tax refund, for R&D expenditure incurred in the same year;
- Raw materials and consumables used represents cost of goods and materials used in production. Management advised fluctuations in raw materials as a percentage of sales in FY2015 to FY2017 is due to the different project mix;
- Employee benefits expense increased from \$1.303 million in FY2016 to \$4.015 million in FY2017 due to investments in sales employees and establishment of Ava business;
- Other expenses comprise various sales and general expenses which partially increased in FY2016 due to upfront investments in the establishment of Ava business.

5.6 Normalised Historical Earnings

We have reviewed the financial performance of MaxSec for FY2015 to FY2017 and have identified the only material non-recurring income or expense items are in respect of the establishment costs related to the Ava business, which commenced trading operations during FY2017.

Accordingly, the following table sets out our assessment of normalised earnings, after a normalisation adjustment is applied in both FY2016 and FY2017 for the Ava establishment costs as advised by MaxSec management, including employee-related costs, legal and travel expenses.

MaxSec Group Limited Normalisation Adjustments						
\$'000s	FY2015		FY2016		FY2017	
	Actual	%	Actual	%	Actual	%
Reported EBITDA	528	10.2%	(1,140)	(26.4%)	(3,121)	(42.0%)
Normalisation Adjustments						
Ava Establishment Costs	-	-	406	9.4%	63	0.8%
Normalised EBITDA	528	10.2%	(733)	(17.0%)	(3,059)	(41.2%)

Source: Historical Financial Statements and discussions with MaxSec management

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5.7 Financial Position

The financial position of MaxSec as at 30 June 2016 and 30 June 2017 is summarised below.

MaxSec Group Limited Historic Reported Balance Sheet			
\$'000s	Notes	30/06/2016 Actual	30/06/2017 Actual
Current Assets			
Cash	1	4,968	1,587
Trade and other receivables		1,771	1,907
Inventories	2	1,042	1,102
Other assets		117	90
Total Current Assets		7,898	4,686
Non-Current Assets			
Fixed Assets		105	97
Intangible Assets	3	2,149	2,335
Total Non-Current Assets		2,254	2,432
Total Assets		10,152	7,118
Liabilities			
Trade and other payables	4	1,015	2,070
Provisions	5	213	235
Total Liabilities		1,228	2,305
Net Assets		8,924	4,813

Source: Historical Financial Statements

We note the following with respect to the financial position of MaxSec and key material balance sheet items:

1. Cash decreased from \$4.968 million in FY2016 to \$1.587 million in FY2017 due to investments in the establishment of the Ava business and recruitment of the sales staff for BQT Solutions;
2. Inventories comprise predominately the cost of manufactured products, which include direct labour, direct materials and portion of fixed overheads, where costs are applied on the basis of weighted average costs.
3. Intangible assets comprise capitalised product development costs recognised in accordance with accounting standards and goodwill on acquisition of the Magna Electronics Pty Ltd;
4. Trade and other payables comprise trade payables, accrued expenses and superannuation liability;
5. Provisions comprise long-service leave and annual leave liabilities.

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6. Profile of FFT

6.1 Background

Overview

Established in 1994 in Melbourne, Australia, FFT is a provider in fiber optic intrusion detection systems, with a track record of delivering highly intelligent, reliable, and award-winning intrusion detection solutions for the protection of critical sites and infrastructures. FFT systems use fiber optic cables as sensors to detect and pinpoint the location of disturbances caused by interferences intrusions. The main application of FFT technology is for perimeter, pipeline and data network security detection.

FFT's security systems detect and locate perimeter intrusions, oil and gas pipeline third-party interference and data network tapping and tampering. With over 1,500 systems deployed in more than 60 countries, FFT has established a reputation for delivering advanced and cost-effective intrusion detection solutions for the Transport, Government, Military, Oil & Gas and Utility sectors.

FFT operates as a part of perimeter intrusion prevention systems industry which was discussed in Section 5.3 above. The core markets for FFT are USA and Asia Pacific region which accounts for approximate 65% of total company's sales, while other regions including Europe and Australia accounts for less than 35% of sales. For further detail, refer to our Industry Overview at Section 5.4.

FFT has developed, proven and launched a complete range of products in five selected sectors of security, in accordance with its business plan. Specifically the products include:

- **FFT Aura** (launched in January 2017) is a fiber optic perimeter security system, deployed across some of the world's high security military, intelligence agency, power and petrochemical sites. FFT Aura detects and accurately locates intrusions for a wide range of fence types, as well as to detect walking and crawling intruders when used as a covert buried sensing system. FFT Aura is also used to detect and locate intrusions along buried pipeline assets and in data cable networks, and can cater for critical sites demanding hardened solutions that require cut resilience and continued operation in the event of a damaged or cut sensor cable.
- **FFT Secure Fence** is a fiber optic perimeter security system used for detecting and locating intrusions on perimeter fences, walls and gates in high-security applications such as airports, oil and gas installations, correctional facilities and borders.
- **FFT Secure Point** is a dual zone fibre optic perimeter intrusion detection system, with simple installation, reliability and maintenance free operation.
- **FFT Secure Zone** is a zone based fibre optic perimeter intrusion detection system. Zones are typically 200 metres long, with 8 or 16 zones per controller.
- **FFT Secure Pipe** is an early warning pipeline security monitoring system available, detecting Third Party Interference (TPI), tampering and illegal tapping attempts along buried pipelines. The entire pipeline is monitored in real-time and with complete safety.
- **FFT Secure Link** is a network security monitoring system, detecting and locating intrusion attempts, tampering, or illegal data tapping activities along data networks from just a few kilometres to thousands of kilometres in length. The system uses existing fibre optic cables to provide early warnings of events before data loss or damage occurs.
- **Central Alarm Monitoring System (FFT CAMS)** displays, monitors, and controls alarms on a single site or group of sites, bringing them together to a single screen. FFT CAMS interfaces to and controls CCTV camera systems, MODBUS devices, and high-level security management and access control systems via TCP/IP.

FFT Aura Ai

In January 2017, FFT announced the commercial release of Aura Ai, a new product platform featuring extended detection range, enhanced intrusion location accuracy and cut resilient capabilities. FFT Management advised the new Aura Ai platform provides FFT with a significantly higher performing product at a lower cost than its predecessor. Based on testing to date as advised by FFT management, its capabilities are superior to all other fiber optic perimeter intrusion detection products in the market. Aura Ai uses the latest advanced optical signal processing algorithms, combined with artificial intelligence, to discriminate between intrusions, nuisance alarms and other causes of fence disturbance.

Distribution Network

The primary distribution channel for FFT are large security integrators, including companies such as Honeywell, SECOM and Siemens. In FY2017 FFT signed partnerships with three security distributors, Anixter Inc., Minipa and Wesco International. FFT continues to work closely with these distributors and their sales networks on product introduction and training initiatives including webinars, quarterly security calls and face-to-face integrator/customer information sessions.

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6.2 Historical Financial Performance

The financial performance of FFT for the three most recent financial years being FY2014, FY2015 and FY2016 are summarised in the table below.

Future Fibre Technologies Limited Historic Operating Results							
\$'000s	Notes	FY2015 Actual	%	FY2016 Actual	%	FY2017 Actual	%
Revenue	1	18,101	100.0%	14,361	100.0%	12,896	100.0%
Other income	2	1,416	7.8%	1,125	7.8%	773	6.0%
Expenses							
Cost of raw material	3	7,197	39.8%	5,710	39.8%	6,030	46.8%
Employee benefit expenses	4	5,530	30.6%	6,910	48.1%	7,483	58.0%
Research and development	5	993	5.5%	1,037	7.2%	1,278	9.9%
Advertising and Marketing		386	2.1%	428	3.0%	380	2.9%
Travel and entertainment		664	3.7%	946	6.6%	690	5.4%
Facilities and office		617	3.4%	863	6.0%	782	6.1%
Compliance, legal and admin.	6	683	3.8%	1,196	8.3%	849	6.6%
Impairment of receivables	7	73	0.4%	2,514	17.5%	1,364	10.6%
Patents impairment loss		-	-	103	0.7%	-	-
Share Option Expenses		327	1.8%	-	-	-	-
Depreciation and amortisation		538	3.0%	607	4.2%	826	6.4%
Finance costs		20	0.1%	5	0.0%	15	0.1%
Foreign exchange losses		-	-	220	1.5%	811	6.3%
Other expenses	8	332	1.8%	752	5.2%	981	7.6%
Profit after Tax		2,157	11.9%	(5,805)	(40.4%)	(7,820)	(60.6%)
Exchange differences income		-	-	66	0.5%	82	0.6%
Total comprehensive income		2,157	11.9%	(5,739)	(40.0%)	(7,738)	(60.0%)
Plus: Interest Expenses		20	0.1%	5	0.0%	15	0.1%
Minus: Interest Income		-	-	360	2.5%	526	4.1%
Reported EBIT		2,177	12.0%	(6,161)	(42.9%)	(8,331)	(64.6%)
Plus: Amortisation & Depreciation		538	3.0%	605	4.2%	826	6.4%
Reported EBITDA		2,715	15.0%	(5,556)	(38.7%)	(7,505)	(58.2%)

Source: Historical Financial Statements

We note the following with respect to the historical financial performance of FFT:

1. Sales decreased in FY2017 due to delays in several contracts in North America and Europe, which shifted scheduled installation of FFT product from FY2017 to FY2018. Further, a lower than expected increase in investment in key sectors, contributed to lower than expected sales in the second half;
2. Other income comprises R&D tax incentives received, foreign exchange gain and other income;
3. Cost of raw materials comprises the cost of goods sold, which is driven by the sales product mix. We note as a percentage of sales cost of raw materials increased from 39.8% in FY2016 to 46.8% in FY2017 due to several low marginal projects in India in FY2017;
4. Employee benefit expenses increased from \$5.530 million in FY2015 to \$6.910 million in FY2016 due to investments in sales and marketing. In FY2017 FFT appointed a Global Director of Sales and Marketing which has driven employee benefit expenses to \$7.483 million in FY2017;

5. Management advised FFT invested approximately \$3.5 million to \$4.0 million in the development of Aura product over FY2015 to FY2017. We note research and development ("R&D") expenses comprise labour costs and cost of materials. Management advised approximately \$2.5 million of these R&D expenses was capitalised during this period and the remainder was recognised as part of operating expenses;
6. Management advised total amount of compliance, legal and admin expenses fluctuated over FY2015 to FY2017 due to various one-off expenses related to consulting and legal services. Specifically, FFT had incurred additional legal expenses related to a historical customer dispute in FY2016, and for additional consulting advisory services related to the Proposed Transaction with MaxSec in FY2017;
7. Impairment of receivables represents two contracts in USA and Asia, which were initially put on hold due to delays in the client's project timeframes. In FY2016 FFT entered into a payment arrangement with the company and assessed part of the receivable as non-current and recognised as impairment based on the future projected cash flow. In FY2017 the company has written off the remaining amount of the receivable as the projects were subsequently cancelled and FFT retrieved the stock for resale;
8. Other expenses comprise various sales and general expenses.

FFT Announcements

The following table sets out the recent company announcements for FFT.

Future Fibre Technologies Limited Recent Company Announcements	
Announcement Date	Title
16/10/2017	Bid Implementation Agreement Variation
16/10/2017	MSP: Bid Implementation Agreement Variation Announced
16/10/2017	Appendix 4C - quarterly
05/10/2017	MSP: Update to merger presentation released on 20/09/2017
04/10/2017	Update to Merger Presentation 20 Sept 2017
29/09/2017	Annual General Meeting - Notice of Meeting
26/09/2017	Becoming a substantial holder for MSP
25/09/2017	FFT Secures New Aura Ai orders at over \$1.1M
20/09/2017	MSP: MSP - FFT Merger Presentation
20/09/2017	FFT presentation re proposed merger with MSP
20/09/2017	FFT Investor Presentation on FY2017 Financial Results
04/09/2017	FFT FY18 Revised Guidance
30/08/2017	Response to ASX Aware Query
30/08/2017	Appendix 4G and Corporate Governance Statement

Source: Australian Securities Exchange

FY2018 Forecast

FFT FY2018 guidance for sales revenues is between \$18 million and \$21 million. Management advised the key drivers of the growths are realisation of the projects which were delayed from FY2017 and the full rollout of the new Aura AI product, which FFT expects to have strong demand from existing and new customers. Further, we note FFT has announced on 4 September it has signed a number of new contracts valued a total of \$4.9 million. Additionally, FFT forecast FY2018 to be both cash flow and EBITDA positive. No specific guidance with respect to the forecast profits has been provided by FFT management to the market.

6.3 Normalised Historical Earnings

Set out below is the normalised financial performance of FFT for the FY2015, FY2016 and FY2017 financial years, setting out one-off and abnormal items.

Future Fibre Technologies Limited Normalisation Adjustments							
\$'000s	Notes	FY2015		FY2016		FY2017	
		Actual	%	Actual	%	Actual	%
Reported EBITDA		2,715	15.0%	(5,556)	(38.7%)	(7,505)	(58.2%)
Normalisation Adjustments							
Gain on Sale of Fixed Assets	1	-	-	-	-	(2)	(0.0%)
Impairment Charges for Receivables	2	-	-	2,514	17.5%	1,364	10.6%
Patents Impairment Loss	3	-	-	103	0.7%	-	-
Research and Development	4	662	3.7%	691	4.8%	852	6.6%
Donations	5	-	-	3	0.0%	4	0.0%
Consultant Expenses	6	-	-	-	-	414	3.2%
Legal Costs	7	-	-	270	1.9%	-	-
Total Adjustments		662	3.7%	3,581	24.9%	2,633	20.4%
Normalised EBITDA		3,377	18.7%	(1,975)	(13.7%)	(4,873)	(37.8%)

Source: Historical Financial Statements and discussions with FFT management

Notes:

1. We consider Gain on Sale of Fixed Assets to non-recurring as such we applied a normalisation adjustment of \$2,000 in FY2017;
2. As highlighted in section 6.2, item 7 above, FFT incurred impairment loss due to clients' decision to put on hold the current projects. We consider such expenses to be non-recurring therefore we applied normalisation adjustments in FY2016 and FY2017;
3. Adjustment of \$103,000 in patents impairment loss in FY2016, being write-off of prior patents which are no longer required or used in FFT products, is considered to be a one-off expense;
4. As highlighted in section 6.2, item 5 above, FFT invested in the development of new products over FY2015 to FY2017. Management advised FFT has ongoing R&D expenses except of the development of new products, related to ongoing improvement and maintains of existing hardware and software. As such we made a normalisation adjustment to present a normal level of performance of FFT, excluding R&D expenses related to the development of new products;
5. Normalisation adjustments for donation expenses which are not considered to be part of normal operating expenses of FFT;
6. Management advised in FY2017 there were abnormal consultant expenses related to the Potential Transaction with MaxSec, as such we made a normalisation adjustments to present the operating performance of FFT excluding these one-off expenses;
7. Normalisation adjustment of \$270,000 related to surplus legal costs in FY2016 related to a dispute with a customer project, which are considered to be non-recurring expenses.

We note that the FY2016 and FY2017 EBITDA performance remains in a significant loss position despite adjusting for one off items.

6.4 Financial Position

The financial position of FFT as at 30 June 2016 and 30 June 2017 is summarised below.

Future Fibre Technologies Limited Historic Reported Balance Sheet			
\$'000s	Notes	30/06/2016 Actual	30/06/2017 Actual
Current Assets			
Cash	1	12,119	6,945
Trade and other receivables	2	5,443	4,985
Inventories	3	3,990	4,206
Other assets	4	341	320
Total Current Assets		21,893	16,456
Non-Current Assets			
Receivables	5	3,291	-
Fixed Assets		1,300	1,012
Intangible Assets	6	1,608	2,758
Total Non-Current Assets		6,199	3,770
Total Assets		28,092	20,226
Current Liabilities			
Payables		2,798	2,220
Borrowings		8	15
Provisions	7	1,032	1,089
Total Current Liabilities		3,838	3,324
Non-Current Assets			
Borrowings		15	-
Provisions		15	36
Total Liabilities		3,868	3,360
Net Assets		24,224	16,866

Source: Historical Financial Statements

We note the following with respect to the financial position of FFT and key material balance sheet items:

1. Cash decreased from \$12.110 million in FY2016 to \$6.945 million in FY2017 predominantly due to investment in the development of the new Aura product;
2. Trade and other receivables comprises trade receivables, R&D tax receivables and other receivables. R&D expenses related to FFT's secure fence and Aura Ai products;
3. Cost of manufactured inventories include direct labour, direct materials and portion of overheads based on normal operating capacities.
4. Other assets comprises prepayments which remained on a comparable level over FY2016 and FY2017;
5. Non-current receivables comprises outstanding amount from two postponed contracts as described in section 6.2, item 7 above. FFT decided to write off non-current receivable in FY2017;
6. Intangible assets comprises capitalised development costs, patents, and trademarks recognised in accordance with accounting standards;
7. Provisions comprises warranty provision and employee entitlements liabilities.

7. Valuation Methodology

7.1 Overview

The best determinant of value is the price at which a business or a comparable business has been bought or sold in an arm's length transaction. In its absence, estimates of value are made using methodologies that infer value from other available evidence. These methodologies are discussed below.

7.2 Asset Based Methods

Asset based methods estimate the market value of a company's shares based on the realisable value of its identifiable net assets. Asset based methods include:

- **Net assets & net tangible assets** : Net assets method is based on the value of the assets of the business less certain liabilities, at book values, adjusted to market value, while the Net Tangible Assets of the business is a similar calculation but with an additional adjustment to exclude intangible assets from the calculation;
- **Orderly realisation of assets** : Orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders assuming the company is wound up in an orderly manner realising a reasonable market value for assets; and
- **Liquidation of assets** : Liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter period, under a "distressed seller" scenario.

These approaches ignore the possibility that a company's value could exceed the realisable value of its assets. Asset based methods are appropriate when companies are not profitable (and are not expected to be profitable in the short to medium term), not actively trading or a significant proportion of a company's assets are liquid, or the business achieves lower profits than typical returns required by equity holders.

7.3 Market Based Methods

Market based methods estimate a company's fair market value by considering the market price of transactions in its shares or the market value of comparable companies. Market based methods include:

- **Analysis of a company's recent share trading history** : Most recent share trading history provides strong evidence of the fair market value of the shares in a company where they are publicly traded in an informed and liquid market;
- **Capitalisation of maintainable earnings** : Capitalisation of maintainable earnings method estimates fair market value by multiplying the company's future maintainable earnings by an appropriate capitalisation multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of maintainable earnings method is appropriate where the company's earnings are relatively stable and comparable companies have similar cost structures; and
- **Industry specific methods** : Industry specific methods estimate market value using industry benchmarks. These methods generally provide less persuasive evidence on the market value of a company, as they may not account for company specific factors. Industry specific methods are only used as a cross check to the primary valuation methodology.

7.4 Discounted Cash Flow Method

The discounted cash flow method estimates market value by discounting a company's future cash flows to their present value. This method is appropriate where a projection of future cash flows can be made with a reasonable degree of confidence for a period of at least 5 years. The discounted cash flow method is commonly used to value early stage companies; projects with a finite life; or businesses with comprehensive and reliable cash flow forecasts.

7.5 Selection of Methodologies

Our selection of the valuation methodology is guided by RG111 and specifically RG111.64 which states that “an expert should use its skill and judgment to select the most appropriate methodology in its report. The expert must have a reasonable (or tenable) basis for choosing the valuation methodology”. Further, RG111.65 states that “an expert should, when possible, use more than one valuation methodology”.

In selecting our valuation methodology to value MaxSec and FFT, we have considered:

- existing operations of both companies;
- the historical results and current performance levels including revenue and earnings;
- actual performance for the two-months to 31 August 2017 and forecast performance for both MaxSec and FFT in FY2018;
- representations by management in terms of the current and future trading performance, operating margins and strategic direction of the Company;
- our understanding of the competitive position of the Company in the industry;
- access to publicly available valuation benchmarks, comparable company information and comparable company transactions; and
- Share price and volumes traded for MaxSec and FFT shares.

As a publicly listed security on the ASX, one available methodology is a market-based valuation using the recent share price trading history of quoted shares.⁴ We have considered this methodology as appropriate for determining the market value of the shares in FFT and MaxSec. In our view, a liquid stock would typically be characterised by having 25%-50% of its total number of shares being traded over the course of a year, or about 0.5%-1.0% per week. As set out further in Sections 8 and 9 respectively, we consider there is sufficient liquidity in the recent share trading history of MaxSec and FFT to meet these guidelines of an active market.

As such, we consider the quoted market price of MaxSec and FFT shares to be a reliable indicator of their value. However, levels of liquidity are lower than what we would like to observe in larger company with a broader shareholder base, so we consider it prudent to examine other methodologies in conjunction with the value ascertained under this methodology. Therefore, we have then adopted a secondary methodology to the primary valuation methodology, namely a review of Net Assets and Net Tangible Assets.

While the capitalisation of future maintainable earnings methodology is a commonly utilised methodology, we do not consider the application of this methodology as appropriate due to:

- MaxSec has generated trading losses for 2 of the past 3 financial years;
- FFT has generated trading losses for 2 of the past 3 financial years;
- Both MaxSec and FFT anticipate significant growth in sales and improvement in earnings, as investments in new services and technologies are brought to market but have not released or provided guidance on forecast earnings.

We consider that the use of a discounted cash flow methodology is considered inappropriate due to the lack of available forecast cash flows beyond FY2018. We note both the management of MaxSec and FFT have provided internal earnings forecasts of FY2018 for our review but they have not provided any additional financial information that would change our view of the selection of the appropriate methodology. Additionally there is a level of inherent uncertainty around the future forecasts with the introduction of new technologies (such as Aura AI in FFT) or services (such as expansion of the AVA secure logistics business in MaxSec). Due to this inherent uncertainty around the future growth, any forecasts beyond FY2018 would be subject to a number of uncertain or variable assumptions and thus have limited reliability as an indicator of maintainable earnings.

⁴ RG 111.69 states that an expert should consider “the quoted price for listed securities, where there is a liquid and active market”.

8. Value of MaxSec

8.1 Valuation Summary

We have determined the market value of an ordinary share in MaxSec on a controlling interest basis to be in the range of \$0.038 and \$0.043. In determining this range of value, we specifically relied upon the results of two methodologies, as summarised below.

MaxSec Group Limited Equity Value Summary (\$'s)		
	Low	High
Market-Based Valuation – Recent Share Price		
Value per Share on a Controlling Basis	0.038	0.043
Asset-Based Valuation		
Net Asset Value per Share on a Controlling Basis	0.014	0.014
Net Tangible Assets Value per Share on a Controlling Basis	0.009	0.009

Source: Titan Partners Corporate Finance Analysis

The remainder of this section set outs our assessment of the above values for MaxSec shares.

8.2 Market-Based Valuation – Recent Share Price

The market value of a company's shares as quoted on public exchange such as the ASX is reflective of a minority interest. Typically a minority interest does not have significant enough control for the holder to have an individual influence in the operations and value of that company. RG111.11 states that when considering the value of a company's shares for the purposes of a takeover bid, the expert should assume 100% ownership of the target and it is inappropriate to apply a discount for a minority or portfolio parcel of shares. Accordingly, a premium for control is expected to be paid by the purchaser of those shares due to advantages they will receive should they obtain control of another company. These advantages can include:

- Control over operational decision making and the strategic direction of the company;
- Ability to deal with the company assets as the purchaser sees fit;
- Access to underlying cash flows through control over dividend policies; and
- Access to potential tax losses.

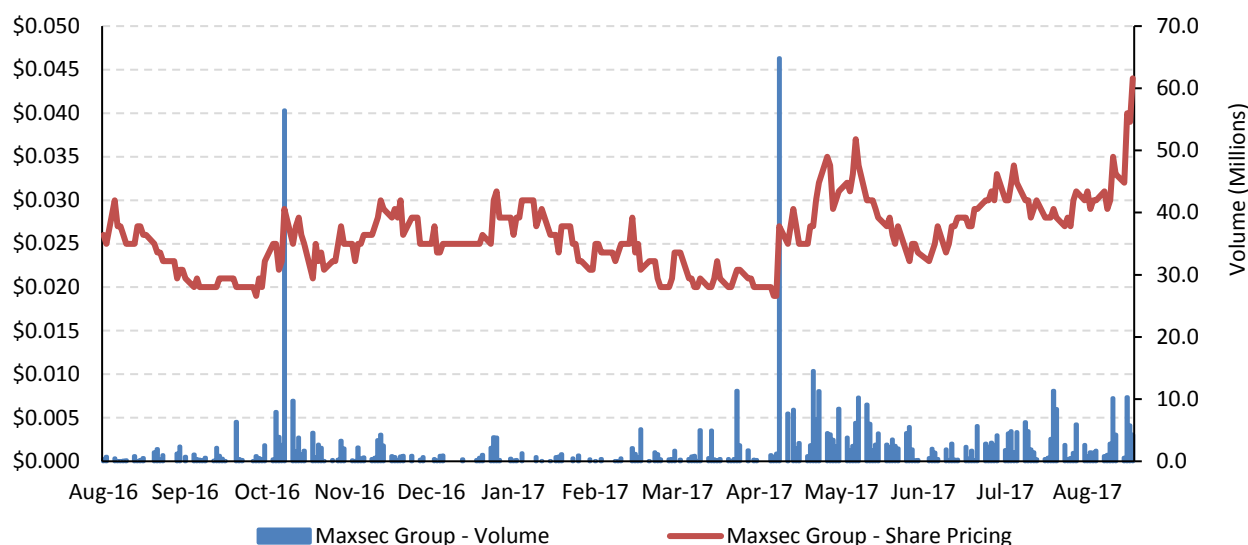
Based on the requirements of RG111, we have calculated the quoted market price of a MaxSec share including a premium for control in two parts. Firstly, we calculated the quoted market price on a minority interest basis based on the ASX quoted share price, then added a premium for control to calculate the market price value on a controlling basis or one that includes a premium for control.

Quoted Share Price – Minority Interest Basis

The determination of a quoted market price of a listed share is typically based on the pricing prior to the announcement of a transaction. The ASX announcement of the Proposed Transaction was filed and released on 25 August 2017, hence our analysis is as at 24 August 2017, being the day before the announcement.

To determine whether recent share price is an appropriate methodology to value MaxSec shares, we analysed the recent share trading and specifically the liquidity in respect of the trading in those shares. Set out below is the trading performance of MaxSec shares for the twelve months to 24 August 2017. MaxSec shares are frequently traded on the ASX, with trades being recorded on 224 days during the period.

The following chart summarises the share price movements and volume traded over the year to 24 August 2017.



The daily price of MaxSec shares over the past 12 months has ranged from a low of \$0.019 in October 2016 and April 2017 to a high of \$0.044 in August 2017. During this period a number of announcements were made to the market. The key announcements can be observed in Appendix 5. In particular on 21 April 2017, the company announced its AVA secure logistics division had reported significant growth, which corresponded with the share price increasing to \$0.027 from \$0.019 at the close of trade on the previous day.

The share price of MaxSec since that date has not declined to the \$0.019 level prior to the announcement regarding the AVA business, where the share price has since traded within a band of \$0.023 to \$0.035 to 21 August 2017.

At the close of trading on 24 August 2017, the day prior to the announcement of the Proposed Transaction, the share price was \$0.044. However, the Company had also announced on the same day, the Placement by FFT prior to opening of ASX trading and had entered into a trading halt by midday. For comparison, the closing price of MaxSec shares on the preceding two days (22 August 2017 and 23 August 2017) was respectively \$0.040 and \$0.039, where no market announcements were made to the ASX.

We note that on 25 August 2017 being the date the Proposed Transaction was announced, MaxSec shares at close of trading were priced at \$0.031. On the two days following the announcement, the closing price of the Company's shares were respectively at \$0.031 and \$0.027.

Given the observed movements in the MaxSec share price around the announcement of the Proposed Transaction, we calculated and assessed the volume weighted average price ("VWAP") of the shares over a period of 1, 3, 6 and 12 months prior to the announcement date of 25 August 2017. The following tables summarises the VWAP calculated for these periods.

MaxSec Group Limited VWAP and Liquidity Analysis						
Period	Volume (Shares)	Volume (% of issue)	VWAP	Price (Low)	Price (High)	Days Traded
1 Month (24 Jul 2017 to 24 Aug 2017)	82,805,189	20.2%	0.033	0.027	0.044	23
3 Months (25 May 2017 to 24 Aug 2017)	183,094,827	44.6%	0.030	0.023	0.044	65
6 Months (25 Feb 2017 to 24 Aug 2017)	417,863,889	101.8%	0.029	0.019	0.044	121
12 Months (25 Aug 2016 to 24 Aug 2017)	595,914,855	145.2%	0.028	0.019	0.044	224

Source: S&P Capital IQ, Titan Partners Corporate Finance Analysis

As shown in the above recent share trading history, there is strong liquidity in MaxSec shares with over 100% of shares on issue being traded over a six month period and 44.6% of the Company's current issued capital being traded over 90 trading days. For us to rely upon the ASX listed share price as an indication of market value, there needs to be a 'deep' market in the shares. RG111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- Approximately 25% to 50% of a company's securities are traded on an annual basis;
- There must be a sufficiently large spread of shareholders to enable the shares to trade on the stock exchange in an orderly manner; and
- There are no significant but unexplained movements in share price.

In our opinion, a company's shares should meet all of the above criteria to be considered 'deep' market. Based on our analysis of the share trading history of MaxSec and with reference to the above characteristics, we note;

- Regular trading in MaxSec shares has been observed, with the trading on 224 days in the past 12 months out of an approximately 250 trading days in a typical year;
- With over 140% of MaxSec shares traded on an annual basis and over 100% traded over a six month period, there is sufficient liquidity to rely on the share price as an indicator of value;
- As set out in Section 5.2, there is a considerable spread of shareholders, and in our opinion this spread is broad enough to facilitate a free float and regular trading of the Company's shares; and
- We do not consider that there have been unexplained significant movements in the share price of the period observed, where such movements occurred around the announcement of new developments or financial results.

We have determined that a range of values for MaxSec shares based on market pricing is between \$0.03 (being the 3 month VWAP) and \$0.033 (being the 1 month VWAP), being the value of shares on a minority basis.

Control Premium

As discussed above, we are required under RG111 to assess the Proposed Transaction assuming 100% ownership of MaxSec. Accordingly the concept of a premium for control must be applied, which reflects the additional value that attaches to a controlling interest in the Company over a minority or portfolio interest as represented by the share price.

The control premium varies from transaction to transaction and is subject to a number of factors, including:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of business opportunities not currently being exploited;
- Level of pre-announcement speculation of the transaction; and
- Level of liquidity in the trade of the target's securities.

We have had regard to studies of control premiums offered by acquirers in Australian transactions. In a study of market premiums on 605 Australian transactions published by Halligan & Co⁵, the median takeover premium for all transactions for the period FY2001 to FY2014 was 30%, and the median takeover premium for transactions within the Industrials sector during that period was 27%. In a separate study published by RSM⁶ based on 463 transactions, the median takeover premium for all transactions identified between FY2005 to FY2016 was 29%, with an average control premium across such transactions of 35%. Specifically in the Industrials sector, the RSM study identified median control premium of 30% across 52 transactions. We have also identified a sample of Australian transactions in Appendix 6. We note that these companies are not specifically comparable in terms of similar operations to MaxSec as there have been no takeovers involving similar businesses, however they do provide an indication of typical control premiums of recent takeovers in the Australian market. Based on the empirical studies reviewed and transactions reviewed, we consider a control premium range of between 25% and 30% to be applied to MaxSec quoted market share price.

⁵ Halligan & Co is a specialist business valuation and forensic accounting firm, which published "Control Premium Research 2014".

⁶ RSM is a large professional services firm. The Australian member firm, RSM Australia published "Control Premiums Study 2017".

Valuation – Controlling Basis

We applied the above control premium to our assessed value of MaxSec shares on a minority basis, to derive the control basis valuation as set out below.

MaxSec Group Limited Controlling Basis Value per Share		
	Low	High
Value per Share on a Minority Basis	0.030	0.033
Control Premium	25%	30%
Value per Share on a Controlling Basis	0.038	0.043

Source: Titan Partners Corporate Finance Analysis

8.3 Net Assets Valuation

As a cross check to the calculation of the value of MaxSec shares above based on recent share price, we have reviewed the value implied using an asset based methodology. Specifically, we have examined the Net Assets and Net Tangible assets of the Company.

In determining the asset value of MaxSec, we have principally had regard to the reported Balance Sheet as at 30 June 2017 set out previously in Section 5.7 and summarised in the following table. Based on our review and analysis of the nature of the assets and liabilities held and discussions with management, no adjustments have been made to the audited asset and liability balances as at 30 June 2017. However, we have added the \$1.845 million proceeds from the Placement of 61.5 million shares to FFT on 24 August 2017 to total assets, as the current shareholdings of the Company are inclusive of the shares issued under the Placement.

MaxSec Group Limited Net Assets Value			
	Reported	Adjustment	Adjusted
Total Assets	7,118	1,845	8,963
Total Liabilities	2,305		2,305
Net Assets	4,813	1,845	6,658
Less: Intangible Assets	2,149		2,335
Net Tangible Assets	2,664	1,845	4,323
Shares Outstanding (thousands)			472,011
Net Assets per Share (\$)			0.014
Net Tangible Assets per Share (\$)			0.009

Source: Titan Partners Corporate Finance Analysis

We have determined the value of MaxSec on a net tangible asset basis is \$0.009 per share and on a net asset basis of \$0.014 per share. These valuations represent the proportion of recognised tangible assets or total assets per the Company's balance sheet attributable to each MaxSec share.

In comparison, the share price based valuation reflects the current value of the Company's of the same assets, as well as the assessment of market participants on the value of other elements of the business, including the value of:

- Intangible assets of the business which do not satisfy recognition criteria under prevailing accounting standards, such as internally generated goodwill and intangible assets of the business;

- Future growth potential in revenue and earnings of the business;
- Current business strategy adopted by the board;
- Established relationships with its customers and stakeholders; and
- Expertise and skill of the current management team and employees.

Our assessed value using the recent share price methodology of \$0.038 to \$0.043 per share is approximately 2.6 to 3.0 times the net assets per share calculated above, and approximately 4.1 to 4.7 times the net tangible assets value. We consider the additional value reflects the market's assessment of the above factors with respect to both the AVA logistics BQT businesses of MaxSec.

We consider our valuation determined under the recent share price methodology to be appropriate, for the purpose of the fair and reasonableness assessment in this Report.

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9. Value of FFT

9.1 Valuation Summary

We have determined the market value of an ordinary share in FFT on a minority interest basis to be in the range of \$0.129 and \$0.136. In determining this range of value, we specifically relied upon the results of two methodologies, as summarised below.

Future Fibre Technologies Limited Equity Value Summary (\$'s)		
	Low	High
Market-Based Valuation – Recent Share Price		
Value per Share on a Minority Basis	0.129	0.136
Asset-Based Valuation		
Net Asset Value per Share on a Minority Basis	0.105	0.109
Net Tangible Assets Value per Share on a Minority Basis	0.088	0.091

Source: Titan Partners Corporate Finance Analysis

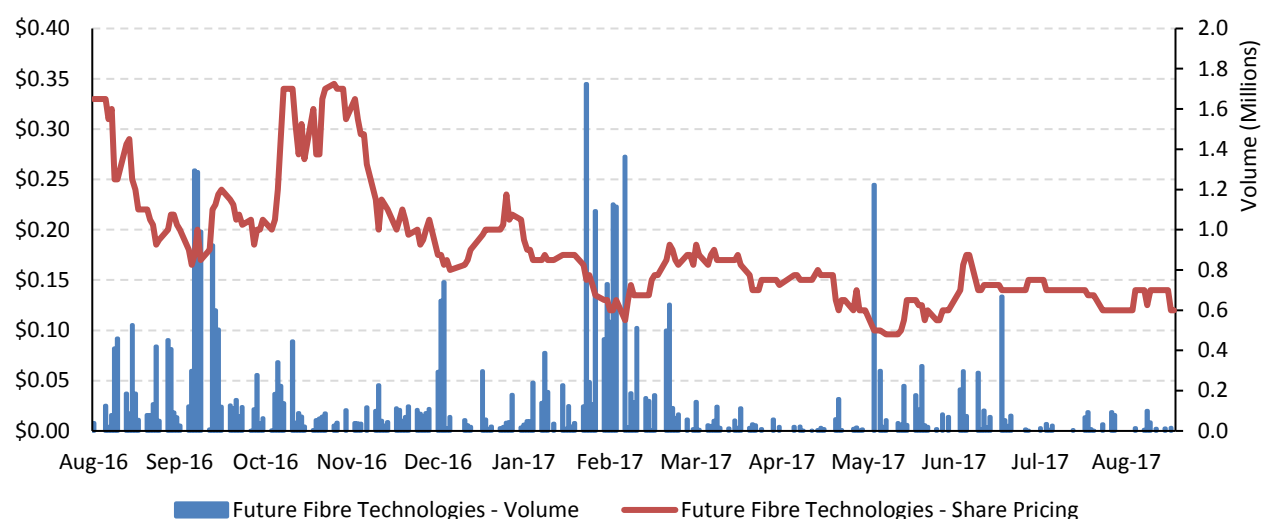
The remainder of this section set outs our assessment of the above values for FFT shares.

9.2 Market-Based Valuation – Recent Share Price

We have reviewed the share trading history of FFT shares prior to the announcement of the Proposed Transaction on 25 August.

We analysed the recent share trading and specifically the liquidity in respect of the trading in those shares. Set out below is the trading performance of FFT shares for the twelve months to 24 August 2017, being the day before the announcement of the Proposed Transaction. FFT shares are regularly traded on the ASX, with trades being recorded on 215 days during the period.

The following chart summarises the share price movements and volume traded over the year to 24 August 2017.



The closing price of FFT shares over the past 12 months has ranged from a low of \$0.096 in May 2017 to a high of \$0.345 in November 2016. During this period a number of announcements were made to the market, including the release of quarterly or annual results, and updates on new contracts secured, which have been associated with material share price movements. The key announcements are listed in Appendix 5.

As FFT shares had entered into a trading halt on 24 August 2017, the day prior to the announcement of the Proposed Transaction, the share price on 23 August 2017 was \$0.12.

We note that on 25 August 2017 being the date the Proposed Transaction was announced, FFT shares at close of trading were priced at \$0.17. On the two days following the announcement, the closing price of FFT shares were respectively at \$0.15 and \$0.14.

Given the observed movements in the FFT share price around the announcement of the Proposed Transaction, we calculated and assessed the **VWAP** of the shares over a period of 1, 3, 6 and 12 months prior to the announcement date of 25 August 2017. The following tables summarises the VWAP calculated for these periods.

Future Fibre Technologies Limited VWAP and Liquidity Analysis						
Period	Volume (Shares)	Volume (% of issue)	VWAP	Price (Low)	Price (High)	Days Traded
1 Month (24 Jul 2017 to 24 Aug 2017)	582,300	0.5%	0.129	0.120	0.140	14
3 Months (25 May 2017 to 24 Aug 2017)	3,270,715	2.6%	0.136	0.110	0.175	42
6 Months (25 Feb 2017 to 24 Aug 2017)	8,332,432	6.7%	0.139	0.096	0.185	91
12 Months (25 Aug 2016 to 24 Aug 2017)	36,767,529	29.7%	0.175	0.096	0.345	215

Source: S&P Capital IQ, Titan Partners Corporate Finance Analysis

As shown in the above recent share trading history, there is liquidity in FFT shares with over 29% of shares on issue being traded over a 12 month period. We reviewed FFT share trading history and determine whether a ‘deep’ market exists in accordance with RG111.69.

We considered the criteria set out in Section 8.2 above with respect to a liquid and active market and note the following with respect the share trading history of FFT;

- Regular trading in FFT shares has been observed, with trading on 215 days in the past 12 months out of an approximately 250 trading days in a typical year;
- With over 29% of FFT shares traded on an annual basis, there is sufficient liquidity to rely on the share price as an indicator of value, being at the lower end of the range of 25% to 50% we would typically expect for sufficient liquidity to rely on the share price as an indicator of value;
- There is a considerable spread of shareholders, and in our opinion this spread is broad enough to facilitate a free float and regular trading of the Company’s shares; and
- We do not consider that there have been unexplained significant movements in the share price of the period observed, where such movements occurred around the announcement of new developments or financial results.

We have determined that a range of values for FFT shares based on market pricing is between \$0.129 (being the 1 month VWAP) and \$0.136 (being the 3 month VWAP), being the value of shares on a minority basis.

We also had regard to trading of FFT shares since the Proposed Transaction was announced on 25 August 2017. As summarised in the following table, the FFT shares have traded in a range of \$0.120 to \$0.175, and had a VWAP of \$0.145 which is higher than both the 1 month and 3 month VWAP prior to announcement of the Proposed Transaction.

Future Fibre Technologies Limited Post Announcement Share Trading Summary						
Period	Volume (Shares)	Volume (% of issue)	VWAP	Price (Low)	Price (High)	Days Traded
25 Aug 2017 to 13 Oct 2017	1,440,840	1.16%	0.145	0.120	0.175	23

Source: S&P Capital IQ, Titan Partners Corporate Finance Analysis

While the trading of FFT shares after the announcement would generally be considered more reflective of the value inclusive of the takeover of MaxSec, we note the above period represents only 23 days of trading and a number of days of no trading. Further, the two days where FFT shares closed at highest level during the period of \$0.175 and recorded highest volumes, also coincided with the release of FY2017 annual report and revised FY2018 guidance respectively. As such the VWAP calculated over this short period may not reflect the value of FFT shares purely as a result of the Proposed Transaction with MaxSec. We note that the share price of FFT subsequently fell from these highs to reach a low of \$0.12 on 27 September 2017, and from 27 September 2017 until 13 October 2017 the FFT share price has traded between \$0.12 and \$0.14.

9.3 Net Assets Valuation

As a cross check to the calculation of the value of FFT shares above based on recent share price, we have reviewed the value implied using an asset based methodology. Specifically, we have examined the Net Assets and Net Tangible assets of the Company.

In determining the asset value of FFT, we have principally had regard to the reported Balance Sheet as at 30 June 2017 set out previously in Section 6.4 and summarised in the following table. Based on our review of the nature of the assets and liabilities held and discussions with management, no adjustments have been made to the audited asset and liability balances as at 30 June 2017.

Future Fibre Technologies Limited Net Assets Value			
	Reported	Low	High
Total Assets	20,226		
Total Liabilities	3,324		
Net Assets	16,902		
Less: Intangible Assets	2,758		
Net Tangible Assets	14,144		
Shares Outstanding (thousands)	124,028		
Net Assets per Share (\$)		0.136	0.136
Net Tangible Assets per Share (\$)		0.114	0.114
Less: Minority Discount equivalent to a 25% & 30% Control Premium		23.1%	20.0%
Net Assets per Share (\$) – Minority Basis		0.105	0.109
Net Tangible Assets per Share (\$) – Minority Basis		0.088	0.091

Source: Titan Partners Corporate Finance Analysis

As we have assessed the share price of FFT on minority basis for the purposes of the Proposed Transaction, we have adjusted for the impact of a minority discount of 20.0% to 23.1%, being the equivalent of a control premium of 30% and

25% respectively, as estimated in our analysis for MaxSec in Section 8.2, to derive an asset value on a minority basis for comparison.

We have determined the value of FFT on a net tangible asset basis is \$0.088 per share and on a net asset basis of \$0.105 per share on a minority interest basis. These valuations represent the proportion of recognised tangible assets or total assets per the Company's balance sheet attributable to each FFT share.

Our assessed value using the recent share price methodology of \$0.129 to \$0.136 per share is approximately 1.3 times the net assets per share calculated above, and approximately 1.5 times the net tangible assets value. We consider the additional value reflects the market's assessment of the above factors with respect to the FFT business and its prospects.

From the above analysis, we consider our valuation determined under the recent share price methodology to be appropriate for the purpose of assessing fairness and reasonableness for the Proposed Transaction.

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10. Evaluation of Proposed Transaction

10.1 Approach

We have adopted the guidelines set out in Regulatory Guides issued by ASIC including RG74 and RG111, which govern the content and use of experts' reports in corporate transactions.

In particular, RG111.30 states that where non-cash consideration is offered in a control transaction, the value of that consideration shall be compared to the value of the target's securities. Accordingly, we assessed the value of both MaxSec shares and FFT shares as set out in Sections 8 and 9 above.

The ASIC regulations require an independent expert to consider takeover proposals under the concepts of "fairness" and "reasonableness", in accordance with RG111.10. We therefore separately consider whether the Proposed Transaction is "fair" and "reasonable" from the perspective of the Shareholders.

10.2 Fair

RG111 considers that a transaction is fair if the value of the offer price or consideration received is greater than the value of the securities subject to the offer. The comparison should be undertaken assuming a knowledgeable, willing but not anxious buyer and knowledgeable, willing but not anxious seller, where both parties act on an arm's length basis.

Further for non-cash consideration, RG111.31 requires a comparison of the value of shares offered by the bidder inclusive of a minority discount, and the value of the target's securities to include a control premium regardless as to whether control is obtained by the acquirer. Therefore, to determine whether the Proposed Transaction is fair, we compare the assessed market value per MaxSec share on a controlling basis with value of the FFT share being offered as consideration on a minority basis.

As summarised in the following table, the assessed value per MaxSec share on a controlling basis is between \$0.039 and \$0.043, which is equivalent to \$0.156 and \$0.172 for four MaxSec shares. The value of the consideration offered, being one FFT share (on a minority basis) for every four MaxSec shares, is \$0.129 and \$0.136. As the value of the consideration offered in FFT shares is less than the value of MaxSec shares on a controlling basis, we therefore consider the Proposed Transaction is 'not fair' for the Shareholders.

MaxSec Group Limited Fairness Assessment		
	Low	High
Assessed Value per MaxSec Shares	0.038	0.043
Offer Ratio (4 MaxSec shares per FFT shares)	4	4
Assessed Value of 4 MaxSec's shares	0.150	0.172
Assessed Value of Consideration (1 FFT Share)	0.129	0.136
Difference	(0.021)	(0.036)
Transaction Assessment	NOT FAIR	NOT FAIR

Source: Titan Partners Corporate Finance Analysis

10.3 Reasonable

RG111 states that a transaction is also "reasonable" if it is "fair". It also states a transaction may be considered "reasonable" if not "fair", where an expert concludes there are sufficient reasons to proceed with a transaction in the absence of a higher offer.

Even though we have assessed the Proposed Transaction as “not fair”, we are still able to conclude that it is “reasonable” under guidelines set out in RG111 after a review of the advantages and disadvantages of the Proposed Transaction. Accordingly, we review the key advantages and disadvantages of the Proposed Transaction below.

10.4 Advantages

In accordance with RG111, we assess the qualitative aspects of the Proposed Transaction to identify the advantages and disadvantages to the Shareholders upon Completion.

Retain Participation in Future Earnings and Growth

The Shareholders will continue to participate in the future performance of the BQT and AVA businesses in the Company, with exposure to the business opportunities and growth achieved under the strategy adopted by MaxSec management, as they become shareholders in the enlarged FFT business after the Proposed Transaction.

Improved liquidity

The Proposed Transaction provides the Shareholders with an interest in a listed entity with a larger market capitalisation and broadened shareholder base upon completion. An enlarged share register will result in increased liquidity in the securities held by the Shareholders, where future trading volumes reflect investors in both the current MaxSec and FFT businesses.

Combination of Complementary Businesses

MaxSec and FFT both currently operate within the security solutions industry offering different but complementary products and services. The directors of MaxSec consider FFT to have a complementary client base and comparable go-to-market strategy as the Company. As such, the Proposed Transaction will enable the companies to integrate their respective proprietary technologies into a combined product offering, in order to deliver increased and diversified revenues for both businesses. Such revenue gains will benefit the Shareholders by way of potential increased returns as long as they retain their holdings in the enlarged FFT business post completion.

Operational synergies

MaxSec currently incurs a range of operating expenses as an independent, public company, including statutory audit requirements, directors fees and compliance costs with respect to the ASX listing. The directors envisage that the Proposed Transaction will result in synergies between MaxSec and FFT with respect to corporate, compliance and administration costs. Such cost savings will benefit the Shareholders by way of potential increased returns as long as they retain their holdings in the enlarged FFT business post completion.

Expanded Market Exposure

The addition of MaxSec to the current FFT operations as part of the Proposed Transaction will result in an enlarged security solutions business with a greater range of products and technologies when combined. Future developments within either the MaxSec or FFT business, when announced to the ASX, will result in potential increased market exposure for both businesses. Increased exposure by way of more frequent of announcements under an enlarged FFT, will contribute to building the reputation of MaxSec both within the security industry and as a public company, ultimately improve access to investment capital in the future.

Strengthened Balance Sheet

The combination of current MaxSec balance sheet comprising net assets of \$4.813 million as at 30 June 2017 with that of FFT comprising \$16.865 million in net assets creates an enlarged entity with total assets in excess of \$27 million and net assets in excess of \$20 million. Consequently, the Shareholders therefore will hold an interest in a business with a stronger balance sheet and no long term borrowings upon completion of the Proposed Transaction.

No alternative offers

At the date of this Report, there are no alternative offers received from other parties with respect to MaxSec. Accordingly, the Proposed Transaction offers an opportunity to shareholders.

10.5 Disadvantages***Integration Risk***

The acceptance of the Proposed Transaction and subsequent implementation of integration of the MaxSec businesses into FFT is subject to risk commensurate with any business combination. In particular, the cost synergies and increase in revenues may not be realised to the quantum and extent as anticipated by the directors, or is subsequently realised under a protracted timeframe. The inability to generate the expected synergies or realise sales opportunities may have an adverse impact on future financial performance of the enlarged FFT, and ultimately a reduction in the returns derived by the Shareholders.

Implementation Costs

Once approved by the Shareholders, execution of the Proposed Transaction will result in additional one-off costs to fully implement the integration of MaxSec into an enlarged FFT business. The additional expenditure may result in pressure on operating cash flows, as well as temporarily divert management resources and attention from day-to-day operations and execution of the MaxSec strategy for FY2018.

Deters alternative offers

Announcement and acceptance of the Proposed Transaction by Shareholders may prevent alternative offers or proposals from being lodged by other parties. There is always the possibility that a higher offer will be submitted for the shares in MaxSec, creating a larger return for the Shareholders. In our opinion this is highly unlikely, given that MaxSec is not actively seeking offers, there are no other bidders currently seeking to make a counter offer and that MaxSec is currently not profitable as at FY2017.

Dilution

The relatively interest of current Shareholders in the MaxSec business, who currently hold 100% of the Company collectively, will be diluted after the Proposed Transaction. MaxSec will become part of FFT, for which the Shareholders will hold a combined 49% in the enlarged FFT entity as set out in Section 4.3.

10.6 Conclusion

Based on our assessment of the factors outlined above, in our opinion, the Proposed Transaction is considered to be not fair but reasonable to the Shareholders.

The decision of any individual shareholder to vote for or against the Proposed Transaction is subject to and influenced by his or her individual circumstances. Titan Partners Corporate Finance strongly advises Shareholders to consult their independent advisors if in doubt.

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Financial Services Guide

Titan Partners Corporate Finance Pty Limited ABN 38 177 095 636 ("**Titan Partners Corporate Finance**", "**we**", "**us**") has been engaged to prepare general financial product advice in the form of an Independent Expert's Report to be provided to you.

In this circumstance we are required to issue to you, as a retail client, a Financial Services Guide ("**FSG**"). This FSG is designed to assist retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

The FSG herein contains information with regards to:

1. who Titan Partners Corporate Finance is and how we can be contacted;
2. services we authorised to provide under our Australian Financial Services Licence;
3. remuneration that we, our staff and any associates receive in connection with the general financial product advice provided; and
4. our complaints handling process and the avenues available to lodge a complaint.

Titan Partners Corporate Finance

Titan Partners Corporate Finance is the corporate finance arm of Titan Partners, which provides corporate finance services in relation to mergers and acquisitions, capital raisings, corporate restructuring, property and financial matters generally. One of its activities is the preparation of company and business valuations and the provision of independent advice and expert's reports concerning mergers and acquisitions, takeovers and capital reconstructions.

Titan Partners Corporate Finance holds Australian Financial Services Licence Number 427275.

Financial services we are licensed to provide

The Australian Financial Services Licence we hold authorises us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities (including debentures, shares and bonds), derivatives and interests in managed investment schemes.

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

General Financial Product Advice

In our Report, we provide general financial product advice. It was prepared without taking into account your personal objectives, financial circumstances or needs.

You should consider your own personal objectives, financial circumstances or needs in assessing the appropriateness of the general advice we provide and may wish to seek personal advice from the holder of an Australian Financial Services Licence.

Fees, commissions and benefits we may receive

We charge fees to provide reports, including the IER provided herein. These fees are negotiated and agreed with the entity which engages us to provide a report. Our fees are determined on either a fixed amount or charged on an hourly time cost basis. Titan Partners Corporate Finance are expected to receive a fee of approximately \$25,000 for the preparation of this Report. The fee is not affected by whether the Non-Associated Shareholders approve or reject the Proposed Transaction. Except for such fees, Titan Partners Corporate Finance nor any of its directors, officers or associates receive any commissions or further benefits in connection with the report provided.

All of our employees receive a salary. Our employees do not receive any commissions or benefits arising directly from services provided to our clients.

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

Complaints

As the holder of an Australian Financial Services Licence, we are required to have a complaints handling system for persons to whom we provide financial product advice. All complaints must be in writing, addressed to Titan Partners Corporate Finance Pty Ltd, PO Box R415, Royal Exchange NSW 1225.

In the event we are unable to satisfactorily resolve your complaint within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Services Limited ("**FOS**"), an independent external complaints resolution service established to provide advice and assistance to consumer to assist in resolving complaints relating to the financial services industry. You will not be charged for using the FOS service.

Further details about FOS are available at the FOS website or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

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Appendix 2 – Qualifications, Declarations and Consents**Qualifications and Responsibilities**

Titan Partners Corporate Finance Pty Limited is the corporate finance arm of Titan Partners, which provides corporate finance services in relation to mergers and acquisitions, capital raisings, corporate restructuring, property and financial matters generally. One of its activities is the preparation of company and business valuations and the provision of independent advice and expert's reports concerning mergers and acquisitions, takeovers and capital reconstructions.

Mr Brad Higgs, *B.Com, CA, F.Fin* is responsible for this Report. Mr Higgs has a significant number of years' experience in relevant business advisory and corporate finance matters.

Mr Higgs is acting as a Representative of Titan Partners Corporate Finance pursuant to its Australian Financial Services Licence (No. 427275) held under Part 7 of the *Corporations Act 2001* (Cth) to provide advice on the valuation of securities.

Disclaimers

This Report has been undertaken in accordance with the instructions from the Directors of MaxSec. In performing this assignment we have accepted all information as presented to us as being free of material misstatement. We have relied on information provided, as set out in Section 3.3. We have evaluated this information through analysis, enquiry and review as appropriate. We do not warrant that our evaluation has identified or verified all of the matters that an audit, extensive examination or due diligence investigation may disclose.

The purpose of this Report, as set out in Section 3.1, is to satisfy Section 640 of the *Corporations Act 2001*. We understand that the Directors wish to obtain an Independent Expert's Report to assist the Shareholders in their decision to accept or reject the takeover offer from FFT.

This report has been prepared solely to assist the Shareholders in considering their decisions with respect to the Proposed Transaction. We do not assume any responsibility or liability for any losses suffered by any party as a result of the circulation, publication, reproduction or other use of this report contrary to the provisions of this paragraph.

This Report has been prepared by Titan Partners Corporate Finance with care and diligence and that statements and opinions given by Titan Partners Corporate Finance in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Titan Partners Corporate Finance or any of its officers or employees for errors or omissions however arising in the preparation of this report, provided that this shall not absolve Titan Partners Corporate Finance from liability arising from an opinion expressed recklessly or in bad faith.

Declarations

Our Report has been prepared in accordance with *Regulatory Guide 111 Content of Expert Reports* issued by ASIC, professional standard *APES 225 Valuation Services*, issued by the Accounting Professional and Ethical Standards Board ("*APESB*") and any other applicable professional standards and statutory requirements, including the *Corporations Act 2001*.

Titan Partners Corporate Finance nor its Representatives or staff have at the date of this Report nor has ever had any shareholding in or other relationship with MaxSec that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

Titan Partners Corporate Finance will receive a fee based on time costs for the preparation of this Report. This fee is not contingent on the outcome of the valuation report. Titan Partners Corporate Finance will receive no other benefit for the preparation of this Report.

MaxSec have agreed that to the extent permitted by law to indemnify Titan Partners Corporate Finance employees and officers in respect of any liability suffered or incurred as a result of or arising out of the preparation of this Report; including any claim arising from or in connection with its reliance on information or documentation provided by or on

behalf of MaxSec which is false, misleading or omits material information. This indemnity will not apply in respect of any conduct involving negligence or wilful misconduct or fraud. MaxSec have also agreed to indemnify Titan Partners Corporate Finance and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person except where Titan Partners Corporate Finance or its employees and officers are found liable for or guilty of conduct involving negligence or wilful misconduct or fraud in which case Titan Partners Corporate Finance shall bear such costs.

Consents

Titan Partners Corporate Finance consents to the inclusion of this Report in the form and context in which it is included in the Target's Statement to be issued to Shareholders with respect to the Proposed Transaction. Other than this Report, none of Titan Partners Corporate Finance or its affiliates has been involved in the preparation of the Target's Statement.

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Appendix 3 – Glossary of Key Terms

Term	Definition
ASX	Australian Securities Exchange Limited
EBITDA	Earnings before interest and tax, depreciation and amortisation
FFT, the “Bidder”	Future Fibre Technologies Limited
FY2015	Audited financial information for financial year ended 30 June 2015
FY2016	Audited financial information for financial year ended 30 June 2016
FY2017	Preliminary financial information for financial year ending to 30 June 2017
MaxSec, the “Company”	MaxSec Group Limited, ACN 000 029 265
Placement	An issue of 61,500,000 ordinary shares to FFT at a price of \$0.03 per Share to raise \$1,835,000 on 24 August 2017
Proposed Transaction	Proposed offer by FFT to acquire MaxSec at 1 FFT for every 4 MaxSec shares
the “Report”	This Independent Expert’s Report on the Proposed Transaction
Titan Partners Corporate Finance, “we”	Titan Partners Corporate Finance Pty Limited, AFSL: 427275.
USD	United States dollar
VWAP	Volume Weighted Average Price of listed securities

Appendix 4 – Sources of Information

The information set out below was considered, adopted and relied upon by us in forming our opinion and preparing the report herein:

- Audited Financial Statements of MaxSec for the years ended 30 June 2016 (“FY2016”) and 30 June 2017 (“FY2017”), with comparative information for the year ended 30 June 2015 (“FY2015”);
- Investor Presentations prepared by MaxSec and released as ASX announcements in respect of FY2016 and FY2017 earnings results;
- Audited Financial Statements of FFT for the years ended 30 June 2016 (“FY2016”) and 30 June 2017 (“FY2017”), with comparative information for the year ended 30 June 2015 (“FY2015”);
- Investor Presentations prepared by FFT and released as ASX announcements in respect of FY2016 and FY2017 earnings results;
- ASX announcement by FFT on 24 August 2017 in respect of the Placement;
- ASX announcements by both MaxSec and FFT on 25 August 2017 in respect of the Proposed Transaction;
- ASX announcements by both MaxSec and FFT on 20 September 2017 in respect of a presentation on the Proposed Transaction;
- Management information with respect to the business operations of MaxSec;
- Management information with respect to the business operations of FFT;
- Other ASX announcements issued by MaxSec and FFT;
- Corporate transaction data and other market data as sourced from S&P Capital IQ;
- Industry Research Reports published by Technavio and Grand View Research;
- ‘Control Premium Research 2014’ paper, published by Halligan & Co
- ‘Control Premiums Study 2017’ paper, published by RSM Australia; and
- Discussions with directors, management and advisors of MaxSec, including the Chief Executive Officer and Chief Financial Officer, as well as provision of internal accounting work papers and analysis.

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Appendix 5 – Recent ASX Announcements

MaxSec Group Limited	
Company Announcements for the period from 21 April 2017 to 21 September 2017	
Announcement Date	Title
21/09/2017	Change in substantial holding
20/09/2017	MSP - FFT Merger Presentation
20/09/2017	FFT: FFT presentation re proposed merger with MSP
18/09/2017	Becoming a substantial holder x 6
01/09/2017	Change in substantial holding
31/08/2017	Ceasing to be a substantial holder
31/08/2017	Becoming a substantial holder
30/08/2017	Response to ASX Aware Query
29/08/2017	Becoming a substantial holder from FFT
28/08/2017	Notice pursuant to Section 708A(5)(e) Corporations Act
28/08/2017	Appendix 3B
25/08/2017	Future Fibre Technologies Limited ASX FFT Placement Clarif
25/08/2017	FFT: Intention to Make Takeover Bid
25/08/2017	Proposed Merger of MSP and FFT
24/08/2017	MSP Investor Update August 2017
24/08/2017	Preliminary Final Report
24/08/2017	Trading Halt
24/08/2017	FFFT makes strategic investment in MSP acquiring 13.7% stake
24/08/2017	FFT acquires 13.7% stake in MSP
28/07/2017	Appendix 4C - quarterly
27/07/2017	Ava Global Update
19/06/2017	Ava Global Update
08/06/2017	Ceasing to be a substantial holder
08/06/2017	Ceasing to be a substantial holder
01/06/2017	Ceasing to be a substantial holder
31/05/2017	Change in substantial holding
29/05/2017	Ceasing to be a substantial holder
28/04/2017	Appendix 4C - quarterly
21/04/2017	Ava Global Update

Source: ASX

Appendix 6 – Market Takeover Premium

Set out below are the takeover premiums on recent transactions in Australia in the past 24 months. A summary of each of the identified transactions and a summary of the business operations of the target company in each transaction are set out on the following page.

MaxSec Group Limited								
Comparable Transaction Takeover Premium								
Target	Bidder	Industry	Share price per offer (\$)	Market Share Price (\$)	Premium, %	Enterprise Value (m)	Announcement Date	Notes
Iproperty Group Limited	REA Group Limited	Software	4.00	3.51	14.00%	754.1	02/11/2015	A
Onthehouse Holdings Limited	Group of purchasers*	Software	0.85	0.58	46.60%	70.3	23/12/2015	B
ASG Group Limited	Nomura Research Institute, Ltd.	IT Services and Consulting	1.63	1.36	19.90%	342.0	30/09/2016	C
Oakton Limited	Dimension Data Australia	IT Services and Consulting	1.90	1.46	30.10%	167.0	12/08/2014	D
Royal Wolf Holdings Ltd	GFN Asia Pacific	Logistics	1.80	1.30	38.73%	284.5	12/07/2017	E
Affinity Education Group Limited	G8 Education Limited	Childcare	0.7	0.54	29.63%	183.2	03/07/2015	F
Vision Eye Institute Limited	Pulse Health Limited	Healthcare	0.84	0.68	24.44%	195-221	06/08/2015	G
Average					29.06%			

Source: S&P Capital IQ, Titan Partners Corporate Finance Analysis

*Group of purchasers include 77 Victoria Street Venture Pty Ltd., PIQ1 Pty Limited, Macquarie Corporate Holdings Pty Limited and Sandrift Pte Limited.

Note A – iProperty Group Limited develops and operates Internet-based real estate property portals under the iProperty.com brand. Announcement with respect to transaction was disclosed on November 2, 2015. Share price on the last day before announcement was \$3.51.

Note B - Onthehouse Holdings Limited provides real estate software in Australia and New Zealand. It offers Console GatewayLive, a locally-installed property management software program, ClientManager, a cloud-based sales customer relationship management software solution, and WebChoice, a cloud based platform to deliver Websites for real estate agencies. On 23 Dec 2015 Onthehouse Holdings Limited made an announcement about proposed purchase of shares for \$0.755 and subsequently on 9 March 2016 the offer was revised to \$0.85 per share. Market price of share of \$0.58 is on 22 December 2015, being the day before the first announcement on takeover.

Note C - ASG Group Limited provides information technology services in Australia. Its managed services include service and delivery management, database administration, network management, storage area network administration, security management, data center hosting, and remote database administration services. Additionally, the Company provides business solutions which comprise Oracle business solutions and Oracle PeopleSoft services, SAP solutions consist of SAP Business One and ProSuite products, as well as iVend Retail, an integrated retail management suite; and enterprise analytics and performance solutions. Share price on the last day before announcement was \$1.36.

Note D - Oakton Limited provides consulting and information technology based services to corporate and government clients across a range of industries in Australia. The company provides its services in the areas of business assurance, managed services, business systems, digital channels, customer insights, IT transformation, customer management, service integration, digital workplace, business planning and change, and business analytics. It also delivers various applications in Applications as a Service model for enabling the social enterprise, grants management, and ERP. Share price on the last day before announcement was \$1.46.

Note E - Royal Wolf Holdings Limited, together with its subsidiaries, engages in the hire, sale, and modification of new and refurbished shipping containers in Australia and New Zealand. It offers intermodal and freight, dangerous goods, refrigerated, building and construction, mining and defence, retail and events, self-storage, and removal containers, as well as container accessories and accommodation units. Share price on the last day before announcement was \$1.30.

Note F - Affinity Education Group Limited provides education and care services to children aged 6 weeks to 12 years in Australia. It owns and operates 120 child care centers, and manages 9 child care centers across Queensland, New South Wales, Victoria, Western Australia, and the Northern Territory. Share price on the last day before announcement was \$0.54.

Note G - Vision Eye Institute Limited, together with its subsidiaries, provides ophthalmic services in Australia. The company offers a range of services, including specialist eye care in the areas of corneal, refractive, cataract, and vitreo-retinal surgery; ocular plastics; glaucoma treatment and surgery; and treatment for macular degeneration. It operates 18 consulting clinics, 8 day surgeries, and 7 refractive surgery facilities in Victoria, New South Wales, and Queensland. Share price on the last day before announcement was \$0.68.

MaxSec Group Limited
(ACN 000 029 265)

Supplementary Target's Statement

This document is a supplementary target's statement issued by MaxSec Group Limited (ACN 000 029 265) (**MaxSec**) under section 644 of the *Corporations Act 2001* (Cth) (**Supplementary Target's Statement**). It is the first Supplementary Bidder's Statement prepared by MaxSec in response to the off-market takeover bid made by Future Fibre Technologies Ltd (ACN 064 089 318) (**FFT**) for all of the ordinary shares in MaxSec (**Offer**), made pursuant to the bidder's statement dated 18 October 2017 (**Bidder's Statement**).

This Supplementary Bidder's Statement supplements, and should be read together with MaxSec's target's statement dated 18 October 2017 (**Target's Statement**).

This Supplementary Target's Statement is dated 1 November 2017 and was lodged with the Australian Securities and Investments Commission (**ASIC**) and the Australian Securities Exchange (**ASX**) on that date. None of ASIC, the ASX and their respective officers take responsibility for the contents of this Supplementary Target's Statement.

Except where defined in this Supplementary Target's Statement, capitalised terms have the same meaning as defined in the Target's Statement. This Supplementary Target's Statement prevails to the extent of any inconsistency with the Target's Statement.

This Supplementary Target's Statement does not take into account the individual investment objectives, financial situation or particular needs of any person. You may wish to seek independent professional advice before making a decision as to whether to accept or reject the Offer.

Independent Directors' recommendations

Section 2.1 of the Target's Statement details the reasons that the Independent Directors recommend Shareholders accept the Offer. Section 2.1(d) refers to the Offer representing a "*fair value*" for MaxSec Shares.

The Independent Expert Report (**IER**) accompanying the Target Statement opines that the Offer is "*not fair but reasonable*". The IER was prepared in accordance with ASIC Regulatory Guide 111 (**RG111**). The Independent Directors' references to "*fair value*" in section 2.1(d) was not meant to convey that the Offer is "*fair*" for the purposes of RG111.

Maxsec Shareholders should read the 2 references to "*fair value*" in section 2.1(d) as to representing value the Independent Directors recommend be considered acceptable for the reasons contained in section 2.1(d).

Calculation of shareholding and voting rights in the combined entity

Section 2.1(d) states that MaxSec Shareholders will hold 49% of the combined entity. This statement is based on the calculation of MaxSec Shareholders' shareholding and voting rights which includes FFT's current shareholding in MaxSec. If FFT's shareholding is excluded, MaxSec Shareholders will, subject to the Offer being successful, hold 45% of the fully paid ordinary shares and voting rights in the combined entity.

Estimated cost savings

The following statement in section 2.1(d) is deleted:

"These savings are estimated by FFT at more than \$1M per year."

Shareholding required for compulsory acquisition

The reference to "*80% shareholding required for compulsory acquisition*" in the first sentence of section 2.1(f) is amended to read "*90% shareholding required for compulsory acquisition*".

Merger benefits

The various merger benefits referred to in the Target's Statement and the IER are subject to FFT's detailed review of the operations, assets, structure and employees of MaxSec. There is a risk that following the review FFT may decide not to fully merge the two businesses.

Supplementary Independent Expert's Report

A supplementary independent expert's report prepared by Titan Partners Pty Limited to be read in conjunction with the IER is set out in Appendix A.

Directors' Authorisation

This Supplementary Target's Statement has been approved by a resolution passed by the directors of the Company.

This Supplementary Target's Statement has been signed by Robert Broomfield, for and on behalf of the Company.



Robert Broomfield

Chairman

Appendix A



Titan Partners Corporate Finance Pty Limited
 Australian Financial Services
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 Level 3, 7 Macquarie Place
 Sydney NSW 2000
 PO Box R415
 Royal Exchange NSW 1225
 Australia
 T +61 2 9268 3300
 www.titanpartners.com.au

1 November 2017

The Directors
 MaxSec Limited
 PO Box 808, North Ryde BC,
 North Ryde NSW 1670

Dear Sirs

SUPPLEMENTARY INDEPENDENT EXPERT'S REPORT – MAXSEC LIMITED

Titan Partners Corporate Finance Pty Limited ("**Titan Partners Corporate Finance**", "**we**") was appointed by the directors for MaxSec Group Limited ("**MaxSec**", "**MSP**" or the "**Company**"), to prepare an Independent Expert Report dated 18 October 2017 (our "**Report**"), to provide an opinion on the proposal by Future Fibre Technologies Limited ("**FFT**", the "**Bidder**") to acquire all the issued ordinary shares in the Company ("**Proposed Transaction**").

This Supplementary Independent Expert Report ("**Supplementary Report**") is to be read in conjunction with our Report. Terms used in this Supplementary Report have the same meaning as defined in our Report.

The following additional information is provided to MaxSec Shareholders to clarify certain sections of the Report. We note that our opinion of the Proposed Transaction as "not fair but reasonable" to MSP shareholders and our valuation conclusions for MSP and FFT as set out in our Report has not changed.

1. Selection of Valuation Methodology

In respect of the selection of valuation methodologies in Section 7.5 of our Report, we considered that revenue based approaches are not reliable to form the basis for valuation conclusions in the Proposed Transaction for the following reasons;

- The FY2018 management budgets for MSP and FFT indicated investments in new products and services (such as Aura AI in FFT and the expansion of AVA in MSP) which are expected to generate significant new revenues. The generation of those new revenues in line with the budgets is inherently uncertain, due to the nature of those new revenues, as well as the new projects and new clients from which those revenues are derived. As the budgets reflect only one potential outcome of future performance, we do not consider these revenue or earnings forecasts to be sufficiently reliable for using as a method for ascertaining value; and
- We consider that revenue based approaches are not as reliable and using them can result in distorted valuation outcomes, due to different cost bases between MSP and FFT, and that of potential comparable businesses. Such approaches would typically be cross-checked to an earnings-based approach, which is not possible for MSP and FFT due to a lack of current and historical earnings, as set out in Sections 5.5 and 6.2 of our Report respectively.

2. Approach for Valuing Consideration received by MSP Shareholders

As the Proposed Transaction results in MSP becoming a subsidiary of FFT, RG111.34 is applicable where our assessment of the consideration received by MSP shareholders under the Proposed Transaction can also be valued assuming a notionally combined entity (where the FFT shares received by MSP Shareholders includes the respective value of MSP as a subsidiary of FFT).

In our opinion, the notionally combined entity approach is more appropriate where the primary valuation methodology is the capitalisation of maintainable earnings (or net assets approach) and where the financial performance (or net assets) of MSP and FFT could be aggregated to derive earnings (or net assets) for a notional

merged company as the basis of valuation. It is our opinion that using a recent ASX share price based methodology to construct a notionally combined entity is less reliable. We consider that the ASX listed share price of FFT is a reasonable proxy for the value which MSP shareholders could expect to receive, if their holdings in FFT were sold at the time of acceptance of the offer for their MSP shares under the Proposed Transaction.

As a cross check, we did perform analysis of the Proposed Transaction using a recent ASX share price based methodology to construct a notionally combined entity and to derive an implied value of the consideration to be received by MSP shareholders (even though we consider that this method to be less reliable as discussed above). In that cross check there was no material variance to our valuation conclusion or fairness conclusion.

3. **Control Premium applied to MSP Shares**

In our assessment of value per MSP share in Section 8.2 of our Report, we applied a control premium to our market based valuation (on a minority basis) using recent ASX share price. Our selection of an appropriate control premium is based on analysis of historical transactions, where a range of control premiums were achieved as shown in Appendix 6 of our Report. While the average control premiums observed were between 27.5% and 30.0%, we considered that a range of 25% to 30% was appropriate, given the following attributes of MSP;

- A low level of net asset backing in MSP;
- The Company's requirement for additional capital in future to fund growth in the absence of the Proposed Transaction; and
- The relative infancy of the AVA business.

4. **Advantages of Proposed Transaction – Improvement in Long Term Share Trading Liquidity**

Further to Section 10.4 of our Report, we consider that an advantage of the Proposed Transaction is an improvement in expected long term trading liquidity of the merged entity shares, when compared to the expected long term trading liquidity of MSP. This is as a result of broader shareholder base, larger free float of the merged entity. In absolute terms, the volume of shares traded over a given period would increase as a result of the Proposed Transaction, as the share trading activity would reflect the combination of both the current MSP and FFT shares after the Proposed Transaction is completed. In our opinion, the larger shareholder base and broader free float would support a larger number of shares being traded and improved level of liquidity for MSP shareholders in the long term. In the absence of the Proposed Transaction to provide this larger shareholder base, we expect that liquidity in MSP shares may fall to levels significantly lower than that observed over past 12 months and lower than that of the merged entity.

5. **Advantages of Proposed Transaction – Operational Synergies**

In Section 10.4 of our Report, we consider that there are operational synergies that are an advantage of the Proposed Transaction. Management consider that the Proposed Transaction is likely to have a positive impact on operating cash flows of MSP, through potential initiatives to drive sales with current FFT operations, as the businesses operate in complementary segments of the security industry. The MSP and FFT businesses currently operate in different segments of the broader security industry, which provides scope for potentially significant revenue synergies. We have reviewed aspects of management's high level plans and expectations for FY2018 and other confidential information for both MSP and FFT, to assess likely synergies between the Companies and we consider this supports management's view around the likely benefits to MSP shareholders from the Proposed Transaction. We have also assessed a number of potential cost savings for the combined businesses, including in compliance costs, regulatory fees and administrative expenditure.

6. Other Reasonableness Considerations

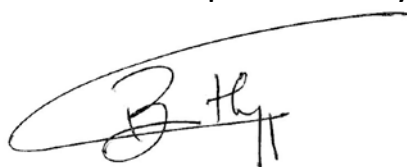
We identified certain additional advantages of the Proposed Transaction to MSP shareholders that should also be considered when assessing reasonableness.

- Whilst there are accumulated tax losses in MSP, management notes it was and remains unlikely that any benefit can be derived by MSP from the utilisation of such losses in the future, regardless as to whether the Proposed Transaction is approved or not.
- Based on the historical performance of MSP and our assessment of budgets and management strategies for the current year, we consider MSP will require additional capital from alternative sources, should the Proposed Transaction not proceed, to execute the growth plans envisaged and steer the MSP business towards profitability. The requirement to raise this capital to facilitate the future growth should the Proposed Transaction not take place, indicates additional risk on MSP achieving its forecast and strategic objectives in the absence of the Proposed Transaction. Accordingly the Proposed Transaction not taking place, could have a negative impact on the share price of MSP.

As set out in the analysis in Section 10 of our Report, we have concluded the Proposed Transaction is not fair but reasonable to MSP Shareholders. The above additional information complements and does not alter the conclusions outlined in our Report. The decision of any individual shareholder to vote for or against the Proposed Transaction is subject to and influenced by his or her individual circumstances. Titan Partners Corporate Finance strongly advises Shareholders to consult their independent advisors if in doubt.

Yours faithfully

Titan Partners Corporate Finance Pty Limited

A handwritten signature in black ink, appearing to read 'B Higgs', with a long horizontal line extending from the end of the signature.

BRAD HIGGS
Director



**Titan Partners Corporate
Finance Pty Limited**

Australian Financial Services

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1 November 2017

The Directors
MaxSec Limited
PO Box 808, North Ryde BC,
North Ryde NSW 1670

Dear Sirs

SUPPLEMENTARY INDEPENDENT EXPERT'S REPORT – MAXSEC LIMITED

Titan Partners Corporate Finance Pty Limited ("**Titan Partners Corporate Finance**", "**we**") was appointed by the directors for MaxSec Group Limited ("**MaxSec**", "**MSP**" or the "**Company**"), to prepare an Independent Expert Report dated 18 October 2017 (our "**Report**"), to provide an opinion on the proposal by Future Fibre Technologies Limited ("**FFT**", the "**Bidder**") to acquire all the issued ordinary shares in the Company ("**Proposed Transaction**").

This Supplementary Independent Expert Report ("**Supplementary Report**") is to be read in conjunction with our Report. Terms used in this Supplementary Report have the same meaning as defined in our Report.

The following additional information is provided to MaxSec Shareholders to clarify certain sections of the Report. We note that our opinion of the Proposed Transaction as "not fair but reasonable" to MSP shareholders and our valuation conclusions for MSP and FFT as set out in our Report has not changed.

1. Selection of Valuation Methodology

In respect of the selection of valuation methodologies in Section 7.5 of our Report, we considered that revenue based approaches are not reliable to form the basis for valuation conclusions in the Proposed Transaction for the following reasons;

- The FY2018 management budgets for MSP and FFT indicated investments in new products and services (such as Aura AI in FFT and the expansion of AVA in MSP) which are expected to generate significant new revenues. The generation of those new revenues in line with the budgets is inherently uncertain, due to the nature of those new revenues, as well as the new projects and new clients from which those revenues are derived. As the budgets reflect only one potential outcome of future performance, we do not consider these revenue or earnings forecasts to be sufficiently reliable for using as a method for ascertaining value; and
- We consider that revenue based approaches are not as reliable and using them can result in distorted valuation outcomes, due to different cost bases between MSP and FFT, and that of potential comparable businesses. Such approaches would typically be cross-checked to an earnings-based approach, which is not possible for MSP and FFT due to a lack of current and historical earnings, as set out in Sections 5.5 and 6.2 of our Report respectively.

2. Approach for Valuing Consideration received by MSP Shareholders

As the Proposed Transaction results in MSP becoming a subsidiary of FFT, RG111.34 is applicable where our assessment of the consideration received by MSP shareholders under the Proposed Transaction can also be valued assuming a notionally combined entity (where the FFT shares received by MSP Shareholders includes the respective value of MSP as a subsidiary of FFT).

In our opinion, the notionally combined entity approach is more appropriate where the primary valuation methodology is the capitalisation of maintainable earnings (or net assets approach) and where the financial performance (or net assets) of MSP and FFT could be aggregated to derive earnings (or net assets) for a notional

merged company as the basis of valuation. It is our opinion that using a recent ASX share price based methodology to construct a notionally combined entity is less reliable. We consider that the ASX listed share price of FFT is a reasonable proxy for the value which MSP shareholders could expect to receive, if their holdings in FFT were sold at the time of acceptance of the offer for their MSP shares under the Proposed Transaction.

As a cross check, we did perform analysis of the Proposed Transaction using a recent ASX share price based methodology to construct a notionally combined entity and to derive an implied value of the consideration to be received by MSP shareholders (even though we consider that this method to be less reliable as discussed above). In that cross check there was no material variance to our valuation conclusion or fairness conclusion.

3. Control Premium applied to MSP Shares

In our assessment of value per MSP share in Section 8.2 of our Report, we applied a control premium to our market based valuation (on a minority basis) using recent ASX share price. Our selection of an appropriate control premium is based on analysis of historical transactions, where a range of control premiums were achieved as shown in Appendix 6 of our Report. While the average control premiums observed were between 27.5% and 30.0%, we considered that a range of 25% to 30% was appropriate, given the following attributes of MSP;

- A low level of net asset backing in MSP;
- The Company's requirement for additional capital in future to fund growth in the absence of the Proposed Transaction; and
- The relative infancy of the AVA business.

4. Advantages of Proposed Transaction – Improvement in Long Term Share Trading Liquidity

Further to Section 10.4 of our Report, we consider that an advantage of the Proposed Transaction is an improvement in expected long term trading liquidity of the merged entity shares, when compared to the expected long term trading liquidity of MSP. This is as a result of broader shareholder base, larger free float of the merged entity. In absolute terms, the volume of shares traded over a given period would increase as a result of the Proposed Transaction, as the share trading activity would reflect the combination of both the current MSP and FFT shares after the Proposed Transaction is completed. In our opinion, the larger shareholder base and broader free float would support a larger number of shares being traded and improved level of liquidity for MSP shareholders in the long term. In the absence of the Proposed Transaction to provide this larger shareholder base, we expect that liquidity in MSP shares may fall to levels significantly lower than that observed over past 12 months and lower than that of the merged entity.

5. Advantages of Proposed Transaction – Operational Synergies

In Section 10.4 of our Report, we consider that there are operational synergies that are an advantage of the Proposed Transaction. Management consider that the Proposed Transaction is likely to have a positive impact on operating cash flows of MSP, through potential initiatives to drive sales with current FFT operations, as the businesses operate in complementary segments of the security industry. The MSP and FFT businesses currently operate in different segments of the broader security industry, which provides scope for potentially significant revenue synergies. We have reviewed aspects of management's high level plans and expectations for FY2018 and other confidential information for both MSP and FFT, to assess likely synergies between the Companies and we consider this supports management's view around the likely benefits to MSP shareholders from the Proposed Transaction. We have also assessed a number of potential cost savings for the combined businesses, including in compliance costs, regulatory fees and administrative expenditure.

6. Other Reasonableness Considerations

We identified certain additional advantages of the Proposed Transaction to MSP shareholders that should also be considered when assessing reasonableness.

- Whilst there are accumulated tax losses in MSP, management notes it was and remains unlikely that any benefit can be derived by MSP from the utilisation of such losses in the future, regardless as to whether the Proposed Transaction is approved or not.
- Based on the historical performance of MSP and our assessment of budgets and management strategies for the current year, we consider MSP will require additional capital from alternative sources, should the Proposed Transaction not proceed, to execute the growth plans envisaged and steer the MSP business towards profitability. The requirement to raise this capital to facilitate the future growth should the Proposed Transaction not take place, indicates additional risk on MSP achieving its forecast and strategic objectives in the absence of the Proposed Transaction. Accordingly the Proposed Transaction not taking place, could have a negative impact on the share price of MSP.

As set out in the analysis in Section 10 of our Report, we have concluded the Proposed Transaction is not fair but reasonable to MSP Shareholders. The above additional information complements and does not alter the conclusions outlined in our Report. The decision of any individual shareholder to vote for or against the Proposed Transaction is subject to and influenced by his or her individual circumstances. Titan Partners Corporate Finance strongly advises Shareholders to consult their independent advisors if in doubt.

Yours faithfully

Titan Partners Corporate Finance Pty Limited



BRAD HIGGS
Director