
FIRESTRIKE RESOURCES LIMITED
(TO BE RENAMED “LINIUS TECHNOLOGIES LIMITED”)
ACN 149 796 332
NOTICE OF GENERAL MEETING

TIME: 11:00am (WST)
DATE: 29 March 2016
PLACE: Steinepreis Paganin
Level 4
16 Milligan Street
PERTH WA 6000

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

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +618 9476 9209.

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IMPORTANT INFORMATION

Time and place of Meeting

Notice is given that the Meeting will be held at 11:00am (WST) on 29 March 2016 at:

Steinepreis Paganin
Level 4
16 Milligan Street
PERTH WA 6000

Your vote is important

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

Voting eligibility

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 4:00pm (WST) on 27 March 2016.

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and

- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (ie as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (ie as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (ie as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting; or
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – CHANGE TO NATURE AND SCALE OF ACTIVITIES

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

"That, subject to and conditional upon the passing of all other Resolutions inclusive, for the purpose of ASX Listing Rule 11.1.2 and for all other purposes, approval is given for the Company:

- (a) to make a significant change in the nature and scale of its activities as described in the Explanatory Statement;*
- (b) to issue Shares at an issue price of not less than \$0.02 per Share; and*
- (c) to have Options on issue upon Completion with an exercise price of not less than \$0.02 per Option."*

Short Explanation: The Company has entered into a binding heads of agreement with Linius (Aust) Pty Ltd (**Linius (Aust)**) and its shareholders, pursuant to which the Company has agreed to acquire 100% of the issued shares in Linius Aust (**Acquisition**). If successful, the Acquisition will result in the Company changing the nature and scale of its activities. ASX Listing Rule 11.1.2 requires the Company to seek Shareholder approval where it proposes to make a significant change to the nature and scale of its activities. The Company will also be required to re-comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules in accordance with ASX Listing Rule 11.1.3. Please refer to the Explanatory Statement for details.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. RESOLUTION 2 – CREATION OF A NEW CLASS OF SECURITIES – PERFORMANCE SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

"That, subject to the passing of all other Resolutions, for the purpose of section 246B of the Corporations Act, clause 2.4 of the Constitution and for all other purposes, the Company is authorised to issue Performance Shares on the terms and conditions set out in the Explanatory Statement."

3. RESOLUTION 3 – ISSUE OF CONSIDERATION SHARES TO LINIUS SHAREHOLDERS

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

"That, subject to and conditional upon the passing of all other Resolutions, for the purposes of section 611 (item 7) of the Corporations Act and for all other purposes, approval is given for the Company to issue:

- (a) 250,000,000 Ordinary Consideration Shares to Phoenix Myrrh Technology Pty Ltd (or its nominees); and
- (b) 200,000,000 Performance Shares to the Initial Linus Shareholders (or their nominees),

on the terms and conditions set out in the Explanatory Statement, and for the Linus Shareholders and their associates to thereby acquire voting power in the Company as set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by the Linus Shareholders and any of their associates or any other person who might obtain a benefit and their associates, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Expert's Report: Shareholders should carefully consider the report prepared by HLB Mann Judd for the purposes of the Shareholder approval required under Section 611 Item 7 of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the transactions the subject of this resolution to the non-associated Shareholders in the Company. HLB Mann Judd has determined that the proposed transaction is **fair and reasonable** to the non-associated Shareholders in the Company.

4. RESOLUTION 4 – ISSUE OF SHARES - CAPITAL RAISING

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

"That, subject to and conditional upon the passing of all other Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 175,000,000 Shares at a price of least 80% of the volume weighted average market price for Shares calculated over the last 5 days on which sales in the Shares are recorded before the date on which the prospectus is signed which price will not be less than \$0.02, with a maximum price of \$0.10 per Share on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. RESOLUTION 5 – ISSUE OF SHARES TO AVITUS CAPITAL PTY LTD

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

"That, subject to and conditional upon the passing of all other Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 17,500,000 Shares to Avitus Capital Pty Ltd (or its nominees) at a deemed issue price of \$0.02 per Share on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. RESOLUTION 6 – ISSUE OF SHARES TO CPS CAPITAL GROUP PTY LTD

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

“That, subject to and conditional upon the passing of all other Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 5,000,000 Shares to CPS Capital Group Pty Ltd (or its nominees) at a deemed issue price of \$0.02 per Share on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7. RESOLUTION 7 – ELECTION OF DIRECTOR – CHRISTOPHER RICHARDSON

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

“That, subject to and conditional upon the passing of all other Resolutions and for all purposes, Christopher Richardson, having been nominated and given his consent to act, be elected as a director of the Company with effect from completion of the Acquisition.”

8. RESOLUTION 8 – ELECTION OF DIRECTOR – STEPHEN MCGOVERN

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

“That, subject to and conditional upon the passing of all other Resolutions and for all purposes, Stephen McGovern, having been nominated and given his consent to act, be elected as a director of the Company with effect from completion of the Acquisition.”

9. RESOLUTION 9 – ELECTION OF DIRECTOR – STEPHEN KERR

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

“That, subject to and conditional upon the passing of all other Resolutions and for all purposes, Stephen Kerr, having been nominated and given his consent to act, be elected as a director of the Company with effect from completion of the Acquisition.”

10. RESOLUTION 10 – ISSUE OF NEW OPTIONS TO CHRISTOPHER RICHARDSON

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

“That, subject to and conditional upon the passing of all other Resolution, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 10,000,000 New Options exercisable at the Capital Raising Issue Price on or before 31 March 2019 to Christopher Richardson (or his nominees) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

11. RESOLUTION 11 – ISSUE OF NEW OPTIONS TO STEPHEN MCGOVERN

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

“That, subject to and conditional upon the passing of all other Resolution, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 6,000,000 New Options exercisable at the Capital Raising Issue Price on or before 31 March 2019 to Stephen McGovern (or his nominees) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

12. RESOLUTION 12 – ISSUE OF NEW OPTIONS TO STEPHEN KERR

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

“That, subject to and conditional upon the passing of all other Resolution, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 1,500,000 New Options exercisable at the Capital Raising Issue Price on or before 31 March 2019 to Stephen Kerr (or his nominees) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote,

in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

13. RESOLUTION 13 – ISSUE OF NEW OPTIONS TO GAVIN CAMPION

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

“That, subject to and conditional upon the passing of all other Resolution, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 41,000,000 New Options exercisable at the Capital Raising Issue Price on or before 31 March 2019 to Gavin Campion (or his nominees) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

14. RESOLUTION 14 – ADOPTION OF EMPLOYEE INCENTIVE SCHEME – SHARE PLAN

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

“That, subject to and conditional upon the passing of all other Resolutions, for the purposes of ASX Listing Rule 7.2 (Exception 9(b)) and for all other purposes, approval is given for the Company to adopt an employee incentive scheme titled “Incentive Share Plan” and for the issue of securities under that Plan, on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any Director, other than any Directors who are ineligible to participate in any employee incentive scheme in relation to the Company, and any associates of those Directors. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

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

However, the above prohibition does not apply if:

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

15. RESOLUTION 15 – ADOPTION OF EMPLOYEE INCENTIVE SCHEME – OPTION SCHEME

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

"That, subject to and conditional upon the passing of all other Resolutions, for the purposes of ASX Listing Rule 7.2 (Exception 9(b)) and for all other purposes, approval is given for the Company to adopt an employee incentive scheme titled "Incentive Option Scheme" and for the issue of securities under that Scheme, on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any Director, other than any Directors who are ineligible to participate in any employee incentive scheme in relation to the Company, and any associates of those Directors. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

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

However, the above prohibition does not apply if:

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

16. RESOLUTION 16 – CHANGE OF COMPANY NAME

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

"That, subject to and conditional on the passing of all other Resolutions and subject to completion of the Acquisition, for the purposes of section 157(1)(a) and for all other purposes, approval is given for the name of the Company to be changed to "Linus Technologies Limited."

Dated: 23 February 2016

By order of the Board

**Mr Paul Lloyd
Director / Company Secretary
FIRESTRIKE RESOURCES LIMITED**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. BACKGROUND TO PROPOSED ACQUISITION OF LINIUS (AUST) PTY LTD

1.1 General Background

Firestrike Resources Limited (**Firestrike** or the **Company**) is a public company listed on the official list of ASX (ASX code: FIE) with its principal focus having been gold and base metal exploration. The Company was incorporated on 10 March 2011 and was admitted to the official list of the ASX on 22 July 2011.

In addition to its principal business activities, the Company has been actively investigating and assessing new opportunities.

1.2 Change of Nature and Scale of Activities

On 28 October 2015, the Company announced to ASX that it had entered into a binding heads of agreement pursuant to which Firestrike will acquire 100% of the issued shares of Linus (Aust) Pty Ltd (ACN 608 170 190) (**Linus (Aust)**) from the shareholders of Linus (Aust) (**Heads of Agreement**). The key terms of the Heads of Agreement are set out in Section 1.4 below.

The Acquisition constitutes a change in the nature and scale of Firestrike's activities from gold and base metal exploration to an online technology company.

In this circumstance, Firestrike is required, pursuant to Listing Rule 11.1.2, to obtain approval from its Shareholders for a change in nature and scale of its activities. Firestrike is also required, pursuant to Listing Rule 11.1.3 to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

1.3 Overview of Linus

(a) Background

Linus (Aust) was incorporated on 10 September 2015 for the purpose of acquiring and commercializing the intellectual property and technology associated with Linus, which includes a collection of patents and software representing partial implementations of those patents.

Linus (Aust) completed this acquisition on 20 November 2015. See Section 1.7(a), (b) and (c) for further information.

The Linus technology simplifies video files, by separating them into two components: the VDNA (or video-DNA) and the vStub (an index to core data which is trivial in size, about the size of a text email). Without Linus, each video file is large, and modification of it requires modification of the entire, large file which is significantly more time consuming and many (sometimes hundreds of) copies of these large files are required. With Linus, modification only impacts the relatively small vStub file, and only one large file is required per video. This approach has implications

for nearly every link in the Internet/digital-video value chain (**Value Chain**), and is described in further detail below.

Linus (Aust) intends to complete the implementation of these patents as software (to be termed a Video Virtualization Engine) (**Linus VVE**). The Linus VVE will provide different applications and value propositions at various links in the Value Chain, and the Linus (Aust) business model will be a B2B software license, where third party resellers or system integrators (**SIs**) use the Linus VVE to provide specific, point solutions to problems in the current Value Chain where they (the resellers and SIs) have particular expertise.

In certain enterprise scenarios, Linus (Aust) may choose to license the software directly.

The original concept for the Linus technology was conceived by Finbar O'Hanlon in the mid 2000s, and he filed for a US patent in 2007. In 2009, Mr O'Hanlon founded Phoenix Myrrh and transferred his rights in the Linus intellectual property to that company. From that time software was developed and the patent portfolio expanded internationally and, in 2014, the US patent was officially granted (see below for further information on patents and intellectual property generally).

(b) **Digital and Internet Video**

Digital video is video that is stored in a digital, as opposed to analog, format. Just as audio recordings moved from analog records, to analog magnetic tapes, then to digital data on CDs and disks, video moved from recordings on film, to analog recordings on VCR tapes, then to digital recordings on DVDs and disks.

Internet video is digital video which is transported using the various Internet technologies. All Internet video is digital video, but not all digital video is Internet video (eg. the video recorded on a digital camcorder is digital, but not yet Internet video).

The Value Chain is a term used to describe both the technical and business steps that take a video from the original camera up to "play-out", the point that the video is actually shown to an audience.

When it comes to digital/Internet video, there are a few different links in the chain that can be used to describe this process. In broad terms, the Value Chain contains the following eight links:

- Capture/Recording
- Post-Production
- Ingestion and Transcoding
- Storage and Hosting
- Asset Management and Workflow
- Protection and Security (DRM)
- Delivery (CDN)

- Presentation/Play-Out

Although there is some overlap, each of these links is essentially a distinct market, with distinct target audiences, competitors, technology and products.

Figure 1 below shows the links in the Value Chain as distinct markets and some example organisations that sell into each link. These organisations represent the target customers for the Linus technology, or organisations that could be disrupted by the technology.

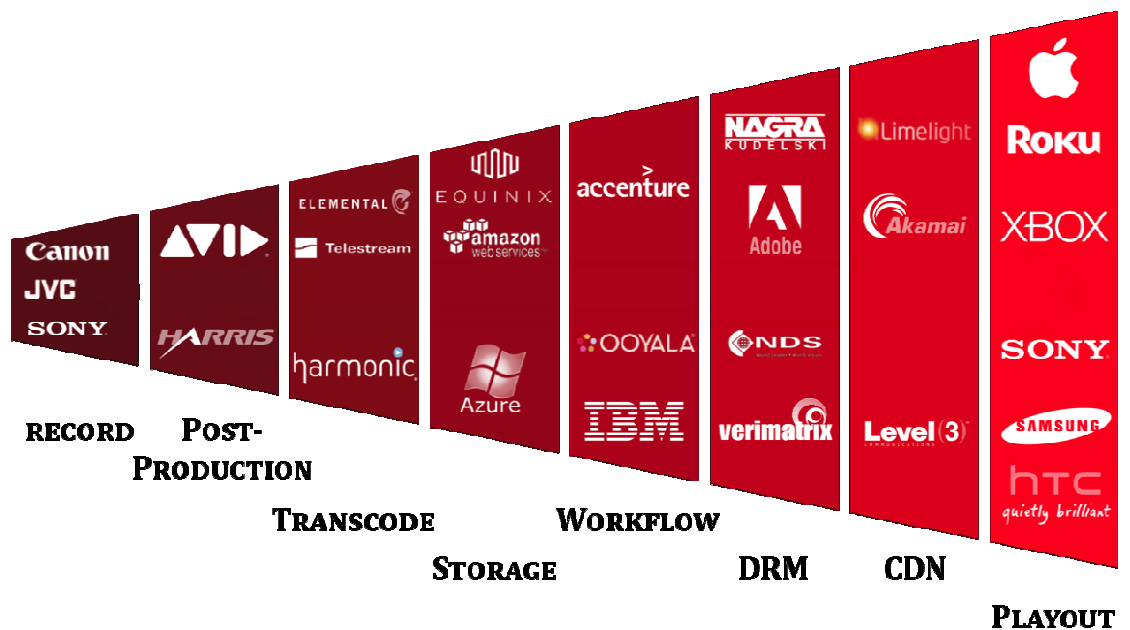


Figure 1: Links in the Value Chain.

They are described in further detail below.

(i) **Capture/Recording**

This is where the physical recording of the video with camera occurs. Instead of recording to film, digital cameras record digital video as some sort of computer file. The format of that file may be something proprietary to the camera manufacturer, or one of several containers and codecs (which are technical terms for how the video is stored and then encoded or decoded). There are a myriad of digital video file formats and new formats continue to be developed.

(ii) **Post-Production/Editing**

This is where things like sub-titling, insertion of graphics, colour correction, and sound-editing happen.

(iii) **Ingestion and Transcoding**

This is a fairly technical part of the process, but the concepts are generally easy to understand.

There are three different elements or dimensions to transcoding:

- (A) ***The aspect ratio of the video to be played.*** Just like how old “square” TVs compare to HD TVs, videos need to be converted to many different “shapes” or aspect ratios, depending on what the final projection device will be (i.e. a movie screen, a TV, a cell phone, a tablet, etc).
- (B) ***The quality of the video.*** A higher quality video is a bigger file, and typically multiple, different qualities are required to deal with the varying speeds of Internet connection.
- (C) ***The software used to play the final file.*** There are many, different competing encoding formats for video, not one standard (see commentary above on containers and codecs).

The process of taking the original, master video, and converting it in all three of those elements or dimensions is known as “transcoding”.

(iv) **Storage and hosting**

All of those transcoded files need to be put somewhere.

For small organisations, they could be stored locally on hard disks, but an entire industry has sprung up (not just for video) to enable storage in the cloud.

Even though the physical media for storage has become (and continues to become) cheaper over time, as cheap as it is today, using storage properly is still a difficult process to manage for most organisations. Sensitive data should be backed up and most organisations are aware of the concept of incremental backups (a scheme where, for example, there are monthly, weekly, and daily backups). However, more than half of businesses do not conduct daily backups.

One of the major features of cloud computing is off-site backup. Challenges remain around automation and encryption, but the advent of cloud computing has enabled regular, remote backups and has made it easier to implement hierarchical storage management.

(v) **Asset Management and Workflow**

A video, at this stage in the process, isn’t just one file. It’s all of the various transcoded files created above, plus a collection of assets. In this context, assets include subtitles in various languages, static images used to advertise the video and trailers associated with the video. Workflow software manages the coordination of all of these pieces.

(vi) **Protection and Security (DRM)**

An acronym for Digital Rights Management, DRM is how copyright holders are able to enforce their ownership, and ultimately collect money for their digital works.

DRM is a broad category that encompasses various technologies surrounding the use, modification, and distribution of copyrighted works, including encryption, copy protection, licensing, and various other access control mechanisms.

One example of DRM is the region encoding of DVDs, but there are dozens of different technical approaches to solving the various problems of intellectual property protection.

(vii) **Delivery (CDN)**

CDN stands for Content Delivery Network.

This is a particular class of Internet infrastructure whose sole purpose is to deal with slow Internet speeds or, more specifically, speeds that are slower than people desire it to be given the size of content they want to consume, wherever they are.

CDNs take content (images, websites, videos) and push multiple copies out to the “edge” of the network, so that they’re closer to the consumer, and can therefore be consumed more quickly.

(viii) **Presentation/Playout**

Playout is where actual viewing of the video occurs. This could be on a smartphone, at the cinema, on a smart TV, or on a computer.

Each of these links is a significant market in its own right, and each adds value. But from the perspective of the artist creating the video, and the audience consuming the video, they are effectively just added cost. At the most basic level, the Linus technology serves to reduce these costs, and in some cases to increase value, through fundamental technical changes that are applied differently at each link in the Value Chain (see The Linus Effect, below).

(c) **Effect on Creators and Consumers**

The net result of all of these steps is a huge proliferation of files. For example, one TV producer is making over 300 versions of its titles to support all the formats and devices.

Incrementally, the costs associated with this are almost negligible. A two-hour HD movie is about 3.0–4.5 GB in file size. Storage costs are reducing over time, with the current price of a TB of desktop storage at about \$10US. Storing a single file could cost as little as 3 cents.

Single file storage isn’t the problem. The problem is one of scale. When one starts with hundreds of versions or files for each video, and a video library that consists of hundreds or thousands of such videos, and then spreads multiple copies of those files around the world (see CDN, above), costs quickly escalate. And not just the costs of storage, but the costs of managing those millions of files around the Internet.

In 2014 the global virtual video value chain represented in aggregate over US\$16.5 billion in costs.

(d) **The Linius Technology**

The core Linius patent deals with the “virtualization” of video assets. Further information on the patents and other intellectual property is set out below.

Film, television and music media has come from a world where media was stored on tape. The industry introduced a workflow where a specific process was attached to the recording, packaging, storing and distributing of this tape based media. As technology evolved from tape, to CD and other encoded physical media, to the Internet, the broadcasting industry’s platforms and workflows didn’t change significantly. The first two links in the Value Chain result in the output of a master copy. In the pre-Internet world, that master was used to create physical duplicates for distribution — film reels for cinemas, VCR tapes, DVDs, laser disks and so on. In the digital world, whether or not the Internet is involved, that master is a single file. As technology on the Internet quickly evolved over the last 20 years, technological advances (such as different ways of encoding the media, copy-protecting the media and so on) caused a proliferation of digital files.

Figure 2 below illustrates this proliferation. For each video, the content owner still has physical copies printed from the master for physical distribution but, on the Internet, each one of those masters is converted into hundreds of thousands of files, as described in the Digital and Internet Video section, above.

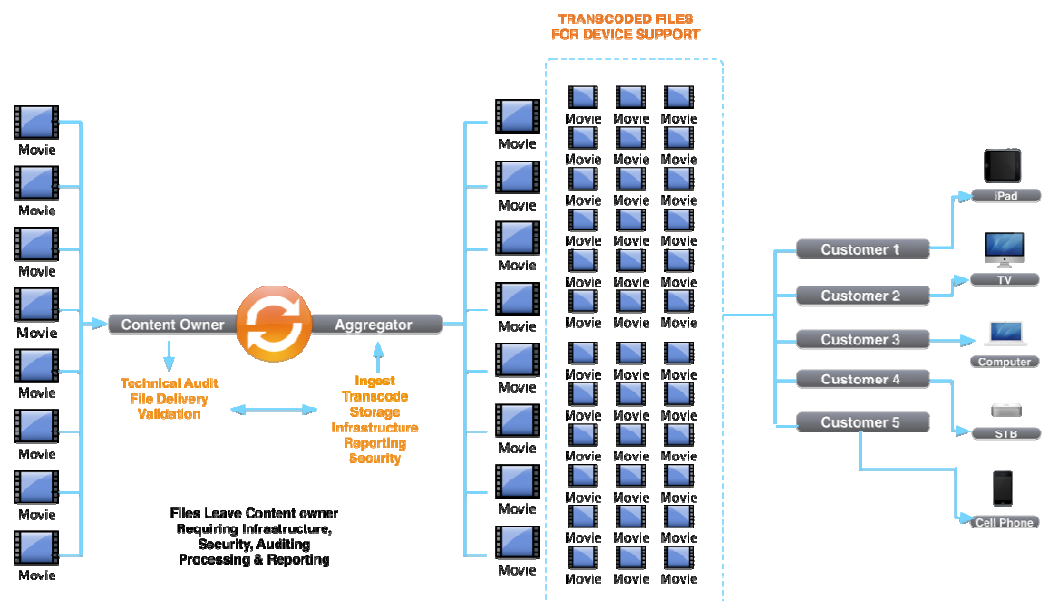


Figure 2: Proliferation of files in Internet video distribution

Current technologies focus on making videos smaller by mechanisms such as compression, and easier to manage with improved workflow tools and technology platforms.

The film, television, and other video industries stuck to their process of creating a master file, and the Internet technologist set about solving various technical issues on an ad hoc basis, with neither side really stepping back to think about how data is different than film. The Linius

technology exploits this distinction — it understands that data is different than film. Each file contains a core piece of data that is a master copy of the original work or “VDNA” (video-DNA).

The Linus technology extracts that VDNA from the master file, and builds a vStub — an index to that core data which is trivial in size (about the size of a text email). This vStub then is the only thing that needs to be modified to support all of the processes in the Value Chain.

Figure 3 below illustrates Internet distribution after the introduction of the Linus technology — there is no longer any great proliferation of files required.

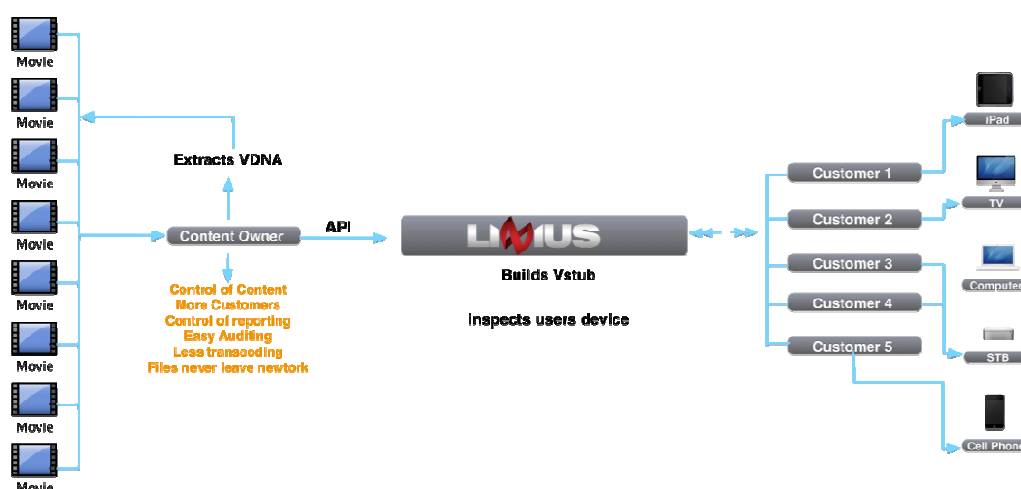


Figure 3: Internet video distribution with the Linus technology

At any point in the process where currently there are multiple, large files — transcoding, storage, workflow-management, DRM/encryption and CDN — introducing Linus into the process means there now only needs to be one relatively small file.

All of the steps in the process that are currently performed on these large files are now done on the relatively small vStub, dramatically reducing storage costs, distribution costs and CPU usage. Any CPU intensive work that has to deal with several GB of data can with Linus now deal with only several KB of data.

Moreover, whole new monetisation models become possible, because the video can be customized for each audience member. Each vStub file is small, so it is possible to create one for each individual consumer of the video.

Figure 2 above shows the large collection of files that sits in front of several consumers. That “in front” location could be different depending on the business in question (eg. for a cable TV company, it could be the neighbourhood point of presence; for a brand, it could be the CDN edge closest to that group of consumers; for YouTube, it could be the regional Google data centre), but in all current cases, the model is the same. The number of customers served could be a few thousand in the case of a cable company serving a neighbourhood, or tens of millions in

the case of a CDN network (eg. there are currently 54 edge locations on Amazon's CDN, serving the entire Internet).

The number of files involved is already large. If that number were to multiply by thousands, let alone millions, then costs and complexity of management swell to the point where it is simply impractical, if not outright impossible, to create unique versions of each video for each customer, with current technology.

In the current model, each of the end files needs to be processed in advance, for each step between post-production and playout. With the Linus technology, the need to transcode, protect, and distribute different files is completely removed. Not only does a single file replace the current file proliferation, but it also holds true when going all the way through to the end customer (as shown in Figure 3, above).

Figure 4 explains the difference between the current methodology of transcoding and storing millions of files around the Internet, and the Linus methodology of extracting the VDNA from the original video and dynamically delivering the necessary video to the end consumer.

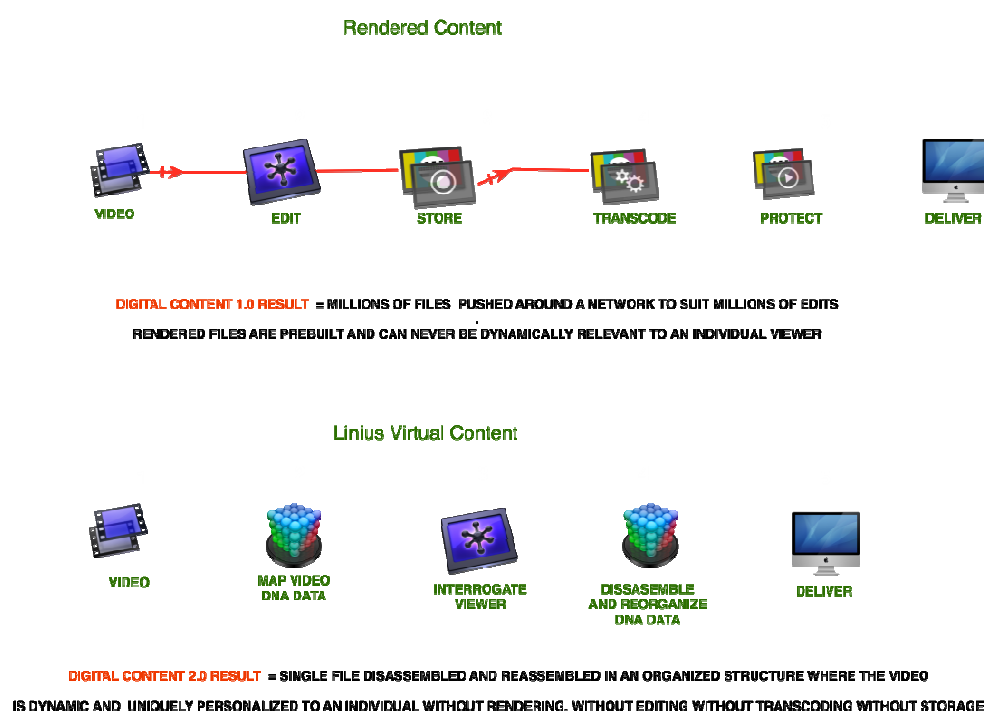


Figure 4: Current methodology vs. Linus methodology

The most obvious application for this personalisation is advertising. With the Linus technology, it is possible for pay-TV providers to give the same sort of unique advertising experience to viewers that are currently available on the web. Today, advertisements on websites or a Facebook page, among others, are specifically targeted to the person viewing the site or page. However, unlike advertising in this form, pay TV operators are currently only able to deliver customized advertising at the neighbourhood level with currently commercially available technologies. For example, if you're watching pay-TV in St Kilda, you may see ads for the St Kilda Football Club, but if you're looking at a

Facebook page through an Internet connect in St Kilda, you may see ads for the football club that you have personally “liked” on Facebook. Linus has the potential to transform the pay-TV experience, as it enables videos to be made available per individual customer, such that the same level of personalisation on viewing a Facebook page is now possible in pay-TV.

(e) **The Linus Effect**

The Linus technology impacts each link in the Value Chain in a slightly different way. Ultimately, the technology is sufficiently transformative that it is not possible to predict all of the applications for which it can be used, however below is set out some of the more obvious highlights for each link in the Value Chain.

(i) **Capture/Recording**

The capture/recording link in the Value Chain has the least obvious immediate applications for the Linus technology.

The technology could be incorporated into recording devices such that a native set of Linus files (VDNA and vStub) were the output of the device, rather than the current, typically proprietary formats.

However there are no current plans to deploy the technology in this market.

(ii) **Post-Production**

The Linus technology will potentially have the greatest impact on post-production in conjunction with editing software. Using current technology, editing videos often requires re-rendering. The process is not dissimilar to transcoding, and is extremely computer-intensive. By enabling video-editing software to manipulate Linus video files (VDNA and vStub), there is the potential to dramatically reduce the amount of time required to edit videos.

The exact amount of time reduction would depend on the specifics of the video (eg. scripted content requires much less editing than unscripted). A reasonable benchmark is that each minute of video requires 2.5 hours of editing. A reduction in the amount of editing time will inevitably reduce costs.

The hypothetical, but potentially much larger, impact of the technology as applied to this market would come from the ability to perform advanced editing capabilities on much less powerful computers. Using the Linus technology as the file model for videos, professional video-editing software capabilities may be used by amateur and semi-professional videographers everywhere.

Linus (Aust) views this as a potentially large market. However, because the value is hypothetical at this stage engaging this market is a lower priority than some of the opportunities discussed below.

(iii) **Ingestion and Transcoding**

This link in the Value Chain is the one that is most immediately and obviously disrupted by the Linus technology. The global video transcoding industry represented US\$1 billion US in 2013 and recent studies indicate that the market is expected to grow at a compound annual growth rate of 15% to 2019.¹

The ability to disrupt a market of this size would be of immediate interest to industry participants and is one of the first areas where Linus (Aust) will seek to commercialise the Linus technology.

(iv) **Storage and Hosting**

The impact of the Linus technology on storage and hosting (except in the case of CDNs, described below) is largely indirect. Linus (Aust) has no immediate plans to commercialise in this space.

(v) **Asset Management and Workflow**

From an asset management and workflow perspective, the impact of the Linus technology is similar to what is seen in the post-production link of the Value Chain. By reducing the number of files (and aggregate amount of data) that needs to be managed, cost savings are possible in storage, bandwidth, and CPU utilisation. However, there is no obvious upside market, as there is in post-production, so pursuit of this market is low-priority.

(vi) **Protection and Security (DRM)**

Existing DRM methodologies, be they encryption, or licensing, or otherwise are not materially impacted or affected by the operation of the Linus technology.

There may be some benefits that the Linus technology can provide for DRM, however they are technically complicated and require additional research. This market will not be an immediate target for Linus (Aust).

(vii) **Delivery (CDN)**

The overall CDN market is large and growing — projected to be approximately US\$4.6 billion by 2017, with video accounting for 81% of that.² However, it is also a commodity market with substantial price pressure — down 20% in 2014 and was projected to be down another 15% in 2015.³

The Linus technology represents a direct, linear cost reduction to the CDNs. If they currently need to store three copies of each video, and the Linus technology lowers that to one copy only,

¹ Report on Global Video Transcoding Market 2015-2019, Infiniti Research Limited, June 2015

² Report on Content delivery networks: Market dynamics and growth perspectives, Informa UK Ltd, 2012

³ Report on the State of the CDN Market: Video Pricing, Contract, Volume and Market Sizing Trends, Dan Rayburn (cdnpricing.com), 2015

then they get an approximately 66% cost reduction on storage. Similarly if they need to store 100 copies and it can be reduced to one, they get a 99% cost reduction on storage.

Every competitor in the CDN market is a potential customer for the Linus technology, and this will be one of the first markets that is pursued by Linus (Aust).

(viii) **Presentation/Play-Out**

Playout devices — from smart phones to cinema screens — are not materially impacted or affected by the operation of the Linus technology.

This link in the Value Chain is where the Linus technology most easily and obviously provides additional revenue opportunities, as opposed to cost cutting opportunities (see the discussion on monetisation in the Linus Technology section). For this reason, this will be one of the areas that Linus (Aust) intends to immediately target.

(f) **Business Model**

As the section above on the Linus Effect highlights, there are many markets in which opportunities lie to apply the Linus technology.

Some of those opportunities are more obvious and more immediate than others. While it would be possible to directly enter any of those markets, Linus (Aust) is of the view that there is less risk, and greater opportunity, in providing the underlying software to existing organisations in each market segment.

Go-to-Market Strategy

Each link in the Value Chain represents a unique market, with different competitors and different functional requirements. For example, to compete directly in the CDN market would require building a CDN, establishing a sales force that targets content distributors and network operators, establishing peering relationships with major Internet exchanges and tier 1 carriers, and so on.

As discussed in the section above on the Linus Effect, the CDN market is a commodity space — reducing costs while simultaneously staying current on features is critical. Linus (Aust) could compete directly in this space, but it would require substantially more capital, would take longer to build out the relationships, and would have the added risk that other competitors could derive other methods of lowering their costs, reducing Linus (Aust)'s competitive advantage.

A similar scenario could be described for each link in the Value Chain. The net result is that going from base technology to competing in all of the markets at once is a potentially large, uncertain and expensive problem.

Therefore, the Linus (Aust) strategy is to create a fundamental piece of software that can be used generically in any application in the Value Chain, and partner with different participants in each market segment, who would *de facto* act as distributors in that segment. Rather than

trying to compete in the CDN market, Linus (Aust) intends to approach existing organisations in that market, and license the technology to them, or partner with organisations that already sell technology to all of the CDNs. This strategy mitigates risk by enabling Linus (Aust) to enter each market much more quickly, and with less cash required. It also has the potential to generate revenue more quickly, as the distributors in each link of the Value Chain will already have existing sales relationships.

The first three links in the Value Chain that Linus (Aust) intends to target are Ingestion and Transcoding, CDN, and Presentation and Play-Out. Linus (Aust) has entered into an agreement with Digisoft.tv Limited (an Irish company) (**Digisoft**) and this forms part of the go-to-market strategy (see agreement summary in Section 1.7(g)). Digisoft is a manufacturer of set-top-box software (those devices that connect a TV to cable or satellite). By partnering with Digisoft, Linus (Aust) intends to directly reach pay-TV providers, who are already Digisoft's customers, without building a sales team that has direct expertise in just that one market.

Linus (Aust) will seek similar relationships in each link of the Value Chain.

Short-Term Operating Plan/Use of Funds

Linus is currently in a pre-commercialisation phase.

There are four key elements to the short-term, pre-commercialisation operating plan:

(i) Technology Development

The Linus technology includes a partial implementation of the core patent. See further information on patents below.

Ultimately, it is proposed that the software will have the functionality to take raw video files from their initial point of creation, and output the two key Linus technology files — the VDNA and the vStub. It is proposed that the various processes that can be undertaken with these files — modifying the vStub for playout to different devices, conducting post-production editing, managing through workflow software, deploy them to CDNs, encrypt them with DRM, and so on — will be handled through a series of APIs that partners will use to integrate the Linus software with their existing technology.

Before getting to completely commercialised software, the first priority is to develop the software to a sufficient point for demonstrating its benefits in specific showcases targeting specific links in the Value Chain. For example, developing the software to the point where one specific partner can show video personalisation (as is the case with Digisoft – see above), as an intermediate step before finalisation of APIs and commercial release of the software generally in the Presentation/Play-out market.

(ii) Showcase deployments

Once the software is completed to a point that a specific showcase is possible, Linus (Aust) intends to work with partners

in the relevant links of the Value Chain to create that showcase — demonstrating the capability of the software and the cost/revenue impact it can have with respect to the specific showcase in question.

As outlined in the section above on the Linius Effect, the first three showcases will demonstrate video personalisation for the Presentation/Play-Out link of the Value Chain, reduce storage costs for the CDN link, and near elimination of the need for transcoding in the Ingestion and Transcoding link.

(iii) **Patents**

Linius (Aust) will continue to invest in maintenance and extension of the patent portfolio. See below for further information on the intellectual property associated with the Linius technology.

(iv) **Marketing**

As showcase deployments are completed, Linius intends to market those showcases in the appropriate environments, and generate the necessary inbound information to fully productize the software. In other words, to engage in the process of product management, to fully define the exact set of features for commercialisation of the software in each of the links in the Value Chain, and the prioritisation of those requirements.

Commercialisation

It is not possible to predict at this stage all of the applications for which the Linius technology can be used or commercialised. The commercialisation strategy depends in part on the outcome of the showcase deployments referred to above, and Linius (Aust) intends to explore strategic business opportunities over time as these unfold.

In any event, the Linius (Aust) currently intends to operate a B2B software licensing model.

The unit and pricing specifics will vary, depending on the segment of the Value Chain, and the specific function performed. For example, in the case of video personalisation for Pay-TV operators, there could be a one-time license fee per set-top-box deployment. Conversely, in the encoding space, there may be a much smaller fee, paid on a per-transaction basis.

(g) **Intellectual Property**

The intellectual property associated with Linius comprises various patents/patent applications, trade mark applications, a domain name and copyright in software, as well as unregistered intellectual property constituted by confidential information and know-how.

Except where indicated, this intellectual property was acquired by Linius (Aust) from Phoenix Myrrh pursuant to the sale and purchase agreement, and patent/patent assignment and trade mark assignment deeds, detailed in Section 1.7.

Patents/patent applications

The Linus patent portfolio comprises seven issued patents (including in the USA and Australia) and five pending patent applications.

Particulars of these are as follows:

Country/Jurisdiction	Application Number	Patent Number	Title
Australia (AU)	2008288676	2008288676	Method and System for Content Delivery
Canada (CA)	2696970	2696970	Method and System for Content Delivery
China (CN)	20088110364.8	ZL 20088110364.8	Method and System for Content Delivery
European Patent Office (EP)	08782938.8	Under examination	Method and System for Content Delivery
Hong Kong (HK)	20110103186	HK1149111	Method and System for Content Delivery
India (IN)	1093/DELNP/2010	Under examination	Method and System for Content Delivery
International (PCT) (WO)	PCT/AU2008/001190	Under examination	Method and System for Content Delivery
Republic of Korea (KR)	20107005809	101299639	Method and System for Content Delivery
Singapore (SG)	2010009900	159164	Method and System for Content Delivery
USA (US)	13/833,810	Under examination	Method and System for Content Delivery

USA (US)	13/833,431	Under examination	Method and System for Content Delivery
USA (US)	12/670,430	8,893,203	Method and System for Content Delivery

Trade marks

The following trade mark applications have been made at the US trade mark office. No other registered Linus-related trade marks are owned by Linus (Aust).

Country	Application Number	Registration Number	Mark
USA	85814641	N/A	
Class (IC Class 009)			
Computer hardware, computer software excluding non-downloadable software, and downloadable computer software, for formatting and distributing audio and video content by devices capable of transmitting and/or receiving data via a network protocol to devices capable of playback of sound and/or video			
Class (IC Class 042)			
Platform as a services "PAAS" and software as a service "SAAS" featuring computer software for formatting and distributing audio and video content by devices capable of transmitting and/or receiving data via a network protocol to devices capable of playback of sound and/or video; and computer services, namely, providing on-line non-downloadable software for formatting and distributing audio and video content by devices capable of transmitting and/or receiving data via a network protocol to devices capable of playback of sound and/or video			

Country	Application Number	Registration Number	Mark
USA	86740819	N/A	
Class (IC 009)			
Computer hardware, computer software excluding non-downloadable software, and downloadable computer software, for formatting and distributing audio and video content by devices capable of transmitting and/or receiving data via a network protocol to devices capable of playback of sound and/or video			

Class (IC 042)

Platform as a services "PAAS" and software as a service "SAAS" featuring computer software for formatting and distributing audio and video content by devices capable of transmitting and/or receiving data via a network protocol to devices capable of playback of sound and/or video; and computer services, namely, providing non-downloadable software for and distributing audio and video content by devices capable of transmitting and/or receiving data via a network protocol to devices capable of playback of sound and/or video

Domain name

The **linius.com** domain was originally registered by Finbar O'Hanlon. Mr O'Hanlon has agreed to transfer the registration of the name to Linius (Aust).

1.4 Key Terms of the Acquisition

In accordance with the terms of the Heads of Agreement, the Company proposes to acquire all of the issued shares in Linius (Aust).

Set out below is a summary of the key terms of the Heads of Agreement.

(a) Acquisition

The Company has agreed to acquire and the Linius Shareholders have agreed to sell 100% of the shares in Linius (Aust).

(b) Conditions Precedent

Completion remains subject to the satisfaction or waiver by the parties of the following outstanding conditions:

- (i) the Company preparing a full form prospectus in accordance with Section 710 of the Corporations Act (**Prospectus**), lodging the Prospectus with the ASIC and raising a minimum of \$2,750,000 under the Prospectus through the issue of Shares at a price of not less than \$0.02 per Share (**Capital Raising**);
- (ii) the Company obtaining all necessary shareholder approvals required by the Corporations Act and the ASX Listing Rules in relation to the Acquisition, including, without limitation:
 - (A) ASX Listing Rules approval and, if required, approval for the purpose of the Corporations Act, for the issue of the Ordinary Consideration Shares, Performance Shares and the Loan Shares (as those terms are defined below);
 - (B) ASX Listing Rule approval and, if required, approval for the purposes of the Corporations Act, for the issue of Shares pursuant to the Capital Raising;
 - (C) ASX Listing Rule 11.1.2 approval authorising a change of activities of the Company;

- (D) approval of the appointment of proposed new Directors, subject to Completion; and
 - (E) approval for the change of the Company's name to "Linus Technologies Limited".
- (iii) the parties obtaining all necessary regulatory approvals pursuant to the ASX Listing Rules, Corporations Act or any other law on terms acceptable to the parties as are required to allow the parties to lawfully complete the matters set out in the Heads of Agreement (including, but not limited to, re-compliance by the Company with Chapters 1 and 2 of the Listing Rules and the Company receiving conditional approval from ASX to reinstate the Company's quoted securities to trading on ASX following Completion on conditions satisfactory to the Company, acting reasonably); and
 - (iv) to the extent required by the ASX, the Company or the ASX Listing Rules, each Linus Shareholder and any party to whom Ordinary Consideration Shares, Performance Shares and/or Loan Shares are issued, entering into a restriction agreement as required by ASX imposing such restrictions on trading of those securities as mandated by the ASX Listing Rules in respect of the securities that are issued to those parties by the Company,

(together, the **Conditions**).

If the Conditions are not satisfied (or waived by Firestrike and Linus (Aust) on or before 5:00pm (Western Australian standard time) on their stated due date, or otherwise that date which is 5 months from the date of the Agreement (or such later date as Linus (Aust) and Firestrike may agree) (**End Date**), either Firestrike or Linus (Aust) may terminate the Agreement by written notice to the other parties.

(c) **Consideration**

In exchange for the Company acquiring 100% of the issued shares in Linus (Aust), the Company:

- (i) upon execution of the Heads of Agreement, the Company paid Linus (Aust) a non-refundable deposit of \$50,000;
- (ii) upon satisfaction of completion of mutual due diligence (which occurred on 26 November 2015) and the sale and purchase agreement between Linus (Aust) and Phoenix Myrrh (which occurred on 20 November 2015) the Company paid Linus (Aust) a further \$200,000 non-refundable deposit;
- (iii) at Completion, the consideration to be issued for the acquisition of their shares in Linus (Aust) will be:
 - (A) 250,000,000 Shares at a deemed issue price of \$0.02 per Share (**Ordinary Consideration Shares**) to Phoenix Myrrh (or its nominees); and
 - (B) 200,000,000 performance shares (being 50,000,000 Class A performance shares, 50,000,000 Class B performance shares, 50,000,000 Class C performance

shares and 50,000,000 Class D performance shares) that convert into Shares (on a one for one basis) on the terms set out in Schedule 1 (**Performance Shares**) to the Initial Linus Shareholders,

(the Ordinary Consideration Shares and Performance Shares together are the **Consideration Shares**).

Approval for the issue of the Consideration Shares is the subject of Resolution 3.

(d) **Linus (Aust) Loan**

The Heads of Agreement acknowledges that Linus (Aust) intends to raise an aggregate of \$350,000 in unsecured loan capital funding from third party lenders, pursuant to documentation to which Firestrike will be a party. The Company has agreed that, at Completion, it will satisfy repayment of the loan via the issue of Shares at a deemed issue price of \$0.02 per Share (**Loan Shares**). To this extent, the Company, Linus (Aust) and Avitus Capital Pty Ltd have entered into the Convertible Loan Agreement summarised in Section 1.5 below.

(e) **Incentive Share Scheme**

The Company has agreed to adopt an employee share scheme. Resolutions 14 and 15 seek Shareholder approval for adoption of an Incentive Share Plan and an Incentive Option Scheme respectively.

(f) **Board of directors of the Company**

At Completion, the existing directors of Firestrike, Roger Steinepreis, Paul Lloyd and David Holden shall resign and Christopher Richardson, Stephen McGovern and Stephen Kerr will join the Board.

(g) **Completion**

Completion will occur on that date which is 5 business days after satisfaction (or waiver) of the Conditions.

1.5 **Convertible Loan Agreement**

Linus (Aust), the Company and Avitus Capital Pty Ltd (**Avitus**) have entered into a convertible loan agreement pursuant to which Avitus (or its nominees) has provided Linus (Aust) with a loan of \$350,000 (**Loan**). Subject to Completion, it is intended that the Loan will be repaid via the issue of Shares at a deemed issue price of \$0.02 each to Avitus or its nominees. The Loan is fully drawn down.

The Company is seeking Shareholder approval for the issue of up to 17,500,000 Shares (at a deemed issue price of \$0.02 per Share) to Avitus or its nominees in repayment of the Loan pursuant to Resolution 5.

The agreement also contains separate mechanisms for the Loan to be converted into shares in the capital of Linus (Aust) in the event that Completion does not occur by certain specified dates.

1.6 Mandate with CPS Capital Group Pty Ltd

On 8 September 2015, the Company and CPS Capital Group Pty Ltd entered into a mandate pursuant to which, among other things, CPS Capital has agreed to:

- (a) lead manage the Capital Raising for a fee of 1% (plus GST) of the amount raised under the Capital Raising; and
- (b) provide the Company with corporate advisory services on an ongoing basis for up to 12 months for a monthly fee of \$5,000 (plus GST where applicable) which will be payable quarterly in arrears in Shares at a price based on the previous 20-day volume-weighted-average price of Shares. Any GST component will be paid in cash to CPS Capital.

In addition, the Company has agreed to issue CPS (or its nominee) up to 5,000,000 Shares at a deemed issue price of \$0.02 per Share for introducing Linius to the Company.

1.7 Linius (Aust) material contracts

(a) Sale and Purchase Agreement

On 23 October 2015, Linius (Aust) entered into a Sale and Purchase Agreement with Phoenix Myrrh for the acquisition by Linius (Aust) of the intellectual property and other assets associated with the Linius technology.

Pursuant to the Sale and Purchase Agreement, Linius (Aust) acquired the assets for a purchase price of \$5,400,000 satisfied by a cash payment of \$400,000 and the issue to Phoenix Myrrh of 50,000 fully paid ordinary C class shares in the capital of Linius (Aust).

Completion of the Sale and Purchase Agreement occurred on 20 November 2015.

(b) Patent/Patent Application Assignment Deed

Pursuant to the terms of the Sale and Purchase Agreement, Anthony Finbar O'Hanlon, Phoenix Myrrh and Linius (Aust) entered into a Patent/Patent Application Assignment Deed on 20 November 2015 pursuant to which Phoenix Myrrh assigned all of the patents and patent applications held by it to Linius (Aust).

(c) Trade Mark Assignment Deed

Pursuant to the terms of the Sale and Purchase Agreement, Phoenix Myrrh and Linius (Aust) entered into a Trade Mark Assignment Deed on 20 November 2015 pursuant to which Phoenix Myrrh assigned all of the Linius trade marks held by it to Linius (Aust).

(d) Shareholders Agreement

On 23 October 2015, Linius (Aust) entered into a Shareholders' Agreement (**Shareholders' Agreement**) with all the holders of A Class shares in Linius (Aust) (**Initial Shareholders**) and Phoenix Myrrh (as holder of the C Class shares. There are no B Class or other shares on issue.

The key terms of the Shareholders' Agreement are as follows:

The Shareholders' Agreement provides for the appointment of Gavin Campion and Stephen McGovern (who are the current directors of Linus (Aust)) as directors appointed by the Initial Shareholders. The Shareholders' Agreement also provides for the appointment of other directors as appointees of other shareholder classes and generally by the Linus (Aust) board of directors.

Each of the Linus Shareholders undertakes that they and Linus (Aust) shall not undertake certain acts, including amending the Linus (Aust) constitution, recommending, declaring or paying any dividend, or making any distribution of a capital nature, or approving a liquidation or dissolution of Linus (Aust) (or similar act), without first obtaining the consent of all of the Initial Shareholders, Phoenix Myrrh and, where relevant, of other shareholder classes by special resolution.

Each Linus Shareholder irrevocably waives all or any pre-emption rights they have or may have pursuant to the Shareholders' Agreement, the constitution of Linus (Aust) or otherwise in respect of the Acquisition and transfer of the Linus Shares.

The Shareholders' Agreement continues in force and effect until, among other things, it is terminated by written agreement between all of the Linus Shareholders and Linus (Aust) or all of the shares in Linus (Aust) are beneficially held by one party.

The Shareholders' Agreement otherwise records the agreement between the parties with regard to the operations, management and certain other matters relating to Linus (Aust) and the business to be operated by Linus (Aust), and is on terms customary for a document of this nature.

(e) **Consultancy Agreement – Christopher W. Richardson**

On 16 December 2015, Linus (Aust), Mirovoy Sales sro (a Czech company) (**Consultant**) and Christopher W Richardson (**Mr Richardson**) entered into a Consultancy Agreement for the appointment of Mr Richardson as chief executive officer of Linus (Aust) and, ultimately, the Linus (Aust) group of companies post-Completion.

The key terms of the Consultancy Agreement are as follows:

- (i) The Consultancy Agreement commenced on 1 December 2015 and continues until terminated in accordance with the terms of the Consultancy Agreement. If Completion does not occur by 23 March 2016 the agreement will terminate automatically unless the parties otherwise agree.
- (ii) Linus (Aust) will pay the Consultant an annual consultancy fee of \$150,000 (exclusive of any GST or withholding taxed), payable at the rate of \$12,500 per month. The Consultancy Fee will be reviewed annually by the Board of Linus (Aust). In addition, Linus (Aust) will procure the issue to the Consultant (or nominee) of 10,000,000 New Options.
- (iii) Linus (Aust) may terminate the Consultancy Agreement at any time with one month's written notice. Linus (Aust) may also

terminate the Consultancy if Mr Richardson is incapable of performing his duties under the Consultancy Agreement.

- (iv) The Consultant may terminate the Consultancy Agreement immediately with notice if Linus (Aust) is in breach of a material term of the agreement. The Consultant may also terminate the Consultancy Agreement after the Initial Term with three months written notice.
- (v) All the interests of the Consultant in intellectual property rights and improvements are the property of Linus (Aust) or any of its group companies (as the case may be) as owner without further payment to the Consultant.
- (vi) The agreement includes a non-competition clause typical for an agreement of this type.
- (vii) Mr Richardson's role includes customary chief executive officer responsibilities, including taking responsibility for operating the business and delivering against the operating plan, strategy and planning, budgeting, employee recruitment and leadership. Specific duties relating to these responsibilities will be developed and agreed with the Board of Linus (Aust) from time to time.

(f) **Consultancy Agreement – Stephen Kerr (CFO and Company Secretary)**

On 21 January 2016, Linus (Aust) and Stephen Kerr (**Consultant**) entered into a Consultancy Agreement for the appointment of Mr Kerr as chief financial officer and company secretary of Linus (Aust) and, ultimately, the Linus (Aust) group of companies post-Completion.

The key terms of the Consultancy Agreement are as follows:

- (i) The Consultancy Agreement commenced on 21 January 2016 and continues until terminated in accordance with the terms of the Consultancy Agreement. If Completion does not occur by 23 March 2016 the agreement will terminate automatically unless the parties otherwise agree.
- (ii) The Consultant is required to be available to perform his duties on a part-time basis as agreed with the chief executive officer, and be available for reasonable additional hours as required.
- (iii) Linus (Aust) will pay the Consultant an annual consultancy fee of \$84,000 (exclusive of any GST or withholding taxed), payable at the rate of \$7,000 per month. The Consultancy Fee will be reviewed annually by the Board of Linus (Aust). In addition, Linus (Aust) will procure the issue to the Consultant (or nominee) of 1,500,000 New Options.
- (iv) Linus (Aust) may terminate the Consultancy Agreement at any time with three month's written notice. Linus (Aust) may also terminate the Consultancy if the Consultant is incapable of performing his duties under the Consultancy Agreement.
- (v) The Consultant may terminate the Consultancy Agreement immediately with notice if Linus (Aust) is in breach of a material

term of the agreement. The Consultant may also terminate the Consultancy Agreement after the Initial Term with three months written notice.

- (vi) All the interests of the Consultant in intellectual property rights and improvements are the property of Linus (Aust) or any of its group companies (as the case may be) as owner without further payment to the Consultant.
- (vii) The agreement includes a non-competition clause typical of an agreement of this type.

The Consultant's role includes customary chief financial officer and company secretary responsibilities, including taking responsibility for ongoing compliance with ASX and ASIC requirements, drafting and settling Board and general meeting documentation, and implementing and monitoring rigorous corporate governance and reporting requirements

(g) **Consultancy Agreement – Finbar O'Hanlon**

On 20 November 2015, Linus (Aust), Papa Lazarue Pty Ltd (ACN 123 400 920) (**Consultant**) and Finbar O'Hanlon (**Mr O'Hanlon**) entered into a Consultancy Agreement for the provision of various consultancy services. The key terms of the Consultancy Agreement are as follows:

- (i) The Consultancy Agreement commenced on 20 November 2015 (**Commencement Date**) continuing for 3 months from the Commencement Date (**Initial Term**) and thereafter until terminated in accordance with the terms of the Consultancy Agreement.
- (ii) Linus (Aust) will pay the Consultant \$8,000 per month during the Initial Term (exclusive of any GST or withholding taxed), and \$15,000 any month thereafter (exclusive of GST or withholding taxes). The Consultancy Fee will be reviewed annually by the Board of Linus (Aust).
- (iii) Linus (Aust) may terminate the Consultancy Agreement at any time after the Initial Term with one month's written notice. Linus (Aust) may also terminate the Consultancy if Mr O'Hanlon is incapable of performing his duties under the Consultancy Agreement.
- (iv) The Consultant may terminate the Consultancy Agreement immediately with notice if Linus (Aust) is in breach of a material term of the agreement. The Consultant may also terminate the Consultancy Agreement after the Initial Term with three months written notice.
- (v) All the interests of the Consultant in intellectual property rights and improvements are the property of Linus (Aust) or any of its group companies (as the case may be) as owner without further payment to the Consultant.
- (vi) The agreement includes a non-competition clause typical for an agreement of this type.

- (vii) The specific duties of Mr O'Hanlon include:
- (A) promoting the position of Linus and developing a plan in collaboration with the Chief Executive Officer to achieve this, with the overall objective seeking to raise awareness and interest in Linus;
 - (B) sitting on the product steering committee's monthly meeting, and being available to the Chief Executive Officer to discuss progress and development; and
 - (C) to develop and document potential 'user cases' of Linus, over time developing as many as possible across the video ecosystem that quantify the Linus technology's impact.

(h) **Evaluation and Limited Deployment – Digisoft**

On 21 December 2015, Linus (Aust) and Digisoft.tv Limited (an Irish company) (**Digisoft**) entered into an Evaluation and Limited Deployment Licence Agreement under which Linus (Aust) has granted to Digisoft the right to conduct an in-house evaluation of the Linus technology (**Linus Software**).

The key terms of the agreement are as follows:

- (i) Linus (Aust) agrees to provide the Linus Software to Digisoft, by way of a short term licence at no charge, for the sole purpose of Digisoft evaluating and conducting a limited deployment of the Linus Software.
- (ii) The aim of the limited deployment is to test the operation of the Linus Software and demonstrate "on-the-fly" personalisation of advertising content.
- (iii) The parties intend to achieve this by integrating the Linus Software with Digisoft's proprietary workflow and set-top box software, and then showcasing the technology to pay-TV operators around the world.
- (iv) Specifically, the key elements of integration are:
 - basic API (the ability to "push" video from Digisoft to Linus and "pull" metadata from Linus to Digisoft)
 - support for workflow creation of rules for personalisation, and
 - support for HTML5 playout on set-top boxes, in particular for US cable TV.
- (v) The parties will work together to agree a specific scope of work and project plan to accomplish these objectives.
- (vi) All the interests of Linus (Aust) in the Linus Software are maintained, and Digisoft acknowledges that the Linus Software is protected by copyright and other intellectual property rights,

and constitutes trade secrets and proprietary data of Linius (Aust).

- (vii) All rights, title and interest in any modifications, improvements, enhancements or derivative works to the Linius Software created by either party are owned and vest in Linius (Aust).
- (viii) Other customary intellectual property protection and confidentiality provisions apply.
- (ix) Digisoft agrees to cease use of the Linius Software on the date that is 60 days from the date of delivery of the Linius Software or upon notification of termination by Linius.

The agreement is otherwise on terms that are standard for an agreement of this nature.

1.8 Capital Raising

As part of the Company's re-compliance with Chapters 1 and 2 of the ASX Listing Rules, and as a condition precedent to the Acquisition, Firestrike will issue the Prospectus and seek to raise up to \$3,500,000 at the Capital Raising Issue Price pursuant to the Capital Raising the subject of Resolution 4.

The Company has engaged CPS Capital to lead manage the Capital Raising on the terms summarised in Section 1.6 above.

1.9 Use of Funds

The Company has current cash reserves of approximately \$838,000 as at the date of this Notice of Meeting.

The Company intends to apply the proposed minimum or maximum Capital Raising funds as follows:

Item	Proposed minimum Capital Raising (\$2,750,000) plus existing cash	Proposed maximum Capital Raising (\$3,500,000) plus existing cash
Existing cash reserves	\$748,000	\$748,000
Funds raised under Capital Raising	\$2,750,000	\$3,500,000
TOTAL	\$3,498,000	\$4,248,000
Linius Development	\$2,605,483	\$2,605,483
Corporate Overhead	\$184,500	\$184,500
Costs of the Offer	\$309,405	\$355,484
Working Capital	\$398,612	\$1,102,533
TOTAL	\$3,498,000	\$4,248,000

The Board reserves the discretion to modify the proposed Capital Raising and the table above.

The above table is a statement of current intentions as at the date of this Notice. Intervening events may alter the way funds are ultimately applied by the Company.

1.10 Effect on Capital Structure

The estimated capital structure of the Company following completion of the matters contemplated by the Resolutions is set out below.

Securities	Proposed minimum Capital Raising (\$2,750,000)			Proposed maximum Capital Raising (\$3,500,000)		
	Shares	Options	Performance Shares	Shares	Options	Performance Shares
Existing issued securities	119,511,308	14,527,554 ¹	-	119,511,308	14,527,554	-
Ordinary Consideration Shares – Resolution 3	250,000,000	-	-	250,000,000	-	-
Performance Shares – Resolutions 2 and 3	-	-	200,000,000	-	-	200,000,000
Capital Raising Shares – Resolution 4 ²	36,666,667	-	-	46,666,667	-	-
Loan Shares – Resolution 5	17,500,000	-	-	17,500,000	-	-
Shares to CPS Capital – Resolution 6	5,000,000	-	-	5,000,000	-	-
Options to be issued to proposed Directors and Gavin Campion – Resolutions 10, 11, 12 and 13	-	58,500,000 ³	-	-	58,500,000	-
TOTAL SECURITIES POST-SETTLEMENT	428,677,975	73,027,554	200,000,000	438,677,975	73,027,554	200,000,000

1. Quoted Options exercisable at \$0.04 on or before 31 December 2016.
2. Assuming a Capital Raising Issue Price of \$0.075 per Share (based on the Share price as at 22 January 2016) under the Capital Raising. The Company notes that the Capital Raising Issue Price may differ.
3. New Options exercisable on the terms and conditions set out in Schedule 4.

1.11 Pro Forma Statement of Financial Position

A pro forma balance sheet of the Company following Completion contemplated by this Notice of Meeting is set out below.

Notes	(Un-Audited) 30 November 2015	(Unaudited) Pro-forma 2.75m raise	(Unaudited) Pro-forma 3.5m raise
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		\$	\$	\$
Current Assets				
Cash assets	1	918,532	3,184,532	3,888,532
Trade and other debtors		16,085	16,085	16,085
Total current assets		934,617	3,200,617	3,904,617
Non Current Assets				
Investment- Linius (Aust) Pty Ltd	2	306,518	9,931,518	9,931,518
Property, plant and equipment		130	130	130
Total non-current assets		306,648	9,931,648	9,931,648
Total assets		1,241,265	13,132,265	13,836,265
Current Liabilities				
Trade and other payables		35,557	35,557	35,557
Total current liabilities		35,557	35,557	35,557
Total liabilities		35,557	35,557	35,557
Net assets		1,205,708	13,096,708	13,800,708
Equity				
Issued capital	3	5,601,013	17,492,013	18,196,013
Reserves		(3,040)	(3,040)	(3,040)
Accumulated losses		(4,392,265)	(4,392,265)	(4,392,265)
Total equity		1,205,708	13,096,708	13,800,708

Note 1: Cash assets

	2.75 m raise	3.5 m raise
	\$	\$
Balance at 30 November 2015	918,532	918,532
Funds raised from Prospectus	2,750,000	3,500,000
Expenses of the issue	(309,000)	(355,000)
Due diligence costs	(175,000)	(175,000)
Closing balance	3,184,532	3,888,532

Note 2: Interest in Linius (Aust) Pty Ltd

	\$
Balance at 30 November 2015	306,518
Acquisition cost of Linus (Aust) Pty Ltd*	9,625,000
	9,931,518
*467,500,000 shares at \$0.02 if all milestones achieved	
5,000,000 shares at \$0.02 to corporate advisor	
\$250,000 cash deposit	
\$175,000 due diligence costs	

Note 3: Issued capital

	2.75 m raise	3.5m raise
	\$	\$
Balance at 30 November 2015	5,601,013	5,601,013
Shares issued to acquire Linus (Aust) Pty Ltd	9,350,000	9,350,000
Shares issued to Corporate Advisor	100,000	100,000
Funds raised from Prospectus	2,750,000	3,500,000
Costs of funds raised from Prospectus	(309,000)	(355,000)
Closing balance	17,492,013	18,196,013

1.12 Indicative Timetable

Event	Indicative Timing*
Dispatch of Notice of Meeting	25 February 2016
Lodgement of Prospectus and Prospectus offers anticipated to open	29 February 2016
Company's quoted Shares are suspended from official ASX quotation General Meeting of Shareholders ASX notified whether Shareholders' approval has been granted for the Resolutions	29 March 2016
Prospectus offers close	30 March 2016
Completion of the Acquisition including issue of the Shares pursuant to this Notice.	1 April 2016
Anticipated date for reinstatement of the Company's Shares.	15 April 2016

* The Directors reserve the right to change the above indicative timetable without requiring any disclosure to Shareholders or Option holders.

1.13 Board Intention if Completion Occurs

In the event that Completion occurs and the minimum subscription is obtained, it is intended that the funds raised from the Capital Raising, together with the Company's existing cash reserves will be used as set out in Section 1.9.

1.14 Composition of the Board of Directors

The Company's Board of Directors currently comprises:

- (a) Roger Steinepreis (Non-Executive Chairman);
- (b) Paul Lloyd (Executive Director); and
- (c) David Holden (Non-Executive Director).

It is intended that the three current Directors will resign from the Board of the Company upon Completion.

Pursuant to the Heads of Agreement, it is intended that Christopher Richardson, Stephen McGovern and Stephen Kerr will join the Board upon Completion, together with at least one additional Director. Shareholder approval for the appointment of Messrs Richardson, McGovern and Kerr is sought under Resolutions 7, 8 and 9.

1.15 Advantages of the Proposals in the Resolutions

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the Resolutions concerning the Acquisition:

- (a) the Acquisition represents an investment opportunity for the Company to change its business focus to that of an online technology company;
- (b) the Acquisition provides an opportunity for the Company to diversify its interests to include Linus (Aust) which is engaged in the business the development and commercialisation of new ways for the delivery of video content over the internet;
- (c) the Acquisition will provide the opportunity to increase the value of the Company;
- (d) the proposed new Directors and management team have extensive experience and a track record within the online technology industry; and
- (e) the Company may be able to raise further funds at higher prices by way of share equity as a result of the Acquisition.

1.16 Disadvantages of the Proposals in the Resolutions

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

- (a) the Company will be changing the nature and scale of its activities to become a company focused on development and commercialisation of new ways for the delivery of video content over the internet, as referred to above, which may not be consistent with the objectives of all Shareholders;
- (b) the Acquisition and the Capital Raising will result in the issue of Shares to the Linus Shareholders and new investors, which will have a dilutionary effect on the holdings of Shareholders; and
- (c) there are inherent risks associated with the change in nature of the Company's activities. Some of these risks are summarised in Section 1.17 below.

1.17 Risk Factors

Shareholders should be aware that if the proposed Acquisition is approved, the Company will be changing the nature and scale of its activities. Based on the information available, a non-exhaustive list of risk factors are as follows:

Risks relating to the Change in Nature and Scale of Activities

(a) Re-Quotation of Shares on ASX

The Acquisition constitutes a significant change in the nature and scale of the Company's activities and the Company needs to re-comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the official list of ASX.

There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotation of its Shares on the ASX. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all. Shareholders may be prevented from trading their Shares should the Company be suspended until such time as it does re-comply with the ASX Listing Rules.

(b) Dilution Risk

On Completion, the Company proposes to issue the relevant number of Shares under the Acquisition and issue a minimum of 36,666,667 Shares (assuming a Capital Raising Issue Price of \$0.075) to raise up to \$2,750,000 as part of the Capital Raising. On issue of the 250,000,000 Ordinary Consideration Shares and 200,000,000 Performance Shares under the Acquisition, the Loan Shares to Avitus (or its nominees), Shares to CPS Capital (or its nominees), and the minimum subscription of the Shares under the Capital Raising (assuming no exercise of Options and conversion of the Performance Shares into Shares), the existing Shareholders (including Avitus (or its nominees) and CPS Capital (or its nominees)) will retain approximately 22.57% of the issued capital of the Company, with the Linus Shareholders holding 71.60%, and the investors under the Capital Raising holding 5.83% of the Shares of the Company respectively.

Upon issue of the Consideration Shares and 200,000,000 Performance Shares under the Acquisition, the Loan Shares to Avitus (or its nominees), the Shares to CPS Capital (or its nominees) and the maximum subscription of the Shares under the Capital Raising, being 46,666,667 Shares (assuming a Capital Raising Issue Price of \$0.075) to raise up to

\$3,500,000, (assuming no exercise of Options and conversion of the Performance Shares into Shares), the existing Shareholders (including Avitus (or its nominees) and CPS Capital (or its nominees)) will retain approximately 22.23% of the issued capital of the Company, with the Linius Shareholders holding 70.46%, and the investors under the Capital Raising holding 7.31% of the Shares of the Company respectively.

There is also a risk that the interests of Shareholders will be further diluted as a result of exercise of Options and future capital raisings required in order to seek to fund the development of the Company's proposed businesses after completion of the Acquisition.

(c) **Liquidity Risk**

On Completion, the Company proposes to issue a total of 250,000,000 Ordinary Consideration Shares and 200,000,000 Performance Shares to the Linius Shareholders. These securities will be subject to escrow restrictions in accordance with Chapter 9 of the ASX Listing Rules. Based on the post-offer capital structure (and assuming no further Shares are issued, no Options are exercised and conversion of the Performance Shares in accordance with their terms), these Shares will equate to approximately 71.60% of the post-Offer issued Share capital (assuming minimum subscription under the Capital Raising and a Capital Raising Issue Price of \$0.075). The voting power of the Linius Shareholders will increase if the Capital Raising Issue Price is greater than \$0.075. This could be considered an increased liquidity risk as a large portion of issued capital may not be able to be traded freely for a period of time.

(d) **Contractual Risk**

Pursuant to the Heads of Agreement the Company has agreed to acquire 100% of the issued shares in Linius (Aust) subject to the fulfilment of certain conditions precedent set out in Section 1.4.

The ability of the Company to achieve its stated objectives will depend on the performance by the parties of their obligations under the Heads of Agreement. If any party defaults in the performance of their obligations, it may be necessary for the Company to approach a court to seek a legal remedy, which can be costly.

Risks specific to the Company

There are a number of specific risks involved for the Company, and consequently its Shareholders, in the acquisition of Linius (Aust) including risks specific to the business and assets of Linius (Aust) which include the following non-exhaustive list.

(a) **Technology**

(i) **Commercially unproven technology**

The Linius technology is at a relatively early stage of development. While it has been tested to demonstrate that it can meet the claims of the patents, it has not yet been tested at scale in a commercial environment. As such, it is unknown what limitations there may be in scaling out the technology. Testing with commercial partners is likely to identify any such opportunity but this will take time and money.

(ii) **Technology not productised**

The Linus technology is yet to be productised and be made ready for commercial release. There can be no guarantee that the technology will ever be productised.

Even if productised, there may be a significant lead time until the product is ready for commercial release or incorporation of the technology into a suitable licensable package.

In addition, when selling deeply technical software, there is a risk that consumers of the Linus product will not be willing to pay for the value it provides, or will attempt to force the product down the value chain. This is a common problem for software that is not directly exposed to the end user, and there can be no guarantee that appropriate value will ever be extracted from the product.

(iii) **Continued development of technology**

Linus has developed its own technology in-house, and will continue to develop and seek advancements in its technology. The development and advancement of technology is complex, and progression may be subject to unexpected difficulties and external factors. Further, operating systems, components, hardware and software will require updating and maintenance, which may also affect the ability of Linus to effectively maintain, develop and upgrade its technology, which may in turn have a detrimental effect on Linus' operating and financial performance.

For the Linus technology (and any developed products) to remain relevant and effective, Linus will need to continue to advance its technology to counter advancements that may be made by competitors in the market.

(iv) **Potential programming errors**

The Linus technology contains complicated programming and the Company's objectives are to quickly develop the technology. The Linus technology may therefore contain now or in the future, errors, bugs or vulnerabilities. Any errors, bugs or vulnerabilities discovered could result in (among other consequences) damage to Linus, including liability for damages, any of which could adversely affect the Company's business and operating results.

(v) **Competition and new technologies**

The industry in which the Company will be involved, post Completion, is highly competitive and is subject to increasing competition which is fast-paced and fast-changing. While the Company will undertake all reasonable due diligence in its business decisions and operations, it will have no influence or control over the activities or actions of its competitors, whose activities or actions may positively, or negatively affect the operating and financial performance of Linus's projects and business.

For instance, new technologies could overtake the advancements made by Linus which could negatively impact on the financial position and financial performance of the Company. Competing technologies could be developed or could get to market with a solution before Linus and reduce the market opportunity, even with a less comprehensive solution. This may be particularly true of large well-resourced corporations in the market sector.

(vi) **Integration with existing and legacy technologies**

Linus will need to integrate with a number of existing technologies within the market to manage the delivery of content through the value chain. While the existing technologies often have well documented application programming interface (**API**) and integration pathways, the new approach by Linus may require the customisation or changes to the API to accommodate the approach taken by Linus in managing content and pushing it through the distribution channels. The risk is that systems currently in use will require significant modification to manage how they deal with the Linus technology.

(vii) **Research and development activities**

The Company can make no representation that any of its research into or development of the Linus technology will be successful, that the development milestones will be achieved, or that the Linus technology will be developed into products that are commercially exploitable. There are many risks inherent in the development of technology related products, particularly where the products are in the early stages of development. Projects can be delayed or fail to demonstrate any benefit, or research may cease to be viable for a range of scientific and commercial reasons.

Research and development activities for products are expensive, time consuming and difficult to design and implement. Even if the results of Linus' research and development activities are favourable, some product development activities may be expected to continue for several years and may take significantly longer to complete. In addition, regulatory authorities, including state and local, may suspend, delay or terminate research and development activities at any time for various reasons. Any of the foregoing could have a material adverse effect on Linus' business, results of operations and financial condition.

(b) **Intellectual property**

(i) **Patent rights**

Linus currently has a number of granted patents and some patent applications. If Linus fails to protect its future developments and intellectual property rights, competitors may gain access to its technology which would in turn harm its business.

The prospect of obtaining patent protection for products and the technology such as those proposed under current patent applications is highly uncertain and involves complex and continually evolving factual and legal questions. These include legislative and judicial changes, or changes in the examination guidelines of governmental patent offices, which may negatively affect Linius' ability to obtain patents for its products and technologies. In addition, the scope of patent applications can be significantly reduced during prosecution of the patent applications, with the result that the scope of protection in the issued patent being significantly less than the scope of protection sought by Linius. As a result, Linius' patent application may not proceed to issued patents and, if issued, may not be of commercial benefit to Linius, or may not afford Linius adequate protection from competing products.

If Linius is not able to overcome these objections, there is a risk that it will not be awarded the applicable patents. Alternatively, in modifying the relevant claims to address the objections, there is a risk that the scope of protection in the issued patents being significantly less than the scope of protection sought by Linius.

In addition, since most patent applications remain secret for eighteen months from the time of filing, and since publication of discoveries in the scientific or patent literature often lags behind actual discoveries, Linius cannot be certain that it is the first to make the inventions covered by the pending patent applications or that its patent applications for such inventions was the first to be filed.

Even if Linius succeeds in obtaining patent protection for its products, its patents could be partially or wholly invalidated following challenges by third parties.

(ii) **Protection of intellectual property rights**

Linius' business is substantially reliant on its ability to protect and maintain its intellectual property interests and/or trade secrets. The ability of Linius to obtain and sustain patents, maintain trade secret protection and operate without infringing proprietary rights of third parties will therefore be an integral part of Linius' business in the event that the Acquisition proceeds.

The granting of protection, such as a registered patent, does not guarantee that the rights of others are not infringed, that competitors will not develop technology to avoid the patent or that third parties will not claim an interest in the intellectual property with a view to seeking a commercial benefit from Linius or its partners.

Legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain. Effective patent, trademark, copyright and trade secret protection may not be available to Linius in every country in which the Linius technologies may eventually be launched. Accordingly, despite its efforts, Linius may not be able to

prevent third parties from infringing upon or misappropriating its intellectual property.

Linus may be required to incur significant expenses in monitoring and protecting its intellectual property rights or defending against claims it has infringed on a third party's patent or other intellectual property rights. It may initiate or otherwise be involved in litigation against third parties for infringement, or to establish the validity, of its rights. Any litigation, whether or not it is successful, could result in significant expense to Linus and cause a distraction to management.

In addition, parties making claims against Linus may be able to obtain injunctive or other equitable relief that could prevent Linus from further developing discoveries or commercialising its products. In the event of a successful claim of infringement against Linus, it may be required to pay damages and obtain one or more licenses from the prevailing third party. If it is not able to obtain these licenses at a reasonable cost, if at all, it could encounter delays in product introductions and loss of substantial resources while it attempts to develop alternative products. Defence of any lawsuit or failure to obtain any of these licenses could prevent Linus from commercialising available products and could cause it to incur substantial expenditure.

Refer to Section 1.3 for further details on the intellectual property rights held by Linus.

Industry specific risks

(a) Adoption barriers for uptake

Due to its new approach to the market, Linus faces a range of barriers to adoption by the market. This key risk that these adoption barriers create is that they can prevent or delay Linus' target customers and/or segments from adopting the Linus technology.

(b) Competition from existing market players

While some segments within the value chain will see benefits from the adoption of the Linus technology. Some incumbents will actively work against uptake within the target client organisations due to the potential for the loss of revenue with the disruption of the way things are currently done.

(c) Highly competitive market

The market space dealing with video content is highly competitive and growing with new technologies and solutions trying to enter the market along with existing market player who already operate within the space. This competition creates risk for the adoption of the Linus technology in the market and the gaining of sufficient market share to become profitable.

In addition, though there will be some large competitors that sell products in nearly all market segments, the bigger challenge is the number of small innovators in each market. While coming up with a

technological solution that is competitive with Linus generally may be difficult, it is conceivable that a specific solution provided by Linus in a specific market segment will face direct competition from a small innovator. There can be no guarantee that Linus will be in a position to adequately deal with such competition.

(d) **Multiple markets**

The Linus technology has the potential to be monetised at each point along the entire digital video value chain. However, targeting every point in the chain at once is impractical for a company of Linus (Aust)'s size given, among other things, that each segment has different relationship requirements, different sales requirements, different purchasing time-frames and so on, and requires its own plan of attack).

The Company must therefore decide about the markets in which it is most likely to be successful in the shortest amount of time, and seek out those opportunities. There can be no guarantee that this approach will be successful.

General risks

(a) **Limited trading history**

Linus (Aust) was founded in 2015 and, whilst the Linus technology has been developed over a number of years and its management team have significant experience in the industry, Linus has limited trading history and has generated no revenue. The unproven potential of its proposed new business model makes any evaluation of the businesses or its prospects difficult.

On this basis there is inherent uncertainty in relation to Linus's business, and investors should consider Linus's prospects in light of its limited trading history. There can be no guarantee that Linus's research and development initiatives will be successful, or even if they are successful, to be able to generate commercially viable levels of revenue. Consequently, there can be no forecast or confirmation as to the Company's future performance following Completion.

No assurances can be given that the Company will achieve commercial viability through the successful productisation and commercialisation of the Linus technology and implementation of its business plans.

(b) **Dependence on third parties**

The Company may pursue a strategy that forms strategic business relationships with other organisations in relation to potential products and services. There can be no assurance that the Company will be able to attract such prospective organisations and to negotiate appropriate terms and conditions with these organisations or that any potential agreements with such organisations will be complied with.

(c) **Additional requirements for capital**

The funds raised under the Capital Raising are considered sufficient to meet the immediate objectives of the Company, however there can be no guarantee that the Company's existing cash reserves, the funds

raised under the Offer and funds generated over time by Linus will be sufficient to successfully achieve all the objectives of the Company's business strategy.

Additional funding may be required in the event costs exceed the Company's estimates and to effectively implement its business and operations plans in the future (including the need to conduct further research and development) and enhance the Company's operating infrastructure to take advantage of opportunities for acquisitions, joint ventures or other business opportunities, and to meet any unanticipated liabilities or expenses which the Company may incur. If such events occur, additional financing will be required.

The Company may seek to raise further funds through equity or debt financing, joint ventures, licensing arrangements, production sharing arrangements or other means. Failure to obtain sufficient financing for the Company's and Linus' activities and future projects may result in delay and indefinite postponement of their activities and potential research and development programmes. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company or Linus and might involve substantial dilution to Shareholders.

Any additional equity financing may be dilutive to the Company's existing Shareholders and any debt financing, if available, may involve restrictive covenants, which limit the Company's operations and business strategy. If the Company is unable to raise capital if and when needed, this could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

(d) **Economic**

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's and Linus' business activities and potential research and development programmes, as well as on their ability to fund those activities.

(e) **Market conditions**

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

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in

general and biotechnology stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return to Shareholders arising from the transactions the subject of this Notice or otherwise.

(f) **Market acceptance**

The global marketplace for most products is ever changing due to new technologies, new products, changes in preferences, changes in regulation and other factors influencing market acceptance or market rejection. This market volatility and risk exists despite the best endeavours of market research, promotion and sales and licensing campaigns.

Accordingly, there is a risk that the Company may not be able to commercialise its products, which could adversely impact the Company's operations.

(g) **Foreign exchange risks**

The Company intends to operate in numerous jurisdictions, including the USA. Consequently, it may incur costs and expenses, and generate revenue, in more than one currency. Accordingly, the depreciation and/or the appreciation of the US dollar, for example, relative to the Australian Dollar would result in a foreign currency loss/gain. Any depreciation of the foreign currencies relative to the Australian Dollar may result in lower than anticipated revenue, profit and earnings.

(h) **Reliance on key personnel**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company and Linus depend substantially on their senior management and key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment or if one or more of the Directors leaves the Board.

(i) **Need to attract and retain skilled staff**

The Company's future success will in part depend on its ability to hire and train suitable staff. Competition for such personnel is intense and there can be no assurance that the Company will be successful in attracting and retaining such personnel. A failure to do so may have an adverse effect on the operations and profitability of the Company's business.

(j) **Insurance coverage**

The Company faces various risks in conducting its business and may lack adequate insurance coverage or may not have the relevant insurance coverage. The Company proposes to arrange and maintain insurance coverage for its employees, as well as professional indemnity, product liability and third party liability insurance. The Company will need to review its insurance requirements periodically. If the Company incurs substantial losses or liabilities and its insurance coverage is unavailable or inadequate to cover such losses or liabilities, the Company's financial position and financial performance may be adversely affected.

(k) **Litigation**

The Company is exposed to possible litigation risks including, but not limited to, intellectual property and patent claims. Further, the Company may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's operations, financial performance and financial position. The Company is not currently engaged in any litigation.

(l) **Force Majeure**

The Company's projects now or in the future may be adversely affected by risks outside the control of the Company, including labour unrest, civil disorder, war, subversive activities or sabotage, malicious cyber hacking, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(m) **Unforeseen risk**

There may be other risks which the Directors are unaware of at the date of this Notice which may impact on the Company, its operation and/or the valuation and performance of the Shares.

(n) **Unforeseen expenditure risk**

Expenditure may need to be incurred that has not been taken into account in the preparation of this Prospectus. Although the Company is not aware of any additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company.

(o) **Growth**

There is a risk that the Company may be unable to manage its future growth successfully. The ability to hire and retain skilled personnel and third party personnel may also be a significant obstacle to growth.

(p) **Combination of risks**

The Company may not be subject to a single risk. A combination of risks, including any of the risks outlines in this Section could affect the performance valuation, financial performance and prospects of the Company.

1.18 Plans for the Company if the Resolutions are not passed

If the conditions to the Heads of Agreement are not satisfied or waived, including if not all of the Resolutions are passed, the Acquisition will not proceed.

The Company will continue with its existing project and will seek alternative investment opportunities to build Shareholder value.

1.19 Directors' Interests in the Acquisition

None of the Company's existing Directors have any interest in the proposed Acquisition.

1.20 Linius Shareholders

None of the Linius Shareholders (or their associates) are related parties of the Company or hold a substantial interest in the Company's securities.

1.21 Conditional Resolutions

The Resolutions are inter-conditional, meaning that each of them will only take effect if all of them are approved by the requisite majority of Shareholders' votes at the Meeting. If any one of more of the Resolutions are not approved at the Meeting, none of them will take effect and the Acquisition and other matters contemplated by the Resolutions will not be completed pursuant to this Notice.

1.22 Directors' Recommendation

The Board unanimously recommend Shareholders vote in favour of the Resolutions.

2. RESOLUTION 1 – CHANGE TO NATURE AND SCALE OF ACTIVITIES

2.1 General

Resolution 1 seeks approval from Shareholders for the Acquisition.

As outlined in Section 1.2, the Company has entered into the Heads of Agreement pursuant to which the Company will acquire all of the Linius Shares.

A summary of the terms and conditions of the Heads of Agreement is set out in Section 1.4 and a detailed description of Linius (Aust) and its business is outlined in Section 1.3.

2.2 ASX Listing Rule 11.1

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

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

The change in the nature and scale of the Company's activities as a result of Acquisition requires the Company, in accordance with ASX Listing Rule 11.1.2, to obtain Shareholder approval and the Company must comply with any requirements of ASX in relation to the Notice of Meeting.

The change in the nature and scale of the Company's activities is a back-door listing of Linius (Aust) which consequently requires the Company to (in accordance with ASX Listing Rule 11.1.3) re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules (including any ASX requirement to treat the Company's securities as restricted securities).

Accordingly, it is anticipated that the Company's securities will be subjected to a trading halt or suspension and thereby cease trading on ASX's Official List prior to market open on the day of the Meeting. If the Resolutions are approved at the Meeting, it is expected that the Company's Securities will remain suspended from quotation until the Company has acquired Linus (Aust) pursuant to the Heads of Agreement and re-complied with Chapters 1 and 2 of the Listing Rules, including by satisfaction of ASX's conditions precedent to reinstatement.

If any one or more of the Resolutions are not approved at the Meeting, it is expected that the Company's securities will be reinstated to quotation on ASX's Official List after the Company announces the results of the Meeting in accordance with the Listing Rules and Corporations Act.

2.3 Guidance Note 12

Changes to ASX Guidance Note 12 in 2014 alter ASX's policy in relation to the application of the "20 cent rule" to re-compliance listings. Previously, an entity required to re-comply with Chapters 1 and 2 of the ASX Listing Rules, was required to offer any shares as part of re-compliance at an issue price of at least 20 cents per share. Guidance Note 12 states that this issue price can now be below 20 cents when an entity's securities have been trading on ASX at less than 20 cents each. ASX will consider a request not to apply the 20 cent rule provided the issue price, sale price or exercise price for any securities being issued or sold as part of, or in conjunction with, the transaction:

- (a) is not less than two cents each;
- (b) is specifically approved by security holders as part of the approval(s) obtained under ASX Listing Rule 11.1.2; and
- (c) ASX is otherwise satisfied that the entity's proposed capital structure after the transaction will satisfy ASX Listing Rules 1.1 condition 1 and 12.5 (appropriate structure for a listed entity).

The Company has applied to ASX for a waiver from:

- (a) ASX Listing Rule 2.1 condition 2 to the extent necessary for the issue price of the Shares to be issued pursuant to the Capital Raising not to be at least 20 cents; and
- (b) ASX Listing Rule 1.1 condition 11 to the extent necessary for the exercise price of the Options currently on issue and the New Options not to be at least 20 cents.

For this reason, the Company is seeking Shareholder approval for the Company:

- (a) to issue Shares at an issue price of not less than \$0.02 per Share pursuant to the Capital Raising as part of the approvals sought under ASX Listing Rule 11.1.2; and
- (b) have Options on issue upon Completion with an exercise price of not less than \$0.02 per Option.

3. RESOLUTION 2 – CREATION OF A NEW CLASS OF SECURITIES – PERFORMANCE SHARES

3.1 Requirements for Shareholder approval

Resolution 2 seeks Shareholder approval for the Company to be authorised to issue the Performance Shares.

A company with a single class of shares on issue which proposes to issue new shares not having the same rights as its existing shares, is taken to vary the rights of existing Shareholders unless the Constitution already provides for such an issue.

Under clause 2.2 of the Constitution and, subject to the Corporations Act and the ASX Listing Rules, the Directors may at any time issue such number of Shares either as ordinary Shares or shares of a named class or classes (being either an existing class or a new class) at the issue price that the Directors determine and with such rights or restrictions as the Directors shall (in their absolute discretion) determine.

Section 246B of the Corporations Act and clause 2.4 of the Constitution provide that the rights attaching to a class of shares cannot be varied without:

- (a) a special resolution passed at a meeting of the members holding shares in that class; or
- (b) the written consent of the members who are entitled to at least 75% of the votes that may be cast in respect of shares in that class.

Pursuant to the Heads of Agreement, the Company proposes to issue (amongst other securities) 200,000,000 Performance Shares, being 50,000,000 Performance Shares convertible into Shares on the achievement of Milestone 1 (**Class A Performance Shares**), 50,000,000 Performance Shares convertible into Shares on the achievement of Milestone 2 (**Class B Performance Shares**), 50,000,000 Performance Shares convertible into Shares on the achievement of Milestone 3 (**Class C Performance Shares**) and 50,000,000 Performance Shares convertible into Shares on the achievement of Milestone 4 (**Class D Performance Shares**) on the terms set out in Schedule 1 of this Explanatory Statement.

The purpose of the issue of the Performance Shares is to link part of the consideration for the Acquisition to certain key performance criteria. If the Milestones are not achieved within the prescribed timeframe, the Company will redeem the Performance Shares.

The Milestones associated with the conversion of each class of Performance Shares are set out in Schedule 1 of this Explanatory Statement. Each Milestone has a specific link to the performance of Linus (Aust). The Milestones attached to the Performance Shares use industry-standard terms such as “alpha release” and “limited deployment” in order to identify what is required in order for a particular Milestone to be achieved. The Milestones also support and reflect Linus (Aust)’s business model set out in Section 1.3(f) above.

The Company currently has only one class of shares on issue being fully paid ordinary shares (**Shares**). The terms of the Performance Shares are not the same as the Shares. Accordingly, the Company seeks approval from Shareholders for the issue of the Performance Shares.

Resolution 2 is a special resolution and is subject to the passing of all other Resolutions.

3.2 ASX Approval pursuant to ASX Listing Rule 6.1 and 6.2

ASX Listing Rule 6.1 provides that the terms that apply to each class of equity security must, in ASX's opinion, be appropriate and equitable.

ASX Listing Rule 6.2 further provides that an entity may only have one class of ordinary securities unless either ASX approves the terms of an additional class or the additional class is of partly paid securities which, if fully paid, would be in the same class as the ordinary securities.

The Company has sought ASX approval for the issuance of the Performance Shares required under ASX Listing Rule 6.1 and 6.2.

4. RESOLUTION 3 – ISSUE OF CONSIDERATION SHARES TO LINIUS SHAREHOLDERS

4.1 Background

Resolution 3 seeks Shareholder approval for the issue of:

- (a) 250,000,000 Ordinary Consideration Shares to Phoenix Myrrh (or its nominee); and
- (b) 200,000,000 Performance Shares to the Initial Linius Shareholders (or their nominees),

(Phoenix Myrrh and the Initial Linius Shareholders together, the **Linius Shareholders**),

in consideration for the acquisition of 100% of the Linius Shares.

Mr Stephen McGovern is a director of Linius (Aust), the sole director and company secretary and sole shareholder of one of the Linius Shareholders, Steve McGovern Nominees Pty Ltd, and will become a Director at Completion (refer to Resolution 8). Mr McGovern is therefore a related party of the Company for the purposes of section 228 of the Corporations Act.

The Directors consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Performance Shares to Mr McGovern because the agreement to issue the Shares, reached as part of the acquisition of Linius (Aust), was negotiated on an arm's length basis.

A summary of the background to the proposed issue of the Shares to the Linius Shareholders is contained in Sections 1.1 to 1.4 above.

4.2 General

Resolution 3 seeks Shareholder approval for the purpose of item 7 of section 611 of the Corporations Act to allow the Company to issue 250,000,000 Ordinary Consideration Shares and 200,000,000 Performance Shares to the Linius Shareholders which will, assuming \$2,750,000 is raised under the Capital Raising at a Capital Raising Issue Price of \$0.10 per Share (being the maximum possible Capital Raising Issue Price), all other Shares proposed to be issued pursuant to the Resolutions are issued, the Performance Shares convert into Shares in accordance with their terms and no Options are exercised, result in the Linius

Shareholders and their associates' voting power in the Company increasing from 0% up to a maximum of 72.66%.

Pursuant to ASX Listing Rule 7.2 (Exception 16), Listing Rule 7.1 does not apply to an issue of securities approved for the purpose of Item 7 of Section 611 of the Corporations Act. Accordingly, if Shareholders approve the issue of securities pursuant to Resolution 3, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 and the additional 10% annual capacity set out in ASX Listing Rule 7.1A without the requirement to obtain prior Shareholder approval.

4.3 Item 7 of Section 611 of the Corporations Act

(a) Section 606 of the Corporations Act – Statutory Prohibition

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

- (i) from 20% or below to more than 20%; or
- (ii) from a starting point that is above 20% and below 90%,

(Prohibition).

(b) Voting Power

The voting power of a person in a body corporate is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

(c) Linius Shareholders' entitlements in the Company

The Linius Shareholders do not currently hold any Shares in the Company.

Following Completion, the Linius Shareholders entitlements to the Shares the subject of Resolution 3 and resulting voting power in the Company assuming the minimum subscription under the Capital Raising is raised, the Heads of Agreement is completed and no Options are exercised, will be as follows:

Holdings of Linius Shareholders following the Issue (and maximum Capital Raising Issue Price of \$0.10 per Share)

Linius Shareholder	Shares	Performance Shares	Voting Power
Phoenix Myrrh	250,000,000	Nil	58.37%
Initial Linius Shareholders	Nil	200,000,000	0%
Total	250,000,000	200,000,000	59.62%

Following Completion, the Linus Shareholders entitlements to the Shares the subject of Resolution 3 and resulting voting power in the Company assuming the minimum subscription under the Capital Raising is raised, the Heads of Agreement is completed, no Options are exercised and the Performance Shares have converted into Shares in accordance with their terms, will be as follows:

Holdings of Linus Shareholders following the Issue and conversion of the Performance Shares (and maximum Capital Raising Issue Price of \$0.10 per Share)

Linus Shareholder	Shares	Performance Shares	Voting Power
Phoenix Myrrh	250,000,000	Nil	40.36%
Initial Linus Shareholders	200,000,000	Nil	32.30%
Total	450,000,000	Nil	72.66%

(d) **Associates**

For the purposes of determining voting power under the Corporations Act, a person (**second person**) is an "associate" of the other person (**first person**) if:

- (i) (pursuant to Section 12(2) of the Corporations Act) the first person is a body corporate and the second person is:
 - (A) a body corporate the first person controls;
 - (B) a body corporate that controls the first person; or
 - (C) a body corporate that is controlled by an entity that controls the person;
- (ii) the second person has entered or proposes to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; or
- (iii) the second person is a person with whom the first person is acting or proposes to act, in concert in relation to the company's affairs.

The Linus Shareholders are not associates of each other nor are they acting or proposing to act in concert with each other in relation to the Company's affairs. However, to the extent that the Linus Shareholders are deemed to be associates of each other, the maximum voting power that they may together hold is 72.66%.

(e) **Relevant Interests**

Section 608(1) of the Corporations Act provides that a person has a relevant interest in securities if they:

- (i) are the holder of the securities;

- (ii) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- (iii) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

In addition, Section 608(3) of the Corporations Act provides that a person has a relevant interest in securities that any of the following has:

- (i) a body corporate in which the person's voting power is above 20%; and
- (ii) a body corporate that the person controls.

As at the date of this Notice, the Linus Shareholders do not have a relevant interest in the Shares.

4.4 Reason Section 611 Approval is Required

Item 7 of Section 611 of the Corporations Act provides an exception to the Prohibition, whereby a person may acquire a relevant interest in a company's voting shares with shareholder approval.

Following the issue of the Ordinary Consideration Shares to Phoenix Myrrh, Phoenix Myrrh will have a relevant interest in 250,000,000 Shares in the Company, representing 59.62% voting power (assuming the maximum Capital Raising Issue Price of \$0.10) in the Company following Completion.

Following the issue and conversion of the Performance Shares to the Initial Linus Shareholders:

- (a) the Initial Linus Shareholders will have a relevant interest in 200,000,000 Shares in the Company, representing 32.30% voting power (assuming the maximum Capital Raising Issue Price of \$0.10) in the Company; and
- (b) Phoenix Myrrh will have 40.36% voting power (assuming the maximum Capital Raising Issue Price of \$0.10) in the Company,

meaning that, together, the Linus Shareholders will have a relevant interest in 450,000,000 Shares representing a voting power of 72.66% (assuming the maximum Capital Raising Issue Price of \$0.10) in the Company. This assumes that no other Shares other than those contemplated by the Resolutions are issued, no Options are exercised and all of the Performance Shares convert into Shares in accordance with their terms.

Accordingly, Resolution 3 seeks Shareholder approval for the purpose of Section 611 Item 7 and all other purposes to enable the Company to issue the Shares and Performance Shares to the Linus Shareholders. Each of the Linus Shareholders will have a relevant interest in any securities held by the other Linus Shareholders because they are associates of each other.

(a) **Associates of Linius Shareholders**

For the purpose of the Corporations Act, none of the associates of the Linius Shareholders currently hold any interest in the Company.

Prescribed information – ASIC Regulatory Guide

The following information is required to be provided to Shareholders in accordance with the Corporations Act and ASIC Regulatory Guide 74 in respect of an approval under Item 7 of Section 611 of the Corporations Act. Shareholders are also referred to the Independent Expert's Report prepared by HLB Mann Judd annexed to this Explanatory Statement as Annexure A.

(b) **Acquirer**

It is proposed that Phoenix Myrrh will acquire up to 250,000,000 Shares and the Initial Linius Shareholders will acquire up to 200,000,000 Performance Shares pursuant to Resolution 3.

The Linius Shareholders are not associates of each other nor are they acting or proposing to act in concert with each other in relation to the Company's affairs. To the extent that the Linius Shareholders are deemed to be associates of each other (**Associates**), the Linius Shareholders have no further associates other than the Associates.

(c) **Relevant interests and voting power**

As at the date of this Notice, the Linius Shareholders and their Associates do not hold a relevant interest in any Shares and therefore have no voting power in the Company. Shareholders' approval is sought pursuant to Resolution 3 for their potential maximum increase in voting power and relevant interests as disclosed in this Section 4.3 above.

From the table set out in Section 4.3(c) it can be seen that the maximum relevant interest that the Linius Shareholders will hold after Completion is 450,000,000 Shares, and the maximum voting power that the Linius Shareholders will hold is 72.66%. This represents a maximum increase in voting power of 72.66% (being the difference between 0% and 72.66%).

(d) **The Linius Shareholders' intentions**

As a proposed Director, Stephen McGovern will have certain controls on decisions made by the Board. Subject to those controls and, other than in the context the change in the nature and scale of activities of the Company following Completion and otherwise as disclosed elsewhere in this Explanatory Statement, the Company understands that Stephen McGovern and the Linius Shareholders:

- (i) have no intention of making any significant changes to the Company's business;
- (ii) have no intention to inject further capital into the Company;
- (iii) have no intention of making changes regarding the future employment of the Company's present employees;
- (iv) do not intend to redeploy any of the Company's fixed assets;

- (v) do not intend to transfer any property between the Company and any Linus Shareholders or their associates; and
- (vi) do not intend to significantly change the Company's financial or dividend distribution policies.

These intentions are based on information concerning the Company, its business and the business environment which is known to those parties as at the date of this Notice.

(e) **Particulars of proposed issue and timing**

Particulars relating to the proposed issue of the Consideration Shares to the Linus Shareholders the subject of Resolution 3 and proposed timing are set out in detail in this Explanatory Statement.

(f) **Reason for the proposed issue**

The Shares and Performance Shares the subject of Resolution 3 will be issued as consideration for the acquisition of 100% of the Linus Shares held by the Linus Shareholders. These Shares and Performance Shares will be issued on Completion.

(g) **Material terms of proposed issue of securities**

As set out in Section 1.4 of this Explanatory Statement, the Company is proposing to issue 250,000,000 Shares and 200,000,000 Performance Shares to the Linus Shareholders.

(h) **Identity, associations and qualifications of Nominee Director**

In accordance with the terms of the Heads of Agreement, the Company will appoint Stephen McGovern as a Director and with effect from Completion (**Nominee Directors**).

The Nominee Director is currently a director of Linus (Aust).

Mr McGovern is associated with another of the Linus Shareholders, Steve McGovern Nominees Pty Ltd. Details of Mr McGovern's qualifications are set out in Section 8.

Neither Stephen McGovern nor any of his associates currently holds or has a relevant interest in any Shares.

(i) **Directors' interests and recommendations**

Refer to Section 4.6 for the Directors' interests and recommendations in relation to Resolution 3.

(j) **Capital structure**

The Company's pro-forma capital structure assuming Completion is set out in Section 1.10.

4.5 Independent Expert's Report

The Independent Expert's Report assesses whether the Linus Shareholders' acquisition of Shares and Performance Shares and their increase in voting

power, with their associates, under Resolution 3 is fair and reasonable to the Shareholders who are not associated with the Linus Shareholders.

The Independent Expert's Report also contains an assessment of the advantages and disadvantages of the proposed issue of Shares the subject of Resolution 3. This assessment is designed to assist all Shareholders in reaching their voting decision.

The Independent Expert's Report concludes that the proposal as outlined in Resolution 3, on balance, is **fair and reasonable** to the non-associated Shareholders.

The Independent Expert's Report is enclosed with this Notice of Meeting. The Board recommends Shareholders read the Independent Expert's Report in full to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

4.6 Directors' interests and recommendations

The current Directors unanimously recommend that Shareholders vote in favour of Resolution 3 as they consider the advantages of the Acquisition outweigh the disadvantages.

Each Director will vote, or procure the voting of any Director-controlled Share, in favour of Resolution 3.

None of the Directors have an interest in the outcome of Resolution 3 save for an interest as a Shareholder.

The Directors are not aware of any other information other than as set out in this Notice of Meeting that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 3.

4.7 Advantages of the issue – Resolution 3

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on Resolution 3:

- (a) the issue of Shares and Performance Shares to the Linus Shareholders will complete the Company's obligations under the Heads of Agreement and will not require renegotiation of its terms;
- (b) the issue will enable the Company to complete the Acquisition which will allow the Company to be re-instated to trading;
- (c) HLB Mann Judd has concluded that the issue of the Shares and Performance Shares to the Linus Shareholders is fair and reasonable to the non-associated Shareholders; and
- (d) there are various other advantages of the Acquisitions set out in Section 1.15.

4.8 Disadvantages of the issue – Resolution 3

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on Resolution 3:

- (a) the issue of the Shares and Performance Shares to the Linus Shareholders will increase the voting power of the Linus Shareholders from 0% to 72.66%, reducing the voting power of non-associated Shareholders in aggregate from 100% to 27.34% assuming the minimum subscription under the Capital Raising is raised (at the maximum Capital Raising Issue Price of \$0.10 per Share), all other Shares for which approval is being sought pursuant to this Notice are issued, no Options are exercised, the Performance Shares convert into Shares in accordance with their terms and the Acquisition completed;
- (b) there is no guarantee that the Shares will not fall in value as a result of the issue of Shares to the Linus Shareholders; and
- (c) there are various other disadvantages of the Acquisition set out in Section 1.16.

5. RESOLUTION 4 – ISSUE OF SHARES - CAPITAL RAISING

5.1 General

Resolution 4 seeks Shareholder approval for the issue of up to 175,000,000 Shares at the Capital Raising Issue Price per Share to raise up to \$3,500,000 (**Capital Raising**).

The Company has engaged the services of CPS Capital Group Pty Ltd (ACN 088 055 636) (**CPS Capital**), a licensed securities dealer (AFSL 294 848), to manage the Capital Raising. The Company will pay CPS Capital a management fee of 1% (plus applicable GST) of the gross amount raised under the Capital Raising.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 4 will be to allow the Company to issue the Shares pursuant to the Capital Raising during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

5.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Capital Raising:

- (a) the maximum number of Shares to be issued is 175,000,000;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;

- (c) the issue price will be at least 80% of the volume weighted average market price for Shares calculated over the last 5 days on which sales in the Shares are recorded before the date on which the prospectus is signed which price will not be less than \$0.02, with a maximum price of \$0.10 per Share(**Capital Raising Issue Price**);
- (d) the Shares are proposed to be issued to the public by way of a prospectus for the purpose of ASX Listing Rule 1.1 condition 3. None of the subscribers for the Capital Raising will be related parties of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the Company intends to use the funds raised from the Capital Raising towards the budgeted expenditure described in Section 1.9 above.

6. RESOLUTION 5 – ISSUE OF SHARES TO AVITUS CAPITAL PTY LTD

6.1 General

Resolution 5 seeks Shareholder approval for the issue of up to 17,500,000 Shares at a deemed issue price of \$0.02 per Share to Avitus Capital Pty Ltd (or its nominees) in repayment of a \$350,000 loan furnished to Linus (Aust) by Avitus Capital Pty Ltd pursuant to a convertible loan agreement dated 27 October 2015 (**Convertible Loan Agreement**). Details of the Convertible Loan Agreement are set out in Section 1.5.

A summary of ASX Listing Rule 7.1 is set out in Section 5.1 above.

The effect of Resolution 5 will be to allow the Company to issue the Shares to Avitus Capital Pty Ltd (or its nominees) during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

6.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the proposed Share issue:

- (a) the maximum number of Shares to be issued is 17,500,000;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting and it is intended that issue of all of the Shares will occur on the same date;
- (c) the deemed issue price of the Shares is \$0.02 per Share;
- (d) the Shares will be issued to Avitus Capital Pty Ltd (or its nominees). Neither Avitus Capital Pty Ltd nor its nominees are related parties of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and

- (f) no funds will be raised from the issue of the Shares as they are being issued in repayment of the loan under the Convertible Loan Agreement.

7. RESOLUTION 6 – ISSUE OF SHARES TO CPS CAPITAL GROUP PTY LTD

7.1 General

Resolution 6 seeks Shareholder approval for the issue of up to 5,000,000 Shares at a deemed issue price of \$0.02 per Share to CPS Capital Group Pty Ltd (or its nominees) pursuant to the Mandate summarised in Section 1.6 in consideration for CPS introducing Linus to the Company.

A summary of ASX Listing Rule 7.1 is set out in Section 5.1 above.

The effect of Resolution 6 will be to allow the Company to issue the Shares to CPS Capital Group Pty Ltd (or its nominees) during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

7.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the proposed Share issue:

- (a) the maximum number of Shares to be issued is 5,000,000;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting and it is intended that issue of all of the Shares will occur on the same date;
- (c) the deemed issue price of the Shares is \$0.02 per Share;
- (d) the Shares will be issued to CPS Capital Group Pty Ltd (or its nominees). Neither CPS Capital Group Pty Ltd nor its nominees are related parties of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) no funds will be raised from the issue of the Shares as they are being issued in consideration for CPS Capital introducing Linus to the Company.

8. RESOLUTIONS 7, 8 AND 9 – ELECTION OF DIRECTORS – CHRISTOPHER RICHARDSON, STEPHEN MCGOVERN AND STEPHEN KERR

Pursuant to the Heads of Agreement, at Completion it is proposed that Christopher Richardson, Stephen McGovern and Stephen Kerr each be appointed as a Director and the current Directors will resign.

Resolution 7 seeks approval for the election of Christopher Richardson as a director of the Company on and from Completion if all Resolutions are approved by Shareholders.

Resolution 8 seeks approval for the election of Stephen McGovern as a director of the Company on and from Completion if all Resolutions are approved by Shareholders.

Resolution 9 seeks approval for the election of Stephen Kerr as a director of the Company on and from Completion if all Resolutions are approved by Shareholders. Information on the qualifications, skills and experience of Messrs Richardson, McGovern and Kerr are set out below.

Christopher Richardson

Christopher Richardson is a global executive in the internet space who with global technology sector experience. He has over 20 years experience building organisations and products that succeed in their markets and provide exceptional shareholder value.

Currently, Mr Richardson sits on the board of directors of:

- Mirovoy Sales, a sales software automation company based in Prague, CZ; and
- The Ibis Network Limited, a content marketing agency based in Hong Kong, CN.

Previously, Mr Richardson served as global General Manager of KIT digital's network-operator division, and CEO of KIT Germany, where he oversaw growth of video platform sales to network operators from \$12 million US annually to over \$100 million US, prior to KIT's acquisition by Piksel, Inc. Before KIT digital, Mr Richardson served in executive roles in marketing and product-management for several Silicon Valley start-ups, including:

- U4EA Wireless (the world's first SMB focused Wi-Fi manufacturer, and provider of embedded wireless software; acquired by GoS Networks); and
- NextHop Technologies (an embedded routing software company; acquired by Greenhills software), which he co-founded and raised Series A funding from tier-1 Silicon Valley VCs, led by New Enterprise Associates.

Prior to founding NextHop technologies, Mr Richardson was a software engineer at MERIT Networks, where he helped build the early internet, developing routing protocols, and consulting with developing countries around the world on deploying the Internet; lecturing multiple times at ISOC's Developing Countries workshops in Geneva, Switzerland, and being the first non-native speaker at Russia's All Russia Telematiks conference. Mr Richardson was Visiting Professor of Internet Routing at St. Petersburg State Technical University in St. Petersburg, Russia. He studied mathematics and philosophy at the University of Michigan, where he won the William S. Branstrom Prize for academic excellence and Evelyn O. Bychinky Award for excellence in mathematics.

The Board has considered Mr Richardson's independence and considers that he is not an independent Director.

The Directors support the election of Mr Richardson and recommend that Shareholders vote in favour of Resolution 7.

Stephen McGovern

Steve McGovern is a founder and current Managing Director of Dubber Corporation Ltd. Steve has over 23 years' experience in the fields of telecommunications, media sales, pay TV and regulatory

Steve has been a senior executive of several established companies, both domestically and internationally, which have been primarily associated with new and emerging markets and have required a strong sales and solutions focus. These include pay TV, telecommunications de-regulation, internet service providers and media licensing, all of which maintain a strong sales and solutions focus, both domestically and internationally.

Steve is formerly a Sales Director of Sky Subscriber Services managing subscriber acquisition for Sky TV (now BSkyB). Between 1995 and 1998 Steve was an executive involved in the launch of the pay TV industry in Australia within the Galaxy/Austar/Foxtel network. From 1998 Steve was General Manager of Hotkey Internet Services, an ISP which was sold to Primus Telecommunications in 2000.

From 2000 Steve was a director of the Australian subsidiary of Affinity Internet Holdings, Europe's second largest ISP at the time and listed on the FTSE, having vended in an Australian based ISP businesses.

For the past 11 years Steve has been Chief Executive of the my1300 group of companies until the sale of the business earlier this year. This group comprised businesses which involved media licensing, telecommunications service providers and partner networks for Australian telecom companies such as Primus, AAPT, One Tel, Worldxchange, Telstra, Optus and Vodafone.

The Board has considered Mr McGovern's independence and considers that he is not an independent Director.

The Directors support the election of Mr McGovern and recommend that Shareholders vote in favour of Resolution 8.

Stephen Kerr

Stephen Kerr is a qualified chartered accountant and chartered company secretary. He is an experienced CFO and governance professional, having held senior finance positions in private and publicly listed company environments across Australia and New Zealand for over 15 years.

He has had exposure to a wide range of markets and industries including IT, business services, logistics, transport and life-sciences and brings strong financial, commercial and governance skills to the Group.

Stephen holds a Bachelor of Commerce from the University of Melbourne and is a current member of the Institute of Chartered Accountants in Australia and a Fellow of the Governance institute of Australia.

He is currently CFO of ASX-listed Knosys Limited, on a part-time basis.

The Board has considered Mr Kerr's independence and considers that he is not an independent Director.

The Directors support the election of Mr Kerr and recommend that Shareholders vote in favour of Resolution 9.

9. RESOLUTIONS 10, 11 AND 12 – ISSUE OF NEW OPTIONS TO CHRISTOPHER RICHARDSON, STEPHEN MCGOVERN AND STEPHEN KERR

9.1 General

As set out in Section 1.14, upon Completion it is proposed that Christopher Richardson, Stephen McGovern and Stephen Kerr join the Board as Directors. Shareholder approval for the appointment of Messrs Richardson, McGovern and Kerr as Directors is being sought pursuant to Resolutions 7, 8 and 9 of this Notice.

The Company has agreed, subject to obtaining Shareholder approval, to issue a total of 17,500,000 New Options to Christopher Richardson, Stephen McGovern and Stephen Kerr (or their nominees) on the terms and conditions set out below.

Resolution 10 seeks Shareholder approval for the grant of New Options to Christopher Richardson (or his nominees), Resolution 11 seeks Shareholder approval for the grant of the New Options to Stephen McGovern (or his nominees) and Resolution 12 seeks Shareholder approval for the grant of the New Options to Stephen Kerr (or his nominees).

9.2 Chapter 2E of the Corporations Act

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

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

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

The grant of New Options constitutes giving a financial benefit and Christopher Richardson, Stephen McGovern and Stephen Kerr are related parties of the Company by virtue of being proposed Directors.

The Directors consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the grant of the New Options because the agreement to grant the New Options, reached as part of the remuneration packages for Christopher Richardson, Stephen McGovern and Stephen Kerr, is considered reasonable remuneration in the circumstances and was negotiated on an arm's length basis.

9.3 ASX Listing Rule 10.11 and ASX Listing Rule 7.1

ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

As the grant of the New Options involves the issue of securities to related parties of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that exception 6 of ASX Listing Rule 10.12 applies in the current circumstances and,

consequently, Shareholder approval is being sought pursuant to ASX Listing Rule 7.1.

A summary of ASX Listing Rule 7.1 is set out in section 5.1.

The effect of Resolutions 10, 11 and 12 will be to allow the Company to issue the New Options to Christopher Richardson, Stephen McGovern and Stephen Kerr (or their nominees) during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

9.4 Technical Information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolutions 10, 11 and 12:

- (a) the New Options will be granted to Christopher Richardson, Stephen McGovern and Stephen Kerr (or their nominees);
- (b) the number of New Options to be issued is:
 - (i) 10,000,000 New Options to Christopher Richardson (or his nominees);
 - (ii) 6,000,000 New Options to Stephen McGovern (or his nominees); and
 - (iii) 1,500,000 New Options to Stephen Kerr (or his nominees);
- (c) the New Options will be granted no later than 3 months after the date of the Meeting and it is intended that issue of the New Options will occur on the same date;
- (d) the New Options will be issued for nil cash consideration, accordingly no funds will be raised; and
- (e) the New Options will be exercisable at the Capital Raising Issue Price on or before 31 March 2019 and on the terms and conditions of the New Options as set out in Schedule 4. In addition, the New Options issued to Mr Kerr and to Mr Richardson are subject to vesting as follows:

Name	No. Options	Vesting date
Stephen Kerr	300,000	Vesting in equal instalments of 75,000 each at the end of each calendar quarter after Completion.
	300,000	Vesting on the date of satisfaction of Milestone 1 set out in the Performance Share terms in Schedule 1.
	300,000	Vesting on the date of satisfaction of Milestone 2 set out in the Performance Share terms in Schedule 1.
	300,000	Vesting on the date of satisfaction of Milestone 3 set out in the Performance Share terms in Schedule 1.
	300,000	Vesting on the date of satisfaction of Milestone 4 set out in the Performance Share terms in Schedule 1.

Chris Richardson	4,000,000	Vesting in equal instalments of 1,000,000 each at the end of each calendar quarter after the Completion.
	1,500,000	Vesting on the date of satisfaction of Milestone 1 set out in the Performance Share terms in Schedule 1.
	1,500,000	Vesting on the date of satisfaction of Milestone 2 set out in the Performance Share terms in Schedule 1.
	1,500,000	Vesting on the date of satisfaction of Milestone 3 set out in the Performance Share terms in Schedule 1.
	1,500,000	Vesting on the date of satisfaction of Milestone 4 set out in the Performance Share terms in Schedule 1.

10. RESOLUTION 13 – ISSUE OF NEW OPTIONS TO GAVIN CAMPION

10.1 General

Resolution 9 seeks Shareholder approval for the issue of up to 41,000,000 New Options (**Placement**) to Gavin Campion for past services to Linus (Aust) and future services to be provided by Mr Campion to the Company and Linus (Aust), including on strategy, business development and marketing.

A summary of ASX Listing Rule 7.1 is set out in section 5.1 above.

The effect of Resolution 13 will be to allow the Company to issue the Options pursuant to the Placement during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

10.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Placement:

- (a) the maximum number of New Options to be issued is 41,000,000;
- (b) the New Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (c) the New Options will be issued for nil cash consideration in satisfaction of past services and future services to be provided by Gavin Campion;
- (d) the New Options will be issued to Gavin Campion (or his nominees), who are not related parties of the Company;
- (e) the New Options issued will be exercisable at the Capital Raising Issue Price on or before 31 March 2019 and on the terms and conditions as set out in Schedule 4; and

- (f) no funds will be raised from the Placement as the New Options are being issued in consideration for services to be provided by Gavin Campion.

11. RESOLUTIONS 14 AND 15 – ADOPTION OF EMPLOYEE INCENTIVE SCHEMES

Resolution 14 seeks Shareholders approval for the adoption of the employee incentive scheme titled Incentive Share Plan (**Plan**) in accordance with ASX Listing Rule 7.2 (Exception 9(b)).

Resolution 15 seeks Shareholders approval for the adoption of the employee incentive scheme titled Incentive Option Scheme (**Scheme**) in accordance with ASX Listing Rule 7.2 (Exception 9(b)).

A summary of ASX Listing Rule 7.1 is set out in section 5.1.

ASX Listing Rule 7.2 (Exception 9(b)) sets out an exception to ASX Listing Rule 7.1 which provides that issues under an employee incentive scheme are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

If Resolutions 14 and 15 are passed, the Company will be able to issue Shares under the Plan and Options under the Scheme to eligible participants over a period of 3 years without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 12 month period.

A summary of the Plan is set out in Schedule 2 of this Notice and a summary of the Scheme is set out in Schedule 3 of this Notice.

Shareholders should note that no Shares have previously been issued under the Plan and no Options have previously been issued under the Scheme.

The Company intends on issuing Options under the Scheme post-reinstatement, however the proposed recipients are not yet settled.

The objective of the Plan and the Scheme is to attract, motivate and retain key employees and it is considered by the Company that:

- (a) the adoption of the Plan and the issue of Shares under the Plan; and
- (b) the adoption of the Scheme and the issue of Options under the Scheme,

will provide selected employees with the opportunity to participate in the future growth of the Company.

Any future issues of Shares under the Plan or Options under the Scheme to a related party or a person whose relation with the company or the related party is, in ASX's opinion, such that approval should be obtained will require additional Shareholder approval under ASX Listing Rule 10.14 at the relevant time. In addition, copies of the Plan and the Scheme are available for review by Shareholders at the registered office of the Company until the date of the Meeting. A copy of the Plan and/or the Scheme can also be sent to Shareholders upon request to the Company Secretary, Mr Paul Lloyd. Shareholders are invited to contact the Company if they have any queries or concerns.

12. RESOLUTION 16 – CHANGE OF COMPANY NAME

Section 157(1)(a) of the Corporations Act provides that a company may change its name if the company passes a special resolution adopting a new name.

Resolution 16 seeks the approval of Shareholders for the Company to change its name to “Linus Technologies Limited”.

If Resolution 16 is passed the change of name will take effect when ASIC alters the details of the Company’s registration.

The proposed name has been reserved by the Company and if Resolution 16 is passed, the Company will lodge a copy of the special resolution with ASIC on Completion in order to effect the change.

The Board proposes this change of name on the basis that it more accurately reflects the proposed future operations of the Company.

Resolution 16 is subject to the approval of all other Resolutions and subsequent Completion.

GLOSSARY

\$ means Australian dollars.

Acquisition means the acquisition of the Linus Shares in accordance with the Heads of Agreement.

Avitus means Avitus Capital Pty Ltd (ACN 152 188 728).

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

B2B means business to business.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Capital Raising has the meaning given to that term in section 5.1.

Capital Raising Issue Price means at least 80% of the volume weighted average market price for Shares calculated over the last 5 days on which sales in the Shares are recorded before the date on which the prospectus is signed which price will not be less than \$0.02, with a maximum price of \$0.10 per Share.

Chair means the chair of the Meeting.

Company means Firestrike Resources Limited (ACN 149 796 332) to be renamed "Linus Technologies Limited".

Completion means completion of the Acquisition in accordance with the Heads of Agreement.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Consideration Shares means the Ordinary Consideration Shares and the Performance Shares.

Constitution means the Company's constitution.

Convertible Loan Agreement means the agreement between Avitus, the Company and Linius (Aust) dated 27 October 2015 as summarised in Section 1.5.

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

CPS Capital means CPS Capital Group Pty Ltd (ACN 088 055 636).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

General Meeting or **Meeting** means the meeting convened by the Notice.

Heads of Agreement means the heads of agreement detailed in Section 1.2.

HLB Mann Judd means HLB Mann Judd Corporate (WA) Pty Ltd (ACN 008 878 555).

Independent Expert's Report means the report prepared by HLB Mann Judd attached to this Notice as Annexure A.

Initial Linius Shareholders means Earthrise Holdings Pty Ltd (ACN 130 133 292) as trustee for the Campion Investment Trust, Steve McGovern Nominees Pty Ltd (ACN 133 645 217), Naley Pty Ltd (ACN 152 934 855) and Parlin Investments Pty Ltd (ACN 101 567 953) as trustee for the Parlin Discretionary Trust.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Linius means the business, intellectual property and technology known as "Linius", which includes a collection of patents and software representing partial implementations of those patents.

Linius (Aust) means Linius (Aust) Pty Ltd (ACN 608 170 190).

Linius Shareholders means the Initial Linius Shareholders and Phoenix Myrrh.

Linius Shares means all of the issued shares in Linius (Aust).

Milestone has the meaning given to that term in Schedule 1.

New Option means an option to acquire a Share on the terms and conditions set out in Schedule 4.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Ordinary Consideration Shares means 250,000,000 Shares to be issued to Phoenix Myrrh in accordance with Resolution 3.

Performance Share means a performance share with the terms set out in Schedule 1.

Phoenix Myrrh means Phoenix Myrrh Technology Pty Ltd (ACN 139 996 259).

Plan or **Incentive Share Plan** means the incentive share plan the subject of Resolution 14 and as summarised in Schedule 2.

Proxy Form means the proxy form accompanying the Notice.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Scheme or **Incentive Option Scheme** means the incentive option scheme the subject of Resolution 15 and as summarised in Schedule 3.

Securities means Shares and Options.

Security Holder means a holder a Security.

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

Shareholder means a registered holder of a Share.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – TERMS OF PERFORMANCE SHARES

Rights attaching to the Performance Shares are as follows:

- (a) **(Performance Shares):** Each performance share is a share in the capital of Firestrike Resources Limited (ACN 149 796 332) (**FIE**).
- (b) **(General meetings):** Each performance share confers on the holder (**Holder**) the right to receive notices of general meetings and financial reports and accounts of FIE that are circulated to the holders of fully paid ordinary shares in the capital of FIE (**Shareholders**). Holders have the right to attend general meetings of Shareholders.
- (c) **(No voting rights):** A performance share does not entitle the Holder to vote on any resolutions proposed by FIE except as otherwise required by law.
- (d) **(No dividend rights):** A performance share does not entitle the Holder to any dividends.
- (e) **(No rights to return of capital)** A performance share does not entitle the Holder to a return of capital, whether in a winding up, upon a reduction of capital or otherwise.
- (f) **(Rights on winding up):** A performance share does not entitle the Holder to participate in the surplus profits or assets of FIE upon winding up.
- (g) **(Not transferable):** A performance share is not transferable.
- (h) **(Reorganisation of capital):** If at any time the issued capital of FIE is reconstructed (including a consolidation, subdivision, reduction, cancellation or return of issued share capital), all rights of a Holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules at the time of reorganisation.
- (i) **(Application to ASX):** The performance shares will not be quoted on ASX. However, if FIE is listed on ASX at the time of conversion of the performance shares into fully paid ordinary shares (**Shares**), FIE must within 10 Business Days apply for the official quotation of the Shares arising from the conversion on ASX.
- (j) **(Participation in entitlements and bonus issues):** A performance share does not entitle a Holder (in their capacity as a holder of a Performance Share) to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues.
- (k) **(Amendments required by ASX):** The terms of the performance shares may be amended as necessary by the FIE board in order to comply with the ASX Listing Rules, or any directions of ASX regarding the terms provided that, subject to compliance with the ASX Listing Rules, following such amendment, the economic and other rights of the Holder are not diminished or terminated.
- (l) **(No Other Rights):** A performance share gives the Holder no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

Conversion of the Performance Shares:

(a) **(Milestones):** A performance share in the relevant class will convert into one Share upon achievement of:

- (i) **Class A** – Linus (Aust) enters into an agreement with Digisoft, Cork, Ireland for a limited deployment of its technology, being the installation and activation by a third party of the Linus technology (**Limited Deployment**), with the objective of demonstrating personalisation of video streams, by that date which is 12 months from the issue date (**Milestone 1**);
- (ii) **Class B** – Linus (Aust) completes an alpha release of the Linus technology (which means, in line with the industry standard definition of that term, a first-stage completed version of a program or application, which may be unstable but is nevertheless useful to show what the program or application can do) that demonstrates publicly that the Linus technology achieves the Linus core patent claims, namely that the technology is able to (1) take a URL link to a piece of video content in an unknown location, and (2) play and display the video content on multiple devices with different video format requirements (and without the need for transcoding), by that date which is 18 months from the issue date (**Milestone 2**);
- (iii) **Class C** - Linus (Aust) enters into an agreement with a third party (unrelated to the party under Milestone 1) for a Limited Deployment of its technology with the objective of demonstrating removal of the requirement for transcoding of video and reduction of storage. This deployment will be in partnership with a an organisation that is able to take a standard video and transcode it into all standards-based formats and store it at broadcast quality, likely to be a content delivery network by that date which is 24 months from the issue date (**Milestone 3**); and
- (iv) **Class D** – Completion of a Limited Deployment with a third party (which may or may not be one of the parties under Milestones 1 and 3) which demonstrates that the Linus technology removes the requirement for transcoding of an original MPEG-4 video file to play out on devices traditionally requiring differing formats and in doing so reduces storage requirements, and the issue of a report, either prepared by or verified by the third party, confirming this (**Milestone 4**),

(each a **Milestone** and together the **Milestones**).

(b) **(Conversion on change of control):** Notwithstanding the relevant Milestone has not been satisfied, upon the occurrence of either:

- (i) a takeover bid under Chapter 6 of the *Corporations Act 2001* (Cth) having been made in respect of FIE having received acceptances for more than 50% of FIE 's shares on issue and being declared unconditional by the bidder; or
- (ii) a Court granting orders approving a compromise or arrangement for the purposes of or in connection with a scheme of arrangement for the reconstruction of FIE or its amalgamation with any other company or companies,

that number of performance shares that is equal to 10% of the Shares on issue immediately following conversion under this paragraph will convert into an

equivalent number of Shares. The conversion will be completed on a pro rata basis across each class of performance shares then on issue as well as on a pro rata basis for each Holder. Performance shares that are not converted into Shares under this paragraph will continue to be held by the Holders on the same terms and conditions.

- (c) **(Redemption if Milestone not achieved)** If the relevant Milestone is not achieved by the required date, then each performance share in that class will be automatically redeemed by FIE for the sum of \$0.00001 within 10 Business Days of non-satisfaction of the Milestone.
- (d) **(Conversion Procedure):** FIE will issue the Holder with a new holding statement for the Share issued upon conversion of a performance share within 10 Business Days following the conversion.
- (e) **(Ranking upon conversion)** The Share into which a performance share may convert will rank pari passu in all respects with the existing FIE Shares.

SCHEDULE 2 – SUMMARY OF INCENTIVE SHARE PLAN

The key terms of the Incentive Share Plan are as follows:

(a) **Eligibility:** Participants in the Plan may be:

- (i) a Director (whether executive or non-executive) of the Company, its subsidiaries and any other related body corporate of the Company (**Group Company**);
- (ii) a full or part time employee of any Group Company;
- (iii) a casual employee or contractor of a Group Company to the extent permitted by ASIC Class Order 14/1000 (or any amendment to or replacement of that Class Order) (**Class Order**); or
- (iv) a prospective participant, being a person to whom the offer is made but who can only accept the offer if an arrangement has been entered into that will result in the person becoming a Participant under clauses (a), (b) or (c) above,

who is declared by the Board to be eligible to receive Shares under the Plan (**Participants**).

(b) **Administration of Plan:** The Board is responsible for the operation of the Plan and has a broad discretion to determine which Participants will be offered Shares under the Scheme.

(c) **Offer:** The Board may, from time to time, in its absolute discretion, make a written offer to any Participant (including a Participant who has previously received an Offer) to apply for up to a specified number of Shares, upon the terms set out in the Plan and upon such additional terms and conditions as the Board determines (**Offer**). The Offer:

- (i) set out the maximum number of Shares that the Participant may apply for, or the formula for determining the number of Shares that may be applied for;
- (ii) will specify the issue price of the Shares, or the formula for determining the issue price;
- (iii) whether the Company is prepared to grant the Participant a loan in accordance with the Plan, and the maximum loan amount;
- (iv) any applicable vesting conditions;
- (v) the date by which an Offer must be accepted (**Closing Date**); and
- (vi) any other information required by law or the ASX Listing Rules or considered by the Board to be relevant to the Shares.

(d) **Issue price:** The Issue Price of the Shares offered under an Offer shall be determined by the Board in its absolute discretion, which may be a nominal or nil amount.

(e) **Vesting Conditions:** A Share may be made subject to vesting conditions as determined by the Board in its discretion and as specified in the Offer for the Shares.

- (f) **Restriction Periods:** A Share issued under the Plan may be subject to a restriction period as determined by the Board in accordance with the Plan.
- (g) **Lapse of Offer:** To the extent an Offer is not accepted in accordance with the rules of the Plan, the Offer will lapse on the date following the closing date of the Offer, unless the Board determines otherwise.
- (h) **Power of attorney:** For the purpose of any buy back of Shares, the Participant irrevocably appoints each of the Company and each director of the Company severally as his or her attorney to do all things necessary to give effect to the buy back of the Participant's Shares including executing all documents and seeking or providing all necessary approvals and the Participant acknowledges and agrees that the power of attorney is given for valuable consideration (in the form of the Shares).
- (i) **Limits on Offers:** The Company must have reasonable grounds to believe, when making an Offer, that the number of Shares issued or that may be issued as a result of offers made in reliance on the Class Order at any time during the previous 3 year period under an employee incentive scheme covered by the Class Order or an ASIC exempt arrangement of a similar kind to an employee incentive scheme, will not exceed 5% of the total number of Shares on issue at the date of the Offer.
- (j) **Restriction on transfer:** Subject to any restriction periods placed on dealings in Shares, there will be no transfer restrictions on Shares issued under the Plan unless the sale, transfer or disposal by the Participant of the Shares issued to them would require the preparation of a disclosure document (as that term is defined in the Corporations Act).
- (k) **Quotation on ASX:**

If Shares of the same class as those issued under the Plan are quoted on the ASX, the Company will, subject to the ASX Listing Rules, apply to the ASX for those Shares to be quoted on ASX within the later of 10 Business Days after:
 - (i) the date the Shares are issued; and
 - (ii) the date any restriction period that applies to the Shares ends.
- (l) **Rights attaching to Shares:** A Participant will, from and including the issue date, be the legal owner of the Shares issued under the Plan and will be entitled to dividends and to exercise voting rights attached to the Shares.

SCHEDULE 3 – SUMMARY OF EMPLOYEE OPTION SCHEME

The key terms of the Employee Option Scheme are as follows:

- (a) **Eligibility:** Participants in the Scheme may be:
- (i) a Director (whether executive or non-executive) of the Company, its subsidiaries and any other related body corporate of the Company (**Group Company**);
 - (ii) a full or part time employee of any Group Company;
 - (iii) a casual employee or contractor of a Group Company to the extent permitted by ASIC Class Order 14/1000 (or any amendment to or replacement of that Class Order) (**Class Order**); or
 - (iv) a prospective participant, being a person to whom the offer is made but who can only accept the offer if an arrangement has been entered into that will result in the person becoming a Participant under clauses (a), (b) or (c) above,
- who is declared by the Board to be eligible to receive grants of Options under the Scheme (**Participants**).
- (b) **Administration of Scheme:** The Board is responsible for the operation of the Scheme and has a broad discretion to determine which Participants will be offered Options under the Scheme.
- (c) **Offer:** The Board may issue an offer to a Participant to participate in the Scheme. The offer:
- (i) set out the number of Options offered under the Scheme;
 - (ii) will specify the exercise price and expiry date of the Options;
 - (iii) will specify any exercise conditions and restriction periods applying to the Options;
 - (iv) will specify an acceptance period; and
 - (v) specify any other terms and conditions attaching to the Options.
- (d) **Issue price:** unless the Options are quoted on the ASX, Options issued under the Scheme will be issued for no more than nominal cash consideration.
- (e) **Exercise Conditions:** An Option may be made subject to exercise conditions as determined by the Board in its discretion and as specified in the offer for the Option.
- (f) **Restriction Periods:** a Share issued on exercise of an Option may be made subject to a restriction period as determined by the Board in with the Scheme and as specified in the Offer for the Option.
- (g) **Lapse of Options:** Subject to this Scheme, a Participant's unexercised Option will lapse immediately and all rights in respect of that Option will be lost if, in respect of the Option:

- (i) the relevant person ceases to be a Participant for any reason whatsoever (including without limitation resignation or termination for cause) and:
 - (A) any exercise conditions have not been met by the date the relevant person ceases to be a Participant (**Ceasing Date**); or
 - (B) where any exercise conditions have been met by the Ceasing Date or the Option is not subject to any exercise conditions, the Participant does not exercise the Option within a period of three (3) months after the Ceasing Date (or a further date as determined by the Board after the Ceasing Date);
 - (ii) any exercise conditions are unable to be met; or
 - (iii) the expiry date has passed,
- whichever is earlier.
- (h) **Power of attorney:** Each Participant, in consideration of an offer, irrevocably appoints the Company and any person nominated from time to time by the Company (each an "attorney"), severally, as the Participant's attorney to complete and execute any documents including applications for Shares and Share transfers and to do all acts or things on behalf of and in the name of the Participant which may be convenient or necessary for the purpose of giving effect to the provisions of the Scheme.
 - (i) **Scheme limit:** The Company must have reasonable grounds to believe, when making an offer, that the number of Shares to be received on exercise of Options offered under an offer, when aggregated with the number of Shares issued or that may be issued as a result of offers made in reliance on the Class Order at any time during the previous 3 year period under an employee incentive scheme covered by the Class Order or an ASIC exempt arrangement of a similar kind to an employee incentive scheme, will not exceed 5% of the total number of Shares on issue at the date of the offer.
 - (j) **Restriction on transfer:** Options will not be transferable except to the extent provided for by the Scheme or unless the Offer provides otherwise.
 - (k) **Quotation on ASX:** Options will not be quoted on the ASX, except to the extent provided for by the Scheme or unless the Offer provides otherwise.
 - (l) **Rights attaching to Shares:** Each Share issued on exercise of an Option will have the same terms and conditions as the Company's issued Shares (other than in respect of transfer restrictions imposed by the Scheme) and it will rank equally with all other issued Shares from the issue date except for entitlements which have a record date before the issue date.

SCHEDULE 4 – TERMS AND CONDITIONS OF NEW OPTIONS

1. Entitlement

Each New Option (**Option**) entitles the holder to subscribe for one Share upon exercise of the Option.

2. Exercise Price and Expiry Date

The Options have an exercise price equal to the Capital Raising Issue Price (**Exercise Price**) and expire on 31 March 2019 (**Expiry Date**).

3. Exercise Period

The Options are exercisable at any time on or prior to the Expiry Date.

4. Notice of Exercise

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

5. Shares issued on exercise

Shares issued on exercise of the Options will rank equally with the then shares of the Company.

6. Quotation of Shares on exercise

Application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

7. Timing of issue of Shares

After an Option is validly exercised, the Company must, within, 15 Business Days of the notice of exercise and receipt of cleared funds equal to the sum payable on the exercise of the Option:

- (a) issue the Share; and
- (b) do all such acts, matters and things to obtain the grant of official quotation of the Share on ASX no later than 5 Business Days after issuing the Shares.

8. Participation in new issues

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will give holders of the Options notice of the proposed issue prior to the date for determining entitlements to participate in any such issue.

9. Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and
- (c) no change will be made to the Exercise Price.

10. Adjustment for entitlement issue

If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = O - \frac{E(P-(S+D))}{N+1}$$

N+1

O= the old Exercise Price of the Option.

E= the number of underlying Shares into which one Option is exercisable.

P= average market price per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.

S= the subscription price of a Share under the pro rata issue.

D= the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).

N= the number of Shares with rights or entitlements that must be held to receive a right to one Share.

11. Adjustments for reorganisation

If there is any reconstruction of the issued share capital of the Company, the rights of the Optionholders may be varied to comply with the Listing Rules which apply to the reconstruction at the time of the reconstruction.

12. Options not quoted

The Company will not apply to ASX for quotation of the Options.

13. Options not transferable

The Options are not transferable.



Mann Judd Corporate (WA) Pty Ltd

ACN 008 878 555

Licensed Investment Adviser

Independent Expert's Report

Firestrike Resources Limited

Opinion : Fair and Reasonable

HLB Mann Judd Corporate (WA) Pty Ltd AFSL 250903

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HLB Mann Judd Corporate (WA) Pty Ltd is a member of  International, a worldwide organisation of accounting firms and business advisers.



Mann Judd Corporate (WA) Pty Ltd

ACN 008 878 555

Licensed Investment Adviser

FINANCIAL SERVICES GUIDE

Dated 1 July 2015

1. HLB Mann Judd Corporate (WA) Pty Ltd

HLB Mann Judd Corporate (WA) Pty Ltd ABN 69 008 878 555 ("HLB Mann Judd Corporate" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help 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.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our **Australian Financial Services Licence, Licence No. 250903**;
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. Financial services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- securities;
- interests in managed investment schemes excluding investor directed portfolio services;
- superannuation; and
- debentures, stocks or bonds issued or proposed to be issued by a government.

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.

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

4. General financial product advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product and there is no statutory exemption relating to the matter, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

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

6. Remuneration or other benefits received by us

HLB Mann Judd Corporate has no employees. All personnel who complete reports for HLB Mann Judd Corporate are partners of HLB Mann Judd (WA Partnership). None of those partners are eligible for bonuses directly in connection with any engagement for the provision of a report.

7. Referrals

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

8. Associations and relationships

HLB Mann Judd Corporate is wholly owned by HLB Mann Judd (WA Partnership). Also, our directors are partners in HLB Mann Judd (WA Partnership). Ultimately the partners of HLB Mann Judd (WA Partnership) own and control HLB Mann Judd Corporate.

From time to time HLB Mann Judd Corporate or HLB Mann Judd (WA Partnership) may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

9. Complaints resolution

9.1. Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. Complaints must be in writing, addressed to The Complaints Officer, HLB Mann Judd Corporate (WA) Pty Ltd, Level 4, 130 Stirling Street, Perth WA 6000.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within **7 days** and investigate the issues raised. As soon as practical, and not more than **one month** after receiving the written complaint, we will advise the complainant in writing of the determination.

9.2 Referral to external disputes resolution scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited (“FOS”). FOS independently and impartially resolves disputes between consumers, including some small business, and participating financial services providers.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 6399

10. Contact details

You may contact us using the details at the foot of page 1 of this FSG.



Mann Judd Corporate (WA) Pty Ltd
ACN 008 878 555

Licensed Investment Adviser

23 February 2016

The Directors
Firestrike Resources Limited
Suite 1, 437 Roberts Road
SUBIACO WA 6008

Dear Sirs

INDEPENDENT EXPERT'S REPORT

INTRODUCTION

On 28 October 2015 ("Announcement Date"), Firestrike Resources Limited ("Firestrike" or the "Company") announced that it had signed a binding heads of agreement ("Agreement") to acquire 100% of the issued shares in Linius (Aust) Pty Ltd ("Linius"), an Australian company that has rights to a developed, patented method and system for providing video content on a data network connected device having a display and device controller ("Proposed Transaction"). Consideration for the proposed acquisition includes the issue of fully paid ordinary shares in the capital of Firestrike to the shareholders of Linius that will result in those shareholders holding greater than 20% of the issued capital of Firestrike. This would require the approval of the Company's shareholders under Section 611 of the Corporations Act 2001.

The Agreement is subject to a number of conditions precedent. A summary of the key terms of the Agreement is set out in Section 3 of this Independent Expert's Report ("Report"). The Proposed Transaction is also contingent upon the successful raising of a minimum of \$2,750,000 in capital pursuant to a prospectus to be issued in the near future ("Proposed Capital Raising").

STRUCTURE OF REPORT

This Report has been divided into the following sections:

1. Summary and opinion
2. Purpose of the Report
3. Key components of the Agreement
4. Economic analysis
5. Industry analysis - Linius
6. Adopted basis of evaluation
7. Profile of Firestrike
8. Valuation of Firestrike prior to the Proposed Transaction
9. Valuation of Firestrike subsequent to the Proposed Transaction
10. Assessment of whether the Proposed Transaction is fair

11. Consideration whether the Proposed Transaction is reasonable
 12. Sources of information
 13. Qualifications, Declarations and Consents
- Appendices

1. SUMMARY AND OPINION

1.1 Fairness

Set out in the table below is a comparison of our assessment of the fair market value of a Firestrike share prior to the Proposed Transaction on a control basis with the value of a Firestrike share subsequent to the Proposed Transaction on a minority basis.

	Report Reference	Low cents	Preferred cents	High cents
Value of a Firestrike share pre-transaction	8.3.1	1.12	1.12	1.12
Value of a Firestrike share post-transaction:	9	1.75	1.82	2.37

As the preferred value of a Firestrike share post-transaction on a minority basis is greater than the preferred value pre-transaction on a control basis, it is our opinion that the Proposed Transaction is **fair**.

1.2 Reasonableness

We have considered the analysis in Section 11 of this Report, in terms of both the advantages and disadvantages of the Proposed Transaction and the position of the non-associated shareholders of Firestrike if the Proposed Transaction was to proceed.

In our opinion, the position of the non-associated shareholders of Firestrike if the Proposed Transaction was to proceed is more advantageous than if the Proposed Transaction was not approved by the shareholders.

1.3 Opinion

We are of the opinion that the Proposed Transaction is fair and reasonable to the non-associated shareholders of Firestrike.

2. PURPOSE OF THE REPORT

2.1 General

The Directors of Firestrike have requested that HLB Mann Judd Corporate (WA) Pty Ltd ("HLB") provide an independent expert's report ("Report") advising whether, in our opinion, the Proposed Transaction is fair and reasonable to holders of the Company's ordinary shares whose votes are not to be regarded ("non-associated shareholders").

This Report has been prepared to assist shareholders in their decision whether to vote for or against the resolution giving effect to the Proposed Transaction. Firestrike is seeking the approval of its shareholders under Item 7 of section 611 of the Corporations Act 2001 for the Proposed Transaction as it involves the shareholders of Linius acquiring greater than 20% of the issued capital of Firestrike. At the date of this Report, the current shareholders of Linius do not hold any shares in Firestrike. The potential issue of shares to those shareholders pursuant to the Proposed Transaction will result in those persons acquiring a relevant interest in Firestrike greater than 20%.

2.2 Regulatory Guidance

This Report is to be included in the Notice of General Meeting and Explanatory Statement ("Notice of General Meeting") for the meeting to be held on 29 March 2016 ("General Meeting") to consider the resolution giving effect to the Proposed Transaction, for the purpose of assisting shareholders in their consideration of that resolution. This Report should not be used for any other purpose. The Notice of General Meeting contains 16 resolutions, each of which is dependent on the passing of all other resolutions. As a result, to the extent required, we have factored into our Report the effects of all resolutions.

We have prepared this Report having regard to the relevant Australian Securities and Investments Commission ("ASIC") releases. ASIC Regulatory Guide 74 "*Acquisitions approved by members*" suggests that the obligation to supply shareholders with all information that is material to the decision on how to vote on the resolution giving effect to the Proposed Transaction can be satisfied by the non-associated directors of Firestrike, by either:

- (a) undertaking a detailed examination of the Proposed Transaction themselves, if they consider that they have sufficient expertise; or
- (b) by commissioning an independent expert's report.

The directors of Firestrike have commissioned this Report to satisfy this obligation.

In determining the fairness and reasonableness of the Proposed Transaction, we have had regard to ASIC Regulatory Guide 111 "*Content of expert reports*" ("RG 111"), which states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price or consideration and the value of the securities the subject of the offer (*fairness*) and an examination to determine whether there are sufficient reasons for security holders to accept the offer despite an offer not being fair (*reasonableness*).

The concept of *fairness* is taken to be the value of the offer price, or the consideration, being equal to or less than the value of the asset proposed to be acquired. Furthermore,

this comparison should be made assuming 100% ownership of the "target" (in this case, 100% of Firestrike) and irrespective of whether the consideration is scrip or cash.

RG 111 states that an offer is reasonable if it is fair. An offer may also be reasonable, if despite it not being fair, there are significant factors which in the expert's opinion shareholders should consider in accepting the offer.

RG 111 also suggests that where the Proposed Transaction is a control transaction the expert should focus on the substance of the control transaction, rather than the legal mechanism used to effect it. RG 111 suggests that where a transaction is a control transaction it should be analysed on a basis that is consistent with a takeover bid.

In our opinion, the Proposed Transaction is a control transaction as defined by RG 111 and we have therefore assessed the Proposed Transaction to consider whether, in our opinion, it is fair and reasonable to the non-associated shareholders of Firestrike.

We have also had regard to ASIC Regulatory Guide 112 "Independence of experts".

2.3 Compliance with APES 225 Valuation Services

This Report has been prepared in accordance with the requirements of the professional standard APES 225 *Valuation Services* ("APES 225") as issued by the Accounting Professional & Ethical Standards Board.

In accordance with the requirements of APES 225, we advise that this assignment is a Valuation Engagement as defined by that standard as follows:

"an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time."

3. KEY COMPONENTS OF THE AGREEMENT

On 28 October 2015, the Company announced that it had signed a binding heads of agreement ("Agreement") to acquire 100% of the issued shares in Linius (Aust) Pty Ltd ("Linius"), an Australian company that has rights to a developed, patented method and system for providing video content on a data network connected device having a display and device controller, subject to a number of conditions precedent.

The key terms of the Agreement are as follows:

- Upon execution of the Agreement, the Company paid Linius a non-refundable deposit of \$50,000.
- Upon satisfaction of the first two conditions precedent noted below, the Company paid Linius a further non-refundable deposit of \$200,000.
- At completion of the Proposed Transaction, the following consideration will be issued to the Linius shareholders:
 - 250,000,000 fully paid ordinary shares in Firestrike at a deemed price of \$0.02 per Firestrike share to Phoenix Myrrh or its nominee (Phoenix Myrrh became

a shareholder in Linius following the completion of the agreement between Phoenix Myrrh and Linius outlined below);

- 200,000,000 performance shares to the Linius shareholders (other than Phoenix Myrrh) or their nominees. These performance shares will convert into fully paid ordinary shares in Firestrike (on a one for one basis) in equal amounts of 50,000,000 on each occasion upon Linius (including any company in the Linius group subsequent to completion of the Proposed Transaction for the purposes of this provision) achieving the following milestones:
 - Milestone 1 – Linius enters into an agreement with Digisoft, Cork, Ireland for a limited deployment of its technology, being the installation and activation by a third party of the Linius technology ("Limited Deployment"), with the objective of demonstrating personalisation of video streams, by that date which is 12 months from the issue date;
 - Milestone 2 – Linius (Aust) completes an alpha release of the Linius technology (which means, in line with the industry standard definition of that term, a first-stage completed version of a program or application, which may be unstable but is nevertheless useful to show what the program or application can do) that demonstrates publicly that the Linius technology achieves the Linius core patent claims, namely that the technology is able to take a URL link to a piece of video content in an unknown location and play and display the video content on multiple devices with different video format requirements (and without the need for transcoding), by that date which is 18 months from the issue date;
 - Milestone 3 – Linius (Aust) enters into an agreement with a third party (unrelated to the party under Milestone 1) for a Limited Deployment of its technology with the objective of demonstrating removal of the requirement for transcoding of video and reduction of storage. This deployment will be in partnership with an organisation that is able to take a standard video and transcode it into all standards-based formats and store it at broadcast quality, likely to be a content delivery network by that date which is 24 months from the issue date; and
 - Milestone 4 – Completion of a Limited Deployment with a third party (which may or may not be one of the parties under Milestones 1 and 3) which demonstrates that the Linius technology removes the requirement for transcoding of an original MPEG-4 video file to play out on devices traditionally requiring differing formats and in doing so reduces storage requirements, and the issue of a report, either prepared by or verified by the third party, confirming this.

Completion of the Proposed Transaction is subject to a number of conditions precedent being satisfied, including:

- Completion of mutual due diligence investigations (to be completed by 26 November 2015) – **as announced on 27 November 2015, this has been achieved.**

- Completion of an agreement between Phoenix Myrrh Technology Pty Ltd ("Phoenix Myrrh") and Linius for, among other things, the transfer of certain technology to Linius, to the reasonable satisfaction of Firestrike no later than 26 November 2015 – **this occurred on 20 November 2015.**
- Firestrike issuing a full form prospectus to raise a minimum of \$2,750,000 through the issue of Firestrike shares at a price to be mutually agreed between Firestrike and Linius – **it is proposed that this capital raising will occur concurrently with the finalisation of the Proposed Transaction. Resolution 4 of the General Meeting is seeking the approval of shareholders for the issue of up to 175,000,000 shares to raise up to \$3,500,000. Refer to Section 9 of this Report for our assessment of the effect of this capital raising on our valuation of Firestrike subsequent to the Proposed Transaction.**
- Firestrike obtaining all necessary shareholder approvals required by the Corporations Act 2001 and the ASX Listing Rules in relation to the Proposed Transaction – **the shareholders' meeting being called to (amongst other things) consider the Proposed Transaction will satisfy this condition.**
- Receipt of all necessary regulatory approvals (including, but not limited to, recompliance by Firestrike with Chapters 1 and 2 of the ASX Listing Rules and the Company receiving conditional approval from ASX to reinstate Firestrike's quoted securities to trading on ASX following completion of the Proposed Transaction – **it is anticipated that this will occur when the Proposed Transaction is finalised.**

3.1 Entitlement Issue

As part of the 28 October 2015 ASX announcement, Firestrike confirmed that it planned to undertake an entitlement issue to raise funds to meet working capital requirements and to pay costs associated with the due diligence and acquisition of Linius. The entitlement issue was planned to offer shareholders the right to subscribe for three new shares for every 11 shares held at a price of 2 cents per Firestrike share to raise up to \$500,000. At the date of this Report, 25,536,608 ordinary shares in Firestrike were issued following the raising of \$510,732 before issue costs.

4. ECONOMIC ANALYSIS

At its meeting on 2 February 2016, the Reserve Bank of Australia Board ("Board") decided to leave the cash rate unchanged at 2.0 per cent. In support of this decision, the Board provided the following commentary:

"Recent information suggests the global economy is continuing to grow, though at a slightly lower pace than earlier expected. While several advanced economies have recorded improved growth over the past year, conditions have become more difficult for a number of emerging market economies. China's growth rate has continued to moderate.

Commodity prices have declined further, especially oil prices. This partly reflects slower growth in demand but also very substantial increases in supply over recent years. The decline in Australia's terms of trade, which began more than four years ago, has therefore continued.

Financial markets have once again exhibited heightened volatility recently, as participants grapple with uncertainty about the global economic outlook and diverging policy settings among the major jurisdictions. Appetite for risk has diminished somewhat and funding conditions for emerging market sovereigns and lesser-rated corporates have tightened. But funding costs for

high-quality borrowers remain very low and, globally, monetary policy remains remarkably accommodative.

In Australia, the available information suggests that the expansion in the non-mining parts of the economy strengthened during 2015 even as the contraction in spending in mining investment continued. Surveys of business conditions moved to above average levels, employment growth picked up and the unemployment rate declined in the second half of the year, even though measured GDP growth was below average. The pace of lending to businesses also picked up.

Inflation continues to be quite low, with the CPI rising by 1.7 per cent over 2015. This was partly caused by declining prices for oil and some utilities, but underlying measures of inflation are also low at about 2 per cent. With growth in labour costs continuing to be quite subdued as well, and inflation restrained elsewhere in the world, consumer price inflation is likely to remain low over the next year or two.

Given these conditions, it is appropriate for monetary policy to be accommodative. Low interest rates are supporting demand, while regulatory measures are working to emphasise prudent lending standards and so to contain risks in the housing market. Credit growth to households continues at a moderate pace, albeit with a changed composition between investors and owner-occupiers. The pace of growth in dwelling prices has moderated in Melbourne and Sydney over recent months and has remained mostly subdued in other cities. The exchange rate has continued its adjustment to the evolving economic outlook.

At today's meeting, the Board judged that there were reasonable prospects for continued growth in the economy, with inflation close to target. The Board therefore decided that the current setting of monetary policy remained appropriate.

Over the period ahead, new information should allow the Board to judge whether the recent improvement in labour market conditions is continuing and whether the recent financial turbulence portends weaker global and domestic demand. Continued low inflation may provide scope for easier policy, should that be appropriate to lend support to demand".

Source: www.rba.gov.au Statement by Glenn Stevens, Governor: Monetary Policy Decision 2 February 2016

5. INDUSTRY ANALYSIS - LINIUS

The following analysis is provided in respect of technology that Linius has developed.

5.1 Linius background

Linius has designed and patented the world's first video virtualisation engine. The technology transforms large inflexible video files into small highly flexible data structures. The patented process applies two highly successful techniques to video – data indexing and virtualisation, which means that video can be indexed, spliced and edited into real time.

Content publishing no longer requires transcoding, complex workflow systems or numerous individual streams to personalise video delivery. Instead, video files can be virtualised and delivered as required to any standards based device.

Some of the key potential benefits include:

For Content owners:

- Greater opportunity to monetise content catalogues
- Almost eliminate transcoding costs
- Improved security and control of assets
- Access and manage entire content database

For Broadcasters:

- Simplified workflow for video play out on standards based devices
- Capability to truly personalise content viewing experiences
- Ability to insert specific advertisements in individual streams
- Personalised pricing options

For Infrastructure providers:

- Dramatically reduce transport, storage and broadcast costs
- Significant capex savings on infrastructure and storage costs

Linus has seven patents and 12 applications across nine countries including a freedom to operate in the USA.

5.2 Market background

The switch to IP based consumption is happening much quicker than the switch from analogue to cable. It is predicted that 30% of global TV will be consumed over IP in 2015. 93% of all consumer web traffic and 64% of mobile traffic is video (ref: Cisco).

Traditional broadcasters now compete with new entrants (eg network operators, content owners, virtual broadcasters) – all keen to own the customer relationship directly and for the first time with the ability to deliver them TV directly.

The supply chain to this new broadcaster market is fragmented with no dominant players. They store videos as Binary Large Objects ("BLOB"). BLOB files are incredibly unwieldy to manage:

- A movie file may be 4GB.
- A high definition movie is 8-15GB.
- Different devices demand specific formats leading to a myriad of files being stored for each piece of content.
- Production, processing, security and broadcasting these files are incredibly expensive.
- Consumers are demanding personalised viewing experiences that are impossible to deliver with currently available technology.

Current technologies focus on making videos smaller by such things as compression and easier to manage with improved workflow tools.

Linus takes a different approach. In simple terms, Linus indexes the data within the BLOB, then disassembles and reassembles the component parts of the video on the fly, into the format and sequence demanded by the consumer.

Source: ASX announcement by Firestrike 28 October 2015

6. ADOPTED BASIS OF EVALUATION

6.1 Fairness

We have assessed whether the Proposed Transaction is fair by comparing our assessment of the fair market value of a Firestrike share on a control basis prior to incorporating the effects of the Proposed Transaction with our assessment of the fair market value of a Firestrike share on a minority basis subsequent to incorporating the effects of the Proposed Transaction.

The proposed consideration payable by Firestrike is comprised of the issue of 250,000,000 shares in Firestrike, the payment to Linius of non-refundable deposits totalling \$250,000 and the issue of performance shares as set out in Section 3 of this Report (which may convert to ordinary shares in Firestrike).

6.2 Reasonableness

We have assessed the reasonableness of the Proposed Transaction by considering other advantages and disadvantages of the Proposed Transaction to the non-associated shareholders of Firestrike.

6.3 Individual circumstances

We have evaluated the Proposed Transaction for Firestrike shareholders as a whole. We have not considered the effect of the Proposed Transaction on the particular circumstances of individual shareholders. Due to their particular circumstances, individual shareholders may place a different emphasis on various aspects of the Proposed Transaction from those adopted in this Report. Accordingly, individual shareholders may reach different conclusions to ours on whether the Proposed Transaction is fair and reasonable. If in doubt, shareholders should consult an independent adviser.

6.4 Limitations and Reliance on Information

HLB's opinion is based on economic, share market, business trading and other conditions and expectations prevailing at the date of this Report. These conditions can change significantly over relatively short periods of time. If these conditions did change materially the valuations and opinions could be different in these changed circumstances.

This Report is also based upon financial information and other information provided by Firestrike. HLB has considered and relied upon this information. HLB has no reason to believe that any material facts have been withheld. The information provided to HLB has been evaluated through analysis, enquiry and review for the purposes of forming an opinion as to whether the Proposed Transaction is fair and reasonable. However, in preparing reports such as this, time is limited and HLB does not warrant that its enquiries have identified or verified all of the matters that an audit, extensive examination or "due diligence" investigation might disclose. In any event, an opinion as to fairness and reasonableness is more in the nature of an overall review rather than a detailed audit or investigation.

An important part of the information used in forming an opinion of the kind expressed in this Report is comprised of the opinions and judgment of management. This type of information was also evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or valuation.

Preparation of this Report does not imply that HLB has audited in any way the records of Firestrike for the purposes of this Report. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and in a manner consistent with the method of accounting in previous years except as otherwise noted.

The information provided to HLB included historical financial information for Firestrike. Firestrike is responsible for this information. HLB has used and relied on this information for the purpose of analysis. HLB has assumed that this information was prepared appropriately and accurately based on the information available to management at the time and within the practical constraints and limitations of such information. HLB has assumed that this information does not reflect any material bias, either positive or negative. HLB has no reason to believe otherwise.

7. PROFILE OF FIRESTRIKE

7.1 Company History

Firestrike was registered on 10 March 2011 and was admitted to the Official List of ASX on 22 July 2011.

Firestrike is an exploration company which has most recently focussed its strategic and exploration efforts on the Moab Copper Project (Copper Ridge) in Utah, USA. Details of the work completed by the Company on this Project are included in the Company's Annual Report for the year ended 30 June 2015 as lodged with the Australian Securities Exchange on 22 September 2015.

7.2 Assets

The Company's assets comprise predominantly mineral exploration properties. Extracts of the Company's audited financial report for the year ended 30 June 2015 and unaudited financial report for the five months ended 30 November 2015 are shown at Sections 7.7 and 7.8 of this Report. The carrying value of the Company's Copper Ridge project was fully impaired as at 30 June 2015 due to the limited funds available to commit to exploration on this project. Since that time, the Company relinquished certain claims in order to minimise expenditure with the remaining claims. The Company has continued to maintain the project in order to meet the requirements of State and Federal legislation in the USA, however due to the proposed change in focus of the Company, we consider it reasonable not to ascribe any value to this asset.

7.3 Legal Structure

Firestrike is a public company incorporated and domiciled in Australia. Firestrike has one subsidiary, Firestrike Resources Incorporated (100 % owned and incorporated in the USA), and if the Proposed Transaction is approved, Firestrike will acquire 100% of the issued capital of Linus (Aust) Pty Ltd, an Australian company that has rights to a developed, patented method and system for providing video content on a data network connected device having a display and device controller. The financial position of Linus at 30 November 2015 is shown at Section 9 of this Report.

7.4 Management and Personnel

The Company's current directors are:

Mr Roger Steinepreis	Non-Executive Chairman
Mr David Holden	Non-Executive Director
Mr Paul Lloyd	Non-Executive Director (also Company Secretary)

Resolutions 7, 8 and 9 of the General Meeting relate to the proposed appointment of three new directors, Mr Christopher Richardson, Mr Stephen McGovern and Mr Stephen Kerr.

7.5 Capital Structure and Shareholders

At the date of this Report, Firestrike had the following securities on issue:

Fully Paid Shares:

	Number
Balance at 30 June 2015	90,499,985
Conversion of listed options on 18 November 2015	3,134,246
Shares issued under entitlement issue on 7 December 2015	25,536,608
Conversion of listed options on 18 December 2015	113,200
Conversion of listed options on 5 February 2016	25,000
Shares issued to corporate consultant on 5 February 2016	202,269
Balance at the date of this Report	<u>119,511,308</u>

Listed Options (exercisable at \$0.04 before 31/12/16):

	Number
Balance at 30 June 2015	17,800,000
Conversion of listed options on 18 November 2015	(3,134,246)
Conversion of listed options on 18 December 2015	(113,200)
Conversion of listed options on 5 February 2016	(25,000)
Balance at the date of this Report	14,527,554

Escrow provisions

At the date of this Report, no shares or options were held in escrow.

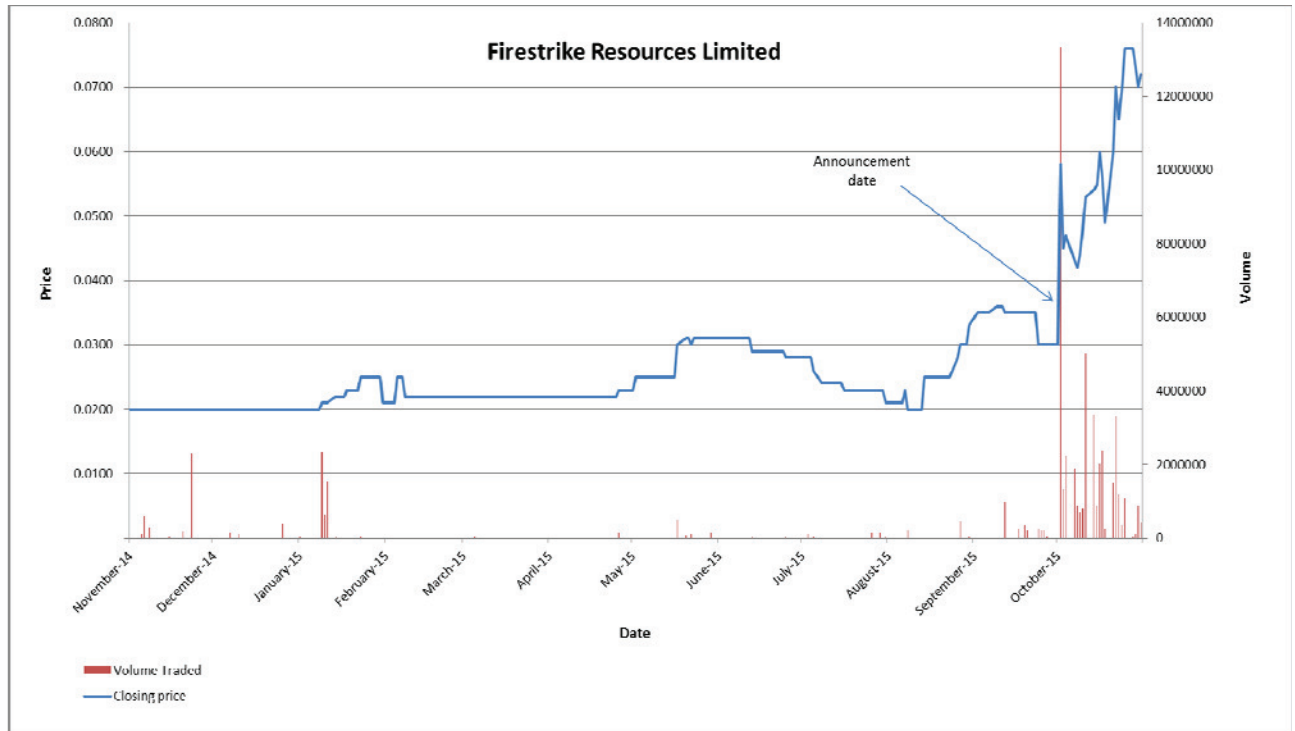
Top 20 shareholders

The top 20 shareholders as at 30 November 2015 are set out below.

Shareholder	Number of Shares	% of total shares on issue
Mr David Arthur Paganin	5,416,000	5.8
Sunshore Holdings Pty Ltd	5,000,000	5.3
Duncan Lawrie Offshore Services Ltd and JDO Associates Ltd	5,000,000	5.3
Coral Brook Pty Ltd <Lloyd Superannuation Fund>	4,375,000	4.7
Ranchland Holdings Pty Ltd	3,750,000	4.0
Mr David James Holden, Mr Stephen James Hyland and Mrs Sharon Holden <Corvus Superannuation Fund>	3,085,000	3.3
Mr Adrian Stephen Paul and Mrs Noelene Faye Paul <ZME Superannuation Fund>	3,000,000	3.2
Mr Roger Steinepreis and Mrs Jacqueline Steinepreis <RC & JM Steinepreis Superannuation Fund>	2,500,000	2.7
Aegean Capital Pty Ltd <The Spartacus A/C>	2,500,000	2.7
Oakhurst Enterprises Pty Ltd	2,500,000	2.7
Two Tops Pty Ltd	2,363,109	2.5
Celtic Capital Pty Ltd <The Celtic Capital A/C>	2,175,000	2.3
Talltree Holdings Pty Ltd <D Steinepreis Family A/C>	2,000,000	2.1
Mr James Flanagan	1,861,287	2.0
Slade Technologies Pty Ltd <Embrey Family Superannuation Fund>	1,800,000	1.9
Rogue Investments Pty Ltd	1,510,909	1.6
Ranchland Holdings Pty Ltd <RC Steinepreis Family A/C>	1,350,000	1.4
Fencourt Enterprises Pty Ltd <P & Y Greenwood Superannuation Fund>	1,200,000	1.3
Paranoid Enterprises Pty Ltd	1,170,908	1.2
Jetmax Trading Pty Ltd	1,120,736	1.2
	53,677,949	57.2

7.6 Share Price Performance

Firestrike's share price movements in the last 12 months up to the Announcement Date (28 October 2015) and up to 30 November 2015, together with volumes traded are presented in the graph below:



The following key announcements were made by the Company to the market during the above periods:

Date	Announcement	Closing share price after announcement \$ (movement)	Closing share price three days after announcement \$ (movement)
19/11/2015	Appendix 3B	0.07 (▲ 8%)	0.076 (▲ 17%)
11/11/2015	Linus investor presentation	0.06 (▲ 9%)	0.06 (▲ 9%)
10/11/2015	Issue of entitlements issue prospectus	0.055 (▲ 2%)	0.06 (▲ 11%)
30/10/2015	Quarterly Activities Report	0.047 (▲ 4%)	0.043 (▲ 4%)
28/10/2015	Acquisition of Linus	0.058 (▲ 14%)	0.047 (▼ 8%)
22/09/2015	Annual report	0.03 (▼ 0%)	0.033 (▲ 10%)
23/07/2015	Quarterly Activities Report	0.028 (▼ 0%)	0.028 (▼ 0%)
17/04/2015	Quarterly Activities Report and Appendix 5B	0.022 (▼ 0%)	0.022 (▼ 0%)
13/03/2015	Half-year accounts	0.022 (▼ 0%)	0.022 (▼ 0%)
29/01/2015	Quarterly Activities Report	0.0199 (▼ 0%)	0.0199 (▼ 0%)

Source: ASX company announcements

The following facts are worthy of note:

- During the period up to the Announcement Date, the Firestrike closing share price fluctuated from a low of 1.99 cents to a high of 3.6; and
- Following the announcement on 28 October 2015 that the Company had signed the Agreement with the shareholders of Linus, the Company's closing share price ranged from 3 cents to 7.6 cents up to 30 November 2015. The price as at the date of this Report is 5.4 cents.

7.7 Financial Performance

Extracts of the Company's audited consolidated financial results for the year ended 30 June 2015 and unaudited consolidated financial results for the five months ended 30 November 2015 are set out below:

	Audited Year to 30 June 2015 \$	Unaudited 5 months to 30 November 2015 \$
Revenue (interest received)	12,002	7,202
Administrative expenses	(188,846)	(63,781)
Impairment of exploration expenditure and project acquisition costs	(369,588)	(24,575)
Financial and compliance expenses	(131,157)	(53,394)
Legal expenses	(5,255)	(1,084)
Travel and accommodation expenses	(821)	-
Loss before income tax attributable to members of the Company	(683,665)	(135,632)
Income tax expense	-	-
Loss after tax from continuing operations	(683,665)	(135,632)

7.8 Financial Position

Extracts of the Company's audited consolidated financial position as at 30 June 2015 and unaudited consolidated financial position as at 30 November 2015 are set out below:

	Audited 30 June 2015 \$	Unaudited 30 November 2015 \$
ASSETS		
Current Assets		
Cash and cash equivalents	719,315	428,763
Other receivables	10,566	16,085
Total Current Assets	729,925	444,848
Non-Current Assets		
Property, plant and equipment	130	130
Linus acquisition and due diligence costs	-	306,518
Total Non-Current Assets	130	306,648
TOTAL ASSETS	730,055	751,496
LIABILITIES		
Current Liabilities		
Trade and other payables	20,165	35,557
Total Current Liabilities	20,165	35,557
TOTAL LIABILITIES	20,165	35,557
NET ASSETS	709,890	715,939
EQUITY		
Issued capital	4,970,029	5,111,244
Reserves	(3,505)	(3,040)
Accumulated losses	(4,256,634)	(4,392,265)
TOTAL EQUITY	709,890	715,939

7.9 Tax Losses

At 30 June 2015, the Company had a net unrecognised deferred tax asset of \$1,465,717 primarily relating to the benefit of income tax losses. This asset is not included in the statement of financial position in Section 7.8 of this Report.

8. VALUATION OF FIRESTRIKE PRIOR TO THE PROPOSED TRANSACTION

8.1 Valuation Summary

HLB has assessed the fair market value of Firestrike prior to the Proposed Transaction to be 1.12 cents per share. This is based on our assessment of the fair market value on a control basis prior to incorporating the effects of the Proposed Transaction.

For the purpose of our opinion, fair market value is defined as the amount at which the shares would change hands between a knowledgeable willing buyer and a

knowledgeable willing seller, neither being under a compulsion to buy or sell. We have considered the aspect of a premium for control in forming our opinion.

In determining this amount, we assessed the fair market value of Firestrike after considering the various valuation methods, which are discussed in further detail at Section 8.2 of this Report.

8.2 Valuation Methodology

Methodologies commonly used for valuing assets and businesses are as follows:

8.2.1 Capitalisation of future maintainable earnings ("FME")

This method places a value on a business by estimating the likely future maintainable earnings, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ("EBIT") or earnings before interest, tax, depreciation and amortisation ("EBITDA"). The capitalisation rate or "earnings multiple" is adjusted to reflect which base is being used for FME.

This method is not appropriate for use in mining exploration companies.

8.2.2 Discounted future cash flows ("DCF")

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present values at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start-up phase, or experience irregular cash flows.

The DCF methodology is not considered appropriate to use in the valuation of Firestrike as the Company is in the exploration phase and does not have cash flow forecast information based on JORC reserves.

8.2.3 Net asset value

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The *orderly realisation of assets method* estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The *liquidation method* is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Where wind up or liquidation of the entity is not being contemplated, these methods in their strictest form are generally not appropriate. The *net assets on a going concern method* estimates the market values of the net assets of an entity but does not take into account any realisation costs.

The *net assets on a going concern method* is usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall net assets on a going concern basis.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when entities are not profitable, a significant proportion of the entity's assets are liquid or for asset holding companies.

8.2.4 Quoted Market Price Basis

Another valuation approach that can be used in conjunction with (or as a replacement for) any of the above methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a "deep" market in that security.

8.2.5 Methodology Adopted

We consider that the most appropriate methods for the valuation of Firestrike shares are the net assets on a going concern method and the quoted market price basis.

8.3 Valuation of Firestrike Shares

8.3.1 Net assets on a going concern method of valuation of Firestrike (prior to incorporating the effects of the Proposed Transaction)

Our valuation of Firestrike on a going concern method of valuation is set out in our valuation calculations below. We have assessed the valuation of Firestrike prior to incorporating the effects of the Proposed Transaction and after incorporating certain proforma adjustments to reflect transactions which have occurred subsequent to 30 November 2015.

Statement of Financial Position	Note	Proforma Unaudited 30 November 2015 \$	Valuation Low \$	Valuation Preferred \$	Valuation High \$
Current Assets					
Cash and cash equivalents	1 & 3	938,905	1,521,007	1,521,007	1,521,007
Other receivables		16,085	16,085	16,085	16,085
Total Current Assets		954,990	1,537,092	1,537,092	1,537,092
Non Current Assets					
Property, plant and equipment		130	130	130	130
Linus acquisition and due diligence costs	2	306,518	-	-	-
Total Non Current Assets		306,648	130	130	130
Total Assets		1,261,638	1,537,222	1,537,222	1,537,222
Liabilities					
Current Liabilities					
Trade and other payables		35,557	35,557	35,557	35,557
Total Current Liabilities		35,557	35,557	35,557	35,557
Total Liabilities		35,557	35,557	35,557	35,557
Net Assets		1,226,081	1,501,665	1,501,665	1,501,665
Shares on issue	1 & 3	119,284,039	133,836,593	133,836,593	133,836,593
Value per share (cents)			1.12	1.12	1.12

We have made the following adjustments to the net assets and issued capital of Firestrike as at 30 November 2015 in determining our valuation. These adjustments relate to matters which have effect prior to the effects of the Proposed Transaction.

1. We have included in the "Proforma Unaudited 30 November 2015" column the cash flow from the receipt in December 2015 of net proceeds of \$505,614 (after issue costs of \$5,118) from the issue of 25,536,608 shares at 2 cents each under the Company's recent entitlements offer, and the exercise of 113,200 options at 4 cents on 18 December 2015 which raised \$4,528.
2. The Linus acquisition and due diligence costs comprise the following:
 - (a) Non-refundable deposit of \$50,000 paid to Linus upon signing the Linus binding heads of agreement and a further \$200,000 non-refundable deposit paid upon the satisfactory completion of due diligence investigations and the completion of the agreement between Phoenix Myrrh Technology Pty Ltd and

Linus for the transfer of certain technology to Linus. These amounts were paid prior to 30 November 2015.

- (b) Due diligence costs of \$56,518 comprised general costs related to due diligence investigations undertaken by Firestrike.

As the remaining conditions precedent to the Agreement are subject to the passing of related resolutions at the upcoming Firestrike General Meeting, it is difficult at this stage to ascertain the likelihood of this occurring. As a result, for the purposes of this Report, we have assumed that this asset has no value.

3. We have assumed that all options currently on issue (14,552,554) will be exercised for the purposes of our valuation. The options are exercisable at 4 cents each prior to 31 December 2016; the Company's quoted share price at the date of this Report is 5.4 cents therefore it is likely that these options will be exercised. As a result, proceeds of \$582,102 are expected to be received by Firestrike.
4. We have not factored into the valuation of Firestrike as at 30 November 2015 the issue of 202,269 ordinary shares to a corporate consultant as remuneration on 5 February 2016 as this will not have a material effect on our valuation.

8.3.2 Quoted Market Price Basis - Shares

To provide a comparison to our valuation of Firestrike in Section 8.3.1, we have also assessed the value of Firestrike on the quoted market price basis.

The quoted market value of a company's shares is reflective of its value on a minority interest basis. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.25 suggests that when considering the value of a company's shares for the purposes of approval under Item 7 of section 611 of the Corporations Act 2001, the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain control of another company. These advantages include the following:

- control over policy, decision making and strategic direction;
- access to cash flows;
- control over dividend policies; and
- potentially, access to tax losses.

Whilst the shareholders of Linus would not acquire 100% of the issued capital of Firestrike if the Proposed Transaction was approved, RG 111 states that the expert should calculate the value of a "target's" (ie Firestrike) shares as if 100% control was being obtained. RG 111.3 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. We have considered reasonableness in Section 11 of this Report.

Our valuation calculation has been prepared in two parts. First, we have calculated the quoted market price on a minority interest basis. Secondly, we have added a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

Minority interest value

A chart of the share price movement of Firestrike over the 12 month period prior to the Announcement Date is included in Section 7.6 of this Report.

The Firestrike closing share price fluctuated from a low of 1.99 cents to a high of 3.6 cents during the 12 months prior to the Announcement Date.

To provide further analysis of the market prices for a Firestrike share, we have also calculated the volume weighted average market price for 10, 30, 60 and 90 trading day periods prior to the Announcement Date as follows:

	27 October 2015 cents	10 Days cents	30 Days cents	60 Days cents	90 Days cents
Closing price	3.0				
Volume weighted average		3.1	3.4	3.2	3.1

For the quoted market price basis to be reliable there needs to be an adequately liquid and active market for the securities. We consider the following characteristics to be representative of a liquid and active or "deep" market:

- Regular trading in a company's securities;
- At least 50% of a company's securities are traded on an annual basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant and unexplained movements in the company's share price.

A company's shares should meet all of the above criteria to be considered as trading in a "deep" market, however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares determined on this basis cannot be considered relevant.

An analysis of the volume of trading in Firestrike shares for the 12 months prior to the Announcement Date is set out below:

	Low cents	High cents	Cumulative Volume Traded No	As a % of issued capital as at 30 June 2015
10 days	3.0	3.5	927,859	1.03%
30 days	3.0	3.5	2,579,615	2.85%
60 days	1.99	3.6	3,322,110	3.67%
90 days	1.99	3.6	3,837,571	4.24%
180 days	1.99	3.6	5,055,754	5.59%
365 days	1.99	3.6	14,153,340	15.64%

This table indicates that the Company's shares display a low level of liquidity, with only 15.64% of the Company's issued capital at 30 June 2015 being traded in the 12 month period to the Announcement Date and only 4.24% over the last 90 days. We do not consider this level of trading in the Company's shares to be sufficiently adequate and to otherwise meet the criteria in order for the trading in the Company's shares to be considered as "deep".

Notwithstanding our opinion that the quoted market price basis is not a reliable valuation basis for our assessment, for the purpose of comparison, in our opinion a range of values for Firestrike shares based on market pricing, after disregarding post-announcement pricing, is between 1.99 cents and 3.6 cents per share, with a preferred pricing of 2.8 cents per share.

Control Premium

Share prices from share market trading do not reflect the market value for control of a company as they are in respect of minority interest holdings. Traditionally, the premiums required to obtain control of companies range between 15% and 25% of the minority interest values.

Quoted market price including control premium

Applying these control premiums to Firestrike's quoted market share price results in the following quoted market price values including a premium for control:

	Low cents	Preferred cents	High cents
Quoted market price value	1.99	2.8	3.6
Control premium	15%	20%	25%
Quoted market price value inclusive of a control premium	2.29	3.36	4.5

Therefore, our valuation of a Firestrike share based on the quoted market price method and including a premium for control is between 2.29 cents and 4.5 cents with a preferred value of 3.36 cents.

8.3.3 Assessment on the Fair Market Value of a Firestrike Share

The results of the net asset and quoted market price valuations performed are summarised in the table below:

	Low cents	Preferred cents	High cents
Net assets (Section 8.3.1)	1.12	1.12	1.12
Quoted market price (Section 8.3.2)	2.29	3.36	4.5

As it is our opinion that the trading in Firestrike shares is illiquid, we believe the most appropriate method of valuation of Firestrike shares in accordance with RG 111 is the net assets method.

Based on the results above we consider the preferred value of a Firestrike share to be 1.12 cents.

9. VALUATION OF FIRESTRIKE SUBSEQUENT TO THE PROPOSED TRANSACTION

Following is our assessment of the fair market value of a Firestrike share on a minority basis subsequent to incorporating the effects of the Proposed Transaction.

	Report Reference	Valuation Low \$	Valuation Preferred \$	Valuation High \$
Value of Firestrike - pre-transaction	8.3.1	1,501,665	1,501,665	1,501,665
Assessed value of the net assets to be acquired under the Proposed Transaction (Note 1)		4,889,178	4,889,178	4,889,178
Cash received from contingent Proposed Capital Raising net of capital raising costs (Note 2)		3,180,000	3,180,000	3,180,000
Conversion of Linius convertible note by the issue of Firestrike shares (Note 3)		350,000	350,000	350,000
Issue of shares to CPS Capital as part of the Linius acquisition costs (Note 4)		-	-	100,000
Conversion of Milestone 1 performance shares (Note 1)		-	-	3,750,000
Net assets		9,920,843	9,920,843	13,770,843

	Valuation Low No.	Valuation Preferred No.	Valuation High No.
Shares on issue – pre-transaction	133,836,593	133,836,593	133,836,593
Issue of shares under the Proposed Transaction (Note 1)	250,000,000	250,000,000	250,000,000
Issue of shares under the contingent Proposed Capital Raising (Note 2)	46,666,667	46,666,667	46,666,667
Conversion of Linius convertible note by the issue of Firestrike shares (Note 3)	17,500,000	17,500,000	17,500,000
Issue of shares to CPS Capital as part of the Linius acquisition costs (Note 4)	5,000,000	5,000,000	5,000,000
Conversion of Milestone 1 performance shares (Note 1)	-	-	50,000,000
Total shares on issue (Number)	453,003,260	453,003,260	503,003,260
Net assets per share (cents)	2.19	2.19	2.73
Minority interest discount (Note 5)	20%	17%	13%
Value post-transaction (cents)	1.75	1.82	2.37

Note 1 – Assets to be acquired under the Proposed Transaction

Under the Proposed Transaction, Firestrike would acquire 100% of the capital of Linius.

The following net assets have been extracted from the unaudited financial statements of Linius as at 30 November 2015:

	\$
Current assets	
Cash and cash equivalents	200,178
Other receivables	11,100
Total current assets	<u>211,278</u>
Non-Current Assets	
Intellectual property (i)	5,400,000
Total non-current assets	<u>5,400,000</u>
Total assets	<u>5,611,278</u>
Current liabilities	
Trade and other payables	122,100
Total current liabilities	<u>122,100</u>
Non-current liabilities	
Convertible note	350,000
Total non-current liabilities	<u>350,000</u>
Total liabilities	<u>472,100</u>
Net assets	<u><u>5,139,178</u></u>
 Net assets above	 5,139,178
Less Linius acquisition costs recorded by Firestrike which will eliminate on consolidation	<u>(250,000)</u>
 Assessed value	 <u><u>4,889,178</u></u>

- (i) The intellectual property value of \$5,400,000 recorded in the Linius financial statements is based on the amount paid by Linius to the vendor of the asset, Phoenix Myrrh Technology Pty Ltd pursuant to an agreement dated 23 October 2015.

Consideration for the acquisition of Linius comprises the following:

1. Non-refundable deposits totaling \$250,000 to be used by Linius for working capital. This portion of the acquisition costs will be eliminated on consolidation.
2. The issue of 250,000,000 fully paid Firestrike shares. This portion of the consideration has been incorporated into our assessment above.
3. The issue of 200,000,000 performance shares that convert into fully paid ordinary shares in Firestrike (on a one for one basis) in equal amounts of 50,000,000 on each occasion upon Linius (including any company in the Linius group subsequent to completion of the Proposed Transaction for the purposes of this provision) achieving the following milestones:
 - Milestone 1 – Linius enters into an agreement with Digisoft, Cork, Ireland for a limited deployment of its technology, being the installation and activation by a third party of the Linius technology (“Limited Deployment”), with the

objective of demonstrating personalisation of video streams, by that date which is 12 months from the issue date;

- Milestone 2 – Linius (Aust) completes an alpha release of the Linius technology (which means, in line with the industry standard definition of that term, a first-stage completed version of a program or application, which may be unstable but is nevertheless useful to show what the program or application can do) that demonstrates publicly that the Linius technology achieves the Linius core patent claims, namely that the technology is able to take a URL link to a piece of video content in an unknown location and play and display the video content on multiple devices with different video format requirements (and without the need for transcoding), by that date which is 18 months from the issue date;
- Milestone 3 – Linius (Aust) enters into an agreement with a third party (unrelated to the party under Milestone 1) for a Limited Deployment of its technology with the objective of demonstrating removal of the requirement for transcoding of video and reduction of storage. This deployment will be in partnership with an organisation that is able to take a standard video and transcode it into all standards-based formats and store it at broadcast quality, likely to be a content delivery network by that date which is 24 months from the issue date; and
- Milestone 4 – Completion of a Limited Deployment with a third party (which may or may not be one of the parties under Milestones 1 and 3) which demonstrates that the Linius technology removes the requirement for transcoding of an original MPEG-4 video file to play out on devices traditionally requiring differing formats and in doing so reduces storage requirements, and the issue of a report, either prepared by or verified by the third party, confirming this.

Performance shares

As announced to ASX on 22 December 2015, Linius has entered into an agreement with Digisoft to integrate Linius's industry-leading video software with Digisoft's proprietary workflow and set-top box software, which is considered to be the first major step in the commercialisation of Linius's software. The directors of Firestrike have determined that this will be a trigger for the conversion of the 50,000,000 Milestone 1 performance shares to ordinary shares in Firestrike. As a result, we have factored into our assessment above the issue of 50,000,000 ordinary shares in Firestrike. As far as value is concerned, it is arguable as to whether the conversion of the Milestone 1 performance shares will add value to the value of net assets to be acquired under the Proposed Transaction. However, for the purposes of this Report, we have included in our "Valuation High" assessment a value of 7.5 cents per share (total value of \$3,750,000) being an assumed price of the proposed capital raising below, and a value of \$NIL in our "Valuation Low" and "Valuation Preferred" assessments.

We have not undertaken an analysis of the balance of the Performance Shares as these are contingent on future events for which no reasonable basis as to the likelihood of them converting is present. We have therefore not factored in the conversion of these shares as part of the consideration above, however we note

that should they convert, there is likely to be an increase in the value of the Company which will benefit shareholders.

Note 2 – Proposed capital raising

The Proposed Transaction is contingent upon the successful raising of up to \$3,500,000 via the issue of up to 175,000,000 fully paid shares in Firestrike. Whilst the price at which the Firestrike shares will be issued has not yet been determined, for the purposes of this Report, we have assumed an issue price of 7.5 cents per share. This is consistent with the range of the issue price per share as set out in Resolution 4 of the General Meeting, namely a price not less than 2 cents per share with a maximum price of 10 cents per share. As a result, we have assumed that a maximum of 46,666,667 shares will be issued. We have also estimated that the costs of the issue will be approximately \$320,000 (based on a maximum capital raising of \$3,500,000), resulting in net proceeds of \$3,180,000.

Note 3 – Linius convertible note

As detailed more fully at Section 1.5 of the Explanatory Statement included in the Notice of General Meeting, Linius has entered into a convertible note agreement with Avitus Capital Pty Ltd ("Avitus") whereby Avitus has provided Linius with a loan of \$350,000. Subject to completion of the Proposed Transaction, this loan will be repaid via the issue of 17,500,000 Firestrike shares at a deemed issue price of 2 cents each. Whilst the conversion is dependent on various timing requirements, for the purposes of this Report, we have assumed that the loan will be converted into Firestrike shares. Whilst the deemed issue price of 2 cents is well below the Company's current share price, this price is within the range of the proposed capital raising as contemplated in Resolution 4 of the General Meeting. In any case, we do not believe that this will affect our valuation assessment.

Note 4 – Issue of shares to CPS Capital

As part of a mandate entered into on 8 September 2015 between Firestrike and CPS Capital Pty Ltd ("CPS Capital"), Firestrike has agreed to issue CPS Capital up to 5,000,000 fully paid Firestrike shares at a deemed price of 2 cents each for introducing Linius to Firestrike. We have incorporated into the "Valuation High" assessment a value of \$100,000 in respect of this transaction, but have determined that a "Valuation Low" and "Valuation Preferred" assessment for this transaction would be \$NIL. Whilst the deemed issue price of 2 cents is well below the Company's current share price, this price is within the range of the proposed capital raising as contemplated in Resolution 4 of the General Meeting. In any case, we do not believe that this will affect our valuation assessment.

Note 5 – Minority interest discount

The above "Net assets per share (cents)" of a Firestrike share have been determined on a controlling interest basis. If the Proposed Transaction is approved, together with all

other resolutions included in the Notice of General Meeting, non-associated shareholders would become minority shareholders in the Company.

We have therefore adjusted our valuation of a Firestrike share to reflect a minority interest holding. As noted in Section 8.3.2 of this Report, we assessed an appropriate premium for control to range from 15% to 25%. We have therefore assessed a range for an appropriate minority interest discount (which is the inverse of a premium for control) of 13% to 20%.

Note 6 – Issue of options to proposed new directors

Resolutions 10, 11 and 12 of the General Meeting propose the issue of options to the proposed new directors. Resolution 13 of the General Meeting proposes the issue of options to Mr Gavin Campion for past and future services. We have not factored into our valuation the exercise of these options as there is no certainty that this will occur.

10. ASSESSMENT OF WHETHER THE PROPOSED TRANSACTION IS FAIR

RG 111 defines an offer as being fair if the value of the offer price is equal to or greater than the value of the securities being the subject of the offer.

Set out in the table below is a comparison of our assessment of the fair market value of a Firestrike share prior to the Proposed Transaction on a control basis with the value of a Firestrike share subsequent to the Proposed Transaction on a minority basis.

	Report Reference	Low cents	Preferred cents	High cents
Value of a Firestrike share pre-transaction	8.3.1	1.12	1.12	1.12
Value of a Firestrike share post-transaction:	9	1.75	1.82	2.37

As the preferred value of a Firestrike share post-transaction on a minority basis is greater than the preferred value pre-transaction on a control basis, it is our opinion that the Proposed Transaction is **fair**.

11. CONSIDERATION WHETHER THE PROPOSED TRANSACTION IS REASONABLE

In accordance with RG 111, an offer is reasonable if it is fair. Accordingly, as we have assessed the Proposed Transaction to be fair, we also consider the Proposed Transaction to be reasonable. Notwithstanding this conclusion we have also considered other factors that the non-associated shareholders of Firestrike should consider in forming their views on whether or not to approve the Proposed Transaction.

Advantages

- The issue of the shares and performance shares to the Linus shareholders will complete the Company's obligations under the Heads of Agreement and will not require renegotiation of its terms.
- The issue will enable the Company to complete the acquisition of Linus which will allow the Company to be reinstated to trading.
- The Proposed Transaction represents an opportunity for the Company to change its business focus to that of an online technology company as well as to diversify its interests to include Linus which is engaged in the business of the development and commercialisation of new ways for the delivery of video content over the internet.
- The Proposed Transaction will provide Firestrike with the opportunity to increase the value of the Company.
- The proposed new directors and management team have extensive experience and a track record within the online technology industry.
- The Company may be able to raise further funds at higher prices by way of share equity if the Proposed Transaction is completed.

Disadvantages

- The non-associated shareholders may have their current shareholding interests in the Company diluted, depending on the extent of the Proposed Capital Raising and the exercise of existing options.
- There is no guarantee that the Company's share price will not fall as a result of the approval of the Proposed Transaction.
- The Company will be changing the nature, scale and location of its activities; this may not be consistent with the objectives of all non-associated shareholders.

12. SOURCES OF INFORMATION

In preparing this report we have had access to the following principal sources of information:

- Draft notice of general meeting and explanatory statement concerning the Proposed Transaction;
- Firestrike's annual audited financial report for the year ended 30 June 2015;
- Firestrike's management accounts for the five months ended 30 November 2015;
- Discussions with officers of Firestrike;
- Unaudited management accounts of Linus for the five months ended 30 November 2015
- Publicly available information;
- Share registry information; and
- ASX Announcements concerning the Proposed Transaction.

13. QUALIFICATIONS, DECLARATIONS AND CONSENTS

HLB, which is a wholly owned entity of HLB Mann Judd Chartered Accountants, is a Licensed Investment Adviser and holder of an Australian Financial Services Licence under the Act and its authorised representatives are qualified to provide this Report. The authorised representative of HLB responsible for this Report has not provided financial advice to Firestrike.

The author of this Report is Lucio Di Giallonardo. He is a Fellow of the Institute of Chartered Accountants in Australia, holds a Bachelor of Business, and has considerable experience in the preparation of independent expert reports and valuations of business entities in a wide range of industry sectors.

Prior to accepting this engagement, HLB considered its independence with respect to Firestrike with reference to ASIC Regulatory Guide 112 and APES 225. In HLB's opinion, it is independent of Firestrike.

This Report has been prepared specifically for the shareholders of Firestrike. It is not intended that this Report be used for any other purpose other than to accompany the Notice of Meeting to be sent to the Firestrike shareholders. In particular, it is not intended that this Report should be used for any purpose other than as an expression of the opinion as to whether or not the Proposed Transaction is fair and reasonable to the non-associated shareholders of Firestrike. HLB disclaims any assumption of responsibility for any reliance on this Report to any person other than those for whom it was intended, or for any purpose other than that for which it was prepared.

The statements and opinions given in this Report are given in good faith and in the belief that such statements and opinions are not false or misleading. In the preparation of this Report, HLB has relied on and considered information believed, after due inquiry, to be reliable and accurate. HLB has no reason to believe that any information supplied to it was false or that any material information has been withheld.

HLB has evaluated the information provided to it by Firestrike and other parties, through inquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially misstated or would not provide a reasonable basis for this Report. HLB has not, nor does it imply that it has, audited or in any way verified any of the information provided to it for the purposes of the preparation of this Report.

In accordance with the Act, HLB provides the following information and disclosures:

- HLB will be paid its usual professional fee based on time involvement at normal professional rates, for the preparation of this Report. This fee, estimated to be \$15,000 excluding GST, is not contingent on the conclusion, content or future use of the Report.
- Apart from the aforementioned fee, neither HLB, nor any of its associates will receive any other benefits, either directly or indirectly, for or in connection with the preparation of this Report.
- HLB and its directors and associates do not have any interest in Firestrike.

- HLB and its directors and associates do not have any relationship with Firestrike or any associate of Firestrike, other than the firm of HLB Mann Judd being the auditors of Firestrike.

Yours faithfully

HLB MANN JUDD CORPORATE (WA) PTY LTD

Licensed Investment Advisor (AFSL Licence number 250903)

A handwritten signature in black ink, appearing to read 'L Di Giallonardo', with a large, stylized initial 'L'.

L DI GIALLONARDO

Authorised Representative

APPENDIX 1

Appendix 1 – Glossary of Terms

TERM	DEFINITION
Agreement	Binding heads of agreement to acquire 100% of the issued shares in Linius
Announcement Date	Date the event giving rise to the Proposed Transaction was announced to ASX being 28 October 2015
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange Limited
DCF	Discounted cash flows
Directors	Directors of Firestrike
EBIT	Earnings before Interest and Tax
EBITDA	Earnings before Interest, Tax, Depreciation and Amortisation
FME	Future maintainable earnings
HLB	HLB Mann Judd Corporate (WA) Pty Ltd
Firestrike or the Company	Firestrike Resources Limited
Linus	Linus (Aust) Pty Ltd
Notice of General Meeting	The Notice of General Meeting and Explanatory Statement for the meeting to be held on 29 March 2016
Proposed Capital Raising	The raising of up to \$3,500,000 by the issue of up to 175,000,000 Firestrike shares
Proposed Transaction	The transaction outlined in Section 3 of this Report
Report	Independent expert's report prepared by HLB
Non-associated shareholders	Existing shareholders in Firestrike who are not associated with Linus

PROXY FORM

FIRESTRIKE RESOURCES LIMITED
ACN 149 796 332

GENERAL MEETING

I/We

of:

being a Shareholder entitled to attend and vote at the Meeting, hereby appoint:

Name:

OR: ☐ the Chair of the Meeting as my/our proxy.

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at 11:00am, on 29 March 2016 at Steinepreis Paganin, Level 4, 16 Milligan Street, Perth, Western Australia and at any adjournment thereof.

AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS

Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolutions 14 and 15 (except where I/we have indicated a different voting intention below) even though Resolutions 14 and 15 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

The Chair intends to vote undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

Voting on business of the Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Change to Nature and Scale of Activities	☐	☐	☐
Resolution 2	Creation of a New Class of Securities – Performance Shares	☐	☐	☐
Resolution 3	Issue of Consideration Shares to Linus Shareholders	☐	☐	☐
Resolution 4	Issue of Shares – Capital Raising	☐	☐	☐
Resolution 5	Issue of Shares to Avitus Capital Pty Ltd	☐	☐	☐
Resolution 6	Issue of Shares to CPS Capital Group Pty Ltd	☐	☐	☐
Resolution 7	Election of Director – Christopher Richardson	☐	☐	☐
Resolution 8	Election of Director – Stephen McGovern	☐	☐	☐
Resolution 9	Election of Director – Stephen Kerr	☐	☐	☐
Resolution 10	Issue of New Options to Christopher Richardson	☐	☐	☐
Resolution 11	Issue of New Options to Stephen McGovern	☐	☐	☐
Resolution 12	Issue of New Options to Stephen Kerr	☐	☐	☐
Resolution 13	Issue of New Options to Gavin Campion	☐	☐	☐
Resolution 14	Adoption of Employee Incentive Scheme – Share Plan	☐	☐	☐
Resolution 15	Adoption of Employee Incentive Scheme – Option Scheme	☐	☐	☐
Resolution 16	Change of Company Name	☐	☐	☐

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

If two proxies are being appointed, the proportion of voting rights this proxy represents is: _____ %

Signature of Shareholder(s): _____

Individual or Shareholder 1

Sole Director/Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Date:**Contact name:****Contact ph (daytime):****E-mail address:****Consent for contact by e-mail
in relation to this Proxy Form:**YES ☐ NO ☐

Instructions for completing Proxy Form

1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing instructions):**
 - **(Individual):** Where the holding is in one name, the Shareholder must sign.
 - **(Joint holding):** Where the holding is in more than one name, all of the Shareholders should sign.
 - **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) post to Firestrike Resources Limited, PO Box 2138, Subiaco WA 6904; or
 - (b) facsimile to the Company on facsimile number +61 8 9381 1122; or
 - (c) email to the Company Secretary at info@firestrike.com.au,

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

Proxy Forms received later than this time will be invalid.