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## Notice of Extraordinary General Meeting

eServGlobal Limited ACN 052 947 743

22 July 2016  
at 11.00am (AEST)

Institute of Chartered Accountants  
Level 9  
33 Erskine Street  
Sydney NSW 2000

This document includes forward-looking statements. The words "believe", "anticipate", "expect", "intend", "aim", "plan", "predict", "continue", "assume", "positioned", "may", "will", "should", "shall", "risk" and any other similar expressions that are predictions of or indicate future events and future trends identify forward-looking statements. These forward-looking statements include all matters that are not historical facts. Shareholders should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the Company's control. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance, and the Company's actual results of operations, financial condition and liquidity, and the development of the industry in which it operates may differ materially from that made in or suggested by the forward-looking statements contained in this document. The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that the Company, or persons acting on its behalf, may issue. These forward-looking statements are made as of the date of this document and are not intended to give any assurances as to future results. Save as required by law or regulation the Company undertakes no obligation to update these forward-looking statements, and will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document.

## Notes

### Determination of entitlement to attend and vote at the Extraordinary General Meeting

The Company has determined, in accordance with the Corporations Act and Regulation 7.11.37 of the Corporations Regulations, that for the EGM, Shares will be taken to be held by those persons recorded in the Company's register of members as at 7.00pm AEST on 20 July 2016.

Current Depository Interest holders can attend the EGM but will not be permitted to vote at the meeting. For their votes to be counted DI Holders must submit their CREST Voting Instruction to Computershare UK by the required cut-off time below. Alternatively, DI Holders can vote using the Form of Instruction.

### Voting by proxy or form of instruction

A Shareholder who is entitled to attend and vote at the EGM may appoint a proxy to attend and vote at the EGM on behalf of that Shareholder. A proxy need not be a Shareholder of the Company. If a Shareholder is entitled to cast two or more votes at the EGM, the Shareholder may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the appointment does not specify the proportion or the number of the Shareholder's votes that each proxy may exercise, each proxy may exercise half of the Shareholder's votes on a poll.

A corporation may elect to appoint a representative in accordance with the Corporations Act in which case the Company will require written proof of the representative's appointment which must be lodged with or presented to the Company before the meeting.

Proxies may be lodged with the Company's share registry Computershare Investor Services Pty Ltd and Forms of Instructions may be lodged with Computershare Investor Services PLC:

<p>Australia (Proxy Forms)</p> <p>By mail: GPO Box 242 MELBOURNE VIC 3001 AUSTRALIA</p> <p>By facsimile: 1800 783 447 (inside Australia) +61 3 9473 2555 (outside Australia)</p>	<p>United Kingdom (CREST Voting Instruction)</p> <p>Holders of Depository Interests in CREST may transmit voting instructions by utilising the CREST voting service in accordance with the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take appropriate action on their behalf.</p> <p>In order for instructions made using the CREST voting service to be valid, the appropriate CREST message (a "<b>CREST Voting Instruction</b>") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual (available via <a href="http://www.euroclear.com/CREST">www.euroclear.com/CREST</a>).</p> <p>United Kingdom (Form of Instruction)</p> <p>By mail: The Pavilions, Bridgewater Road Bristol, BS13 8AE</p> <p>By facsimile: 0370 889 4075 (inside the UK) +44 370 889 4075 (outside the UK)</p>
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To be effective, the Company must receive the completed Proxy Form and, if the form is signed by the Shareholder's attorney or authorised representative, the authority under which the Proxy Form is signed (or a certified copy of the authority) by no later than 11.00am AEST on 20 July 2016.

To be effective, the Company must receive the completed Form of Instruction and, if the form is signed by the Shareholder's attorney or authorised representative, the authority under which the Form of Instruction is signed (or a certified copy of the authority) by no later than 11.00am GMT on 18 July 2016.

To be effective, the CREST Voting Instruction must be transmitted so as to be received by the Company's agent (3RA50) no later than 11:00 a.m. (GMT) 18 July 2016. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the CREST Voting Instruction by the CREST applications host) from which the Company's agent is able to retrieve the CREST Voting Instruction by enquiry to CREST in the manner prescribed by CREST. Holders of Depositary Interests in CREST and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the transmission of CREST Voting Instructions. It is the responsibility of the Depositary Interest holder concerned to take (or, if the Depositary Interest holder is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that the CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a CREST Voting Instruction is transmitted by means of the CREST voting service by any particular time. In this connection, Depositary Interest holders and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

### **Explanatory notes**

Shareholders should refer to the Explanatory Memorandum.

### **Interpretation**

Terms used in this Notice of Meeting have the meanings given to them in Glossary in the Explanatory Memorandum.

# Notice of Extraordinary General Meeting

eServGlobal Limited ACN 052 947 743 (Company)

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Notice is given that the Extraordinary General Meeting (**EGM**) of eServGlobal Limited (**Company**) will be held at 11.00am AEST on 22 July 2016 at Institute of Chartered Accountants, Level 9, 33 Erskine Street Sydney NSW 2000

## Agenda

### 1 Ratify the Issue of Shares

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

*'That for the purposes of Listing Rule 7.4 and for all other purposes, the issue and allotment of 31,866,107 Shares on the terms set out in the Explanatory Memorandum accompanying this Notice of Meeting is approved.'*

### 2 Ratify the Issue of Unlisted Options B

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

*'That for the purposes of Listing Rule 7.4 and for all other purposes, the issue and allotment of 8,000,000 Unlisted Options B to acquire one Share per Unlisted Option B on payment of the lesser of £0.04375 and a 20% discount to the volume weighted average price of the Depository Interests in the Company trading on AIM in the 60 trading days commencing on 22 March 2016, on the terms set out in the Explanatory Memorandum accompanying this Notice of Meeting is approved.'*

### 3 Issue of Shares

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

*'That, subject to the passing of Resolution 4, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval be given to issue up to 157,992,843 Shares on the terms as detailed in the Explanatory Memorandum which forms part of and accompanies this Notice of Meeting.'*

### 4 Acquisition of a Relevant Interest in Shares

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

*"That, subject to the passing of Resolution 3, for the purpose of Item 7 of Section 611 of the Corporations Act 2001 approval is given for the Company to issue to:*

- *The Alphagen Volantis Fund Limited acting through its investment manager Alphagen Capital Limited, or its nominee, 55,070,525 Shares or at the election of The Alphagen*

*Volantis Fund Limited acting through its investment manager Alphagen Capital Limited, 55,070,525 Depository Interests; and,*

- *The Alphagen Volantis Catalyst Fund Limited acting through its investment manager Alphagen Capital Limited, or its nominee, 55,070,525 Shares or at the election of The Alphagen Volantis Catalyst Fund Limited acting through its investment manager Alphagen Capital Limited, 55,070,525 Depository Interests,*

*on the terms as described in the Explanatory Memorandum with the effect of The Alphagen Volantis Catalyst Fund Limited, acting through its investment manager Alphagen Capital Limited, and The Alphagen Volantis Fund Limited, acting through its investment manager Alphagen Capital Limited, acquiring a relevant interest in Shares such that they may hold a voting power in the Company of up to 28.05%, being in excess of the thresholds set out in Section 606(1) of the Corporations Act."*

## **5 Issue of Options to John Conoley**

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

*'That for the purposes of Listing Rule 10.14, and for all other purposes, the Company be authorised to issue to John Conoley 2,000,000 Options to purchase 2,000,000 Shares on payment of \$0.21 per Option on the terms set out in the Explanatory Memorandum accompanying this Notice of Meeting, as an incentive for Mr Conoley's activities as a Director and executive of the Company and in addition to his remuneration in that office.'*

## **6 Issue of Employee Options**

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

*'That for the purposes of ASX Listing Rule 7.2- Exception 9(b), Section 260C(4) of the Corporations Act 2001 and for all other purposes the issue of up to 7,000,000 Options to purchase 7,000,000 Shares on payment of \$0.21 per Option be approved on the terms set out in the Explanatory Memorandum accompanying this Notice of Meeting to such employees of the Company or its wholly owned subsidiaries as determined by the Directors and that the approval for the issue of 3,000,000 Employee Options obtained as Resolution 7 at the Company's Annual General Meeting on 14 March 2016 be withdrawn.'*

DATED 22 June 2016  
By Order of the Board

A handwritten signature in black ink, consisting of a stylized initial 'T' followed by a long horizontal line that ends in a small flourish.

Tom Rowe  
Company Secretary  
eServGlobal Limited

# Explanatory Memorandum

eServGlobal Limited ACN 052 947 743 (Company)

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The information in this Explanatory Memorandum is provided to Shareholders of eServGlobal Limited (**Company** or **ESV**) in compliance with the Corporations Act, Listing Rules, AIM Rules and the Company's Constitution.

## Introduction

This Explanatory Memorandum is despatched with and forms part of the Notice of the Company's Extraordinary General Meeting (**EGM**) to be held at 11.00am on 22 July 2016.

All Ordinary Shareholders and DI Holders should read this Explanatory Memorandum in full and if they have any questions, obtain professional advice before making any decisions in relation to the Resolution to be put to Shareholders at the EGM.

The Resolutions are all ordinary resolutions. An ordinary resolution requires a simple majority of votes cast by Shareholders (in person or by proxy) entitled to vote on the resolution.

## Resolution 1 – Ratify the Issue of Shares

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Listing Rule 7.1 permits the Company to issue, in general terms, 15% of its issued capital in any 12 month period without shareholder approval. Listing Rule 7.4 permits a Company to obtain subsequent approval of a share issue such that the issue will be treated as having been made with shareholder approval for the purpose of Listing Rule 7.1. If Resolution 1 is approved:

- The Shares the subject of Resolution 1 will be included at "A" in the formula under Listing Rule 7.1 rather than at "C"; and,
- the Company will have capacity under Listing Rule 7.1 to issue 31,866,107 Equity Securities (excluding the approval sought under Resolution 2, 3 and 4 and exemptions under Listing Rule 7.2).

In the absence of Resolution 1 being passed, the Company's capacity under Listing Rule 7.1 will not be completely "refreshed" until 16 June 2017. Resolution 1 is seeking approval under Listing Rule 7.4 to "refresh" the Company's Listing Rule 7.1 capacity effective from the date of the EGM in respect to the issue of a total of 31,866,107 Shares that occurred on 16 June 2016.

The Firm Placing Shares were issued at £0.04 (A\$0.08) to institutional investors in United Kingdom through a private placement. The Firm Placing Shares rank *pari passu* with the existing Shares at the date of issue and allotment. The issue price was approximately a 20% discount to the closing price of the Company's Shares on the ASX on 6 June 2016, being the day before the subscription agreements for the Shares were entered into by the institutional investors. Details of the allottees are in the table below:

**Holder**

**Number of Shares**

Herald Investment Management Ltd	1,573,057
Legal & General Investment Management (Holdings) Ltd	7,751,056
Sigma Broking Ltd*	1,056,425
Hargreave Hale Limited	15,846,382
Killik & Co LLP*	3,988,006
Edale Capital LLC*	897,962
Walker Crips Stockbrokers Ltd*	700,398
finnCap Ltd*	52,821
*New Holder	

The funds raised are to be used to pay the broker and legal fees for the placement and, together with the funds to be raised under the issue of Conditional Placing Shares proposed under Resolution 2, will be applied towards the refinancing of debt, acceleration of sales and marketing, reduction of the costs in the core business and to support general working capital requirements.

### **Voting exclusion**

The Company will disregard any votes cast on Resolution 1 by any person who participated in the issue of the Firm Placing Shares the subject of this Resolution 1.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions (For, Against or Abstain) 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.

### **Directors' recommendation**

The Directors unanimously recommend that Shareholders vote in favour of this Resolution.

## **Resolution 2 – Ratify the Issue of Unlisted Options B**

Listing Rule 7.1 permits the Company to issue, in general terms, 15% of its issued capital in any 12 month period without shareholder approval. Listing Rule 7.4 permits a Company to obtain subsequent approval of an issue of securities such that the issue will be treated as having been made with shareholder approval for the purpose of Listing Rule 7.1. If Resolution 2 is approved, the Unlisted Options B, will not be included at "C" and the Company will have capacity under Listing Rule 7.1 to issue 8,000,000 Equity Securities (excluding exemptions under Listing Rule 7.2).

In the absence of Resolution 2 being passed, the Company's capacity under Listing Rule 7.1 will not be "refreshed" in respect to the 8,000,000 Equity Securities until 22 March 2017. Resolution 2 is seeking approval under Listing Rule 7.4 to "refresh" the Company's Listing Rule 7.1 capacity effective from the date of the EGM in respect to the issue of a total of 8,000,000 Unlisted Options B that occurred on 22 March 2016.

The Unlisted Options B were issued to funds managed by Henderson Global Investors Limited (namely the Lenders in equal proportion) as consideration for the facilitation of the £1,000,000 loan facility announced on 1 March 2016. The Unlisted Options B are unlisted and are on the following terms:



- Each Unlisted Option B entitles the holder to acquire one Share, subject to the terms below, on payment of the Exercise Price.
- Exercise Price per Unlisted Options B: the lesser of:
  - £0.0456; and,
  - a 20% discount to the volume weighted average price of the Depository Interests in the Company trading on AIM in the 60 trading days commencing on 22 March 2016.
- Exercise Period: from the issue date to the Expiry Date.
- Expiry Date: 5 October 2020. In the event of a change in control of the Company, the Unlisted Options B shall expire 30 days after the Company notifies the option holder of the change of control.
- The Exercise Price or the number of Shares in respect to which the Unlisted Option may be exercised may be reorganised in accordance with Listing Rule 7.22.
- The Unlisted Options B are transferable by the option holder.

No funds were raised from the issue of the Unlisted Options B.

#### **Voting exclusion**

The Company will disregard any votes cast on Resolution 2 by:

- any person who participated in the issue of the Unlisted Options B;
- an associate of that person (or those persons).

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions (For, Against or Abstain) 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.

#### **Directors' recommendation**

The Directors unanimously recommend that Shareholders vote in favour of this Resolution.

### **Resolution 3-Share Issue**

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#### **Background**

On 7 June 2016, the Company entered into agreements to:

- (a) issue a total of 31,866,107 Firm Placing Shares, at £0.04 per Share on 16 June 2016 ("Firm Placing Shares"); and,
- (b) issue 268,133,893 Conditional Placing Shares (including the Shares the subject of Resolution 3) at £0.04 (\$0.08) per share, subject to Shareholder approval of the issue and the Debt Restructure at an extraordinary general meeting to be held on or before 22 July 2016.

The Firm Placing Shares were issued within the Company's capacity under ASX Listing Rule 7.1, which in general terms permits the Company to issue up to 15% of its issued Shares in any 12 month period and are the subject of Resolution 1.

The issue of the Conditional Placing Shares exceeds the Company's capacity under Listing Rule 7.1 and Shareholder approval is required before the Conditional Placing Shares may be issued. It is the approval of the issue of the Conditional Placing Shares (excluding the Shares to be issued under Resolution 4) that is sought under this Resolution 3.

### **The Conditional Placing Shares**

The Conditional Placing Shares are to be issued to institutional and sophisticated investors and if approved the Conditional Placing Shares will be issued on or about 25 July 2016. The Conditional Placing Shares will rank *pari passu* with the existing Shares at the date of issue and allotment. Details of the impact to substantial holders following the Conditional Placing Shares is described in the Explanatory Memorandum to Resolution 4.

The allottees of the Conditional Placing Shares, excluding the Shares to be issued pursuant to Resolution 4 are detailed in the table below:

<b>Holder</b>	<b>Number of Shares</b>
Herald Investment Management Ltd	5,872,128
Legal & General Investment Management (Holdings) Ltd	28,934,241
Sigma Broking Ltd	3,612,896
Hargreave Hale Limited	56,093,437
Killik & Co LLP	14,886,994
Edale Capital LLC	3,070,961
Walker Crips Stockbrokers Ltd	22,380,057
finnCap Ltd	8,572,179
Acorn Capital Limited	11,905,000
Nicholas Goh*	2,002,950
Monash Investors Pty Ltd	662,000

\*New Holder

The Conditional Placing Shares also include the 110,141,050 Shares to be issued to the Lenders, subject to Shareholder approval of Resolution 4.

### **Purpose for Issue of Conditional Placing Shares**

The cash to be received on the issue of the Conditional Placing Shares together with the Firm Placing Shares, less costs and expenses of the placement is approximately £7 million and is to be applied as follows:

- (a) Fee for Debt restructure: £1,803,201
- (b) Part Repayment of Existing Loans: £615,698
- (c) Acceleration of Sales & Marketing in the core business: £0.75 million

- (d) Restructuring to reduce costs: £1.25 million
- (e) Working Capital: £2.5 million

### **Advantages**

The advantages to the Company in issuing the Conditional Placing Shares are:

- (a) The funds raised by the Conditional Placing Shares will provide the Company with the ability to accelerate its sales and market efforts and to further reduce costs within its core business.
- (b) In conjunction with the Debt Restructure, for which the Conditional Placing Shares provides the funds necessary to pay the fee for the Debt Restructure, the funds raised will strengthen the Company's balance sheet, providing sufficient funding for the short to medium term.
- (c) The Conditional Placing Shares will broaden the Shareholder base of the Company.

### **Disadvantages**

The disadvantage of the issuing of the Conditional Placing Shares is:

- (a) The issue will be dilutive to the voting power of existing Shareholders, although there is some opportunity for Shareholders to reduce the dilution by participating in the Open Offer.

### **Voting Exclusion**

The Company will disregard any votes cast on Resolution 3 by a 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, which includes:

- Any party to the Existing Loans or any entity who is to receive the Conditional Placing Shares; and
- an associate of any of those entities.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions (For, Against or Abstain) 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.

### **Directors' recommendation**

All Directors unanimously recommend that Shareholders vote in favour of this Resolution.

## **Resolution 4-Acquisition of a Relevant Interest in Shares**

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### **Australian Takeover Laws**

As an Australian incorporated company, eServGlobal Limited is subject to Australian Law in respect to the acquisition of voting power in the Company. In general terms, and subject to various exceptions, Section 606 of the Corporations Act provides that a person must not obtain a relevant interest in issued voting

shares where, as a result of that acquisition, that person's or someone else's voting power in the entity increases from 20% or below to more than 20% or from a starting point that is above 20% and below 90%.

One of those exceptions is in Item 7 of Section 611 of the Corporations Act. The exception provides that such an increase in voting power may occur with the approval of the members of the entity.

A person's voting power includes the person's relevant interests together with the voting power of any Associate.

## **Debt Restructure**

The Company and the Lenders have agreed, that effective upon satisfaction of the following:

- the issue of the Shares proposed under Resolution 3, the approval of this Resolution 4 and the issue of 55,070,525 Shares to each of the Lenders or their nominee; and,
- unless waived by the Company, the Company receiving the subscription monies for the Firm Placing Shares and the Conditional Placing Shares, net of any costs of the placement,

(collectively, the Condition Precedent);

the Existing Loans will be restructured on the following terms:

- (a) The Existing Loans are discharged and replaced with one single loan (New Loan) on the following terms:
  - i. Principal: £7,000,000
  - ii. Interest: 1% per month, compounding interest.
  - iii. Commencement date: on satisfaction of the Condition Precedent with interest effective from 7 June 2016
  - iv. Termination date: 30 June 2019
  - v. Security: All moneys owing under the New Loan are secured against the assets of the Company on the same terms and conditions as the Existing Loans and to the extent approved by the Shareholders at the Company on 18 January 2016.
- (b) £4,405,642 of the amount owing under the Existing Loans discharged shall be converted to Shares (or Depository Interests as directed by the Lenders) at £0.04 per Share, being the same price as the Firm Placing Shares and the Conditional Placing Shares. The balance of the total indebtedness under the Existing Loans at 6 June 2016, less the £7,000,000 under the New Loan will be paid in cash to the Lenders, being the amount of £615,698.
- (c) The Unlisted Options and the Unlisted Options B will be forfeited, unexercised.
- (d) The Lenders will receive a total fee of £1,803,201 for the Debt Restructure, which is equivalent to 15% of the total indebtedness under the Existing Loans at 6 June 2016.

On completion of the Debt Restructure as described in (a) – (d) above, the capital structure within the Company will be as follows:

<b>Security</b>	<b>Current</b>	<b>Post Debt Restructure</b>
Ordinary Fully Paid Shares	297,640,159	565,774,052
ESOP Options (A\$0.36)	6,140,000	6,140,000
Unlisted Options (£0.0456)	39,866,107	Nil
Unlisted Options B	8,000,000	Nil
Executive Options (A\$0.21)	3,000,000	5,000,000
Employee Options (A\$0.21)	Nil	7,000,000

### **Application of Australian Takeover Laws to the Issue of Shares to the Lenders**

The Debt Restructure will result in the Lenders (in equal proportion), or their nominees, being issued with a total of 110,141,050 Shares (or Depository Interests) giving the Lenders (who are Associates of each other) and their Associates, voting power of 28.05% in the Company immediately upon completion of the Debt Restructure. In the absence of Shareholder approval, any issue of Shares or Depository Interests to the Lenders or their Associates resulting in the Lenders or their Associates obtaining voting power in excess of 20% will be prohibited under section 606(1) of the Corporations Act.

The voting power in the Company, as notified to the Company or otherwise known to the Directors, on completion of the Debt Restructure will be as set out in the table below. The Directors are not aware of the intention of the entities below to participate in the Open Offer, but the Open Offer will be dilutive to their post Debt Restructuring voting power regardless of their participation.

<b>Holder of Relevant Interest</b>	<b>Voting Power post issue of Firm Placing Shares</b>	<b>Voting Power post Debt Restructure</b>	<b>Voting Power Post Debt Restructure and Open Offer*</b> <small>*Assumes no participation in Open Offer</small>
Legal & General	16.60%	13.85%	12.24%
Lenders*	16.31%	28.05%	24.79%
Hargreave Hale	13.68%	17.11%	15.12%
Acorn Capital Limited	8.99%	6.83%	6.04%

\* The Lenders are Associates of Henderson Global Investors Limited, a substantial holder in the Company.

Alphagen Capital Limited, in its capacity as investment manager of the Lenders, has warranted to the Company that until the Shares or Depository Interests are issued under this Resolution 3 it, and its Associates, will not increase their relevant interests in Depository Interests or Shares from their current

holding of 48,549,213 Shares. The Lenders also have CFDs (contracts for difference) over 11,041,951 Shares.

### **Listing Rule 7.1**

Under Listing Rule 7.2 exception 16, approval under Item 7 of Section 611 of the Corporations Act is an exception to the requirement for approval under Listing Rule 7.1. In the absence of approval under Item 7 of Section 611 of the Corporations Act, the issue of Shares under Resolution 3 would exceed the capacity under Listing Rule 7.1.

### **Information Required for Shareholder Approval**

In accordance with ASIC Regulatory Guide 74 ("RG74") the Company has commissioned the Independent Expert to report as to whether the proposed issue of Shares to the Lenders is fair and reasonable to Shareholders that are not associates of the Lenders. The Independent Expert's Report is included with this Notice.

The Independent Expert has assessed the proposed issue and concluded that it is **not fair but reasonable**. The assessment of whether the Debt Restructure is "fair" is based solely on a comparison of the value of the consideration being provided by the Company (being the market value of the Shares being issued, and the Debt Restructure fee being paid, to the Lenders) and the value of the consideration being paid by Lenders (being £4,405,642 plus the value of the Unlisted Options and the Unlisted Options B being forfeited). The difference between the value being provided by the Company and the value being paid by the Lenders is between £594,281 and £1,695,691, based upon the valuation range for the Shares. The Independent Expert is not readily able to apply a value to the benefit the Company receives for the difference and accordingly is not able to determine that the Debt Restructure is fair.

Despite the Independent Expert not being able to determine that the Debt Restructure is fair, they have assessed the Debt Restructure as being **reasonable**. In making the assessment of whether the Debt Restructure is reasonable, the Independent Expert is able to take into account the advantages and disadvantages of accepting the Debt Restructure, including non-financial factors, which indicates that there are sufficient reasons to accept the Debt Restructure in the absence of an alternative proposal and that Non-Associated Shareholders should benefit if the Debt Restructure proceeds.

The balance of the information required under paragraph 74.25 of RG74 and Item 7(b) of section 611 of the Corporations Act is contained throughout the Explanatory Memorandum, or set out below:

- The Lenders have no intentions regarding the Company other than to assist the Company to maximise Shareholder value and to protect its interest as a Lender.
- No Director has an interest in the Debt Restructure, other than as a Shareholder.
- The Lenders do not intend to change the financial or dividend policies of the Company.
- Each Director recommends that the Shareholders vote in favour of Resolution 3 as, in the absence of any alternative proposal, the advantages of the Debt Restructure outweigh the disadvantages of the Debt Restructure.
- The contracts conditional on approval of Resolution 3 are as described in (a) –(d) above and the agreements for the Conditional Placing Shares, described in Resolution 2.
- The Debt Restructure provides a mechanism for the Company to reduce its total debt by approximately £4.5 million and extend the term of the debt under the Existing Loans under the New Loan by another 2 years, providing the Company additional time to repay that debt through operational cash generation or to refinance when the Company may be able to obtain finance from traditional lenders.

- If the Debt Restructure is not approved, the Company will have £11 million plus accrued interest and repayment premium due for repayment by October 2017, with £6 million plus accrued interest and repayment premium of that amount for repayment in June 2017. The total debt under the Existing Loans is approximately £12 million at the date of this notice. The Company will be unable to repay that amount from its cash flow and the Company will be required to refinance the debt. The existence of such current large current debt will jeopardise the Company as a going concern and may require the directors to place the Company into administration if the current debt cannot be refinanced or renegotiated. There is no guarantee that the Company will be able to refinance or renegotiate the debt, or be able to do so on reasonable commercial terms.
- The Lenders and their Associates may continue to increase their voting power in the Company without Shareholder approval under Item 9 of section 611 of the Corporations Act. In general terms, they will be permitted, after maintaining their voting power at more than 19% for six months, to creep an additional 3% each six months through the acquisition of Shares or Depository Interests without breaching section 606(1) of the Corporations Act. The HomeSend JV contains a change of control provision that permits MasterCard and BICS S.A. to acquire the Company's interest in the HomeSend JV at fair market value if a person, (acting alone or with another person) acquires voting power in eServGlobal Limited of 30% or more.

### **Voting Exclusion**

The Company will disregard any votes cast on Resolution 4 by:

- a) the persons proposing to make the acquisition and their associates; and,
- b) a 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.

However, the Company need not disregard a vote cast by a person described in paragraph (b) above, if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions (For, Against or Abstain) 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.

### **Directors' recommendation**

All Directors unanimously recommend that Shareholders vote in favour of this Resolution

## **Resolution 5 – Issue of Options to John Conoley**

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This resolution seeks Shareholder approval for the purposes of Listing Rule 10.11 in respect of the issue of Options to purchase Shares to Mr Conoley, the Executive Chairman as an incentive for performance and in addition to his salary or other payments that would otherwise be payable in cash.

The proposed issue of Options is to be the long-term incentive component of Mr Conoley's remuneration package.

The potential issue of Options to purchase Shares is intended to further align his interests with those of the Company and its Shareholders.

The Options and any Shares issued on exercise of Options will not reduce the Company's capacity under Listing Rule 7.1 or 7.1A due to Listing Rule 7.1 Exception 9.

The Options have an exercise price of A\$0.21 being the same price as the Options approved at the 2016 Annual General Meeting of the Company.

Approval is sought for the grant of the following Options on the following terms and conditions:

<b>Vesting date</b>	The earlier of 2 years from the issue date or the date of a Trigger Event.
<b>Vesting condition</b>	The Options will only vest if the Allottee is an employee or Director of the Company or a wholly owned subsidiary of the Company at the vesting date.
<b>Expiry Date</b>	The earlier of: <ol style="list-style-type: none"> <li>1. 5 years from the issue date;</li> <li>2. The date the Allottee ceases as an employee or Director of the Company or a wholly owned subsidiary of the Company due to: <ul style="list-style-type: none"> <li>• his resignation or,</li> <li>• in the case of his employment, termination for breach; or</li> </ul> </li> <li>3. 90 days following termination or his employment or engagement as a Director, or such longer period (not exceeding 14 March 2021) as determined by the Board, for any other reason than those stated in (2) above.</li> </ol>
<b>Exercise price</b>	\$0.21
<b>Number of Options</b>	2,000,000
<b>Allottee</b>	John Conoley
<b>Maximum number of securities</b>	Each Option will entitle the holder to acquire one Share on payment of the exercise price. Subject to any reorganisation, the maximum number of Shares that may be acquired on exercise of the Options the subject of Resolution 4 is 2,000,000.
<b>Issue price</b>	No amount will be payable on the grant of an Option.
<b>Further issues</b>	If the Company makes an issue of Shares or other securities, including equity securities convertible into Shares, a holder of Options is not entitled to participate in such further issues unless the Options have been exercised on or before the relevant record date.
<b>Reorganisations</b>	If there is a reorganisation (including consolidation, sub-division, reduction or return) of the capital of the Company, the rights of each holder of Options issued will be changed to the extent necessary to comply with the Listing Rules applying to a re-organisation of capital at the time of the re-organisation (including the adjustment of the exercise price of the Option (if applicable) in accordance with Listing Rule 6.22).
<b>Ranking</b>	All Shares issued pursuant to the exercise of Options will, subject to the Constitution, rank in all respects (other than in respect of dividends, rights issues or bonus issues for which the record date for participation has passed) pari passu with the existing Shares at the date of issue and allotment.
<b>Quotation</b>	The Options will not be quoted on ASX. The Company intends to apply to ASX for quotation of any Shares acquired on exercise of the Options.

### Additional Information

ASX Listing Rule 10.11 requires the approval of Shareholders for the issue of securities to a Director. Information required under Listing Rule 10.13 not otherwise specified above, together with other additional information is set out below:

<b>Maximum number of securities to be issued</b>	2,000,000 Options
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<b>Terms of issue</b>	The Options are governed by the terms and conditions set out in the table above.
<b>Issue date</b>	The Options will be issued as soon as practicable following Shareholder approval, but in any event, not later than 1 month after the date of the Annual General Meeting.
<b>Intended use of funds</b>	If and when the Options are exercised, it is the current intention of the Board that the funds will be used for working capital. Total funds raised, assuming all of the Options vest and are exercised, will be AUD\$420,000.

### Related Party Transaction

Section 208(1) of the Corporations Act provides that a public company must not, without the approval of the Company's members, give a financial benefit to a Related Party unless an exception to the prohibition which are set out in sections 210 to 216 of the Corporations Act apply to the issue. As a Director of the Company, Mr Conoley is a Related Party of the Company for the purposes of section 228(2) Corporations Act. The issue of the Options will constitute the giving of a financial benefit to a Related Party for the purposes of section 229(3)(e) of the Corporations Act.

The Board, with Mr Conoley abstaining, has determined that the grant of the Options satisfies the 'reasonable remuneration' exemption in Section 211(1) of the Corporations Act from the requirement for Shareholder approval under the Corporations Act.

In coming to this decision, the Board considered, amongst other matters, the following factors

<b>Total Remuneration Packages</b>	Excluding the Options the subject of Resolution 4, the total remuneration package of John Conoley is: Fixed: £260,000 per annum Bonus: Mr Conoley will participate in the Company's corporate bonus plan. Pensions and Allowances: £16,000
<b>Existing interests in Company</b>	Mr Conoley holds a total of 917,067 Depository Interests.
<b>Dilutive Effect of Issue of Options</b>	The exercise of all the Options the subject of Resolution 6 would have an insignificant dilutive effect on existing Shareholders voting power as the Shares that may be issued would comprise only approximately 0.35% of the post exercise issued capital. There would be no dilution of voting power on issue of the Options.  The economic dilution would be less than the dilution of voting power due to the requirement for Mr Conoley to pay \$0.21 per Option to exercise.
<b>Value of LTI Benefit</b>	The exercise price has been calculated at a 110% premium to the VWAP for the period of 20 April 2015 to 9 February 2016, being the exercise price for the Options approved at the 2016 Annual General Meeting of the Company. This is approximately a 200% premium to the Company's current Share price on the ASX.  In a <i>black scholes</i> model valuation for the Options, the Options have a value of approximately A\$90,000

### Voting exclusion

The Company will disregard any votes cast on Resolution 5 by:

- a person who is to receive securities in relation to the entity;
- an associate of that person (or those persons);
- by a member of the Key Management Personnel as a proxy for a person who is entitled to vote;
- by a closely related party (such as close family members and any controlled companies) of a member of Key Management Personnel as a proxy for a person who is entitled to vote.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions (For, Against or Abstain) 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.

### **Directors' recommendation**

The Directors, with Mr Conoley abstaining, recommend that the Shareholders vote in favour of this Resolution. The reasons for giving the recommendation are:

- The incentive represented by the issue of Options is a cost-effective and efficient incentive when compared to the alternative of cash incentives.
- The primary purpose of the Options is to reward performance and provide an incentive to Mr Conoley that is aligned to the increase of shareholder value. Given this purpose, the Directors do not consider that there is any opportunity cost or benefit foregone to the Company in granting the Options, the subject of these resolutions.

## **Resolution 6 – Issue of Employee Options**

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Listing Rule 7.1 generally restricts listed companies from issuing more than 15% of their issued share capital in any 12 month period without shareholder approval. There are however, a number of exceptions to this restriction including Listing Rule 7.2, Exception 9(b). Listing Rule 7.2, Exception 9(b) provides that Listing Rule 7.1 will not apply to an issue to a participant under an employee incentive scheme, if within three years before the date of the issue, holders of ordinary securities have approved the issue of securities under the scheme as an exception to this rule.

Listing Rule 7.2, Exception 4 provides that Listing Rule 7.1 will not apply to the issue of Shares on conversion of the Options, regardless of the time of exercise.

The Employee Options are to be issued on the same terms and conditions (other than the allottee) as those described in the Explanatory Memorandum to Resolution 4. No other employee share option plan is in use by the Company at this time:

- At the 2016 Annual General Meeting the Company obtained approval for the issue of 3,000,000 Employee Options. No Employee Options have been issued under that approval and this approval is to replace the previous approval and is not in addition to it.
- The previous ESOP was approved at the 2012 AGM and that approval expired in 2013. Between that approval and its expiry, 11,600,000 options were issued under the ESOP and at the date of this Notice of Meeting there are still 6,140,000 options on issue under the ESOP.

The Employee Options are intended to retain staff, motivate employees to improve Company performance and align the interests of employees with those of the Company and its Shareholders. The Company may award Employee Options to employees as an incentive component of their remuneration

package. The number of Employee Options issued to the participating employees is to be determined by the Board.

If this resolution is passed, the Company will be able to issue up to 7,000,000 Options to employees during the next three years without the need to seek further shareholder approval (subject to Chapter 10 of the Listing Rules). The Board intends to issue the Options within 12 months of the date of Shareholder approval.

The issue of Shares on exercise of the Options will not require shareholder approval.

The passing of this resolution will provide approval for the giving of financial assistance to the acquisition of Shares under an employee share scheme pursuant section 260C(4) of the Corporations Act.

This resolution is not seeking approval for the issue of Options to any Director or related party as that term is defined in the Listing Rules.

### **Voting exclusion**

The Company will disregard any votes cast on Resolution 6 by:

- Any Director (except one who is ineligible to participate in any employee incentive scheme);
- an associate of a Director (except one who is ineligible to participate in any employee incentive scheme); or,
- by a member of the Key Management Personnel as a proxy for a person who is entitled to vote; or
- by a Closely Related Party (such as close family members and any controlled companies) of a member of Key Management Personnel as a proxy for a person who is entitled to vote.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions (For, Against or Abstain) 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.

### **Directors' recommendation**

All Directors unanimously recommend that Shareholders vote in favour of this Resolution.

## **Glossary of Terms**

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In this Notice of Meeting and Explanatory Memorandum unless defined below, capitalised words have the same meaning as in the Corporations Act:

<b>AEST</b>	means Australian Eastern Standard Time
<b>AIM</b>	means AIM, a market of the London Stock Exchange.
<b>AIM Rule or AIM Rules</b>	means together the AIM Rules for Companies and the AIM Rules for Nominated Advisers governing admission to and the operation of AIM.
<b>AIM Rules for Companies</b>	means the AIM Rules for Companies published by the London Stock Exchange.
<b>Associate</b>	has the same meaning as in the Corporations Act.

<b>ASX</b>	means the ASX Limited ACN 008 624 691 and the market that it operates.
<b>Board</b>	means the board of Directors of the Company.
<b>Chairman</b>	means the Chairman of the Company as approved from time to time and includes an acting Chairman.
<b>Company or eServGlobal or ESV or eServ</b>	means eServGlobal Limited ACN 052 947 743.
<b>Conditional Placing Shares</b>	means the 268,133,893 Shares, including the Shares to be issued to the Lenders, the subject of Resolutions 3 and 4.
<b>Constitution</b>	means the constitution of the Company.
<b>Control</b>	has the same meaning as in Section 50AA of the Corporations Act.
<b>Corporations Act</b>	means the <i>Corporations Act 2001</i> (Cth).
<b>Corporations Regulations</b>	means the <i>Corporations Regulations 2001</i> (Cth).
<b>Debt Restructure</b>	means the discharge of part of the principal and interest under the Existing Loans and the entry into of the New Loan on the terms described in the Explanatory Memorandum to Resolution 4.
<b>Depository Interest</b>	means de-materialised depository interests representing Shares issued by the depository, Computershare Investor Services PLC, and settled on CREST.
<b>DI Holders</b>	means holders of Depository Interests.
<b>Directors</b>	means the directors of the Company from time to time, and Director means any one of them.
<b>EGM</b>	means the extraordinary general meeting of the Company to be held on 22 July 2016.
<b>Equity Security</b>	means an equity security as defined in the Listing Rules, and includes a Share, option or right to a Share or a security that may convert into a Share, option or right to a Share.
<b>Existing Loans</b>	means the three loans by the Lenders, to the Company as follows: <ul style="list-style-type: none"> <li>• the fully drawn loan agreement executed on 4 June 2015 for £5.0M;</li> <li>• the fully drawn loan agreement executed on 5 October 2015 for £5.0M; and</li> <li>• the fully drawn loan agreement executed on 22 March 2016 for £1.0M</li> </ul> together with all capitalised interest and repayment premiums.
<b>Explanatory Memorandum</b>	means the explanatory memorandum to the notice of meeting contained in this booklet.
<b>Form of Instruction</b>	Means the form of instruction enclosed with this document for use by DI Holders in relation to the EGM.
<b>Firm Placing Shares</b>	means the 31,866,107 Shares that were issued on 16 June 2016.
<b>GMT</b>	means Greenwich Mean Time
<b>HomeSend</b>	HomeSend CVBA, a limited cooperative company incorporated in Belgium

<b>HomeSend JV</b>	the joint venture between MasterCard/Europay U.K. Limited, the Company and BICS S.A. in relation to HomeSend.
<b>Independent Expert</b>	means Hall Chadwick Corporate (NSW) Limited.
<b>Lenders</b>	means the Alphagen Volantis Fund Limited and the Alphagen Volantis Catalyst Fund Limited, acting through their investment manager, Alphagen Capital Limited.
<b>Listing Rules</b>	means the official listing rules of ASX.
<b>New Loan</b>	means the conditional facility agreement entered into between the Lenders and the Company, completion of which is conditional on the passing of the Resolutions 2 and 3 at the EGM, as described in the Explanatory Memorandum to Resolution 3.
<b>Non-Associated Shareholders</b>	means Shareholders and DI Holders who are not the Lenders or Associates of the Lenders.
<b>Notice and Notice of Meeting</b>	means the Notice of Extraordinary General Meeting included in this document.
<b>Open Offer</b>	means the pro-rata entitlement offer to Shareholders and DI Holders to acquire 1 Share for every 4 held at the record date at the same price as the Firm Placing Shares and Conditional Placing Shares.
<b>Proxy Form</b>	means the proxy form enclosed with this document.
<b>Resolution</b>	means a resolution the subject of this Notice of Meeting and Explanatory Memorandum.
<b>Share</b>	means an ordinary share in the capital of the Company, the terms of which are contained in the Company's constitution.
<b>Shareholders or Ordinary Shareholders</b>	means holders of Shares from time to time.
<b>Trigger Event</b>	means: <ul style="list-style-type: none"> <li>• a sale of substantially all of the business, or substantially all of the assets, of the Company; or</li> <li>• a change of Control of the Company, as determined by the Directors, acting reasonably</li> </ul>

10 June 2016

The Directors  
eServGlobal Limited  
C/o Simpsons Solicitors  
Level 2, Pier 8/9, 23 Hickson Road  
Millers Point NSW 2000

Dear Sirs,

## Independent Expert's Report relating to the Issue of Shares

### 1. INTRODUCTION

#### *Background*

- 1.1 eServGlobal Limited ("eServGlobal" or "the Company") is an Australian company listed on the Australian Securities Exchange (ASX:ESV, AIM:ESG) that provides mobile money solutions for mobile and financial service providers.
- 1.2 eServGlobal has previously entered into loan agreements with Alphagen Capital Limited as investment manager for Alphagen Volantis Fund Limited and the Alphagen Volantis Catalyst Fund Limited ("collectively referred to as "Alphagen"). Loan agreements with Alphagen have been fully drawn by the Company totalling £11,000,000 ("Existing Loans").
- 1.3 It is intended that the Existing Loans, together with all capitalised interest and repayment premiums, will be discharged and replaced with one single loan ("New Loan") on the terms described at section 2. This Debt Restructure includes £4,405,642 of the amount owing under the Existing Loans being converted to Shares in the Company at £0.04 per Share, or Depository Interests as directed by the Lenders <sup>1</sup>.
- 1.4 The proposed Debt Restructure and resulting issue of shares in the Company to Alphagen as detailed at section 2, is referred to in this report as the "Transaction".
- 1.5 The Transaction is conditional upon eServGlobal completing a placement of shares as detailed at section 2. Following completion of the Transaction and placements, Alphagen will hold up to a 28.05% equity interest in the Company and a reduced New Loan of £7million.

HALL CHADWICK  
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worldwide association of  
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firms

<sup>1</sup> Depository Interests are a type of security which is used by the ASX to allow international companies to trade on the local market. They representing Shares in the Company issued by the depository, Computershare Investor Services PLC, and settled on CREST ("Certificateless Registry for Electronic Share Transfer", a UK-based central securities depository).

***Opinion***

- 1.6 In our opinion, the Transaction is ***not fair but reasonable*** to the Non-Associated Shareholders of eServGlobal.
- 1.7 The ultimate decision however on whether to accept the Transaction should be based on shareholders own assessment of their circumstances.

***Purpose of Report***

- 1.8 You have requested Hall Chadwick Corporate (NSW) Limited (“HCC”) to prepare an Independent Expert’s Report to advise the shareholders of eServGlobal other than those associated with Alphagen (“Non-Associated Shareholders”), whether the proposed Transaction is fair and reasonable when considered in the context of the interests of Non-Associated Shareholders and to set out the reasons for our conclusions.
- 1.9 HCC understands and has agreed that this report will be included in or accompany the notice to convene a meeting of eServGlobal shareholders, to assist the Non-Associated Shareholders in their consideration of the Transaction.

## 2. OUTLINE OF THE TRANSACTION

2.1 eServGlobal has Existing Loans owing to Alphagen which have been fully drawn by the Company totalling a principal of £11,000,000 plus capitalised interest and repayment premiums of approximately £1,021,340. eServGlobal has also issued 47,866,107 options to Alphagen as consideration for the facilitation of the Existing Loans (“Unlisted Options” and “Unlisted Options B”).

2.2 On 7 June 2016, the Company entered into agreements to:

- issue a total of 31,866,107 Shares, at £0.04 per Share (“Firm Placing Shares”); and
- issue 268,133,893 Shares (the Shares the subject of Resolutions 2 and 3) at £0.04 per share, subject to Shareholder approval.

2.3 The Firm Placing Shares will be issued on or around 16 June 2016 at £0.04 (AU\$0.079) to institutional investors in Australia and the United Kingdom through a private placement. The funds raised totalling £1,274,644 are to be used to pay the broker and legal fees for the placement and together with the funds to be raised under the issue of Shares proposed under Resolution 2 will be applied towards the refinancing of debt, acceleration of sales and marketing, reduction of costs in the core business and to support general working capital requirements. The issue price is approximately a 20% discount to the closing price of the Company’s Shares on the ASX on 6 June 2016.

2.4 The Company and Alphagen have agreed, that effective upon:

- the issue of 157,992,843 Shares proposed under Resolution 2 (“Conditional Placing Shares”) and,
- the issue of 110,141,050 Shares proposed under Resolution 3 to Alphagen or its nominee;

the Existing Loans be restructured on the following terms (“Debt Restructure”):

- The Existing Loans are discharged and replaced with one single loan (New Loan) on the following terms:
  - Principal: £7,000,000
  - Interest: 1% per month, compounding interest.
  - Commencement date: 7 June 2016
  - Termination date: 30 June 2019
  - Security: All moneys owing under the New Loan are secured against the assets of the Company on the same terms and conditions as the Existing Loans and to the extent approved by the Shareholders of the Company on 18 January 2016.
- £4,405,642 of the amount owing under the Existing Loans discharged shall be converted to Shares (or Depository Interests as directed by the Lenders) at £0.04 per Share, being the same price as the Firm Placing Shares and the Conditional Placing Shares. The balance of the total indebtedness under the Existing Loans at 6 June 2016, less the £7,000,000 under the New Loan will be paid in cash to Alphagen, being the amount of £615,698.
- The Unlisted Options and the Unlisted Options B will be forfeited, unexercised. These options were initially issued as consideration for the facilitation of the Existing Loans and have been valued as at 7 June 2016 at £1,208,920.
- Alphagen will receive a fee from the Company of £1,803,201 for the Debt Restructure, which is equivalent to 15% of the total indebtedness under the Existing Loans at 6 June 2016 (“Debt Restructure Fee”).



- 2.5 The Conditional Placing Shares are to be issued to institutional and sophisticated investors and if approved the Conditional Placing Shares will be issued on or about 25 July 2016.
- 2.6 The following table shows the effect on the share capital of eServGlobal after the Transaction:

<b>Effect on Ordinary Shares</b>	
Ordinary shares currently on issue	265,774,052
Firm Placing Shares	31,866,107
Shares to Alphagen under Debt Restructure	110,141,050
Conditional Placing Shares	<u>157,992,843</u>
<b>Total ordinary shares on issue after Transaction</b>	<b>565,774,052</b>

- 2.7 Following completion of the Transaction, the issue of Firm Placing Shares and Conditional Placing Shares, Alphagen will hold up to a 28.05% equity interest in the Company.
- 2.8 The Transaction will result in the dilution of current Non-Associated Shareholders ownership percentages from 81.73% to 38.39%, assuming no existing Non-Associated Shareholders receive Firm Placing Shares or Conditional Placing Shares.
- 2.9 The Company also intends to undertake a pro-rata entitlement offer to Shareholders in Australia and New Zealand and DI Holders (holders of Depository Interests) in the United Kingdom to acquire 1 share for every 4 shares held on the Record Date (expected to be 17 June 2016) (“Open Offer”) at the same price as the Firm Placing Shares and Conditional Placing Shares (£0.04 per Share). The above shares on issue and percentage interests disclosed in this report do not include the effect of the Open Offer.

## **STRUCTURE OF REPORT**

Our report is set out under the following headings:

- 3 PURPOSE OF REPORT
- 4 BASIS OF EVALUATION
- 5 OVERVIEW OF ESERVGLOBAL
- 6 VALUATION METHODOLOGIES
- 7 VALUE OF ESERVGLOBAL
- 8 ADVANTAGES AND DISADVANTAGES OF THE TRANSACTION
- 9 CONCLUSION AS TO FAIRNESS AND REASONABLENESS

## **APPENDICES**

- I SOURCES OF INFORMATION
- II STATEMENT OF DECLARATION & QUALIFICATIONS
- III FINANCIAL SERVICES GUIDE

### **3 PURPOSE OF REPORT**

- 3.1 The purpose of this report is to advise the Non-Associated Shareholders of eServGlobal of the fairness and reasonableness of the Transaction.
- 3.2 This report provides an opinion on whether or not the terms and conditions in relation to the Transaction are fair and reasonable to the eServGlobal shareholders whose votes are not to be disregarded in respect of the transaction (that is, the Non-Associated Shareholders).
- 3.3 The ultimate decision whether to accept the terms of the Transaction should be based on each shareholders' assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Transaction or matters dealt with in this report, shareholders should seek independent professional advice.
- 3.4 For the Transaction to be fair, the value of the consideration being paid by Alphagen for shares in the Company must be equal to or greater than the value of the eServGlobal shares to be issued to Alphagen. To be reasonable the Non-Associated Shareholders must obtain an overall benefit if the Transaction proceeds.
- 3.5 This report has been prepared to satisfy the requirements of the Corporations Act 2001 ("Corporations Act").

#### **Corporations Act Requirements**

- 3.6 Following completion of the Transaction, Alphagen and associated entities will hold up to a 28.05% equity interest in the Company. Section 606(1) of the Corporations Act states that a person must not acquire an interest in issued voting shares in a listed company if that person's or any other person's voting power increases to above 20%, or increases from a starting point that is above 20% and below 90%. Section 606(1) prohibits Alphagen from acquiring the issued ordinary shares in eServGlobal under the Transaction, unless one of the exemptions under Item 7 of Section 611 of the Corporations Act applies.
- 3.7 The exceptions set out in Item 7 of Section 611 of the Corporations Act include an acquisition that is approved by a resolution of shareholders of eServGlobal passed at a general meeting as per Section 611. This is the exception which is being relied upon by the eServGlobal shareholders. At the general meeting of eServGlobal no votes will be allowed to be cast by those persons (or their associates) acquiring shares under the Transaction (that is, the existing shareholders of Alphagen and associated entities).
- 3.5 Australian Securities and Investments Commission ("ASIC") Regulatory Guide 111 "Content of Experts Reports" requires, amongst other things, that directors of a company need to provide shareholders with an analysis of whether a proposed transaction is fair and reasonable, when considered in the context of the interests of the non-associated shareholders. Regulatory Guide 111 recommends that this analysis should include an independent expert's report to state whether, in their opinion, the proposal is fair and reasonable having regard to the interests of non-associated shareholders and state the reasons for forming that opinion. This report provides such an opinion.

#### 4. BASIS OF EVALUATION

- 4.1 In our assessment of whether the Transaction is fair and reasonable to eServGlobal Non-Associated Shareholders, we have given due consideration to the Regulatory Guides issued by the ASIC, in particular, Regulatory Guide 74 “Acquisitions Agreed to by Shareholders”, Regulatory Guide 111 “Content of Experts Reports” and Regulatory Guide 112 “Independence of Experts”.
- 4.2 ASIC Regulatory Guide 74 requires, amongst other things, that shareholders are provided with sufficient information to make an effective, informed decision on whether the proposed Transaction is fair and reasonable. Under Regulatory Guide 111, a transaction is “fair” if the value of the asset being acquired (in this case the consideration being paid by Alphagen) is equal to or greater than the value of the shares being issued. Additionally, under Regulatory Guide 111 an offer is “reasonable” if it is fair. It is possible for an offer to be reasonable despite being unfair, if after considering other non-financial factors the shareholders should still accept the offer.
- 4.3 Our report has compared the likely advantages and disadvantages to non-associated shareholders if the Transaction is agreed to, with the advantages and disadvantages to those shareholders if it is not. Comparing the consideration to be paid under the proposal and the value of the shares being issued is only one element of this assessment.
- 4.4 Additionally we have considered whether any shareholder will obtain a level of control in eServGlobal as a result of the proposed transaction. In the event that a change in control arises from the proposed transaction, proportionately greater benefits to non-associated shareholders must be demonstrated.
- 4.5 Normal valuation practice is to determine the fair market value of an asset assuming a counter party transaction between a willing and not anxious buyer and a willing but not anxious seller, clearly at arm’s length. We have adopted this approach in determining the market value of eServGlobal shares.
- 4.6 In evaluating the Transaction, we have considered the value of the eServGlobal shares being issued and compared this to the amount of consideration to be paid by Alphagen. We consider that the Transaction will be reasonable if, on balance, the Non-Associated Shareholders in eServGlobal will be better off if the Transaction is approved. We will also consider the Non-Associated Shareholder’s interests should the Transaction not proceed.
- 4.7 In our assessment of the Transaction we have considered, in particular the following:
- The operational and financial position of eServGlobal;
  - The value of eServGlobal shares, under various methodologies;
  - Any control premium associated with the Transaction;
  - The advantages and disadvantages associated with approving the Transaction;
  - Share trading history of eServGlobal shares;
  - The likely value and liquidity of eServGlobal shares in the absence of the acquisition.
- 4.8 The documents and information relied on for the purpose of this report are set out in Appendix I. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to

believe that material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the Transaction is fair and reasonable. However, in assignments such as this, time is limited and we do not warrant that our enquiries have identified or verified all of the matters which an audit or more extensive examination might disclose. None of these additional tasks have been undertaken.

- 4.9 We understand the accounting and other financial information that was provided to us has been prepared in accordance with generally accepted accounting principles.
- 4.10 An important part of the information used in forming an opinion of the kind expressed in this report is the opinions and judgement of management. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 4.11 HCC are not the auditors of eServGlobal or Alphagen. We have analysed and reviewed information provided by the Directors of Alphagen and the directors and auditors of eServGlobal and made further inquiries where appropriate.
- 4.12 This report has been prepared after taking into consideration the current economic and market climate. We take no responsibility for events occurring after the date of this report which may impact upon this report or which may impact upon the assumptions referred to in the report.

## 5. OVERVIEW OF ESERVGLOBAL

### 5.1 Company Overview

- 5.1.1 eServGlobal offers mobile money solutions which put feature-rich services to use worldwide, covering the full spectrum of mobile financial services, inclusive of mobile wallet, mobile commerce, recharge, promotions and agent management features.
- 5.1.2 eServGlobal invests heavily in product development, using carrier-grade, next-generation technology and aligning with the requirements of telecommunication service providers in over 50 countries.
- 5.1.3 Together with MasterCard and BICS (Belgacom International Carrier Services), eServGlobal is a joint venture partner of the HomeSend global payment hub, a market leading solution based on eServGlobal technology which enables cross-border money transfer between mobile money accounts, payment cards, bank accounts or cash outlets from anywhere in the world regardless of the users location. HomeSend is an international remittance service based on eServGlobal technology offered by strategic business partners BICS and MasterCard. It is the market leader in mobile-to-mobile multilateral money transfer.
- 5.1.4 eServGlobal also offers a comprehensive suite of sophisticated, revenue generating Value-Added Services to engage subscribers in a dynamic manner. These services can be seamlessly integrated with its mobile money portfolio to extend loyalty and promotion offers.
- 5.1.5 The public announcements made by eServGlobal in 2016 to-date are shown below:

<u>Date</u>	<u>Headline</u>	<u>Pages</u>
08/06/2016	Proposed Placings, Open Offer and Debt Restructure	30
26/05/2016	eServGlobal and Zain win GTB Innovation Award	2
18/05/2016	Trading update	4
05/05/2016	eServGlobal announces new contract win in West Africa	1
22/04/2016	eServGlobal announces new contract win	1
20/04/2016	Change in substantial holding	3
11/04/2016	Change of Director's Interest Notice	2
11/04/2016	Appendix 3B	11
07/04/2016	Change in substantial holding	3
06/04/2016	Response to ASX Price Query	4
06/04/2016	Trading Halt Request	1
06/04/2016	Trading Halt	1
23/03/2016	Appendix 3B	11
23/03/2016	Financing Arrangements	3
14/03/2016	Results of Meeting	2
14/03/2016	AGM Investor Presentation	17
14/03/2016	Chairman's Address to Shareholders	3
11/03/2016	S&P DJ Indices Announces March Quarterly Review	9
25/02/2016	Change in substantial holding	6
25/02/2016	Change in substantial holding	6

25/02/2016	Change in substantial holding	6
24/02/2016	HomeSend and Vodafone extend M-Pesa agreement	3
19/02/2016	Appendix 4G	10
19/02/2016	Annual Report to shareholders	91
19/02/2016	Change of Director's Interest Notice	2
16/02/2016	Change of Director's Interest Notice	2
12/02/2016	Notice of Annual General Meeting/Proxy Form	18
12/02/2016	HomeSend approved for Payment Institution Licence	2
11/02/2016	Change to terms of engagement of Executive Chairman	1
29/01/2016	Full Year Statutory Accounts	78
29/01/2016	Notification under ASX Listing Rule 4.3D	2
29/01/2016	Drawdown of second advance under Loan Facility	2
18/01/2016	Results of Meeting	1

## 5.2 Financial Information

5.2.1 Set out below is a summary of the audited historical financial performance of eServGlobal for the last three years (31 October year-end):

<b>HISTORICAL CONSOLIDATED FINANCIAL PERFORMANCE</b>				
	<b>A\$ million</b>	<b>FY2015</b>	<b>FY2014</b>	<b>FY2013</b>
<b>Revenue</b>		25.9	31.3	31.0
Cost of sales		(20.6)	(13.4)	(11.8)
Gross profit		5.3	17.9	19.2
EBITDA <sup>1, 2, 3</sup>		(22.9)	28.6	7.3
Net profit before tax		(30.2)	27.8	4.5
<b>Net profit after tax</b>		<b>(32.5)</b>	<b>14.2</b>	<b>10.4</b>

<sup>1</sup> EBITDA for FY2013 is after restructuring costs of \$2.0m, foreign exchange gains of \$8.0m and share based payments of \$0.5m. The foreign exchange gains and losses occur due to the large number of multi-currency transactions in the business each year.

<sup>2</sup> EBITDA for FY2014 is higher than gross profit as it includes a gain on disposal of the HomeSend business of \$31.7 million.

<sup>3</sup> Management advise that the decrease in revenue and losses incurred in FY2015 are largely due to loss making contracts entered into during 2014 and 2015, the delayed conversion of pipeline projects and costs incurred associated with the development of the PayMobile 3.0 platform. The PayMobile platform is an end-to-end mobile money solution which has required substantial development on state-of-the-art core technology. Management advise that PayMobile 3.0 is expected to open new opportunities with channel partners and new customer types on both a global and local level.

5.2.2 Half year results to 30 April 2016 have not yet been released to the market. However management released a trading update on 18 May 2016 which stated that a recovery in sales began in the second quarter of 2016 for the core business as a result of new projects and an improved sales pipeline, and they expect a small EBITDA surplus for the core business for the full year ending 31 October 2016. Directors also advise that systems have been implemented to minimise the risk of future contractual issues which led to the losses in FY2015.

5.2.3 Set out below is the Audited Consolidated Statement of Financial Position of eServGlobal as at 31 October 2015.

<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>	
	<b>A\$ '000    31 October 2015</b>
<b>Current Assets</b>	
Cash and cash equivalents	4,976
Trade and other receivables	12,069
Work in progress <sup>1</sup>	10,071
Inventories	66
Current tax assets	107
Other current assets	2,263
Deferred sales proceeds <sup>2</sup>	5,343
	<b>34,895</b>
<b>Non-Current Assets</b>	
Investment in associate - HomeSend SRCL	31,473
Property, plant and equipment	84
Deferred tax assets	976
Intangibles – capitalised software development	6,939
Other non-current assets	3,456
	<b>42,928</b>
<b>Total Assets</b>	<b>77,823</b>
<b>Current Liabilities</b>	
Trade and other payables	19,619
Borrowings – Secured bank loan	3,000
Current tax payables	235
Provisions	1,380
Deferred revenue	1,286
	<b>25,520</b>
<b>Non-Current Liabilities</b>	
Borrowings – Secured bank loan	16,531
Other financial liabilities	2,058
Provisions	943
	<b>19,532</b>
<b>Total Liabilities</b>	<b>45,052</b>
<b>Net Assets</b>	<b>32,771</b>
<b>Equity</b>	
Issued capital	116,074
Reserves	174
Accumulated losses	(83,889)
Non-controlling interest	412
<b>Total Equity</b>	<b>32,771</b>

<sup>1</sup> Contract work in progress net of progress billings and advances received

<sup>2</sup> Deferred sales proceeds relating to the sale of the HomeSend business to an associate company, HomeSend SRCL, held in escrow.



## 6. VALUATION METHODOLOGIES

### 6.1 Selection of Methodology

6.1.1 In order to assess the fairness of the Transaction a value needs to be attributed to eServGlobal shares.

6.1.2 In assessing the value of eServGlobal we have considered a range of valuation methods. ASIC Regulatory Guide 111 *Content of Expert Reports* states that in valuing a company the expert should consider the following commonly used valuation methodologies:

- Market Value of Shares: the quoted price for listed securities in a liquid and active market;
- Capitalisation of Future Maintainable Earnings: the value of trading operations based on the capitalisation of future maintainable earnings;
- Discounted Cash Flow: the net present value of future cash flows;
- Realisation of Assets: the amount that would be available for distribution to security holders on an orderly realisation of assets;
- Comparable Market Transactions: the identification of comparable sale transactions.

We consider each of these valuation methodologies below.

#### 6.1.3 *Market Value of Shares as Quoted on the ASX*

This method involves the valuation of an entity based on its actively traded equities, which represent the market capitalisation of the share capital of the entity, in a liquid and knowledgeable market.

Any assessment of the market value of the quoted equities needs to consider the following:

- The liquidity of the quoted equity based on the volume and frequency of trading;
- The number of ‘unusual’ and/or ‘abnormal’ trades that occur; and
- The timing and level of dissemination of information to the market.

If a quoted ordinary equity is traded in an active, liquid and knowledgeable market, then the market price of the quoted ordinary equity should represent the ‘fair’ market value of the quoted ordinary equity.

A premium may also need to be applied to the value of the quoted ordinary equity to determine the value of the equity holding in circumstances where a party is acquiring or increasing a controlling equity position.

We consider that adopting a market value of shares methodology to determine an indicative value of eServGlobal is appropriate as it reflects all publicly available information on the Company and therefore we believe it is a reliable reflection of the current value of eServGlobal shares.

#### 6.1.4 *Capitalisation of Future Maintainable Earnings*

Under the earnings based valuation method, the value of the business is determined by capitalising the estimated future maintainable earnings of the business at an appropriate capitalisation rate or multiplier of earnings. The multiple is a coefficient, representing the risk that the business may not achieve projected earnings.

This method is appropriate in valuing a business when there is a history of earnings, the business is established and it is assumed the earnings are sufficiently stable to be indicative of ongoing earnings potential.

This method is not considered to be appropriate for the valuation of eServGlobal due to its recent history of losses and the inherent uncertainty of future earnings.

#### 6.1.5 *Discounted Cash Flow – Net Present Value*

Discounted cash flow valuations involve calculating the value of a business on the basis of the net cash flow that will be generated from the business over its life. The cash flows are discounted to reflect the time value of money and the risk involved with achieving the forecast cash flows. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the valuation date to give an overall value of the business.

Although the discounted cash flow approach relies on the availability of long-term earnings and cash flow forecasts, it is particularly suited to situations where cash flows are not stable or where significant cash outflows will be incurred prior to cash inflows being earned. The forecast period should be of such a length to enable the business to achieve a stabilised level of earnings, or be reflective of an entire operational cycle for more cyclical industries.

Management of eServGlobal are unable to forecast future cash flows with any confidence, therefore a value cannot be placed on the Company using the discounted cash flow method and the use of the discounted cash flow method is not appropriate.

#### 6.1.6 *Realisation of Assets*

The net assets or cost based approach to value is based on the assumption that the value of all assets (tangible and intangible) less the value of all liabilities should equal the value of the entity. The net asset value is determined by marking every asset and liability on and off the company's balance sheet to current market values.

This approach is generally not appropriate where assets are employed productively and are earning more than the cost of capital. It is often used as a cross check to assess the relative riskiness of the business.

As eServGlobal is predominantly a revenue based business, the book value of the assets are not representative of the inherent value of the business and accordingly this method is not appropriate.

### 6.1.7 *Comparable Market Transactions*

This methodology involves the identification of comparable sale or equity raising transactions for actual or similar businesses to that being valued.

We have considered the price at which eServGlobal shares have or will be issued to arms-length parties prior to completion of the Transaction.

## 6.2 **Premium for Control**

6.2.1 When considering transactions involving a substantial equity holding of a company, it is appropriate to address whether a premium for control should attach to the transaction. A premium for control is the difference between the price for each share that a buyer would be prepared to pay to obtain a controlling interest in a company and the price per share that would be required to purchase a share that does not carry with it a controlling interest. In most cases, the value of a controlling interest in the shares in a company significantly exceeds the listed market value of the shares. This reflects the fact that:

- a) the owner of a controlling interest in the shares in a company obtains access to all free cash flows of the company being acquired, which it would otherwise be unable to do as a minority shareholder;
- b) the controlling shareholder can direct the disposal of surplus assets and the redeployment of the proceeds;
- c) a controlling shareholder can control the appointment of directors, management policy and the strategic direction of the company;
- d) the entity taking over the company is often able to increase the value of the entity being acquired through synergies and/or rationalisation savings.

6.2.2 Our experience suggests that the premium for control (over and above the market price of the Company's shares) ranges, on average, between 20% and 35%. However, the appropriate premium for control depends on the specific circumstances and, in particular, the level of synergy benefits able to be extracted by potential acquirers and the degree of confidence about the level and achievability of potential synergies and their timing.

6.2.3 The premium for control paid in takeovers is observable but caution must be exercised in assessing the value of a company or business based on the market rating of comparable companies or businesses. The premium for control is an outcome of the valuation process, not a determinant of value. Premiums are paid for reasons that vary from case to case and may be substantial due to synergy or other benefits available to the acquirer. In other situations premiums may be minimal or even zero. It is inappropriate to apply an average premium of 20-35% without having regard to the circumstances of each case. In some situations there is no premium. There are transactions where no corporate buyer is prepared to pay a price in excess of the amount paid by institutional investors through a raising.

6.2.4 A shareholder or group of associated shareholders are deemed to influence a company when they have control of more than 20% of the issued shares in a company. At this time a premium for control should normally be considered.

6.2.5 The Transaction will result in Alphagen owning up to 28.05% of the shareholding in eServGlobal. However in this case we do not believe that a premium for control is relevant in this case based on the following:

- a) Alphagen will not obtain full control of eServGlobal and shareholders will retain an opportunity to obtain a premium on any subsequent increase in control by Alphagen or alternatively a sell-down to a third party;
- b) eServGlobal earnings have been unstable, with large operating losses incurred in recent years;
- c) There is currently no significant free cash flows available to be extracted by Alphagen after obtaining control of eServGlobal;
- d) The liquidity in eServGlobal shares have been low, with only 12.5% of shares traded in the last 12 months.

## 7. VALUE OF ESERVGLOBAL

### 7.1 General

7.1.1 This section sets out our assessment of the underlying value of eServGlobal shareholdings.

7.1.2 We have selected the market value of shares and comparable transactions as the valuation methodologies for eServGlobal as detailed in section 6.

### 7.2 Market Value of Shares

7.2.1 In our opinion the value of eServGlobal shares should be examined on the basis of the current market value of the shares listed on the ASX. The market value of the shares listed on the ASX reflects all publicly available information on the company and therefore we believe it is a reliable reflection of the current value of the Company.

7.2.2 The table below sets out the movement of eServGlobal share prices and trading up 7 June 2016, being the date preceding the announcement of the Transaction. The share price is shown in pounds sterling, being the currency in which the shares will be issued in relation to the Transaction:

	Low £	High £	VWAP £ (1)	Volume
1 month	0.045	0.053	0.050	2,258,050
2 months	0.045	0.064	0.054	9,728,340
3 months	0.029	0.065	0.050	21,982,220
6 months	0.018	0.065	0.032	79,957,910
12 months	0.018	0.182	0.048	97,168,630

(1) The VWAP was calculated using the total value of all transactions divided by the total trading volume in the time period considered.

7.2.3 We conclude that the value of the eServGlobal shares under the market value approach is the VWAP in the last month of trading of **£0.050 per share**.

### 7.3 Comparable Transactions

7.3.1 We have considered the price at which eServGlobal shares have or will be issued to arms-length parties prior to completion of the Transaction.

7.3.2 The Company will issue a total of 31,866,107 Firm Placing Shares at £0.04 per Share prior to completion of the Transaction. This issue of shares is not contingent on the Debt Restructure proceeding.

7.3.3 We consider that the Firm Placing to be completed on or around 16 June 2016 at **£0.040 per share** provides a reasonable basis for the valuation of eServGlobal shares as it reflects the value at which independent parties are willing to invest in the Company.

### 7.4 Conclusion on the Value of eServGlobal Shares

7.4.1 In our opinion the value of the eServGlobal shares for the purpose of this report is between **£0.04 and £0.05 per share**, based on the values determined above.

## **8. ADVANTAGES & DISADVANTAGES OF THE TRANSACTION**

### **8.1 Approach to assessing Fairness and Reasonableness**

HCC has followed the guidelines of ASIC Regulatory Guide 111 in assessing the fairness and reasonableness of the Transaction. In forming its conclusions in this report, HCC compared the advantages and disadvantages for Non-Associated Shareholders if the Transaction proceeds.

### **8.2 Advantages of the Transaction**

- 8.2.1 The funds raised by the Conditional Placing Shares will provide the Company with the ability to accelerate its sales and marketing efforts and to further reduce costs within its core business.
- 8.2.2 The Conditional Placing Shares will broaden the Shareholder base of the Company.
- 8.2.3 In conjunction with the Debt Restructure, for which the Conditional Placing Shares provides the funds necessary to pay the fee for the Debt Restructure, the funds raised will strengthen the Company's balance sheet, providing sufficient funding for the short to medium term.
- 8.2.4 The Debt Restructure provides a mechanism for the Company to reduce its total debt by approximately £4.5million and extend the term of the debt under the Existing Loans through the New Loan by another two years, providing the Company with additional time to repay the debt through operational cash flows or to refinance when the Company may more easily be able to obtain finance from traditional lenders.
- 8.2.5 If the Debt Restructure is not approved, the Company will have £11million plus accrued interest and repayment premiums due for repayment by October 2017. Of this amount, £6million plus accrued interest and a repayment premium is due for repayment in June 2017. The total debt under the Existing Loans is approximately £12million at the date of this report. The Company will be unable to repay that amount from its cash flows and the Company will be required to refinance the debt. The existence of such a large current debt will jeopardise the Company's ability to continue as a going concern and may require the Directors to place the Company into administration if the current debt cannot be refinanced or renegotiated. There is no guarantee that the Company will be able to refinance or renegotiate the debt, or be able to do so on reasonable commercial terms.

### **8.3 Disadvantages of the Transaction**

- 8.3.1 The Transaction will result in the dilution of current Non-Associated Shareholders ownership percentages from 81.73% down to 38.39%, assuming no existing Non-Associated Shareholders receive Firm Placing Shares or Conditional Placing Shares.

## 9 CONCLUSION AS TO FAIRNESS AND REASONABLENESS

### 9.1 Fairness

9.1.1 In our opinion, the Transaction *not fair* to the Non-Associated Shareholders of eServGlobal.

9.1.2 Our opinion is based solely on information available as at the date of this report.

9.1.3 We have determined at section 7 that the value of the eServGlobal shares is in the range of **£0.04 to £0.05 per share**.

9.1.4 The Transaction involves the conversion of £4,405,642 in Existing Loans to Shares (or Depository Interests as directed by the Lenders) at **£0.04 per Share**, being the same price as the Firm Placing Shares and the Conditional Placing Shares, of which the Debt Restructure is contingent upon. The issue price of £0.04 is approximately a 20% discount to the closing price of the Company's Shares on the ASX on 6 June 2016.

9.1.5 A Debt Restructure Fee of £1,803,201 will also be paid by the Company to Alphagen, which is equivalent to 15% of the total indebtedness under the Existing Loans at 6 June 2016. We understand that Directors have sought advice from financial advisers and have determined that the 15% Debt Restructure Fee is a reasonable cost of Alphagen agreeing to enter into the Debt Restructure given the current financial situation of the Company and limited finance options available. The Debt Restructure Fee is effectively a cost of the Transaction.

9.1.6 As part of the Transaction, the unlisted options currently held by Alphagen in the Company will be forfeited, unexercised. These options were initially issued as consideration for the facilitation of the Existing Loans and have been valued as at 7 June 2016 at £1,208,920. Deducting the value of these options from the Debt Restructure Fee still leaves a net cost of the Transaction of £594,281.

9.1.7 Therefore, considering that the price at which eServGlobal shares are being issued to Alphagen under the Transaction of £0.04 per Share is at the low end of the market value range determined at section 7 (excluding any premium for control) and an additional cash cost of £1,803,201 will also be paid by the Company to Alphagen as part of the Transaction, in our opinion the Transaction is **not fair**.

### 9.2 Reasonableness

ASIC Regulatory Guide 111 states that a transaction is reasonable if:


- The Transaction is fair; or
- Despite not being fair the expert believes that there are sufficient reasons for security holders to accept the Transaction in the absence of an alternative proposal that may realise better value for eServGlobal Shareholders.

In forming our opinion we have considered the following relevant factors:

- The funds raised by the Conditional Placing Shares will provide the Company with the ability to accelerate its sales and marketing efforts and to further reduce costs within its core business.
- The Conditional Placing Shares will broaden the Shareholder base of the Company.
- In conjunction with the Debt Restructure, for which the Conditional Placing Shares provides the funds necessary to pay the fee for the Debt Restructure, the funds raised will strengthen the Company's balance sheet, providing sufficient funding for the short to medium term.
- The Debt Restructure provides a mechanism for the Company to reduce its total debt by approximately £4.5million and extend the term of the debt under the Existing Loans through the New Loan by another two years, providing the Company with additional time to repay the debt through operational cash flows or to refinance when the Company may more easily be able to obtain finance from traditional lenders.
- If the Debt Restructure is not approved, the Company will have £11million plus accrued interest and repayment premiums due for repayment by October 2017. Of this amount, £6million plus accrued interest and a repayment premium is due for repayment in June 2017. The total debt under the Existing Loans is approximately £12million at the date of this report. The Company will be unable to repay that amount from its cash flows and the Company will be required to refinance the debt. The existence of such a large current debt will jeopardise the Company's ability to continue as a going concern and may require the Directors to place the Company into administration if the current debt cannot be refinanced or renegotiated. There is no guarantee that the Company will be able to refinance or renegotiate the debt, or be able to do so on reasonable commercial terms.
- We are unaware of any alternative proposal at the date of this report that could realise better value for shareholders. Directors believe that the arrangement with Alphagen is the best option available to reduce debt given the current operations and financial position of the Company and the current state of the equity capital markets.

Having considered the above and the alternatives of not proceeding with the Transaction, in our opinion the Non-Associated Shareholders of eServGlobal should benefit if the Transaction proceeds and therefore, in our opinion the Transaction is **reasonable**.

Yours faithfully  
Hall Chadwick Corporate (NSW) Limited



DREW TOWNSEND



## **APPENDIX I - SOURCES OF INFORMATION**

- eServGlobal Limited Audited Financial Reports for the financial years ended 31 October 2013, 31 October 2014 and 31 October 2015;
- eServGlobal Limited Notice of General Meeting and Explanatory Memorandum;
- Deed of Debt and Capital Restructure between the Company and Alphagen Capital Limited;
- Publicly available information on eServGlobal, including media releases, ASX announcements and websites;
- ASIC Regulatory Guide 74 ‘Acquisitions Agreed to by Shareholders’;
- ASIC Regulatory Guide 111 ‘Content of Expert Reports’;
- ASIC Regulatory Guide 112 ‘Independence of Expert’s Reports’;

## **APPENDIX II - STATEMENT OF DECLARATION & QUALIFICATIONS**

### **Confirmation of Independence**

Prior to accepting this engagement HCC determined its independence with respect to eServGlobal with reference to ASIC Regulatory Guide 112 (RG 112) titled “Independence of Expert’s Reports”. HCC considers that it meets the requirements of RG 112 and that it is independent of eServGlobal.

Also, in accordance with s648 (2) of the Corporations Act we confirm we are not aware of any business relationship or financial interest of a material nature with eServGlobal, its related parties or associates that would compromise our impartiality.

Mr Drew Townsend, director of Hall Chadwick Corporate (NSW) Limited, has prepared this report. Neither he nor any related entities of Hall Chadwick Corporate (NSW) Limited have any interest in the promotion of the Transaction nor will Hall Chadwick Corporate (NSW) Limited receive any benefits, other than normal professional fees, directly or indirectly, for or in connection with the preparation of this report. Our fee is not contingent upon the success or failure of the proposed transaction, and has been calculated with reference to time spent on the engagement at normal professional fee rates for work of this type. Accordingly, HCC does not have any pecuniary interests that could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion under this engagement.

HCC provided a draft copy of this report to the Directors and management of eServGlobal for their comment as to factual accuracy, as opposed to opinions, which are the responsibility of HCC alone. Changes made to this report, as a result of the review by the Directors and management of eServGlobal have not changed the methodology or conclusions reached by HCC.

### **Reliance on Information**

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 HCC has relied upon information provided on the basis it was reliable and accurate. HCC has no reason to believe that any information supplied to it was false or that any material information (that a reasonable person would expect to be disclosed) has been withheld from it. HCC evaluated the information provided to it by eServGlobal as well as other parties, through enquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base our report. Accordingly, we have taken no further steps to verify the accuracy, completeness or fairness of the data provided.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards (AUS). HCC does not imply and it should not be construed that it has audited or in anyway verified any of the information provided to it, or that its enquiries could have verified any matter which a more extensive examination might disclose.

The sources of information that we relied upon are outlined in Appendix I of this report.

eServGlobal has provided an indemnity to HCC for any claims arising out of any mis-statement or omission in any material or information provided by eServGlobal to HCC in preparation of this report.

### **Qualifications**

Hall Chadwick Corporate (NSW) Limited (“HCC”) carries on business at Level 40, 2 Park Street, Sydney NSW 2000. HCC holds Australian Financial Services Licence No. 227902 authorising it to provide financial product advice on securities to retail clients. HCC’s representatives are therefore qualified to provide this report.

### **Consent and Disclaimers**

The preparation of this report has been undertaken at the request of the Directors of eServGlobal. It also has regard to relevant ASIC Regulatory Guides. It is not intended that the report should be used for any other purpose than to accompany the Notice of General Meeting to be sent to eServGlobal shareholders. In particular, it is not intended that this report should be used for any purpose other than as an expression of HCC’s opinion as to whether or not the proposed Transaction is fair and reasonable.

HCC consent to the issue of this report in the form and context in which it is included in the Notice of General Meeting to be sent to eServGlobal shareholders.

Shareholders should read all documents issued by eServGlobal that consider the proposed Transaction in its entirety, prior to proceeding with a decision. HCC had no involvement in the preparation of these documents, with the exception of our report.

This report has been prepared specifically for the Non-Associated Shareholders of eServGlobal. Neither HCC, nor any member or employee thereof undertakes responsibility to any person, other than a Non-Associated Shareholder of eServGlobal, in respect of this report, including any errors or omissions howsoever caused. This report is "General Advice" and does not take into account any person's particular investment objectives, financial situation and particular needs. Before making an investment decision based on this advice, you should consider, with or without the assistance of a securities advisor, whether it is appropriate to your particular investment needs, objectives and financial circumstances.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards.

Our opinions are based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. Furthermore, financial markets have been particularly volatile in recent times. Accordingly, if circumstances change significantly, subsequent to the issue of the report, our conclusions and opinions may differ from those stated herein. There is no requirement for HCC to update this report for information that may become available subsequent to its date.

## **APPENDIX III - FINANCIAL SERVICES GUIDE**

Dated 10 June 2016

### **What is a Financial Services Guide (FSG)?**

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by Hall Chadwick Corporate (NSW) Limited ABN 28 080 462 488, Australian Financial Services Licence Number 227902 (HCC).

This FSG includes information about:

- HCC and how they can be contacted
- the services HCC is authorised to provide
- how HCC are paid
- any relevant associations or relationships of HCC
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that HCC has in place.

This FSG forms part of an Independent Expert's Report (Report) which has been prepared for inclusion in a disclosure document. The purpose of the disclosure document is to help you make an informed decision in relation to a financial product.

### **Financial services that HCC is authorised to provide**

HCC holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for securities and interests in managed investment schemes, including investor directed portfolio services, to retail clients.

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of finance products.

### **HCC's responsibility to you**

HCC has been engaged by the independent directors of eServGlobal Limited ("eServGlobal" or the "Client") to provide general financial product advice in the form of a Report to be included in the Notice of Meeting (Document) prepared by eServGlobal in relation to the proposed Transaction.

You have not engaged HCC directly but have received a copy of the Report because you have been provided with a copy of the Document. HCC nor the employees of HCC are acting for any person other than the Client.

HCC is responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

### **General Advice**

As HCC has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

### **Fees HCC may receive**

HCC charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay HCC \$15,000 (excluding GST and out of pocket expenses) for preparing the Report. HCC and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of this Report.

HCC officers and representatives receive a salary, partnership or trust distribution from Hall Chadwick Sydney professional advisory and accounting practice (the Hall Chadwick Sydney Partnership) or a dividend from a related company. Remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

### **Referrals**

HCC does not pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

### **Associations and relationships**

Through a variety of corporate and trust structures HCC is controlled by and operates as part of the Hall Chadwick Sydney Partnership. HCC's directors may be partners in the Hall Chadwick Sydney Partnership. Mr Drew Townsend, director of HCC and partner in the Hall Chadwick Sydney Partnership, has prepared this report. The financial product advice in the Report is provided by HCC and not by the Hall Chadwick Sydney Partnership.

From time to time HCC, the Hall Chadwick Sydney Partnership and related entities (HC entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of the Client or has other material financial interests in the Transaction.

### **Complaints resolution**

If you have a complaint, please let HCC know. Formal complaints should be sent in writing to:

The Complaints Officer  
Hall Chadwick Corporate (NSW) Limited  
GPO Box 3555  
Sydney NSW 2001

If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer, Drew Townsend, on 02 9263 2600 and he will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

### **External complaints resolution process**

If HCC cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website [www.fos.org.au](http://www.fos.org.au) or by contacting them directly at:

Financial Ombudsman Service Limited  
GPO Box 3, Melbourne Victoria 3001  
Telephone: 1300 78 08 06  
Facsimile (03) 9613 6399  
Email: [info@fos.org.au](mailto:info@fos.org.au)

The Australian Securities and Investments Commission also has a free call infoline on 1300 300 630 which you may use to obtain information about your rights.

### **Compensation arrangements**

HCC has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

### **Contact Details**

You may contact HCC at:  
Hall Chadwick Corporate (NSW) Limited  
GPO Box 3555  
Sydney NSW 2001  
Telephone: 02 9263 2600  
Facsimile: 02 9263 2800