

The logo for ASX:VLT, with 'ASX:' in orange and 'VLT' in white, is positioned in the top left corner of the header image.The VAULT logo, featuring the word 'VAULT' in white with an orange circular graphic element, is located in the top right corner of the header image.




28 August 2020

## Vault Intelligence Limited August 2020 ASX Announcement

### Federal Court Approves Despatch Of Vault Scheme Booklet related to Proposed Acquisition by Damstra

Vault Intelligence Limited (**ASX:VLT**) (**Vault or the Company**) is a SaaS Software Technology business specialising in the development of workforce performance technologies to deliver significant productivity benefits to organisations, whilst managing the risk, safety, security, protection and connection of their workers.

Vault is excited to announce that in relation to the acquisition outlined in the ASX releases made by Vault Intelligence and Damstra Technology, dated 8 July 2020, that:

-  The Federal Court has ordered a meeting of Vault shareholders be convened at 10:00 am (AEST) on Friday 2 October 2020.
-  The Scheme Booklet includes an Independent Expert's report from Grant Thornton which deduces that the Scheme is fair and reasonable and in the best interests of Vault shareholders.
-  The Directors of Vault unanimously recommend that the Vault shareholders vote in favour of the transaction in the absence of a superior proposal, and subject to the Independent Expert continuing to deduce that the Scheme is in the best interests of the Vault shareholders. Subject to those same qualifications, each director of Vault intends to vote all of the Vault shares held or controlled by him in favour of the Scheme.



- ❑ **Vault Chairman, Ross Jenkins, said:** “While completion of the Scheme Booklet and gaining Court Approval for its distribution is only the first step in the Scheme of Arrangement process, shareholders can take confidence in the robustness of the process undertaken by the Board to ensure the proposed takeover is in the best interests of all shareholders. This is reinforced by Grant Thorntons Independent Expert Report which confirms the Scheme is fair and reasonable. Ongoing dialogue between the Companies continues to highlight the many operational synergies and confirms the Board’s support for the takeover by Damstra.”
- ❑ Vault shareholders will find all information required to evaluate the Scheme, in the Scheme Booklet, that will be made available within this announcement. Vault shareholders who have not elected to receive communications electronically will be mailed a hardcopy of the Scheme Booklet on 2 September 2020.
- ❑ Subject to Vault shareholders voting in favour of the Scheme and the Federal Court subsequently approving the Scheme at the second court hearing to be held on approx 7 October 2020, the transaction is scheduled to be implemented on 19 October 2020. Damstra will then assume complete control of Vault. In the interim, close communication between Vault and Damstra Executive Teams is being carried out to ensure effective, efficient integration, upon completion of the Scheme.

**This Announcement was authorised by the Board of Vault Intelligence Limited.**

Ends.

**For More Information:**

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## About Vault Intelligence Limited

Vault Intelligence Limited (ASX: VLT) is an online/SaaS business specialising in the development of workforce performance technologies to deliver significant productivity benefits to organisations, whilst managing the risk, safety, security and protection of their workers.

Vault Technology empowers modern businesses with two enterprise leading platforms (Vault Enterprise and Vault Solo), which are enhanced through mobility and IoT wearables to deliver tangible benefits in workforce performance and protection.

Vault delivers its enterprise-level software, mobility and wearable solutions to 1,000,000+ people across 30 industries and various parts of the world.

Further information on how Vault technology can assist in managing, protecting and improving the efficiency of your workforce can be found at [www.vaultintel.com](http://www.vaultintel.com).

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## Caution Regarding Forward Looking Statements

*This announcement may contain forward looking statements which involve a number of risks and uncertainties. These forward looking statements are expressed in good faith and believed to have a reasonable basis. These statements reflect current expectations, intentions or strategies regarding the future and assumptions based on currently available information. Should one or more risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary from the expectations, intentions and strategies described in this announcement. Unless expressly stated, the Company does not provide any forecast regarding revenues that may be derived from a particular customer contract, as such revenues are generally dependent upon the extent of the usage of the Company's product suite. Any forward looking statements are made as at the date of this announcement and the Company disclaims any intent or obligation to update publicly such forward looking statements, whether as a result of new information, future events or results or otherwise.*



## Scheme Booklet

### Vault Intelligence Limited

**ACN 145 040 857**

For a scheme of arrangement between Vault Intelligence Limited (**Vault**) and its shareholders in relation to the proposed acquisition of all of the issued capital in Vault by Damstra Holdings Limited (**Damstra**), an Australian-based developer and retailer of integrated hardware and SaaS solutions to assist organisations manage risks associated with workplace safety requirements and regulatory changes.

## Vote in favour

The Vault Board unanimously recommends that you vote in favour of the Scheme in the absence of a Superior Proposal.

This is an important document and requires your immediate attention.

You should read it in its entirety before deciding whether or not to vote in favour of the Scheme.

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



## Important Notices

### Nature of this document

This Scheme Booklet provides Vault Shareholders with information about the proposed acquisition of all of their Vault Shares by Damstra. If you have sold your Vault Shares, please ignore this Scheme Booklet.

### Defined terms

A number of defined terms are used in this Scheme Booklet.

These terms are explained in section 13.1.

### No investment advice

The information contained in this Scheme Booklet does not constitute financial product advice and has been prepared without reference to your investment objectives, financial situation, taxation position and particular needs. It is important that you read this Scheme Booklet in its entirety before making any investment decision and any decision as to whether or not to vote in favour of the Scheme. If you are in any doubt in relation to these matters, you should consult your own financial, legal, taxation or other professional adviser.

### Not an offer

This Scheme Booklet does not constitute or contain an offer to Vault Shareholders, or a solicitation of an offer from Vault Shareholders, in any jurisdiction.

With regard to the New Damstra Shares, this Scheme Booklet is not a prospectus lodged under Chapter 6D of the Corporations Act. Section 708(17) of the Corporations Act provides that disclosure to investors under Part 6D.2 of the Corporations Act is not required for any offer of securities if it is made under a compromise or arrangement under Part 5.1 of the Corporations Act and approved at a meeting held as a result of an order made by the court under section 411(1) or (1A) of the Corporations Act. The Scheme is such a compromise or arrangement and accordingly this Scheme Booklet is not a prospectus for the purposes of the Corporations Act.

### Foreign jurisdictions

The release, publication or distribution of this Scheme Booklet in jurisdictions other than Australia and New Zealand may be restricted by law or regulation in such other jurisdictions and persons outside of Australia or New Zealand who come into possession of this Scheme Booklet should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Scheme Booklet has been prepared in accordance with Australian law and the information contained in this Scheme Booklet may not be the same as that which would have been disclosed if this Scheme Booklet had been prepared in accordance with the laws and regulations applying outside Australia.

This Scheme Booklet is not a New Zealand disclosure document and has not been registered by, filed with or approved by any New Zealand regulatory authority under or in accordance with the Financial Markets Conduct Act 2013 (or any other relevant New Zealand law). The distribution of New Damstra Shares under

the Scheme is being made to existing Vault Shareholders in reliance on the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016 and, accordingly, this Scheme Booklet may not contain all the information that a disclosure document is required to contain under New Zealand law.

This Scheme Booklet and the Scheme do not in any way constitute an offer of shares in any place in which, or to any person to whom, it would not be lawful to make such an offer.

If you are an Ineligible Foreign Shareholder, you will not be able to receive the New Damstra Shares. The New Damstra Shares that would otherwise have been issued to the Ineligible Foreign Shareholders under the Scheme will instead be issued to the Sale Agent to be sold on ASX. The Sale Agent will then remit the Proceeds (net of applicable brokerage, stamp duty, currency conversion costs and other applicable costs and fees) to Vault to be paid to each Ineligible Foreign Shareholder. For more information, see section 4.4.

### Regulatory information

This Scheme Booklet is the explanatory statement for the scheme of arrangement between Vault and the holders of its fully paid ordinary shares as at the Scheme Record Date for the purposes of section 412(1) of the Corporations Act. A copy of the proposed Scheme is included in this Scheme Booklet as Annexure B.

A copy of this Scheme Booklet was provided to ASIC for examination in accordance with section 411(2)(b) of the Corporations Act and was lodged with ASIC for registration under section 412(6) of the Corporations Act. It was then registered by ASIC under section 412(6) of the Corporations Act before being sent to Vault Shareholders.

ASIC has been requested to provide a statement, in accordance with section 411(17)(b) that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the time of the Second Court Hearing to approve the Scheme. Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet has been provided to ASX. Neither ASX nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

### Implied value

You will receive the Scheme Consideration as New Damstra Shares. Any reference to the implied value of the Scheme Consideration should not be taken as an indication that the implied value is fixed. The implied value of the Scheme Consideration will vary with the market price of the New Damstra Shares.

If you are an Ineligible Foreign Shareholder, this also applies to the New Damstra Shares which will be issued to the Sale Agent and sold on ASX by the Sale Agent. Any cash paid to you from the Proceeds will depend on the market price of Damstra Shares at the time of sale by the Sale Agent. The treatment of Ineligible Foreign Shareholders is explained in section 4.4.

### Notice of Meeting

The Notice of Meeting for the Scheme Meeting is set out in Annexure D.

### Notice of Second Court Hearing



At the Second Court Hearing, the Court will consider whether to approve the Scheme following the vote at the Scheme Meeting.

Any Vault Shareholder may appear at the Second Court Hearing, expected to be held at 2:00pm on 7 October 2020.

Any Vault Shareholder who wishes to oppose approval of the Scheme at the Second Court Hearing may do so by filing with the Court and serving on Vault a notice of appearance in the prescribed form together with any affidavit that the Vault Shareholder proposes to rely on.

#### **Important notice associated with the Court order under section 411(1) of the Corporations Act**

The fact that the Court has ordered that the Scheme Meeting be convened and has directed that the Scheme Booklet accompany the Notice of Meeting, under section 411(1) of the Corporations Act, does not mean that the Court:

- has formed any view as to the merits of the proposed Scheme nor as to how Vault Shareholders should vote (on this matter Vault Shareholders must reach their own decision);
- has prepared, or is responsible for, the content of this Scheme Booklet; or
- has approved or will approve the terms of the Scheme.

#### **Disclaimer as to forward-looking statements**

This Scheme Booklet contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements.

All forward-looking statements in this Scheme Booklet reflect views only as at the date of this Scheme Booklet, and generally may be identified by the use of forward-looking words such as 'believe', 'aim', 'expect', 'anticipate', 'intending', 'foreseeing', 'likely', 'should', 'planned', 'may', 'estimate', 'potential', or other similar words. Similarly, statements that describe the objectives, plans, goals or expectations of Vault, Damstra or the Combined Group are or may be forward-looking statements.

The statements contained in this Scheme Booklet about the impact that the Scheme may have on the results or the operations of Vault and the advantages and disadvantages anticipated to result from the Scheme, are also forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to differ materially from the anticipated results, performance or achievements, expressed, projected or implied by these forward-looking statements.

The operations and financial performance of Vault, Damstra and the Combined Group are subject to various risks, including those summarised in this Scheme Booklet, which may be beyond the control of Vault, Damstra or their Related Bodies Corporate or Associates. Vault Shareholders should note that the historical financial performance of Vault and Damstra is no assurance of future financial performance of Vault, Damstra or the Combined Group (whether the Scheme is implemented or not). Those risks and

uncertainties include factors and risks specific to the industry in which Vault and Damstra operate as well as general economic conditions, the impact of COVID-19, prevailing exchange rates and interest rates and conditions in the financial markets. As a result, the actual results of operations and earnings of Vault, Damstra and the Combined Group following implementation of the Scheme, as well as the actual advantages of the Scheme (if any), may differ significantly from those that are anticipated in respect of timing, amount or nature and may never be achieved.

The forward-looking statements included in this Scheme Booklet are made only as of the date of this Scheme Booklet.

Vault believes that any forward-looking statements included in the Vault Information have been made on reasonable grounds. Although Vault believes that the views reflected in any forward-looking statements included in the Vault Information have been made on a reasonable basis, no assurance can be given that such views will prove to have been correct.

Damstra believes that any forward-looking statements included in the Damstra Information have been made on reasonable grounds. Although Damstra believes that the views reflected in any forward-looking statements included in the Damstra Information have been made on a reasonable basis, no assurance can be given that such views will prove to have been correct.

None of Vault, Damstra, the Combined Group or any of their officers, or any Vault or Damstra Related Body Corporate, any persons named in this Scheme Booklet with their consent or any person involved in the preparation of this Scheme Booklet makes any representation or warranty (express or implied) as to the likelihood of the fulfilment of any forward-looking statement, or any events or results expressed or implied in any forward-looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward-looking statement.

You should review all of the information in this Scheme Booklet carefully. Sections 1.5 and 5.1 set out reasons why you might decide to vote in favour of the Scheme while sections 1.6 and 5.2 set out some reasons why you may wish to vote against the Scheme.

All subsequent written and oral forward-looking statements attributable to Vault, Damstra or any person acting on their behalf are qualified by this cautionary statement.

Subject to any continuing obligations under relevant laws or the listing rules of a relevant exchange, Vault and Damstra do not give any undertaking to update or revise any such statements after the date of this Scheme Booklet, to reflect any change in expectations or any change in events, conditions or circumstances on which any such statement is based.

#### **Responsibility statements**

Vault has been solely responsible for preparing the Vault Information. The Vault Information contained in this Scheme Booklet has been prepared by Vault and the Vault Directors and is the responsibility of Vault. Damstra and its Related Bodies Corporate and their respective directors, officers, employees and advisors do not assume any responsibility for the accuracy or completeness of the Vault Information.



Damstra has been solely responsible for preparing the Damstra Information. The Damstra Information has been prepared by Damstra and is the responsibility of Damstra. Vault, and its Related Bodies Corporate and their respective directors, employees and Advisers do not assume any responsibility for the accuracy or completeness of the Damstra Information.

Grant Thornton have prepared the Independent Expert's Report in relation to the Scheme and takes responsibility for that report. The Independent Expert's Report is contained Annexure A. Vault, Damstra, their Related Bodies Corporate and their respective directors, officers, employees and Advisers do not assume any responsibility for the accuracy or completeness of the information contained in the Independent Expert's Report.

### **Privacy**

Vault and Damstra may collect personal information in the process of implementing the Scheme. Such information may include the name, contact details and shareholdings of Vault Shareholders and the names of persons appointed by those persons to act as a proxy, attorney or corporate representative for the purposes of the Scheme Meeting. The primary purpose of the collection of personal information is to assist Vault and Damstra to conduct the Scheme Meeting and implement the Scheme. Personal information of the type described above may be disclosed to the Vault Registry, print and mail service providers, authorised securities brokers, Related Bodies Corporate of Vault, Damstra and service providers and Advisers to Vault and Damstra. Vault Shareholders have certain rights to access personal information that has been collected. Vault Shareholders should contact the Registry in the first instance, if they wish to access their personal information. Vault Shareholders who appoint a named person to act as their proxy, attorney or corporate representative should ensure that they inform that person of these matters.

**This Scheme Booklet is dated 28 August 2020.**



## Key Dates

Event	Date
<b>Date of this Scheme Booklet</b>	28 August 2020
Latest date and time for receipt of Proxy Forms, powers of attorney, or appointments of corporate representatives for the Scheme Meeting.	10:00 am on 30 September 2020
<b>Scheme Meeting Record Date</b>	7:00 pm on 30 September 2020
Time and date for determining eligibility to vote at the Scheme Meeting.	
<b>Scheme Meeting</b> (to be held electronically)	10:00 am on 2 October 2020
<b><i>If the Scheme is approved by Vault Shareholders by the requisite majorities</i></b>	
<b>Second Court Date</b>	2:00 pm on 7 October 2020
<b>Effective Date</b>	8 October 2020
The date on which the Scheme becomes Effective and is binding on Scheme Shareholders.	
Court order lodged with ASIC and announcement to ASX.	
Last day of trading in Vault Shares – Vault Shares suspended from trading on ASX from close of trading.	
Subject to confirmation from ASX, New Damstra Shares commence trading on ASX on a deferred settlement basis.	9 October 2020
<b>Scheme Record Date</b>	7:00 pm on 12 October 2020
The date for determining entitlements to the Scheme Consideration.	
<b>Implementation Date</b>	19 October 2020
Issue of Scheme Consideration to Scheme Shareholders.	
Commencement of trading of New Damstra Shares on ASX on a normal settlement basis.	20 October 2020

All dates following the date of the Scheme Meeting are indicative only and, among other things, are subject to all necessary approvals from the Court, ASX and any other Government Agency. Any changes to the above timetable (which may include an earlier or later date for the Second Court Hearing) will be announced through ASX and notified on the Vault investor website at <https://investors.vaultintel.com/>.

All references to time in this Scheme Booklet are references to the time in Melbourne, Victoria, unless otherwise stated. Any obligation to do an act by a specified time in an Australian time zone must be done at the corresponding time in any other jurisdiction.



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# Letter from the Chairman of the Board of Vault

28 August 2020

Dear Vault Shareholders,

On behalf of the Board of Vault Intelligence Limited (**Vault**), I am pleased to provide this Scheme Booklet to you, which contains important information for your consideration about the proposed acquisition of all of the Vault Shares by Damstra Holdings Limited (**Damstra**).

On 8 July 2020, Vault announced that it had entered into a binding Scheme Implementation Deed with Damstra under which it is proposed that Damstra will acquire 100% of the equity interests in Vault. The proposed acquisition will be effected by way of a scheme of arrangement (**Scheme**), subject to Vault Shareholder and Court approval, and certain other conditions precedent.

Your Vault Directors consider that the Scheme delivers compelling value and provides an attractive opportunity for Vault Shareholders to continue to have exposure to the exciting Vault product suite whilst offering greater security as part of a larger company with greater financial resources.

## Scheme Consideration

If the Scheme is approved and implemented:

- you will receive 1 New Damstra Share for every 2.9 Vault Shares held;
- Vault will become a wholly-owned Subsidiary of Damstra; and
- Vault Shareholders will own together approximately 25% of the Combined Group after the issue of the New Damstra Shares to them as the Scheme Consideration.

Based on the closing price of Damstra Shares of \$1.345 on 6 July 2020 (being the last trading day prior to the announcement of the Scheme), the implied value of the Scheme Consideration per Vault Share (being \$1.345 divided by 2.9 = \$0.464) represents a:

- 36.5% premium to the closing price of \$0.34 per Vault Share on 6 July 2020; and
- 60% premium to the 30 Day VWAP of \$0.26 per Vault Share on 6 July 2020.

The value of the Scheme Consideration is also within the Independent Expert's valuation range for Vault before the Scheme (see below and the attached Independent Expert's Report in Annexure A).

## Board recommendation

Your Vault Directors unanimously recommend that you vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Vault Shareholders.

Each of your Vault Directors intends to vote all the Vault Shares held or controlled by him in favour of the Scheme at the Scheme Meeting.



As at the date of this Scheme Booklet, each Vault Director holds or controls a number of Vault Options. It is proposed that, subject to the implementation of the Scheme, each Vault Director will exchange their current Vault Options for New Damstra Options, as discussed in sections 4.8(d), 4.8(e), 7.1 and 7.2. This is a sign of the confidence of the Vault Directors in the future prospects of Damstra.

In addition, David Moylan, the Managing Director of Vault, has entered into a new employment contract with Damstra to become its Chief of Global Partnerships, which is conditional on the Scheme becoming Effective.

Your Vault Directors unanimously consider that the Scheme is in the best interests of Vault Shareholders for reasons including:

- the attractive “implied premium” offered by Damstra relative to Vault’s recent historical trading price;
- the ownership of Damstra Shares offers potentially greater security, the ability to better realise the potential of Vault’s workforce performance products and better growth outcomes for shareholders in the Combined Group;
- Vault is unlikely to be able to achieve a comparable scale to the Combined Group independently in the short to mid-term and there are no alternative acquisition opportunities that the Board is aware of that would provide the same expected level of enhanced scale, resources and reach of the Combined Group;
- it is anticipated that the Combined Group will deliver material operating and strategic synergies which reinforce the confidence in the outlook for the Combined Group and the Scheme provides Vault Shareholders with an opportunity to share in the benefits of those synergies and the improved position of the Combined Group;
- it is likely that the Vault Shares will trade, at least in the short-term, below the “implied value” of the Scheme Consideration of \$0.46 per Vault Share if the Scheme does not proceed;
- the Vault Directors believe that being part of the Combined Group (post Scheme) offers a more resilient investment in uncertain times and the Combined Group is likely to be better positioned during a downturn; and
- the Independent Expert has concluded that the Scheme is fair and reasonable and therefore in the best interests of Vault Shareholders in the absence of a superior proposal.

Further details on why you may wish to vote in favour of the Scheme are set out in section 5.1.

Notwithstanding the Vault Board's unanimous recommendation and the Independent Expert's conclusion that the Scheme is fair and reasonable and therefore in the best interests of Vault Shareholders, in the absence of a superior proposal, you may wish to vote against the Scheme. Reasons for that view are set out in section 5.2 and include that you may:

- consider that the implied premium is insufficient;
- prefer to maintain your current investment profile in Vault;
- not wish to become a Damstra shareholder; or



- believe that a superior proposal may emerge.

## Independent Expert

Your Vault Directors appointed Grant Thornton to prepare the Independent Expert's Report to assess the merits of the Scheme and to provide an opinion as to whether the Scheme is in the best interests of Vault Shareholders. A full copy of the Independent Expert's Report is included in Annexure A.

The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, is in the best interests of Vault Shareholders, in the absence of a superior proposal.

The Independent Expert has assessed the full underlying value of Vault at between \$0.52 and \$0.58 per Vault Share and the value of the Scheme Consideration of 1 New Damstra Share per 2.9 Vault Shares as being between \$0.55 to \$0.59. The value of the Scheme Consideration is therefore within the Independent Expert's valuation range of Vault before the Scheme and it has concluded that the Scheme is fair to Vault Shareholders.

## How to vote

For the Scheme to be approved by Vault Shareholders, votes in favour of the Scheme must be received from a majority in number (more than 50%) of those Vault Shareholders electronically present and voting (in attendance electronically, by proxy or representative) at the Scheme Meeting (unless the Court orders otherwise) and at least 75% of the total number of votes cast on the Scheme Resolution by Vault Shareholders. The Scheme can only be implemented if it is subsequently approved by the Court.

Your vote is important and we encourage you to vote by completing the Proxy Form accompanying this Scheme Booklet or alternatively by attending the electronic Scheme Meeting to be held at 10:00am (Melbourne time) on 2 October 2020 through an online platform that can be accessed at <https://agmlive.link/FLT20>. There will be no physical meeting where Vault Shareholders or proxies can attend in person. The Notice of Meeting is set out in Annexure D and it contains details regarding the electronic Scheme Meeting of Vault Shareholders.

## Further information

This Scheme Booklet sets out important information about the Scheme, including the reasons for your Vault Directors' recommendation (see sections 1.5 and 5.1) and a full copy of the Independent Expert's Report (see Annexure A). It also sets out some of the reasons why you may wish to vote against the Scheme (see sections 1.6 and 5.2).

Please read this document carefully and in its entirety, as it will assist you in making an informed decision on how to vote. We also encourage you to seek independent financial, legal and taxation advice before making any decision in relation to your Vault Shares.

If you require any further information in relation to this Scheme Booklet you should contact the Vault Shareholder Information Line on 1800 502 914 (within Australia) or +61 1800 502 914 (from outside Australia), Monday to Friday between 9:00am and 6:00pm (Melbourne time), excluding public holidays.



On behalf of the Vault Directors, I sincerely thank you for your support and I look forward to your participation in the Scheme Meeting.

Yours sincerely

A handwritten signature in black ink, appearing to be 'RJ' followed by a stylized flourish.

**Ross Jenkins**

Chairman

Vault Intelligence Limited



## 1. Overview of the Scheme

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### 1.1 Introduction

Section 1.5 provides a summary of the key reasons why the Vault Board consider that Vault Shareholders should vote in favour of the Scheme.

It should be read in conjunction with section 1.6, which sets out reasons why Vault Shareholders may not wish to vote in favour of the Scheme. Additional reasons in favour of and against the Scheme are included at sections 5.1 and 5.2.

While the Vault Directors acknowledge the reasons to vote against the Scheme, they believe the advantages of the Scheme significantly outweigh the disadvantages and unanimously recommend that you vote in favour of the Scheme. For details of the interests of the Vault Directors in the Scheme, see sections 4.8(e) and 7.1.

You should read this Scheme Booklet in full, including the Independent Expert's Report and Notice of Meeting, before deciding how to vote at the Scheme Meeting.

### 1.2 What is the Scheme?

The Scheme is a proposed scheme of arrangement under which Damstra would acquire all of the issued Vault Shares. If the Scheme becomes Effective, all Scheme Shareholders (excluding Ineligible Foreign Shareholders - see section 4.4) will receive the Scheme Consideration (as described in sections 4.2 and 4.3) and Vault will be delisted from ASX and will become a wholly owned Subsidiary of Damstra.

To proceed, the Scheme requires approval by the requisite majorities of Vault Shareholders at the Scheme Meeting and the approval by the Court at the Second Court Hearing.

A copy of the Scheme is attached at Annexure B.

### 1.3 What is the recommendation of the Vault Board?

The Vault Directors have considered the advantages and disadvantages of the Scheme, and unanimously recommend that you vote in favour of the Scheme at the Scheme Meeting, in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider the Scheme to be in the best interests of Vault Shareholders. Subject to the same qualifications, each Vault Director intends to vote, or cause to be voted, all Vault Shares which they own or control in favour of the Scheme Resolution.

The Vault Directors have an interest in the outcome of the Scheme. Vault Options held by the Vault Directors will be exchanged for New Damstra Options, subject to Vault Shareholder approval of the Scheme (see section 4.4). The Managing Director of Vault, David Moylan, has also entered into an employment agreement with Damstra to become its Chief of Global Partnerships, which is conditional upon the Scheme becoming Effective.



#### 1.4 What is the conclusion of the Independent Expert?

The Independent Expert has concluded that the Scheme is fair and reasonable and therefore is in the best interests of Vault Shareholders, in the absence of a superior proposal.

#### 1.5 Summary of the reasons you may want to vote in favour of the Scheme

The Vault Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider that the Scheme is in the best interests of Vault Shareholders.

No Superior Proposal has emerged as at the date of this Scheme Booklet.

Scheme Shareholders are being offered Damstra Shares under the Scheme which allows Vault Shareholders to participate in any benefits from combining Vault and Damstra, while retaining economic exposure to the Vault product suite. Damstra will own 100% of the Vault products suite, which may provide better growth opportunities, greater resources and reach, and synergies.

Based on the closing price of Damstra Shares on 6 July 2020 of \$1.345 (being the last trading day prior to the announcement of the Scheme) the implied value of the Scheme Consideration per Vault Share, being \$0.46 per Vault Share, represents a premium of \$0.12 to the 'undisturbed' closing price of Vault Shares of \$0.34 on 6 July 2020.

Damstra has an experienced board and management team capable of delivering strategic and growth initiatives which may lead to a market re-rating of Damstra, which would benefit Scheme Shareholders who receive New Damstra Shares.

The Scheme will give Vault Shareholders (except Ineligible Foreign Shareholders) the opportunity to receive Damstra Shares that can be traded on ASX and the potential for capital growth.

No brokerage or stamp duty will be payable by you on the transfer of your Vault Shares if the Scheme proceeds.

**Reasons to vote for the Scheme are discussed in more detail in section 5.1.**

#### 1.6 Summary of the reasons you may want to vote against the Scheme

You may disagree with the Vault Directors' unanimous recommendation and the opinion of the Independent Expert and consider that the Scheme is not in your best interests.

The value of the New Damstra Shares is not certain and will depend on the price at which the New Damstra Shares trade on ASX after the Implementation Date.

You may consider that the implied value of the Scheme Consideration does not represent a sufficient premium to the value of Vault Shares.

You may prefer to have the opportunity to participate in any future value creation that may result from being a Vault Shareholder.

You may believe it is in your best interests to maintain your current investment and risk profile.



The tax consequences of the Scheme may not suit your current financial position.

You may believe there is the potential for a superior proposal to be made in the future.

**Reasons to vote against the Scheme are discussed in more detail in section 5.2.**



## 2. What should you do in relation to the Scheme?

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### 2.1 Notice of Meeting

In response to the global COVID-19 pandemic and government restrictions on physical gatherings, the Scheme will be voted on by Vault Shareholders at a meeting to be held electronically at 10:00am (Melbourne time) on 2 October 2020.

**There will be no physical meeting that Vault Shareholders or proxy holders can attend in person.**

You can participate in the electronic Scheme Meeting by logging in online at <https://agmlive.link/VLT20>.

The Notice of Meeting is contained in Annexure D to this Scheme Booklet.

### 2.2 Procedure

You may vote on the Scheme by attending the Scheme Meeting electronically, by proxy, by attorney, or in the case of a corporation which is a Vault Shareholder, by corporate representative

Information on how to vote using each of these methods is contained in the Notice of Meeting attached as Annexure D.

If you are in favour of the Scheme, you should vote to approve the Scheme Resolution.

The Scheme will not proceed unless the Scheme is approved by the requisite majorities of Vault Shareholders.

### 2.3 Voting Entitlement

Each Vault Shareholder who is registered on the Vault Register at 7:00pm on 30 September 2020 is entitled to attend and vote at the Scheme Meeting electronically, by proxy, by attorney, or in the case of a corporation which is a Vault Shareholder, by corporate representative.

Information on entitlements to vote, including if you are a joint holder of Vault Shares, is contained in the Notice of Meeting which is attached as Annexure D.



### 3. Frequently asked questions

Question	Answer	More information
<b>Why have I received this Scheme Booklet?</b>	<p>This Scheme Booklet has been sent to you because you are a Vault Shareholder and Vault Shareholders are being asked to vote on the Scheme. If approved the Scheme will result in Damstra acquiring all of the Scheme Shares.</p> <p>This Scheme Booklet is intended to help you decide how to vote on the Scheme Resolution which needs to be passed at the Scheme Meeting to allow the Scheme to proceed.</p>	N/A.
<b>What is the Scheme?</b>	<p>The Scheme is a scheme of arrangement between Vault and Scheme Shareholders as at the Scheme Record Date. If the Scheme is implemented, all of the Vault Shares will be acquired by Damstra.</p> <p>A scheme of arrangement is a statutory procedure governed by the Corporations Act that is commonly used to enable one company to acquire another company.</p>	<p>Section 1 contains an overview of the Scheme and section 4 contains more details.</p> <p>A copy of the Scheme is attached as Annexure B.</p>
<b>What will I receive if the Scheme is implemented?</b>	<p>If the Scheme is approved and implemented, Scheme Shareholders (other than Ineligible Foreign Shareholders) will receive the Scheme Consideration, being 1 New Damstra Share for every 2.9 Vault Shares held.</p> <p>New Damstra Shares will not be issued to Ineligible Foreign Shareholders (see below). Instead, the New Damstra Shares that would have otherwise been issued to the Ineligible Foreign Shareholders will be issued to the Sale Agent to be sold on ASX. The Sale Agent will remit the Proceeds to Vault. Vault will then pay each Ineligible Foreign Shareholder their share of the Proceeds.</p> <p>If a Vault Shareholder sells their Vault Shares before the Scheme Record Date, they will not receive the Scheme Consideration.</p>	<p>Section 1 contains an overview of the Scheme and section 4 contains more details.</p> <p>Section 4.4 contains more information about the treatment of Ineligible Foreign Shareholders.</p> <p>A copy of the Scheme is attached as Annexure B.</p>
<b>Who is an Ineligible Foreign Shareholder?</b>	<p>A Scheme Shareholder will be an Ineligible Foreign Shareholder if their Registered Address is shown in the Vault Register as a place outside Australia or New Zealand, unless Damstra determines that it is lawful and not unduly onerous or impractical to issue that Scheme Shareholder with New Damstra Shares when the Scheme is implemented.</p>	<p>Section 4.4 contains more information about the treatment of Ineligible Foreign Shareholders.</p>



Question	Answer	More information
<b>What do the Vault Board recommend and how do they intend to vote?</b>	<p>Your Board unanimously recommends that all Vault Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal.</p> <p>Each Vault Director intends to vote all Vault Shares held or controlled by them in favour of the Scheme, in the absence of a Superior Proposal.</p> <p>See sections 4.8(e) and 7.1 for the interests of the Vault Directors in the Scheme.</p>	<p>Sections 1.5 and 5.1 provide a summary of some of the reasons why the Vault Board consider that Vault Shareholders should vote in favour of the Scheme.</p>
<b>What is the opinion of the Independent Expert?</b>	<p>The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, is in the best interests of Vault Shareholders, in the absence of a superior proposal.</p>	<p>A copy of the Independent Expert's Report is attached as Annexure A.</p>
<b>Who is Damstra?</b>	<p>Damstra commenced operating in Australia in 2002 offering a mining contractor management solution. Today it is an Australian-based provider of integrated workplace management solutions to a growing client base in multiple industry segments across the globe. Damstra develops, sells and implements integrated hardware and SaaS solutions in industries where compliance and safety are critical. These solutions assist Damstra's clients to track, manage and protect their staff, contractors and their organisations, and to reduce the risks associated with worker health, safety and regulatory compliance.</p>	<p>Section 8 contains further details about the Damstra Group.</p>
<b>Are there any conditions to be satisfied or waived?</b>	<p>There are a number of Conditions that will need to be satisfied or waived (if capable of waiver) before the Scheme can become Effective.</p> <p>In summary, as at the date of this Scheme Booklet, the outstanding Conditions include:</p> <ul style="list-style-type: none"> <li>• Court approval of the Scheme;</li> <li>• Vault Shareholder approval of the Scheme;</li> <li>• ASX quotation of the New Damstra Shares;</li> <li>• No restraining order or injunction is made preventing the Scheme;</li> <li>• No Vault Prescribed Occurrence;</li> <li>• No Damstra Prescribed Occurrence;</li> <li>• No Vault Material Adverse Event;</li> </ul>	<p>Section 12.1 contains further information on the Conditions to the Scheme Implementation Deed.</p>



Question	Answer	More information
	<ul style="list-style-type: none"> <li>No Damstra Material Adverse Event; and</li> <li>Agreements have been entered into for Vault Options to be dealt with on terms acceptable to both Vault and Damstra.</li> </ul> <p>Vault intends to announce to ASX the status of the Conditions before the Scheme Meeting.</p>	
<b>When must the Conditions be satisfied or waived by?</b>	<p>Apart from the Condition relating to Court approval, the Conditions must be satisfied or waived as at 8:00am on the Second Court Date to allow implementation of the Scheme to proceed.</p> <p>The Second Court Date is scheduled for 7 October 2020. If a Condition is not satisfied or waived (where capable of waiver) by 8:00am on this date, either party may give the other party a written notice to commence consultations to determine whether an agreement can be reached with respect to extending the deadline for satisfaction of the Condition or for the transaction to proceed in an alternative method.</p> <p>The Conditions must be satisfied or waived (if capable of waiver) by no later than 8 January 2021 (<b>End Date</b>), unless Vault and Damstra agree to extend this date.</p> <p>If the relevant Conditions are not satisfied or waived by the End Date, the Scheme will not be implemented.</p>	N/A
<b>Can I sell my Vault Shares now?</b>	<p>You can sell your Vault Shares on market at any time before close of trading on ASX on the Effective Date at the then prevailing market price (which may vary from the Scheme Consideration).</p> <p>Vault intends to apply to ASX for Vault Shares to be suspended from official quotation from the close of trading on the Effective Date (which is currently expected to be 8 October 2020). You will not be able to sell your Vault Shares on market after that time.</p> <p>If you sell your Vault Shares on ASX prior to the Effective Date:</p> <ul style="list-style-type: none"> <li>you will not receive the Scheme Consideration;</li> <li>you may be required to pay brokerage on the sale of your Vault Shares; and</li> <li>there may be different tax consequences for you compared with those consequences that</li> </ul>	N/A



Question	Answer	More information
	would apply if you disposed of your Vault Shares under the Scheme.	
<b>When and where will the Scheme Meeting be held?</b>	<p>The Scheme Meeting will be held electronically at 10:00am (Melbourne time) on Monday, 2 October 2020.</p> <p>Due to the COVID-19 pandemic, there will be no physical meeting where Vault Shareholders or proxy holders can attend in person.</p> <p>The electronic Scheme Meeting can be accessed by logging in online via the following link:  <a href="https://agmlive.link/VLT20">https://agmlive.link/VLT20</a>.</p>	The Notice of Meeting attached as in Annexure D sets out further details of the Scheme Meeting.
<b>What vote is required to approve the Scheme?</b>	<p>For the Scheme to proceed, the Scheme Resolution must be passed by:</p> <ul style="list-style-type: none"> <li>a majority in number of Vault Shareholders present and voting on the Scheme Resolution; and</li> <li>at least 75% of the votes cast on the Scheme Resolution.</li> </ul> <p>The Court has the discretion to waive the first of these two requirements if it considers it appropriate to do so.</p>	Section 4.6 and the Notice of Meeting attached as Annexure D set out further details on the Scheme approval requirements.
<b>Am I entitled to vote at the Scheme Meeting?</b>	Each Vault Shareholder who is registered on the Register at 7:00pm (Melbourne time) on 30 September 2020 is entitled to attend and vote at the Scheme Meeting. Due to the COVID-19 pandemic, the Scheme Meeting will be held electronically (see Annexure D for further details).	The Notice of Meeting attached as Annexure D sets out further details on your entitlement to vote and the conduct of the Scheme Meeting.
<b>What are my choices as a Vault Shareholder?</b>	<p>As a Vault Shareholder you have the following choices in relation to the Scheme:</p> <ul style="list-style-type: none"> <li>vote in favour of the Scheme Resolution at the Scheme Meeting;</li> <li>vote against the Scheme Resolution at the Scheme Meeting;</li> <li>sell your Vault Shares on ASX prior to the Scheme Record Date; or</li> <li>do nothing.</li> </ul>	Sections 1 and 5 of this Scheme Booklet contain some key considerations that may be relevant to the choice you make as a Vault Shareholder.



Question	Answer	More information
<b>How do I vote if I am not able to attend the electronic Scheme Meeting?</b>	<p>The Scheme Meeting will be held electronically at 10:00am (Melbourne time) on Monday, 2 October 2020.</p> <p>There will be no physical meeting where Vault Shareholders or proxy holders can attend in person.</p> <p>If you would like to vote but cannot attend the Scheme Meeting electronically, you can appoint a proxy, attorney or corporate representative to attend and vote on your behalf online.</p>	The Notice of Meeting attached as Annexure D sets out further details on how to vote at the Scheme Meeting.
<b>When will the result of the Scheme Meeting be known?</b>	<p>The result of the Scheme Meeting will be available shortly after the conclusion of the Scheme Meeting and will be announced to ASX once available.</p> <p>Even if the Scheme Resolution is passed by the Scheme Meeting, the Scheme is subject to approval of the Court.</p>	N/A
<b>What happens to my Vault Shares if I do not vote, or if I vote against the Scheme, and the Scheme becomes Effective?</b>	<p>Even if you do not vote or you vote against the Scheme, if the Scheme becomes Effective any Vault Shares held by you on the Scheme Record Date (currently expected to be 12 October 2020) will be transferred to Damstra and you will receive 1 New Damstra Share for each 2.9 Vault Shares you hold.</p> <p>New Damstra Shares will not be issued to Ineligible Foreign Shareholders (Vault Shareholders whose address in the Vault Register is outside of Australia or New Zealand). Instead, the New Damstra Shares that would have otherwise been issued to the Ineligible Foreign Shareholders will be issued to the Sale Agent to be sold on ASX. The Sale Agent will remit the Proceeds to Vault. Vault will then pay the Proceeds to the Ineligible Foreign Shareholders.</p>	<p>A copy of the Scheme is attached as Annexure B.</p> <p>Section 4.4 contains more information about the treatment of Ineligible Foreign Shareholders.</p>
<b>Can I oppose the Scheme at the Second Court Date?</b>	As a Vault Shareholder, you have the right to appear and make submissions in relation to the Scheme at the Second Court Date, which is scheduled to be held at 2:00pm (Melbourne time) on 7 October 2020.	N/A
<b>Can I choose to receive cash instead of the New Damstra Shares?</b>	<p>No Scheme Shareholder has the option to elect to receive cash in the place of the New Damstra Shares to be issued as the Scheme Consideration.</p> <p>On the Implementation Date, all Scheme Shareholders (except Ineligible Foreign Shareholders) will receive the Scheme Consideration for each Scheme Share held on the Scheme Record Date.</p>	Section 4.2 sets out further details on the Scheme Consideration.



Question	Answer	More information
	<p>Following implementation, shareholders of the Combined Group are able to sell their Damstra Shares on ASX.</p> <p>Alternatively, you may sell your Vault Shares on ASX prior to the close of trading on the Effective Date.</p>	
<b>How will fractional entitlements be treated?</b>	If the number of New Damstra Shares to be issued to a particular Vault Shareholder would when calculated result in that Vault Shareholder being entitled to a fraction of a New Damstra Share, then the fractional entitlement will be rounded down to the nearest whole number of New Damstra Shares.	Section 4 contains more details regarding the Scheme.
<b>When will the New Damstra Shares be Issued?</b>	The Scheme Consideration will be issued on the Implementation Date (which is currently expected to be 19 October 2020).	Section 4.2 sets out further details on the Scheme Consideration.
<b>Trading New Damstra Shares</b>	<p>Damstra will seek confirmation from ASX that, from the Business Day after the Effective Date (or any later date as ASX requires), the New Damstra Shares will be quoted for trading on ASX.</p> <p>The New Damstra Shares are expected to commence trading on a deferred settlement basis on ASX on the Business Day after the Effective Date (which is currently expected to be 9 October 2020).</p> <p>The New Damstra Shares are expected to commence trading on a normal settlement basis on ASX on the Business Day following the Implementation Date (which is currently expected to be 20 October 2020).</p>	Section 4.2 sets out further details on the Scheme Consideration.
<b>What happens if the Scheme does not proceed?</b>	<p>If the Scheme is not approved at the Scheme Meeting, or another Condition to the Scheme is not satisfied or waived (if capable of waiver), then the Scheme will not be implemented.</p> <p>If the Scheme is not implemented, Scheme Shareholders will not receive the Scheme Consideration but will retain their Vault Shares. In these circumstances, Vault will, in the absence of another proposal, continue to operate as a stand-alone company listed on ASX.</p>	Section 4.12 sets out further details on what happens if the Scheme does not proceed.
<b>Do I have to give any warranties in relation to my Scheme Shares?</b>	Yes. If the Scheme is approved at the Scheme Meeting, all Scheme Shareholders will be deemed to have warranted to Damstra that at the Implementation Date:	Section 4.15 describes the Vault Shareholder warranties in greater detail.



Question	Answer	More information
	<ul style="list-style-type: none"> <li>• your Vault Shares are fully paid and free from all encumbrances; and</li> <li>• you have the power and capacity to sell and transfer your Vault Shares to Damstra.</li> </ul>	
<b>Is there a Break Fee payable?</b>	<p>Vault has agreed to pay Damstra a Break Fee of \$500,000 and Damstra has agreed to pay Vault a Reverse Break Fee of \$500,000, in certain circumstances.</p> <p>No Break Fee or Reverse Break Fee is payable merely because Vault Shareholders do not approve the Scheme at the Scheme Meeting.</p>	<p>Section 12.1 contains a description of the key terms of the Scheme Implementation Deed, including details on when a Break Fee or Reverse Break Fee may be payable.</p>
<b>Where can I get further information?</b>	<p>If you require any further information, please call the Vault Shareholder Information Line on 1800 502 914 (within Australia) or +61 1800 502 914 (from outside Australia) between 9:00am and 6:00pm (Melbourne time), Monday to Friday, excluding public holidays.</p>	N/A



## 4. Key features of the Scheme

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### 4.1 Background

On 8 July 2020, Vault announced that it had entered into the Scheme Implementation Deed with Damstra, under which it is proposed that Damstra will acquire all of the Vault Shares on issue pursuant to a scheme of arrangement under Part 5.1 of the Corporations Act. See section 12.1 for a summary of the key terms of the Scheme Implementation Deed.

If the Scheme is approved by Vault Shareholders and by the Court, and all other Conditions are either satisfied or waived (if applicable), Vault will become a wholly owned Subsidiary of Damstra and apply to be delisted from ASX.

If the Scheme is not approved, then the Scheme will not proceed and Vault will continue as a stand-alone entity listed on ASX.

This Scheme Booklet contains information that the Vault Board considers material to Vault Shareholders in making a decision whether or not to vote in favour of the Scheme. You should carefully read this Scheme Booklet in full before making any decision on how to vote on the Scheme Resolution.

### 4.2 Overview of the Scheme Consideration - what will you receive

If the Scheme is approved and implemented, Scheme Shareholders (other than Ineligible Foreign Shareholders) will receive the Scheme Consideration of 1 New Damstra Share per 2.9 Scheme Shares, which will be issued on the Implementation Date (which is currently expected to be 19 October 2020). Damstra will seek confirmation from ASX that, from the Business Day after the Effective Date (or any later date as ASX requires), the New Damstra Shares will be quoted for trading on ASX. The New Damstra Shares will commence trading on a deferred settlement basis on ASX on the Business Day after the Effective Date (which is currently expected to be 9 October 2020). The New Damstra Shares are expected to commence trading on a normal settlement basis on ASX on the Business Day following the Implementation Date (which is currently expected to be 20 October 2020).

Ineligible Foreign Shareholders will not be entitled to receive any New Damstra Shares and will instead receive cash under the Sale Facility for any New Damstra Shares that they would otherwise have been entitled to receive. See section 4.4 for further details regarding Ineligible Foreign Shareholders and the Sale Facility.

On or before the Implementation Date, Damstra will issue to each Scheme Shareholder (other than Ineligible Foreign Shareholders) such number of New Damstra Shares as that Scheme Shareholder is entitled to be issued as Scheme Consideration and procure that the name and address of the Scheme Shareholder is entered in the Damstra Register in respect of those New Damstra Shares.

On or before 10 Business Days following the Implementation Date, Damstra will procure that a holding statement (or equivalent document) is sent to the registered address (as recorded in the Vault Register) of each Scheme Shareholder for the number of New Damstra Shares issued to that Scheme Shareholder pursuant to the Scheme.



If a Scheme Shareholder does not have a registered address, or Vault considers the Scheme Shareholder is not known at its registered address, documents relevant to the Scheme Consideration in relation to that Scheme Shareholder will be held by Vault until claimed.

The total number of New Damstra Shares required to be issued by Damstra to Scheme Shareholders under the Scheme will, when issued, represent approximately 25% of the Damstra Shares on issue at that time.

If the calculation of the number of New Damstra Shares to be issued to a particular Scheme Shareholder would result in that Scheme Shareholder becoming entitled to a fraction of a New Damstra Share, then the fractional entitlement will be rounded down to the nearest whole number of New Damstra Shares.

#### 4.3 **Scheme Consideration**

(a) **Implied value**

As at 6 July 2020, being the last trading day before the announcement of the Scheme Implementation Deed, the implied value of the Scheme Consideration based on the closing price of Damstra Shares of \$1.345 was \$0.46 per Scheme Share (being the closing price of a Damstra Share divided by 2.9).

As at 27 August 2020, being the day before the date of this Scheme Booklet, the implied value of the Scheme Consideration based on the closing price of Damstra Shares of \$1.80 was \$0.62 per Scheme Share (being the closing price of a Damstra Share divided by 2.9).

The implied value of the New Damstra Shares will vary over time due to changes in the prevailing market price of Damstra Shares.

This may result in the value of the Scheme Consideration received on the Implementation Date being different to the implied value of the Scheme Consideration as at the date of this Scheme Booklet or the date of the Scheme Meeting.

(b) **Variations in the closing price of Damstra Shares**

During the 3 months immediately before the date of this Scheme Booklet, the lowest recorded closing price of Damstra Shares was \$0.91 on 29 May 2020, while the highest recorded closing price of Damstra Shares was \$1.98 on 24 August 2020.

(c) **Joint holders**

If Scheme Shares are held jointly by two or more Vault Shareholders:

- (i) the New Damstra Shares will be issued to and registered in the names of all joint holders;
- (ii) any cheque required to be sent under the Scheme to Ineligible Foreign Shareholders will be made payable to those joint holders and sent to either the holder whose name appears first in the Vault Register as at the Scheme Record Date, or to the joint holders, at the sole discretion of Vault; and



- (iii) any other documents required to be sent under the Scheme will be forwarded to either the holder whose name appears first in the Vault Register as at the Scheme Record Date, or to the joint holders, at the sole discretion of Vault.

#### 4.4 Ineligible Foreign Shareholders

A Scheme Shareholder will be an Ineligible Foreign Shareholder for the purposes of the Scheme if their address is shown in the Vault Register at 5:00pm on the Scheme Record Date as a place outside Australia or New Zealand, unless Damstra and Vault agree that it is lawful and not unduly onerous or impractical to issue the Scheme Shareholder with New Damstra Shares under the Scheme.

If you are an Ineligible Foreign Shareholder and the Scheme is implemented, you will not be issued with New Damstra Shares under the Scheme. Instead, the New Damstra Shares that would otherwise have been issued to you in respect of each Scheme Share will be issued to the Sale Agent on the Implementation Date. The Sale Agent will then sell all New Damstra Shares issued to it in such a manner, at such a price and on such other terms as the Sale Agent reasonably determines. The Sale Agent will remit the sale proceeds to Vault, less applicable brokerage, stamp duty, currency conversion costs and other costs, taxes and charges (**Proceeds**). Vault will pay each Ineligible Foreign Shareholder their pro rata proportion of the Proceeds (in cash) as soon as practicable after the Implementation Date.

The portion of the Proceeds to be paid to Ineligible Foreign Shareholders will be calculated in accordance with the following formula, rounded down to the nearest cent:

$$A = (B \div C) \times D$$

where:

A = the amount an Ineligible Foreign Shareholder is entitled to;

B = the number of New Damstra Shares that would otherwise have been issued to that Ineligible Foreign Shareholder had it not been an Ineligible Foreign Shareholder and which were issued to the Sale Agent;

C = the total number of New Damstra Shares which would otherwise have been issued to all Ineligible Foreign Shareholders and which were issued to the Sale Agent; and

D = the Proceeds.

The quantum of the Proceeds will be dependent on the market price of Damstra Shares prevailing when the New Damstra Shares issued to the Sale Agent are actually sold on ASX.

See clause 5.3 of the Scheme (attached as Annexure B) for further details on Ineligible Foreign Shareholders and the Sale Facility and how the Proceeds will be distributed to Ineligible Foreign Shareholders.



## 4.5 Conditions to the Scheme

The Scheme will not proceed unless all of the Conditions are satisfied or waived (if capable of being waived) in accordance with the Scheme Implementation Deed. It is possible that some of these Conditions may not be satisfied even if the Scheme is approved at the Scheme Meeting. As at the date of this Scheme Booklet, Vault and Damstra are not aware of any circumstances that will cause the Conditions to not be satisfied.

A summary of the status of the Conditions as at 27 August 2020 is set out below. More information regarding the Scheme Implementation Deed is set out in section 12.1.

#	Condition	Status
1.	<b>Independent Expert</b> The Independent Expert concludes in the Independent Expert's Report that the Scheme is in the best interests of Vault Shareholders (and does not change that conclusion before 8:00am on the Second Court Date).	Satisfied unless the Independent Expert changes its conclusion that the Scheme is in the best interests of Vault Shareholders before 8:00am on the Second Court Date.
2.	<b>Court approval</b> The Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act.	As at the date of the Scheme Booklet, the Second Court Date is scheduled for 7 October 2020.
3.	<b>Vault Shareholder approval</b> Vault Shareholders approve the Scheme at the Scheme Meeting by the requisite majorities under section 411(4)(a) of the Corporations Act.	The Scheme Meeting to consider the Scheme Resolution will be held electronically commencing at 10:00am (Melbourne time) on 2 October 2020.
4.	<b>ASX quotation</b> ASX approves the official quotation of the New Damstra Shares for trading on ASX by 8:00am on the Second Court Date subject to any conditions that ASX may reasonably require, including customary pre-quotation conditions and conditions relating to the Scheme becoming Effective.	Damstra will seek confirmation from ASX that, from the Business Day after the Effective Date (or any later date as ASX requires), the New Damstra Shares will be quoted for trading on ASX.
5.	<b>Restraints</b> No restraining order, injunction or other order that would prevent the Scheme from becoming Effective or being implemented is made by a court of competent jurisdiction or Government Agency and is in effect as at 8:00am on the Second Court Date.	This Condition will not be satisfied until 8:00am on the Second Court Date. As at the date of the Scheme Booklet, neither Damstra nor Vault are aware of anything that would cause this Condition not to be satisfied.
6.	<b>Vault Prescribed Occurrence</b>	This Condition will not be satisfied until 8:00am on the Second Court Date. As at the date of



	No Vault Prescribed Occurrence occurs between 8 July 2020 and 8:00am on the Second Court Date.	the Scheme Booklet, Vault is not aware of anything that would cause this Condition not to be satisfied.
7.	<b>Damstra Prescribed Occurrence</b> No Damstra Prescribed Occurrence occurs between 8 July 2020 and 8:00am on the Second Court Date.	This Condition will not be satisfied until 8:00am on the Second Court Date. As at the date of the Scheme Booklet, Damstra is not aware of anything that would cause this Condition not to be satisfied.
8.	<b>Vault Material Adverse Event</b> No Vault Material Adverse Event occurs between the date of this deed and 8:00am on the Second Court Date.	This Condition will not be satisfied until 8:00am on the Second Court Date. As at the date of the Scheme Booklet, Vault is not aware of anything that would cause this Condition not to be satisfied.
9.	<b>Damstra Material Adverse Event</b> No Damstra Material Adverse Event occurs between the date of this deed and 8:00am on the Second Court Date.	This Condition will not be satisfied until 8:00am on the Second Court Date. As at the date of the Scheme Booklet, Damstra is not aware of anything that would cause this Condition not to be satisfied.
10.	<b>Vault Options</b> Before 8:00am on the Second Court Date each holder of Vault Options has entered into a binding agreement with Vault and Damstra to deal with their Vault Options on terms acceptable to Vault and Damstra, such that no Vault Options are in existence from the Implementation Date.	As at the date of this Scheme Booklet, the effect of the relevant agreements is that the Vault Options are to be:  (a) cancelled in return for a cash payment; or  (b) exchanged for New Damstra Options on equivalent terms.  Accordingly, this Condition has been satisfied.

#### 4.6 Scheme procedure

##### (a) Scheme approval requirements

- (i) The Scheme will only become Effective and be implemented if it is:
  - (A) approved by the requisite majorities of Vault Shareholders at the Scheme Meeting, as described in the Notice of Meeting which is attached at Annexure D, scheduled to be held on 2 October 2020; and
  - (B) approved by the Court at the Second Court Hearing which is expected to be held on 7 October 2020.
- (ii) Approval by Vault Shareholders requires the Scheme Resolution to be approved by:
  - (A) more than 50% of the Vault Shareholders present and voting at the Scheme Meeting (either in person or by proxy); and



- (B) at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting.
- (iii) The Court has the power to waive the requirement described in section 4.6(a)(ii)(A) above.
- (iv) If:
  - (A) the Scheme is approved by the requisite majorities of Vault Shareholders at the Scheme Meeting; and
  - (B) all other Conditions (except Court approval of the Scheme) have been satisfied or waived (if capable of waiver),

then Vault will apply to the Court for orders approving the Scheme.
- (v) Each Vault Shareholder has the right to appear at the Second Court Hearing.

(b) **Effective Date**

If the Court approves the Scheme and all other Conditions have been satisfied or waived (if capable of waiver) the Scheme will become Effective on the date a copy of the Court order approving the Scheme is lodged with ASIC. Vault will, on the Scheme becoming Effective, give notice of that event to ASX.

Vault intends to apply to ASX for Vault Shares to be suspended from official quotation on ASX from close of trading on the date the Scheme becomes Effective.

(c) **Scheme Record Date**

Scheme Shareholders, being Vault Shareholders in the Vault Register on the Scheme Record Date (currently expected to be 12 October 2020) will be entitled to receive the Scheme Consideration in respect of their Scheme Shares, being the Vault Shares they hold as at the Scheme Record Date. If you are an Ineligible Foreign Shareholder as determined at the Scheme Record Date, you will not be issued New Damstra Shares under the Scheme. Instead, the New Damstra Shares that would otherwise have been issued to you in respect of each Scheme Share will be issued to the Sale Agent on the Implementation Date. See section 4.4 for information regarding the treatment of Ineligible Foreign Shareholders.

(i) **Dealings on or prior to the Scheme Record Date**

For the purposes of determining which Vault Shareholders are eligible to participate in the Scheme and to be provided the Scheme Consideration, dealings in Vault Shares will be recognised only if:

- (A) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Vault Register as the holder of the relevant Vault Shares as at 7:00pm on the Scheme Record Date (currently expected to be 12 October 2020); and



- (B) in all other cases, registrable transmission applications or transfers in respect of those dealings are received by the Vault Registry on or before the Scheme Record Date (and the transferee remains registered as at the Scheme Record Date).

For the purposes of determining entitlements under the Scheme, Vault will not accept for registration or recognise any transfer or transmission applications in respect of Vault Shares received after the Scheme Record Date.

(ii) **Dealings after the Scheme Record Date**

For the purpose of determining entitlements to the Scheme Consideration, Vault must maintain the Register in its form as at the Scheme Record Date (currently expected to be 12 October 2020) until the Scheme Consideration has been provided to the Scheme Shareholders. The Vault Register in this form will solely determine entitlements to the Scheme Consideration.

After the Scheme Record Date:

- (A) all statements of holding for Vault Shares will cease to have effect as documents relating to title in respect of such Vault Shares; and
- (B) each entry in the Vault Register will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Scheme Shares relating to that entry.

(d) **Implementation Date**

By the Business Day after the Record Date, Vault must provide the most up-to-date version of the Vault Register to Damstra in order to allow Damstra to determine the appropriate allocation of the Scheme Consideration and enter the details of the Scheme Shareholders into the Damstra Register

On the Implementation Date, Damstra must issue the Damstra Shares to Scheme Shareholders in accordance with section 4.2. Immediately after the Scheme Consideration is issued to each Scheme Shareholder, the Scheme Shares will be transferred to Damstra without Scheme Shareholders needing to take any further action.

(e) **Deed Poll**

Damstra has executed the Deed Poll pursuant to which Damstra has undertaken in favour of each Scheme Shareholder to provide each Scheme Shareholder with the Scheme Consideration in accordance with the terms of the Scheme, subject to the Scheme becoming Effective.

A copy of the Deed Poll is attached as Annexure C.

#### 4.7 **Issuing the Scheme Consideration**

If the Scheme becomes Effective, Damstra will issue the New Damstra Shares to each Scheme Shareholder (except for Ineligible Foreign Shareholders) on the



Implementation Date and procure that a holding statement will be issued to each Scheme Shareholder within 10 Business Days of the Implementation Date.

#### 4.8 Treatment of Vault Options

##### (a) Overview

Vault has issued a number of options to subscribe for Vault Shares to its employees, executives and the Vault Directors.

It is a Condition of the Scheme that before 8:00am on the Second Court Date each holder of Vault Options must have entered into a binding agreement with Vault and Damstra to deal with their Vault Options on terms acceptable to Vault and Damstra (each acting reasonably), such that no Vault Options are in existence from the Implementation Date.

As at the Announcement Date, the following Vault Options had been issued:

- (i) 4,090,000 issued to employees pursuant to Vault's employee incentive plan (**Vault EIP**) (**Employee EIP Options**);
- (ii) 1,750,000 issued to the Executive Optionholders (Todd Perkinson, Miguel Nasar and Verdon Kelliher) pursuant to the Vault EIP (**Executive EIP Options**);
- (iii) 3,300,000 issued to the Vault Non-Executive Directors (Ross Jenkins and Robert Kirtlan) (**Non-Executive Director Options**); and
- (iv) 5,200,000 issued to the Vault Executive Directors (David Moylan and David Rose) (**Executive Director Options**).

The Non-Executive Director Options and Executive Director Options were issued on stand alone (but standard) terms approved by Vault Shareholders, other than 700,000 which were issued to David Rose and Robert Kirtlan in 2017 under the Vault EIP.

The Vault Board (other than David Rose and Robert Kirtlan) has resolved that, in accordance with the terms of the EIP, any remaining vesting conditions attaching to Vault Options under the EIP are waived and accordingly, any unvested Vault Options under the EIP have vested.

##### (b) Employee EIP Options

Subject to the Scheme becoming Effective, each holder of Employee EIP Options has agreed that each of their Employee EIP Options will be cancelled prior to the Implementation Date, in return for a cash payment of \$0.42 less the exercise price of the relevant Employee EIP Option.

Holders of Employee EIP Options will be paid the consideration for the cancellation of their Employee EIP Options within 1 Business Day of the Scheme becoming approved by Vault Shareholders. If it is not approved, then the Employee EIP Options will remain on issue.

##### (c) Executive EIP Options



The Executive Optionholders have been issued with the following numbers of Executive EIP Options under the Vault EIP: Todd Perkinson - 250,000; Miguel Nasar - 500,000; and Verdon Kelliher - 1,000,000. Those Vault Options have an exercise price of \$0.30, vest incrementally on the achieving of certain contracted annualised recurring revenue targets and expire in February 2024 (except for those issued to Miguel Nasar which expire in July 2023).

(d) **Executive Director Options and Non-Executive Director Options**

Details of these Vault Options are set out in section 7.1.

(e) **Exchange of New Damstra Options for Executive Director Options, Non-Executive Director Options and Executive EIP Options**

If the Scheme becomes Effective, on the Implementation Date the Executive Director Options, Non-Executive Director Options and Executive EIP Options will be exchanged for New Damstra Options on the following terms:

- (i) the exchange ratio will be 1 New Damstra Option for every 2.9 Vault Options held;
- (ii) the New Damstra Options will be subject to the same vesting conditions as the Vault Options for which they are exchanged (other than the Non-Executive Director Options which are not subject to any vesting conditions);
- (iii) the New Damstra Options are to have the same expiry date as the Vault Options for which they are exchanged; and
- (iv) the exercise price for each New Damstra Option will be equal to the exercise price of the relevant Vault Options for which it is exchanged, multiplied by 2.9 (rounded down to the nearest cent).

#### 4.9 **The Vault Directors' unanimous recommendation**

It is the unanimous recommendation of the Vault Directors that Vault Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider that the Scheme is in the best interests of Vault Shareholders.

The Vault Directors have an interest in the outcome of the Scheme. As noted, the Vault Directors hold Vault Shares (see section 7.1) and Director and Executive EIP Options and/or Director Non-EIP Options (see sections 4.8 and 7.1) which are to be exchanged for New Damstra Options.

Vault's Managing Director, David Moylan, has entered into a new employment agreement with Damstra to become its Chief of Global Partnerships, which is conditional on the Scheme becoming Effective and is on similar terms to his existing employment agreement with Vault.

Notwithstanding their interests, each Vault Director considers himself able to give a recommendation in relation to the Scheme.



#### **4.10 Voting intentions of the Vault Directors**

All of the Vault Directors intend to vote the Vault Shares held or controlled by them in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider that the Scheme is in the best interests of Vault Shareholders.

#### **4.11 The Independent Expert's conclusion**

The Independent Expert has concluded that the Scheme is fair and reasonable and therefore in the best interests of Vault Shareholders, in the absence of a superior proposal. See Annexure A for a full copy of the Independent Expert's Report.

#### **4.12 Implications if the Scheme does not proceed**

If the Scheme does not proceed:

- (a) Vault Shareholders will continue to hold their Vault Shares.
- (b) In the absence of a Competing Proposal:
  - (i) Vault will continue as a stand-alone entity;
  - (ii) Vault will continue to operate its business;
  - (iii) Vault will remain listed on ASX and Vault Shares remain quoted for trading;
  - (iv) Vault will continue to operate its business; and
  - (v) Vault Shareholders will retain their Vault Shares and will continue to be exposed to the risks relating to the Vault business, as they currently are, see section 10.3.
- (c) In the absence of a Competing Proposal or Superior Proposal, it is possible that the price at which Vault Shares trade may fall, at least in the short term.
- (d) Depending on the reasons why the Scheme does not proceed, Vault or Damstra may be liable to pay the Break Fee or Reverse Break Fee respectively. Information on the Break Fee and Reverse Break Fee is set out in section 12.1.
- (e) Prior to the Scheme Meeting, Vault has and will continue to incur transaction costs in relation to the Scheme. Those transaction costs, which total approximately \$400,000, have either already been paid, or will be payable by Vault regardless of whether or not the Scheme is implemented. If the Scheme does proceed, additional costs will be incurred but these costs will not reduce the number of the New Damstra Shares issued as Scheme Consideration.
- (f) Vault shareholders will not receive the Scheme Consideration.
- (g) If Vault remains as a stand-alone entity it is likely to require future capital to achieve its sales and development initiatives. Share issues by Vault may dilute the holdings of existing Vault Shareholders.



- (h) Additional implications may arise that have a material adverse effect on Vault and Vault Shareholders.

The information set out above is not an exhaustive list of the implications arising for Vault and Vault Shareholders should the Scheme not proceed.

#### **4.13 Intentions of the Vault Directors regarding the Vault business if the Scheme is implemented**

If the Scheme becomes Effective, the Vault Directors will resign when requested to do so by Damstra on or after the Implementation Date. Accordingly, it is not possible for the current Vault Directors to provide a statement of their intentions regarding:

- (a) the continuation of the business of Vault or how Vault's existing business will be conducted;
- (b) any major changes to be made to the business of Vault, including any redeployment of the assets of Vault; or
- (c) the future employment of the present employees of Vault,

in each case, after the Scheme is implemented.

If the Scheme is implemented, Damstra will own all of the Vault Shares currently on issue and Damstra will be the ultimate controller of Vault. The Vault Directors have been advised that the intentions of Damstra are as set out in section 8.8 of this Scheme Booklet.

#### **4.14 Vault Register**

Under section 173 of the Corporations Act, any Vault Shareholder has a right to inspect and to ask for a copy of the Vault Register which contains details of the name and address of each Vault Shareholder. Vault may require a Vault Shareholder to provide reasons for their request prior to providing a copy of the Vault Register and a Vault Shareholder must not use any information obtained for an improper purpose. A copy of the Vault Register will be given to any Vault Shareholder upon request and payment of the prescribed fee under the Corporations Act if Vault is satisfied that the details provided are not likely to be used for an improper purpose.

#### **4.15 Warranties by Scheme Shareholders**

The Scheme provides that each Scheme Shareholder is taken to have warranted to Vault and Damstra on the Implementation Date, and appointed and authorised Vault as its attorney and agent to warrant to Damstra on the Implementation Date, that all of their Vault Shares (including any rights and entitlements attaching to those Vault Shares) which are transferred under the Scheme will, at the date of transfer:

- (a) be fully paid; and
- (b) be free from all mortgages, charges, liens, encumbrances, pledges, security interests, interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind,



and that they have full power and capacity to transfer their Vault Shares to Damstra together with any rights and entitlements attaching to those Vault Shares.

#### 4.16 **Delisting of Vault**

If the Scheme proceeds, after the Implementation Date, Vault will apply:

- (a) for termination of the official quotation of Vault Shares on ASX; and
- (b) to have Vault removed from the official list of ASX.



## 5. Key factors relevant to your decision and the Scheme

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### 5.1 Reasons you may wish to vote in favour of the Scheme

- (a) **The Vault Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider that the Scheme is in the best interests of Vault Shareholders.**
- (i) The Vault Directors have considered the market position of Vault and the outlook for the Vault business when determining whether to recommend the Scheme. The views held by the Vault Directors are supported by their industry knowledge, particularly in workplace management technology solutions.
  - (ii) Each Vault Director intends to vote in favour of the Scheme in respect of all of the Vault Shares in which they have a Relevant Interest, in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider that the Scheme is in the best interests of Vault Shareholders.
  - (iii) The Vault Directors unanimously recommend that, in the absence of a Superior Proposal, you vote in favour of the Scheme Resolution at the Scheme Meeting. The Scheme will not be implemented unless the Scheme Resolution is passed by the requisite majorities.
  - (iv) In reaching their recommendation, the Vault Directors have assessed the Scheme having regard to the reasons to vote in favour of, or against, the Scheme, as set out in this Scheme Booklet and in particular in this section 5.1 and section 5.2.
  - (v) In the absence of a Superior Proposal, each of the Vault Directors intends to vote all Vault Shares held or controlled by them in favour of the Scheme.
- Details of the interests of the Vault Directors in Vault and Damstra and the impact of the Scheme on them are set out in sections 4.8(e), 7.1 and 7.2.
- (b) **The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, is in your best interests, in the absence of a superior proposal.**
- (i) Vault appointed Grant Thornton to prepare the Independent Expert's Report providing an opinion on the Scheme for Vault Shareholders. The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Vault Shareholders, in the absence of a superior proposal.
  - (ii) The reasons why the Independent Expert reached that conclusion is set out in the Independent Expert's Report, a full copy of which is attached as Annexure A. Vault Shareholders should carefully review the Independent Expert's Report in its entirety.



(c) **The implied value of the Scheme Consideration represents an attractive premium to the ‘undisturbed’ closing price of Vault Shares on 6 July 2020 (being the last trading date prior to the announcement of the Scheme).**

(i) Based on the closing price of Damstra Shares on 6 July 2020 (being the last trading day before the announcement of the Scheme Implementation Deed) of \$1.345, the Scheme Consideration:

(A) implies a value of \$58.8m in aggregate for the Vault Shares; and

(B) represents a:

(1) 36.5% premium to the ‘undisturbed’ ASX closing price of Vault Shares on 6 July 2020 (being the last trading date prior to the announcement of the Scheme);

(2) 60% premium to the 30 Day VWAP on 6 July 2020 of \$0.26 per Vault Share.

(ii) The Independent Expert’s Report contains a more detailed analysis of the value of the Scheme Consideration relative to the value of Vault Shares.

(d) **If implemented, the Scheme will result in Vault Shareholders in aggregate owning approximately 25% of the issued share capital in the Combined Group when they are issued with their New Damstra Shares.**

Under the Scheme, the Scheme Consideration payable by Damstra will be 100% scrip for the acquisition of approximately 128 million Vault Shares. Vault Shareholders (except Ineligible Foreign Shareholders) will receive 1 New Damstra Share for every 2.9 Scheme Shares and Vault will become a wholly-owned Subsidiary of Damstra. Ineligible Foreign Shareholders will not receive New Damstra Shares (as discussed in section 4.4).

(e) **Damstra will become the 100% owner of the Vault product suite, and you will retain an economic exposure to it through your holding of New Damstra Shares.**

(f) **Vault Shareholders (except Ineligible Foreign Shareholders) are being offered Damstra Shares under the Scheme which allows Vault Shareholders to participate in any benefits from combining the Vault and Damstra businesses which may provide increased growth opportunities and synergies resulting from an enhanced scale of operations, greater resources and broader reach.**

(i) **Increased growth opportunities**

The Vault Directors believe that Vault has developed an exceptional product although Vault is a relatively small company with limited resources.

Pursuant to the Scheme, Vault will become part of the Combined Group and be able to utilise Damstra’s scale and channels to seek to accelerate sales and revenue growth.



The Combined Group will provide market leading product capability for emerging technology in the Workforce Management sector.

Vault and Damstra share no major customers providing cross-selling opportunities for the Combined Group.

(ii) **Greater resources and reach**

Damstra currently has in excess of 145 staff, is well resourced and financed and has positive EBITDA.

Damstra has a significant reach and presence in verticals and customers relevant for the sale and expansion of Vault products, particularly Vault Solo.

Damstra has established and expanded into the US and European Union markets and this may provide a launching pad for Vault products.

(iii) **Combined synergies**

Significant savings are expected to be made in merging and combining resources, functions, and processes of Vault and Damstra estimated as being approximately \$4 million.

The Combined Group will combine the IP, skillsets and expertise of Vault and Damstra allowing the Combined Group to innovate and develop current product ranges and embrace emerging technology.

(g) **The Combined Group will have a strong board and management team that is highly capable of delivering strategic and growth initiatives with the potential for a market re-rating.**

The Damstra Board and management team are highly experienced, with a proven successful track record in solutions offerings. The strength of Damstra's board and management team combined with Vault's management team will be a significant advantage in seeking to realise and accelerate the potential of Vault's workforce performance products. That may lead to a market re-rating of Damstra, which would benefit Scheme Shareholders who receive New Damstra Shares.

If the Scheme is implemented, Damstra will have increased financial scale and equity market relevance (with higher liquidity supporting the potential entry into the ASX300).

(h) **If the Scheme is not implemented, there is material uncertainty as to Vault's financial performance and the price at which Vault Shares will trade.**

Vault has pursued a strategy of organic growth achieved through the securing of long term service provision contracts to Australian, New Zealand and internationally located entities. The ability of Vault to maintain and secure new service contracts is uncertain given recent economic turmoil. In addition, as Vault is loss-making the future financial performance of Vault is somewhat uncertain.



If the Scheme is not implemented, Vault Shares will remain quoted on ASX but the price at which Vault Shares may trade is uncertain and Vault Shares will be subject to external economic and market factors including market volatility, including general stock market movements, the impact of general economic conditions and the demand for listed securities. If the Scheme is not implemented and in the absence of a Superior Proposal, the price at which Vault's Shares trade may fall.

Over the year before the Announcement Date, Vault Shares have traded between a high of \$0.54 on 22 November 2019 and a low of \$0.09 on 23 March 2020. On the last trading day before the Announcement Date the Vault Share price closed at \$0.34. On the Announcement Date, the Vault Share price closed at \$0.41. Following the Announcement Date until the last trading day before the date of this Scheme Booklet, the closing price of Vault Shares has ranged between \$0.40 on 8 July 2020 and \$0.62 on 25 August 2020.

- (i) **Since the announcement of the Scheme on 8 July 2020, no Superior Proposal has emerged.**

Since the Announcement Date and up to the date of this Scheme Booklet, no Superior Proposal has emerged and the Vault Directors are not aware, as at the date of this Scheme Booklet, of any Superior Proposal that is likely to emerge.

- (j) **Vault Shareholders will not incur any brokerage charges if the Scheme proceeds.**

Vault Shareholders will not incur any brokerage costs on the disposal of their Vault Shares to Damstra under the Scheme.

## 5.2 **Reasons you may wish to vote against the Scheme**

Although the Scheme is unanimously recommended by your Board and the Independent Expert has concluded that the Scheme is in the best interests of Vault Shareholders (in each case in the absence of a Superior Proposal), factors which may lead you to consider voting against the Scheme include the following:

- (a) **You may disagree with the Vault Board's unanimous recommendation and the Independent Expert's conclusion and believe that the Scheme is not in your best interests.**

Despite the recommendation of the Vault Directors and the opinion of the Independent Expert that the Scheme is, in the absence of a Superior Proposal, in the best interests of Vault Shareholders, you may believe that the Scheme is not in your best interests.

- (b) **You may consider that the implied value of the Scheme Consideration does not represent a sufficient premium to the value of Vault Shares.**

Certain information in relation to an assessment of the value of the Scheme Consideration in comparison to recent trading prices of Vault Shares is set out in section 6.8 and the Independent Expert's Report attached as Annexure A.



- (c) **The issue of a significant number of Damstra Shares could adversely affect the market price of Damstra Shares if new or existing Damstra Shareholders decide to sell their Damstra Shares.**

If the Scheme is implemented, a significant number of New Damstra Shares will be available for trading in the public market. The increase in the number of Damstra Shares may lead to sales of such Damstra Shares or the perception that such sales may occur, either of which may adversely affect the market price of Damstra Shares.

- (d) **Value of the Scheme Consideration is not certain.**

If the Scheme is implemented, Vault Shareholders (other than Ineligible Foreign Shareholders) will receive Scheme Consideration in the form of 1 New Damstra Share for every 2.9 Scheme Shares they hold. The market value of the Scheme Consideration that will be issued will depend on the price at which ASX quoted Damstra Shares trade after the Implementation Date.

The market price of Damstra Shares may fluctuate based on many variables, some of which are not directly related to the success of Damstra. In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies.

- (e) **You may wish to maintain your current investment profile.**

You may wish to keep your Vault Shares as you may want to preserve your investment in a company with the specific characteristics of Vault. In particular, you may consider that Vault may be able to return greater value from its assets by retaining its current ownership structure or seeking alternative commercialisation strategies.

- (f) **You may prefer to have the opportunity to participate in any future value creation that may result from being a Vault Shareholder.**

If the Scheme is approved and implemented, it is expected to complete by 19 October 2020. This time frame may not be consistent with your investment objectives. You may consider that Vault Shares have greater value over the longer term and that the Scheme Consideration does not fully reflect your views on long-term value.

Vault has entered into a number of longer term client contracts that Vault believes have the opportunity to create significant value for shareholders over the medium to long term.

However, if the Scheme is implemented, the contracts will be effectively acquired by Damstra and the realisation of their value and any appreciation of their value will benefit Damstra Shareholders in the form of a potential increase in value of Damstra Shares or potential future dividends in respect of Damstra Shares. Vault Shareholders (except Ineligible Foreign Shareholders) will become Damstra Shareholders pursuant to the Scheme Consideration if the Scheme is implemented and will participate in any such value increases in



Damstra Shares but the impact may be diluted compared to the position had Vault Shareholders retained their Vault Shares.

- (g) **The tax consequences of the Scheme may not suit your financial position or plans.**

Vault Shareholders should read the general taxation considerations outlined in section 11 and seek professional taxation advice with respect to their individual tax situation.

- (h) **You may consider that there is potential for a Superior Proposal to emerge.**

You may believe that there is potential for a Superior Proposal to be made. However, since the initial announcement of entry in the Scheme Implementation Deed on 8 July 2020 to the date of this Scheme Booklet, no Superior Proposal has been received by the Vault Directors.

Please see section 4.12 for further information in relation to what happens to your Vault Shares if the Scheme does not become Effective.

### 5.3 Other considerations

- (a) **The Scheme may be implemented even if you vote against it.**

You should be aware that even if you do not vote, or vote against the Scheme, the Scheme may still be implemented if the Scheme Resolution is passed at the Scheme Meeting by the requisite majorities and approved by the Court. If this occurs, your Vault Shares will be transferred to Damstra and you will receive 1 New Damstra Share for every 2.9 Vault Shares you hold on the Scheme Record Date even though you did not vote on, or voted against, the Scheme.

- (b) **Costs**

Vault has incurred significant costs of approximately \$400,000 in pursuing the proposed Scheme to the point of submitting the proposal to Vault Shareholders for their consideration. These costs include Adviser fees, engagement of the Independent Expert and preparation of this Scheme Booklet. Pursuant to the Scheme Implementation Deed each of Vault and Damstra must pay its own costs and expenses in connection with the proposed, attempted, or actual implementation of the Scheme.



## 6. Information about Vault

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### 6.1 Overview of Vault

Vault is an ASX listed public company incorporated in Australia and registered under the Corporations Act. Vault is a disclosing entity for the purposes of the Corporations Act and is therefore subject to regular reporting obligations under the Corporations Act and Listing Rules (see section 6.10 for further information). In addition to the information contained in this section about Vault, the Independent Expert's Report contains further detailed information on Vault.

Vault commenced business on 1 July 2016 after a back door listing which raised \$4.3 million and resulted in a market capitalisation of approximately \$12.8 million and an enterprise value of \$8.5 million.

### 6.2 Vault's business

Vault specialises in the development of cloud based SaaS solutions for workforce performance technologies, delivering significant productivity benefits in terms of risk and environmental, health and safety considerations for the safety, security and protection of workers. Vault provides two enterprise leading platforms, Vault Enterprise and Solo which are enhanced by the utilisation of internet of things (**IoT**) wearables to deliver measurable improvements in workforce safety, management and performance.

Vault delivers its software, mobility and wearable solutions to over 400 customers with more than 1 million employees and contractors in more than 30 industries across the world with a client retention rate of more than 90%.

In response to the COVID-19 pandemic, Vault has pivoted its platform offerings and launched new capabilities with 'Solo Crisis Management' providing additional support to its customers.

Vault's primary source of revenue is delivered via its cloud-based enterprise platform and accompanying mobile applications. Revenue from providing software services is then recognised over the term of each customer contract.

Vault's ongoing growth strategy consists of continued investment in:

- (a) the development of Vault's existing product suite;
- (b) standardising webhosting infrastructure to enable scalable growth;
- (c) expanding the sales team in order to secure additional key customer contracts; and
- (d) marketing functions to refresh marketing collateral, website and lead generation capabilities.

Over the last four years since the listing of the Vault business, Vault has:

- (a) expanded and developed its product range including through a new user interface and an enhanced user experience;



- (b) expanded customer support solutions including online and digital learning systems; and
- (c) developed a new class leading risk management mobile solution, Solo, which is now driving the sales growth of Vault.

### 6.3 Vault Products

The Vault technology suite provides cloud-based and mobile Environmental, Health and Safety (**HSE**) software across a diverse range of industries. Its software streamlines a company's HSE processes and is highly scalable. The software is available across most devices and is instantly accessible for many varied user purposes, including non-desk bound users through mobile apps.

The Vault offering seeks to surpass the limitations of existing systems, enhancing the benefits to employers and employees, and simplifying the implementation of HSE systems for all potential users and to suit specific needs.

In recent years Vault has developed its Solo mobile solution which manages lone worker risk, driver behaviour, crisis management and mental health and wellbeing, all based on mobile devices including class leading wearable devices. This new product is expanding into logistics, security, aged care, health care and numerous other industries where workers require either constant monitoring or are working alone.

Vault's product provides enhanced services and reporting and is flexible integrating with numerous enterprise resource planning and payroll systems. The benefits of Vault software include:

- (a) combining all HSE-related work in one end-to-end enterprise system;
- (b) providing immediate access to audit, inspection and incident reporting at any time, from any location;
- (c) the ability to asset manage and integrate with existing enterprise systems;
- (d) mobile applications that can stand alone or work with existing systems; and
- (e) demonstrable increases in productivity, safety and return on investment.

### 6.4 Board and senior management

#### (a) Board

The Vault Board is comprised of the following directors:

Name and Position	More Information
<b>David Moylan</b> Chief Executive Officer and Managing Director	<ul style="list-style-type: none"> <li>• David is the founder, Chief Executive Officer and Managing Director of Vault Intelligence. David has over 25 years' experience as a Risk Management Specialist including senior roles at Shell Exploration in China, Air New Zealand and the Australian Defence Force.</li> </ul>





- David spent 20 years in the Australian Army and rose to the rank of Lieutenant Colonel, holding the appointment of Director of Safety and Risk.
- David left the Australian Army to set up his own risk management consultancy providing services to major companies. During this period, he drove the development of a software solution which, over a period of ten years, transformed into the Vault Risk Management platform.
- David holds a Master's Degree in Strategic Management, and a Bachelor of Social Science and Occupational Hygiene.

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**Ross Jenkins**

Non-Executive Director and  
Chairman



- Ross was appointed as a director of Vault in July 2018 and appointed chair in March 2019. Ross has over 30 years' experience in the technology sector in executive roles including CFO/COO of Xero during a pivotal period of growth.
- Ross is an experienced director in the technology sector, having led a number of high growth technology companies and is a pragmatic strategist with a focus on customer experience and smart execution to deliver long term growth and business success.
- Ross holds a Bachelor of Commerce and Administration Degree (BCa) at Victoria University of Wellington. He is currently Board Chairperson of the Instillery Group Limited, a successful technology integration company, and chairs the advisory Board of Earshot, a revolutionary sport earphone company.

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**Robert Kirtlan**

Non-Executive Director



- Robert has a background in accounting, finance and management involving public and private companies. He has worked for major investment banks in Sydney and New York, principally involved in arranging debt and equity globally for major and emerging resource companies.
- Since 2001, he has been working and investing in a range of established and emerging resource and technology companies. Robert brought Vault to the public market in July 2016 and has assisted with the company's financing, management and corporate positioning.

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**David Rose**

Chief Operations Officer and  
Executive Director

- David was appointed a director in September 2017 and appointed COO/CIO in January 2019. David too comes from a defence background, having served as an Officer in the Australian Army. He has over 20 years' experience in the technology sector including senior executive roles
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at Optus, Suncorp, and served as Chief Information Officer at both Watpac and Opteon.

- David has a broad range of experience including in leadership and management, merger and acquisition, business development, technology management, innovation, risk management, digital transformation, and information security roles. This experience combined with extensive senior-level networks across multiple industries and sectors contributes extensive value to Vault.
- David holds a Master's Degree in Science (UNSW), Master of Business Administration (Executive) (AGSM), Graduate Diploma of Communications and Information Systems Management (ACIA), Graduate Certificates in Risk Management and Information Technology Management, and is a member of the Australian Institute of Company Directors.

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(b) **Senior executive team**

Members of the Vault senior executive team include:

Name and Position	Position
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**David Moylan**

See above.

Chief Executive Officer and  
Managing Director

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**David Rose**

See above.

Chief Operations Officer and  
Executive Director

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**Todd Perkinson**

Chief Financial Officer and  
Company Secretary



- Todd holds a Bachelor of Commerce degree with a major in Accounting and Commercial Law, and has been a member of Chartered Accountants (CA ANZ) since 2001.
- Todd has held senior roles across both Australia and New Zealand, serving as Acting CEO of RDNS Australia, CEO of RDNS NZ, COO of Impos and Acting CFO of Nimble Australia and NZ CFO of NZ Healthcare Providers.
- Todd has demonstrated his depth of commercial acumen with a focus on people management, problem solving and leading operational and strategic thinking in order to enable improved business performance.



<p><b>Verdon Kelliher</b></p> <p>Executive Vice President (Sales)</p> 	<ul style="list-style-type: none"> <li>• Verdon is Executive Vice President (Sales) of Vault.</li> <li>• He was formerly acting as Enterprise Director for Samsung Electronics NZ and has previously acted as the Director of Strategic Innovation and Government Relations for Samsung NZ.</li> <li>• Verdon has a depth of notable industry experience, including senior roles at Telecom Logical Networks, IBM and Optimisation.</li> </ul>
<p><b>Miguel Nasr</b></p> <p>Chief Product and Data Officer</p> 	<ul style="list-style-type: none"> <li>• Miguel was a founder of Telstra's M2M/IoT and Data Insights Product divisions and has otherwise held senior roles at a variety of entities in the Telecommunications, Healthcare, Education and Automotive sectors.</li> <li>• Miguel has gained extensive experience with the commercialisation of emerging IoT, AI and Big Data related technologies, notably having been a contributing member of the IoT Alliance Australia.</li> <li>• Miguel also holds Bachelor degrees in Computer Science and Engineering (Mechatronics).</li> </ul>

## 6.5 Historical financial information

### (a) Overview

This section 6.5 contains the following historical financial information for Vault:

- (i) historical income statements for the financial years ended 30 June 2018, 30 June 2019 and 30 June 2020 (**Vault Historical Income Statements**);
- (ii) historical statements of financial position as at 30 June 2018, 30 June 2019 and 30 June 2020 (**Vault Historical Statements of Financial Position**); and
- (iii) historical statements of cash flows for the financial years ended 30 June 2018, 30 June 2019 and 30 June 2020 (**Vault Historical Statements of Cash Flows**),

(together, the **Vault Historical Financial Information**).

The Vault Directors are not aware of any material changes to the financial position of Vault since the date of the last balance sheet laid before Vault in a



general meeting on 25 November 2019, being the audited financial accounts of Vault for the financial year ending 30 June 2019 other than the information set out in this section 6.5. Vault released its financial reports and statements for the financial year ending 30 June 2020 with ASX on 26 August 2020. Vault will give a copy of those reports and statements free of charge to anyone who requests a copy before the Scheme is approved by the Court.

The Vault Historical Financial Information, including all notes to those accounts, can be found at the Vault investor website: [www.investors.vaultintel.com](http://www.investors.vaultintel.com) ("Investors" menu).

All amounts disclosed in this section 6.5 are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest \$100,000. Any discrepancies between totals and sums of components in tables and figures contained in this section 6.5 are due to rounding.

**(b) Basis of Preparation of the Vault Historical Financial Information**

The Vault Historical Financial Information presented in this Scheme Booklet is in an abbreviated form and does not contain all of the disclosures, statements or comparative information as required by the Accounting Standards and the Corporations Act applicable to annual financial reports. Accordingly, the financial information in this section 6.5 should be read in conjunction with the financial statements of Vault for the respective periods, including the description of the significant accounting policies contained in those financial statements and the notes to those financial statements.

The Vault Historical Financial information as at the end of and for the respective years have been derived from Vault's financial statements for the financial years ended 30 June 2018, 30 June 2019 and 30 June 2020, which were audited by PricewaterhouseCoopers (**PwC**) in accordance with Australian Auditing Standards. PwC issued unqualified audit opinions on those financial statements.

The Vault Historical Financial Information has been prepared in accordance with the recognition and measurement principles contained in the Accounting Standards.



(c) **Vault Historical Income Statements**

Set out below is a summary of the Vault Historical Income Statements for the financial years ended 30 June 2018, 30 June 2019 and 30 June 2020:

<b>Consolidated statement of comprehensive income \$'000</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
	\$	\$	\$
Software revenue	2,524.7	3,116.6	4,397.1
Other revenue	502.6	450.5	225.8
Interest received	27.0	31.8	14.3
Foreign exchange gain	-	30.7	-
<b>Total Revenue and Income</b>	<b>3,054.2</b>	<b>3,629.7</b>	<b>4,637.3</b>
Marketing and advertising	(182.1)	(256.9)	(390.5)
Occupancy expenses	(334.6)	(371.4)	(374.5)
Administrative expenses	(483.3)	(884.8)	(1,601.4)
Employee benefits expense	(3,679.6)	(5,561.6)	(7,030.5)
Depreciation and amortisation	(401.7)	(833.5)	(1,742.5)
Interest expense	(31.3)	(31.4)	(58.7)
Bad debts expense	(2.8)	(8.6)	(76.2)
Loss on disposal of assets	(1.6)	-	(46.8)
Share based payments	68.0	(95.2)	(468.1)
Web hosting expense	(213.9)	(259.6)	(464.2)
Foreign exchange loss	(143.3)	-	-
Travel expenses	(322.8)	(297.4)	(279.0)
Insurance expenses	(33.2)	(61.4)	(73.6)
Other	(296.6)	(368.9)	(506.7)
<b>Operating loss</b>	<b>(3,004.4)</b>	<b>(5,401.0)</b>	<b>(8,475.3)</b>
<b>Other Income</b>			
Government grants	271.7	766.0	543.6
Net gain/(loss) on disposal of property, plant and equipment	9.1	-	-
<b>Loss before income tax</b>	<b>(2,723.6)</b>	<b>(4,635.1)</b>	<b>(7,931.7)</b>
Income tax expense	-	-	-
<b>Loss for the year</b>	<b>(2,723.6)</b>	<b>(4,635.1)</b>	<b>(7,931.7)</b>
Other Comprehensive income/(loss) for the year			
Items that may be reclassified to profit and loss			
Foreign currency translation reserve differences	63.7	(125.2)	114.3
	<b>63.7</b>	<b>(125.2)</b>	<b>114.3</b>
<b>Total comprehensive loss for the year</b>	<b>(2,659.9)</b>	<b>(4,760.3)</b>	<b>(7,817.4)</b>
<b>Loss attributable owners of Vault Intelligence Ltd:</b>	<b>(2,659.9)</b>	<b>(4,760.3)</b>	<b>(7,817.4)</b>

**Commentary on the Vault Income Statements**



Commentary on Vault Historical Financial Information relating to its Income Statements is outlined below. More information is available from Vault's annual financial statements for the financial years ended 30 June 2018, 30 June 2019 and 30 June 2020.

(d) **Commentary on Vault Historical Income Statement for the financial year ended 30 June 2020**

Total annual revenue for the financial year ended 30 June 2020 was \$4.6m, representing an increase of 28% on the previous corresponding period.

Software recurring revenue represented 95% of total revenue. Annual recurring revenue was approximately \$4.8m.

Whilst the 30 June 2020 financial year was impacted by COVID-19, the business responded through March 2020 and ensured that costs were managed tightly across the business and any discretionary spend was removed or heavily reduced.

(e) **Commentary on Vault Historical Income Statement for the financial year ended 30 June 2019**

Vault's audited financial performance for the financial year ended 30 June 2019, was revenue of \$3.6m, representing an increase of 19% on the previous corresponding period.

Software recurring revenue represented 87% of total revenue. Annual Recurring Revenue was approximately \$3.5m.

(f) **Commentary on Vault Historical Income Statement for the financial year ended 30 June 2018**

Vault's audited financial performance for the financial year ended 30 June 2018, was revenue of \$3.1m

Software recurring revenue represented 83% of total revenue.



(g) **Vault Historical Statements of Financial Position**

Set out below are the Vault Historical Statements of Financial Position as at 30 June 2018, 30 June 2019 and 30 June 2020:

<b>Consolidated balance sheet \$'000</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
	\$	\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	2,168.8	2,432.9	3,023.5
Trade and other receivables	604.0	596.1	760.7
Current tax receivables	5.6	-	-
<b>Total current assets</b>	<b>2,778.4</b>	<b>3,029.0</b>	<b>3,784.2</b>
<b>Non-current assets</b>			
Property, plant and equipment	206.2	223.1	175.1
Intangible assets	1,894.2	2,901.3	4,000.9
Other non-current assets	35.7	55.1	-
Term and security deposits	437.8	452.0	121.3
Right-of-use assets	-	-	646.2
<b>Total non-current assets</b>	<b>2,573.9</b>	<b>3,631.5</b>	<b>4,943.5</b>
<b>Total assets</b>	<b>5,352.2</b>	<b>6,660.5</b>	<b>8,727.7</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	414.2	1,083.6	1,790.9
Borrowings	25.0	66.4	-
Bank overdraft	35.7	72.2	-
Employee benefit obligations	189.3	265.7	413.1
Provisions	-	-	162.1
Deferred revenue	1,192.3	1,548.8	1,580.6
Deferred grant revenue - current	-	-	407.3
Lease liabilities - current	-	-	98.9
<b>Total current liabilities</b>	<b>1,856.5</b>	<b>3,036.6</b>	<b>4,452.9</b>
<b>Non-current liabilities</b>			
Borrowings	94.2	83.6	-
Employee benefit obligations	-	18.9	37.8
Deferred grant revenue - non current	-	-	217.6
Lease liabilities - non current	-	-	742.6
<b>Total non-current liabilities</b>	<b>94.2</b>	<b>102.5</b>	<b>997.9</b>
<b>Total liabilities</b>	<b>1,950.7</b>	<b>3,139.1</b>	<b>5,450.8</b>
<b>Net assets</b>	<b>3,401.6</b>	<b>3,521.5</b>	<b>3,276.9</b>
<b>EQUITY</b>			
Share capital	17,901.1	22,686.1	29,866.3
Other reserves	690.0	660.0	1,236.2
Accumulated losses	(15,189.5)	(19,824.6)	(27,825.6)
<b>Total equity</b>	<b>3,401.6</b>	<b>3,521.5</b>	<b>3,276.9</b>



**Commentary on Vault Historical Balance Sheet Statement over the financial years ended 30 June 2018, 30 June 2019 and 30 June 2020**

Vault successfully raised \$7.5m (before transaction costs) in September 2019. Capital raising activities have occurred each financial year over the period 1 July 2018 to 30 June 2020.

Intangible assets grew by over 40%, mainly due to the investment within both the Enterprise and Solo products.

Vault also adopted the accounting standard AASB16 and consequently recognised these assets and liabilities within the balance sheet.

Vault had \$3.1m in cash and term deposits as at 30 June 2020.

**(h) Vault Historical Statements of Cash Flows**

Set out below are the Vault Historical Statements of Cash Flows for the financial years ended 30 June 2018, 30 June 2019 and 30 June 2020:

<b>Consolidated statement of cash flows</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>\$'000</b>			
	\$	\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of goods and services tax)	3,748.2	4,577.0	5,175.9
Payments to suppliers and employees (inclusive of goods and services tax)	(6,771.6)	(8,298.1)	(10,234.1)
Other income - Government grants (including R&D Tax Offset)	271.7	766.0	428.6
Interest received	30.0	31.8	15.7
Interest paid	(25.7)	(29.2)	(13.3)
<b>Net cash outflow from operating activities</b>	<b>(2,747.5)</b>	<b>(2,952.6)</b>	<b>(4,627.2)</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	(33.5)	(85.8)	(112.7)
Payments for term and security deposits	-	-	-
Payments for leasehold improvements	(14.8)	-	-
Purchase of intangible assets	(489.0)	(1,455.2)	(2,653.0)
Receipts / (Payments) for other assets	(10.7)	(19.4)	-
Proceeds from release of security deposits			28.3
Proceeds from government grants			710.0
<b>Net cash outflow from investing activities</b>	<b>(548.0)</b>	<b>(1,560.4)</b>	<b>(1,727.4)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares and other equity securities	4,500.0	5,008.8	7,524.0
Proceeds from borrowings	-	51.1	-
Repayment of borrowings	-	(25.3)	(51.4)



Repayment of lease liabilities			(94.6)
Capital raising costs	(292.7)	(223.7)	(343.8)
<b>Net cash inflow from financing activities</b>	<b>4,207.3</b>	<b>4,810.9</b>	<b>7,034.2</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>911.8</b>	<b>297.9</b>	<b>679.6</b>
Cash and cash equivalents at the beginning of the financial year	1,270.3	2,133.1	2,360.7
Effects of exchange rate changes on cash and cash equivalents	(48.9)	(70.3)	(16.8)
<b>Cash and cash equivalents at the end of the financial year</b>	<b>2,133.1</b>	<b>2,360.7</b>	<b>3,023.5</b>

### Commentary on the Vault Historical Statement of Cash Flows

Vault provides solutions to manage risk and HSE factors. For some time this sector has been fragmented in nature. There are numerous solutions offered by smaller firms and the sector has been the subject of aggregation for the last five years.

Vault commenced building out a software solution over ten years ago and initially brought an off the shelf enterprise solution to the market. In recent years the focus has been on the development of mobile applications such as checklist, incident reporting, audit and Solo which all report to the Vault Enterprise platform. Solo has become a distinct product in its own right and is sold as part of the Vault Enterprise solution or, can be sold as a stand-alone product.

Since the listing of the Vault business on ASX on 1 July 2016 Vault's focus has been on enhancing the Vault Enterprise solution and developing new innovative products like Solo. Vault has raised capital from the market to enable it to continue to develop new, and improve existing, products.

#### (i) Commentary on Vault Historical Statement of Cash Flows for the financial year ended 30 June 2020

There was a \$4.6 million deficit in net operating cash flows for the financial year ended 30 June 2020, an increase of \$1.7m on the prior financial year.

Vault raised \$7.5m in September 2019.

Through strong management the operating cash flow was tightly managed in the fourth quarter for the 30 June 2020 financial year, there was an operating cash flow surplus of \$0.2m.

Vault opened an office during the period in Singapore and has been successful with one major sale to date. Vault looks to continue to expand the sale of its product in this region, using Singapore as a base.

Available cash on hand was \$3.0m with term deposits of \$0.12m as at 30 June 2020.



(ii) **Commentary on Vault Historical Statement of Cash Flows for the financial year ended 30 June 2019**

There was a deficit in net operating cash flows for the financial year ended 30 June 2019 of \$2.95m.

Vault completed a successful capital raising of \$5m in September 2018.

Vault continued to invest heavily in its technology and expanded its development team substantially at its Melbourne base. Vault's Lone Worker application, now named Solo, became a substantial focus of Vault's drive to innovate and create new product. Simultaneously, Vault expanded its sales team to drive Solo and Vault Enterprise solutions sales.

Vault finished the 30 June 2019 financial year with \$2.36m cash on hand.

(iii) **Commentary on Vault Historical Statement of Cash Flows for the financial year ended 30 June 2018**

There was a deficit in net operating cash flows for the financial year ended 30 June 2018 of \$2.75m.

During the 30 June 2018 financial year Vault invested heavily in Vault's enterprise platform, V3, which included system improvement and substantial user interface and user experience development. Vault also invested in its lone worker mobile solution which gathered momentum with the solution being developed for the mobile phone and the wearable watch application.

Vault finished the 30 June 2018 financial year with \$2.133m cash on hand.

## 6.6 Capital structure

- (a) The capital structure of Vault as at the date of this Scheme Booklet is as follows:

Security	Number
Vault Shares	127,997,024
Vault Options	14,340,000

- (b) Of the 14,340,000 Vault Options on issue, 10,250,000 are held by Directors and senior management of Vault, as described in section 4.8(e). Details of the Vault Options currently on issue are contained in section 4.8.
- (c) Vault does not anticipate that it will be required to issue any new Vault Shares before the Implementation Date.



## 6.7 Vault's substantial shareholders

The below figures have been extracted from the substantial holder notices released to ASX as of 27 August 2020. The following persons were substantial holders of Vault Shares:

Substantial holder	Number of Shares	Voting Power
Regal Funds Management Pty Limited	20,224,598	15.80%
Mr David Moylan	8,017,484	6.26%
Pia Funds Management Limited	7,992,861	6.24%
Ellerston Capital Limited	7,647,110	5.97%

## 6.8 Recent share price performance

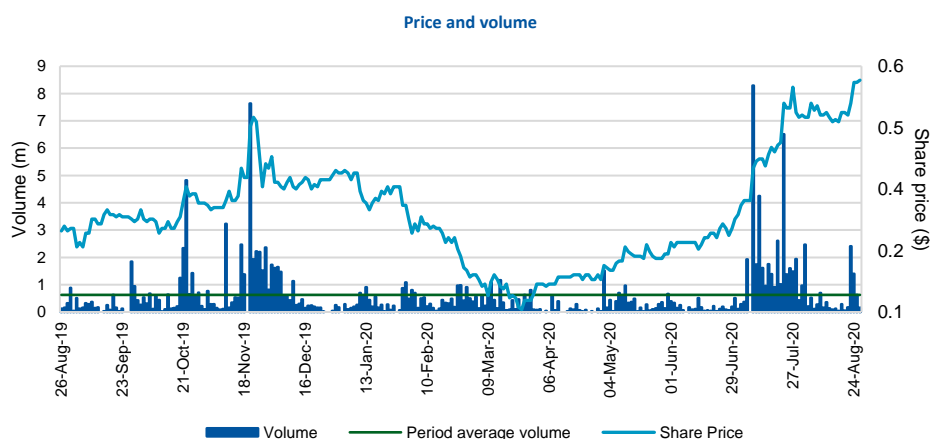
The closing price for Vault Shares on 6 July 2020 was \$0.34 (being the last trading day prior to the announcement of the Scheme). The VWAP for a Vault Share on 6 July 2020 was:

- (a) \$0.26 for the 30 day VWAP;
- (b) \$0.23 for the 3 month VWAP;
- (c) \$0.24 for the 6 month VWAP; and
- (d) \$0.28 for the 12 month VWAP.

On the day of Vault's announcement of entry into the Scheme Implementation Deed on 8 July 2020, the Vault Share price closed at \$0.41.

The closing price of Vault Shares on ASX on 27 August 2020 (being the day before the date of this Scheme Booklet) was \$0.585.

The graph below demonstrates the movement in the Vault Share price and trading volume over the 12 months prior to this Scheme Booklet:





## 6.9 Risks

- (a) If the Scheme does not proceed, Vault will continue to be subject to a number of risks and uncertainties. One or more or a combination of these risks could materially impact on Vault's business, its operating and financial performance and the price of Vault Shares.
- (b) You should carefully consider the risk factors described in section 10, as well as the other information in this Scheme Booklet before voting on the Scheme.
- (c) You should also consult your legal, financial, tax or other professional advisers regarding the impact of the Scheme becoming Effective on you given your individual circumstances.

## 6.10 Publicly available information about Vault

- (a) As a company listed on ASX and a disclosing entity under the Corporations Act, Vault is subject to regular reporting and continuous disclosure obligations. Broadly, these require Vault to announce price sensitive information as soon as it becomes aware of the information, subject to exceptions for certain confidential information. Recent Vault ASX announcements are available from [www.asx.com.au](http://www.asx.com.au). Further announcements concerning developments at Vault will continue to be made available on that website after the date of this Scheme Booklet. Vault's ASX announcements are also available from its website [www.investors.vaultintel.com](http://www.investors.vaultintel.com) ("Investors" menu).
- (b) Vault is required to prepare and lodge with ASIC and ASX both annual and half-yearly financial statements accompanied by a statement and report from the Vault Directors and an audit or review report. Copies of these and other documents lodged with ASIC may be obtained from or inspected at an ASIC office and on the Vault investor website at [www.investors.vaultintel.com](http://www.investors.vaultintel.com).
- (c) ASX maintains records of publicly disclosed information about all companies listed on ASX. Information disclosed to ASX by Vault is available on ASX's website at [www.asx.com](http://www.asx.com).
- (d) Additionally, copies of documents lodged with ASIC in relation to Vault may be obtained from or inspected at an ASIC service centre. Please note ASIC may charge a fee in respect of such services.
- (e) The following documents are available upon request, free of charge, prior to the Scheme Meeting by contacting the Vault Registry on 1800 502 914 (within Australia) or +61 1800 502 914 (from outside Australia) between 9:00am and 6:00pm (Melbourne time), Monday to Friday, excluding public holidays:
  - (i) Vault's constitution; and
  - (ii) Vault's financial statements and reports for the financial year ended 30 June 2020.
- (f) Vault's Annual Reports and ASX announcements are all available at [www.investors.vaultintel.com](http://www.investors.vaultintel.com) ("Investors" menu).



#### 6.11 **Regulatory and litigation**

Vault is not aware of any current regulatory action or litigation concerning it.



## 7. Information relating to the Vault Directors

### 7.1 Interests of Vault Directors in Vault Shares and Vault Options

As at the day before the date of this Scheme Booklet, Vault Directors had the following Relevant Interests in Vault Shares and Vault Options:

Vault Director	Vault Shares	Vault Options
<b>David Moylan</b>	8,017,484	3,000,000
<b>Ross Jenkins</b>	500,000	1,800,000
<b>Robert Kirtlan</b>	895,000	1,500,000
<b>David Rose</b>	155,198	2,200,000

The Vault Directors intend to vote all Vault Shares held or controlled by them at the time of the Scheme Meeting in favour of the Scheme, in the absence of a Superior Proposal, and subject to the Independent Expert's Report continuing to conclude that the Scheme is in the best interests of the Vault Shareholders.

No Vault Director has acquired or disposed of any Relevant Interest in Vault Shares or Vault Options in the four month period ending on the date immediately prior to the date of this Scheme Booklet.

The below table sets out details of the Vault Options held by the Vault Directors as at the date of this Scheme Booklet and their respective interests in New Damstra Options if the Scheme is implemented:

Director	Vault Options				New Damstra Options	
	Amount	Issue Date	Expiry Date	Exercise Price	Amount	Exercise Price
<b>David Moylan</b>	500,000	November 2018	23 November 2021	\$0.50	172,414	\$1.45
<b>Executive Director</b>	500,000	November 2018	23 November 2021	\$0.60	172,414	\$1.74
	2,000,000	November 2019	30 September 2023	\$0.30	689,655	\$0.87
<b>David Rose</b>	100,000	December 2017	December 2020	\$0.50	34,483	\$1.45



<b>Executive Director</b>	100,000	December 2017	December 2020	\$0.60	34,483	\$1.74
	1,000,000	November 2019	30 September 2023	\$0.30	344,828	\$0.87
	1,000,000	November 2019	30 September 2023	\$0.32	344,828	\$0.928
<b>Ross Jenkins</b>  <b>Non-Executive Director</b>	200,000	November 2018	23 November 2021	\$0.30	68,966	\$0.87
	400,000	November 2018	23 November 2021	\$0.30	137,931	\$0.87
	500,000	November 2018	23 November 2021	\$0.30	172,414	\$0.87
	500,000	November 2019	30 September 2023	\$0.30	172,414	\$0.87
	200,000	November 2019	30 September 2023	\$0.30	68,966	\$0.87
<b>Robert Kirtlan</b>  <b>Non-Executive Director</b>	250,000	December 2017	December 2020	\$0.50	86,207	\$1.45
	250,000	December 2017	December 2020	\$0.60	86,207	\$1.74
	1,000,000	November 2019	30 September 2023	\$0.30	344,828	\$0.87

Vault has applied to ASX for a waiver of ASX Listing Rule 6.23.2 to the extent necessary to permit the treatment of Vault Options as set out in this section and section 4.8.

## 7.2 Interest of Vault Directors in Damstra securities

It is a Condition of the Scheme that before 8:00am on the Second Court Date each holder of Vault Options has entered into a binding agreement with Vault for the cancellation of all of their Vault Options in return for a cash payment; or pursuant to which all of their Vault Options will be exchanged for Damstra Options on equivalent terms, on terms acceptable to Vault and Damstra (each acting reasonably).

As described in sections 4.8 and 7.1, the Vault Directors have a Relevant Interest in Vault Options. In order to satisfy the Condition described above, the Vault Directors



have entered into agreements to exchange their Vault Options for New Damstra Options at a ratio of 1 New Damstra Option for each 2.9 Vault Options subject to the Scheme becoming Effective.

Accordingly, subject to the Scheme becoming Effective, the Vault Directors will be issued the following New Damstra Options:

Director	Vault Options	New Damstra Options
<b>David Moylan</b>	3,000,000	1,034,483
<b>David Rose</b>	2,200,000	758,622
<b>Ross Jenkins</b>	1,800,000	620,689
<b>Robert Kirtlan</b>	1,500,000	517,242

No marketable securities of Damstra are held by, or on behalf of, any Vault Director other than in respect of the New Damstra Options referred to in the table above.

### 7.3 Benefits and agreements

#### (a) Benefits in connection with retirement from office

Other than:

- (i) in relation to the exchange of New Damstra Options for Vault Options as disclosed in sections 4.8 and 7.1 held by the Vault Directors and the Executive Optionholders; and
- (ii) the Moylan Employment Agreement referred to below and entered into between Damstra and Mr David Moylan (a Vault Director) who will become the Damstra Chief of Global Partnerships if the Scheme is implemented,

no payment or other benefit is proposed to:

- (iii) be made or given to any director, company secretary or executive officer of Vault as compensation for the loss of, or as compensation for or in connection with their retirement from, office in Vault or in a Related Body Corporate of Vault; or
- (iv) be made or given to any director, company secretary or executive officer of any Related Body Corporate of Vault as compensation for the loss of, or as compensation for or in connection with their retirement from office in that Related Body Corporate of Vault or in Vault,

in connection with the Scheme.



(b) **Agreements connected with or conditional on the Scheme**

Other than:

- (i) as disclosed in sections 4.8 and 7.1 in relation to the Vault Options held by the Vault Directors; and
- (ii) the Moylan Employment Agreement entered into between Damstra and David Moylan (a Vault Director) who will to become the Damstra Chief of Global Partnerships if the Scheme is implemented,

there are no arrangements or agreements made between any Vault Director and any other person in connection with, or conditional on, the outcome of the Scheme.

(c) **Interests of Vault Directors in contracts with Damstra or any of Damstra's Related Bodies Corporate**

Other than:

- (i) as disclosed in sections 4.8 and 7.1 in relation to the Vault Options held by the Vault Directors and the New Damstra Options; and
- (ii) the Moylan Employment Agreement entered into between Damstra and David Moylan (a Vault Director) who will become the Damstra Chief of Global Partnerships if the Scheme is implemented,

none of the Vault Directors have any interest in any contract entered into by Damstra or any of its Related Bodies Corporate.

(d) **Benefits from Damstra**

Other than:

- (i) as disclosed in sections 4.8 and 7.1 in relation to the Vault Options held by the Vault Directors and the New Damstra Options; and
- (ii) the Moylan Employment Agreement entered into between Damstra and David Moylan (a Vault Director) to become the Damstra Chief of Global Partnerships if the Scheme is implemented,

none of the Vault Directors have agreed to receive, or is entitled to receive, any benefit from Damstra or any of its Related Bodies Corporate, which is conditional on, or is related to, the Scheme, other than in their capacity as a Vault Shareholder.

(e) **Moylan Employment Agreement**

David Moylan is currently an executive director of Vault and is employed by Vault as its Managing Director and CEO.

On 19 August 2020, in anticipation of the Scheme being approved and becoming Effective, David Moylan entered into an employment agreement with Damstra (**Moylan Employment Agreement**).



If the Scheme is implemented, David Moylan will resign as an employee of Vault and will commence employment by Damstra as its Chief of Global Partnerships, pursuant to the Moylan Employment Agreement.

The key terms of the Moylan Employment Agreement are as follows:

- (i) annual salary of NZD \$390,830 (compared to his current Vault annual salary of AUD \$320,000) plus 12.05% superannuation contribution;
- (ii) participation in Damstra's short term incentive plan with a potential for a 40% bonus of annual salary on achieving a revenue target of \$8 million, up to an 80% bonus on achieving a revenue target of \$16 million;
- (iii) Damstra will recognize David Moylan's commencement date with Vault (1 July 2006) for all service-related entitlements;
- (iv) 6 weeks annual leave;
- (v) the Moylan Employment Agreement is terminable by Damstra for defined misconduct or material breach by David Moylan and on 6 months' notice by either party; and
- (vi) standard 6 month restraint from competing with Damstra post-termination.



## 8. Information about the Damstra Group

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### 8.1 Overview of the Damstra Group

#### Overview of Damstra

Damstra (ASX:DTC) is an Australian-based provider of workplace management solutions to multiple industry segments across the globe. Damstra develops, sells and implements integrated hardware and SaaS solutions in industries where compliance and safety are of utmost importance. Damstra's solutions assist its clients to better track, manage and protect its employees, contractors and extended workforces, and assist organisations in managing risks associated with workplace safety requirements and regulatory changes.

Damstra's clients are from a diverse range of industries, including "blue chip" companies in the mining, construction, manufacturing, energy, utilities, telecommunications, and government sectors. They range from mid-sized domestic enterprises to large multinational companies, including some of the biggest names in the mining and construction industries.

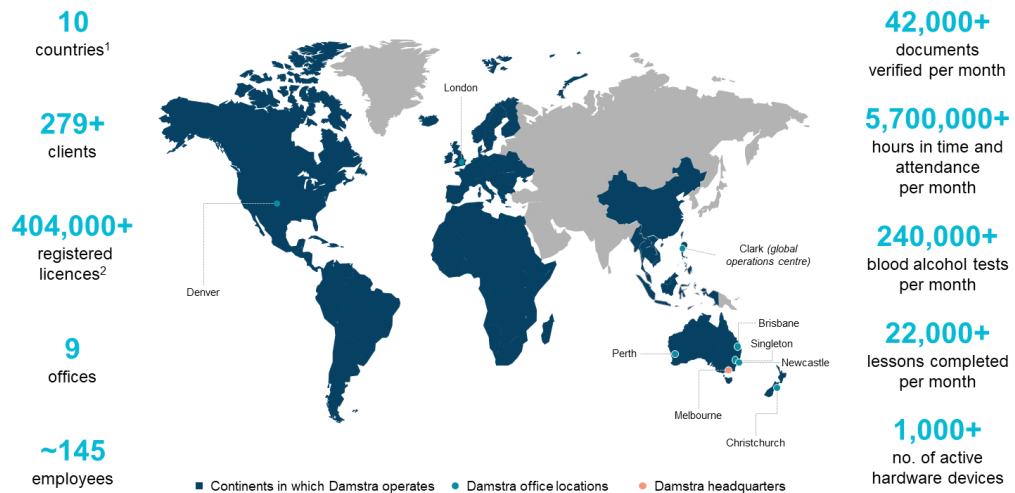
For the 12 months to 30 June 2020, Damstra generated total revenue and other income of approximately \$23.5m. As at the date of this Scheme Booklet, Damstra had approximately 145 full-time workers and a market capitalisation of approximately A\$251m.

Damstra was originally founded in 2002 as a labour hire company in the black coal mining industry in New South Wales, Australia. In 2006, Damstra was acquired by Skilled Group, under which it reduced its focus on labour hire activities and instead concentrated on development of its workplace compliance and assurance technology component. It operated this way until the acquisition of Skilled Group by Programmed Group in 2016, after which Christian Damstra (Damstra's current CEO) and Johannes Risseeuw (Damstra's current Executive Chairman) took the company into private ownership.

Following global office expansion and four strategic acquisitions, Damstra became a publicly listed entity on ASX (ASX code: DTC) on 16 October 2019.

*Figure 1: Key Damstra operating metrics*





1. Countries where Damstra products are used
2. Based on number of active paying licences as at June 2020

## Software modules

Damstra's platform provides a deeply integrated workplace management solution for organisations. Its core products include workforce management, access control, asset management, learning management and Health, Safety and Environment (HSE) management. These products are integrated within a single platform, allowing users of multiple products to have access to real time data on their workforce across all its product offerings. Each product is designed in a modular approach and its software is mobile enabled for use on remote sites or by mobile workforces. Clients are able to select individual modules and do not necessarily have all modules within a product active at any point in time.

Figure 2: Damstra's module overview



### (a) Workforce management

Tracks time and attendance of workers and assists in ensuring workers are approved to be on site and compliant at all times. Workers are able to login to and logout from site via hardware terminals and their mobile phones. Damstra's prequalification and verification modules ensure workers and suppliers are properly onboarded with relevant



identifications and qualifications requested. Alerts will appear if a worker has worked hours exceeding fatigue regulations or does not hold a qualified licence for a specific action (including if their licence has expired). Organisations are able to track all of this from a dashboard, showing accurate live data relating to their workers, including historical and present worker location information for COVID-19 related contact tracing.

**(b) Access control**

Tracks access rights of all people entering the work site, including visitors. Employees can be verified via a swipe card and biometric recognition technology (including facial recognition and fingerprint access). The hardware and software onsite or mobile is also able to track alcohol and drug tests and detect high fevers, which assists in ensuring all workers are compliant to enter. The access control solution extends to turnstiles, gates and door management.

**(c) Asset management**

Allows companies to accurately track, monitor and maintain plant, facilities and equipment at their sites. Clients can view where all their assets are in real-time and understand the maintenance history and usage of each asset. This and other lifecycle metrics assist with non-disruptive maintenance planning. Damstra's solution also includes functionality which allows organisations to verify that operators of equipment have the necessary competencies to do so, as well as tracking plant and equipment on site and compliance of assets subject to regulatory requirements. The solution is scalable, configurable and integrated, which ensures compliance and safety of assets and minimises downtime.

**(d) Learning management**

Provides skill building and training required for different employees, assisting to ensure the entire workforce is upskilled for their respective roles. These training modules are accessible via mobile devices for ease of employees. Employers can track the progress of their workforce via a live dashboard, including any expiring competencies. Clients have access to an expansive course library and can also customize to their own learning requirements. The module also tracks individual's skills and training needs to ensure their competency is maintained on an ongoing basis.

**(e) HSE management**

Managing the HSE risks related to workforces and the sites on which they operate. This module assists in ensuring safe work methodology is applied and risk exposures are minimised. Risk mitigation can be achieved through increased visibility, alerts, real time data availability and elimination of errors. It is enhanced by Damstra's paperless solution, which digitises all site paperwork related to inspections & audits, risk assessments and incident & hazard management. Digital forms, workflows and templates enhance field productivity, consistency of information and real-time site intelligence and collaboration. Digital forms are also integrated for application in the workforce and asset management modules.

**Hardware solutions**

Damstra's software integrates with hardware devices to provide real time data collection and access control services. Its onsite hardware devices are able to continue to operate offline and in harsh environments. As an example, alcohol breath testing hardware devices are available as wall-mountable units which can be customised to control the



frequency and level of testing or as portable devices. Damstra's access control hardware incorporates biometric technology for verification purposes and proximity card solutions. Damstra sources its hardware through various arrangements with Third Party suppliers. Damstra's hardware solutions include:

- Login terminals (card and biometrics readers);
- Alcohol and drug testing (breathalysers);
- Tablet solutions and printers (time and attendance tracking); and
- Thermal readers (fever detection).

*Figure 3: Damstra hardware solution examples*



### **Business model**

Damstra generates revenue from a user licence model, often coupled with recurring hardware payments, which are driven by the number of licence subscriptions and renewals and the penetration of new products and modules within clients. Damstra enables clients to expand their usage on an as-needed basis, which assists Damstra to grow revenues over time as clients become more familiar with their product and potentially add more users, products, and modules. 91% of annual revenue was recurring in nature for the financial year ended 30 June 2020. Key drivers of revenue are:

- Recurring licence subscriptions: Prepaid annually for continued use of the software platform
- Recurring hardware payments: Monthly payments for provision and maintenance of hardware in use on site
- Hardware installation and maintenance fees: Charged on an as-needed basis
- Online training fees: for custom training packages
- Other: Ad hoc fees for card issuance and replacement

Clients that have employees using the Damstra solution pay the annual subscription fees. Where clients have contractors who are not directly employed by the client, the contractor typically pays the annual subscription fees before they commence work with Damstra's clients.

### **Growth strategy and initiatives**

Damstra's growth strategy is based on the following key pillars:



(f) **More usage by existing clients**

Scalability of Damstra's platform enables clients to increase their use of Damstra's solution as their businesses grow and they take advantage of additional functions. Once on Damstra's platform, the opportunity to grow with global organisations can be significant as their operations may span across many functions and countries. Damstra plans to grow the use of its software as its existing clients grow, which is expected to add more users, expand usage into new modules, increase number of sites deployed and grow revenue over time. Damstra also plans to retain clients who currently use other providers with solutions offered on its platform. A recent example of existing client expansion into new products is a major construction company adding the use of acquired digital HSE forms product, Samm ("Site assistant manager on the mobile"), on their football stadium project.

(g) **New clients in global markets**

Damstra's near-term vision is focused on accelerated international expansion and they are and intend to continue executing on a pipeline of global opportunities. Damstra's expansion strategy has proved successful in winning new clients in the past, from small-to-medium regional providers through to large multi-region logistics service providers and it intends to continue these strategies going forward to win new clients. The North American market is a current key priority for Damstra, having opened an office in Denver in December 2017, which is regarded as the mining and manufacturing centre in North America. Following recent success with Newmont Goldcorp where Damstra has implemented its solutions to various sites, Damstra has recently won a prominent school network contract, established a significant partnership agreement and broadened North American sales team capability with senior hires.

(h) **Greenfield opportunities**

Damstra is targeting increased penetration through winning new clients from competitors, or as a result of new clients who have not previously or do not currently use a SaaS-based workplace management solution. An example of this is the new application of the Damstra solution in a North American schools network, to track, monitor and protect students. Damstra anticipates continued expansion of its solution into new industries which previously may not have considered or been aware of the application to its business or organisation. Damstra anticipates this will particularly be driven in the near term by the current COVID-19 pandemic, where there is heightened awareness of the need to trace worker contacts and check temperatures before they enter the site or workplace. Damstra also plans to accelerate market penetration by increasing investment into sales and marketing capabilities and initiatives to drive lead generation and new client wins.

(i) **Innovation**

Damstra's strategy is to expand and advance its product offerings including voice control, mobile facial recognition and further insights through data. In the financial year ended 30 June 2020 Damstra invested 23% of its revenues in product development and innovation. Damstra intends to regularly upgrade and expand its platform to broaden its product offering and expand its addressable



market. In FY20, significant enhancements included rapid development of fever detection and contact tracing in response to the COVID-19 pandemic, as well as development of mobile login and logout, worker skills matrices and training needs analysis and digital toolbox talk solutions.

(j) **Monetise data**


Damstra's database of workplace and workforce data has the potential to be monetised to provide real time and predictive insights about an organisation's workplace to improve efficiency and reduce risks on site. There is also opportunity to utilise the significant amount of data collected across various industries and workforce sizes to provide insights for individual business that would otherwise have no or limited ability to utilise this for making key business decisions.

(k) **M&A**

Damstra makes strategic acquisitions to buy into new markets, build adjacencies and consolidate markets. Clients acquired are retained with high rates of success. Another focus of Damstra's acquisitions is for intelligence of new product modules Damstra currently does not offer to allow it to offer its clients a more comprehensive range of solutions and expand on its addressable market. Damstra ensures that new products are integrated onto its platform.

## 8.2 Board and senior management

(a) **Board of Directors**

Name and Position	Position
<p><b>Johannes Risseuw</b> Chairman and Executive Director</p> 	<ul style="list-style-type: none"> <li>Johannes joined Damstra in 2012 and has held the role of Executive Chairman since 2017.</li> <li>Former Vice President, Mergers &amp; Acquisitions, Asia Pacific at Shell, where he drove billion dollar transactions across Australia, Singapore, Hong Kong, Malaysia and the Middle East.</li> <li>Previously Chief Investment Officer of Questus Energy, focused on the acquisition and management of oil and gas assets, and Chief Operating Officer at Skilled Group.</li> <li>Johannes holds a Bachelor of Economics from the University of Sydney and Graduate Diploma of Applied Finance from Kaplan.</li> </ul>
<p><b>Christian Damstra</b> Executive Director and Chief Executive Officer</p>	<ul style="list-style-type: none"> <li>Christian joined Damstra in 2002 as General Manager, after Christian's father founded Damstra Mining Services (a predecessor for the company) while undertaking contract work in the mining industry.</li> <li>Christian managed Damstra as a technology company as part of Skilled Group, before leading a</li> </ul>





management buy-out of Damstra in 2016 along with Johannes Risseeuw.

- Prior to joining Damstra, Christian ran his own business consulting to the mining industry and is a holder of an Open Cut Examiner Certificate of Competency.
- Christian holds a Diploma in Electrical Engineering from TAFE New South Wales.

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**Drew Fairchild**

Independent Non-Executive Director



- Drew joined Damstra as a Non-Executive Director in 2016.
- Drew has more than 20 years' experience as a Chief Financial Officer and entrepreneur, having commenced his career with Shell Australia, becoming Finance Director and a member of the Board.
- Prior to his appointment as a Non-Executive Director, Drew assisted Damstra as an adviser during the buy-out of Damstra from the Programmed Group.
- Prior to joining Damstra, Drew worked as a Chief Financial Officer within both Fulton Hogan and Cleanaway, and founded an oil and gas investment fund which was sponsored by Intermediate Capital Group plc.
- Drew holds a Bachelor of Business from Monash University, a Masters of Applied Finance from Melbourne University, and is a graduate of the Group Business Leadership Program (Insead).

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**Morgan Hurwitz**

Independent Non-Executive Director



- Morgan joined Damstra as a Non-Executive Director in 2016.
- Morgan is a senior IT executive with over 25 years' experience developing technology strategies and implementing technology across a range of industries in Australia and internationally.
- Prior to joining Damstra, Morgan was the President of Supply Chain and Chief Information Officer at Linfox, global Chief Information Officer at Orica Limited, and held a number of senior IT roles within Shell in Melbourne and London.
- Morgan holds a Bachelor of Arts from Monash University, and is a graduate of the Australian Institute of Company Directors.

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**Simon Yencken**

Independent Non-Executive Director

- Simon joined Damstra as a Non-Executive Director in 2019.
  - Simon is the Chief Executive Officer and founder of FanPlayr, which uses behavioural personalisation to
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increase user engagement with and performance of websites.

- Prior to joining Damstra, Simon was a Director of Aconex Limited for 10 years (including Chairman between 2011 and 2014). Aconex is a provider of cloud collaboration software for the construction industry, which was acquired by Oracle in 2018 for approximately US\$1.2 billion.
- Simon is an active investor in start-up technology companies, including Matrak Industries, Moda Operandi and Dokio.
- Simon holds a Bachelor of Laws from Monash University and Bachelor of Science (Mathematics) from Monash University.

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(b) **Corporate governance**

The Damstra Board is responsible for the corporate governance of Damstra.

The main policies and principles adopted by Damstra are summarised below. Details of Damstra's key policies and principles and the charters for the Damstra Board and each of its committees will be available on Damstra's website (<https://www.damstratechnology.com/>).

Principle	Outline
<b>Director independence</b>	<p>To be judged independent, a Damstra Director must, in the opinion of the Damstra Board be free of any interest, position or relationship that might influence, or reasonably be perceived to influence, his or her capacity to bring an independent judgement to bear on issues before the Damstra Board and to act in the best interests of Damstra as a whole.</p> <p>The Damstra Board reviews the independence of each Damstra Director considering information disclosed to the Damstra Board, with regard to the factors set out in ASX recommendations.</p>
<b>Board charter</b>	<p>The Damstra Board has adopted a written charter that provides a framework for the effective operation of the Damstra Board. It sets out (among other things): Board composition, roles and functions and delegation of authority to management and Board committees.</p> <p>The responsibilities of the Damstra Board include:</p> <ul style="list-style-type: none"><li>• defining Damstra's purpose;</li><li>• approving Damstra's strategies, financials, capital expenditures and business plans;</li><li>• appointing the CEO and senior management and evaluating their performance;</li><li>• overseeing management's implementation;</li><li>• ensuring Damstra acts legally, ethically and responsibly; and</li></ul>



	<ul style="list-style-type: none"> <li>• approving market and Damstra Shareholder disclosure and communication policies.</li> </ul> <p>The Damstra Board charter provides that the Damstra Board should be comprised of Directors with an appropriate mix of skills, experience, expertise and diversity.</p>
<b>Committees</b>	<p>The Damstra Board has established a Remuneration and Nomination Committee and an Audit and Risk Management Committee.</p> <p>The Remuneration and Nomination Committee assists the Board in fulfilling its responsibilities for corporate governance and oversight of Damstra's nomination and remuneration policies and practices.</p> <p>The Audit and Risk Management Committee assists the Board in fulfilling its responsibilities for corporate governance and oversight of Damstra's financial reporting, internal control structure, risk management systems and internal and external audit functions.</p>
<b>Policies &amp; principles</b>	<p>Damstra has adopted a number of other corporate governance policies including:</p> <ul style="list-style-type: none"> <li>• a Continuous Disclosure Policy which establishes procedures aimed to help ensure that Damstra complies with its disclosure obligations under the Corporations Act and ASX Listing Rules. The continuous disclosure policy also sets out procedures for dealing with external communications that seek to ensure, among other things, that market-sensitive information is first disclosed to ASX before being communicated to external parties;</li> <li>• a Securities Trading Policy that explains the types of conduct in relation to dealings in securities that are prohibited by law and establishes procedures for the buying and selling of securities that protect Directors, officers and employees of Damstra and any contractor and consultant to Damstra whose terms of engagement apply the securities trading policy to them against the misuse of unpublished information which could materially affect the price or value of Damstra's securities;</li> <li>• a Whistleblower Policy that encourages Damstra's employees, suppliers, customers or other persons dealing with Damstra to raise concerns about possible non-compliance with Damstra's code of conduct, any Damstra policies or procedures or applicable laws;</li> <li>• a Code of Conduct which sets out the way Damstra conducts business. Damstra's code of conduct outlines the standards of responsibility expected of everyone engaged in the business activities of Damstra, employees, officers and directors, reflecting its core values of honesty, integrity, fairness and respect; and</li> <li>• an Equal Opportunity and Diversity Policy which sets out Damstra's recognition of the benefits of diversity of backgrounds, qualifications, experiences and differences in approach and viewpoints in the workplace. Damstra will provide in its annual report a summary of Damstra's progress towards</li> </ul>



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achieving the measurable objectives set by the Damstra Board under the policy.

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(c) **Directors Interests in Damstra securities**

As at the date of this Scheme Booklet, the interests of Damstra Directors in Damstra Shares and Damstra Options are set out in the table below:

Damstra Director	Damstra Shares	Damstra Options
Johannes Risseuw	19,125,556	1,182,142
Christian Damstra	19,220,500	1,182,142
Drew Fairchild	3,662,222	133,333
Morgan Hurwitz	3,466,667	133,333
Simon Yencken	1,111,111	133,333

(d) **Director Interests in Vault securities**

As at the data of this Scheme Booklet, no Damstra Director has a Relevant Interest in any Vault Shares or Vault Options.

(e) **Senior Executive Team**

Name and Position	Position
<b>Johannes Risseuw</b> Chairman and Executive Director	See above.
<b>Christian Damstra</b> Executive Director and Chief Executive Officer	See above.
<b>Chris Scholtz</b> Chief Financial Officer and Company Secretary	<ul style="list-style-type: none"><li>Chris has more than 20 years' experience as a Chief. Chris joined Damstra in 2014, and became Chief Financial Officer in 2016.</li><li>Prior to joining Damstra, Chris was Chief Financial Officer and General Manager of Finance within Skilled Group, and was Head of Finance at Kell &amp; Rigby Pty Limited.</li><li>Chris commenced his career within the audit division of KPMG in South Africa.</li><li>Chris holds a Bachelor of Commerce (Honours) from the University of Johannesburg, and is a practising member of the Institute of Chartered Accountants in South Africa, Australia and New Zealand.</li></ul>





**Katja Voegele**

Chief Product and Marketing Officer



- Katja joined Damstra in 2018 as Chief Product and Marketing Officer following the acquisition of Velpic.
- Katja has over 20 years of experience leading strategy, product and marketing, having worked in a range of industries including telecommunications, media, and SaaS.
- Prior to joining Damstra, Katja was the Chief Marketing Officer at Velpic. Prior to working for Velpic, Katja held numerous roles including with Telstra (most recently as Director, Segment Marketing), Hutchins Telecoms and a number of software businesses.
- Katja holds a degree specialising in business strategy, marketing and statistics from Tuebingen University (Diplom-Kauffmann).

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**Solenia Cioppa**

Chief Business Development Officer



- Solenia joined Damstra in 2018 as Chief Business Development Officer.
- Prior to joining Damstra, Solenia spent 13 years with Kronos in Australia across multiple roles (including Director of Pre-Sales, Cloud and Solution Design, Customer Development Manager and Pre-Sales Consultant).
- Prior to joining Kronos, Solenia spent five years with SITA Environmental Solutions across multiple roles focused on human resources and payroll technology.

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**Damien Cammilleri**

Chief Technology Officer



- Damien joined Damstra in 2018 as Chief Technology Officer.
- Damien has over 15 years' experience across multiple software development roles, and across both internet-based and mobile technologies.
- Prior to joining Damstra, Damien was the Chief Technology Officer of EIFY, and Development Manager for IPG Group Limited.
- Damien holds a Diploma in Electrical Engineering from TAFE New South Wales, and also holds qualifications as a Certified Information Systems Security Professional, and holds a qualification from the International Information System Security Certification Consortium (ISC2).

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**Sebastian Culbert**

Global Operations Manager

- Sebastian joined Damstra in 2018 as Global Operations Manager.





- Sebastian has over 10 years' experience working with SaaS platforms and in technology operations roles across multiple organisations, most recently as the Operations Manager of EIFY.
- Prior to joining Damstra, Sebastian had experience working in technology roles across a broad range of industries, including construction, manufacturing, mining and government, and has experience in customising and designing technology solutions to meet complex client needs.

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**David Richards**

Head of Implementation



- David joined Damstra as the Head of Implementation in 2016.
- David has over 20 years of technology-linked experience in a variety of industries including publishing, legal and regulatory, investment banking, retail, e-commerce, mining and workforce management.
- Prior to joining Damstra, David was a Project Manager with UBS, leading the unified communications team within the Asia Pacific region. He has also had experience with Thomson Reuters and Buy.com.

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**Carlie Hodges**

Company Secretary



- Carlie has held the role as Company Secretary of Damstra since June 2019.
- Carlie is a Manager of Corporate Governance at cdPlus Corporate Services, which provides outsourced corporate governance and company secretarial services to both private and public companies in Australia. In addition, she is an Associate at Coghlan Duffy & Co.
- Carlie is also Company Secretary of Murray River Organics Limited.
- Carlie holds a Bachelor of Science and Bachelor of Laws from Deakin University, a Master of Arts from King's College London, and is admitted as a solicitor in the state of Victoria.

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### 8.3 Interests in Vault securities and benefits

(a) **No interests in Vault securities**

Neither Damstra nor any of its Associates have any Relevant Interest in Vault Shares or Vault Options as at the date of this Scheme Booklet.

(b) **No dealings in Vault securities in the previous four months**

Except for the consideration to be provided under the Scheme, neither Damstra nor any of its Associates has provided, or agreed to provide, consideration for



Vault Shares or Vault Options under any purchase or agreement to purchase during the four months ending on the day immediately before the date of this Scheme Booklet.

(c) **No pre-Scheme benefits**

During the period of four months before the date of this Scheme Booklet, neither Damstra nor any of its Associates gave, or offered to give, or agreed to give, a benefit to another person which was likely to induce the other person or an Associate of the other person to:

- (i) vote in favour of the Scheme; or
  - (ii) dispose of Vault Shares or Vault Options,
- and which is not offered to all Vault Shareholders.

#### 8.4 **Group structure**

The following entities are all of the Subsidiaries of Damstra:

Name	Country of incorporation	Ownership interest
Damstra Technology Pty Ltd	Australia	100%
Damstra Technology Pty Ltd	New Zealand	100%
Damstra Technology LLC	United States of America	100%
Damstra Technology UK Limited	United Kingdom	100%
EIFY Pty Ltd	Australia	100%
Applied Project Experience Pty Ltd	Australia	100%
Applied Project Experience Ltd	United Kingdom	100%

#### 8.5 **Damstra securities**

As at the date of this Scheme Booklet, Damstra's had the following Damstra Shares and Damstra Options on issue:

Type of security	Number on issue
Damstra Shares	139,482,567
Damstra Options	3,818,722 Damstra Options which are capable of being converted into 3,818,722 Damstra Shares



(a) **Damstra Shares**

On the assumptions that:

- (i) the Scheme becomes Effective; and
- (ii) no other Vault Shares or Damstra Shares are issued,

Damstra will have approximately 183,619,472 Damstra Shares on issue following the Scheme being implemented.

(b) **Damstra Options**

Damstra Options consist of:

- (i) pre-IPO awards granted to executives and non-executive directors for their contribution to the company and performance achieved; and
- (ii) post-IPO awards granted to executives and non-executive directors that combine short and long-term performance incentives.

On the assumptions that:

- (i) the Scheme becomes Effective;
- (i) the New Damstra Options are issued in accordance with the arrangements described in sections 4.8 and 7.1 of this Scheme Booklet; and
- (ii) no other Vault Options or Damstra Options (other than the New Damstra Options referred to in paragraph (ii) above) are issued,

Damstra will have approximately 7,353,205 Damstra Options on issue following the Scheme being implemented. Refer section 4.8 for an overview of the treatment of Vault Options.

(c) **Damstra Shares and Damstra Options**

On implementation of the Scheme, the Scheme Shareholders will hold 25% of the Combined Group and current Damstra Shareholders will hold 75% of the Combined Group on a fully diluted basis.

## 8.6 Substantial Damstra Shareholders

The substantial holders (5% or more) of Damstra Shares as at 27 August 2020, being the last practicable trading day prior to the date of this Scheme Booklet, are as follows:

Substantial Damstra Shareholder	Number of Damstra Shares held	Voting Power
RISJEF PTY LTD <J & C RISSEEUW S/FUND A/C>, CHOCOLATE PEARL PTY LTD ACN 117 479 115 <CINJAN TRUST>	18,895,556	13.75 %



DAMSTAR PTY LTD <C AND N DAMSTRA FAMILY A/C>, DAMSTRA SUPER PTY LTD ACN 611 421 188 <C & N DAMSTRA FAMILY SUPER>	18,890,000	13.7%
REGAL FUNDS MANAGEMENT PTY LTD	10,621,207	7.61%
AUSTRALIANSUPER PTY LTD	8,397,083	6.02%

The shareholdings listed in this section are as disclosed to Damstra by shareholders in substantial holding notices. Information regarding substantial holdings that arise, change or cease after the date of the substantial holding notices disclosed to Damstra, or in respect of which the relevant announcement is not available on ASX's website ([www.asx.com.au](http://www.asx.com.au)) is not included above.

## 8.7 Historical financial information

### (a) Overview

This section 8.7 contains the following historical financial information of Damstra:

- (i) historical income statements for the years ended 30 June 2018, 30 June 2019 and 30 June 2020 (**Damstra Historical Income Statements**);
- (ii) historical statements of financial position as at 30 June 2018, 30 June 2019 and 30 June 2020 (**Damstra Historical Statements of Financial Position**); and
- (iii) historical statements of cash flows for the years ended 30 June 2018, 30 June 2019 and 30 June 2020 (**Damstra Historical Statements of Cash Flows**).

(together, **the Damstra Historical Financial Information**).

All amounts disclosed in this section 8.7 are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest \$0.1m. Any discrepancies between totals and sums of components in tables and figures contained in this section 8.7 are due to rounding.

### (b) Basis of Preparation of the Damstra Historical Financial Information

The Damstra Historical Financial Information presented in this Scheme Booklet is in an abbreviated form and does not contain all presentation and disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act and should therefore be read in conjunction with the financial statements of Damstra for the respective periods, including the description of the significant accounting policies contained in those financial statements and the notes to those financial statements.

The Damstra Historical Income Statements, Damstra Historical Statements of Financial Position and Damstra Historical Statements of Cash Flows are



disclosed in the financial statements for the years ended 30 June 2018, 30 June 2019 and 30 June 2020, which have been lodged with ASIC and are available from Damstra's website (<https://www.damstratechnology.com>) or ASX website ([www.asx.com.au](http://www.asx.com.au)).

The Damstra Historical Financial information as at the end of and for the respective years have been derived from Damstra's financial statements for the years ended 30 June 2018, 30 June 2019 and 30 June 2020, which were audited by PwC in accordance with Australian Auditing Standards. PwC issued unqualified audit opinions on these financial statements.

The significant accounting policies used in the preparation of the Damstra Historical Financial Information are consistent with those set out in Damstra's annual report for the years ended 30 June 2018, 30 June 2019 and 30 June 2020.

The Damstra Historical Financial Information has been prepared in accordance with the recognition and measurement principles contained in Accounting Standards.

(c) **Explanation of certain non-IFRS and other financial measures**

Damstra uses certain information, measures and ratios to manage and report on performance which are prepared on a basis that is not in accordance with all relevant accounting standards (**Non-Statutory Information**). This Non-Statutory Information may exclude certain transactions, or present transactions or balances on a different recognition and measurement basis from that required or permitted by accounting standards. These measures do not have prescribed definitions and therefore may not be directly comparable to similarly titled measures presented by other entities.

The principal Non-Statutory Information referred to in this section 8.7 are as follows:

- (i) **EBITDA** is earnings before interest (net finance cost), taxation, depreciation and amortisation;
- (ii) **underlying EBITDA** is EBITDA excluding significant items;
- (iii) **significant items** include those items presented as specific items within the Damstra financial statements. They include bargain purchase gains, contingent consideration, share based payments, acquisition costs and IPO listing costs. Refer to section 8.7(d) for additional detail;
- (iv) **EBIT** is earnings before interest (net finance cost) and taxation;
- (v) **net operating cash flow** is net cash received or paid from customer receipts, payments to suppliers and employees, income taxes paid, government grant receipts and transaction costs relating to acquisitions;
- (vi) **net underlying operating cash flow** is net operating cash flow excluding transaction costs relating to acquisitions;
- (vii) **net investing cash flow** is net cash spent on capital expenditure, other non-current assets/intangible assets, payments for acquisition of



subsidiaries, payments for acquisition of business less proceeds from sales of property, plant and equipment; and

- (viii) **net financing cash flow** is net cash proceeds or payments from share issues, borrowing activity, finance lease principal repayments, interest and dividend payments.

(d) **Damstra Historical Income Statements**

Set out below are the Damstra Historical Income Statements for the years ended 30 June 2018, 30 June 2019 and 30 June 2020:

\$m	YEAR ENDED 30 JUNE 2018	YEAR ENDED 30 JUNE 2019	YEAR ENDED 30 JUNE 2020
Licence fees	8.5	11.8	15.2
Hardware	1.4	2.0	4.4
Other	1.2	1.5	0.6
<b>Total revenue</b>	<b>11.1</b>	<b>15.3</b>	<b>20.1</b>
Cost of sales	(3.1)	(6.4)	(6.5)
<b>Gross profit</b>	<b>8.0</b>	<b>8.9</b>	<b>13.7</b>
Other income	0.2	0.7	1.4
Research and development	(0.7)	(0.6)	(2.2)
Sales and marketing	(2.7)	(3.9)	(3.2)
General and administration	(1.3)	(3.3)	(4.7)
<b>Underlying EBITDA</b>	<b>3.5</b>	<b>1.8</b>	<b>4.9</b>
Other income	-	0.3	1.9
Share based payments	(5.1)	(0.3)	(2.1)
Acquisition costs	-	(0.3)	(0.6)
IPO listing costs	-	-	(2.5)
<b>EBITDA</b>	<b>(1.6)</b>	<b>1.5</b>	<b>1.6</b>
Depreciation	(0.7)	(1.2)	(2.1)
Amortisation	(1.3)	(2.9)	(4.1)
<b>EBIT</b>	<b>(3.6)</b>	<b>(2.6)</b>	<b>(4.5)</b>
Finance cost (net)	(0.0)	(1.0)	(0.6)
<b>Profit/(Loss) before tax</b>	<b>(3.7)</b>	<b>(3.6)</b>	<b>(5.1)</b>
Income tax (expenses)/benefit	(0.1)	(0.1)	1.3
<b>Profit/(Loss) for the year</b>	<b>(3.8)</b>	<b>(3.7)</b>	<b>(3.8)</b>

Notes:



1. Damstra's audited financial statements present revenue in total and do not disclose cost of sales separately. The above table has been presented based on functional categories consistent with Damstra's IPO Prospectus of October 2019.
2. FY18 is not directly comparable to FY19 and FY20 due to the adoption of AASB 15 *Revenue from Contracts with Customers* from FY19.

(e) **Commentary on the Damstra Historical Financial Information**

Commentary on Damstra Historical Financial Information is outlined below. More information is available from Damstra's annual financial statements for the years ended 30 June 2018, 30 June 2019 and 30 June 2020.

(i) **Commentary on Damstra Historical Income Statement for the financial year ended 30 June 2020**

For the financial year ended 30 June 2020, Damstra reported total revenue of \$20.1m and underlying EBITDA of \$4.9m.

Total revenue increased by 32% over the prior year. This increase was driven by additional licence and hardware fees from increased usage by existing clients, including the continued rollout of the large global client implemented in FY19, as well as contribution from Scenario Advantage Workforce, APE Mobile and SmartAsset Software acquisitions made during the year.

Underlying EBITDA increased by \$3.1m on the prior year. This increase was primarily driven by the increase in revenue noted above, higher R&D grant receivable and lower spend on sales and marketing activities.

The increases noted above were offset by higher spend on R&D and general administration costs. \$1.6m increase in R&D spend relates to additional headcount to support continued growth. \$1.4m increase in general and administration costs was primarily driven by incremental public company costs and rationalised cost base addition of acquired businesses.

(ii) **Commentary on Damstra Historical Income Statement for the financial year ended 30 June 2019**

For the financial year ended 30 June 2019, Damstra reported total revenue of \$15.3m and underlying EBITDA of \$1.8m.

Total revenue increased by 38% over the prior year. This increase was primarily driven by increased usage by existing clients, new clients, including the implementation of a large global client, expansion into the United States, continued growth in the New Zealand market and impact of newly acquired businesses, EIFY and Velpic.

Underlying EBITDA decreased by \$1.7m on the prior year. This decrease was primarily driven by \$3.3m increase in cost of sales and \$3.1m increase in operating expense, offset by the increase in revenue noted above and \$0.5m higher other income.



Increase in cost of sales was primarily driven by investment in infrastructure and temporary inefficiencies related to Damstra's transition to a global offshoring business model to support growth. Investments included transition to AWS, increased software licencing costs, account support and continued rollout and expansion of the global support team and associated data connectivity costs.

Increase in operating expense was primarily driven by increased sales headcount and travel expense associated with establishment of operations in the United States and continued expansion of New Zealand operations.

(iii) **Commentary on Damstra Historical Income Statement for the financial year ended 30 June 2018**

For the financial year ended 30 June 2018, Damstra reported total revenue of \$11.1m and underlying EBITDA of \$3.5m.

Total revenue increased by 19% over the prior year. This increase was primarily driven by increase in licence and hardware fees from the implementation of a large new client, establishment of Damstra's New Zealand office and onboarding of New Zealand-based clients, securing additional contracts and projects with key existing clients, and impact of newly acquired business, safeStax.

Underlying EBITDA increased by \$0.5m on the prior year. This increase was primarily driven by increase in revenue noted above, offset by 72% growth in cost of sales and 64% growth in operating expenses. Cost and expenses growth were largely due to investments made to strategically orient the business toward international growth. These investments were largely attributable to: significant FTE increase to drive account support and sales capability, establishment of a global operations centre in the Philippines, development of a new website, increase in travel expenses owing to expanded Philippines and New Zealand operations and associated scale-up of data connectivity costs.

(f) **Damstra Historical Statements of Financial Position**

Set out below are the Damstra Historical Statements of Financial Position as at 30 June 2018, 30 June 2019 and 30 June 2020:

\$m	30 June 2018	30 June 2019	30 June 2020
Cash and cash equivalents	0.7	0.3	9.4
Trade and other receivables	1.4	3.6	4.8
Other current assets	0.4	0.8	0.7
Costs to fulfil contracts (current)	0.1	-	-
Current tax receivable	0.0	0.6	1.0
<b>Current assets</b>	<b>2.6</b>	<b>5.3</b>	<b>15.9</b>
Property, plant and equipment	2.2	4.8	7.6
Intangible assets	6.2	21.5	31.8



Deferred tax assets / (liabilities)	0.2	0.1	2.4
Costs to fulfil contracts (non-current)	0.1	0.7	0.6
<b>Non-current assets</b>	<b>8.8</b>	<b>27.1</b>	<b>42.3</b>
<b>Total assets</b>	<b>11.4</b>	<b>32.3</b>	<b>58.2</b>
Trade and other payables	(1.0)	(5.6)	(3.7)
Lease liabilities	(0.5)	(1.8)	(2.7)
Borrowings	(0.6)	(8.5)	-
Contract liabilities	(2.3)	(3.5)	(4.6)
Deferred income	(0.2)	(0.2)	(0.3)
Provisions	(0.3)	(1.9)	(2.1)
Current tax liabilities	(0.5)	-	-
<b>Current liabilities</b>	<b>(5.5)</b>	<b>(21.5)</b>	<b>(13.3)</b>
Other payables	(0.0)	(1.3)	0.0
Lease liabilities	(0.7)	(2.2)	(2.5)
Borrowings	(0.0)	(5.0)	0.0
Contract liabilities	(0.3)	(0.6)	(0.9)
Provisions	(0.2)	-	(0.1)
Deferred income	(0.0)	(0.4)	(0.4)
<b>Non-current liabilities</b>	<b>(1.2)</b>	<b>(9.5)</b>	<b>(3.9)</b>
<b>Total liabilities</b>	<b>(6.6)</b>	<b>(31.0)</b>	<b>(17.2)</b>
<b>Net assets</b>	<b>4.8</b>	<b>1.3</b>	<b>41.0</b>
Issued capital	2.5	2.5	43.3
Retained earnings	(3.8)	(7.5)	(11.3)
Reserves	6.1	6.3	9.1
<b>Total equity</b>	<b>4.8</b>	<b>1.3</b>	<b>41.0</b>

(g) **Damstra Historical Statements of Cash Flows**

Set out below are the Damstra Historical Statements of Cash Flows for years ended 30 June:

<b>\$m</b>	<b>YEAR ENDED 30 JUNE 2018</b>	<b>YEAR ENDED 30 JUNE 2019</b>	<b>YEAR ENDED 30 JUNE 2020</b>
Receipts from customers	11.5	15.3	20.8
Payments to suppliers and employees	(8.6)	(13.3)	(16.1)
Income taxes paid	(1.1)	(0.4)	-



Cash received from government grants	-	-	0.4
<b>Net underlying operating cash flow</b>	<b>1.8</b>	<b>1.6</b>	<b>5.2</b>
Transaction costs relating to acquisitions	-	-	(0.5)
<b>Net operating cash flow</b>	<b>1.8</b>	<b>1.6</b>	<b>4.7</b>
Payment for acquisitions, net of cash acquired	(0.4)	(8.8)	(9.2)
(Payments)/proceeds for property, plant and equipment (net)	(1.5)	(3.8)	(5.0)
Payments for intangible assets and software development costs	(0.8)	(2.6)	(2.3)
<b>Net investing cash flow</b>	<b>(2.6)</b>	<b>(16.5)</b>	<b>(15.2)</b>
Proceeds from issue of shares (net transaction costs)	0.4	-	28.5
(Repayment)/proceeds from borrowings (net)	1.7	14.5	(4.8)
Payment of principal element of finance lease payments	-	(0.9)	(2.6)
Interest (paid)/received (net)	(0.0)	(0.4)	(0.3)
Dividends paid to shareholders	(0.7)	-	-
<b>Net financing cash flow</b>	<b>1.3</b>	<b>13.2</b>	<b>20.8</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>0.5</b>	<b>(0.4)</b>	<b>9.1</b>

(h) **Commentary on the Damstra Historical Financial Information**

Commentary on Damstra Historical Financial Information is outlined below. More information is available from Damstra's annual financial statements for the years ended 30 June 2018, 30 June 2019 and 30 June 2020.

(i) **Commentary on Damstra Historical Statement of Cash Flows for the financial year ended 30 June 2020**

Net underlying operating cash flows for the financial year ended 30 June 2020 were \$5.2m, an increase of \$3.6m on the prior year. The increase is driven by \$5.5m increase in cash receipts from customers and \$0.8m positive cash flow related to income tax and R&D grant received, offset by \$2.8m higher payments to suppliers and employees driven by growth-related increase in headcount and corporate costs.

Key investments made during the year include purchasing additional hardware units for customer rental, intangible asset spend related to R&D development and capitalised implementation costs to fulfil customer contracts and payments and integration costs in relation to



Velpic, Scenario Advantage Workforce, APE Mobile and SmartAsset Software acquisitions.

Finance proceeds during the year relate to net inflows from the initial public offer used to fund strategic growth initiatives, repay certain borrowing facilities and fund contingent acquisition payments.

(ii) **Commentary on Damstra Historical Statement of Cash Flows for the financial year ended 30 June 2019**

Net underlying operating cash flows for the financial year ended 30 June 2019 were \$1.6m, a decrease of \$0.2m on the prior year. Decrease is due to \$4.7m higher payments to suppliers and employees driven by continued investment in international growth initiatives, offset by \$3.8m higher cash receipts from customers and \$0.7m lower income tax paid.

Key investments made during the year include capitalised spend on development-related headcount, software products and product development, capitalisation of leased hardware (which Damstra supplies to clients) and acquisition payments related to Velpic and EIFY acquisitions.

Finance proceeds during the year relate to borrowings under facilities entered into by Damstra with Westpac Banking Corporation. The proceeds were for the purpose of funding strategic growth acquisitions and leasing hardware for customer implementation. Business activities were also funded by issue of convertible notes.

(iii) **Commentary on Damstra Historical Statement of Cash Flows for the financial year ended 30 June 2018**

Net underlying operating cash flows for the financial year ended 30 June 2018 were \$1.8m, a decrease of \$3.5m on the prior year. Decrease is due to \$3.6 increase in payments to suppliers and employees driven by investment in international growth and \$1.1m income tax payment not present in the prior year, offset by \$1.2m increase in cash receipts from customers.

Key investments made during the year include hardware lease purchases, website development costs and payments related to safeStax acquisition.

Finance proceeds during the year relate to borrowings under facilities entered into by Damstra with Westpac Banking Corporation to fund growth initiatives.

## 8.8 Damstra Group's intentions

This section 8.8 outlines Damstra's current intentions in relation to Vault and the Combined Group, including in relation to:

- the continuation of the business of Vault;



- any major changes to be made to the business of Vault; and
- the future employment of the present employees of Vault.

The statements of intention made in this section 8.8 have been formed based on the facts and information concerning Vault, its business, the general economic and business environment and existing circumstances affecting the businesses of Vault and Damstra that are known to Damstra at the time this Scheme Booklet was prepared.

Final decisions on these matters will only be made by the Board of the Combined Group Board in light of all material information, facts and circumstances at the relevant time if the Scheme is implemented. Accordingly, it is important to recognise that the statements set out in this section 8.8 are statements of current intentions only, which may change as new information becomes available or circumstances change, and which will be superseded by the intentions, strategic focus, outlook and decisions of the Board of the Combined Group.

**(a) Operations of the Combined Group**

It is intended that the Combined Group will continue to be called Damstra Holdings Limited and that Vault's existing business units will be integrated into Damstra's corporate structure.

Following implementation of the Scheme, Damstra will review the scope and breadth of the Combined Group, to align with its strategic objectives. Subject to that review it is currently intended that the Combined Group will continue to operate Vault's Solo business in substantially the same manner as at present (as an additional module to Damstra's workforce management product) and will consolidate the Vault Enterprise platform into Damstra's platform.

It is expected that the Combined Group will focus on, amongst other things, the strategic benefits arising from being able to offer and cross-sell tiered products to and among large workforce enterprises and individual worker operations.

**(b) Board and management of the Combined Group**

It is intended that the current Board of Damstra will be the Board of the Combined Group.

Damstra Executive Chairman, Johannes Risseeuw, will chair the Board of the Combined Group. The current Chief Executive Officer of Damstra, Christian Damstra, will be the Chief Executive Officer of the Combined Group.

David Moylan, Founder and CEO of Vault, will operate with and report directly to Christian Damstra in the position of Chief of Global Partnerships. The other members of the senior management of the Combined Group will be determined by the Damstra Board as part of planning for implementation of the Scheme.

**(c) Employees of the Combined Group**

Following implementation of the Scheme, the Combined Group will conduct an analysis of its ongoing resourcing requirements.

In circumstances where duplication of roles is identified, Damstra's present intention is to seek to allocate alternative responsibilities to those affected



employees within the Combined Group (where practicable and possible to do so). However, it will not be possible for Damstra to offer suitable alternative roles in all instances. Affected employees who are unable to be allocated alternative responsibilities will receive payments and other benefits to which they are entitled on departure under their terms of employment.

**(d) Corporate matters in relation to Vault**

If the Scheme becomes Effective, it is intended that Vault Shares will be suspended from trading at the close of trading on the Effective Date. If the Scheme is implemented, it is intended that Vault Shares will be delisted from ASX shortly after the Implementation Date.

**(e) Dividend policy of the Combined Group**

Following implementation, the payment of future dividends to shareholders of the Combined Group will be at the discretion of the Directors of the Combined Group and will be a function of a number of factors, including general business conditions, the operating results and financial condition of the Combined Group, future funding requirements, compliance with debt facilities, capital management initiatives, taxation considerations, including the availability of franking credits, any contractual, legal or regulatory restrictions of the payment of dividends by the Combined Group, and any other factors the Directors of the Combined Group may consider relevant.

## **8.9 Rights and liabilities attaching to the New Damstra Shares**

The rights and liabilities attaching to the ownership of the New Damstra Shares will be the same as those attaching to existing Damstra Shares. These rights and liabilities arise from a combination of the Damstra constitution, statute, the Listing Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to Damstra Shares and a description of other material provisions of the Damstra constitution is set out below. This summary is not exhaustive, nor does it constitute a definitive statement of the rights and liabilities of Damstra Shareholders.

Vault shareholders should seek their own independent advice in relation to their rights and liabilities as potential holders of New Damstra Shares in specific circumstances.

**(a) Voting at a general meeting**

At a general meeting of Damstra, every Damstra Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll, one vote for each Damstra Share held. On a poll, every member (or his or her proxy, attorney or representative) is entitled to vote for each fully paid Damstra Share held and in respect of each partly paid Damstra Share, is entitled to a fraction of a vote equivalent to the proportion which the amount paid up (not credited) on that partly paid Damstra Share bears to the total amounts paid and payable (excluding amounts credited) on that Damstra Share. Amounts paid in advance of a call are ignored when calculating the proportion.

**(b) Meetings of members**



Every Damstra Shareholder is entitled to receive notice of, attend and vote at general meetings of Damstra and to receive all notices, accounts and other documents required to be sent to Damstra Shareholders under the Damstra constitution, Corporations Act and Listing Rules. Damstra must give at least 28 days' written notice of a general meeting.

(c) **Dividends**

The Damstra Board may pay any interim, special, or final dividends that, in its judgement, the financial position of Damstra justifies. The Board may also pay any dividend required to be paid under the terms of issue of a Damstra Share and fix a record date for a dividend and method of payment.

(d) **Transfer of shares**

Subject to the Damstra constitution and to any restrictions attached to any Damstra Share or classes of shares, Damstra Shares may be transferred by proper ASTC transfer (effected in accordance with the ASX Settlement Operating Rules, Corporations Regulations and Listing Rules) or by a written transfer in any usual form or in any other form approved by the Board and permitted by the relevant laws and ASX requirements. The Damstra Board may, in accordance with the Corporations Act or the Listing Rules, decline to register, or prevent registration of, a transfer of Damstra Shares or apply a holding lock to prevent a transfer.

(e) **Issue of shares**

The Damstra Board may, subject to the Damstra constitution, Corporations Act, Listing Rules and ASX Settlement Operating Rules issue or grant options for, or otherwise dispose of, Damstra Shares on such terms as the Damstra Board decides.

(f) **Preference shares**

Damstra may issue preference shares, including preference shares which are, or at the option of Damstra or a holder are, liable to be redeemed or converted into Damstra Shares. The rights attaching to preference shares are those set out in the Damstra constitution.

(g) **Winding up**

If Damstra is wound up, then subject to the Damstra constitution, the Corporations Act and any rights or restrictions attached to any Damstra Shares or classes of Damstra Shares, any surplus property must be divided among Damstra Shareholders in proportion to the Damstra Shares held by them (irrespective of the amounts paid or credited as paid on the Damstra Shares), less any amounts which remain unpaid on these Damstra Shares at the date of distribution.

If Damstra is wound up, the liquidator may, with the sanction of a special resolution, divide among the Damstra Shareholders the whole or part of Damstra's property and decide how the division is to be carried out as between Damstra Shareholders or different classes of Damstra Shareholders.

(h) **Non-marketable parcels**



In accordance with the Corporations Act, the Listing Rules and the ASX Settlement Operating Rules, the Damstra Board may sell the Damstra Shares of a Damstra Shareholder who holds less than a marketable parcel of those Damstra Shares by following the procedures set out in the Damstra constitution. A marketable parcel of Damstra Shares is defined in the ASX Listing Rules and is generally a holding of Damstra Shares with a market value of at least \$500.

(i) **Proportional takeover provisions**

The Damstra constitution contains provisions requiring Damstra Shareholder approval in relation to any proportional takeover bid. These provisions will cease to apply unless renewed by Damstra Shareholders passing a special resolution by the third anniversary of either the date those provisions were adopted or the date those rules were last renewed.

(j) **Variation of class rights**

The procedure set out in the Damstra constitution must be followed for any variation of rights attached to the Damstra Shares. Under the Damstra constitution, and subject to the Corporations Act and the terms of issue of a class of shares, the rights attached to any class of shares may be varied:

- (i) with the written consent of the holders of 75% of the shares of the class; or
- (ii) by a special resolution passed at a separate meeting of the holders of shares of the class.

(k) **Directors – appointment and retirement**

Under the Damstra constitution, the number of Damstra Directors shall be a minimum of three Directors and a maximum of 12 Directors or such lower number as the Damstra Directors determine, provided Damstra resolves to authorise such determination at a general meeting. Directors are elected or re-elected at general meetings of Damstra.

No Damstra Director (other than the Managing Director) may hold office without re-election after three years or beyond the third annual general meeting following the meeting at which the Damstra Director was last elected or re-elected (whichever is later). The Damstra Board may also appoint any eligible person to be a Damstra Director (but not the CEO), either to fill a casual vacancy on the Damstra Board or as an addition to the existing Damstra Directors, who will hold office until the conclusion of the next annual general meeting of Damstra following their appointment.

A person is eligible for election to the office of a Damstra Director at a general meeting if they are nominated by the Damstra Board or by another Damstra Shareholder in accordance with procedures in the Damstra constitution (subject to timing requirements).

(l) **Directors – voting**

Questions arising at a meeting of the Damstra Board must be decided by a majority of votes of the Damstra Directors present at the meeting and entitled to vote on the matter. In the case of an equality of votes on a resolution, the Chair



of the meeting has a casting vote in addition to his or her deliberative vote, unless there are only two Directors present or entitled to vote, in which case the Chair of the meeting does not have a second or casting vote and the proposed resolution is taken as lost.

A written resolution of the Damstra Board may be passed without holding a meeting of the Damstra Board, if all of the Directors sign or assent to the resolution (other than Directors permitted not to vote on the resolution in accordance with the terms of the Damstra constitution).

(m) **Directors – remuneration**

Under the Damstra constitution, the Damstra Board may decide the remuneration from Damstra to which each Damstra Director is entitled for his or her services as a Damstra Director. The total aggregate amount provided to all Non-Executive Directors for their services as Directors must not exceed in any financial year the amount fixed by Damstra in general meeting for that purpose. The remuneration of a Director must not include a commission on, or a percentage of operating revenue. The current maximum aggregate sum of Non-Executive Director remuneration is \$600,000 per annum. Any change to that maximum aggregate amount needs to be approved by Damstra Shareholders.

Damstra Directors may be reimbursed for travel and other expenses properly incurred in attending to Damstra's affairs, including attending and returning from general meetings of Damstra, Board meetings or meetings of committees of the Damstra Board. If a Damstra Director renders or is called on to perform extra services, or make any special exertions in connection with the affairs of Damstra, the Damstra Directors may arrange for special remuneration to be paid to that Director either in addition to or in substitution for that Director's remuneration.

(n) **Powers and duties of Directors**

The Damstra Directors are responsible for managing the business of Damstra and may exercise to the exclusion of Damstra in general meeting all the powers of Damstra which are not required by law or by the Damstra constitution to be exercised by Damstra in general meeting.

(o) **Indemnities**

Damstra may indemnify, to the extent permitted by law, each Damstra Director, alternative director or executive officer of Damstra (and, if the Damstra Directors so determine, any current or former officer or auditor of Damstra or its Related Bodies Corporate) against any losses or liability incurred by that person as an officer or auditor (as applicable) of Damstra or of a Related Body Corporate of Damstra including, but not limited to, a liability for negligence or for reasonable legal costs on a full indemnity basis. Damstra may, to the extent permitted by law, purchase and maintain insurance or pay, or agree to pay, a premium for insurance for each Director, alternative director or executive officer of Damstra (and, if the Damstra Directors so determine, any current or former officer or auditor of Damstra or its Related Bodies Corporate) against any liability incurred by that person as an officer or auditor (as applicable) of Damstra or of a Related Body Corporate, including but not limited to a liability for negligence or for legal costs.



(p) **Amendment**

The Damstra constitution may be only amended in accordance with the Corporations Act, which requires a special resolution passed by at least 75% of Damstra Shareholders present (in person or by proxy, attorney or representative) and entitled to vote on the resolution at a general meeting of Damstra.

8.10 **Additional Information**

(a) **Recent Damstra share price performance**

Damstra shares are listed and quoted for trading under ASX code 'DTC'.

The closing price of Damstra Shares on ASX on 6 July 2020, being the last trading day prior to the announcement of the Scheme, was \$1.345 per share.

The closing price of Damstra Shares on ASX on 27 August 2020, the last practicable trading day before the date of this Scheme Booklet, was \$1.80.

During the three months ended 27 August 2020:

- (i) The highest recorded daily closing price for Damstra Shares on ASX was \$1.98 on 24 August 2020; and
- (ii) The lowest recorded daily closing price for Damstra Shares on ASX was \$0.91 on 29 May 2020.

The following chart shows the daily closing price of Damstra Shares on ASX since listing:

*Figure 4: Damstra Shares - historical share price performance*



(b) **Publicly available information about Damstra**



Damstra is a listed disclosing entity for the purpose of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a company listed on ASX, Damstra is subject to the Listing Rules which require (subject to some exceptions) continuous disclosure of any information that Damstra has that a reasonable person would expect to have a material effect on the price or value of Damstra Shares.

Pursuant to the Corporations Act and the Listing Rules, Damstra is also required to prepare and lodge with ASIC and ASX both yearly and half-yearly financial statements accompanied by a statement and report from the Damstra Directors and an audit or review report respectively.

Copies of each of these documents and ASX notifications can be obtained free of charge on the Damstra website ([www.damstratechnology.com](http://www.damstratechnology.com)) or by visiting ASX website ([www.asx.com.au](http://www.asx.com.au)).

In addition, Damstra is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Damstra may be obtained from an ASIC office. Information is also available on Damstra's website ([www.damstratechnology.com](http://www.damstratechnology.com)).

A list of announcements made in relation to Damstra to ASX from the time that Damstra announced that it and Vault had entered into the Scheme Implementation Deed on 8 July 2020 to 27 August 2020 is below:

Date	Announcement
27 August 2020	Change in substantial holding
27 August 2020	Damstra delivers step change in business performance in FY20
27 August 2020	FY20 Results Presentation
27 August 2020	App 4E and FY20 Annual Report
27 August 2020	App 4G and Corporate Governance Statement
11 August 2020	Release of securities from escrow
6 August 2020	FY20 Results Briefing
4 August 2020	Virtual Conference Presentation
30 July 2020	Change in substantial holding
30 July 2020	Damstra to present at virtual conference
22 July 2020	VLT: Indicative Scheme of Arrangement Timetable
22 July 2020	Quarterly Activities Report and App 4C
14 July 2020	Change in substantial holding



Damstra' recent announcements are available from ASX's website at [www.asx.com.au](http://www.asx.com.au). Further announcements concerning Damstra will continue to be made available on this website after the date of this Scheme Booklet.



## 9. Overview of the Combined Group

### 9.1 Overview of the Combined Group

The Scheme combines two highly complementary businesses to create a larger, more diversified workplace management solutions group, operating in 11 countries with over 600 clients and over 550,000 registered licences across the platform.

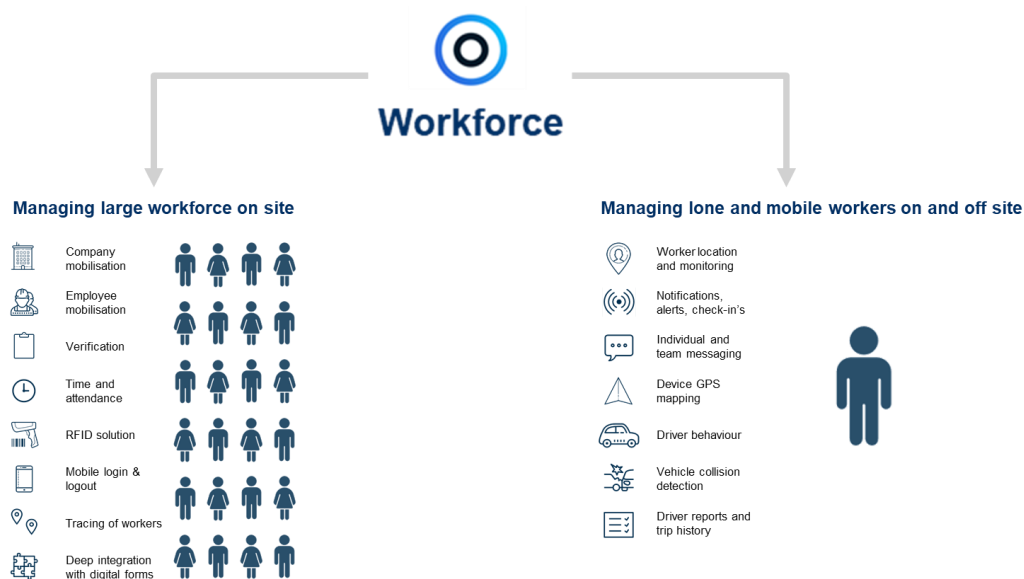
The Combined Group's platform will comprise the following deeply integrated product modules:

- (a) Workforce management;
- (b) Access control;
- (c) Asset management;
- (d) Learning management; and
- (e) Health, safety and environment (**HSE**) management.

It is intended (as described in section 8.8) that Vault's legacy Enterprise platform will be consolidated into Damstra's platform, and Vault's Solo platform will extend the features and functionality of the workforce management module, with the enlarged module catering to the safety management of large, transient workforces and lone and mobile worker enterprises.

An illustration of the Combined Group's workforce management product, following the proposed addition of Vault Solo as a module to Damstra's workforce management product, is set out below.

*Figure 5: Combined Group's workforce management product*





If the Scheme is implemented, the Combined Group would have, on a pro forma<sup>1</sup> historical basis for the financial year ended 30 June 2020:

- (f) Combined total pro forma revenue of approximately \$24.8m;
- (g) Combined total pro forma underlying EBITDA of approximately \$3.5m; and
- (h) A more diversified revenue mix with exposure to over 30 industries.

## 9.2 Overview of potential synergies

### (a) Cost synergies

Damstra and Vault have undertaken a review of the potential cost synergies that could result from implementation of the Scheme.

As at the date of this Scheme Booklet, the Scheme is expected to realise at least \$4m of cost synergies within twelve months following implementation of the Scheme (excluding costs incurred to realise those synergies and in implementing the Scheme).

A range of outcomes and sources of cost synergies were identified during the review, and while the ultimate outcome may vary from what is described below, an indicative breakdown of these synergies into the following areas of the Combined Group is:

- (i) consolidating corporate, development and other support functions to reduce or remove duplication (approximately \$3.0m);
- (ii) consolidation of overlapping international office footprint, related travel expenses and rationalisation of corporate costs from combining two listed entities (approximately \$0.5m);
- (iii) removing duplicated procurement and business operations costs and enhancing operation efficiencies (approximately \$0.3m): the Combined Group will enjoy benefits from its larger scale such as in negotiations with third parties for services; and
- (iv) rationalised advertising and consulting spend from realising scale efficiencies as a Combined Group (approximately \$0.2m).

The expected time to achieve these synergies reflects the complexity of integrating the two businesses.

Most of the cost synergies expected to be realised are only available to the Combined Group and neither Damstra nor Vault expects to be able to realise them on a standalone basis.

There is a risk that the estimated cost synergies may not be realised or that they may only be realised over a longer period of time than the twelve months currently anticipated. There is also a risk that there will be unanticipated costs associated with this integration. For further information regarding risks relating

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<sup>1</sup> Pro forma metrics per the Combined Group Pro Forma Historical Financial Information (see section 9.5).



to the integration of the Damstra and Vault businesses and the realisation of potential synergies, refer to section 10.5.

(b) **Potential additional benefits**

There is potential for the Combined Group to realise additional benefits following implementation of the Scheme. Damstra and Vault have not sought to specifically quantify these as at the date of this Scheme Booklet.

Areas where additional benefits may be realised are:

- (i) **expanded market coverage:** the increased scale and enhanced product suite of the Combined Group is expected to provide solutions that can cater to large workforces, small and medium enterprises and individual worker scenarios;
- (ii) **revenue expansion opportunities:** opportunity to accelerate future organic growth, from cross-selling an expanded and enhanced product suite across the combined client base and leveraging the combined partner distribution channels;
- (iii) **accelerated product innovation:** the complementary technology stack and integration of R&D teams are expected to drive and enable a culture of new product innovation; and
- (iv) **enhanced business intelligence:** the Combined Group will generate a larger database of workplace and workforce data with the potential to be monetised to provide real time and predictive insights about an organisation's workplace to improve efficiency and reduce operational risks.

See section 5.1 for further details on the potential additional benefits associated with the Scheme for the Combined Group.

### 9.3 **Share capital and other securities of the Combined Group**

If the Scheme is implemented:

- (a) Damstra will issue approximately 44,136,905 New Damstra Shares to Vault Shareholders and the Sale Agent;
- (b) the number of Damstra Shares on issue will increase from 139,482,567 (being the number of Damstra Shares on issue as at the date of this Scheme Booklet) to approximately 183,619,472; and
- (c) Damstra will have 7,353,205 Damstra Options on issue (including the New Damstra Options to be issued described in sections 4.8 and 7.1 of this Scheme Booklet).

### 9.4 **Prospects of the Combined Group following implementation**

The combination of Damstra and Vault will create a larger, more diversified workplace management solutions group, with increased scale to leverage opportunities in the present and post COVID-19 environment.



The Combined Group will seek to use the highly complementary product sets and minimal client overlap to drive scale and revenue diversity. Vault's legacy Enterprise platform is capable of being consolidated into Damstra's platform, resulting in larger combined revenue and operating leverage after the anticipated synergies are realised. Minimal client overlap provides an opportunity to cross-sell Damstra's enterprise product module suite to existing Vault clients and the Vault Solo product to existing Damstra clients.

The integration of the Vault Solo lone worker product into Damstra Group's product suite will further extend the Combined Group's module offerings and addressable market to cover large, transient workforces and lone worker enterprises.

The Combined Group will create a platform for future accelerated organic growth, including from the combination of R&D teams focussed on accelerated product innovation. The enlarged group is expected to benefit from its improved financial profile and increased market relevance.

## 9.5 Combined Group pro forma historical financial information

### (a) Overview of historical financial profile of the Combined Group

The Combined Group Pro Forma Historical Financial Information set out in this section 9.5 has been prepared to illustrate the:

- (i) historical income statement for the financial year ended 30 June 2020 (**Combined Group Pro Forma Historical Income Statement**);
- (ii) historical statement of financial position as at 30 June 2020 (**Combined Group Pro Forma Historical Statement of Financial Position**); and
- (iii) historical statement of cash flows the financial year ended 30 June 2020 (**Combined Group Pro Forma Historical Statement of Cash Flows**),

(together, the **Combined Group Pro Forma Historical Financial Information**).

The Combined Group Pro Forma Historical Financial Information should be read together with the:

- (iv) basis of preparation as set out in section 9.5(b);
- (v) risk factors set out in section 10; and
- (vi) other information contained in this Scheme Booklet.

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions are subject to the effect of rounding. Accordingly, totals in tables may not add due to rounding.

### (b) Basis of preparation and consolidation

#### (i) Basis of preparation



The Combined Group Pro Forma Historical Financial Information set out in this section 9.5 has been prepared in order to give Vault Shareholders an indication of the financial performance, financial position and cash flows of the Combined Group as if the Scheme had been implemented from 1 July 2019 in respect of the financial performance and cash flows and 30 June 2020 in respect of the financial position. It does not reflect the actual financial performance, financial position, or cash flows of the Combined Group at the time of implementation. It has been prepared for illustrative purposes only for the purpose of this Scheme Booklet.

The Combined Group Pro Forma Historical Financial Information presented in this section 9.5 is based on the:

- (A) Vault Historical Financial Information, as at and for the financial year ended, 30 June 2020 (presented in section 6.5);
- (B) Damstra Historical Financial Information, as at and for the year financial ended, 30 June 2020 (presented in section 8.7); and
- (C) Pro forma adjustments described in sections 9.5(d), 9.5(g) and 9.5(j) (**Pro Forma Adjustments**).

The historical financial information presented in this section 9.5 has been derived from the consolidated financial statements of Vault for the financial year ended 30 June 2020 and from the consolidated financial statements of Damstra for the financial year ended 30 June 2020.

The consolidated financial statements of Vault for the financial year ended 30 June 2020 and consolidated financial statements of Damstra for the financial year ended 30 June 2020 were audited by PwC in accordance with Australian Auditing Standards (**AAS**). PwC issued unqualified audit opinions on these financial statements.

The Combined Group Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles contained in AAS, which are consistent with International Financial Reporting Standards (**IFRS**), other than that it includes adjustments which have been prepared in a manner consistent with AAS, that reflect:

- (D) the exclusion of certain transactions that occurred in the relevant period, and
- (E) the impact of certain transactions as if they occurred as at 30 June 2020 in the Combined Group Pro Forma Historical Statement of Financial Position and from 1 July 2019 in the Combined Group Pro Forma Historical Income Statement and the Combined Group Pro Forma Historical Statement of Cash Flows.

The historical financial information of Vault and Damstra has been prepared in accordance with the significant accounting policies described in their respective financial statements for the year ended 30 June 2020. In preparing the Combined Group Pro Forma Historical



Financial Information, Damstra and Vault have undertaken a review to identify significant accounting policy differences where the impact is potentially material to the Combined Group and could be reliably estimated. No material differences have been identified.

(ii) **Basis of consolidation**

On implementation of the Scheme, Damstra will gain control over Vault and therefore under AASB 3 *Business Combinations* (**AASB 3**), Damstra is required to recognise the identifiable net assets of Vault at fair value on the date of acquisition within the Combined Group Pro Forma Historical Statement of Financial Position. Any excess between the fair value of the consideration paid and the fair value of the identifiable net assets is recognised as goodwill.

On implementation of the Scheme, Damstra will gain control over Vault and therefore, for the purposes of the Combined Group Pro Forma Historical Income Statement and the Combined Group Pro Forma Historical Statement of Cash Flows), the results of Damstra and Vault have been consolidated as though the Scheme was implemented on 1 July 2019.

(iii) **Presentation**

The Combined Group Pro Forma Historical Financial Information:

- (A) is provided for illustrative purposes only;
- (B) is presented in a summary form and consequently does not contain all of the presentation and disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act; and
- (C) has been prepared on the basis that Damstra is the acquiring entity for accounting purposes.

Pro Forma Adjustments have been made to reflect the financial impacts of the combination of Vault and Damstra. The Combined Group Pro Forma Historical Financial Information presented in this section 9.5 does not purport to reflect the likely actual or prospective reported financial performance, financial position or cash flows of the Combined Group.

The principal Non-Statutory Information referred to in this section 9.5 is consistent with the Non-Statutory Information of Damstra. Refer to section 8.7 for explanations of the Non-Statutory Information discussed.

The most recent Vault and Damstra financial year end is 30 June 2020. The Combined Group Pro Forma Historical Financial Information has been prepared, as at and for the financial year ended, 30 June 2020.

It is likely that actual financial performance, financial position and cash flows in future periods will differ from the Combined Group Pro Forma Historical Financial Information presented in this section 9.5. The



factors which may impact the actual financial performance, financial position or cash flows of the Combined Group include but are not limited to:

- (A) trading of Vault and Damstra after 30 June 2020, which is not reflected in the historical financial information of Vault and Damstra;
- (B) the ultimate timing of implementation of the Scheme to combine Vault and Damstra;
- (C) the value of a Vault Share on the Implementation Date which will change the value of goodwill recognised on acquisition;
- (D) differences between the estimated amount of transaction costs and the amount ultimately incurred;
- (E) finalisation of the acquisition accounting, including determining appropriate purchase price adjustments, such as determining the value of all assets and liabilities acquired in accordance with the relevant accounting standards;
- (F) finalisation of resetting of the tax cost bases following acquisition, including recognition of the associated deferred tax assets and liabilities, in accordance with the relevant accounting standards; and
- (G) the ultimate timing and realisation of synergies and business improvements (and associated costs) arising from the combination of Damstra and Vault (see section 9.2 for further details).

(iv) **Preliminary purchase price accounting**

AASB 3 allows the acquirer a period of 12 months from the acquisition date to finalise the identification and valuation process of all assets and liabilities and any resultant accounting adjustments. Damstra has not finalised the identification and valuation of Vault assets and liabilities, with finalisation to take place after implementation of the Scheme. For the purpose of the preparing the Combined Group Pro Forma Historical Statement of Financial Position, it has been assumed that the historical carrying value of assets and liabilities is equal to their fair value and that there will be no additional separately identifiable intangible assets other than those already recognised in the 30 June 2020 historical statement of financial position of Vault.

As the purchase price accounting has not been finalised, additional amortisation in relation to identified finite life intangible assets may arise and this has not been reflected in the Combined Group Pro Forma Historical Income Statement. The quantum of any additional amortisation will depend on incremental fair value allocated and the useful lives ascribed to the identifiable intangible assets as part of the final purchase price allocation.



For the purpose of preparing the Combined Group Pro Forma Historical Statement of Financial Position, it has been assumed that there will be no resetting of the Combined Group's tax cost bases following the acquisition. It is, however, likely that the allocable cost amount calculation will result in a deferred tax position which is different to the position presented in the Combined Group Pro Forma Historical Statement of Financial Position. Any resulting adjustment to deferred tax assets and liabilities will have an equal but opposite impact on the amount of goodwill recognised in the Combined Group Pro Forma Historical Statement of Financial Position.

(c) **Combined Group Pro Forma Historical Income Statement for the financial year ended 30 June 2020**

This section 9.5(c) outlines the Combined Group Pro Forma Historical Income Statement as though the Scheme was implemented on 1 July 2019.

\$m	Damstra	Vault	Note	Pro Forma Adjustments	Combined Pro Forma Historical
Licence fees	15.2	4.6		-	19.8
Hardware	4.4	-		-	4.4
Other	0.6	0.0		-	0.6
<b>Total revenue</b>	<b>20.1</b>	<b>4.6</b>		<b>-</b>	<b>24.8</b>
Cost of sales	(6.5)	(1.7)	(d)(i)	3.0	(5.2)
<b>Gross profit</b>	<b>13.7</b>	<b>2.9</b>		<b>3.0</b>	<b>19.6</b>
Other income	1.4	0.5	(d)(ii)	(0.5)	1.4
Operating expenses	(10.2)	(9.1)	(d)(iii)	1.9	(17.5)
<b>Underlying EBITDA</b>	<b>4.9</b>	<b>(5.7)</b>		<b>4.3</b>	<b>3.5</b>
Contingent consideration provision	1.9	-		-	1.9
Share based payments	(2.1)	(0.5)		-	(2.5)
Acquisition costs	(0.6)	-		-	(0.6)
IPO listing costs	(2.5)	-		-	(2.5)
<b>EBITDA</b>	<b>1.6</b>	<b>(6.1)</b>		<b>4.3</b>	<b>(0.2)</b>
Depreciation & amortisation	(6.2)	(1.7)		-	(7.9)
<b>EBIT</b>	<b>(4.5)</b>	<b>(7.9)</b>		<b>4.3</b>	<b>(8.1)</b>
Finance cost (net)	(0.6)	(0.1)		-	(0.6)
<b>Profit/(Loss) before tax</b>	<b>(5.1)</b>	<b>(7.9)</b>		<b>4.3</b>	<b>(8.7)</b>
Income tax (expenses)/benefit <sup>1</sup>	1.3	-		-	1.3
<b>Profit/(Loss) for the year</b>	<b>(3.8)</b>	<b>(7.9)</b>		<b>4.3</b>	<b>(7.4)</b>

Notes:

- For the purposes of the Combined Pro Forma Historical amount, the Combined amount is assumed to be the simple addition of the standalone Damstra and Vault amounts



(d) **Adjustments to the Combined Group Pro Forma Historical Income Statement**

- (i) This adjustment to cost of sales reflects the estimated impact of cost saving synergies expected to be available as a Combined Group as follows:
  - (A) \$2.6m reduction related to duplicate support functions; and
  - (B) \$0.4m reduction related to duplicate systems and corporate costs.
- (ii) This adjustment reflects an estimated reduction in the R&D tax incentive and government grants of \$0.5m received as a Combined Group.
- (iii) This adjustment to operating expenses reflects the estimated impact of cost saving synergies expected to be available as a Combined Group as follows:
  - (A) \$0.9m reduction related to duplicate marketing, travel and corporate costs;
  - (B) \$0.6m reduction related to duplicate support functions; and
  - (C) \$0.4m reduction related to duplicate public company costs

(e) **Items not reflected in the Combined Group Pro Forma Historical Income Statement**

The Combined Group Pro Forma Historical Income Statement has not been adjusted to reflect:

- (i) the trading of Vault or Damstra after 30 June 2020;
- (ii) any costs of realising anticipated synergies (one-time total costs of approximately \$0.5m are estimated to implement the reductions in duplicate support functions) and business improvements arising following implementation of the Scheme;
- (iii) estimated transaction costs of approximately \$0.5m for Damstra and approximately \$0.4m for Vault expected to be incurred directly in relation to the Scheme in the financial year ending 30 June 2021;
- (iv) additional depreciation and amortisation relating to identified tangible and intangible assets which may arise as a result of the implementation of the Scheme and the finalisation of purchase price accounting for the Scheme; and
- (v) any potential tax impact which may arise as a result of the implementation of the Scheme and the finalisation of the accounting for the acquisition.



(f) **Combined Group Pro Forma Historical Statement of Financial Position**

This section 9.5(f) outlines the Combined Group Pro Forma Historical Statement of Financial Position as at 30 June 2020 to illustrate the Scheme being implemented on 30 June 2020.

\$m	Damstra	Vault	Note	Pro Forma Adjustments	Combined Pro Forma Historical
Cash and cash equivalents	9.4	3.0	(g)(i)	4.3	16.7
Trade and other receivables	4.8	0.8		--	5.6
Other current assets	0.7	--		--	0.7
Current tax receivable	1.0	--		--	1.0
<b>Current assets</b>	<b>15.9</b>	<b>3.8</b>		<b>4.3</b>	<b>24.0</b>
Property, plant and equipment	7.6	0.8		--	8.4
Intangible assets	31.8	4.0	(g)(ii)	71.6	107.4
Deferred tax assets / (liabilities)	2.4	--		--	2.4
Costs to fulfil contracts (non-current)	0.6	--		--	0.6
Other non-current assets	--	0.1		--	0.1
<b>Non-current assets</b>	<b>42.3</b>	<b>4.9</b>		<b>71.6</b>	<b>118.9</b>
<b>Total assets</b>	<b>58.2</b>	<b>8.7</b>		<b>75.9</b>	<b>142.9</b>
Trade and other payables	(3.7)	(1.8)		--	(5.4)
Lease liabilities	(2.7)	(0.1)		--	(2.8)
Contract liabilities	(4.6)	(1.6)		--	(6.2)
Deferred income	(0.3)	(0.4)		--	(0.7)
Provisions	(2.1)	(0.6)		--	(2.6)
<b>Current liabilities</b>	<b>(13.3)</b>	<b>(4.5)</b>		<b>--</b>	<b>(17.8)</b>
Lease liabilities	(2.5)	(0.7)		--	(3.3)
Contract liabilities	(0.9)	--		--	(0.9)
Provisions	(0.1)	(0.0)		--	(0.1)
Deferred income	(0.4)	(0.2)		--	(0.6)
<b>Non-current liabilities</b>	<b>(3.9)</b>	<b>(1.0)</b>		<b>--</b>	<b>(4.9)</b>
<b>Total liabilities</b>	<b>(17.2)</b>	<b>(5.5)</b>		<b>--</b>	<b>(22.7)</b>
<b>Net assets</b>	<b>41.0</b>	<b>3.3</b>		<b>75.9</b>	<b>120.2</b>
Issued capital	43.3	29.9	(g)(iii)	45.0	118.1
Retained earnings	(11.3)	(27.8)	(g)(iv)	32.1	(7.0)
Other Reserves	9.1	1.2	(g)(v)	(1.2)	9.1
<b>Total equity</b>	<b>41.0</b>	<b>3.3</b>		<b>75.9</b>	<b>120.2</b>



(g) **Adjustments to the Combined Group Pro Forma Historical Statement of Financial Position**

- (i) This adjustment reflects the underlying EBITDA adjustments discussed in sections 9.5(d)(i), (d)(ii) and (d)(iii).
- (ii) This adjustment to Combined Group intangible assets reflects goodwill arising from the Scheme as follows:
  - (A) \$74.9m Scheme Consideration, being the market capitalisation of Vault implied by the Scheme Consideration as at 27 August 2020, being the last practicable trading day prior to the date of this Scheme Booklet; less
  - (B) \$3.3m Vault net assets acquired, assumed to be at fair value, reflected in the elimination of Vault total equity on consolidation.
- (iii) This adjustment to Combined Group issued capital reflects the following:
  - (A) \$74.9m of shares issued to Scheme Shareholders in respect of the Scheme, being the market capitalisation of Vault implied by the Scheme Consideration as at 27 August 2020, being the last practicable trading day prior to the date of this Scheme Booklet; less
  - (B) \$29.9m elimination of Vault issued capital on consolidation.
- (iv) This adjustment to Combined Group retained earnings reflects the following:
  - (A) \$27.8m elimination of Vault accumulated losses on consolidation; and
  - (B) \$4.3m positive underlying EBITDA adjustments discussed in sections 9.5(d)(i), (d)(ii) and (d)(iii).
- (v) This adjustment reflects the elimination of Vault Other Reserves on consolidation.

(h) **Items not reflected in the Combined Group Pro Forma Historical Statement of Financial Position**

The Combined Group Pro Forma Historical Statement of Financial Position has not been adjusted to reflect:

- (i) the trading of Vault or Damstra after 30 June 2020;
- (ii) any cash flows arising from the treatment of Vault Options;
- (iii) consolidation treatment of option reserves;



- (iv) finalisation of the purchase price accounting for the acquisition of Vault, including identification and measurement of all purchase price accounting adjustments and tax cost base resetting; and
- (v) any costs of realising anticipated synergies (one-time total costs of approximately \$0.5m are estimated to implement the reductions in duplicate support functions) and business improvements arising following implementation of the Scheme.

(i) **Combined Group Pro Forma Historical Statement of Cash Flows**

This section 9.5(i) outlines the Combined Group Pro Forma Historical Statement of Cash Flows as at 30 June 2020 to illustrate the Scheme being implemented on 1 July 2019.

\$m	Damstra	Vault	Note	Pro Forma Adjustments	Combined Pro Forma Historical
Receipts from customers	20.8	5.2		--	26.0
Payments to suppliers and employees	(16.1)	(10.2)	(j)(i)	4.9	(21.4)
Cash received from government grants	0.4	1.1	(j)(ii)	(0.5)	1.6
<b>Net underlying operating cash flow</b>	<b>5.2</b>	<b>(3.9)</b>		<b>4.3</b>	<b>5.6</b>
Transaction costs relating to acquisitions	(0.5)	--		--	(0.5)
<b>Net operating cash flow</b>	<b>4.7</b>	<b>(3.9)</b>		<b>4.3</b>	<b>5.1</b>
Payment for acquisitions, net of cash acquired	(9.2)	--		--	(9.2)
(Payments)/proceeds for property, plant and equipment (net)	(5.0)	0.2		--	(4.8)
Payments for intangible assets and software development costs	(2.3)	(2.7)		--	(4.9)
<b>Net investing cash flow</b>	<b>(16.5)</b>	<b>(2.4)</b>		<b>--</b>	<b>(18.9)</b>
Proceeds from issue of shares (net transaction costs)	28.5	7.2		--	35.7
(Repayment)/proceeds from borrowings (net)	(4.8)	(0.1)		--	(4.8)
Payment of principal element of finance lease payments	(2.6)	(0.1)		--	(2.7)
Interest (paid)/received (net)	(0.3)	0.0		--	(0.3)
<b>Net financing cash flow</b>	<b>20.8</b>	<b>7.0</b>		<b>--</b>	<b>27.9</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>9.1</b>	<b>0.7</b>		<b>4.3</b>	<b>14.1</b>



(j) **Adjustments to the Combined Group Pro Forma Historical Statement of Cash Flows**

- (i) This adjustment reflects the underlying EBITDA adjustments discussed in sections 9.5(d)(i) and (d)(iii).
- (ii) This adjustment reflects a reduction in R&D tax incentive and government grants received as a Combined Group.

(k) **Items not reflected in the Combined Group Pro Forma Historical Statement of Cash Flows**

The Combined Group Pro Forma Historical Statement of Cash Flows has not been adjusted to reflect:

- (i) the trading of Vault or Damstra after 30 June 2020;
- (ii) any cash flows arising from the treatment of Vault Options;
- (iii) any costs of realising anticipated synergies (one-time total costs of approximately \$0.5m are estimated to implement the reductions in duplicate support functions) and business improvements arising following implementation of the Scheme; and
- (iv) estimated transaction costs of approximately \$0.5m for Damstra and approximately \$0.4m for Vault expected to be incurred directly in relation to the Scheme in the financial year ending 30 June 2021.



## 10. Key risks

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### 10.1 Introduction

- (a) Vault Shareholders, in considering the Scheme, should consider a number of risk factors which could have a materially adverse effect on the future operating and financial performance of Vault, as well as the value of Vault.
- (b) If the Scheme is implemented, Scheme Shareholders (other than Ineligible Foreign Shareholders) will be entitled to receive New Damstra Shares. Accordingly, Scheme Shareholders should also be aware that there are a number of risk factors which could materially adversely affect the future operating and financial performance of Damstra Shares and the Combined Group, many of which will be beyond the control of the Combined Group. A significant number of these risks are, or will be, risks to which Vault Shareholders are already exposed. However, as the nature of the Combined Group's business will change from that of the standalone business of Vault, Scheme Shareholders will potentially be exposed to additional risks in respect of the Combined Group.
- (c) This section outlines:
  - (i) general investment risks (refer to section 10.2);
  - (ii) specific risk factors relating to Vault (refer to section 10.3);
  - (iii) risks relating to an investment in Damstra Shares (refer to section 10.4); and
  - (iv) risks relating to the Scheme and creation of the Combined Group (refer to section 10.5).
- (d) In making your decision on how to vote on the Scheme Resolution, you should read this Scheme Booklet carefully. You should carefully consider the risk factors outlined below and your individual circumstances.
- (e) This section 10 is a summary only and does not purport to list every risk that may be associated with an investment in Vault now or in the future.
- (f) This section 10 is general in nature only and does not take into account your individual objectives, financial situation, taxation position or particular needs. You should seek your own independent legal and financial advice.

### 10.2 General risks

#### (a) COVID-19

The escalation of the outbreak of the COVID-19 virus into a global pandemic is impacting global economic markets. The severity and duration of the COVID-19 pandemic and the effect on the performance of the Combined Group remain unknown. The Combined Group may be impacted both by deterioration in macroeconomic conditions generally and specifically in relation to its operations.



Many of the operational and general risks relating to the Combined Group highlighted in this section 10 are likely to be heightened due to the impacts of the COVID-19 pandemic. More specifically governmental action, lockdown, quarantines, customer behaviour, employee availability, travel restrictions and the general impact of the COVID-19 pandemic on the Australian and global economy and share markets will effect Vault and the markets in which it operates.

The COVID-19 global pandemic may specifically impact the operations of the Combined Group, including customers seeking lower cost services, increased bad debt risk, reduced revenue, including outbound international and inbound sales/marketing team customer contact and delays in product roll out. These risks could negatively impact the operating and financial performance of the Combined Group and hinder its capacity to meet its business objectives.

**(b) Market conditions**

The market price of Vault Shares and Damstra Shares (as well as any potential future dividends that may be declared by Damstra) are influenced by a number of factors, including the following:

- (i) changes in investor sentiment and overall performance of the Australian and international stock markets;
- (ii) changes in general business, industry cycles and economic conditions including inflation, interest rates, exchange rates, commodity prices, employment levels and consumer demand;
- (iii) changes in government fiscal, taxation, monetary and regulatory policies, including foreign investment;
- (iv) government or political intervention in export and import markets (including sanction controls and import duties) and the disruptions this causes to supply and demand dynamics;
- (v) interruptions at Vault workplaces arising from circumstances including industrial disputes, litigation, work stoppages and accidents, which may result in business operations delays; and
- (vi) accounting standards which affect the financial performance and position reported by Vault.

**(c) Economic and government risks**

The future success of Vault may be impacted by a number of exogenous factors that impact on all industries, including but not limited to:

- (i) general economic conditions in jurisdictions in which Vault operates;
- (ii) changing government policies, taxation and other laws across jurisdictions in which Vault operates;
- (iii) the performance of equity and share markets in Australia and globally;



- (iv) interest rates and inflation rates in jurisdictions where Vault operates; and
- (v) natural disasters, social disruption or other external events that may impact on countries in which Vault operates.

(d) **Taxation**

The taxation laws in Australia and other jurisdictions in which Vault Shareholders reside may be amended, which may impact on the rate of return expected by Vault Shareholders.

An investment in shares involves the careful consideration of tax implications which will differ for every shareholder. Shareholders are encouraged to seek their own professional tax advice in connection with their investment with Vault.

(e) **Litigation**

Vault is exposed to the risk of actual or threatened litigation or other dispute stemming from customer Claims, intellectual property Claims, personal injury Claims, employee Claims and other disputes. If any Claim pursued against Vault were successful, it would have an adverse impact on the financial performance, financial position, cash flow and share price of Vault.

(f) **No guarantee of dividends**

Since 2016 (when Vault's business was back-door listed on ASX), Vault has been loss making. There is no guarantee that Vault will become profitable or that, if it does, dividends will be paid in relation to Vault Shares in the future.

(g) **Investment risks**

A continuing investment in the Vault Shares should be considered speculative. Vault Shares carry no guarantee of the payment of dividends, return of capital or improved market value. While the Vault Directors recommend the Scheme, Vault Shareholders must make their own independent assessment of the likely risks and benefits to determine whether voting in favour of the Scheme Resolution is appropriate given their individual circumstances.

(h) **Force majeure events**

Events may occur within or outside Australia that could impact upon the global economy, Australian economy, the operations of the Combined Group, and the price of Damstra Shares. These events include but are not limited to acts of terrorism, a global health pandemic such as the current COVID-19 pandemic, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made natural events or occurrences that can have an adverse effect on the demand for the Combined Group's product suite and services and its ability to conduct business. The Combined Group has only a limited ability to insure against some of these risks.

(i) **Electromagnet emissions**



Electromagnetic emissions (**EME**) from wireless networks, handsets and devices present a risk to the Combined Group. Despite the consensus of scientific opinion to the contrary, the possibility of an adverse health finding relating to EME cannot be completely excluded. The absence of certainty in relation to EME has the potential to adversely affect the Combined Group and subject the Combined Group to legal liability from the public, reputational damage, financial loss and increased regulation.

(j) **Other risks**

Additional risks and uncertainties not currently known to Vault or Damstra may also have a material adverse effect on Vault, Damstra or the Combined Group and the information set out above does not purport to be, nor should it be construed as representing, an exhaustive list of the risks affecting Vault, Damstra or the Combined Group.

### 10.3 **Risks relating to the business and operations of Vault**

(a) **Acquisition risks**

Part of Vault's ongoing business strategy is to seek suitable business acquisitions. An inherent risk with any business acquisition is that the underlying assets do not ultimately produce the financial returns that the acquirer anticipates.

There is a risk that Vault may not be able to identify suitable acquisition targets to deliver on its acquisition strategy. If Vault does succeed in identifying and acquiring businesses, it may not be able to effectively integrate the operations, products, technologies and personnel of those businesses and achieve expected synergies due to:

- (i) the potential disruption and diversion of management's attention from day-to-day operations;
- (ii) the inability to maintain uniform standards, controls, procedures, and policies; and
- (iii) the potential impairment of relationships with clients and suppliers.

In addition, the acquisition of an existing business involves a risk of unknown or unanticipated liabilities being revealed following completion. There is a risk that Vault may suffer loss or damage flowing from unforeseen events in relation to the underlying assets and liabilities of the acquisitions, which Vault may not be able to recover from the vendors or recovery may be expensive, uncertain and delayed.

(b) **Failure to retain and attract new customers**

Customers may terminate or decline to renew their contracts when they have expired if any existing or new competitor introduces a competing product which is perceived to be superior, if they become dissatisfied with Vault's products, or if Vault introduces or changes a product that is not well received by customers.



Vault may fail to maintain its current customer service standards or may not develop products that satisfy existing or prospective customers' needs.

A failure by Vault to retain and attract customers will have an adverse impact on Vault's business, operations, and financial performance.

**(c) Product distribution and usability**

The distribution and useability of Vault's products depends on various exogenous factors beyond the control of Vault, including but not limited to:

- (i) device operating systems;
- (ii) compatible device design; and
- (iii) operation and platform provider standards.

Vault's products are cloud hosted and able to be accessed from a variety of platforms and devices with internet access capabilities. Vault is dependent on the ability of its products to operate on the devices and operating systems designed for and employed by customers.

Any developments in such platforms, operating systems or devices may adversely affect the functionality of Vault's products or give preferential treatment to competing products, adversely impacting on Vault's financial performance and market position.

**(d) Dependency on capital raising**

Further funding may be required to support the ongoing activities of Vault.

Vault's ongoing business strategy requires substantial and ongoing expenditure. There is no guarantee that Vault's existing cash reserves, funds raised by capital raisings and other funds generated will be sufficient to achieve the objectives that Vault's business strategy has identified, or to continue operating as currently proposed. Given that Vault is currently loss-making, any additional equity financing may be dilutive to existing Vault Shareholders and any debt financing may involve restrictive covenants limiting Vault's operations and business strategy.

**(e) Risks associated with continued expansion into new markets**

As part of Vault's broader strategy, Vault plans to continue to invest and expand into new geographic markets. Growth initiatives may not succeed for many reasons including due to the strength of existing competition in those markets.

Business development in new markets is difficult and there is no certainty of success especially due to Vault's limited resources and capital.

Even if expansion into new geographic markets is successful it may require significant financial investment by Vault to attract and retain suitable professionals and local customers, develop localised services and form relationships with suppliers and other requisite service providers.



There is a risk that despite the best efforts of Vault, the company's expansion strategy will fail, which may adversely affect Vault's growth and future profitability.

(f) **Maintenance of key business relationships with partners and resellers**

Vault relies on its relationships with key partners and resellers to enable it to continue to promote its products. A failure to maintain these relationships could result in the loss of support of these partners and resellers which may have an adverse impact on Vault's business performance and prospects.

It is possible that these partners and resellers may fail to promote Vault's products, resulting in an adverse impact on customers' perceptions of the products, which may then impact the adoption of Vault's products by potential customers.

Vault is reliant on developing relationships with partners and resellers when entering new geographic markets in order to enable the promotion of Vault products in those markets. A failure to develop those relationships will be detrimental to the ability of Vault to expand into new geographic markets, which may adversely impact on Vault's business and prospects.

(g) **Management of growth**

There is a risk that Vault will not be able to adequately manage the growth of its business. The capacity of Vault to properly manage business growth may impact on its operations and prospects.

(h) **Competition**

The market for the provision of services Vault offers is subject to vigorous competition. Industry professionals generally compete with one another on factors such as:

- (i) product offerings;
- (ii) price;
- (iii) product awareness;
- (iv) brand loyalty;
- (v) the range of services available;
- (vi) product innovation; and
- (vii) service quality.

Existing competitors or new entrants to markets in which Vault operates may be successful in taking a portion of Vault's current market share.

(i) **Fee risks**

Vault charges licence fees to its customers for the use of its products. There is a risk that Vault may not be able to maintain its levels of revenue per customer.



This may occur due to price discounting by competitors or if customers do not perceive value in Vault's products. This may require Vault to reduce the level of its fees in order to maintain market share while Vault's product development pipeline is advanced.

Vault charges fees associated with product implementation and customisation services. There is a risk that to remain competitive Vault may not be able to charge these fees which may impact on profit margins.

**(j) Credit risks**

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to Vault. Vault is exposed to counterparty credit risk arising from its operating activities and financing activities, including customer receivables, deposits with banks and financial institutions and other financial instruments.

**(k) Liquidity**

Liquidity risk is the risk that Vault will not have sufficient funds to meet its financial commitments as and when they fall due. Vault seeks to manage liquidity risk through regular and periodic cash flow forecasting and analysis of funding requirements.

**(l) Product development, maintenance and support**

Vault relies on retaining and expanding its customer base by:

- (i) continually developing and innovating existing and new products; and
- (ii) providing high quality maintenance and customer support services.

Vault may have to invest more into these business units in order to remain competitive and up to date with technological and market advances. Such increased investment may lead to narrower profit margins and returns for shareholders as well as necessarily incurring delays in introducing product improvements and innovations to the market. This may have a negative impact on Vault's brand, reputation, and financial performance.

Product development and improvement carries risk at the product level due to potential issues with bugs, functionality issues and end user compatibility and adoption.

**(m) Cyber security and cloud hosted software**

Protection of Vault, customer, employee and Third Party data is critical to Vault's ongoing business. Vault relies on Third Parties to provide platforms which host Vault operating software and stores customer, employee and Third Party information. Vault uses major cloud hosting providers for this.

There is a risk that if the Third Parties do not have adequate protection and risk management systems in place, Vault data, which may include sensitive customer information, may be compromised. If the Third Party is unable to prevent security breaches, Vault may suffer financial and reputational damage



or penalties because of the unauthorised loss and disclosure of information belonging to it or to its clients.

Vault software may also be vulnerable to attack or piracy if Third Party security systems are breached which may also result in financial and reputational damage. Further, the legal and regulatory environment surrounding information security is increasingly complex and demanding. Failures or breaches of data protection, whether accidental or intentional, can result in reputational damage, regulatory impositions (such as for breaches of the *Privacy Act 1998* (Cth)) and financial loss, including Claims for compensation by customers or penalties by regulatory authorities and increased regulatory scrutiny.

Vault may be adversely affected by malicious Third Party applications that interfere with or exploit security flaws in its products or platforms. It is possible the measures taken by Vault will not be sufficient to prevent unauthorised access to, or disclosure of, confidential and proprietary information about Vault, its customers, employees or Third Parties.

If, as a consequence of cyber-attack Vault cannot provide services to its customers, it may result in a loss of market share, damage to reputation and brand, customer compensation and regulatory action. This may result in increased expenses and reduced revenue.

**(n) Faults with products**

Vault's products comprise of complex programming. While efforts are made to eradicate operating issues, it is possible that Vault's products may contain errors, bugs or weaknesses that compromise their functionality. These faults, if they occur, may cause damage to Vault's brand, a resulting loss of customers and distribution partners, reduction in market share and corresponding revenue and liability exposure which may have an adverse effect on Vault's operations and performance.

**(o) Regulatory requirements**

It is possible that changes to legal frameworks and standards impacting Vault's industry may have an impact on Vault's operations and success. If Vault fails to appropriately respond to such changes, Vault's brand and financial performance may suffer.

**(p) Customer service**

Vault customers may need to engage with Vault's customer service teams in order to resolve technical issues or disputes. Vault must employ or contract staff able to appropriately respond to customer requests. Poor customer service may lead to a reduction in market share as consumers switch to competitors with better customer service offerings. Poor or ineffective customer service may lead to adverse publicity, litigation, regulatory issues and a loss of consumers which would have a negative impact on Vault's reputation and financial prospects.

Vault also sells products through its partners and resellers and is therefore reliant on their customer service departments. Poor customer service experiences may impact the success of Vault's business through these partners and resellers.



(q) **Technological development**

Vault's commercial success is, in part, reliant on its ability to develop its product offerings and grow its business in concert with technological developments. A failure to sufficiently do so may impact the long-term success of Vault.

The cost of responding to and adapting to new technologies is unpredictable and in some circumstances may be prohibitive. The variability in cost may have impacts on Vault's capacity to expand or maintain its business and competitive product offerings.

(r) **Arrangements with Third Party suppliers**

Vault relies on some Third Party suppliers and counterparties to maintain and support its product offerings and provide continued access to its platforms and data. Vault may face substantial commercial disruption, reputational damage, and significant cost if:

- (i) any Third Party providers should suffer outages impacting the delivery of services or access to products for consumers;
- (ii) any Third Party providers fail to perform their obligations; or
- (iii) if arrangements with Third Party providers are terminated or altered with the effect of imposing detriment on Vault and its consumers, and Vault is unable to find any commercially viable alternative in a timely manner.

(s) **Misuse of Vault products**

Users of Vault's products are subject to Vault's terms and conditions of use. Although Vault has mechanisms in place to minimise product misuse, there is no guarantee that these mechanisms will be successful in the event a consumer attempts to use Vault products in an unlawful or prohibited manner. If a Vault product is misused, it may result in adverse publicity, litigation, regulatory enquiries, and reduced consumer uptake of Vault products. This may negatively impact on Vault's commercial success.

(t) **Insurance cover**

Vault may lack adequate insurance coverage or may not have a relevant insurance in order to address all risks. If Vault incurs loss or liability and the insurances in place are unavailable or inadequate to account for the damages, Vault's financial position and performance will be compromised.

(u) **Disruption to Vault's technology platform**

Vault's business is reliant on the performance, reliability, and availability of its underlying technology platform, which is reliant on Third Party communications systems. There is a risk of disruption to Vault's technology platform, such as:

- (i) failure in the design of the technology platform; or
- (ii) a force majeure event which may impact on the systems of Vault or crucial suppliers.



Although Vault has mechanisms in place to minimise the impact of risk events, these strategies may prove to be inadequate or unsuccessful. The unavailability of the Vault technology platform could lead to reputational damage and impact negatively on Vault's relationships with customers and its financial performance.

(v) **Protection of intellectual property**

Vault's business is dependent on its ability to maintain its intellectual property rights. Vault relies heavily on laws targeted at providing intellectual property protections.

Unauthorised copying or imitation of Vault's intellectual property may occur. Monitoring unauthorised use is complex, time consuming and costly. Vault may be unable to adequately or completely detect or protect against unauthorised use of Vault's intellectual property.

It is possible that the validity, ownership or use of Vault's intellectual property will be challenged by third parties. Defending these Claims may cause Vault to incur significant cost and expense, and lead to some reputational damage. If the defence of such Claims is unsuccessful, Vault may be required to pay damages and costs to a Third Party, and/or stop using the material subject of the dispute.

If Vault develops new intellectual property, it may not be able to obtain sufficient intellectual property protections. In addition, competitors may independently develop intellectual property and technology similar to Vault's without impinging on Vault's intellectual property rights. This may impact Vault's performance, competitiveness, market share and financial performance.

(w) **Compliance with regulation**

Vault is subject to regulations concerning the conduct of its business. A failure to comply with these regulations may lead to Vault incurring penalties with negative consequences for Vault's operations and reputation.

(x) **Reliance on key personnel**

Oversight of day-to-day operations and the strategic management of Vault are substantially dependent upon Vault's management and key personnel. Whilst these key personnel have entered or will be entering into service agreements with Vault, one or a number of these key personnel may cease their employment or involvement with Vault. The future success of Vault also depends upon its continuing ability to attract and retain highly qualified personnel.

(y) **Foreign exchange fluctuation risk**

Vault's financial statements are presented in Australian dollars. Vault has a portion of current sales revenue denominated in currencies other than the Australian dollar, most notably New Zealand dollar (NZD) and Singapore dollar (SGD). As a result, Vault's revenue is, to some extent, sensitive to movements in the exchange rate between the NZD and SGD and the Australian dollar. The proportion of revenue denominated in currencies other than the Australian dollar may increase over time as Vault continues to grow and expand into overseas jurisdictions. At present, Vault does not hedge this exposure, and as a result



any changes in the exchange rates in the jurisdictions in which Vault operates may adversely impact Vault's business, operations and financial performance.

**(z) Renewal and transfer of lease arrangements**

Vault's staff operate from leased premises. The various Vault leases have differing legal terms, expiry dates and renewal options. There is a risk that one or more of these leases may not be renewed on terms acceptable to Vault. If this were to occur it may adversely affect Vault's operations and financial performance in the short term whilst Vault seeks alternative premises for that part of its business.

**(aa) Brand and reputation risk**

The ability of Vault and each of its key Third Parties to maintain their respective reputations is critical to the ongoing financial performance of Vault. Vault's reputation may be adversely affected if it fails to maintain high standards for service quality or by a number of factors beyond its control. Damage to Vault's reputation could have an adverse effect for customer loyalty, relationships with key Third Parties, employee retention rates and demand for Vault's products and services.

**(bb) Litigation risk**

Like any business, disputes or litigation may arise from time to time in the course of the business activities of Vault. There is a risk that any material or costly dispute or litigation could adversely affect the reputation or financial performance of Vault or the price of Vault Shares.

#### **10.4 Risks relating to the Damstra Shares**

**(a) Failure to effectively attract new or retain existing clients**

Damstra's business depends on its ability to retain existing clients, attract further business from existing clients and to gain new clients. There is a risk Damstra's existing clients reduce their usage of solutions, for example, in terms of the number of licences, the number of sites on which a solution is present, and/or the number of services or modules used. This would result in a reduction in the level of payments they make to Damstra. While many of Damstra's clients are on fixed-term contracts, there is a risk that these contracts are not renewed or are terminated, which may result in a decrease in Damstra's revenue. There is also a risk that new clients fail to select Damstra's solution for their business.

Damstra's ability to retain existing clients and attract new clients, as well as its clients' level of usage of its solution, depends on many factors including the adequacy of the solution with respect to matters such as functionality, reliability, cost-effectiveness, pricing, client support and value compared to competing products. In addition, clients' use of the solution may be affected by external factors such as changes to laws and regulations. If Damstra's clients do not continue to use its solution or increase their use over time, or if new clients do not choose to use Damstra's solution, the growth in its revenue may slow or decline.

**(b) Decline in construction and mining sector or economic conditions**



A decline in regional and global construction and mining volumes or recessionary economic conditions may adversely affect Damstra's financial performance. A number of Damstra's clients operate in the construction and mining sectors. These sectors can be affected by various economic and political factors as well as general economic conditions. Any downturns in construction activity or declines in commodity prices could negatively impact client demand for its solution and therefore adversely impact Damstra's operating and financial performance.

There is also a risk that a downturn in economic conditions could negatively impact Damstra's clients, therefore reducing their usage of its solution. This may adversely impact Damstra's business, financial performance and operations.

(c) **Lack of success of sales and marketing strategy**

Damstra's business is partly dependent on the conversion of client sales from investment in sales and marketing campaigns and initiatives, which is expected to continue to increase as Damstra's business grows. Promoting awareness of its brand and reputation is critical to its success as an integrated, SaaS-based workforce management solutions provider. Damstra may not realise benefits from such investments for several years or may not realise benefits from such investments at all. Failure to realise the intended benefits from sales and marketing investment could negatively impact Damstra's ability to attract new clients and may adversely impact its operating and financial performance.

(d) **Increased competitive pressures**

Damstra compete against other single and multi-point workforce management solution providers, as well as with global enterprise software companies and in-house developed solutions. The broader workforce management solutions market is evolving, fragmented along product and geographical lines and becoming increasingly competitive. In addition, some of Damstra's existing and potential competitors have significantly more financial and operational resources than Damstra.

Damstra faces the risk that:

- (i) it will fail to increase adoption and usage of its solution compared to that of its competitors;
- (ii) its solution will fail to meet the expectations of its clients or it will fail to implement changes to satisfy the changing expectations of its clients, relative to its competitors;
- (iii) it will fail to anticipate and adapt to technology changes as quickly as its competitors;
- (iv) technological advancements could make its products obsolete;
- (v) its competitors enhance their product offering to improve their competitive positioning relative to Damstra by increasing the functionality of their solutions or increasing the number of modules they offer to clients;



- (vi) existing or potential competitors increase their market share through aggressive marketing campaigns, product innovation or development, improved functionality, price discounting or acquisitions;
- (vii) new entrants into the workforce management solutions market could develop solutions which compete directly with Damstra; and
- (viii) in-house developed solutions may become preferred to outsourced workforce management solutions.

If any of these risks arise, Damstra may compete less effectively against its competitors which could reduce its market share and its ability to develop or secure new clients. This could have an adverse impact on Damstra's business, operations and financial performance.

**(e) Loss of key contracts and arrangements**

Damstra's business relies on a number of key contracts and arrangements, including both customer and supplier contracts.

Any failure to maintain, renew or replace key contracts and arrangements on commercially acceptable terms, or any failure by a party to perform its obligations under such contracts or arrangements, could have a material adverse effect on Damstra's business, operations and financial performance. There is a risk that it may lose key contracts and arrangements for a variety of reasons. Certain key contracts and arrangements may be terminated by the counterparty for convenience. In these cases, Damstra may not have contractual certainty in respect of the term of the relevant contract or arrangement or the operation of such contract or arrangement. As a result, these contracts and arrangements may give rise to a greater risk of unexpected termination or renegotiation of key commercial terms, or disputes. In addition, there is a risk that Damstra may lose key contracts and arrangements due to a breach of contract by either the relevant counterparty or Damstra. In particular, certain key contracts and arrangements contain change of control clauses which may be triggered by this Scheme or a future change in ownership. Unless the necessary consents or waivers of the relevant counterparties are obtained, such counterparties may seek to exercise or enforce rights under or in respect of the relevant contracts or arrangements, including rights of termination and/or damages claims for breach of contract. The enforcement of such rights may have an adverse impact on Damstra's revenue and financial performance.

**(f) Pricing risk**

Damstra primarily generates revenue by charging annual hardware and software subscription fees to its clients for the length of their contract, based on the type of products or modules chosen by the client and the number of licences they require. Upon expiry of their contract, Damstra's clients may try to renegotiate contract terms for more favourable provisions including price discounts which would result in a direct reduction in the payments they make to Damstra and have a negative impact on Damstra's financial performance. While Damstra may resist such attempts to renegotiate prices, business economics, market conditions or competitive forces may dictate such terms need to be accepted.



(g) **Reliance on uptake of SaaS-based workforce management software solutions**

Damstra's future revenue growth depends, in part, on the increasing adoption of SaaS-based workforce management software solutions. It may be difficult for Damstra to persuade potential clients to change existing on-premise, manual paper-based or point solutions and adopt Damstra's integrated hardware and software solutions. If Damstra's solutions are not accepted or used by more organisations or if the market for such solutions fails to grow as expected, Damstra's platform could be adversely affected and revenue growth may slow, which could negatively impact Damstra's business, operations and financial performance.

(h) **Operations in foreign jurisdictions or unfamiliar markets**

Damstra currently operates in certain overseas jurisdictions and is seeking to expand into various other foreign countries (including Ghana and Peru). These foreign jurisdictions may be subject to a range of different legal and regulatory regimes. As Damstra expands its presence into international jurisdictions, it will be subject to the risks associated with doing business in regions which may have political, legal and economic instability or less sophisticated legal and regulatory systems, including:

- (i) unexpected changes in, or inconsistent application of, applicable foreign laws and regulatory requirements;
- (ii) less sophisticated technology standards;
- (iii) difficulties engaging local resources; and
- (iv) potential for political upheaval or civil unrest which could have a material adverse effect on Damstra's business, operations and financial performance.

In addition, there is a risk that Damstra may fail to understand the laws, regulations and business customs of these regions. There is also a risk that Damstra could face legal, tax or regulatory sanctions or reputational damage as a result of any failure to comply with (or comply with developing interpretations of) applicable laws, regulations, codes of conduct and standards of good practice. This gives rise to risks including, but not limited to, labour practices, foreign ownership restrictions, tax regulation, difficulty in enforcing contracts, changes to or uncertainty in the relevant legal and regulatory regimes and other issues in foreign jurisdictions in which Damstra currently or may operate. A breach in any of these areas could result in fines or penalties, the payment of compensation or the cancellation or suspension of its ability to carry on certain activities or product offerings could interrupt or adversely affect parts of Damstra's business and may have an adverse effect on its business, operations and financial performance.

(i) **Failure to adequately maintain and develop Damstra's workplace management solution**

The Damstra business model depends on Damstra's ability to continue to ensure that clients are satisfied with their workplace management solutions. There is a risk that Damstra may fail to maintain Damstra's workplace



management system adequately, or that updates may introduce errors and/or performance issues, causing client satisfaction in Damstra's solution to fall. Client satisfaction may also fall as a result of real or perceived reductions in functionality, product quality, reliability, cost-effectiveness or client support for Damstra's solution, or a failure to accommodate and reflect changes and developments in technology and in the commercial, compliance and regulatory environment. Any of these factors may result in reduced sales and usage, loss of clients, damage to Damstra's reputation, an inability to attract new clients and potential Claims for compensation.

Damstra's future growth may also depend on Damstra's ability to develop enhancements and new features for Damstra's solution so that it continues to satisfy client needs, attract new clients and generate additional revenue from increased usage. There is a risk that the development and introduction of new features and modules does not result in a successful outcome for Damstra due to various reasons, including insufficient investment, unforeseen costs, poor performance and reliability, low client acceptance, existing competition or economic and market conditions. The failure to successfully develop new product features and modules may have a materially adverse impact on Damstra's future operations and financial performance.

**(j) Disruption or failure of technology systems and software**

Both Damstra and Damstra's clients are dependent on the performance, reliability and availability of Damstra's technology platforms, data centres and global communications systems (including servers, the internet, hosting services and the cloud environment in which Damstra provide Damstra's products). There is a risk that these systems may be adversely affected by disruption, failure, service outages or data corruption that could occur as a result of computer viruses, "bugs" or "worms", malware, internal or external misuse by websites, cyber-attacks or other disruptions including natural disasters, power outages or other similar events. These events may be caused by events outside of Damstra's control, and may lead to prolonged disruption to Damstra's platform, operational or business delays and damage to Damstra's reputation. This could potentially lead to a loss of clients, legal Claims by clients, and an inability to attract new clients, any of which could have a materially adverse impact on Damstra's business, operations and financial performance.

**(k) Cyber security incidents**

The use of information technology is critical to Damstra's ability to deliver Damstra's products and services to clients and the growth of Damstra's business. It is possible that the measures Damstra take to prevent technology breaches may prove to be inadequate which may result in cyber-attacks, unauthorised access to data, financial theft and disruption to business-as-usual services. Any accidental or deliberate security breaches or other unauthorised access to Damstra's information technology systems or client data may result in reputational damage, a loss of confidence in the services Damstra provide, a disruption of services to clients, Claims by clients, loss of clients, theft, misappropriation of funds, legal action and regulatory scrutiny. Damstra may also incur costs as a result of rectifying system vulnerabilities or introducing additional safeguards to minimise the risk of future security breaches. Any of



these events could adversely impact Damstra's reputation, business and financial performance.

In addition, Damstra's products involve the storage and transmission of Damstra's clients' confidential and proprietary data including intellectual property, confidential business information, information regarding the employees and subcontractors of Damstra's clients and other confidential information. Damstra's business could be materially impacted by security breaches in respect of Damstra's clients' data by unauthorised access, theft, destruction, loss of information, misappropriation, misrepresentation or release of confidential client data. There is also a risk that any measures Damstra takes may not be sufficient to prevent or detect unauthorised access to, or disclosure of, such confidential or proprietary data. Any of these events could cause a material disruption to Damstra's business and operations. This may also expose Damstra to reputational damage, legal Claims by clients, regulatory investigations or fines and termination of contracts, any of which could materially impact Damstra's operating and financial performance. There is no guarantee that insurance will be adequate to cover potential financial exposures for one of more of these circumstances.

Finally, any security or data issues experienced by other cloud software companies globally could adversely impact clients' trust in cloud solutions generally and could adversely affect Damstra's ability to migrate clients to Damstra's cloud platform.

**(l) Failure to realise benefits from research and development**

Damstra have invested significantly in research and development over the last 17 years, and Damstra expect to continue to do so in the future in order to further expand and improve Damstra's solution and to maintain its competitive position.

When investing in research and development Damstra makes certain assumptions about the expected future benefits generated by the investment and the expected timeframe in which such benefits may be realised. These assumptions are subject to change and involve both known and unknown risks that are beyond Damstra's control. Any change to these assumptions may have an adverse impact on Damstra's ability to realise benefits from innovation and product development related costs.

**(m) Failure to manage growth**

Damstra have experienced a period of considerable growth in revenue, employee numbers and users of the solution. Based on Damstra's projections, Damstra expects further growth in the future which could place strain on current management, operational and finance resources as well as the infrastructure supporting Damstra's solution. Failure to appropriately manage growth could result in failure to retain existing clients and a failure to attract new clients, which could adversely affect Damstra's operating and financial performance.

**(n) Reliance on Third Party information technology suppliers**

Damstra relies on certain contracts with Third Party suppliers, to maintain and support Damstra's information technology infrastructure, particularly related to Damstra's cloud services. In particular, Damstra relies on Third Party suppliers



for the provision of database and software infrastructure. Any failure or disruption to the services provided from or termination of contracts for any reason with Third Party service providers could negatively impact Damstra's operating and financial performance. It could also expose Damstra to Claims for loss and damage from Damstra's clients that may exceed the amounts that Damstra is entitled to recover from the Third Party service providers.

(o) **Platform capacity**

Clients' use of Damstra's solution can vary from time to time depending on each client's business requirements. There is a risk that at any one time, a spike in utilisation volumes could mean that demand for Damstra's products exceeds the capacity of Damstra's platform and infrastructure capability, which in turn could result in a service outage, loss of client data or the inability for workers to access certain sites. The failure to manage these risks could result in client dissatisfaction and make it more difficult to attract new clients, thereby having an adverse impact on Damstra's operations and financial performance.

(p) **Failure to protect Damstra's intellectual property rights**

The value of Damstra's solution is dependent on Damstra's ability to protect its intellectual property, including business processes, know-how, copyrights and trademarks. There is a risk that Damstra may be unable to detect the unauthorised use of intellectual property rights in all instances. In addition, actions to protect Damstra's intellectual property may not be adequate or enforceable and this may not prevent the misappropriation of Damstra's intellectual property and proprietary information. A breach of Damstra's intellectual property may result in the need for Damstra to commence legal action which could be costly, time consuming and potentially difficult to enforce in certain jurisdictions or may ultimately prove unfavourable to Damstra. Damstra's failure to protect its intellectual property rights could have an adverse impact on Damstra's operations and financial performance.

(q) **Breach of Third Party intellectual property rights**

There is a risk that third parties may allege that Damstra's products use intellectual property derived by them or from their products without their consent or permission. Damstra may be the subject of Claims which could lead to disputes or litigation, which could result in the payment of monetary damages, cause delays and increase costs, which in turn could have an adverse impact on Damstra's operations, reputation and financial performance.

(r) **Inability to attract or retain key personnel**

Damstra's success is dependent upon the ongoing retention of key personnel, including the current CEO, Christian Damstra, the current Executive Chairman, Johannes Risseuw, as well as members of the senior management and product teams. There is a risk that Damstra may not be able to attract and retain key personnel or be able to find effective replacements for key personnel in a timely manner. The loss of such personnel, or any delay in their replacement, could have a material adverse impact on management's ability to operate the business and achieve Damstra's growth strategies and prospects, including through the development and commercialisation of new solutions or modules. The loss of key personnel could also have an adverse impact on



Damstra's operations and financial performance, and result in the potential loss of key client relationships and business process knowledge.

(s) **Compliance with law and regulations**

Damstra's business is subject to a range of laws and regulations, including in relation to privacy and data protection as well as other matters. Many of these laws and regulations are constantly evolving and are subject to change and uncertain interpretation. In addition, new laws and regulations may be implemented in the future that could impact Damstra's business. While Damstra is increasingly focusing attention on the development of internal compliance with legal and regulatory requirements, these processes may not ensure compliance with all relevant laws and regulations across all the jurisdictions in which Damstra operates. It is also possible that Damstra's developing compliance structures may not yet be or become sufficient to enable Damstra's business to address the changing regulatory environment and any changing expectations from government regulators. Any past, current or future violations of applicable laws and regulations (whether in or outside of Australia) may have a material adverse effect on Damstra's reputation, financial performance and business operations. There is also a risk that changes to the legal and regulatory environment which affects Damstra's business may require Damstra to incur additional costs in order to comply with those laws and regulations.

(t) **Litigations, Claims, disputes and regulatory investigations**

Damstra has offices, agreements or arrangements with employees, clients and suppliers in several jurisdictions around the world. These arrangements and Damstra's activities in relation to them may be subject to local laws which differ from jurisdiction to jurisdiction. There is a risk Damstra may be subject to litigation, Claims and disputes in the course of Damstra's business, including contractual disputes and indemnity Claims, misleading and deceptive conduct Claims, intellectual property disputes and employment-related Claims. There is also a risk Damstra may be subject to regulatory investigations and sanctions or fines by governmental agencies in the event of non-compliance with relevant statutory or regulatory requirements. Such investigations, sanctions or fines may be as a result of how Damstra employ people (for example whether Damstra appropriately characterise people as employees or contractors and have paid or withheld appropriate amounts of tax, or occupational health and safety investigations) or how Damstra advertise Damstra's products, or in relation to licensing or other compliance requirements.

Such litigation, Claims, disputes or investigations, including the costs of settling Claims or paying sanctions or fines, and any associated operational impacts, may be costly and damaging to Damstra's reputation and business relationships, any of which could have an adverse effect on Damstra's financial performance, position or industry standing.

(u) **Foreign exchange fluctuations**

Damstra's financial statements are presented in Australian dollars. Damstra has a portion of current sales revenue denominated in currencies other than the Australian dollar, most notably U.S. dollars. As a result, Damstra's revenue is increasingly sensitive to movements in the exchange rate between the U.S. dollar and Australian dollar. The proportion of revenue denominated in



currencies other than the Australian dollar may increase over time as Damstra continues to grow and expand into overseas jurisdictions. At present, Damstra's does not hedge this exposure, and as a result any changes in the exchange rates in the jurisdictions in which Damstra operates may adversely impact Damstra's business, operations and financial performance.

(v) **Due diligence, warranty and integration risks associated with business acquisitions**

Damstra have recently completed strategic acquisitions of both EIFY and Velpic and may seek to undertake further acquisitions in the future. While Damstra will attempt to undertake all reasonable and appropriate due diligence in respect of any acquisition opportunities, there is a risk that Damstra's due diligence and analysis may be incomplete or inaccurate, warranties or indemnities cannot be obtained, or that the benefits and synergies Damstra anticipates from such acquisitions may not be realised due to a variety of factors. While Damstra will endeavour to obtain customary warranties and indemnities in relevant transaction documentation, there is a risk that potential issues are subsequently uncovered and that these risks cannot be fully mitigated by such contractual protections. If an unforeseen liability arises in respect of which Damstra is not able to rely on contractual protections, this may adversely affect Damstra's financial and operating performance.

Damstra intends to integrate strategic acquisitions, which includes the process of transitioning clients of the acquired business onto Damstra's solution. There is a risk that clients of acquired businesses do not successfully transition onto Damstra's solution (which may be due to their unwillingness to pay a higher price for Damstra's services), or do not believe there is an operational need to make the change. There is also a risk that the transition process requires significantly more financial and management resources, or time to complete, than originally planned.

Future expansion by acquisition may be affected by factors beyond Damstra's control, which may result in there being limited or unsuitable acquisition opportunities at the relevant time. There can be no assurance that suitable future acquisition opportunities will arise, or if they do arise, that they will be able to be made on acceptable terms. In addition, there is a risk that the acquisitions may fail to meet Damstra's strategic and financial objectives, generate the synergies and benefits that Damstra expects, or provide an adequate return on the purchase price and resources invested in them. This may occur due to a variety of factors, including poor market conditions, poor integration of personnel, personnel losses, client losses, technology impacts or other integration barriers.

Any of the above factors, either individually or in combination, may have an adverse effect on Damstra's future operations and financial performance.

(w) **Failure to keep abreast of changes in political, compliance and regulatory environments**

Damstra's business is influenced and affected by global laws and government policy. There is a risk that Damstra may fail to keep abreast of these potential changes, which could have an adverse impact on their business and operations. In particular, global laws and regulations regarding data privacy and



internet regulation are continuing to evolve. Any new or altered laws or regulations which affect Damstra's business could require Damstra to increase spending and employee resources on regulatory compliance and/or change their business practices, which could adversely affect Damstra's operations and profitability. Further, there is a risk that clients reduce their usage of Damstra's products, or Damstra fails to attract new clients, if Damstra fails to build into Damstra's product appropriate coverage of existing compliance or regulatory requirements sought by Damstra's clients which Damstra does not currently cover or features or innovation which adequately address changes and developments in compliance and regulatory requirements.

**(x) Ability to access capital markets or refinance debt on attractive terms**

Damstra has historically relied on debt and equity funding to help fund their business operations. Damstra's banking facilities will require refinancing in the future. Damstra may also seek to raise additional debt finance or new equity in the future to maintain or grow its business. Any deterioration in the level of liquidity in the debt and equity markets may prevent Damstra from being able to refinance some or all of its debt on favourable terms (if at all), or raise new equity. This may adversely impact Damstra's business, operating and financial performance.

**(y) Price of Damstra Shares may fluctuate**

Damstra Shares are subject to general market risk that is inherent in all securities listed on a stock exchange. This may result in fluctuations in New Damstra Share's price that are not explained by its fundamental operations and activities.

The price of Damstra Shares may increase or decrease due to a number of factors. These factors may cause the Damstra Shares to trade at prices below that at the date of this Scheme Booklet. There is no assurance that the price of Damstra Shares will increase following the Implementation Date, even if Damstra's earnings increase. Some of the factors which may adversely impact the price of the Damstra Shares include fluctuations in the domestic and international market for listed securities, general economic conditions including gross domestic product growth, interest rates, inflation rates, foreign currency fluctuations, commodity and oil prices, changes to fiscal, monetary or regulatory policies and settings, changes in legislation or regulation, inclusion in or removal from market indices, variations in sector performance (which may lead to investors exiting one sector in preference for another), initiatives by other sector participants (which may lead to investors switching from one stock to another), the nature of the markets in which Damstra operates and general operational and business risks.

Deterioration of general economic conditions may also affect Damstra's business operations, and the consequent returns from an investment in Damstra's Shares.

**(z) Trading in Damstra Shares might not be liquid**

There can be no guarantee that an active market for Damstra Shares will continue or that the price of Damstra Shares will increase following Implementation Date. There may be relatively few potential buyers or sellers of Damstra Shares on ASX at any time.



This may increase the volatility of the market price of Damstra Shares. It may also affect the prevailing market price at which Damstra Shareholders are able to sell their Damstra Shares.

**(aa) Inability to pay dividends**

Damstra's ability to pay dividends or make other distributions in the future is contingent on its profits and certain other factors, including the capital and operational expenditure requirements of the business. Therefore, there is no assurance that dividends will be paid. Moreover, to the extent that Damstra pays any dividends, its ability to offer fully franked dividends is contingent on making taxable profits. Damstra's taxable profits may be difficult to predict, making the payment of franked dividends unpredictable.

The value of franking credits to a Damstra Shareholder will differ depending on the Shareholder's particular tax circumstances. Shareholders should also be aware that the ability to use franking credits, either as a tax offset or to claim a refund after the end of the income year, will depend on the individual tax position of each Damstra Shareholder.

**(bb) Shareholder dilution**

In the future, Damstra may elect to issue Damstra Shares (including pursuant to incentive arrangements) or engage in fundraising activities for a variety of reasons, including to fund acquisitions or growth initiatives. While Damstra will be subject to the constraints of the Listing Rules regarding the percentage of its capital that they are able to issue within a 12-month period (other than where exceptions apply), Damstra Shareholders may be diluted as result of such issues of Damstra Shares and fundraisings.

**(cc) Interest rate fluctuations**

Changes in interest rates will affect borrowings which bear interest at floating rates. Any increase in interest rates will affect Damstra's costs of servicing borrowings and may affect the relative strength of the Australian and the U.S. dollar, each of which could materially and adversely affect Damstra's financial performance and position.

## **10.5 Risks relating to the Scheme and the creation of the Combined Group**

**(a) Completion of the Scheme is subject to several Conditions that must be satisfied or waived**

The implementation of the Scheme is subject to a number of Conditions as set out in clause 3 of the Scheme Implementation Deed (see section 4.5). There can be no certainty that these Conditions will be satisfied or waived (where applicable), or if satisfied or waived (where applicable), when that will occur. In addition, several of the Conditions to implementation of the Scheme are beyond the control of Vault or Damstra, including, but not limited to, approval of the Scheme by the requisite majority of Vault Shareholders and the Court.

If for any reason the Conditions to the Scheme are not satisfied or waived (where applicable) and the Scheme is not completed, the market price of Vault Shares and Damstra Shares may be adversely affected.



(b) **Court approval and delays**

There is a risk that the Court may not approve the Scheme or that Court approval may be delayed. In particular, if there is a material change in circumstances between the date of this Scheme Booklet and the Second Court Date, then, depending on the nature and timing of the change in circumstances:

- (i) Vault may be required to issue a supplementary document to this Scheme Booklet and the preparation of that supplementary document may result in delays to the indicative key dates at the front of this Scheme Booklet; and
- (ii) the Court will have regard to that change in deciding how it should proceed – if any such changes materially alter the Scheme, the Court may not approve the Scheme at the Second Court Hearing.

(c) **The Scheme Implementation Deed may be terminated by Vault or Damstra in certain circumstances**

Each of Vault and Damstra has the right to terminate the Scheme Implementation Deed in certain circumstances as set out in clause 10 of the Scheme Implementation Deed (see section 4.5). Accordingly, there is no certainty that the Scheme Implementation Deed will not be terminated by either Vault or Damstra before the implementation of the Scheme.

If the Scheme Implementation Deed is terminated, there is no assurance that Vault will be able to find a party willing to pay an equivalent or greater consideration for Vault Shares than the value to be provided pursuant to the terms of the Scheme Implementation Deed and the Scheme.

(d) **Value of the Scheme Consideration is not certain**

The implied value of the Scheme Consideration is liable to vary over time depending on the prevailing Damstra Share price, including between the date of this Scheme Booklet, the date of the Scheme Meeting and the date on which the Scheme Consideration is received by Scheme Shareholders.

If the Scheme is implemented, Vault Shareholders (other than Ineligible Foreign Shareholders) will receive New Damstra Shares. The market value of the New Damstra Shares to be issued will depend on the price at which Damstra Shares trade on ASX after the Implementation Date.

Following implementation of the Scheme, the Damstra Share price will likely fluctuate based on many variables, some of which are not directly related to the success of Damstra. In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies.

Damstra has offered 1 New Damstra Share for every 2.9 Vault Shares held under the terms of the Scheme. As this share ratio is fixed, the number of New Damstra Shares to be received by Vault Shareholders in the context of the Scheme will remain unchanged even if the market value of Damstra Shares



differs relative to the pre-implementation market values of Damstra Shares and Vault Shares.

No adjustment will be made to such ratio due to fluctuations in the market price of Damstra Shares or Vault Shares. Accordingly, any such fluctuations may adversely affect the market value of the New Damstra Shares from time to time.

**(e) Integration risk and realisation of anticipated synergies**

There is a risk that the performance and future prospects of the Combined Group could be adversely affected if Vault's business is not integrated effectively with Damstra's business. The integration of the Vault and Damstra businesses may give rise to unexpected challenges and issues, and there is no guarantee that the integration will be successful.

There is a risk that integration could take longer or cost more than anticipated, including as a result of the COVID-19 pandemic and applicable physical separation requirements, and that the anticipated benefits and synergies of the Combined Group will be less than estimated or will be realised over a longer period of time. Any failure to achieve the anticipated synergies may impact on the financial performance and position of the Combined Group and the future price of Damstra Shares. Potential factors that may influence a successful integration include:

- (i) disruption to the ongoing operations of both businesses;
- (ii) higher than anticipated integration costs;
- (iii) unforeseen costs relating to integration of infrastructure, IT platforms, network capabilities, management information systems and financial accounting systems of both businesses; and
- (iv) unintended loss of key personnel or expert knowledge or reduced employee productivity due to uncertainty arising as a result of the Combined Group.

**(f) Employees**

The Combined Group's success following implementation of the Scheme will depend in part upon its ability to retain people who are currently key employees of Damstra and Vault. Employee retention may be particularly challenging during the implementation of the Scheme and following integration of Damstra and Vault, as employees may experience uncertainty about their future roles.

If there is a departure of key employees during the implementation, or as a result of the Scheme, the Combined Group's business could be adversely affected.

Furthermore, the Combined Group may have to incur significant costs in identifying, hiring and retaining replacements for departing employees and may lose significant expertise and talent relating to the business, and the Combined Group's ability to realise the anticipated benefits of the Scheme may be adversely affected.



Implementation of the Scheme could result in the termination of management positions or employment contracts of certain executives or employees of Damstra or Vault, resulting in significant redundancy payments.

Certain key executives and other employees of Damstra or Vault and their respective Subsidiaries may terminate their management positions or their employment contracts on their own initiative or that of the Combined Group as a result of the Scheme. If members of the Combined Group's senior management depart, the Combined Group may not be able to find effective replacements in a timely manner, or at all, and its business may be disrupted.

**(g) Due Diligence**

The negotiations between Damstra and Vault were conducted on the basis of the information that was publicly available to each party and on voluntary disclosure by each party to the other.

While Damstra and Vault consider the due diligence investigations to have been adequate and consistent with market practice for a transaction of this type, the parties have not been able to verify the accuracy, reliability or completeness of all of the information provided to them against independent data.

As a result, following implementation of the Scheme, unknown liabilities of Vault or Damstra may arise, or expected types of liabilities may be greater than anticipated, and this may have a negative impact on the profitability, results of operations, financial position, market value and share price of the Combined Group, which the relevant party might otherwise have discovered if it had conducted a further due diligence review.

**(h) After market**

If a large number of shareholders in the Combined Group decide to sell their Damstra Shares (including, for Scheme Shareholders, those New Damstra Shares issued to them as the Scheme Consideration), there is a risk that the trading price of Damstra Shares will be adversely impacted by that selling.

**(i) Purchase price accounting**

The Combined Group Pro Forma Historical Statement of Financial Position at 30 June 2020 has been prepared on the basis of the assumptions set out in section 9.5. The actual values which will be attributable to each of these assumptions will only be determined at the Implementation Date. As part of integration, including through the process of purchase price allocation, the Combined Group will need to consider the carrying values of Vault assets and liabilities. Accordingly, there will be a risk that the Combined Group Pro Forma Historical Statement of Financial Position may be materially different from that presented in section 9.5.

**(j) Change of risk and investment profile**

After implementation of the Scheme, Scheme Shareholders (other than Ineligible Foreign Shareholders) will be exposed to risk factors relating to Damstra and certain additional risks relating to the Combined Group and integration of the two businesses.



While the operations of Vault and Damstra are similar in a number of ways, there will be differences between the size, capital structure, infrastructure and clients of the Combined Group and Vault currently.

#### 10.6 **Other risks**

Additional risks and uncertainties not currently known to Vault or Damstra may also have a material adverse effect on Vault, Damstra or the Combined Group and the information set out above does not purport to be, nor should it be construed as representing, an exhaustive list of the risks affecting Vault, Damstra or the Combined Group.



## 11. Tax Implications

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### 11.1 Overview

The following is a general description of the Australian tax consequences of the Scheme (assuming it becomes effective) for Vault Shareholders who participate in the Scheme. It does not constitute tax advice and should not be relied upon as such.

The following description is based upon the Australian law and administrative practice in effect at the date of this Scheme Booklet, but is general in nature and is not intended to be an authoritative or complete statement of the laws applicable to the particular circumstances of a Vault Shareholder. Vault Shareholders should seek independent professional advice in relation to their own particular circumstances.

The comments set out below are relevant only to those Vault Shareholders who hold their Vault Shares on capital account. The description does not address the Australian tax consequences for Vault Shareholders who:

- (a) hold their Vault Shares for the purposes of speculation or a business of dealing in securities (for example, as trading stock);
- (b) acquired their Vault Shares pursuant to an employee share, option or rights plan; or
- (c) are subject to the taxation of financial arrangements rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) in relation to gains and losses on their Vault Shares.

Vault Shareholders who are tax residents of a country other than Australia (whether or not they are also residents, or are temporary residents, of Australia for tax purposes) should take into account the tax consequences of the Scheme under the laws of their country of residence, as well as under Australian law.

### 11.2 Income tax

The following is a general description of the Australian tax consequences of the Scheme (assuming it becomes Effective).

The comments set out below are relevant only to those Shareholders who hold their Vault Shares on capital account. The description is based upon the Australian law and administrative practice in effect at the date of this Scheme Booklet but is general in nature and is not intended to be authoritative or complete statement of the laws applicable to the particular circumstances of a Shareholder.

The information below does not apply to Scheme Shareholders:

- (a) who hold their Vault Shares as a revenue asset or trading stock;
- (b) who are temporary residents of Australia for Australian taxation purposes;
- (c) who hold their Vault Shares in connection with a business carried on through a permanent establishment outside their country of residence;
- (d) in respect of any unlisted options issued by Vault; or



- (e) are subject to the taxation of financial arrangements rules in Division 230 of *the Income Tax Assessment Act 1997 (Cth)* in relation to gains and losses on their Vault Shares.

Vault Shareholders should seek independent professional advice in relation to their particular circumstances. This taxation advice should specifically consider whether the Vault Shareholder is entitled to CGT scrip-for-scrip rollover relief in connection with the Scheme. Shareholders who are tax residents of a country other than Australia (whether or not they are also residents or temporary residents of Australia for tax purposes) should take into account the tax consequences of the Scheme under the laws of their country of residence, as well as under Australian law.

### 11.3 Capital Gains Tax

#### (a) Australian resident shareholders

The Scheme will result in the disposal by Vault Shareholders of their Vault Shares to Damstra. This change of ownership of Vault Shares constitutes a CGT event A1 for Australian CGT purposes. The date of disposal of the Vault Shares for CGT purposes would be the Implementation Date.

Shareholders may make a capital gain on the disposal of Vault Shares to the extent that the capital proceeds from the disposal of the Vault Shares exceeds the 'cost base' of those Vault Shares (the availability of CGT scrip-for scrip rollover relief is discussed below). Conversely, Shareholders may make a capital loss to the extent that the capital proceeds are less than their 'cost base' of those Vault Shares.

##### (i) Cost base

The 'cost base' of the Vault Shares generally includes the cost of acquisition and any incidental costs of acquisition and disposal that are not deductible to the Shareholder.

##### (ii) Capital proceeds

The capital proceeds received in respect of the disposal of every 2.9 Vault Shares should be the market value of 1 Damstra Share received.

##### (iii) CGT discount

Generally, Australian resident Scheme Shareholders who are individuals, complying superannuation entities, trustees or life insurance companies may be entitled to reduce the amount of a capital gain made on the disposal of their Vault Shares, where they have held the shares for at least 12 months before the Implementation Date (this reduction is referred to as the CGT discount).

The CGT discount, if available, is applied after available capital losses have been applied to reduce the capital gain. The discount rate is currently 50% for individuals and trustees, and 33.3% for complying superannuation entities and life insurance companies (where the life insurance company qualifies for the CGT discount).



Scheme Shareholders who are companies or non-Australian tax residents are not entitled to the CGT discount (noting that non-Australian tax residents that have changed residency during their ownership period may be entitled to a partial CGT discount).

(iv) **Rollover relief**

Australian resident Scheme Shareholders who participate in the Scheme may be eligible for CGT scrip-for-scrip rollover relief.

In broad terms, eligible Scheme Shareholders who choose to obtain CGT scrip-for-scrip rollover relief disregard the CGT consequences of disposing their Vault Shares under the Scheme, including the capital gain that arises. The rollover relief does not apply where Scheme Shareholders make a capital loss.

Scheme Shareholders will generally need to choose CGT scrip-for-scrip rollover relief before lodging their income tax return for the year of income in which the CGT event occurs.

(v) **Future disposal of Damstra shares**

A Scheme Shareholder may wish to dispose of any Damstra Shares acquired under the Scheme at a later time. If the Scheme Shareholder chose to obtain CGT rollover relief on the disposal of their Vault Shares under the Scheme, the cost base and acquisition date of the Damstra Shares they acquired under the Scheme may be different.

In particular, for those Scheme Shareholders who were eligible for and chose to obtain CGT rollover relief in respect of their Vault Shares, the CGT rollover relief rules will determine the cost base of any Damstra Shares and their time of acquisition.

In general terms, where CGT rollover relief is chosen, the cost base of the Damstra Shares is equal to the existing cost base of the Vault Shares exchanged under the Scheme.

In those circumstances, each Damstra Share should also be deemed to have been acquired by the relevant Scheme Shareholder on the same date as the date the original Vault Share which gave rise to the entitlement to the Damstra Share was acquired. This deemed acquisition date is relevant for the availability of the CGT discount concession.

For all other CGT purposes, Scheme Shareholders should be taken to have acquired their ASX Damstra Shares at the time they are issued, which should be the Implementation Date.

Where CGT rollover relief is not chosen or is not available, the cost base of the Damstra Shares should be equal to the market value of the Vault Shares exchanged under the Scheme. In this case, the Damstra Shares should be taken to have been acquired at the time they are issued, which should be the Implementation Date.

(b) **Non-resident Vault shareholders**



Broadly, for a Vault Shareholder who:

- (i) is not a resident of Australia for Australian tax purposes; and
- (ii) does not hold their Vault Shares in carrying on a business through a permanent establishment in Australia,

the disposal of Vault Shares should not result in Australian CGT implications, as direct and indirect interests in taxable Australian real property (as defined in the income tax legislation) does not represent more than 50% of Vault's assets.

The cost base of the Damstra Shares for non-Australian resident Vault Shareholders participating in the Scheme should be equal to the market value of the Vault Shares exchanged under the Scheme. The Damstra Shares should be taken to have been acquired at the time they are issued, which would be the Implementation Date.

Note that any non-Australian tax resident Vault Shareholders who had previously been a resident of Australia and chose to disregard a capital gain or loss on ceasing to be a resident, would be subject to Australian CGT consequences on disposal of the Vault Shares.

#### **11.4 Stamp duty**

No duty should be payable in any Australian jurisdiction by Vault Shareholders in respect of the disposal of their Vault Shares.

Further, no stamp duty should be payable in any Australian jurisdiction by Vault Shareholders in respect of the issue to them of Damstra Shares provided that no Vault Shareholder, either directly or when aggregated with interests held by associates of that Vault Shareholder, obtains an interest in Damstra of 90% or more on issuance of the Scheme Consideration pursuant to the Scheme.

#### **11.5 GST**

Vault Shareholders should not be liable to GST in respect of a disposal of those Vault Shares pursuant to the Scheme. Shareholders may incur GST on costs (such as third party brokerage and adviser fees) that relate to the Scheme. Shareholders that are registered, or required to be registered, for GST may not be entitled to full input tax credits for any GST payable on such costs but may be entitled to "reduced input tax credits" (at the rate of 75%) for some acquisitions. This will depend on each Shareholders' individual circumstances and specific professional tax advice should be sought in relation to this matter.

#### **11.6 Foreign resident capital gains withholding tax**

A foreign resident capital gains withholding tax applies to any transaction involving the acquisition of the legal ownership of an asset that is a direct or indirect Australian real property interest from a "relevant foreign resident".

As the Vault Shares are not taxable Australia property, on the basis that Vault does not hold direct and/or indirect interests in taxable Australian real property (as defined in the income tax legislation) representing more than 50% of Vault's assets, foreign resident capital withholding tax would not apply.



## 12. Additional information

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### 12.1 Scheme Implementation Deed

On 8 July 2020, Vault and Damstra entered into the Scheme Implementation Deed under which Vault agreed to propose the Scheme. The Scheme Implementation Deed contains terms and conditions that are standard for these types of agreements, including in relation to the parties' obligations to implement the Scheme and the obligation of Vault to conduct its business in a certain way during the Scheme process.

A summary of the key elements of the Scheme Implementation Deed is set out below. A full copy of the Scheme Implementation Deed was lodged with ASX on 8 July 2020 and can be obtained from [www.asx.com.au](http://www.asx.com.au) or the Vault investor website <https://investors.vaultintel.com/>.

#### (a) Conditions

Implementation of the Scheme is subject to the following Conditions which must be satisfied or waived (if capable of waiver) before the Scheme can be implemented:

- (i) **Independent Expert's Report:** the Independent Expert issues its report, which concludes that the Scheme is in the best interests of Vault Shareholders.
- (ii) **Court approval:** the Court approves the Scheme.
- (iii) **Vault Shareholder approval:** Vault Shareholders approve the Scheme at the Scheme Meeting by the requisite majorities.
- (iv) **ASX quotation:** ASX approves the official quotation of the New Damstra Shares on ASX by 8:00am on the Second Court Date.
- (v) **Restraints:** no restraining order, injunction or other order is made that would prevent the Scheme from becoming Effective.
- (vi) **No Vault Prescribed Occurrence:** no Vault Prescribed Occurrence occurs between the date of the Scheme Implementation Deed and 8:00am on the Second Court Date.
- (vii) **No Damstra Prescribed Occurrence:** no Damstra Prescribed Occurrence occurs between the date of the Scheme Implementation Deed and 8:00am on the Second Court Date.
- (viii) **Vault Material Adverse Event:** No Vault Material Adverse Event occurs between the date of the Scheme Implementation Deed and 8:00am on the Second Court Date.
- (ix) **Damstra Material Adverse Event:** No Damstra Material Adverse Event occurs between the date of the Scheme Implementation Deed and 8:00am on the Second Court Date.



- (x) **Vault Options:** Before 8:00am on the Second Court Date each holder of Vault Options has entered into a binding agreement for the cancellation or exchange of all of their Vault Options.

Full details of the Conditions and the ability of Vault and Damstra to rely on the various Conditions and the provisions relating to satisfaction or waiver of these conditions is set out in clause 3 of the Scheme Implementation Deed. As at the date of this Scheme Booklet, Vault is not aware of any reason why any outstanding Conditions will not be satisfied.

(b) **Implementation steps**

The Scheme Implementation Deed requires Vault to take all steps reasonably necessary to implement the Scheme in accordance with the Timetable and otherwise on and subject to the terms of the Scheme Implementation Deed. Vault must also consult with Damstra on a regular basis about Vault's progress in satisfying its obligations under clause 4.1 of the Scheme Implementation Deed, including in relation to:

- (i) appointing the Independent Expert;
- (ii) preparing the information regarding the Combined Group for inclusion in the Scheme Booklet;
- (iii) preparing the Scheme Booklet (other than the Damstra Information and the Independent Expert's Report) and provide Damstra with drafts in a timely manner;
- (iv) providing an advanced draft of the Scheme Booklet to ASIC for its review;
- (v) procuring that a meeting of the Vault Board (or a sub-committee) is convened to approve the despatch of the Scheme Booklet;
- (vi) applying to ASIC for a letter stating that ASIC does not intend to appear at the First Court Hearing and a statement that ASIC has no objection to the Scheme;
- (vii) applying to the Court for orders directing Vault to convene the Scheme Meeting;
- (viii) requesting that ASIC register the Scheme Booklet;
- (ix) despatching the Scheme Booklet to Vault Shareholders;
- (x) if, after despatch of the Scheme Booklet, Vault becomes aware:
  - (A) that information included in the Scheme Booklet is or has become misleading or deceptive in any material respect (whether by omission or otherwise); or
  - (B) of information that is required to be disclosed to Vault Shareholders under any applicable law, ASIC published policy, Takeovers Panel guidance note or Listing Rule but was not included in the Scheme Booklet,



promptly consulting with Damstra and making any supplementary disclosure to Vault Shareholders that Vault considers reasonably necessary in the circumstances;

- (xi) convening and holding the Scheme Meeting;
- (xii) at the Second Court Hearing, providing a certificate confirming whether or not the Conditions (other than the Condition in clause 3.1(b) of the Scheme Implementation Deed) have been satisfied or waived;
- (xiii) applying to the Court for orders approving the Scheme;
- (xiv) lodging with ASIC an office copy of the orders made by the Court;
- (xv) if the Scheme becomes Effective, finalising and closing the Share Register as at the Record Date, and determine entitlements to the Scheme Consideration, in accordance with the Scheme;
- (xvi) following despatch of the Scheme Booklet to Vault Shareholders, providing Damstra with a complete copy of its Share Register as at the Record Date;
- (xvii) if the Scheme becomes Effective and subject to Damstra having issued the Scheme Consideration in accordance with the Deed Poll, executing and registering, on behalf of Scheme Shareholders, instruments of transfer to effect the transfer of all of the Scheme Shares to Damstra;
- (xviii) applying to ASX to have:
  - (A) trading in Vault Shares suspended from the close of trading on the Effective Date; and
  - (B) Vault removed from the official list of ASX, and quotation of Vault Shares on ASX terminated, by the close of trading on the trading day immediately following the Implementation Date; and
- (xix) participating in efforts reasonably requested by Damstra to promote the merits of the Scheme.

(c) **Business Restrictions**

The Scheme Implementation Deed requires that Vault carry on its business in the ordinary course. In addition, subject to some exceptions, Vault must not, and must ensure its Subsidiaries do not undertake certain activities. These restrictions are set out in clause 5 of the Scheme Implementation Deed and state, among other things, that Vault must not and must procure that no other member of the Vault Group:

- (i) declares, pays or distributes any dividend, bonus or other share of its profits or assets or returns any capital to its members other than by a Subsidiary to Vault;
- (ii) makes any change to its constitution;



- (iii) acquires, leases or disposes of any securities, business or assets having a value in excess of \$400,000, other than to or from another member of the Vault Group;
- (iv) makes a commitment to, or incurs, capital expenditure of more than \$400,000 in one transaction or a series of related transactions;
- (v) terminates the employment, consulting, severance or similar agreement or arrangement with any person, including an officer, director, executive or other employee, whose total employment cost exceeds \$200,000 per annum (**Vault Key Employee**);
- (vi) accelerates the rights of any of their employees to compensation or benefits excluding in relation to any Vault Options as envisaged by clause 3.1(j) of the Scheme Implementation Deed;
- (vii) materially varies, waives any material rights under or terminates any Vault Material Contract or enters into any agreement, contract, deed or arrangement referred to in paragraphs (b) or (c) of the definition of Vault Material Contract in Schedule 1 to the Scheme Implementation Deed;
- (viii) settles any legal proceedings, Claim, investigation, mediation, arbitration or other like proceeding where the settlement amount exceeds \$300,000; or
- (ix) agrees to do any of the matters set out in clauses 5.1(b)(i) to 5.1(b)(xvi) of the Scheme Implementation Deed (inclusive).

(d) **Exclusivity**

The Scheme Implementation Deed contains a series of exclusive dealing provisions. These are contained at clause 6 of the Scheme Implementation Deed and include:

- (i) **No existing discussions:** Vault represents and warrants to Damstra that Vault and its Representatives are not engaging in or are a party to discussions in respect of a Competing Proposal, and have ceased providing any non-public information which may facilitate a Competing Proposal;
- (ii) **No shop:** Vault must not, and must procure that its Representatives do not, directly or indirectly, solicit, encourage, initiate or invite any inquiry, discussion, offer, expressions of interest or proposal in relation to, or which may reasonably be expected to encourage or lead to the making of, an actual, proposed or potential Competing Proposal;
- (iii) **No talk:** subject to the fiduciary carve out in clause 6.6 of the Scheme Implementation Deed, Vault must not, and must procure that its Representatives do not, directly or indirectly:
  - (A) enter into, continue or participate in any discussions or negotiations with respect to any Competing Proposal or participate in or continue any negotiations or discussions with respect to any actual, proposed or potential Competing Proposal;



- (B) negotiate, accept or enter into, or offer or agree to negotiate a Competing Proposal; or
  - (C) communicate to any person any intention to do any of the things referred to in paragraphs (A) and (B) above;
- (iv) **No due diligence:** subject to the fiduciary carve out in clause 6.6 of the Scheme Implementation Deed, Vault must not:
  - (A) solicit, invite, initiate, facilitate or encourage any person (other than Damstra and its Representatives) to undertake due diligence investigations in respect of Vault in connection with or which may reasonably be expected to lead to a Competing Proposal; or
  - (B) make available to any person (other than Damstra and its Representatives) any non-public information relating to Vault in connection with or which may reasonably be expected to a Competing Proposal;
- (v) **Notification obligation:** Vault must notify Damstra in writing within 24 hours of:
  - (A) any approach, inquiry or proposal made by any person in relation to an actual, proposed or potential Competing Proposal; and
  - (B) any request made by any person to Vault for any information relating to Vault in connection with or which could reasonably be expected to lead to a Competing Proposal; and
- (vi) **Matching right:** Vault is prohibited from entering into an agreement to undertake a Competing Proposal unless Vault has given Damstra at least five Business Days to provide a matching or Superior Proposal to the terms of the Competing Proposal.
- (e) **Break Fee**

In accordance with Australian market practice, Vault has agreed to pay Damstra a cash reimbursement and compensatory amount of \$500,000 (excluding GST) (**Break Fee**) in certain circumstances. Those circumstances include:

- (i) a change of Vault Director recommendation before the Second Court Date;
- (ii) Damstra termination of the Scheme Implementation Deed for Vault material breach; or
- (iii) a Competing Proposal is announced or made before the Second Court Date, and, within 12 months after the Competing Proposal being made, the Third Party:
  - (A) acquires a Relevant Interest or voting power in all or a majority of the Vault Shares, or acquires all or a majority of the Vault



Group's business or assets or otherwise acquires Control of Vault; or

- (B) enters into any agreement with Vault to undertake or implement a transaction involving any acquisition of a kind referred to in clause 7.2(c)(i) of the Scheme Implementation Deed.

The Vault Directors consider that the Break Fee is reasonable and appropriate in amount, structure and effect. The fee is not payable if the Scheme does not proceed merely because Vault Shareholders do not vote in favour of the Scheme in sufficient numbers to satisfy the legal requirements.

(f) **Reverse Break Fee**

Damstra has agreed to pay Vault a cash reimbursement and compensatory amount of \$500,000 (excluding GST) if Vault validly terminates the Scheme Implementation Deed in accordance with clause 10.1(b) of the Scheme Implementation Deed.

For full details of the Break Fee and Reverse Break Fee, see clause 7 of the Scheme Implementation Deed.

(g) **Termination**

- (i) Vault or Damstra may terminate the Scheme Implementation Deed at any time before 8:00am on the Second Court Date in accordance with clause 3.4 of the Scheme Implementation Deed.
- (ii) Either party can terminate the Scheme Implementation Deed before 8:00am on the Second Court Date if:
  - (A) Damstra (where Vault is the terminating party) or Vault (where Damstra is the terminating party) commits a material breach of the Scheme Implementation Deed;
  - (B) the terminating party has given written notice to the other parties setting out the relevant circumstances and stating an intention to terminate the Scheme Implementation Deed; and
  - (C) the relevant circumstances have not been remedied to the reasonable satisfaction of the terminating party within 10 Business Days.
- (iii) Damstra may also terminate the Scheme Implementation Deed by notice in writing to Vault at any time before 8:00am on the Second Court Date if a Vault Director:
  - (A) publicly withdraws, modifies or changes his or her recommendation that Vault Shareholders vote in favour of the resolution to approve the Scheme;
  - (B) makes any public statement that is inconsistent with his or her recommendation of the Scheme; or
  - (C) recommends, endorses or supports a Competing Proposal.



- (iv) Vault may terminate the Scheme Implementation Deed if all or a majority of Vault Directors withdraw or change their recommendation in either of the circumstances permitted by clauses 2.4(c)(i) or 2.4(c)(ii) of the Scheme Implementation Deed, and Vault has paid the Break Fee to Damstra (if required to do so under clause 7 of the Scheme Implementation Deed).

## 12.2 ASX relief

Vault has applied to ASX for a waiver of ASX Listing Rule 6.23.2 to the extent necessary to permit the treatment of the Vault Options as set out in clause 4.8.

## 12.3 Consents to be named

### (a) Consents

- (i) This Scheme Booklet contains statements made by or statements said to be based on statements made by:
  - (A) Damstra in respect of the Damstra Information only;
  - (B) Vault in respect of the Vault Information only;
  - (C) PricewaterhouseCoopers (**PwC**) in respect of the audited financial statements only;
  - (D) Moore Stephens in respect of section 11 only; and
  - (E) Grant Thornton in respect of the Independent Expert's Report only.
- (ii) Each of those persons named above has consented to the inclusion of each statement it has made in the form and context in which the statements appear and has not withdrawn that consent at the date of this Scheme Booklet.
- (iii) The following parties have given and have not, before the time of registration of this Scheme Booklet with ASIC, withdrawn their consent to be named in this Scheme Booklet in the form and context in which they are named:
  - (A) HWL Ebsworth Lawyers as legal advisers to Vault;
  - (B) Moore Stephens in respect of section 11 only; and
  - (C) Grant Thornton as the Independent Expert.

### (b) Disclosures and responsibility

Each person named in section 12.3(a):

- (i) does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based, other than:



- (A) Damstra in respect of the Damstra Information only;
- (B) PwC in respect of the financial statements that it has audited;
- (C) Vault in respect of the Vault Information only; and
- (D) Grant Thornton in relation to the Independent Expert's Report;
- (ii) has not authorised or caused the issue of this Scheme Booklet;
- (iii) does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based, other than as specified in section 12.3(a)(i); and
- (iv) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Scheme Booklet other than a reference to its name and the statement (if any) included in this Scheme Booklet with the consent of that party as specified in this section 12.3(b).

#### 12.4 No unacceptable circumstances

The Vault Directors believe that the Scheme does not involve any circumstances in relation to the affairs of Vault that could reasonably be characterised as constituting 'unacceptable circumstances' for the purposes of section 657A of the Corporations Act.

#### 12.5 Foreign jurisdictions

The distribution of this Scheme Booklet outside of Australia or New Zealand may be restricted by law and persons who come into possession of it outside Australia or New Zealand should seek advice on and observe such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws. Vault disclaims all liability to such persons who contravene laws as contemplated in this section.

Scheme Shareholders who are nominees, trustees or custodians are encouraged to seek independent advice as to how they should proceed.

No action has been taken to register or qualify this Scheme Booklet or any aspect of the transaction in any jurisdiction outside of Australia or New Zealand.

This Scheme Booklet has been prepared in accordance with the laws of Australia and the information contained in this Scheme Booklet may not be the same as that which would have been disclosed if this Scheme Booklet had been prepared in accordance with the laws and regulations of a jurisdiction outside of Australia. This Scheme Booklet does not constitute an offer in any place which, or to any person whom, it would not be lawful to make such an offer.

In particular, this Scheme Booklet is not a New Zealand disclosure document and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Financial Markets Conduct Act 2013 (or any other relevant New Zealand law). The distribution of New Damstra Shares under the Scheme is being made to existing New Zealand Vault Shareholders in reliance on the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016 and, accordingly, this



Scheme Booklet may not contain all the information that a disclosure document is required to contain under New Zealand law.

A Vault Shareholder whose address is shown in the Vault Register as a place outside of Australia or New Zealand at the Scheme Record Date will be an Ineligible Foreign Shareholder unless Damstra and Vault agree otherwise in writing that it is lawful and not unduly onerous or impractical to issue the Scheme Consideration to that Scheme Shareholder if the Scheme is Effective.

## 12.6 **No other material information**

Except as set out in this Scheme Booklet, there is no other information material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any Vault Director, at the time of lodging this Scheme Booklet with ASIC for registration, which has not previously been disclosed to Vault Shareholders.

## 12.7 **Supplementary disclosure**

- (a) If, between the date of lodgement of this Scheme Booklet for registration by ASIC and the Effective Date, Vault becomes aware that:
  - (i) a material statement in this Scheme Booklet is false or misleading;
  - (ii) there is a material omission from this Scheme Booklet;
  - (iii) a significant change affecting a matter in this Scheme Booklet has occurred; or
  - (iv) a significant new matter has arisen which would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC,

Vault will prepare a supplementary document to this Scheme Booklet.

- (b) The form which the supplementary document may take, and whether a copy will be sent to each Vault Shareholder, will depend on the nature and timing of the new or changed circumstances.
- (c) In all cases, the supplementary document will be available from the Vault investor website <https://investors.vaultintel.com/> and from ASX website at [www.asx.com.au](http://www.asx.com.au).



## 13. Glossary and interpretation

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### 13.1 Glossary

The meaning of the terms used in this Scheme Booklet are set out below:

<b>Accounting Standards</b>	means: <ul style="list-style-type: none"><li>(a) the accounting standards required under the Corporations Act (including the Approved Accounting Standards issued by the Australian Accounting Standards Board) and other mandatory professional reporting requirements issued by the joint accounting bodies (including the Australian Accounting Standards issued either jointly by CPA Australia and the Institute of Chartered Accountants in Australia or by the Australian Accounting Research Foundation on behalf of CPA Australia and the Institute of Chartered Accountants in Australia); and</li><li>(b) if no accounting standard applies under the Corporations Act or other mandatory professional reporting requirements, the principles set out in Australian Statements of Accounting Concepts.</li></ul>
<b>Adviser</b>	means any person who is engaged to provide professional advice of any type (including legal, accounting, consulting or financial advice) to Vault, Damstra or any Related Person.
<b>Announcement Date</b>	means 8 July 2020, being the date the Scheme Implementation Deed was announced to ASX.
<b>ASIC</b>	means the Australian Securities and Investments Commission.
<b>Associate</b>	has the meaning set out in section 12 of the Corporations Act.
<b>ASX</b>	means ASX Limited ABN 98 008 624 691 and, where required, the financial market that it operates.
<b>Break Fee</b>	means the break fee of \$500,000 which may be payable by Vault to Damstra in certain circumstances under the Scheme Implementation Deed.
<b>Business Day</b>	means a day on which banks are open for business in Melbourne, Victoria excluding a Saturday, Sunday or public holiday in that city.
<b>CGT</b>	means capital gains tax.
<b>Claim</b>	means any allegation, cause of action, claim, proceeding, suit or demand of any nature howsoever arising and whether present or future, fixed or unascertained, actual or contingent, whether at law, in equity, for restitution, under statute or otherwise.
<b>Combined Group</b>	means the combined Vault Group and Damstra Group following implementation of the Scheme.



<b>Competing Proposal</b>	<p>means any proposal, agreement, arrangement or transaction (or expression of interest), which, if entered into or completed, would result in a Third Party (either alone or together with any Associate):</p> <ul style="list-style-type: none"> <li>(a) directly or indirectly acquiring a Relevant Interest in, or having a right to acquire, a legal, beneficial or economic interest in, or control of, 20% or more of the Vault Shares;</li> <li>(b) acquiring Control of Vault or any other material Vault Group member;</li> <li>(c) directly or indirectly acquiring or become the holder of, or otherwise acquiring or having a right to acquire, a legal, beneficial or economic interest in, or Control of, all or a substantial part of Vault's business or assets;</li> <li>(d) otherwise directly or indirectly acquiring or merging with Vault or another material Vault Group member; or</li> <li>(e) requiring Vault to abandon, or otherwise fail to proceed with, the Scheme,</li> </ul> <p>whether by way of takeover bid, members' or creditors' scheme of arrangement, shareholder approved acquisition, capital reduction, buy-back, sale or purchase of shares, other securities or assets, assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), deed of company arrangement, any debt for equity arrangement or other transaction or arrangement.</p> <p>Each successive material modification or variation of a Competing Proposal will constitute a new Competing Proposal.</p>
<b>Conditions</b>	means each of the conditions precedent set out at clause 3.1 of the Scheme Implementation Deed.
<b>Control</b>	has the meaning set out 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>Court</b>	means the Federal Court of Australia or such other court of competent jurisdiction under the Corporations Act agreed to in writing by Damstra and Vault.
<b>Damstra Board</b>	<p>means the board of directors of Damstra and a <b>Damstra Board Member</b></p> <p>means any director of Damstra comprising part of the Damstra Board.</p>
<b>Damstra Counterproposal</b>	has the meaning given in clause 6.7(a)(v) of the Scheme Implementation Deed.
<b>Damstra Director</b>	means a director of Damstra.



<b>Damstra Group</b>	means Damstra and its Subsidiaries.
<b>Damstra Information</b>	<p>means information regarding the Damstra Group, and the Combined Group (other than the Vault Information contained in that information), provided by Damstra to Vault or its Representatives in writing for inclusion in the Scheme Booklet, being:</p> <ul style="list-style-type: none"> <li>(a) the information contained in section 8 (Information about the Damstra Group);</li> <li>(b) the information contained in section 9 (Overview of the Combined Group), other than any information regarding the Vault Group contained in the information regarding the Combined Group.</li> <li>(c) the information contained in section 10.4; and</li> <li>(d) the information contained in section 10.5 other than any information regarding the Vault Group contained in the information regarding the Combined Group.</li> </ul>
<b>Damstra Option</b>	means an unlisted option to acquire a Damstra Share.
<b>Damstra Prescribed Occurrence</b>	means the occurrence of any of the matters set out in Schedule 5 of the Scheme Implementation Deed.
<b>Damstra Register</b>	means the register of Damstra Shareholders maintained in accordance with the Corporations Act.
<b>Damstra Share</b>	means a fully paid ordinary share in Damstra.
<b>Deed Poll</b>	means the deed poll entered into by Damstra in favour of the Scheme Shareholders a copy of which is attached as Annexure C.
<b>Director and Executive EIP Options</b>	means the Vault Options referred to in section 4.8(a)(ii) issued to Vault Directors and the Executive Optionholders.
<b>Director Non-EIP Options</b>	means the Vault Options referred to in section 4.8(a)(iii).
<b>EBITDA</b>	<p>means earnings from ordinary, continuing activities of Vault before interest, tax, depreciation and amortisation calculated in accordance with the accounting policies and practices applied by Vault excluding:</p> <ul style="list-style-type: none"> <li>(a) all costs and expenses incurred by Vault associated with the Scheme process and the Scheme, including all fees payable to external advisers of Vault; and</li> <li>(b) the impact of any transaction entered into by Vault or any other event that is of a non-recurring nature.</li> </ul>
<b>Effective</b>	when used in relation to the Scheme, means the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.
<b>Effective Date</b>	means the date on which the Scheme becomes Effective.



<b>EME</b>	means electromagnetic emissions.
<b>Employee EIP Options</b>	means the Vault Options referred to in section 4.8(a)(i).
<b>End Date</b>	means 6 months after the date of the Scheme Implementation Deed, or such other date as agreed in writing between the parties.
<b>Executive Directors</b>	means David Moylan and David Rose.
<b>Executive Director Options</b>	means the Vault Options referred to in section 4.8(a)(iv).
<b>Executive EIP Options</b>	means the Vault Options referred to in section 4.8(a)(ii).
<b>Executive Optionholder</b>	means Todd Perkinson, Miguel Nasar and Verdon Kelliher, being Vault executives whose Vault Options are to be exchanged for New Damstra Options in accordance with section 4.8.
<b>Government Agency</b>	means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal, statutory or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any state, or any other federal, state, provincial, local or other government, whether foreign or Australian. It also includes any self-regulatory organisation established under statute or otherwise discharging substantially public or regulatory functions (including ASIC and the Takeovers Panel).
<b>Grant Thornton</b>	means Grant Thornton Corporate Finance Pty Limited ABN 59 003 265 987.
<b>GST</b>	means goods and services tax.
<b>HSE</b>	means health, safety and environment.
<b>Implementation Date</b>	means the fifth Business Day after the Scheme Record Date, or such other date after the Scheme Record Date as Vault and Damstra agree in writing.
<b>Independent Expert</b>	means Grant Thornton, the independent expert appointed by Vault to prepare the Independent Expert's Report.
<b>Independent Expert's Report</b>	means the report attached as Annexure A prepared by the Independent Expert for inclusion in this Scheme Booklet opining on whether the Scheme is in the best interests of Vault Shareholders (and includes any update or supplement to that report).
<b>Ineligible Foreign Shareholder</b>	means a Vault Shareholder with a Registered Address in the Vault Register that is not in Australia or New Zealand, as at the Scheme Record Date.



<b>Listing Rules</b>	means the official listing rules of ASX.
<b>New Damstra Option</b>	means an unlisted option to acquire a Damstra Share referred to in section 4.8(e)..
<b>New Damstra Share</b>	means a fully paid ordinary share in Damstra to be issued to Scheme Shareholders under the Scheme.
<b>Non-Executive Directors</b>	means Ross Jenkins and Robert Kirtlan.
<b>Non-Executive Director Options</b>	means the Vault Options referred to in section 4.8(a)(iii).
<b>Notice of Meeting</b>	means the notice of meeting of Vault Shareholders included with this Scheme Booklet in Annexure D.
<b>Proceeds</b>	means the proceeds of the sale of New Damstra Shares that would otherwise have been issued to Ineligible Foreign Shareholders, by the Sale Agent, less applicable brokerage, stamp duty, currency conversion costs and other costs, taxes and charges.
<b>Proxy Form</b>	means the proxy form for the Scheme Meeting to be held electronically on 2 October 2020 which accompanies this Scheme Booklet.
<b>Registered Address</b>	in relation to a Vault Shareholder, means the address shown in the Vault Register as at the Scheme Record Date.
<b>Related Body Corporate</b>	has the meaning set out in section 50 of the Corporations Act, except that references to 'Subsidiary' carry the same meaning as given to that term in this Scheme Booklet.
<b>Related Person</b>	means in respect of a person, including each party or its Related Body Corporates: <ul style="list-style-type: none"> <li>(a) a director, officer, employee of that person;</li> <li>(b) an Adviser of that person (and each director, officer, employee or contractor of that Adviser);</li> <li>(c) an agent or representative of that person; and</li> <li>(d) a Related Body Corporate of that person.</li> </ul>
<b>Relevant Interest</b>	has the meaning given in sections 608 and 609 of the Corporations Act.
<b>Representative</b>	means, in respect of a person, an employee, agent, officer, director, adviser or financier of or to that person (or of a Related Body Corporate of that person), and, in the case of Advisers and financiers, includes employees, officers and agents of the Adviser or financier (as applicable).
<b>Reverse Break Fee</b>	means the reverse break fee of \$500,000 which may be payable by Damstra to Vault in certain circumstances under the Scheme Implementation Deed.



<b>Sale Agent</b>	means the nominee appointed by Vault to sell the New Damstra Shares to which Ineligible Foreign Shareholders would otherwise be entitled to in accordance with the terms of the Sale Facility.
<b>Sale Facility</b>	means the facility under which Ineligible Foreign Shareholders' New Damstra Shares will be sold, as described in section 4.4.
<b>Scheme</b>	means the scheme of arrangement under Part 5.1 of the Corporations Act between Vault and the Scheme Shareholders, the form of which is attached as Annexure B, subject to any alterations or conditions made or required by ASIC or the Court under the Corporations Act, and agreed to in writing by Vault and Damstra.
<b>Scheme Booklet</b>	means this scheme booklet and includes: <ul style="list-style-type: none"> <li>(a) the Independent Expert's Report attached as Annexure A;</li> <li>(b) a copy of the Scheme attached as Annexure B;</li> <li>(c) a copy of the executed Deed Poll attached as Annexure C; and</li> <li>(d) the Notice of Meeting attached as Annexure D.</li> </ul>
<b>Scheme Consideration</b>	means 1 New Damstra Share for each 2.9 Scheme Shares.
<b>Scheme Implementation Deed</b>	means the scheme implementation deed dated 8 July 2020 between Vault and Damstra relating to the implementation of the Scheme.
<b>Scheme Meeting</b>	means the meeting of Vault Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on the Scheme and includes any meeting convened following any adjournment or postponement of that meeting.
<b>Scheme Record Date</b>	means 7:00pm on the second Business Day after the Effective Date of the Scheme, or such other time and date as Damstra and Vault agree in writing.
<b>Scheme Resolution</b>	means the resolution of Vault Shareholders set out in the Notice of Meeting attached as Annexure D to approve the terms of the Scheme.
<b>Scheme Share</b>	means a Vault Share held by a Scheme Shareholder.
<b>Scheme Shareholder</b>	means a Vault Shareholder as at the Scheme Record Date.
<b>Second Court Date</b>	means the first day on which an application is made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard (or if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application or appeal is heard), with such hearing being the <b>Second Court Hearing</b> .
<b>Subsidiary</b>	has the meaning given to that term in Division 6 of Part 1.2 of the Corporations Act, provided that an entity will also be taken to be a



Subsidiary of another entity if it is Controlled by that entity and without limitation:

- (a) a trust can be a Subsidiary, for the purposes of which a unit or other beneficial interest will be regarded as a share;
- (b) an entity may be a Subsidiary of a trust if it would have been a Subsidiary if that trust were a corporation; and
- (c) an entity will also be deemed to be a Subsidiary of an entity if that entity is required by their accounting standards to be consolidated with that entity.

**Superior Proposal**

means a bona fide written Competing Proposal relating to the acquisition of Control of Vault by a Third Party in respect of which there has been no contravention of clause 6 of the Scheme Implementation Deed and which the Vault Board, acting in good faith and in order to satisfy what the Vault Board reasonably considers to be its fiduciary or statutory duties, and after taking written advice from its legal advisers, determines:

- (a) is reasonably capable of being valued and completed within a reasonable timeframe in accordance with its terms; and
- (b) would be more favourable to Vault Shareholders than the Scheme (as modified by any Damstra Counterproposal) if completed substantially in accordance with its terms,

in each case, taking into account all aspects of the Competing Proposal (including, but not limited to, timing considerations, any conditions precedent, the value and type of consideration, the level of certainty as to the funding required for the Competing Proposal, the identity, reputation and financial condition of the proponent and other matters affecting the probability of the Competing Proposal being completed and the outcome for Vault Shareholders) as compared to the Scheme (as modified by any Damstra Counterproposal).

**Tax**

means any tax, levy, charge, fee, deduction, compulsory loan or withholding, duty or similar charge that is assessed, levied, imposed or collected by any Governmental Agency and includes any interest, fine, penalty, charge, fee or any other amount imposed on, or in respect of, any of the above.

**Third Party**

means a person other than Vault, Damstra and their Associates.

**Timetable**

means the indicative timetable for the implementation of the Scheme announced to ASX on 22 July 2020 as amended.

**Vault Board**

means the board of directors of Vault.

**Vault Director**

means any director of Vault.

**Vault EIP**

means the Vault employee incentive plan pursuant to which Vault Options have been granted.

**Vault Group**

means, collectively, Vault and each of its Subsidiaries (each a **Vault Group Member** or **member of the Vault Group**).



<b>Vault Information</b>	means all the information contained in this Scheme Booklet, other than the Damstra Information and the Independent Expert's Report.
<b>Vault Key Customer Contract</b>	means a contract with a customer listed in the document titled "Vault – Key Customer List" initialled by or on behalf of Damstra and Vault for identification purposes.
<b>Vault Material Adverse Event</b>	means: <ul style="list-style-type: none"> <li>(a) the termination or expiry without renewal of any two or more Vault Key Customer Contracts (or valid termination notices being given under any two or more Vault Key Customer Contracts); or</li> <li>(b) the Vault Group being subject to a major cyber security incident which is reasonably likely to have a material adverse effect on the business, assets, operations, performance, prospects or reputation of the Vault Group.</li> </ul>
<b>Vault Material Contract</b>	means the Vault Key Customer Contracts and any other agreement, contract, deed or arrangement which: <ul style="list-style-type: none"> <li>(a) generates, or is expected to generate, annual revenue for the Vault Group in excess of \$500,000;</li> <li>(b) incurs, or is expected to incur, gross annual expenditure for the Vault Group in excess of \$500,000; or</li> <li>(c) is, or could reasonably be considered to be, material in the context of the businesses of the Vault Group taken as a whole.</li> </ul>
<b>Vault Option</b>	means an unlisted option to acquire a Vault Share.
<b>Vault Prescribed Occurrence</b>	means the occurrence of any of the matters set out in Schedule 4 of the Scheme Implementation Deed.
<b>Vault Register</b>	means the register of Vault Shareholders maintained in accordance with the Corporations Act.
<b>Vault Registry</b>	means Link Market Services Limited ACN 083 214 537.
<b>Vault Share</b>	means a fully paid ordinary share in the capital of Vault.
<b>Vault Shareholder</b>	means a holder of one or more Vault Shares, as shown in the Vault Register.
<b>Vault Shareholder Information Line</b>	means the telephone lines 1800 502 914 (within Australia) or +61 1800 502 914 (from outside Australia) open between 9:00am and 6:00pm (Melbourne time), Monday to Friday, excluding public holidays.
<b>VWAP</b>	means the volume weighted average price.

## 13.2 Interpretation

In this Scheme Booklet:

- (a) words of any gender include all genders;



- (b) words importing the singular include the plural and vice versa;
- (c) an expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- (d) a reference to a section or annexure, is a reference to a section of or annexure of, to this Scheme Booklet as relevant;
- (e) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them;
- (f) headings and bold type are for convenience only and do not affect the interpretation of this Scheme Booklet;
- (g) a reference to time is a reference to Melbourne, Victoria time;
- (h) a reference to dollars, \$, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia;
- (i) an accounting term is a reference to that term as it is used in accounting standards under the Corporations Act, or, if not inconsistent with those standards, in accounting principles and practices generally accepted in Australia; and
- (j) the words 'include', 'including', 'for example' or 'such as' when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind.



## Annexure A      Independent Expert's Report





Grant Thornton

An instinct for growth™

# Vault Intelligence Limited

Independent Expert's Report and Financial Services Guide

25 August 2020



The Directors  
Vault Intelligence Limited  
Level 18, 1 Nicholson Street  
East Melbourne, Victoria 3002

25 August 2020

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Dear Directors

## Introduction

Vault Intelligence Limited (“Vault” or “the Company”) is an online and SaaS<sup>1</sup> business focussed in the development of workforce performance technologies to assist its clients in managing risk, safety and security of their workers whilst achieving productivity benefits. The Company operates via two distinct platforms being Vault Enterprise and Vault Solo. The latter was recently launched, and it represents the main growth opportunity for the business. As at 3 August 2020, Vault had a market capitalisation of approximately A\$66.6<sup>2</sup> million.

Damstra Holdings Limited (“Damstra” or “DTC”) is a provider of integrated workplace management solutions to multiple industries via the development, sale and implementation of integrated hardware and SaaS solutions to better track, manage and protect staff and contractors. Damstra has been operating since 2002 and it is listed on the ASX with a market capitalisation of A\$237.1<sup>3</sup> million as at 3 August 2020.

On 8 July 2020, Vault and Damstra jointly announced that they had entered into a Scheme Implementation Deed (“SID”) under which it is proposed that Damstra will acquire 100% of the equity interest in Vault (“Vault Shares”)<sup>4</sup> by way of scheme of arrangement (“Scheme”) to combine the two companies (“Combined Group”).

As consideration, Vault shareholders (“Vault Shareholders”) will receive 1 Damstra share (“Damstra Share”) for 2.9 Vault Shares (“Scheme Consideration”).

If the Scheme is implemented, Vault Shareholders will collectively hold circa 25.0% of the Combined Group and Vault will be de-listed from ASX.

The Directors of Vault (“Vault Directors”) unanimously recommend that Vault Shareholders vote in favour of the Scheme in the absence of a superior proposal and subject to an Independent Expert concluding and continuing to conclude that the Scheme is in the best interests of Vault Shareholders. Subject to the same qualifications, the Directors intend to vote the Vault Shares held or controlled by them in favour of the Scheme.

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<sup>1</sup> Software as a Service.

<sup>2</sup> Based on the closing share price of A\$0.52 as at 3 August 2020 and 127,997,024 shares outstanding.

<sup>3</sup> Based on the closing share price of A\$1.67 as at 3 August 2020 and 139,482,567 shares outstanding.

<sup>4</sup> We note that Vault also has 14.3 million options on issue (“Vault Options”). One of the conditions of the Scheme is that the holders of the Vault Options must have entered into binding agreements with Vault and Damstra to deal with their Vault Options. Refer to section 1 for further details.



If the Scheme is implemented, Mr. David Moylan, CEO and founder of Vault, will remain with Damstra with a focus on developing and expanding global channel partnerships.

Refer to section 1.1 for the conditions precedent to the Scheme.

## Purpose of the report

There is no legal requirement for an independent expert's report to be prepared in respect of the Scheme. However, the Directors of Vault have requested Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") to prepare an independent expert's report to express an opinion as to whether the Scheme is in the best interests of Vault Shareholders.

We also note that the Scheme is subject to a number of conditions precedent, including an independent expert concluding that the Scheme is in the best interests of Vault Shareholders. In addition, the Vault Directors' recommendation of the Scheme is subject to an independent expert concluding that the Scheme is in the best interests of Vault Shareholders.

When preparing the IER, Grant Thornton Corporate Finance has had regard to the Australian Securities and Investments Commission ("ASIC") Regulatory Guide 111 *Contents of expert reports* ("RG 111") and Regulatory Guide 112 *Independence of experts* ("RG 112"). The IER also includes other information and disclosures as required by ASIC.

## Summary of opinion

**Grant Thornton Corporate Finance has concluded that the Scheme is FAIR AND REASONABLE hence in the BEST INTEREST of Vault Shareholders.**

### ***Fairness Assessment***

In reaching our opinion in relation to the fairness of the Scheme, we have compared the fair value per Vault Share before the Scheme on a control basis to the value of the Scheme Consideration, being shares in Damstra on a minority basis. A summary of our calculations is set out in the tables below.

Fairness assessment A\$ per share	Section Reference	Low	High
Fair market value of Vault Shares before the Scheme	8	0.52	0.58
Value of the Scheme Consideration	9	0.55	0.59
<b>Premium/(discount)</b>		<b>0.03</b>	<b>0.00</b>
<b>Premium/(discount) (%)</b>		<b>6.6%</b>	<b>0.7%</b>
<b>FAIRNESS ASSESSMENT</b>		<b>FAIR</b>	

Source: GTCF analysis

The value of the Scheme Consideration is **within** our valuation range of Vault before Scheme on a 100% and fully diluted basis. Accordingly, we conclude that the Scheme is **FAIR** to Vault Shareholders.

Vault Shareholders should be aware that our assessment of the value per Vault or Damstra Shares should not be considered to reflect the price at which Vault or Damstra Shares will trade if the Scheme is or is not implemented. The price at which Vault or Damstra Shares will ultimately trade



depends on a range of factors, including: their liquidity; macro-economic conditions; the regulatory and political environment; and the performance of the underlying businesses.

#### Valuation assessment of Vault

In our assessment of the fair value of Vault, Grant Thornton Corporate Finance has relied on two valuation methodologies namely the Revenue Multiple and the Quoted Securities Price which are briefly discussed below.

#### *Revenue multiple approach*

Revenue multiples are widely used to benchmark the value of technology companies. However, generally, businesses are more often valued with reference to an earnings multiple as earnings are considered the best proxy for measuring a company's underlying financial performance. Nonetheless, several factors in our view, make a revenue multiple approach the most appropriate to assess the fair market value of technology companies, like Vault.

In particular, we note that given its early stage of maturity, Vault (and many comparable businesses) exhibit high levels of growth and high rates of reinvestment in research and development (R&D), marketing and sales; further, it has a limited history of generating positive earnings and reports high variability in operating margins. The value of businesses displaying these characteristics are predominantly driven by their growth potential and capacity to increase market share, as opposed to short term earnings, cash flow generation and dividend distributions.

Set out below is our valuation assessment of Vault on a control basis having regard to the Revenue multiple approach.

Revenue Multiple approach - valuation summary A\$ '000 (except where stated otherwise)	Section Reference	Low	High
FY21 Revenue	8.1.1	8,000	8,500
Assessed Revenue Multiple (on a control basis)	8.1.2	8.0x	8.5x
<b>Enterprise value (control basis)</b>		<b>64,000</b>	<b>72,250</b>
Add: Net cash as at 30 June 2020	8.1.4	2,182	2,182
<b>Equity value (control basis)</b>		<b>66,182</b>	<b>74,432</b>
Number of outstanding shares ('000s) (fully diluted)	8.1.3	127,997	127,997
<b>Value per share (Control basis) (A\$ per Share)</b>		<b>0.52</b>	<b>0.58</b>

Source: GTCF analysis

We have outlined below the basis for the key assumptions adopted in our valuation assessment of Vault based on the Revenue Multiple approach:

- **FY21 Revenue** – The low-end of our assessed range is based on the revenue guidance for FY21 of A\$8.0 million provided by the Company. We consider the FY21 guidance conservative as the Vault ARR as at June 2020 already accounted for almost 50% of the FY21 revenue guidance but this does not include the significant recent contracts wins expected to commence during the course of FY21. A portion of this potential upside is reflected in the high-end of the selected FY21 revenue range.



- *Revenue multiple* – The selected revenue multiple ranges between 8.0x and 8.5x is based on the trading multiples of comparable companies<sup>5</sup>. We are of the opinion that Damstra is most comparable to the Company in terms of the business model and growth prospects, however it is significantly larger and diversified and it operates globally via a broader products offering. Damstra is trading at an FY21 Revenue multiple of circa 7.0x.

#### Quoted share price method

We have cross-checked our valuation assessment having regard to the Quoted Security Price Method. Specifically, we have selected a value range based on the trading price between A\$0.30 and A\$0.35 having regard to the VWAP prior to the announcement of the Scheme on 8 July 2020. We have applied a premium for control of 50% to our assessed valuation range based on the trading price. The assessment of the premium for control is based on transactions observed historically in the Australian market and the application software sector. The selected premium for control also takes into account that the timing of the transaction may have been opportunistic in relation to the recent significant wins announced by the Company which are not captured in the FY20 financial performance and the unrealised growth potential of Solo which is a cutting edge product.

Quoted Security Price Method	Section		
A\$ per share	Reference	Low	High
Value per share (on a minority basis)	8.2	0.30	0.35
Control premium	B	50.0%	50.0%
<b>Value per share (on a control basis)</b>		<b>0.45</b>	<b>0.53</b>

Source: GTCF analysis

The trading prices methodology supports our valuation assessment based on the Revenue Multiple although at the low-end of the range.

#### Value of the Scheme Consideration

In the valuation assessment of the Scheme Consideration, we have had regard to the trading prices of Damstra on a minority basis after the announcement of the Scheme. We are of the opinion that this is reasonable due to the following:

- It reflects the views of investors of the marked value of the Combined Group, including realisation of cost savings, synergies, economy of scale and cross selling opportunities. We note that Damstra has indicated that it expects to realise A\$4 million in synergies within 12 months of implementation of the Scheme.
- Vault Shareholders will collectively own 25% of the Combined Group and no individual Vault Shareholder will hold a significant interest in the Combined Group (on a fully diluted basis). Accordingly, they will not be able to influence and change the strategic direction of Damstra, which is consistent with the portfolio value reflected in Damstra's trading price. In addition, the Directors of Damstra will not change and accordingly the current Directors of Vault will not be involved in the Combined Group going forward.

<sup>5</sup> We note that for the purpose of our assessment, we did not rely on the multiple implied in comparable transactions due to the lack of data points.



- As discussed in section 8.1.1, there is liquidity in Damstra trading prices to allow Vault Shareholders to realise in an ordinary manner the Damstra Shares received as consideration at market value. Accordingly, the trading price of Damstra Shares represents a reasonable proxy of the value that accepting Vault Shareholders could expect to realise from their investment if they decide to sell the Damstra Shares received as consideration.
- The decision to continue to hold Damstra Shares beyond the short term period following implementation of the Scheme is a separate investment decision which depends on the individual circumstances of Vault Shareholders and accordingly, it has not been considered in this Report.

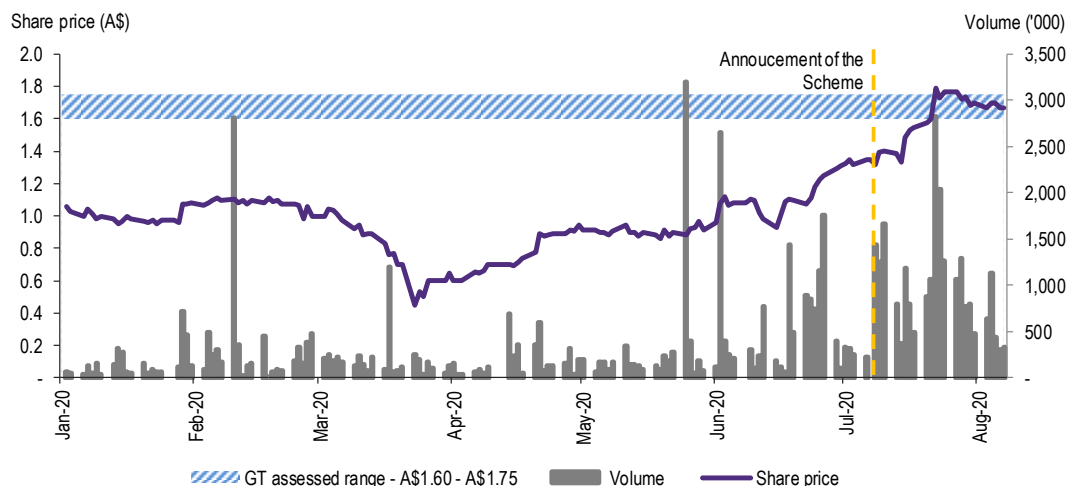
The table below summarised the assessed value of the Scheme Consideration.

Consideration received by Vault Shareholders		
A\$	Low	High
Fair value of Damstra Share	1.60	1.70
Exchange Ratio	2.90	2.90
<b>Consideration received per VLT Share</b>	<b>0.55</b>	<b>0.59</b>
<b>Mid-point</b>	<b>0.57</b>	

Sources: SID, GTCF analysis. Trading prices of Damstra up to 8 August 2020

We note that our valuation assessment of the Scheme Consideration is based on the trading prices of Damstra Shares after the announcement of the Scheme up to 8 August 2020. As outlined in the graph below, Damstra, consistent with many other high growth technology companies in Australia and around the world, has experienced a significant increase in its market capitalisation in recent months. However, we note that the recent increase in Damstra value is also reflected in our valuation assessment of Vault which is based on the recent trading prices of comparable companies, including Damstra.

#### Damstra Share price since 1 January 2020 up to 8 August 2020



Source: S&P Global, GTCF analysis  
Note: (1) Analysis up to 8 August 2020

As the valuation assessment of the Scheme Consideration is dependent on the trading price of Damstra, we have outlined below a sensitivity table which outlines how the value of the Scheme Consideration offered varies in conjunction with different level of Damstra's trading price and the impact on our fairness assessment.



Scheme Consideration sensitivity																
A\$																
Damstra Share price	1.45	1.5	1.55	1.6	1.65	1.7	1.75	1.8	1.85	1.9	1.95	2.00	2.05	2.10	2.15	2.20
Exchange Ratio	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
<b>Scheme Consideration<sup>1</sup></b>	<b>0.50</b>	<b>0.52</b>	<b>0.53</b>	<b>0.55</b>	<b>0.57</b>	<b>0.59</b>	<b>0.60</b>	<b>0.62</b>	<b>0.64</b>	<b>0.66</b>	<b>0.67</b>	<b>0.69</b>	<b>0.71</b>	<b>0.72</b>	<b>0.74</b>	<b>0.76</b>

Sources: Management, GTCF analysis

Note: (1) Damstra Share price divided by the Exchange Ratio.

We note that in the assessment of the Scheme Consideration we have relied on the Damstra share trading prices up to the 8 of August 2020. We note that subsequently, Damstra Share price has continued to increase closing at A\$1.94 on 25 August 2020 which makes the value of the Scheme Consideration more valuable for Vault Shareholders.

Notwithstanding the sensitivity analysis above, we note that if there is a material re-set of the valuation of companies in the industry which would cause the trading prices of Damstra to reduce materially from the current level, this will also likely impact our valuation assessment of Vault.

## ***Reasonableness Assessment***

In considering the reasonableness of the Scheme, we have assessed the following advantages, disadvantages and other factors.

### **Advantages**

#### *Premium for control*

A premium for control is applicable when the acquisition of control of a company or business would give rise to benefits such as the ability to realise synergies, access cash flows, access tax benefits and control of the board of Directors of the company.

Based on our assessed range of Scheme Consideration and on the last closing price of Damstra the Scheme Consideration implies a significant premium to Vault Share price before the announcement of the Scheme.

This premium for control will not be available to Vault Shareholders in the absence of the Scheme or a superior proposal.

#### *Strategic benefit*

The Scheme will create an enlarged entity which should enhance the ability of Vault to pursue growth opportunities, access greater quantities of resources and have a broader commercial reach due to the following:

- The Scheme will increase the scale and product range of the Combined Group, which should enhance its competitive positioning in the marketplace and provide long-term benefits for all the stakeholders involved.
- The Combined Group will have access to larger resources and more established sales and marketing team and network which is expected to accelerate sales and revenue growth as well as international expansion for Vault products. We note that Damstra, differently from Vault, already



operates in 11 countries with strong presence in the US, UK and South-East Asia. These markets provide significantly greater growth opportunities for its products growth and expansion. As a stand-alone business, Vault does not have the capacity, resources and funding to plan an expansion into these more lucrative and larger markets.

- Vault Enterprise product is complementary to Damstra's core offering with minimal clients overlapping, therefore providing numerous cross-selling opportunities to grow the client base of the Combined Group. Vault Solo is an innovative and cutting edge product whose roll-out and take-on from potential clients have been hindered by the limited resources available to Vault for marketing expenses and sales force. By leveraging the established sales team of Damstra and taking advantage of cross selling opportunities, the Combined Group is expected to be able to materially accelerate the growth of Solo and take advantage of the current limited competitions in the wearable market sector which is not expected to last for long until larger competitors catch up with the technological advancement reached by Solo.
- Damstra has historically generated a strong financial performance with strong growth in revenue, EBITDA and client base. The Combined Group will be a materially larger and more financially robust company than Vault on a stand-alone basis as set out in the table below.

Company comparison	Vault	Damstra	Combined Group
Revenue FY19 (A\$m)	3.6	15.3	
Revenue FY20 (A\$m)	4.7	20.9	
Revenue FY21 (A\$m)	8.0	27 - 29	33 - 35
Revenue CAGR FY19 - FY21	49%	33%	Na
EBITDA FY20 (A\$m)	(5.4)	5.5	Na
Cash and equivalent as at 30 June 2020 (A\$m)	3.0	9.4	13 -15
Expected cost synergies (A\$m)			4

Source: ASX announcements, Management, GTCF analysis

Notes: (1) Damstra's FY21 Revenue is based on the Damstra ASX presentation on 8 July 2020, indicating an expected growth between of 30% - 40% over FY21; (2) Combined Group reported number have been derived from the acquisition presentation released on the ASX on 8 July 2020.

- The Combined Group should be able to raise debt and equity, if required, on more attractive terms than those available to Vault on a stand-alone basis, providing additional financial flexibility and an enhanced capacity to exploit growth opportunities.
- The market capitalisation of the Combined Group will be significantly higher than Vault's market capitalisation on a stand-alone basis. The Company anticipates that the Combined Group would be eligible to enter into the S&P/ASX 300 Information Technology Index. This should result in greater analysts' coverage and investors' awareness which should lead to greater liquidity.

#### *Synergies from the consolidation of corporate overheads and operations*

Vault currently incurs overhead expenses including but not limited to audit, directors' fees, insurance, accounting, share registry and stock exchange listing fees. Further, the Company has not yet reached a size of operations large enough to achieve certain economies of scale in relation to marketing, sales and R&D. Following the implementation of the Scheme, it is expected that a proportion of the overhead expenses would be rationalised as Vault will become a wholly-owned subsidiary of Damstra. As a result, the larger business size of Damstra and the integration of the



similar businesses currently held by the two entities are expected to reduce certain operating costs through the streamlining of activities and economies of scale. Damstra has indicated that it expects to realise circa A\$4 million pre-tax cost synergies as a result of merging and combining resources, functions, and processes.

#### *Combined expertise and skills of the workforce*

The Combined Group will enable Vault and Damstra to combine the expertise and skills of both sets of management teams and general workforce, and enable the deployment of the most qualified personnel and skills across the two companies' portfolio of products. We note that David Moylan, Founder and CEO of Vault, will operate with and report directly to Christian Damstra in the Combined Group.

#### *Ability for Vault Shareholders to continue to participate in the future growth of the Combined Group*

Vault Shareholders will continue to be exposed to the underlying business and growth opportunities of Vault in the enlarged Combined Group to the extent that they continue to hold shares in the Combined Group.

#### *Likelihood to receive a premium for control in the future*

As discussed before, we have estimated that Vault Shareholders will receive a premium for control in conjunction with the Scheme.

In addition, given the shareholders' structure of the Combined Group, no shareholders will be able to exert a significant influence over the strategic and operational decisions of the Combined Group or block/prevent the Combined Group from receiving a premium for control in the future. We note that the largest shareholder of the Combined Group will hold approximately up to approximately 2% of the issued capital. This is not materially different from the current circumstance of Vault where the two major shareholders hold 7.2% and 6.3% interest in Vault.

## Disadvantages

#### *Opportunistic timing*

We are of the opinion that the timing of the Scheme could be seen as opportunistic having regard of the following:

- *Solo product* – Solo is an innovative product that was only recently launch in August 2018. The product, despite having been commercialised, is yet to be fully developed in all its features and Vault is yet to embark on a fulsome sales and marketing campaign to build market awareness of Solo due to the Company limited financial resources. Further, the product's market size is yet to be fully defined since still unexplored and without any major players.
- *Solo contracts* – As explained in section 8.1.1, Vault's ARR as at 30 June 2020 does not include certain large contracts associated with Solo products that are due to commence in FY21. Further, we note that the Covid-19 outbreak could lead to an increase of the demand for the operating solutions offered by Solo due to the social distancing and working from home requirements. In March 2019, Vault reported that a new Solo features, defined as Solo Crisis



Management and developed specifically for crisis situation like the current one, had received an immediate interest from clients and resulted in a contract signing.

- *Vault Share price* – At the time of the Scheme announcement Vault's Share price had not fully recovered from the global shares sell down that was witnessed between March and April 2020 due to the Covid-19 outbreak. Further, we note that the share prices of comparable companies as well as of the Damstra have continued to increase after the announcement of the Scheme signalling the investors' positive expectations over the industry. Accordingly, it is not unreasonable to assume the Vault Share price would have moved in line with the broader technology industry in the absence of the Scheme.

#### *Risk in integrations of companies*

There is a risk that the integration of the businesses of Vault and Damstra may take longer or cost more than expected, including as a result of the Covid-19 pandemic. Vault Shareholders, to the extent that they continue to hold shares in the Combined Group, share the risk of the Combined Entity not being able to at least deliver the synergies and efficiencies announced of A\$4 million. A failure to achieve targeted synergies may have an adverse impact on the operations and financial performance and position of the Combined Entity and the value of its shares. However, based on discussions with the Management Team of Vault, they believe this risk is limited and it is materially mitigated by the collaborative and pro-active steps undertaken by all the stakeholders involved to ensure a smooth integration process upon implementation of the Scheme.

#### *Potential overhang*

We have assessed the fair market value of the Scheme Consideration based on the trading price of Damstra after the announcement of the Scheme which, in our opinion, represents a proxy of the value that Consideration received by Vault Shareholders and that they will be able to realise if they decide to sell them on-market.

We note that the Vault Shareholders will collectively receive circa 44 million Damstra Shares which is significantly higher than the daily average trading volume of Damstra of c. 0.4 million shares since the company public listing in October 2019. Accordingly, if all Vault Shareholders seek to sell Damstra Shares shortly after they receive them, it may create an overhang effect and depress Damstra trading prices. Under those circumstances, the price that Vault Shareholders will be able to realise from the sale of Damstra Shares may be lower than our valuation assessment.

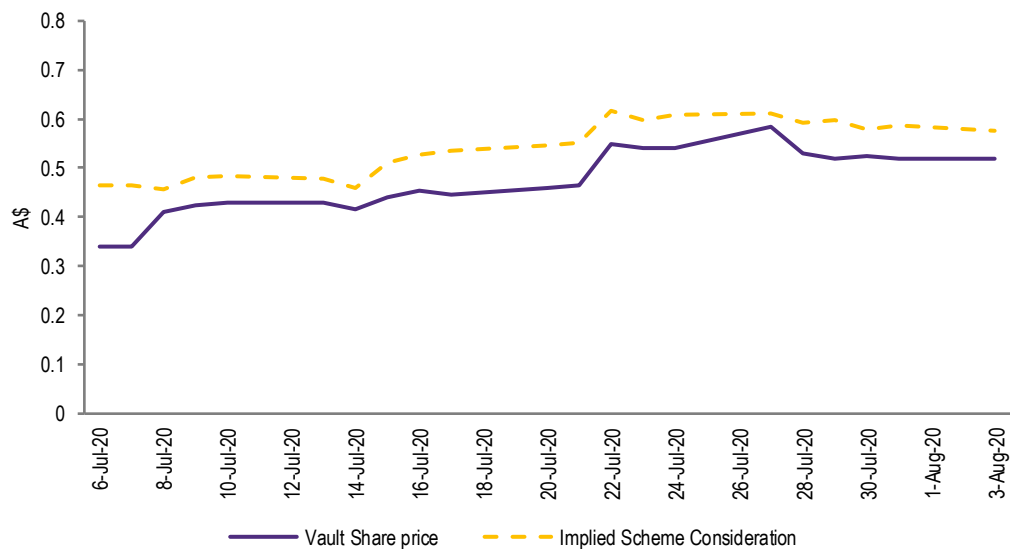
## **Other factors**

#### *Vault Share price after the announcement*

As set out below, following the announcement of the Scheme, the trading prices of Vault Shares have traded broadly in line with the Scheme Consideration implied by the Damstra Shares price. Vault trading price after the announcement of the Scheme seems to indicate good support from investors for the Scheme Consideration and perceived low risk of the Scheme not being implemented.



### Implied Scheme Consideration<sup>1</sup> vs Vault share price after 6 July 2020



Source: S&P Global, GTCF analysis.

Note: (1) Computed as Damstra's closing share price divided by the Exchange Ratio; (2) Analysis up to 8 August 2020

### *Volatile markets conditions*

Since the beginning of March 2020, financial markets around the world have been experiencing significant downward price movements and a high level of volatility due to the uncertainties associated with the socio-economic impact of Covid-19. As a result of Australian government measures to stem the outbreak and the subsequent lockdowns that have been enforced, it is estimated that the reduction in GDP may be up to 4.5%<sup>6</sup> over 2020. More recently, in July 2020, after an initial easing of the restriction, Victoria experienced a second wave of the virus leading to a second lockdown period with risk of the lockdown being extended to other Australian states.

### *Share price in the absence of the Scheme*

As described in section 8.2, the trading prices of most of the listed peers have continued on an upward trend following the date of the announcement of the Scheme. As a result of this trend, the strong financial performance delivered by the Company in FY20 and the new recent contract wins, it is reasonable to assume that, in the absence of the Scheme, the trading prices would fall from the current level however we would not expect to come back to the pre-Scheme prices.

### *Prospect of a superior offer or alternative transaction*

Whilst Vault has agreed not to solicit any competing proposals or to participate in discussions or negotiations in relation to any competing proposals, there are no impediments to an alternative proposal being submitted by potential interested parties. The transaction process should act as a catalyst for potentially interested parties, and it will provide significant additional information in the Scheme Booklet and Independent Expert's Report to assess the merits of potential alternative transactions.

<sup>6</sup> IMF World Economic Outlook, June 2020



If an alternative proposal on better terms were to emerge, it is expected that this would occur prior to the shareholders' meeting convened to consider the Scheme. We note that there will be a significant time-lag between the dispatching of the Scheme Booklet to Vault Shareholders and the shareholders meeting. In the event that an alternative offer on better terms emerges, shareholders will be entitled to vote against the Scheme, or the Scheme meeting will be adjourned.

#### *Tax implication*

Vault Shareholders who receive the Scheme Consideration may benefit from the Australian Capital Gains Tax rollover relief.

#### *Implication if the Scheme is not implemented*

If the Scheme is not implemented, it would be the current Directors' intention to continue operating the Company in line with its objectives. Vault Shareholders, who retain their shares, would continue to share any benefits and risks in relation to Vault's ongoing business.

Vault has incurred significant costs in pursuing the proposed transaction to the point that it is capable of being submitted to Vault Shareholders for their consideration. Pursuant to the Scheme Implementation Deed each of Vault and Damstra must pay its own costs and expenses in connection with the proposed, attempted, or actual implementation of the Scheme.

We note that Vault's ongoing business strategy requires substantial and ongoing expenditure to continue the development of its products and commercialisation of them. Accordingly, due to the relative small size of the business, if Vault remains as a stand-alone entity it may require to raise future capital by way of debt or equity which may result in dilution for the existing shareholders.

#### *Directors' recommendations and intentions*

In the absence of a superior proposal and subject to the Independent Expert opinion that the Scheme is in the best interest of Vault Shareholders:

- The Directors of Vault unanimously recommend that Vault Shareholders vote in favour of the Scheme; and
- All the Directors of Vault intend to vote in favour of the Scheme any Vault Shares in which they have a relevant interest and in respect of which they have the power to vote.

#### *No brokerage charges*

Vault Shareholders will not incur any brokerage costs on the disposal of their Vault Shares to Damstra under the Scheme.

#### *Break Fees*

In the event that a competing and/or superior proposal emerges before the implementation of the Scheme, and is recommended by the Vault Directors or the Vault Directors withdraw their recommendations in relation to the Scheme, Vault may be required to pay Damstra a break fee of A\$0.5 million (excluding GST) ("Break Fee").



## Reasonableness conclusion

Based on the qualitative factors identified above, it is our opinion that the Scheme is **REASONABLE** to Vault Shareholders.

## ***Overall conclusion***

After considering the abovementioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the Scheme is **FAIR AND REASONABLE** and hence in the **BEST INTEREST** of the Vault Shareholders in the absence of a superior alternative proposal emerging.

## Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to vote in favour of the Scheme is a matter for each Vault Shareholder to decide based on their own views of value of Vault and expectations about future market conditions, Vault's performance, risk profile and investment strategy. If Vault Shareholders are in doubt about the action they should take in relation to the Scheme, they should seek their own professional advice.

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD



ANDREA DE CIAN  
Director



Helen Lagis  
Authorised Representative



## Financial Services Guide

### 1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by Vault to provide general financial product advice in the form of an independent expert's report in relation to the Scheme. This report is included in Vault's Scheme Booklet.

### 2 Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

### 3 General financial product advice

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

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

### 4 Remuneration

When providing the Report, Grant Thornton Corporate Finance's client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the Report, Grant Thornton Corporate Finance will receive from Vault a fixed fee which is based on commercial rates, plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

### 5 Independence

Grant Thornton Corporate Finance is required to be independent of Vault in order to provide this report. The guidelines for independence in the preparation of independent expert's reports are set out in RG 112 *Independence of expert* issued by ASIC. The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.



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

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

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

*Grant Thornton Corporate Finance considers itself to be independent in terms of RG 112 “Independence of experts” issued by the ASIC.”*

## **6 Complaints process**

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

Financial Ombudsman Service Limited  
GPO Box 3  
Melbourne, VIC 3001  
Telephone: 1800 367 287

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the General Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

## **7 Compensation arrangements**

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.



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## 1 Outline of the Scheme

### 1.1 Key terms of the Scheme

Set out below are some key terms of the SID:

- *Conditions precedent* – the SID includes the following conditions precedent which are listed in a non-exhaustive manner:
  - Approval of the Scheme by Vault Shareholders at the Scheme Meeting.
  - Approval of the Scheme by the Court in accordance with Section 411 of the Corporations Act.
  - ASX approves the quotation of Damstra Shares to be issued as Consideration.
  - The Independent Expert stating that in its opinion the Scheme is in the best interests of Vault Shareholders and the Independent Expert does not change or publicly withdraw this conclusion before the Scheme becomes effective.
  - Other conditions precedent customary for a transaction of this type including material adverse changes and prescribed occurrences.
- *Vault Options* – As at the announcement date of the Scheme, Vault had the following option outstanding:
  - 4,090,000 options issued to employees (“Employee Options”). These options were agreed to be cancelled prior the Implementation Date in return for a cash payment of A\$0.42 less the relevant exercise price of the Employee Options, per Employee Option.
  - 10,250,000 options issued to Vault Directors and Executives (“Directors and Executives Options”). The Directors and Executives Options outstanding at the Scheme Record Date will be converted in Damstra options (“New Damstra Options”) at the Exchange Ratio.
- *Break Fee* – Under certain circumstances as outlined in the SID, Vault may be required to pay Damstra a Break Fee of A\$0.5 million if during the exclusivity period:
  - Any Vault Director fails to recommend the Scheme.
  - Any Vault Director adversely changes, or qualifies, withdraws or otherwise makes a public statement indicating they no longer support the Scheme (other than where the IER concludes the Scheme is not in the best interests of Vault Shareholders).
  - A Competing Proposal is announced by a third party during the exclusivity period and it completes within twelve months from its announcement.
  - Damstra terminates the SID due to a material breach by Vault of the terms of the SID.
- *Reverse Break Fee* – Under certain circumstances as outlined in the SID, Damstra may be required to pay Vault a Reverse Break Fee of A\$0.5 million if Vault validly terminates the SID.



- *Others* – other terms common for a transaction of this nature, including customary exclusivity arrangements such as “no shop”, “no talk”, and “no due diligence” and a right for Damstra to be notified of and to match any Competing Proposals.

Refer to the Scheme Booklet and SID for further details.



## 2 Purpose and scope of the report

### 2.1 Purpose

#### *Section 411 of the Corporations Act*

Section 411 of the Corporations Act 2001 regulates schemes of arrangement between companies and their members. Part 3 of Schedule 8 of the Corporations Regulations 2001 prescribes information to be sent to shareholders and creditors in relation to members' and creditors' schemes of arrangement pursuant to Section 411 of the Corporations Act.

Part 3 of Schedule 8 (s640) of the Corporations Regulations requires an independent expert's report in relation to a scheme to be prepared when a party to that scheme has a shareholding greater than 30% in the company subject to the scheme, or where any of its directors are also directors of the company subject to the scheme. In those circumstances, the independent expert's report must state whether a scheme is in the best interests of shareholders and state reasons for that opinion. Even where there is no requirement for an independent expert's report, documentation for a scheme of arrangement typically includes an independent expert's report.

While there is no legal requirement for an independent expert's report to be prepared in respect of the Scheme, the Directors of Vault have requested that Grant Thornton Corporate Finance prepare an independent expert's report to express an opinion as to whether the Scheme is in the best interests of Vault Shareholders.

### 2.2 Basis of assessment

In determining whether the Scheme is in the best interests of the Company's members, Grant Thornton Corporate Finance has had regard to relevant Regulatory Guides issued by the ASIC, including RG 111, Regulatory Guide 60 Scheme of arrangement ("RG60") and RG 112. The IER will also include other information and disclosures as required by ASIC. We note that neither the Corporations Act nor the Corporations Regulations define the term "in the best interests of members".

RG 111 establishes certain guidelines in respect of independent expert's reports prepared for the purposes of the Corporations Act. RG111 is framed largely in relation to reports prepared pursuant to Section 640 of the Corporations Act and comments on the meaning of "fair and reasonable" in the context of a takeover offer. RG111 requires an independent expert report prepared for a change of control transaction implemented by way of scheme of arrangement to undertake an analysis substantially the same as for a takeover bid. However, the opinion of the expert should be whether or not the proposed scheme is "in the best interests of the members of the company". If an expert were to conclude that a proposal was "fair and reasonable" if it was in the form of a takeover bid, it will also conclude that the proposed scheme is "in the best interests of the members of the company".

Pursuant to RG111, an offer is "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are subject of the offer. A comparison must be made assuming 100% ownership of the target company.

RG111 considers an offer to be "reasonable" if it is fair. An offer may also be reasonable if, despite not being "fair" but after considering other significant factors, shareholders should accept the offer in the absence of any higher bid before the close of the offer.



In our opinion, the most appropriate way to evaluate the fairness of the Scheme is to compare the fair market value of Vault on a control basis with the Consideration being shares in the Combined Group on a minority basis.

In considering whether the Scheme is in the best interests of Vault Shareholders, we have considered a number of factors, including:

- Whether the Scheme is fair.
- The implications to Vault Shareholders if the Scheme is not approved.
- Other likely advantages and disadvantages associated with the Scheme.
- Other costs and risks associated with the Scheme that could potentially affect Vault Shareholders.

## 2.3 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance (a 100% subsidiary of Grant Thornton Australia Limited) considered its independence with respect to the Proposed Scheme with reference to RG 112 issued by ASIC.

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Scheme other than that of an independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Scheme.

In our opinion, Grant Thornton Corporate Finance is independent of Vault and its Directors and all other relevant parties of the Scheme.

## 2.4 Consent and other matters

Our report is to be read in conjunction with the Scheme Booklet dated on or around 27 August 2020 in which this report is included, and is prepared for the exclusive purpose of assisting Vault Shareholders in their consideration of the Scheme Booklet. This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Scheme Booklet.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Scheme to Vault Shareholders as a whole. We have not considered the potential impact of the Scheme on individual Vault shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Scheme on individual shareholders.



The decision of whether or not to approve the Scheme is a matter for each Vault Shareholder based on their views on the value of Vault and expectations about future market conditions, together with Vault's performance, risk profile and investment strategy. If Vault Shareholders are in doubt about the action they should take in relation to the Proposed Scheme, they should seek their own professional advice.

## 2.5 Compliance with APES 225 Valuation Services

This report has been prepared in accordance with the requirements of the professional standard APES 225 Valuation Services ("APES 225") as issued by the Accounting Professional & Ethical Standards Board. In accordance with the requirements of APES 225, we advise that this assignment is a Valuation Engagement as defined by that standard as follows:

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



### 3 Industry overview

Vault and Damstra are software as a service (SaaS)<sup>7</sup> and cloud-based software providers, which offer workplace management solutions ("WMS"). Damstra's products offering covers various aspects of workflow management requirements whilst Vault is focused on providing solutions related to Environment, Health and Safety ("EHS"), a subsector of the WMS market.

We have set out in the next sections an overview of the WMS market and of the EHS solutions subsector.

#### 3.1 Overview of Workplace Management Solutions Market

WMS are used to support, automate and improve certain activities, data collection and events related to workforces and workplaces, including access control, learning management, asset management and EHS management. Frost and Sullivan estimated global WMS to be worth circa US\$15.6 billion in 2018 with a forecast CAGR of 6.7% to reach circa US\$20.2 billion in 2022<sup>8</sup>.

The Australian market is estimated at circa US\$0.6 billion. We have summarised below the different subsectors of the WMS market and their market size:

- *Access control:* These solutions are used to restrict access to properties, facilities, buildings and rooms to authorised individuals. Electronic access control systems have become an integral component of integrated WMS.
- *Learning management:* Corporate learning and development solutions offer eLearning courses to employees and provide the organisation with the ability to track and record enrolment, progress and completion of modules.
- *Asset management:* This represents software used to track fixed assets in organisations, to maintain a record of, and manage and track repair and overhaul schedules.
- *EHS management:* This software is used for managing, linking and sharing data related to EHS within the organisation, including EHS policies, incident reports, risk assessments, training records and EHS audits.

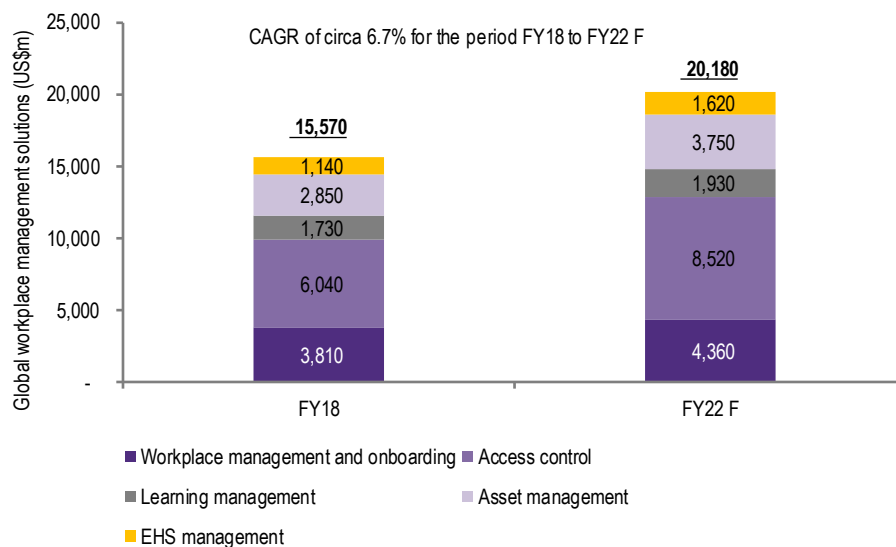
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<sup>7</sup> SaaS is defined as software licensing and distribution model whereby software is centrally hosted and delivered to licensed users on a subscription basis over the internet.

<sup>8</sup> Frost and Sullivan research from Damstra IPO Prospectus.



### Size and growth of global WMS market (US\$ million)



Source: Frost and Sullivan, GTCF analysis

### 3.2 Competitive landscape

There is a high degree of competition in the industry with various large and established players offering a broad range of products and services. The major EHS market vendors include Enablon (France), VelocityEHS (US), Intellex (Canada), Gensuite (US) and others. The competitive landscape of the industry can be broadly categorised as below:

- **Enterprise Resource Planning (“ERP”)/ Human Capital Management (“HCM”)/ Payroll platforms:** ERP is a business process management software that enables organisations to use a system of integrated applications to manage the business and automate many back office functions related to technology, services and human resources. ERP has the capability to merge with HCM and payroll systems by providing cloud-based HR, on boarding, payroll, and timekeeping software capabilities.
- **Workforce management platforms:** This is an overarching term for desktop and mobile programs which helps businesses manage staffing and scheduling. It incorporates scheduling, work data collection, leave management, activity management and time and attendance. Damstra has a broad functionality across peers and broadly operates in the workplace management software segment while offering certain solutions from other segment as well.
- **Point solutions:** This segment includes key product verticals covering EHS, ELearning and access control mainly as discussed in section 3.1. In industries where safety is crucial, workforce platforms tend to complement and integrate with ERP/ HR/ EHS platforms given the need to focus on safety and compliance functionality. Vault operates mainly in the ERP and EHS segments through its two different products.

Each player has relatively unique capabilities that cater to clients’ specific needs which makes them relatively sticky. Revenue growth can either come from clients with limited software adoption or consolidation among competitors. The table below displays the HR technology and workforce management platform ecosystem specifying players in each segment.



Key players by industry segment				
ERP / HCM / Payroll	Workforce Management platforms	EHS	Elearning	Access control
IBM	Workforce Software	Predictive Safety	Talentlms	Right Crowd
Ascender	Inx Software	Velocity EHS	Eloomi	HID
SAP	<b>Damstra</b>	Enablon	Docebo	Identiv
Elmo	Pegasus	Envirosuite	Totara	
Oracle	Bright People Technologies	Buildsafe	LearnUpon	
Paycom	Biosite Systems	Donesafe	Go1	
Ceridan		Wolters Kluwer		
Workday		Safety Culture		
Always Designing for People		<b>Vault</b>		
Cornerstone HR				
Sage				
Technology One				
Prism HR				

Source: Moelis Research, GTCF analysis

The market also presents significant barriers to entry for new competitors as outlined below:

- *Product development investment and ability to offer an integrated solution:* A substantial amount of ongoing investment is required to satisfy the needs of complex and large organisations with respect to building, developing and maintaining a software platform. In order for new participants to effectively compete in this market, they will need to build scale in multiple product verticals or module to offer an integrated solution and broad range of products.
- *Installed hardware increase switching costs:* Cloud based software are often integrated with hardware components which result in solutions which are deeply embedded in the organisation. Addition of physical hardware components increase costs associated with switching solutions providers, both in terms of upfront investment and transitioning of data.
- *Privacy Data protection standards:* Various government regulations and standards are required to be maintained to comply with continuously changing data protection and privacy regulations which pose substantial barriers to entry. This includes obtaining data protection and privacy certifications such as system and organisation controls accreditation.
- *Reputation and brand:* Reputation/brand name is built over time for any participant and is a major source of future opportunities.

### 3.3 Overview of EHS management software

The market for EHS software is primarily driven by regulatory compliance, accident avoidance, corporate reputation protection, worker well-being and standardisation of processes.

Organisations are increasingly investing in EHS solutions to mitigate and minimise the risk of future operational expenses due to environment protection and risks involved with hazardous activities.

According to International Labour Organisation, circa 2.3 million workers suffer from work-related accidents and illness around the globe every year. Worldwide, on an annual basis, there are around 340 million and 160 million occupational accidents and work-related illness respectively. With the population of workers



over 55 increasing in the next few years, the above mentioned figures are expected to increase considerably thus, drawing attention of several organisations to automate their safety solutions.

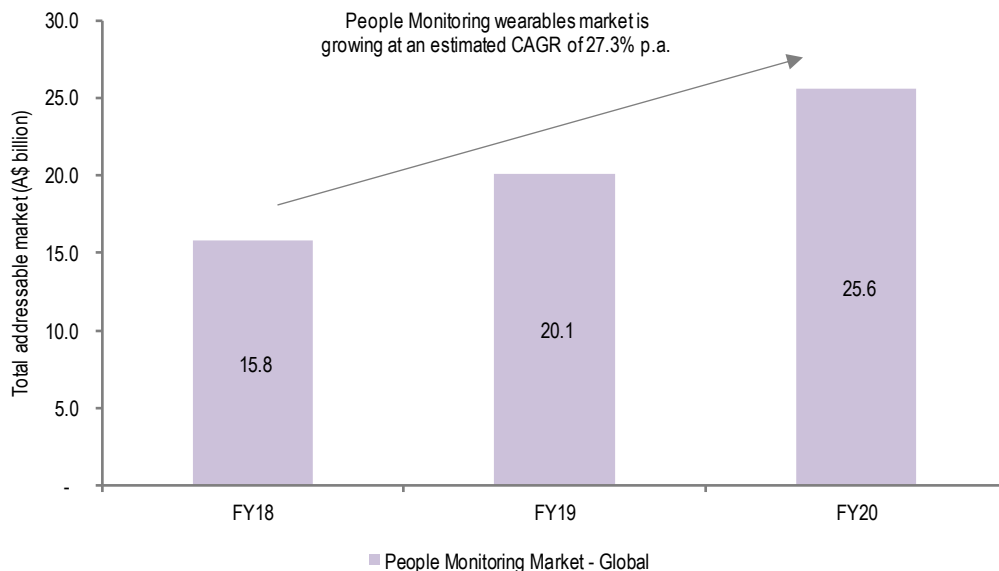
The global market for EHS software companies is expected to grow from circa US\$5.3 billion in 2019 to circa US\$8.6 billion in 2024<sup>9</sup>. The forecast CAGR of 10% is driven by growing customer demands for innovation, increasing investments by private equity and increasing concerns regarding safety and environment. Revenue projections reveal that Oil and Gas firms will account for circa 29% of the total spend in 2020 followed by Chemicals (11%) and Mining and Metals (8%). Furthermore, between 2020 and 2035, total market growth is expected to vary between 7% and 12%<sup>10</sup>. We note that the outbreak of Covid-19 and the current super cyclical low oil and gas prices may lead cost conscious players in these industry to reduce their discretionary and IT spending with a potential adverse effect on the short term growth in the industry.

The EHS market in Australia and New Zealand is estimated to be circa A\$1.7 billion in FY20 with a forecast CAGR of circa 11.1% to 2022<sup>11</sup> which offers significant future growth potential for Vault.

### 3.3.1 Wearable technology

The People monitoring market in simple terms involves tracking systems used to monitor people as well as analyse their activity to reduce injuries and improve efficiency. Several companies are making use of wristwatches or wearables to offer these services. Vault is active in this market through its Solo product which has expanded the total addressable market for the Company. The people monitoring market is estimated at A\$25.6 billion for FY20 globally as shown in the graph below.

#### Global people's monitoring market size



Source: Mordor Intelligence, MarketandMarkets, GTCF analysis

Wearable technology has the capability to assist drive greater safety, health and overall productivity. Companies are increasingly assessing its potential and impact on workforce planning. The global market

<sup>9</sup> EHS Market Report January 2020, MarketsandMarkets™.

<sup>10</sup> Market Size and Forecast: EHS Software 2020-2025 (Global): Verdantix March 2020.

<sup>11</sup> Estimated by Vault from a report by MarketandMarkets. Bell Potter December 2019



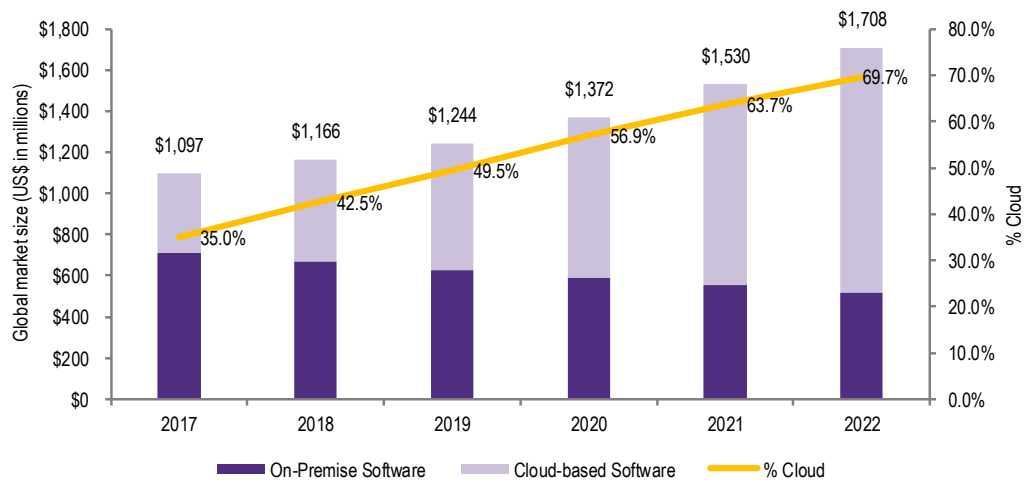
for smart wearables including smartwatches, hearables, smart glasses and similar devices, is predicted to reach \$60 billion in 2022, growing at circa 41% annually<sup>12</sup>. This is particularly important since technology will assist in providing increased safety and health benefits for workers. For instance, wearables with sensors are able to track an employee's body movements and posture to detect activities prone to risk of injuries. These technologies can also track an employee's vitals like the level of stress, heart rate or fatigue to reduce potential injuries and accidents.

Many wearables manufacturers have begun to adapt their products in assisting with detecting early signs of Covid-19. While some have also started to create algorithms to measure coughing and general respiratory activity.

### 3.4 Key industry trends

- **Cloud deployment:** EHS software's have been historically delivered on premise based on licence models. However, with the increasing popularity of end-to-end platform solutions, EHS software's are shifting to cloud deployment and subscription models as are overall workplace management software. Cloud transformation is the primary driver of growth in the market which has grown at a CAGR of 9.23% over five years from 2017 to 2022 as seen in the chart below.

**Global market size for on premise and cloud-based software (US\$ millions)**



Source: Madison Park Group EHSQ Software – Market Update (2019), GTCF analysis

- **Cost benefit:** Companies are aiming to increasingly outsource workforce management roles to reduce cost and increase productivity. Greater focus on technology costs and reduction in capital budgets for internal developed solutions is driving the demand for external safety software.
- **Growing innovation:** Given current times, there has been growing proliferation of Internet of Things (“IoT”) and smart wearable technology driving innovation in operational risk management and industrial asset monitoring for safety purposes of plants and processes. Vendors are aiming to develop IoT-centric safety platforms to effectively combine IoT data into EHS software and workplace management platforms to offer accurate, real time and auditable information.

<sup>12</sup> ABI Research forecasts, Deloitte Report 2017



- *Geography:* USA and Europe account for the majority of the EHS market spend with China and South East Asia experiencing increasing regulatory requirements. North America is expected to drive over half of global EHS software spent, at circa 51% in 2020, followed by Europe (25%)<sup>13</sup>.
- *Corporate Social Responsibility:* Growing importance of corporate social responsibility and sustainability initiatives emphasising increased need on managing risk throughout the supply chain and third-party vendor ecosystem. There has been increased focus on sub-contractor and employee well-being, training and health and safety outcomes.
- *Regulatory requirement:* The need to manage global and complex workplaces and ensuring consistent occupational health and safety outcomes is gaining popularity. EHS software's have become an integral part as companies seek to transform their business operations to deal with the growing global regulatory requirements and improve transparency and disclosure for all stakeholders.

### 3.5 The implications of the outbreak of Covid-19 for the industry

As a result of the outbreak of Covid-19, the nature of workplaces are changing globally with an increasingly mobile workforce. The majority of workers are opting to operate remotely and it is critical for businesses to manage their usual tasks and operations in a safe and sustainable manner. Given work from home conditions, it is important for companies to identify, manage, control and minimise risks by implementing proper EHS policies and software. This is accomplished by documenting new processes, log reports, managing both site and project risks and ensuring all safety measures are being met via comprehensive dashboards.

Remote working conditions also make being agile a necessity and EHS software's are able to provide real-time alerts and reports, tracking KPIs, measuring leading and lagging indicators, and finally improving accountability and compliance.

As a result, the outbreak of Covid-19 emphasises the importance for companies to have appropriate crisis management software and equipment in place so that they are able to deploy an effective EHS and workplace solutions system.

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<sup>13</sup> Verdantix: spending on EHS Software



## 4 Profile of Vault

### 4.1 Company overview

Vault is a vertically integrated provider of cloud-based and mobile software products and related services in the EHS sector and for people monitoring purposes. The Company was founded in 2000 by David Moylan and it listed on the ASX in July 2016 via a backdoor listing into Credo Resources.

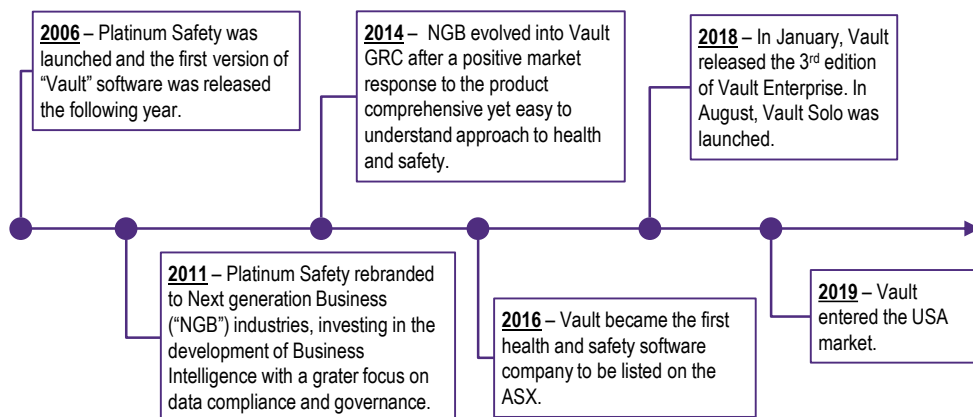
Vault assists its clients to improve the safety of their workplaces via two core products as outlined below:

- *Enterprise* (or Vault Enterprise) – It is a traditional EHS software platform that allows companies to manage risk, compliance, and safety responsibilities. Vault released the third version of this platform in January 2018.
- *Solo* (or Vault Solo) – It was released in August 2018 and it is an innovative people monitoring product that utilises mobile and wearable technology to improve employee safety and performance.

Vault operates in both New Zealand and Australia. In September 2019, the Company established a wholly-owned subsidiary in Hong Kong ("Vault Hong Kong")<sup>14</sup>.

Below, we have highlighted the key events in Vault history.

#### Vault history overview



Source: Annual presentations, GTCF analysis

<sup>14</sup> Vault Hong Kong has been underperforming and Vault is currently assessing its options including the potential sale of the business or a strategic partnership with a third party.



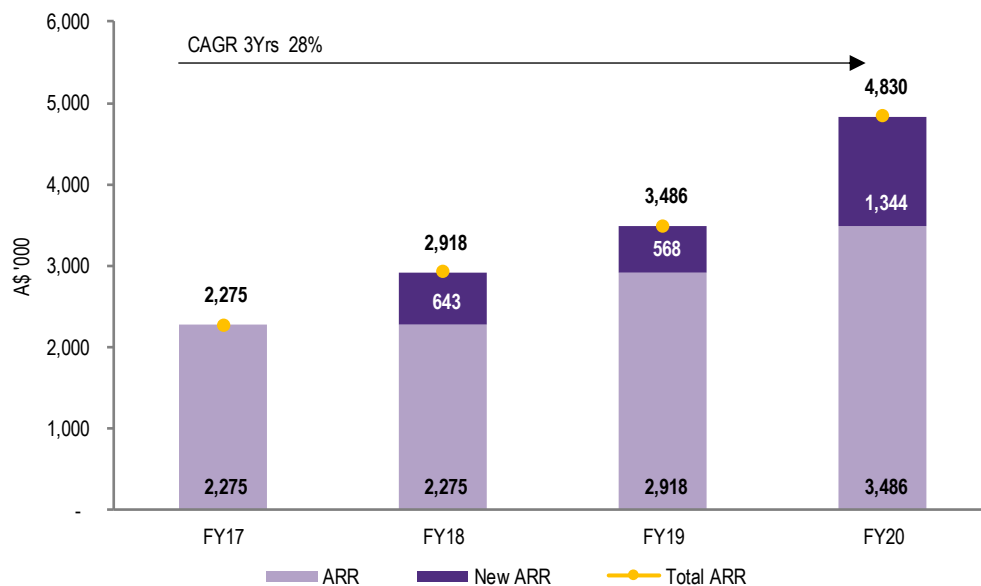
## 4.2 Business Operations

As of June 2020, Vault provided its services to approximately 400 customers across more than 30 industries. However, circa 40% of the clients (by number) are equally distributed between the manufacturing, administrative, construction, and professional sectors. Geographically, the Company is still heavily focussed in New Zealand where it generated circa 70% of the revenue in FY19.

As a typical SaaS business, the Company enters into a contract usually for 3 to 5 years for the licence of the software with license fees charged either monthly or yearly. The Company also generates ancillary one-off revenues from products installation and training services.

Since its listing in 2016, the Company has experienced solid growth in its operations as highlighted by the increase in annual recurring revenues<sup>15</sup> ("ARR") summarised in the graph below.

### Vault ARR trend



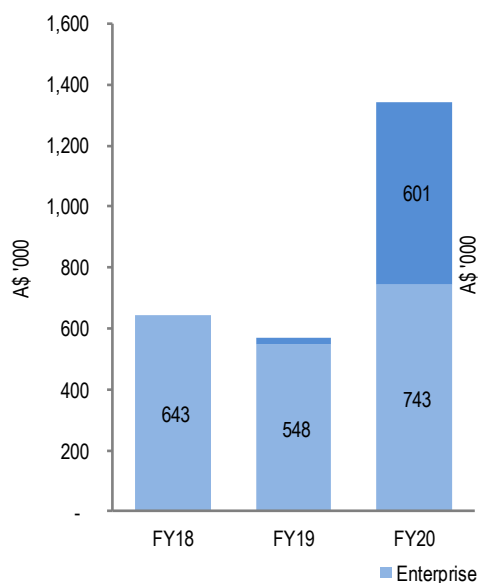
Source: Management

The key drivers behind such high growth were the release of the 3<sup>rd</sup> and latest version of Enterprise in April 2018 and the initial commercialisation of Solo in August 2018. The graph below illustrates the ARR contribution between the two products.

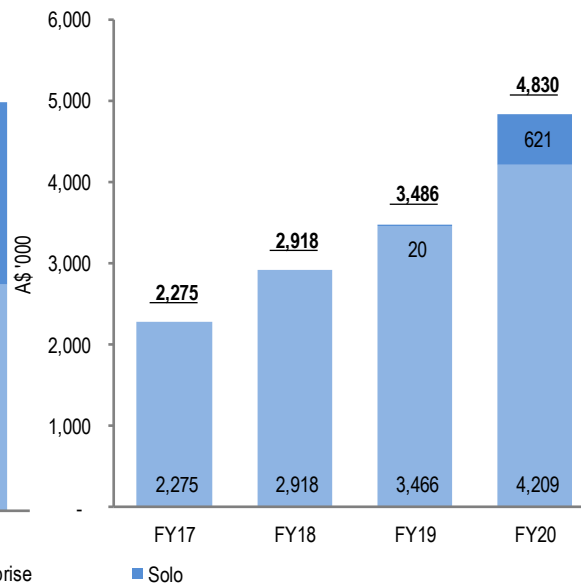
<sup>15</sup> ARR represents the annual value of all software subscriptions currently under contract. ARR is a key metric for SaaS companies for measuring performance within the business as it demonstrates ongoing sustainable revenue and/or increasing customers' contracts.



**Net New ARR - break down by product**



**Vault total ARR - break down by product**



Source: Management

As shown in the graph above, Enterprise is at the core of the Company's operations, accounting for circa 88% of the ARR as of 30 June 2020. However, Solo, despite accounting only for 12% of the FY20 ARR, has rapidly become the growth driver of the Company, generating in its first full year of operations more than 40% of the total new FY20 ARR.

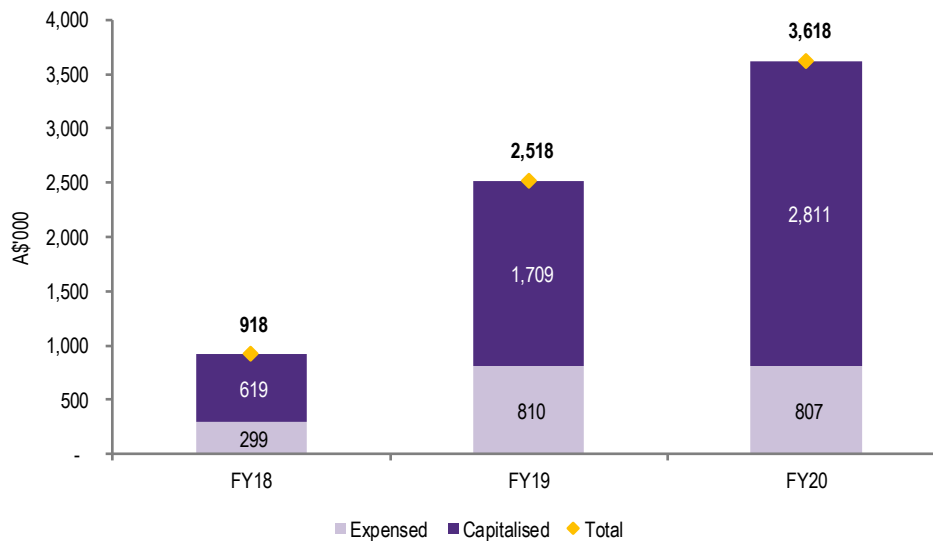
Vault relies mostly on its internal team of ten direct salespeople and four support staff to sell its products. However, the Company is currently planning a restructuring of the sales team to ensure a tighter control over the team performance in line with the growing operations of the company. Due to the early nature of the operations and limited resources, Vault has not been able to invest significantly in marketing and business development.

Vault develops and enhances its products internally following the establishment of a development hub in 2017. Whilst Solo has recently been commercialised, the product is yet to reach its full development and accordingly Vault is still investing heavily to enhance the various add-ins software. The Company is currently going through a significant growth phase in development focussed on the new Solo App which has demonstrated to be a key differentiating factor and driver behind recent contract wins.

On the flip side, Enterprise is at a more mature stage with research and development focussed on product refinement and stabilisation with the release of enhancements to the contractor portal, creation of a new asbestos and confined spaces registers and password management. The graph below summarises the historical development investment made by Vault.



## Research and Development Costs



Source: Company annual reports, Management, GTCF analysis

### 4.3 Vault Enterprise

Vault Enterprise is a fully integrated enterprise level platform built on international quality, risk and safety standards. It enables and empowers organisations and businesses across the globe to reduce risk, solve governance issues, stay compliant, engage people and protect assets. The table below summarises the different solutions offered by the software.

Vault Enterprise Features	
Purposes	Features offered
<b>Governance</b>	Visually manage policies, track operations and streamline processes, with features which include: dashboards, business intelligence, performance indicators, process reviews, reports, feedback.
<b>Risk</b>	Manage risks via a risk management tool with features which include: events register, formal investigations/reviews, JSA/SWMS, risk assessment, risk register.
<b>Assets</b>	Manage assets via PPE registers, which include details like purchase price, maintenance history and warranty details. Transport fleet records can maintain service logging, a contractor transport register and running costs of each vehicle. Hazardous substances can be managed via the recording of risks, storage locations and training requirements.
<b>People</b>	Manage workers, contractors, training and claims. Vault is able to capture and record specific details of an injury, can schedule and monitor formal training courses, and can create an approved contractor register including items such as insurance, training and induction requirements.
<b>Compliance</b>	Create a safety compliant workplace with software that allows for management of internal processes, audits and inspections, centralized document storage.
<b>Mobility</b>	Create a safety compliant workplace with software that allows for management of internal processes, audits and inspections, centralized document storage.

Source: Vault's website.

Vault Enterprise faces strong competition from larger and more established EHS software providers as described in section 3. This competition generates downward pricing pressure and an increase in the length of time required to convert opportunities.

Despite the strong competition, Vault Enterprise was able to achieve growth in ARR from 2017 at 23% CAGR. This was achieved by continued enhancement of the Vault Enterprise platform and the migration of customers from older Vault enterprise versions onto its latest Vault 3 platform released in 2018.



#### 4.4 Vault Solo

Launched in August 2018, Vault Solo is designed to manage the protection and performance of workforces, including remote, mobile and lone workers. The key pillars of the Solo products are outlined in the table below.

Vault Solo Key Pillars	
Key pillars	Description
Lone Worker	Facilitates check-ins, interval reporting and location tracking, panic alarms as well as business rules supporting geofenced zones operates on smartphones and watches.
Driver Behaviour	Monitors speed, braking and acceleration along with scoring driver performance for benchmarking. Also used for detecting use of mobile phone whilst driving, and detecting notifiable collision.
Biometrics	Actively monitors users' heart rate and detects and records steps taken during a session. Also used to detect abnormal results, notifications and trending and benchmarking of worker's biometrics.
Data Insights	Provides standard reports based on real time data, integrated business intelligence tool to meet advanced reporting requirements as well as captures and reports trending and benchmarking of data to drive efficiencies and decisions.
Fall Detection	Advanced algorithms detect up to 16 types of falls which then send autoalert and notifications regarding the same. Solo also communicates directly across sites and teams.
Workplace Productivity	Automatically captures and reports hours worked at geofenced sites, configures messages and popups when entering/exiting zones and uploading of task data to spreadsheets or invoicing systems.
Mental Health & Wellbeing	Actively monitors the mental state of workers, connects and gains immediate professional support services for workers, manages and analyses trends across teams and sites as well as improves productivity along with reducing psychological illness and claims.

Source: Management presentation, GTCF analysis

The Vault Solo product offering consists of three components that by interacting between them form the Vault Solo Ecosystem, which we have summarised in the table below.

Vault Solo Ecosystem		
Item	Function	Features
<b>Vault Solo Platform</b>	The Solo Platform allows managers and supervisors to oversee their connected employees, including their current location, check-ins, alerts and messaging.	Visual metrics and notifications; manage and view people anywhere; defined safe and exclusion zones; configurable profiles; individual and team messaging, instant alerts and escalations, event and incident management.
<b>Vault Solo Mobile<sup>1</sup></b>	It is an application interfaced with Vault Solo Platform that is suitable to both Android and IOS devices.	Interval check ins; driver behaviour; Solo live platform; geo-fence zones; vehicle collision; team and individual views; biometrics; duress and panic alert; session information; configurable profiles; alerts; messages; notifications; reports and history.
<b>Vault Solo Wearable</b>	Application designed to run on wearable technologies such as smartwatches.	Duress and panic alert; fall detection; check ins; messages; notifications; team and individual views; biometrics; configurable profiles.

Sources: Vault's website and presentations.

Note: (1) it includes SoloDrive, an add-on developed specifically for drivers that detects vehicular motion and distracted driver events on the Vault Solo Mobile. It delivers notification around hard turning and braking, heavy acceleration and speeding, collision detection with automatic alert raised and insights on distracted driver events such as mobile phone use whilst driving.

In addition to the above, in the second half of FY20, Vault developed Solo Crisis Management, a solution specifically dedicated to helping companies to manage their staff in a crisis situation like the Covid-19.

Vault Solo is an innovative product exploiting a first-mover advantage within the wearable safety and productivity software. Accordingly, by taking advantage of the relatively low level of competition, the



Company was able to sign certain cornerstone contracts under the Vault Solo product that we have summarised below:

Vault Solo - Cornerstone contracts	
Customer	Contract overview
SurePlan New Zealand	A 5-year agreement signed in November 2019 with a total contract value of A\$12.4m to provide the Vault SoloDrive solution.
ADT Security New Zealand	A 5-year agreement signed in October 2019 with a total contract value of A\$6.8m to provide the Vault Solo platform.
M1	A 5-year agreement worth approximately A\$2.9m to provide one of Singapore's leading communications providers with the ability to provide its customers with the Vault Solo product. Subsequently, M1 upscaled its subscriptions from 1,000 Solo License to 7,500 Solo License on wearable devices using the Samsung Galaxy Watch.

Sources: Vault's ASX announcements, broker reports



## 4.5 Financial information

Vault has adopted AASB 16 “Leases” from 1 July 2019 and at the date of this report, the Company has not restated FY19 and FY18 to reflect the impact of the new standard. Accordingly, FY20 is not directly comparable with the previous comparative periods.

### 4.5.1 Financial performance

The table below illustrates the Company’s consolidated statements of comprehensive income.

Consolidated statement of comprehensive income	FY8	FY19	FY20
A\$'000	Audited	Audited	Audited
Software revenue	2,525	3,117	4,397
Other revenue	503	451	226
Interest received	27	32	14
Foreign exchange gain	-	31	-
<b>Total Revenues</b>	<b>3,054</b>	<b>3,630</b>	<b>4,637</b>
Marketing and advertising	(182)	(257)	(390)
Occupancy expenses	(335)	(371)	(375)
Administrative expenses	(483)	(885)	(1,601)
Employee benefits expense	(3,680)	(5,562)	(7,030)
Depreciation and amortisation	(402)	(834)	(1,742)
Interest expense	(31)	(31)	(59)
Bad debts expense	(3)	(9)	(76)
Loss on disposal of assets	(2)	-	(47)
Share based payments	68	(95)	(468)
Web hosting expense	(214)	(260)	(464)
Foreign exchange loss	(143)	-	-
Travel expenses	(323)	(297)	(279)
Insurance expenses	(33)	(61)	(74)
Other	(297)	(369)	(507)
<b>Operating loss</b>	<b>(3,004)</b>	<b>(5,401)</b>	<b>(8,475)</b>
<u>Other Income</u>			
Government grants	272	766	544
Net gain/(loss) on disposal of property, plant and equipment	9	-	-
<b>Loss before income tax</b>	<b>(2,724)</b>	<b>(4,635)</b>	<b>(7,932)</b>
Income tax expense	-	-	-
<b>Loss for the year</b>	<b>(2,724)</b>	<b>(4,635)</b>	<b>(7,932)</b>
Foreign currency translation reserve differences	64	(125)	114
<b>Total comprehensive loss for the year</b>	<b>(2,660)</b>	<b>(4,760)</b>	<b>(7,817)</b>

Sources: Vault’s annual reports, management accounts, GTCF analysis

Vault financial performance over the past two years is a reflection of the start-up nature and early stage nature of the operations of the business focused on developing its products and expanding its market share. We make the following observations:

- Revenue increase was mainly driven by the launch in August 2018 of the latest version of Enterprise followed by the launch of Solo.



- ARR has increased from circa A\$2.3 million in FY17 to circa A\$4.8 million in FY20 representing a CAGR of circa 28%. The proportion of contracted revenue has been high with 96% of the total revenue being contracted in FY19 and 92% in FY20. Management has also provided FY21 guidance of 85% of the revenue being secured recurring revenue.
- Overall, the Vault business was not greatly disrupted by Covid-19 given the Company already had all the work from home solutions in place. Further, Vault launched the Solo Crisis Management that has received immediate interest from customers. In March 2020 New Zealand Government-owned KiwiRail selected Solo for its crisis management across its entire business and commenced rollout immediately<sup>16</sup>.
- General and Administrative expenses increased significantly from A\$0.5 million in FY19 to A\$1.6 million in FY20. This was driven by the increase in size and complexity of the business in response to the increase of the business's operations, especially subsequent to the launch of Solo.
- Depreciation and amortisation increased sharply by greater than 50% from FY19 to FY20. This was driven by the Company's focus on the software development that increased the intangible asset base of the Company.
- The constant growth in the employee benefits is a result of the increase in the number of senior management and executives since the listing of the Company in 2016 in order to manage the growth of the business.
- In relation to product and development expenses, the Company has been able to capitalise the majority of its costs incurred as well as receive grants and tax relief from the New Zealand and Australian Governments.
- The loss from ordinary activities after income tax amounted to A\$7.9 million (2019 loss: \$4,635,078). A large component of the loss was the commitment to developing new capabilities and enhancing existing capabilities in the product, necessitating more developers, implementers, support and training specialists. A portion of this loss has been offset by the receipt of R&D tax incentive grants in Australia and New Zealand.

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<sup>16</sup> KiwiRail's commitment for Solo is for an initial six months, subject to extension.



#### 4.5.2 Financial position

The consolidated statement of financial position of Vault for the last two financial years is presented below:

Consolidated balance sheet A\$'000	30-Jun-18 Audited	30-Jun-19 Audited	30-Jun-20 Audited
<b>Current assets</b>			
Cash and cash equivalents	2,169	2,433	3,024
Trade and other receivables	604	596	761
Current tax receivables	6	-	-
<b>Total current assets</b>	<b>2,778</b>	<b>3,029</b>	<b>3,784</b>
<b>Non-current assets</b>			
Property, plant and equipment	206	223	175
Intangible assets	1,894	2,901	4,001
Other non-current assets	36	55	-
Term and security deposits	438	452	121
Right-of-use assets	-	-	646
<b>Total non-current assets</b>	<b>2,574</b>	<b>3,632</b>	<b>4,944</b>
<b>Total assets</b>	<b>5,352</b>	<b>6,661</b>	<b>8,728</b>
<b>Current liabilities</b>			
Trade and other payables	414	1,084	1,791
Borrowings and bank overdraft	61	139	-
Bank overdraft	36	72	-
Employee benefit obligations	189	266	413
Provisions	-	-	162
Deferred revenue	1,192	1,549	1,988
Deferred grant revenue - current	-	-	407
Lease liabilities - current	-	-	99
<b>Total current liabilities</b>	<b>1,856</b>	<b>3,037</b>	<b>4,453</b>
<b>Non-current liabilities</b>			
Borrowings	94	84	-
Employee benefit obligations	-	19	38
Deferred grant revenue - non current	-	-	218
Lease liabilities - non current	-	-	743
<b>Total non-current liabilities</b>	<b>94</b>	<b>102</b>	<b>998</b>
<b>Total liabilities</b>	<b>1,951</b>	<b>3,139</b>	<b>5,451</b>
<b>Net assets</b>	<b>3,402</b>	<b>3,521</b>	<b>3,277</b>

Sources: Vault's annual reports and management accounts

We note the following in relation to the table above:

- The increase in cash was mainly driven by the capital raising of A\$7.5 million before transaction costs completed by the Company on 26 September 2019.
- Intangible assets represent capitalised R&D costs. This increased by circa 45% as a result of the Company's investment in R&D for Enterprise and Solo products.



- The business adopted the accounting standard AASB16 “Leases” and consequently recognised in the balance sheet the operating lease assets (right of use assets) and the associated lease liabilities.



#### 4.5.3 Cash flows

The cash flows statement of Vault for the last three financial years is presented below:

Consolidated statement of cash flows	FY8	FY19	FY20
A\$'000	Audited	Audited	Audited
<u>Cash flows from operating activities</u>			
Receipts from customers (inclusive of goods and services tax)	3,748	4,577	5,176
Payments to suppliers and employees (inclusive of goods and service	(6,772)	(8,298)	(10,234)
Other income - Government grants (including R&D Tax Offset)	272	766	429
Interest received	30	32	16
Interest paid	(26)	(29)	(13)
<b>Net cash outflow from operating activities</b>	<b>(2,747)</b>	<b>(2,953)</b>	<b>(4,627)</b>
<u>Cash flows from investing activities</u>			
Payments for property, plant and equipment	(34)	(86)	(113)
Payments for leasehold improvements	(15)	-	-
Purchase of intangible assets	(489)	(1,455)	(2,653)
Receipts / (Payments) for other assets	(11)	(19)	-
Proceeds from release of security deposits	-	-	328
Proceeds from government grants	-	-	710
<b>Net cash outflow from investing activities</b>	<b>(548)</b>	<b>(1,560)</b>	<b>(1,727)</b>
<u>Cash flows from financing activities</u>			
Proceeds from issues of shares and other equity securities	4,500	5,009	7,524
Proceeds from borrowings	-	51	-
Repayment of borrowings	-	(25)	(51)
Repayment of lease liabilities	-	-	(95)
Capital raising costs	(293)	(224)	(344)
<b>Net cash inflow from financing activities</b>	<b>4,207</b>	<b>4,811</b>	<b>7,034</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>912</b>	<b>298</b>	<b>680</b>
Cash and cash equivalents at the beginning of the financial year	1,270	2,133	2,361
Effects of exchange rate changes on cash and cash equivalents	(49)	(70)	(17)
<b>Cash and cash equivalents at the end of the financial year</b>	<b>2,133</b>	<b>2,361</b>	<b>3,024</b>

Sources: Vault's annual reports and management accounts

We note the following in relation to the table above:

- Payments for intangible assets includes spending on additional purchases and internal development on the Vault Enterprise upgrade, Vault apps and Vault Solo which were all capitalised as per the Company policies.
- Vault announced in September 2018 an additional capital raise from sophisticated and institutional investors of 166,666,667 shares at A\$0.03 per share amounting to circa A\$5 million. This was undertaken over two tranches to comply with ASX listing rules. It was completed in October 2018 and shareholder approval received in November 2018 AGM to consolidate the share capital of the company on a 1:10 basis.
- On 26 September 2019, the Company successfully raised A\$7.5 million via a share placement from new and existing private shareholders. The share placement, which was well oversubscribed, was



placed at A\$0.30, representing a 2% discount to the last closing share price and a 4% premium to the 15 days VWAP of A\$0.289.

### Share capital structure

As at the date of this report, Vault had 127,997,024 ordinary shares on issues and 14.3 million options as summarised below:

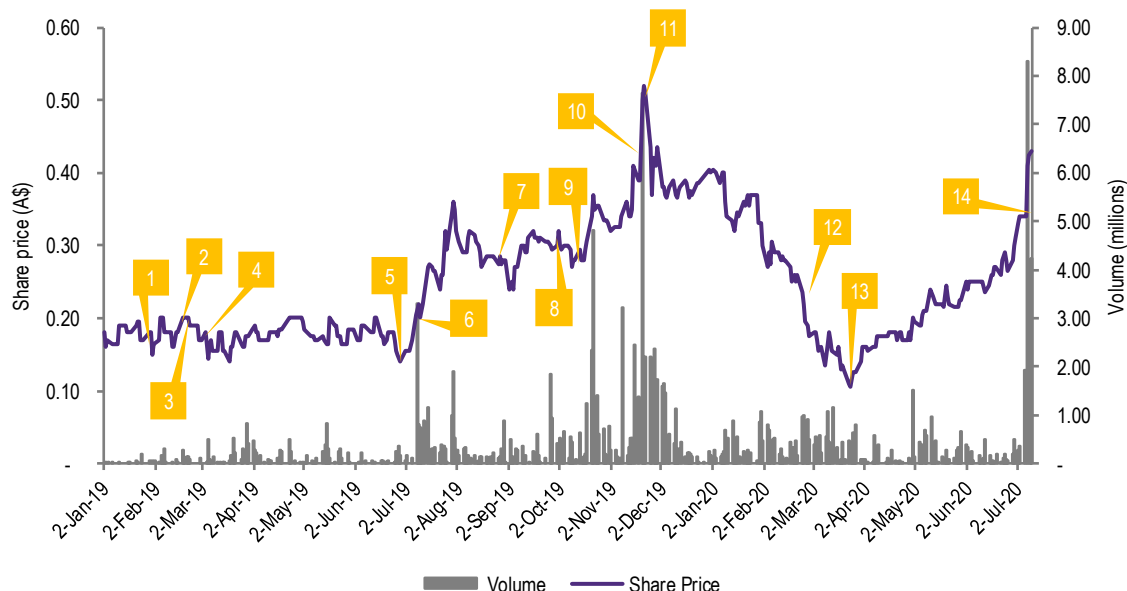
Vault's options summary			Exercise Price	
Type	Vesting Condition	Expiry Date	A\$	Number
Employee Options	\$4m annual recurring revenue	31/08/2020	0.40	500,000
Employee Options	\$6m annual recurring revenue	31/08/2020	0.60	500,000
Director Options	\$4m annual recurring revenue	20/12/2020	0.50	350,000
Director Options	\$6m annual recurring revenue	20/12/2020	0.60	350,000
Director Options	\$4m annual recurring revenue	23/11/2021	0.30	200,000
Director Options	500,000 - Vested	23/11/2021	0.30	1,100,000
	200,000 - \$4m annual recurring revenue			
	400,000 - \$5m annual recurring revenue			
Employee Options - All staff	1,392,000 - Achieving \$9m contracted annual recurring revenue	31/07/2023	0.30	3,240,000
	1,044,000 - Achieving \$12.6m contracted annual recurring revenue			
	1,044,000 - Achieving \$16.38m contracted annual recurring revenue			
Director Options	1,800,000 - Achieving \$9m contracted annual recurring revenue	30/09/2023	0.30	4,500,000
	1,350,000 - Achieving \$12.6m contracted annual recurring revenue			
	1,350,000 - Achieving \$16.38m contracted annual recurring revenue			
Director Options	\$6m contracted annual recurring revenue	30/09/2023	0.32	1,000,000
Employee Options	932,000 - Achieving A\$16.05 m contracted annual recurring revenue	29/02/2024	0.30	2,330,000
	699,000 - Achieving A\$22.47 m contracted annual recurring revenue			
	699,000 - Achieving A\$29.21 m contracted annual recurring revenue			
Employee Options	108,000 - Achieving A\$16.75 m contracted annual recurring revenue	23/06/2024	0.40	270,000
	81,000 - Achieving A\$22.47 m contracted annual recurring revenue			
	81,000 - Achieving A\$30.35 m contracted annual recurring revenue			
Total				14,340,000

Sources: Management



Our analysis of the daily movements in the Vault's share price and volumes for the period from January 2019 to July 2020 is set out below:

#### Historical share trading prices and volume of Vault



Sources: S&P Global and GTCF analysis

The following table illustrates the key events from January 2019 to July 2020, which may have impacted the share price and volume movements shown above.

Event	Date	Comment
1	31 Jan 19	The Company released its December 2018 Quarterly Report: - Vault delivered a Contracted Annualised Recurring Revenue ("CARR") growth with an increase of A\$511k in the second quarter, resulting in a total CARR of A\$4.23 million. - Vault was formally recognised in the Verdantix Quadrant report by breaking into the top 20 EHS companies globally. - Vault Solo's pipeline delivered its first contracted customers and revenue.
2	22 Feb 19	The Company provided an operational update which included appointing Stephen Mummery as the General Manager Sales (Australia) to boost Australian sales as a part of David Ross's (COO) restructuring strategy. The version 3 of Enterprise was also fully deployed to increase momentum.
3	28 Feb 19	The Company announced its half yearly results which included the following: - Completed a successful A\$5 million capital raising (before costs). - Generated a loss of A\$2.31 million which was 23% higher than the prior year, whilst recorded revenue was up 19% at A\$1.68 million. Significant technology expenses incurred through payment in advance for the full year to reduce overall costs. - Costs have also increased due to continued expansion in the Australian market as well as China and South-East Asia.
4	4 Mar 19	The Company signed a Memorandum of Understanding ("MoU") with Jurong Port, Singapore as a part of working towards the implementation of Solo to enhance operational efficiency, employee safety, security and welfare across the port. Jurong Port planned to leverage Vault Solo to implement real-time monitoring capabilities.
5	2 Jul 19	The Company announced the extension and growth of the partnership with StateCover Mutual with an additional five years extension, generating a total contract value of A\$2.1 million over the period 1 July 2019 to 30 June 2025.
6	8 Jul 19	Vault confirmed achieving its market guidance of A\$6 million CARR as at 30 June 2019 through a number of significant customer signings. This result also represents record net new CARR for a quarter of circa A\$1.3 million in quarter 4. The wins represent brands across key verticals including Agriculture, Transport, Manufacturing, Local Government, Defence, Ports and are expected to attract additional clients as well.
7	29 Aug 19	Vault entered the US market with key client expansion of additional 143 sites through Restaurant Brands Limited. Restaurants Brands Limited has extended its use of Vault in the US at an additional 79 sites, across three US States and Territories. Vault was also in discussion with several large organisations as potential strategic partners and distributors of both Vault Enterprise and Solo for key verticals within the US market.





Event	Date	Comment
8	25 Sep 19	The Company released its investor presentation for FY19 results and we note the following: - 82% growth in FY19 to A\$6.2 million, target CARR of A\$10 million in FY20. A\$1.8 million new CARR for Solo in last four months. - Greater than 400 enterprise customers with greater than 90% customer retention as a consequence of 'sticky' products. - Successful raising of A\$7.5 million (before costs) to new and existing institutional and private shareholders.
9	8 Oct 19	The Company signed a strategic partnership agreement with Vita Group as a key partner for business development and sales of Vault Solo across Australia. Vita Group is Telstra's largest operator of Telstra retail and B2B branded outlets.
10	20 Nov 19	SurePlan committed to contract SoloDrive, which will deliver a minimum Total Contract Value ("TCV") of A\$12.4 million over five years. Following this, the Company confirmed to have exceeded its market guidance of a minimum of A\$10 million CARR by the end of FY20. This contract was the second successive multi-million dollar Solo deal in the past four weeks.
11	22/24 Nov 19	- Vault responded to an ASX aware query dated 21 November 2019 confirm the compliance of the Company with the ASX Listing Rules, in particular Listing Rule 3.1 - Executive Director David Rose acquired 13,698 ordinary shares at A\$0.362 per share on 13 November 2019. - Vault's securities opened at A\$0.36 and closed at A\$0.41 on 15 November 2019 with a significant increase in the volume traded. - Vault signed a material contract with SurePlan New Zealand on 19 November 2019.
12	27 Feb 20	The Company released its Half Year Financial report and we note the following: - Revenue increased by 27% as compared to last year however, total comprehensive loss increased by 61% from A\$2.31 million in 31 December 2018 to A\$3.86 million in 31 December 2019. - Net tangible assets per ordinary share dropped from A\$3.397 cents (31 December 2018) to A\$2.57 cents (31 December 2019). - On the positive side, there was an increased sales pipeline, successful raising of A\$7.5 million, CARR for the period of A\$4.7 million.
13	25 Mar 20	The Company signed a contract with New Zealand government owned KiwiRail as a new customer for Vault's Solo Crisis Management solution. The initial commitment is for six months, subject to extension. Vault has been working with large customers to manage their staff in the crisis situation, including the Covid-19 crisis.
14	8 Jul 20	Damstra announced that they have entered into a Scheme to acquire 100% of the equity interests in Vault subject to shareholder approval, valued at circa A\$58.8 million.

Source: Vault's ASX announcements



The monthly share price performance of Vault since June 2019 is summarised below:

Vault Intelligence Limited	Share Price			Average
	High	Low	Close	weekly volume 000'
	\$	\$	\$	
Month ended				
Jun 2019	0.200	0.140	0.140	359
Jul 2019	0.380	0.140	0.350	2,892
Aug 2019	0.360	0.250	0.280	976
Sep 2019	0.350	0.220	0.300	1,557
Oct 2019	0.395	0.270	0.330	3,686
Nov 2019	0.540	0.315	0.435	7,118
Dec 2019	0.425	0.350	0.400	2,281
Jan 2020	0.410	0.285	0.300	1,764
Feb 2020	0.335	0.160	0.175	2,241
Mar 2020	0.210	0.090	0.160	1,990
Apr 2020	0.200	0.140	0.200	804
May 2020	0.245	0.175	0.225	1,570
Jun 2020	0.300	0.185	0.300	855
Week ended				
20 Mar 2020	0.160	0.120	0.130	1,024
27 Mar 2020	0.130	0.090	0.125	2,353
3 Apr 2020	0.160	0.130	0.155	285
10 Apr 2020	0.175	0.150	0.175	1,048
17 Apr 2020	0.185	0.150	0.180	526
24 Apr 2020	0.180	0.155	0.170	179
1 May 2020	0.200	0.160	0.195	1,804
8 May 2020	0.225	0.175	0.210	2,144
15 May 2020	0.240	0.210	0.220	2,162
22 May 2020	0.245	0.190	0.220	592
29 May 2020	0.235	0.200	0.225	1,547
5 Jun 2020	0.270	0.235	0.250	1,171
12 Jun 2020	0.265	0.185	0.235	890
19 Jun 2020	0.270	0.240	0.270	530
26 Jun 2020	0.295	0.260	0.265	472
3 Jul 2020	0.350	0.280	0.340	1,458

Sources: S&P Global, GTCF analysis



#### 4.5.4 Top shareholders

We have set out below the top 20 shareholders of VAULT as at 10 August 2020:

Substantial shareholders			
Number	Name	Ordinary Shares	% Interest
1	JP Morgan Nominees Australia Pty Limited	11,202,347	8.75%
2	National Nominees Limited	9,730,991	7.60%
3	CS Third Nominees Pty Limited	8,271,829	6.46%
4	Mr David Moylan	8,017,484	6.26%
<b>Total substantial shareholders</b>		<b>37,222,651</b>	<b>29.08%</b>
Balance		90,774,373	70.92%
<b>Total Vault Shares on issue</b>		<b>127,997,024</b>	<b>100.00%</b>

Sources: Vault Management, GTCF analysis



## 5 Profile of Damstra

### 5.1 Company overview

Damstra is a provider of integrated workplace management technology solutions with a strong emphasis on industries where safety and compliance are critical such as resources, construction and utilities. Damstra's solutions are offered through a single platform ("Damstra Platform") with five products spanning across workforce management, access control, asset management, learning and HSE management.

The reporting functionalities of the Damstra Platform and products allows organisations to track their workforce in real time including time and attendance information, hours worked, ability to export to payroll/human resources systems, access control information, fatigue alerts and others. Clients upload employee/contractor data (e.g. training, licenses/qualifications, swipe card information, certification expiry dates) into the platform, which is verified by Damstra's back office support team in the Philippines.

Damstra also integrates the cloud-based software with hardware installed on site (e.g. breathalysers, login terminals, biometric scanning) to provide access control, verifies compliance and feeds data in real time into a dashboard that displays on important safety, risk and compliance KPIs. The software also tracks data such as time and attendance which integrates with ERP and HR/Payroll systems.

The Damstra Platform combines hardware components installed on client sites with a comprehensive SaaS-based solution to provide real data collection and access control services for use by both employees and employers. The table below summarises the product offer of Damstra Platform.

Damstra Platform overview		
Product	Description	Features
Workforce management	Assist in ensuring that workers are approved to be on site and compliant	Prequalification supplier; prequalification worker; verification of worker/supplier; time and attendance; fatigue management
Access control	Range of solutions with integrated verification providing live data	Verification via swipe card biometric and facial; turnstiles - gates - doors; alcohol and drug testing; visitor management; evacuation and muster
Asset management	Managing and tracking assets for an entire lifecycle	Acquisition and history profile; asset register; services and maintenance schedule; equipment login and logout functions
Learning Management	Assists in ensuring workers are inducted, work ready upon site arrival and trained on an ongoing basis to	Skills matrix and gap analysis tools; training needs analysis; accessible on any device; notification of expiring competencies; full control of content.
HSE management	Remotely managing health, safety and environmental risk on site	Incident and hazard management; risk assessment management; safe work method; consultation management; mobile inspection and audits

Source: Damstra's prospectus

Damstra was founded in 2002 as a labour-hire company for the Hunter Valley coal industry. In 2006, Damstra was acquired by Skilled Group where the unit was focused on technology development. When Skilled Group was purchased by Programmed in 2016, Damstra was spun out under a management buyout from the management team led by Christian Damstra (CEO) and Johannes Risseeuw (Executive Chairman). Recently, in October 2019, Damstra completed its initial public offering ("IPO") when it listed on the ASX at \$0.90 per share, raising A\$49.3m.



Key to Damstra growth has been its acquisition strategy. From 2017, Damstra has completed seven acquisitions, including three since listing in October 2019<sup>17</sup>. All acquisitions have been relatively small tuck-in opportunities that have added product capability (e.g. eLearning, digital forms, asset tracking) or clients. All acquisitions have now been integrated into a single platform and present critical cross-sell opportunities into Damstra's existing customer base. The table below summarises Damstra strategic acquisitions.

Damstra acquisition overview						
Announced	Target	Target description	Rationale	Price (A\$m)	Revenue	EV/Revenue
Feb-17	SafeStax	Safety Management System with swipe card technology integration	Clients	0.4	0.2	2.0x
Dec-17	Worksafe Management Systems	OHS/Risk Management System	Product capability	0.4	0.3	1.4x
Aug-18	Velpic	Learning Management System with video content creation and eLearning management	Product capability and clients	3.8	0.8	5.0x
Oct-18	Eify	Workforce Management, Asset Management, HSE Management, Access Control	Product capability and clients	10.5	2.5	4.2x
Dec-19	Scenario Advantage Workforce	Workplace Management Solutions (e.g. access control, inductions, training management)	Clients	4	1.3	3.1x
Feb-20	APE Mobile	Workflow Management Solutions with paperless forms for safety & compliance	Product capability	5.5	1.3	4.2x
Jun-20	SmartAsset Software	Asset Management (e.g. asset location tracking, maintenance planning, inventory management)	Product capability	0.5	0.4	1.1x

Sources: Damstra ASX announcements, IPO prospectus

## 5.2 Business operations

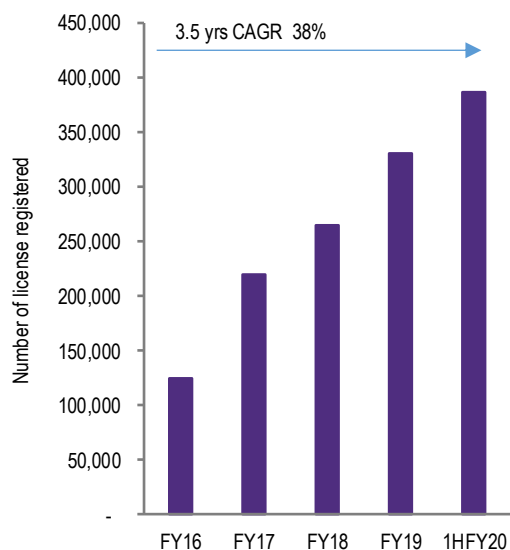
Damstra currently has global operations with offices in New Zealand (2017), USA (2017), UK (2018) as well as back-office support in the Philippines. As at today, Damstra manages over 120 employees supporting more than 250 clients across ten countries. International revenue accounted for circa 12.8% in FY19 and circa 24.6% in H1 FY20.

The graphs bellows highlights the growth of Damstra in terms of revenue and client base.

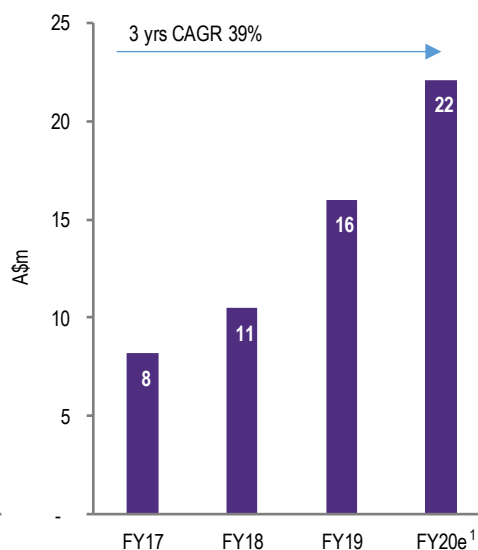
<sup>17</sup> Excluding the recent proposed acquisition of Vault.



#### Number of users from FY16



#### Revenue trend since FY17



Sources: Damstra IPO prospectus and ASX announcements

Note: (1) The FY20e revenue amount is as per Damstra's estimation as reported in the ASX announcement on 6 July 2020

Damstra generates revenue from a user license model, often coupled with recurring hardware payments, which are driven by the number of license subscriptions and renewals. Contracts are typically priced on an A\$ per user per year and A\$ per hardware device per month, with revenue scaling in accordance with the volume of users and devices. Historically, circa 90% of Damstra revenue have been recurring in nature.

Damstra targets large BlueChip customers and its list includes large companies such as Newmont Goldcorp, Glencore, CPB contractors and NBN. In FY19, the top five clients accounted for more than 50% of the total company turnover, highlighting the concentrated client base. However, we note that all the top five clients are currently on fixed-term contracts, ranging between three and five-year terms and some have been clients of Damstra for more than six years.

In line with the company's global expansion strategy, in FY19, Damstra has begun to implement a partner model allowing the company to fast-track the global roll-out of its products by utilising partners already operating in those countries with existing relationships in Damstra's target industries. As a result, the company has established relevant marketing and partnership with Technology One (Australia, New Zealand and the United Kingdom), Energy Skills Queensland, Alcolizer technology (Australia, New Zealand and the United Kingdom), and Zivaro and Gai (North America).

Similarly to Vault, Damstra considers product development and innovation a key growth driver. Hardware and software is typically designed in house. As at 1 August 2019, circa 40% of the full time workers were engaged in products development. During FY19, Damstra introduced more than 1,000 new product features including a new assets management product and learning management integration functionality.

### 5.3 COVID-19

Amidst the Covid-19 uncertainty, Damstra has reported an impact on the revenue caused by delays across several Greenfield sites and projects in South America, North America and the United Kingdom. However, Damstra has reported the impact of the virus out-break on the overall business to be minimal given the majority of the income is derived from contracted and recurring revenue. Further, the majority of the company's clients operates in sectors such as telecommunications, mining and construction of infrastructure, all sectors that have not been significantly impacted by the Australian Government



restrictions on “non-essential services”. Accordingly, Damstra has achieved its targets for FY20 despite the Covid-19 impact.

Further, in answer to the Covid-19 social distancing requirements, Damstra has accelerated the rollout of a number of products and enhanced features in order to allow clients to increase the protection of their workforces and further reduce the requirement of human interaction at worksites. These include increased fever detection, online training, and touchless operations supported by paperless solutions which are all expected to provide significant growth opportunities going forward.



## 5.4 Financial information

Damstra has adopted AASB 16 “Leases” from 1 July 2019 and at the date of this report, the Company has not restated 1HFY19 to reflect the impact of the new standard. Accordingly, 1HFY20 is not directly comparable with the previous comparative periods.

### 5.4.1 Financial performance

The table below illustrates the company’s consolidated statements of comprehensive income for 1HFY20 and 1HFY19 and for FY19 and FY18.

Consolidated statements of financial performance	FY18	FY19	1HFY19	1HFY20
A\$m	Audited	Audited	Reviewed	Reviewed
Licensee fees	8.5	11.8	5.6	7.1
Hardware	1.4	2.0	0.7	2.2
Other	1.2	1.5	0.7	0.9
<b>Total operating revenue</b>	<b>11.1</b>	<b>15.3</b>	<b>7.0</b>	<b>10.2</b>
Cost of sale	(3.1)	(6.4)	(3.2)	(3.2)
<b>Gross profit</b>	<b>8.0</b>	<b>8.9</b>	<b>3.8</b>	<b>7.0</b>
Other income	0.2	0.7	0.6	0.1
Research and development	(0.7)	(0.6)	(0.2)	(1.3)
Sales and marketing	(2.7)	(3.9)	(1.8)	(1.3)
General and administration	(6.4)	(3.6)	(1.8)	(1.9)
<b>EBITDA</b>	<b>(1.6)</b>	<b>1.5</b>	<b>0.7</b>	<b>2.6</b>
Depreciation and amortisation	(2.0)	(4.1)	(2.4)	(2.5)
<b>EBIT</b>	<b>(3.6)</b>	<b>(2.6)</b>	<b>(1.8)</b>	<b>0.1</b>
Net finance expenses	-	(1.0)	(0.1)	(0.4)
<b>Profit before tax</b>	<b>(3.7)</b>	<b>(3.6)</b>	<b>(1.8)</b>	<b>(0.3)</b>
Income tax refund/(expense)	(0.1)	(0.1)	0.2	0.7
<b>Net profit after tax</b>	<b>(3.8)</b>	<b>(3.7)</b>	<b>(1.7)</b>	<b>0.4</b>
Non recurring expense	-	-	-	(4.7)
<b>Reported net profit after tax</b>	<b>(3.8)</b>	<b>(3.7)</b>	<b>(1.7)</b>	<b>(4.2)</b>
<u>Metrics</u>				
Annual recurring revenue (A\$m)			17	25
Gross margin (%)	72%	58%	54%	69%
Underlying EBITDA margin (%)	23%	8%	9%	25%

Sources: IPO prospectus, Damstra 1HFY20 investor presentation

In relation to the above, we note the following:

- The revenue growth between FY18 and FY19 of 38% and between 1HFY19 and 1HFY20 of 44% was driven by Damstra’s growth strategy implemented through strategic acquisitions and investment in sale and marketing operations.
- The 1HFY20 profitability improvements were mainly driven by economies of scale as a result of the cost base being more fixed in nature relative to the growing revenue.
- Over 1HFY20, research and development expense amounted to A\$1.3 million, double of FY19, as a result of the accelerated development rollout of certain products and the company focus to maintain



innovation leadership. Between June and December 2019 the research and development headcount reached 40 employees, a 60% increased from December 2018. Overall 378 new product features were released in 1HFY20.

- The significant items in 1HFY20 are mainly related to share-based payments of A\$2.1 million and to the IPO transaction cost of A\$2.5 million while the balance is made of the acquisition-related costs.
- Damstra has provided guidance for FY20 of A\$22.0 million in revenue and A\$5.6 million of EBITDA.

#### 5.4.2 Financial position

The consolidated statement of financial positions of Damstra as at 31 December and 30 June 2019 is summarised in the table below.

Consolidated statement of financial position A\$ 000	30-Jun-19 Audited	31-Dec-19 Reviewed
<u>Current Assets</u>		
Cash and cash equivalents	291	12,012
Bank overdraft	13	-
Trade and other receivables	3,573	5,883
Other current assets	1,661	1,348
<b>Total Current Assets</b>	<b>5,538</b>	<b>19,243</b>
<u>Non-Current Assets</u>		
Plant and equipment	4,849	3,667
Right-of-use assets	-	3,748
Intangible assets	21,492	25,859
Other non-current assets	473	1,780
<b>Total non-current assets</b>	<b>26,814</b>	<b>35,054</b>
<b>Total assets</b>	<b>32,352</b>	<b>54,297</b>
<u>Current Liabilities</u>		
Trade and other payables	5,626	2,907
Lease liabilities	-	2,203
Borrowings	10,269	-
Income in advance	3,710	4,438
Provisions	1,903	2,107
<b>Total Current Liabilities</b>	<b>21,508</b>	<b>11,655</b>
<u>Non-Current Liabilities</u>		
Other payables	1,335	1,463
Lease liabilities	-	2,489
Borrowings	7,240	-
Income in advance	956	855
Provisions	-	153
<b>Total Non Current Liabilities</b>	<b>9,531</b>	<b>4,960</b>
<b>Total liabilities</b>	<b>31,039</b>	<b>16,615</b>
<b>Net assets</b>	<b>1,313</b>	<b>37,682</b>

Sources: IPO prospectus, Damstra 1HFY20 investor presentation

We note the following in relation to Damstra's financial position:



- Increase in cash and equivalents follows IPO capital raise and strong improved operating cash flows in 1HFY20.
- Intangible assets have increased by circa 20% as a result of the higher investment in research and development and the strategic acquisition of Scenario Advantage Workforce in December 2019.
- As at 31 December 2019, Damstra is operating on a debt-free basis (excluding financial leases) having repaid A\$17.5 million of borrowings with a portion of the capital raised through the IPO.
- Overall net asset has increased from just A\$1.3 million as at 30 June 2019 to A\$37.7 million as at 31 December 2019.



#### 5.4.3 Cash flow statement

Consolidated statements of cash flow	FY18	FY19	FY20
A\$ '000	Audited	Audited	Management
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)	11,518	15,298	20,835
Payments to suppliers and employees (inclusive of GST)	(8,616)	(13,327)	(16,061)
Costs to fulfil a contract	-	(585)	-
Transaction costs relating to acquisitions	-	(54)	-
Interest received	8	90	-
Interest paid	(39)	(526)	-
Income taxes paid	(1,091)	(355)	-
Government grants and tax incentives	-	-	420
<b>Net cash inflow from operating activities</b>	<b>1,779</b>	<b>540</b>	<b>5,194</b>
<b>Cash flows from investing activities</b>			
Payments for acquisitions, net of cash acquired	(352)	(8,745)	(7,495)
Payments for property, plant and equipment	(1,726)	(3,760)	(4,997)
Payments for intangible assets	(761)	-	(2,480)
Payment for software development costs	-	(1,973)	-
(Repayment)/ proceeds from related party loans (net)	-	(116)	-
Proceeds from sale of property plant and equipment	230	-	-
Contingent consideration	-	-	(2,196)
<b>Net cash outflow from investing activities</b>	<b>(2,609)</b>	<b>(14,594)</b>	<b>(17,168)</b>
<b>Cash flow from financing activities</b>			
Proceeds from issue of equity securities	359	-	35,000
(Repayment)/ Proceeds from borrowings (net)	1,654	14,550	(5,528)
Payment principal elements of finance lease payments	-	(889)	(1,358)
Dividends paid to company's shareholders	(696)	-	-
Other (IPO and transaction costs)	-	-	(7,079)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>1,317</b>	<b>13,661</b>	<b>21,035</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>487</b>	<b>(393)</b>	<b>9,061</b>
Cash and cash equivalents at the beginning of the financial year	196	684	291
<b>Cash and cash equivalents at year end¹</b>	<b>684</b>	<b>291</b>	<b>9,352</b>

Sources: Company Annual Reports, GTCF analysis

Note: (1) It excludes cash overdraft of A\$13 k as at 30 June 2019

With respect to the cash flow statements we know:

- Damstra has consistently generated positive cash flows from operations.
- Damstra undertook two acquisitions in FY19 of Velpic Limited ("Velpic") and eify Pty Ltd ("eify") on 3 August 2018 and 2 October 2018 respectively. Velpic enables organisations in highly regulated industries to manage on boarding and compliance training. eify provides technology solutions for Personnel Management, Access Control, Timesheet Management, Project Controls, HSE/WHs Management, Compliance, Training Management, Plant Management and others. The purchase consideration paid was as follows:



Purchase consideration - cash outflow	eify A\$	Velpic A\$	Total A\$
Cash consideration	7,000,000	804,268	7,804,268
Vendor finance	500,000	-	500,000
Contingent consideration	-	466,666	466,666
Less: Balances acquired cash	(25,902)	-	(25,902)
<b>Net outflow of cash - investing activities</b>	<b>7,474,098</b>	<b>1,270,934</b>	<b>8,745,032</b>

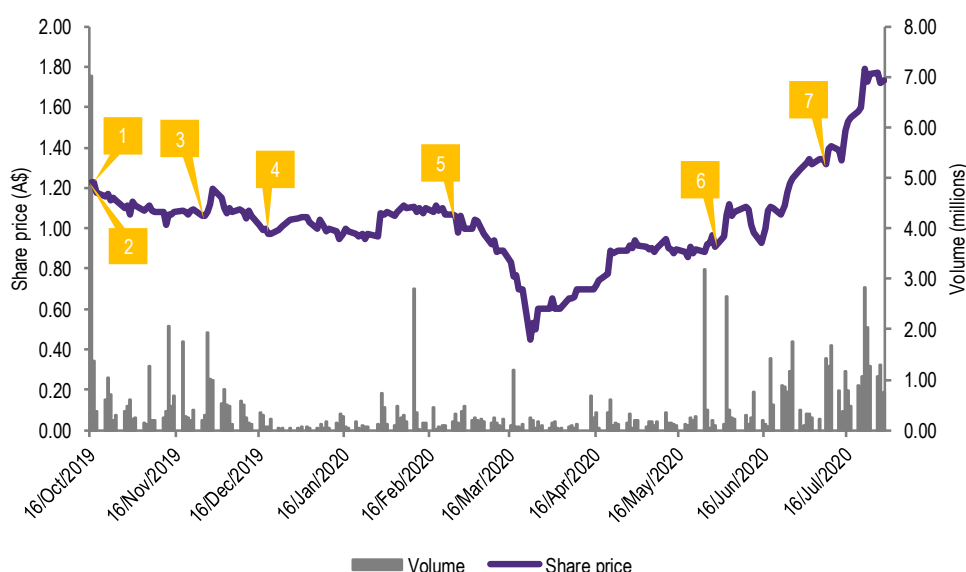
Source: Company annual reports, GTCF analysis

- During the IPO in October 2019, Damstra issued 54.8 million at A\$0.90 to raise circa A\$49.3 million as a combination of ordinary shares and convertible notes.
- During FY20, Damstra has made three acquisitions namely, APE Mobile, Scenario Advantage and Smart Asset Software for circa A\$5.5 million, A\$4 million and A\$454,545 respectively.

## 5.5 Share capital structure

As at the date of this report, Damstra has 139,482,567 ordinary shares and 3,818,722 options on issue. Our analysis of the daily movements in Damstra's share price and volumes for the period from 16 October 2019 to 29 July 2020 is set out below:

### Damstra – Historical share trading price and volume



Sources: S&P Global and GTCF analysis

The following table illustrates the key events from 16 October 2019 to 29 July 2020, which may have impacted the share price and volume movements shown above.

Event	Date	Comment
1	16/10/2019	Damstra was admitted to the Official list of ASX Limited on Wednesday, 16 October 2019
2	16/10/2019	The company announced its annual results for year ending 30 June 2019 and we note the following: - Damstra signed its first contract in the US with Newmont Goldcorp, one of the leading gold mining companies in the world. - They signed its first pilot program in UK and opened operations in UK.



Event	Date	Comment
		<ul style="list-style-type: none"> <li>- Damstra's revenue growth for the year was 44.5% with recurring revenue being 90.4%.</li> <li>- It achieved positive net cash flows from operations and doubled its cash spend on research and development.</li> </ul>
3	27/11/2019	<p>The company provided update for the first quarter of FY20 and we note the below:</p> <ul style="list-style-type: none"> <li>- Cash receipts from customers of A\$4.2 million, up 41% from the prior comparative period and in line with Prospectus forecast.</li> <li>- Registered licenses of 333,404 at 31 October 2019, an increase of 48% over the preceding period.</li> <li>- Client retention of 100% during the first quarter of FY20 and tracking in line with Prospectus forecasts for FY20.</li> </ul>
4	12/12/2019	Damstra agreed to acquire Scenario Advantage Workforce business for A\$4 million which is to be funded from Damstra's existing cash reserves. Scenario generated circa A\$1.3 million of unaudited ARR with completion expected before end of December 2019.
5	27/02/2020	<p>Damstra released its half yearly results for FY20 and we note the below:</p> <ul style="list-style-type: none"> <li>- ARR of A\$25.1 million as compared to A\$17.4 million for H1 FY19.</li> <li>- Pro forma EBITDA of A\$2.6 million which represents a 289% increase from HE FY19.</li> <li>- R&amp;D spend increased from 16% in FY19 to 28% in H1 FY20.</li> <li>- Acquired APE Mobile on 27 February 2020, which is a provider of digital form and workflow management solutions for A\$5.5 million at a FY19 revenue multiple of 4.5x and audited FY19 revenue of greater than A\$1.2 million (&gt;90% recurring).</li> </ul>
6	1/06/2020	Damstra acquires SmartAsset software to accelerate asset and plant management product offering for a total consideration of A\$454,545 fully funded from existing cash reserves. SmartAsset generated circa A\$420,000 of unaudited recurring revenue in FY19.
7	8/07/2020	Damstra offers to acquire Vault Intelligence by purchasing 100% of its shares. Vault Shareholders would receive 1 share in Damstra for every 2.9 Vault Shares, representing 36.5% premium to undisturbed Vault closing price. Expected run-rate synergies to be circa A\$4 million within 12 months of acquisition.

Source: ASX announcements



The monthly share price performance of Damstra since October 2019 is summarised below:

Damstra Holdings Limited	Share Price			Average weekly volume 000'
	High \$	Low \$	Close \$	
<b>Month ended</b>				
Oct 2019	1.345	1.070	1.130	5,540
Nov 2019	1.195	0.950	1.195	3,163
Dec 2019	1.195	0.960	1.055	1,206
Jan 2020	1.120	0.895	1.080	737
Feb 2020	1.150	0.960	1.000	1,749
Mar 2020	1.080	0.400	0.650	982
Apr 2020	1.010	0.580	0.940	883
May 2020	0.980	0.850	0.910	1,544
Jun 2020	1.340	0.880	1.310	3,010
<b>Week ended</b>				
20 Mar 2020	0.880	0.615	0.700	1,545
27 Mar 2020	0.695	0.400	0.600	740
3 Apr 2020	0.680	0.580	0.600	412
10 Apr 2020	0.720	0.620	0.700	319
17 Apr 2020	0.765	0.670	0.740	1,329
24 Apr 2020	0.945	0.755	0.890	1,304
1 May 2020	1.010	0.885	0.915	901
8 May 2020	0.930	0.855	0.905	645
15 May 2020	0.950	0.850	0.895	840
22 May 2020	0.940	0.860	0.895	897
29 May 2020	0.965	0.870	0.910	3,909
5 Jun 2020	1.150	0.930	1.080	3,628
12 Jun 2020	1.120	0.880	0.980	1,424
19 Jun 2020	1.135	0.915	1.100	2,288
26 Jun 2020	1.290	1.070	1.250	5,399
3 Jul 2020	1.380	1.235	1.320	1,404

Sources: S&P Global, GTCF analysis



#### 5.5.1 Top shareholders

We have set out below Damstra's substantial shareholders:

Substantial shareholders			
Number	Name	Ordinary Shares	% Interest
1	RISJEF PTY LTD <J & C RISSEEUW S/FUND A/C>	14,910,000	10.70%
2	DAMSTAR PTY LTD <C AND N DAMSTRA FAMILY A/C>	13,670,000	9.80%
3	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	12,389,890	8.90%
4	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	8,143,659	5.80%
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,521,630	5.40%
<b>Total substantial shareholders</b>		<b>56,635,179</b>	<b>40.60%</b>
Balance		82,847,388	59.40%
<b>Total Damstra Shares on issue</b>		<b>139,482,567</b>	<b>100.00%</b>

Source: S&P Global, GTCF analysis

Note (1): The list of shareholders is pulled from S&P Global since it was not disclosed in the company annual reports yet.



## 6 Overview of the Combined Group

We have summarised below key characteristics of the Combined Group.

- It is intended that Vault's existing business units will be integrated into Damstra's corporate structure. As a result, the offer of the Combined Group will comprise the full product ranges of Vault and Damstra on a standing alone basis.
- It is expected that the Combined Group will focus on, amongst other things, the strategic benefits arising from being able to offer and cross-sell tiered products to and among large workforce enterprises and individual worker operations.
- It is intended that the current Board and Management Team will continue to lead the Combined Group. David Moylan, Founder and CEO of Vault, will operate with and report directly to Christian Damstra in the Combined Group.
- The Combined Group is forecast to generate between A\$33 and A\$35 million revenue in FY21 of which more than 90% would be recurring. The cash and cash equivalents balance position of the Combined Group is expected to be between A\$13 and A\$15 million as at the implementation of the Scheme (after transaction costs).
- As result of the combined operations and economies of scale, A\$4 million in cost savings synergies are expected to be achieved upon the full integration of Vault in the Combined Group over the 12 months subsequent to the implementation of the Scheme.

### 6.1.1 Capital Structure and shareholders

The acquisition of Vault will result in the issue of circa 44 million new Damstra Shares. Following the implementation of the Scheme, the original shareholders of Damstra will retain circa 75% of the Combined Group while the Vault Shareholders will hold the remaining 25% (on a fully diluted basis).



## 7 Valuation methodologies

### 7.1 Introduction

As discussed in section 2, our fairness assessment involves comparing the Scheme Consideration of 1 Damstra Share for every 2.9 Vault Shares to the fair market value of Vault Shares before the Scheme on a control basis.

Grant Thornton Corporate Finance has assessed the value of Vault and Damstra using the concept of fair market value. Fair market value is commonly defined as:

*“the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm’s length.”*

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

### 7.2 Valuation methodologies

RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, Takeover Offers of arrangement, takeovers and prospectuses. These include:

- Discounted cash flow and the estimated realisable value of any surplus assets (“DCF Method”).
- Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets (“FME Method”).
- Amount available for distribution to security holders on an orderly realisation of assets (“NAV Method”).
- Quoted price for listed securities, when there is a liquid and active market (“Quoted Security Price Method”).
- Any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

Further details on these methodologies are set out in Appendix A to this report. Each of these methodologies is appropriate in certain circumstances.

RG111 does not prescribe any above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert’s skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.



## 7.3 Selected valuation methods

### 7.3.1 Methodologies selected

As discussed in the executive summary and highlighted in the Company section 4, Vault is a fast-growing company but still in the infancy of its lifecycle. As a result, Vault is yet to achieve a normalised level of profitability and scale.

In our assessment of the fair value of Vault, Grant Thornton Corporate Finance has relied on two valuation methodologies as outlined below:

**FME Method** – Grant Thornton has selected the Revenue Multiple method to assess the fair market value of Vault. Whilst revenue multiples are widely used to benchmark the value of technology companies, we note that, generally, businesses are more often valued with reference to an earnings multiple as earnings are considered the best proxy for measuring a company's underlying financial performance and can be readily benchmarked against other comparable companies. However, several factors in our view, make a revenue multiple approach the most appropriate to assess the fair market value of technology companies, like Vault. In particular, given its early state of maturity, Vault (and many comparable businesses) exhibits high levels of growth and high rates of reinvestment in research and development (R&D), marketing and sales; further, Vault has a limited history of generating positive earnings and reports high variability in operating margins. The value of businesses displaying these characteristics is predominantly driven by their growth potential and capacity to increase market share, as opposed to short term earnings, cash flow generation and dividend distributions.

We are of the opinion that this valuation approach is reasonable, particularly due to the following circumstances:

- Vault is currently experiencing strong and above-market growth in its revenue, however, this growth is yet to translate into an adequate level of profitability given the impact of corporate costs and the investments made in technology and marketing. Accordingly, we are of the opinion that the adoption of earnings-based multiple may undervalue the Company without reflecting its current market position.
- Our analysis, which is presented at section 8.1.2 suggests that listed companies and transactions involving businesses comparable to Vault generally show a high correlation between revenue growth and enterprise value.
- No detailed long-term forecast cash flows were prepared by Management. The start-up phase of Vault's operations and the limited track record of revenues from the Company's key product Solo, which is expected to be the revenue growth driver of Vault going forward, makes it difficult to prepare long-term forecasts based on reasonable grounds.

**Quoted Security Price Method** – We have cross-checked our valuation assessment based on the Revenue Multiple with the Quoted Security Price Method. The Quoted Security Price Method is based on the Efficient Market Hypothesis that assumes that a company's share price at any point in time reflects all publicly available information and will change when new information becomes publicly available. We note that in the absence of a takeover or other share offers, the trading share price represents the value at which minority shareholders could realise their portfolio investment.



### 7.3.2 Value of the Consideration

When considering the value of the Scheme Consideration, we note that if the Proposed Scheme is implemented, Vault Shareholders will collectively own approximately 25% of the share capital in Damstra and no individual shareholder of Vault will hold a significant interest in the Combined Group (on a fully diluted basis).

Accordingly, the value of the Scheme Consideration has been assessed based on the trading price of Damstra after the announcement of the Scheme. We are of the opinion that this approach is reasonable due to the following:

- Damstra is actively traded on the ASX and it is covered by three investment's' analysts who provide market update on a regular basis. Accordingly the trading prices of Damstra after the announcement of the Proposed Scheme represents a reasonable proxy of the fair market value to be received by Vault Shareholders.
- The decision to continue to hold Damstra Shares beyond the short term period following implementation of the Scheme is a separate investment decision which depends on the individual circumstances of Vault Shareholders and accordingly, it has not been considered in this Report.
- The Vault Shareholders do not have any lock-in period or restrictions on the sale of Damstra Shares received as Consideration.



## 8 Valuation assessment of Vault

As discussed in section 7 of this report, we have used the Revenue Multiple method as our primary method to assess the fair market value of Vault on a control basis and the Share Price Method as a cross-check.

### 8.1 Revenue Multiple method

A summary of our valuation assessment under the Revenue Multiple approach is set out below.

Revenue Multiple approach - valuation summary A\$ '000 (except where stated otherwise)	Section Reference	Low	High
FY21 Revenue	8.1.1	8,000	8,500
Assessed Revenue Multiple (on a control basis)	8.1.2	8.0x	8.5x
<b>Enterprise value (control basis)</b>		<b>64,000</b>	<b>72,250</b>
Add: Net cash as at 30 June 2020	8.1.4	2,182	2,182
<b>Equity value (control basis)</b>		<b>66,182</b>	<b>74,432</b>
Number of outstanding shares ('000s) (fully diluted)	8.1.3	127,997	127,997
<b>Value per share (Control basis) (A\$ per Share)</b>		<b>0.52</b>	<b>0.58</b>

Sources: Vault annual reports, Vault Management, GTCF analysis

#### 8.1.1 Assessed future revenue of Vault

The assessment of the FY21 revenue to be adopted for the purpose of our valuation is an exercise of judgement that takes into consideration the following factors:

- The current stage of development and commercialisation of Vault's core products Enterprise and Solo.
- Historic financial performance of Vault from FY17 to FY20 as set out and discussed in section 4.5.
- Budget and management projections to 30 June 2021 ("FY21 Budget") prepared by Management.
- Key industry risks, growth prospects and general economic outlook.
- Broker estimates for key players in the industry.

Whilst Grant Thornton Corporate Finance believes that the assumptions underlying the FY21 Budget are appropriate to be considered for the purpose of our valuation, we have not disclosed them as they contain commercially sensitive information and they may not meet the disclosure requirements of ASIC RG170.

In relation to the FY21 Budget, we have performed the following procedures:

- Conducted high-level checks, including limited procedures in relation to the mathematical accuracy.
- We have held discussions and interviews with the Management of the Company to discuss the key assumptions.
- We have reviewed key contracts and the pipeline of opportunities.



In the table below, we present Vault's historical revenue and broker estimates, and subsequently discuss some of the key factors we have considered to arrive at our FY21 Revenue range.

FY21 Revenue assessment	FY16	FY17	FY18	FY19	FY20	FY21	FY22
A\$ '000	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast
Operating revenues	2,722	2,753	3,027	3,567	4,718	8,000	
Revenue growth	Na	1.1%	10.0%	17.8%	32.3%	69.6%	
Broker Revenue					4,700	8,000	14,200
Revenue growth						70.2%	77.5%
ARR	Na	2,275	2,918	3,486	4,830	12,911	
ARR growth			28.3%	19.5%	38.6%	167.3%	
<b>Grant Thornton adopted FY21 Revenue</b>				<b>8,000</b>	<b>to</b>	<b>8,500</b>	

Sources: GTCF analysis, Broker reports, Company guidance

In our assessment of the FY21 Revenue of Vault to adopt for the purpose of our assessment, we have considered the following key factors and information:

- **Revenues** – The Company delivered significant growth following the releases of Enterprise latest updated and launch of Solo in 2018. Given Vault's business model, a significant portion of the Company revenue is contracted and hence the Company has robust visibility over the medium period revenue forecast. We note that circa 92% of the FY20 revenue is recurring and the client base as at 30 June 2020 is generating A\$4.8 million in ARR.
- **FY21 Vault Guidance** – On 8 July 2020, the Company provided guidance of A\$8.0 million revenue for FY21, which is circa 70% growth compared with FY20 revenue. We note that almost 50% of the A\$8 million revenue guidance is supported by the existing ARR as of 30 June 2020. Further, the ARR does not fully reflect certain significant contracts associated with Solo that were signed in FY20 but will start generating revenue during the first and second quarter of FY21 which are outlined below:
  - **SurePlan New Zealand** – A five year agreement with a total contract value of A\$12.4 million to provide the Vault SoloDrive.
  - **ADT Security New Zealand** – A five year agreement with a total contract value of A\$6.8 million to provide the Vault Solo Platform.
  - **M1** – A 5-year agreement worth approximately A\$2.9 million to provide the Vault Solo.
  - Further to the above, the Company has signed contracts with Vodafone NZ and MePACs but the details have not been disclosed to the market.

Based on the above, we are of the opinion that the FY21 revenue guidance is conservative given that it is substantially based on contracted revenue. As outlined in the table above, the ARR for FY21 is significantly in excess of the revenue guidance as all the specific contracts outlined above commence at some point during the forecast year.

- **Broker** – The broker covering Vault has FY21 revenue forecast in line with the guidance provided by Management plus FY22 revenue forecast of A\$14.2 million, a 78% increase from FY21.



Based on the above analysis and discussions, we have selected an FY21 revenue for Vault between A\$8 million and A\$8.5 million.

#### 8.1.2 Revenue Multiple

The selection of an appropriate EV/Revenue multiple is a matter of judgement and involves consideration of a number of factors including:

- The stability and quality of the revenue.
- The nature and size of the business.
- The quality of the management team.
- Future prospects of the business.
- Cyclical nature of the industry.

For the purpose of assessing an appropriate EV/Revenue multiple range to value Vault, we have had regard to the following:

- The trading revenue multiples of listed comparable companies.
- The revenue multiples implied by recent transactions involving companies comparable to Vault. We note that despite several comparable transactions completing over the past three years, they mostly involved private companies being acquired by private equity firms. As a result, financial details of the transactions were not disclosed, hence limiting the amount of available data significantly.

#### Trading multiples

In selecting the listed comparable companies, we have considered the following:

- Most of the pure players in the EHS sector are private companies, and hence the related trading multiples are not available. As a result, we have extended our search to include SaaS and cloud-based companies broadly providing enterprise management software that include among their offer regulatory compliance and operational risk management. We note that despite the difference of these peers to Vault in terms of their products offer, they have a similar business structure and subject to similar industry trends.
- Vault is characterised by historical and forecast high-growth in revenues. As a result, we have focused on those companies with significant growth prospects.
- The majority of the companies have 30 June as year-end and are currently in the process of releasing their accounts for 2020. As a result, we have relied on the FY21 revenue multiple.
- The revenue multiples of listed peers reflect the value of the underlying companies on a minority basis and do not include a premium for control.



We have selected two tiers of comparable companies. Tier 1 includes mid-sized entities that broadly provide enterprise management software. Tier 2 includes larger and more diversified companies that provide software solutions to clients and operate in the enterprise management software space. We note that a wide range of comparable companies has been selected for the purpose of this analysis, given the lack of perfectly comparable companies. A brief description of the comparable companies is set out in Appendix B.

Summarised below are the trading multiples of the selected companies having regard to the trading prices:

Trading multiple analysis				Revenue Multiple			
		Mkt cap <sup>1</sup>	EV	FY19	FY20 <sup>2</sup>	FY21	FY22
	Location	A\$ m	A\$ m	Actual	Estimated	Forecast	Forecast
Vault Intelligence Limited	Australia	44	39	10.9x	8.3x	4.9x	2.7x
<b>Tier 1 - Business comparable companies</b>							
Envirosuite Ltd	Australia	149	133	18.3x	5.1x	2.1x	1.7x
Damstra Holdings Ltd	Australia	233	226	14.8x	10.2x	6.9x	5.1x
Blackline Safety Corp.	Canada	316	282	8.5x	7.4x	4.1x	3.2x
Ideagen plc	United Kingdom	712	413	8.8x	7.4x	6.8x	6.2x
Objective Corp. Ltd	Australia	981	960	15.5x	13.7x	9.9x	8.8x
<b>Tier 1 - Average (excl. Blackline and Envirosuite)</b>				<b>13.0x</b>	<b>10.4x</b>	<b>7.9x</b>	<b>6.7x</b>
<b>Tier 1 - Median (excl. Blackline and Envirosuite)</b>				<b>14.8x</b>	<b>10.2x</b>	<b>6.9x</b>	<b>6.2x</b>
<b>Tier 2 - Large comparable companies</b>							
IRESS Limited	Australia	1,992	2,243	4.4x	3.9x	3.5x	3.4x
Technology One Ltd	Australia	2,653	2,600	9.1x	8.7x	7.8x	7.1x
WiseTech Global Ltd	Australia	6,910	6,721	19.3x	16.0x	13.1x	10.9x
Xero Ltd	New Zealand	12,990	14,038	25.4x	19.5x	16.4x	13.5x
<b>Tier 2 - Average</b>				<b>14.6x</b>	<b>12.0x</b>	<b>10.2x</b>	<b>8.7x</b>
<b>Tier 2 - Median</b>				<b>14.2x</b>	<b>12.3x</b>	<b>10.5x</b>	<b>9.0x</b>
<b>Overall average (excl. Blackline and Envirosuite)</b>				<b>13.9x</b>	<b>11.3x</b>	<b>9.2x</b>	<b>7.8x</b>
<b>Overall median (excl. Blackline and Envirosuite)</b>				<b>14.8x</b>	<b>10.2x</b>	<b>7.8x</b>	<b>7.1x</b>

Sources: S&P Global, GTCF Analysis

Notes: (1) Market Capitalisation as at 7 August 2020 except Vault whose market capitalisation is taken before the announcement which was at 7 July 2020; (2) We note that most of the companies have 30 June 2020 as end of the financial year. However, whilst the FY20 has ended, companies have not yet released their financial statements. Accordingly, we have relied on the broker estimates. For the purpose of our analysis, we have considered FY20 as a historical year, being the broker forecast for the year having a low degree of uncertainty. (3) We note that all above companies have now adopted the new standard AASB 16 "Leases" (or related international standard) and accordingly the operating lease liability have been recognised in the balance sheet and captured in the enterprise value calculation. We note the impact of the new lease liabilities on the enterprise value of the above companies to be minimal, accounting maximum for a 2.55% of the enterprise value and averaging at 1.30%.

In order to provide greater insights into the selected comparable companies, we have also analysed below certain KPIs such as Gross margins, revenue and ARR growth rates, and proportion of recurring revenue.



KPIs - Trading peers			Revenue CAGR FY20 <sup>2</sup>		Gross margins <sup>2</sup>		ARR growth			Recurring
		Mkt Cap <sup>1</sup>	3 Yrs	2 Yrs	3 Yrs	2 Yrs	FY18	FY19	FY20 <sup>2</sup>	Revenue %
	Location	A\$ m	Historical	Forecast	Historical	Forecast	Actual	Actual	Estimated	FY19/FY20
Vault Intelligence Limited	Australia	44	20%	74%	60%	Na	28%	19%	38%	92%
<b>Tier 1 - Business comparable companies</b>										
Envirosuite Ltd	Australia	149	445%	72%	42%	58%	100%	87%	114%	70%
Damstra Holdings Ltd	Australia	233	32%	41%	58%	69%	NA	46%	44%	91%
Blackline Safety Corp.	Canada	316	49%	53%	47%	52%	NA	59%	NA	78%
Ideagen plc	United Kingdom	712	27%	9%	91%	94%	43%	44%	NA	74%
Objective Corp. Ltd	Australia	981	4%	25%	96%	Na	17%	15%	21%	75%
<b>Tier 1 - Average (excl. Blackline and Envirosuite)</b>			<b>21%</b>	<b>25%</b>	<b>82%</b>	<b>81%</b>	<b>30%</b>	<b>35%</b>	<b>33%</b>	<b>80%</b>
<b>Tier 1 - Median (excl. Blackline and Envirosuite)</b>			<b>27%</b>	<b>25%</b>	<b>91%</b>	<b>81%</b>	<b>30%</b>	<b>44%</b>	<b>33%</b>	<b>75%</b>
<b>Tier 2 - Large comparable companies</b>										
IRESS Limited	Australia	1,992	10%	8%	64%	22%	NA	NA	NA	90%
Technology One Ltd	Australia	2,653	3%	10%	59%	87%	20%	13%	16%	85%
WiseTech Global Ltd	Australia	6,910	40%	21%	83%	83%	39%	54%	NA	90%
Xero Ltd	New Zealand	12,990	34%	20%	84%	86%	35%	11%	NA	98%
<b>Tier 2 - Average</b>			<b>22%</b>	<b>15%</b>	<b>73%</b>	<b>69%</b>	<b>31%</b>	<b>26%</b>	<b>16%</b>	<b>91%</b>
<b>Tier 2 - Median</b>			<b>22%</b>	<b>15%</b>	<b>74%</b>	<b>84%</b>	<b>35%</b>	<b>13%</b>	<b>16%</b>	<b>90%</b>

Sources: S&P Global, GTCF Analysis

Notes: (1) Market Capitalisation as at 29 July 2020 except Vault whose market capitalisation is taken before the announcement which was at 7 August 2020; (2) We note that most of the companies have 30 June 2020 as end of the financial year. We note that while the FY20 is officially ended, the companies have not yet released their financial accounts. Accordingly, we have relied on the broker estimates. For the purpose of our analysis, we have considered FY20 as a historical year, being the broker forecast for the year having a low degree of uncertainty.

### Tier 1 Companies

Within the Tier 1 comparable companies, we regard Damstra, Ideagen PLC ("Ideagen") and Objective Corporation Limited ("Objective") as the more relevant companies for the purpose of our benchmark analysis for the reasons briefly discussed below.

### Damstra

Damstra develops, sells, and implements integrated hardware and software-as-a-service solutions that enable industries to track, manage, and protect their staff, contractors, and organisations as well as use to reduce the risks associated with workplace safety and regulatory compliance.

Its products include workforce management, asset management, access control, learning management, predictive analytics and health, safety and environmental management. These cover areas such as tracking time and attendance, maintaining plant and equipment, providing real time data to manage health and safety which can be summarised all on a single dashboard to facilitate real time analysis. This is similar to Vault Enterprise which offers a cloud based platform along with customisable templates, processes and reports for immediate real time solutions to manage assets and workers.

We consider Damstra the closest comparable company to Vault, and its FY21 forecast multiple of 6.9x is in line with Tier 1 average and median multiple of 7.9x and 6.9x respectively. We note the below in relation to the comparability with Vault:



- Damstra's historical three years revenue CAGR has been 32% as compared to 20% for Vault and forecast two years revenue CAGR is 41% for Damstra and 74% for Vault. Moreover, they both have relatively similar gross margins being 58% for Vault and 51% for Damstra in FY19.
- Damstra's forecast ARR growth for FY20 is 44% compared to 38% for Vault with recurring revenue for FY20 being 91% and 92% respectively.
- Despite Damstra global expansion strategy, a large portion of the revenues, 75% in 1H FY20, are still generated in Australian and New Zealand.

### Ideagen

Ideagen develops and sells information management software in the United Kingdom, rest of Europe, North America, the Middle East, and internationally. Its main product line includes software's relating to governance, risk and compliance. It provides complete lifecycle solutions that enables organisations to meet their regulatory and compliance standards as well as manage corporate risk. This is similar to Vault which simplifies governance by managing policies, tracking operations and streamlining processes; manages compliance by handling internal audits and documentation; as well as risk management by not only recording incidents and preparing reports but also helps to take preventive actions.

We also note the following in relation to the comparability with Vault:

- The historical revenue CAGR of 27% is slightly higher than Vault's CAGR of 20%, however Ideagen has a much higher gross margin and a positive EBITDA due to the larger scale of its operations.
- Even if 80% of the company revenues are derived from the United Kingdom and North America, Ideagen has a strong ARR growth rate of circa 73.5% as of H1 FY20 (October 2019) as compared to Vault's 38% ARR growth in FY20 (30 June 2020) which includes Solo (launched in late 2018) and Vault Enterprise 3 platform.
- The outbreak of Covid-19 has impacted greatly certain industries, like aviation and automotive, where Ideagen operates which led to a decrease in the new license sales which was partly offset by the increased demand in healthcare and life sciences.
- We note that the broker covering Ideagen has reduced its forecast to be in line with the company guidance.

### Objective

Objective offers content management, documents management, workflow design capabilities and helps create a secure and private workplace by connecting people. It provides information management, governance of information, streamlining content-driven processes, external collaboration, redaction of information and effectively responding to requests and correspondences. Whilst Objective operates in an adjacent industry to Vault, both companies offer customisable dashboard to document process and procedures as well as for tracking contractors and people. Irrespective, both of them are subject to the similar industry drivers, trends and market related factors. We also note the following in relation to the level of comparability:



- Similar to Vault, Objective generates most of its revenues from Australia and New Zealand, circa 84% in FY19. Further, the company is expected to generate significant growth over the next two years, supported by 75% recurring revenues.
- Like Vault, the company has historically invested significantly in research and development. In FY20, the expense related to research and development accounted for A\$15.5 million or 22% of revenue.
- Objective has grown significantly via acquisitions. In FY19, the company acquired MBS GoGet and Alpha Group which altogether added A\$4.5 million ARR to the company. Recently, on 2 July 2020, Objective has announced the acquisition of Itree, an Australian specialised software developer for governments and regulators. In the transaction's announcement, Objective has reported Itree acquisition to be cash flow positive and earnings accretive and that it would A\$8.0 million ARR to the company base.

#### Other Tier 1 companies

Blackline is comparable to Vault as it offers G7c, a safety wearable for indoor and outdoor locations for lone worker monitoring, single-gas and multi-gas diffusion cartridge for gas detection, and multi-gas pump cartridge for confined space entry and leak check gas detection services. However the industry in which it operates is currently significantly depressed with limited activity and accordingly we have not relied on it

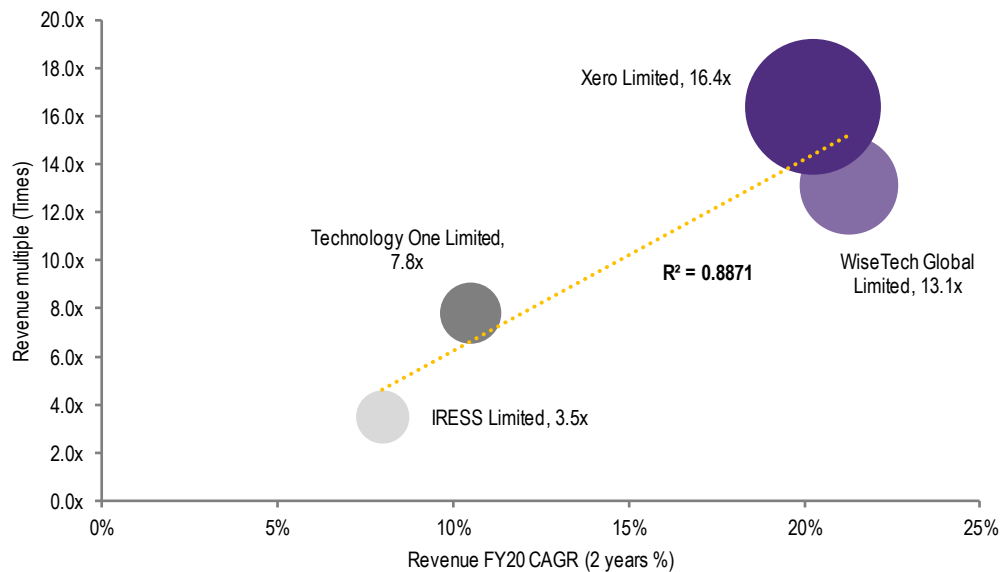
Envirosuite develops and sells environmental management technology platform solutions. However, in 2HFY20, the company went through a significant restructure as a result of the integration of the business EMS Bruel Business & Kjaer ("EMS") acquired in February 2020 which has significantly depressed the trading prices.

#### Tier 2 Companies

The companies in tier 2 are large and established Australian companies offering SaaS and cloud-based software for workplace management. Whilst they are not particularly comparable to Vault in terms of size, market positioning and product differentiations, as shown in the graph below, there is a strong positive correlation between the revenue multiple and revenue growth rate and scale of the business which we have taken into account in our valuation assessment of Vault.



## Tier 2 – Revenue multiple vs revenue growth and market cap



Source: Capital IQ, GTCF analysis

Note: The area of the bubble represents the scale of the market capitalisation of the different companies

## Transaction multiples

We have also considered multiples implied by historical transactions involving companies comparable to Vault. However, as mentioned in section 8.1.2, the amount of available comparable transaction is limited. Notwithstanding that several transactions involving EHS solutions provider completed over the past four years, most of them involved private companies being acquired by private equity firms, and hence the transaction metrics were not disclosed.

The table below summarises our comparable transaction analysis:

Transaction analysis			Enterprise value	Stake	Revenues Multiple	
Date	Target company	Bidder company	million	(%)	H	F
2-Jul-20	Itree	Objective Corporation	19	100%	Na	1.3x
Feb-20	Applied Project Experience Pty Ltd	Damstra Holdings Limited	6	100%	4.2x	Na
Dec-19	CA Technology Pty Limited	Ellerston Capital Limited	50	35%	Na	2.2x
Dec-19	Scenario Advantage Workforce Business of Projection Group	Damstra Technology Pty Ltd	4	100%	3.1x	Na
Oct-18	Eify Ltd	Damstra Technology Pty Ltd	11	100%	4.2x	Na
May-16	Enablon S.A.	Wolters Kluwer Legal & Regulatory U.S.	390	100%	5.6x	4.6x
<b>Median</b>					<b>4.2 x</b>	<b>3.4 x</b>
<b>Average</b>					<b>4.3 x</b>	<b>3.4 x</b>

Sources: S&P Global, GTCF analysis

The comparable transactions observed took place during the period between May 2016 and July 2020. Most of these transactions involved the acquisitions of controlling interests, and the EV/Revenue multiples have been determined having regard to the historical and forecast (when available) financial performance. In relation to the above, we note that Enablon S.A. ("Enablon") acquisition is the most relevant comparable transaction for Vault given that Enablon is a pure player in the EHS solution industry. However, we have put limited reliance on both the historical and forecast revenue multiple for this transaction due to the following:



- The transaction completed circa four years ago when trading conditions in the industry were significantly different from the ones existing today. In particular, the valuation of technology-related stocks have experienced a significant uplift in recent times.
- At the time of the transaction, Enablon was already large and established business with a turnover of around A\$45 million which is significantly greater than Vault and it reflected growth prospects of a more mature business.

Further, we have not relied on the several Damstra acquisitions since they were small bolt-on acquisitions of businesses with significantly less strategic than Vault.

Having regard to the above analysis, we have relied on the trading multiples in reaching our conclusion.

#### Conclusion on EV/Revenue multiple

Based on the analysis of comparable trading companies and comparable transactions, Grant Thornton Corporate Finance has assessed an EV/Revenue multiple for the valuation of Vault between 8.0x and 8.5x on a control basis.

The selected range is mainly based on the median and average of the Tier 1 revenue multiples and Damstra multiple which we consider particularly comparable to the Company in terms of the business model and growth prospects. However we note that Damstra is significantly larger and more diversified and it operates globally via a broader products range.

In addition, the assessed Revenue multiple takes into account the potential upside below which is not necessarily captured into the FY21 Revenue:

- *Solo potential* – Solo is a new and innovative product, benefiting by the first-mover advantage in an industry still fragmented which should assist in gaining market share. Further, as indicated by the Management, the launch of Solo was not supported by a strong sales and marketing campaign due to capital constraints faced by the business. A company with the scale and market reach of Damstra should be able to propel the rollout of Solo significantly via cross-selling opportunities with its sales force and clients' base.
- *Industry* – As described in section 3 the WMS market and especially the EHS subsector has experienced increased interest over the past years which has translated in significant growth opportunities for market participants. We note that several Vault peers expect significant revenue growth over the next two to three years.
- *Covid-19 upside* – The outbreak of Covid-19 with workforce working remotely and becoming even more mobile has reiterated the importance of workforce management, a sector still underdeveloped and where Vault is targeting to expand with its innovative Solo product. Interest in Vault's product has spiked over the last six months as people and companies seek solutions to protect themselves both from a risk/liability and physical perspective. Solo can assist businesses and workforce with contact tracing, remote working and communication platform which are becoming more and more relevant in a world which is expected to be based on a greater proportion of working from home arrangements.



### 8.1.3 Vault Shares outstanding and options on issue

As set out in section 4.5, as at the date of this report, Vault had 127,997,024 shares outstanding and 14.34 million Vault Options subject to different vesting conditions and exercise prices.

We note that most of the comparable companies and in particular Damstra and Objective have a similar capital structure and proportion of options on issue and accordingly the potential dilutionary impact from the Vault Options is already captured in the trading prices of the comparable companies.

### 8.1.4 Net debt

Based on the cash balance and interest bearing-liabilities as at 30 June 2020 summarised in the table below:

Pro forma Net Debt A\$ '000	Section Reference	
Lease liabilities	4.5.2	841
Less: Cash balance	4.5.2	(3,024)
<b>Net Debt/(Net Cash) of Vault as at 30 June 2020</b>		<b>(2,182)</b>

Sources: FY20 Management accounts, GTCF analysis

## 8.2 Valuation cross-check – Quoted share price

Prior to reaching our valuation conclusion, we have considered the quoted security price of Vault Shares to cross-check our valuation assessment under Revenue multiple method

The adopted value of Vault based on the trading prices is an exercise of professional judgement that takes into consideration the depth of the market for the listed securities, volatility of the market price, and whether or not the trading prices are likely to represent the underlying value of Vault.

### 8.2.1 Liquidity analysis

In accordance with the requirements of RG111, we have analysed the liquidity of Vault Shares by considering the trading volume from January 2019 and June 2020 as a percentage of the total shares outstanding as well as free float shares outstanding, as outlined in the table below.



Trading volume analysis				Cumulative		Cumulative	
Month end	Volume traded ('000)	Monthly VWAP (\$)	Total value of shares traded (\$'000)	Volume traded as % of total shares	Volume traded as % of total shares	Volume traded as % of free float shares	Volume traded as % of free float shares
Jan 2019	524	0.1781	93	0.5%	0.5%	0.7%	0.7%
Feb 2019	1,619	0.1897	307	1.6%	2.1%	2.2%	2.9%
Mar 2019	3,504	0.1662	582	3.4%	5.5%	4.7%	7.6%
Apr 2019	2,901	0.1860	539	2.8%	8.3%	3.9%	11.6%
May 2019	3,275	0.1715	562	3.2%	11.5%	4.4%	16.0%
Jun 2019	1,437	0.1660	238	1.4%	12.9%	1.9%	18.0%
Jul 2019	13,302	0.2625	3,492	12.9%	25.8%	18.0%	36.0%
Aug 2019	4,296	0.2890	1,242	4.2%	30.0%	5.8%	41.8%
Sep 2019	6,539	0.2945	1,925	6.4%	36.3%	8.9%	50.7%
Oct 2019	16,955	0.3365	5,705	16.5%	52.8%	23.0%	73.6%
Nov 2019	29,897	0.4253	12,714	23.4%	76.2%	32.6%	106.2%
Dec 2019	10,038	0.3815	3,830	7.8%	84.0%	10.9%	117.1%
Jan 2020	7,762	0.3444	2,673	6.1%	90.1%	8.5%	125.6%
Feb 2020	8,963	0.2469	2,213	7.0%	97.1%	9.8%	135.4%
Mar 2020	8,756	0.1465	1,283	6.8%	103.9%	9.5%	144.9%
Apr 2020	3,539	0.1748	619	2.8%	106.7%	3.9%	148.7%
May 2020	6,592	0.2116	1,395	5.2%	111.8%	7.2%	155.9%
Jun 2020	3,762	0.2583	972	2.9%	114.8%	4.1%	160.0%
<b>Min</b>				<b>0.51%</b>		<b>0.71%</b>	
<b>Average</b>				<b>6.38%</b>		<b>8.89%</b>	
<b>Median</b>				<b>4.66%</b>		<b>6.50%</b>	
<b>Max</b>				<b>23.36%</b>		<b>32.57%</b>	

Sources: S&P Global, GTCF analysis

With regard to the above analysis, we note that:

- The level of free float for Vault is high at circa 71.7%. From January 2019 to December 2019, circa 160% of the free float shares were traded with an average monthly volume of 8.89% of the total free float shares. This indicates that stock is liquid, and is well traded by large segments of the market.
- In the absence of a takeover or alternative transactions, the trading prices represent the value at which minority shareholders could realise their portfolio investment.
- In July 2019, the relatively higher trading was associated with the Company announcing a contract extension for a total contract value of A\$2.1 million.
- In October and November 2019, the relatively larger trading volumes were driven by various announcements relating to a material contract with SurePlan which is expected to deliver a minimum



total contracted value of A\$12.4 million over five years and Management confirming exceeding its market guidance of A\$10 million contracted annual recurring revenue<sup>18</sup> ("CARR").

- Vault complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of Vault. In addition, Vault provides updates to the market on a regular quarterly basis with information regarding past and future performance.
- Vault is covered by two investment analysts who provide updates to the market on a regular basis. As a result, there is extensive analysis provided to the market not only about the Company's performance and market standing but also regarding industry trends.

As set out in the table below, the free float of Vault Shares is consistent with the industry peers. Moreover, Vault free-float (71.7%) and average volume traded are higher than all the tier 1 comparable companies and closely in line with tier 2 which are much larger and diversified companies.

Liquidity analysis			Average volume traded as a % of total shares	Average volume traded as a % of free float shares	Cumulative volume traded as a % of total shares	Cumulative volume traded as a % of free float shares
Company	Country	Free float (%)				
Vault Intelligence Limited	Australia	71.7%	8.5%	11.8%	114.8%	160.0%
<b>Tier 1</b>						
ProntoForms Corporation	Canada	61.3%	0.9%	1.4%	15.5%	25.2%
Envirosuite Limited	Australia	84.4%	5.8%	6.9%	104.5%	123.7%
Damstra Holdings Limited	Australia	37.2%	5.1%	13.8%	41.0%	110.2%
Blackline Safety Corp.	Canada	66.9%	0.8%	1.1%	13.6%	20.3%
Ideagen plc	United Kingdom	77.7%	4.0%	5.1%	71.9%	92.5%
Objective Corporation Limited	Australia	19.3%	0.5%	2.7%	9.5%	49.0%
<b>Tier 1 average</b>		<b>57.8%</b>	<b>2.8%</b>	<b>5.2%</b>	<b>42.6%</b>	<b>70.1%</b>
<b>Tier 1 median</b>		<b>64.1%</b>	<b>2.4%</b>	<b>3.9%</b>	<b>28.2%</b>	<b>70.7%</b>
<b>Tier 2</b>						
IRESS Limited	Australia	99.6%	8.6%	8.7%	155.5%	156.1%
Technology One Limited	Australia	81.4%	8.1%	10.0%	146.5%	180.0%
WiseTech Global Limited	Australia	39.5%	8.0%	20.3%	144.3%	365.5%
Xero Limited	New Zealand	78.4%	7.9%	10.1%	142.3%	181.5%
<b>Tier 2 average</b>		<b>74.7%</b>	<b>8.2%</b>	<b>12.3%</b>	<b>147.2%</b>	<b>220.8%</b>
<b>Tier 2 median</b>		<b>79.9%</b>	<b>8.1%</b>	<b>10.0%</b>	<b>145.4%</b>	<b>180.8%</b>

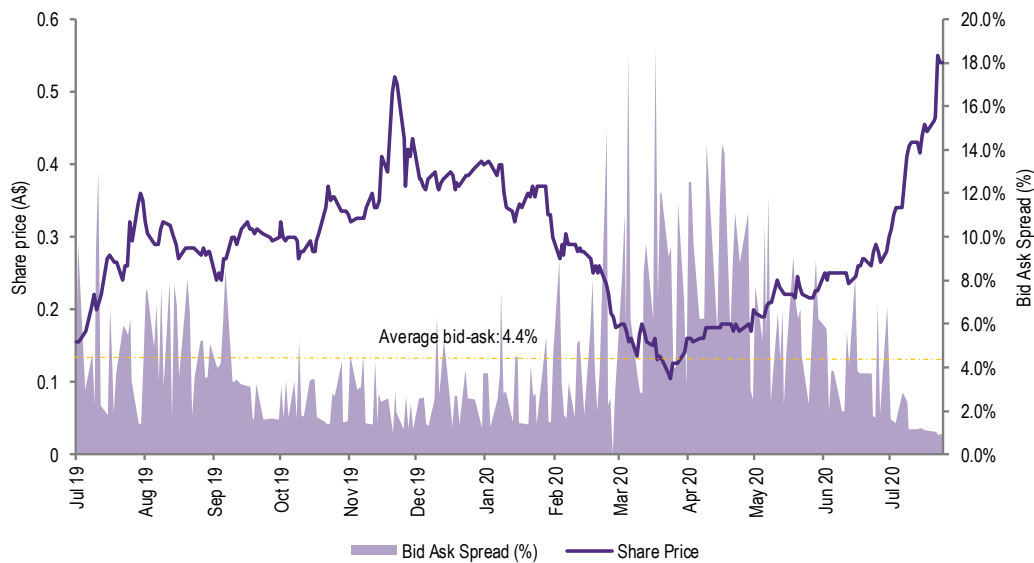
Sources: S&P Global, GTCF analysis

Where a company's stock is not heavily traded or is relatively illiquid, the market typically observes a difference between the 'bid' and 'ask' price for the stock as there may be a difference in opinion between the buyer and seller on the underlying value. The historical difference between the bid and ask price has been consistently low over the last 12 months preceding the date of the announcement of the Scheme averaging 4.4% as set out the chart below. However, if we extrapolate the period of high volatility during Covid-19, when, given the market uncertainty, it was more difficult to reach a consensus on the price of the stock, the spread between bid and ask price is materially lower.

<sup>18</sup> CARR was a metric utilised by Vault up 1H FY20, and then substitute by ARR. CARR was defined as the ARR of all the active subscription services (as at defined date) being delivered by Vault, plus, the future committed annual recurring revenue of subscription services yet to commence.



### Vault – 12 months bid-ask spread



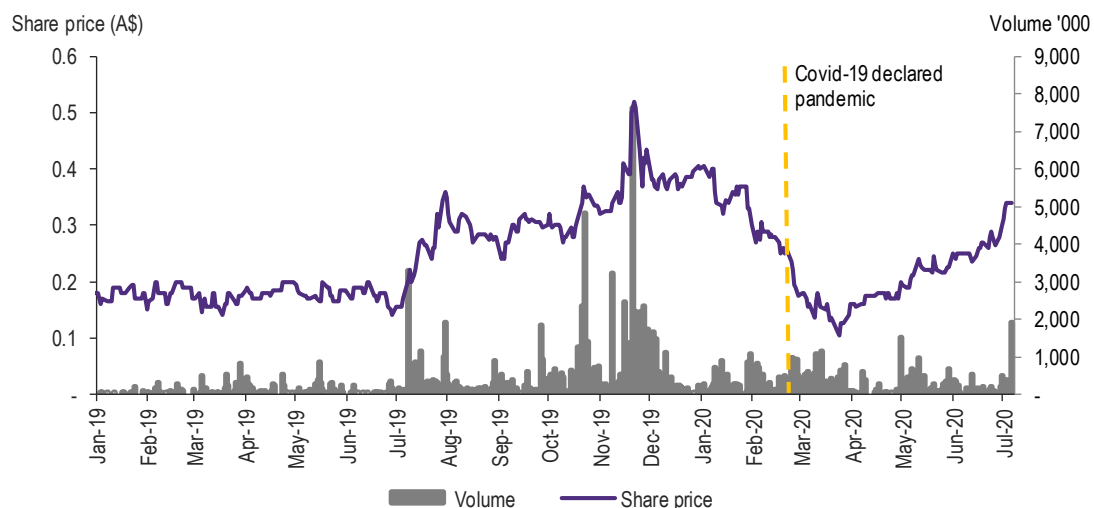
Source: S&P Global, GTCF analysis

Based on the analysis above, we conclude that there is sufficient liquidity in Vault's trading price for utilisation of the Quoted Security Price Method as cross check valuation methodology.

### 8.2.2 Valuation assessment of Vault based on the trading price

As part of our valuation procedures based on the trading prices, we have first analysed the performance of Vault's Share trading prices over the last 18 months which is set out in the graph below.

### Historical share trading prices and volume for Vault



Sources: S&P Global, GTCF analysis

We note the following in relation to the graph above:

- In July 19, the Company announced that its contract with StateCover Mutual had been renewed for an additional five years to 30 June 2025, generating a total contract value of approximately A\$2.1 million. Further, the Company confirmed the achievement of A\$6 million of contracted recurring revenues as a



result of a record growth over the fourth quarter of FY19. As a result of this positive announcements, the Company share price increased by 126% over the month.

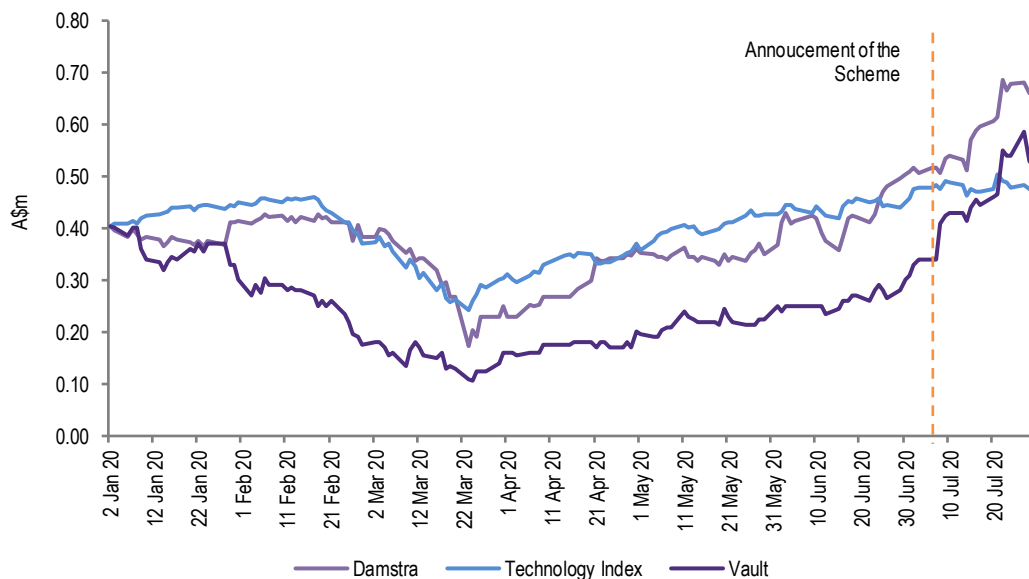
- On 26 September 2019, the Company successfully raised A\$7.5 million via a share placement from new and existing shareholders. The share placement, which was well oversubscribed, occurred at a price of A\$0.30, representing a 2% discount to the last closing share price and a 4% premium to the 15 days VWAP of A\$0.289.
- On 22 October 2019, Vault announced that ADT Security New Zealand had signed a five-year contract for a total contract value of A\$6.8 million. As a result, Vault Share price increased by 24%.
- On 22 November 2019, the Company announced the signing of the contract with SurePlan in relation to SoloDrive for a total contract value of A\$12.4 million over five years. Following this, the Company confirmed to have already exceeded its market guidance of a minimum of A\$10 million CARR by the end of FY20. This contract was the second successive multi-million dollar Solo deal in the previous four weeks and drove the Vault Share price to increase by 23% up to A\$0.48.
- Following the spike in share price in the preceding months, towards the end of November Vault Share price stabilised around A\$0.40 until the beginning of January 2020 when it started a clear declining trend after the release of the 2QFY20 quarterly update on 29 January 2020. The broker covering Vault reported that following the signing of several valuable contracts over the past few quarters, cash receipts have not improved, with 2Q20 cash receipts only 5.1% higher than the pcg, despite a 152.9% increase in cumulative CARR over the same time period. As a result of the weak cash conversion, the broker downgraded the Vault from buy to speculative hold. Moreover, CARR growth slowed significantly during the third quarter of FY20 to A\$0.4 million from A\$3.8 million in second quarter in FY20. This was the slowest growth since first quarter FY19 and might have triggered investors to reassess their growth prospects for the Company.

From mid-March 2020, the trading prices were adversely affected by a market sell-off following the outbreak of Covid-19, but they have since mostly recovered.

In order to better understand the impact on the Company trading prices of the outbreak of Covid-19, we have compared in the graph below Vault trading prices with rebased Damstra share price, the closest comparable to Vault, and the S&P/ASX 200 Information Technology ("Technology Index").



### Damstra and Technology Index rebased to Vault's share price



Source: S&P Global, GTCF analysis

As shown in the graph above, Vault traded in line with Damstra and the Technology Index after the outbreak of Covid-19 in March 2020 and the follow-up recovery. Notwithstanding the above, we note that Vault trading prices were more adversely affected than Damstra and the Index as a result of a greater sell-off of smaller and riskier businesses and specific circumstances of the business as discussed above<sup>19</sup>.

The recovery of Vault's share price other than driven by the general recovery in the global financial markets, was spurred on by a series of business updates released by the Company:

- On 30 April 2020, Vault released the 3QFY20 update reporting slower growth in CARR but a significant improvement in cash collection and a reduction in the cash burn rate. Further, the Company launched Solo Crisis Management to meet the new demand generated by Covid-19.
- On 30 June 2020, the Company provided an operational update reporting the signing of new contracts and the extension of existing ones which will start to generate revenues in FY21.

We note that following the announcement of the Scheme, the trading prices of most of the listed peers have continued on the growth pattern as set out in the table below. During this period, Vault Share price performance has tracked the performance of Damstra share price given the scrip consideration.

<sup>19</sup> The slow CARR growth in Q3 FY20 and the subdued cash collections in Q2 FY20.



Trading prices analysis	At the announcement		After the announcement		Change in price %	
	8-Jul-20	5 Days VWAP	31-Jul-20	5 Days VWAP	daily price	VWAP
Damstra Holdings Limited	1.32	1.34	1.68	1.75	27%	30%
Envirosuite Limited	0.15	0.16	0.15	0.15	(3%)	(10%)
Objective Corporation Limited	8.90	8.81	10.48	9.87	18%	12%
Blackline Safety Corp.	5.40	5.41	6.23	5.90	15%	9%
Ideagen plc	1.72	1.79	1.77	1.77	3%	(1%)
Technology One Limited	8.99	8.86	8.42	8.39	(6%)	(5%)
WiseTech Global Limited	21.57	20.59	21.02	21.00	(3%)	2%
Xero Limited	92.07	91.85	93.31	92.52	1%	1%
Technology index	1,657.91	Na	1,668.1	Na	1%	Na
<b>Average</b>					<b>6%</b>	<b>5%</b>

Source: S&P Global, GTCF analysis

Note (1): IRESS Limited is excluded from the table above since its share price may have been influenced by the takeover of OneVue.

It is reasonable to assume that in the absence of the Scheme, the trading prices of Vault would have continue to upward trend in line with the listed peers. We have considered this factor in our valuation assessment based on the trading prices.

#### 8.2.3 Premium for control

The trading prices presented above reflect the value of Vault on a minority basis and thus do not include a premium for control. Evidence from studies suggests that successful takeovers in Australia have completed based on premium for control in the range of 20% to 40% (Refer to Appendix D for an overview of this control premium study). We have considered the premium for control paid by acquirers in the application software providers sector as set out below:



Control premium analysis				Premium	
Date	Target	Bidder	% Sought	1 day closing	1 month VWAP
27 Jul 20	Optiva Inc.	ESW Capital, LLC	78	92%	83%
24 Jul 20	EASY SOFTWARE AG	Battery Ventures	100	95%	91%
20 Jul 20	Majesco	Thoma Bravo, LLC	100	71%	78%
13 Feb 20	RIB Software SE	Schneider Electric Investment AG	90	41%	25%
17 Dec 19	LogMeIn, Inc.	Francisco Partners Management, L.P	100	4%	6%
13 Dec 19	VersaPay Corporation	Great Hill Partners LLC	100	48%	64%
04 Dec 19	Instructure, Inc.	Thoma Bravo, LLC	100	2%	10%
22 Oct 19	Cision Ltd.	Platinum Equity, LLC	100	18%	27%
08 Oct 19	Astea International Inc.	Industrial & Financial Systems AB	100	140%	153%
10 Jun 19	Tableau Software, Inc.	Salesforce.com, Inc.	100	42%	51%
13 May 19	Amber Road, Inc.	E2open, Inc.	100	27%	42%
25 Mar 19	Espial Group Inc.	Enghouse Systems Limited	100	39%	34%
12 Feb 19	Ellie Mae, Inc.	Thoma Bravo, LLC	100	21%	29%
04 Feb 19	Top Image Systems Ltd.	Kofax Limited	100	67%	62%
04 Feb 19	Ultimate Software Group Inc	Blackstone consortium	100	19%	27%
15 Oct 18	SendGrid, Inc.	Twilio, Inc.	100	18%	5%
03 Jul 18	Electronic Data Processing Plc	Kerridge Commercial Systems Limited	100	34%	32%
27 Mar 18	FreeAgent Holdings plc	Royal Bank of Scotland Group Plc	100	86%	85%
20 Mar 18	MuleSoft, Inc.	Salesforce.com, Inc.	100	36%	42%
30 Jan 18	Callidus Software Inc.	SAP SE	100	10%	19%
<b>Average</b>				<b>46%</b>	<b>48%</b>

Sources: S&P Global, Mergermarkets, GTCF analysis

Note: (1) the 1 day and 1 month VWAP is computed having regard of the first undisturbed closing price of the target company.

In our valuation assessment based on the trading prices, we have applied a premium for control of 50% based on the analysis above. This is higher than the average control premium between 20% to 40% historically occurred for companies listed on the ASX. We are of the opinion that this is not unreasonable due to the following:

- Depressed share price:** We note that at the time of the announcement of the Scheme Vault Share Price had not yet fully recovered from the global share sell down in March 2020 as a result of the Covid-19 outbreak impacting the financial markets. We note that the Company's peers as the Technology Index have been experiencing an upward trend in their share prices since the announcement of the Scheme. Furthermore, the Company recently released the result for the 4QFY20 reporting a strong financial performance for FY20. We believe that is not unreasonable to assume that in absence of the Scheme, the trading prices of Vault would have increase form the levels Vault was trading before the Scheme.
- Special value:** the acquisition of Vault enables Damstra to acquire Solo, an innovative product with a significant potential not yet fully exploit that is already gaining significant sales momentum. Accordingly, Damstra would be able to expand and integrate its software service market position in the EHS sector without having to incur in the research and development costs associated with the development of a product similar to Solo. Furthermore, Damstra expects to achieve A\$4 million in cost synergies in the first 12 month after the completion of the transaction as a result of the streaming line of the operations of the two companies.



#### 8.2.4 Conclusion on the selected valuation range

Set out below is a summary of the VWAP of Vault Share before the trading halt on 7 July 2020 that anticipated the announcement of the Scheme.

Vault			
VWAP	Low	High	VWAP
Up to 7 July 2020			
1 day	0.335	0.355	0.341
5 day	0.280	0.355	0.331
10 day	0.265	0.355	0.323
1 month	0.185	0.355	0.301
2 month	0.175	0.355	0.257
3 month	0.150	0.355	0.236
4 month	0.090	0.355	0.207
5 month	0.090	0.355	0.211
6 month	0.090	0.400	0.237
9 month	0.090	0.540	0.327

Sources: S&P Global, GTCF analysis

Based on the analysis above, we have assessed the fair market value of Vault Shares based on a trading price between A\$0.30 and A\$0.35 per share (on a minority basis). A summary of our valuation assessment is set out below.

Quoted Security Price Method	Section Reference	Low	High
A\$ per share			
Value per share (on a minority basis)	7.2	0.30	0.35
Control premium	B	50.0%	50.0%
<b>Value per share (on a control basis)</b>		<b>0.45</b>	<b>0.53</b>

Source: GTCF analysis

We note that our valuation assessment based the trading prices plus a premium for control is in line with, although at the low-end of our valuation assessment based on the Revenue Multiple approach, but nonetheless supports the fairness of the Scheme for Vault Shareholders,



## 9 Valuation assessment of the Consideration

As discussed in section 7.37.3.2 of this report, we have used the Quoted Security Price Method to assess the fair market value of the Consideration. As Vault Shareholders will collectively own 25% of the Combined Group and no individual Vault Shareholder will own a significant interest in the Combined Group (on a fully diluted basis), we have assessed the value of the Consideration on a minority basis having regard to Damstra's trading price after the announcement of the Scheme.

As discussed in section 7, we have assumed that Vault Shareholders will be able to realise the Damstra Shares received as Consideration in the short/medium term. The decision to continue to hold Damstra Shares beyond the short term period following implementation of the Scheme is a separate investment decision which depends on the individual circumstances of Vault Shareholders and accordingly it has not been considered in this Report.

In our opinion, the trading prices of Damstra after announcement of the Scheme are the appropriate reference point for estimating the realisable value of the Consideration offered

### 9.1 Quoted Security Pricing Method

The adopted value of the Consideration based on Damstra's trading prices is an exercise of professional judgement that takes into consideration the depth of the market for the listed securities, volatility of the market price, and whether or not the trading price are likely to represent the underlying value of Damstra.

Before adopting the trading prices for the purpose of our valuation assessment, we have considered depth and liquidity in Damstra Shares in accordance with the requirements of RG111.

#### 9.1.1 Liquidity analysis

As part of our analysis of Damstra's liquidity, we have considered the trading volume from October 2019 to June 2020 as a percentage of the total shares outstanding as well as free float shares outstanding, as outlined in the table below:



Trading volume analysis				Cumulative		Cumulative	
Month end	Volume traded ('000)	Monthly VWAP (\$)	Total value of shares traded (\$'000)	Volume traded as % of total shares	Volume traded as % of total shares	Volume traded as % of free float shares	Volume traded as % of free float shares
Oct 2019	13,297	1.1863	15,774	9.7%	9.7%	26.0%	26.0%
Nov 2019	13,284	1.0903	14,484	9.7%	19.3%	26.0%	52.0%
Dec 2019	5,306	1.0710	5,683	3.9%	23.2%	10.4%	62.4%
Jan 2020	3,242	1.0131	3,284	2.4%	25.6%	6.3%	68.7%
Feb 2020	6,998	1.0847	7,591	5.1%	30.7%	13.7%	82.4%
Mar 2020	4,320	0.7937	3,429	3.1%	33.8%	8.3%	90.7%
Apr 2020	3,887	0.7799	3,032	2.8%	36.5%	7.5%	98.2%
May 2020	6,483	0.8949	5,802	4.6%	41.2%	12.5%	110.7%
Jun 2020	13,245	1.1059	14,649	9.5%	50.7%	25.5%	136.2%
<b>Min</b>				<b>2.36%</b>		<b>6.34%</b>	
<b>Average</b>				<b>5.63%</b>		<b>15.13%</b>	
<b>Median</b>				<b>4.65%</b>		<b>12.49%</b>	
<b>Max</b>				<b>9.68%</b>		<b>26.00%</b>	

Sources: S&P Global, GTCF analysis

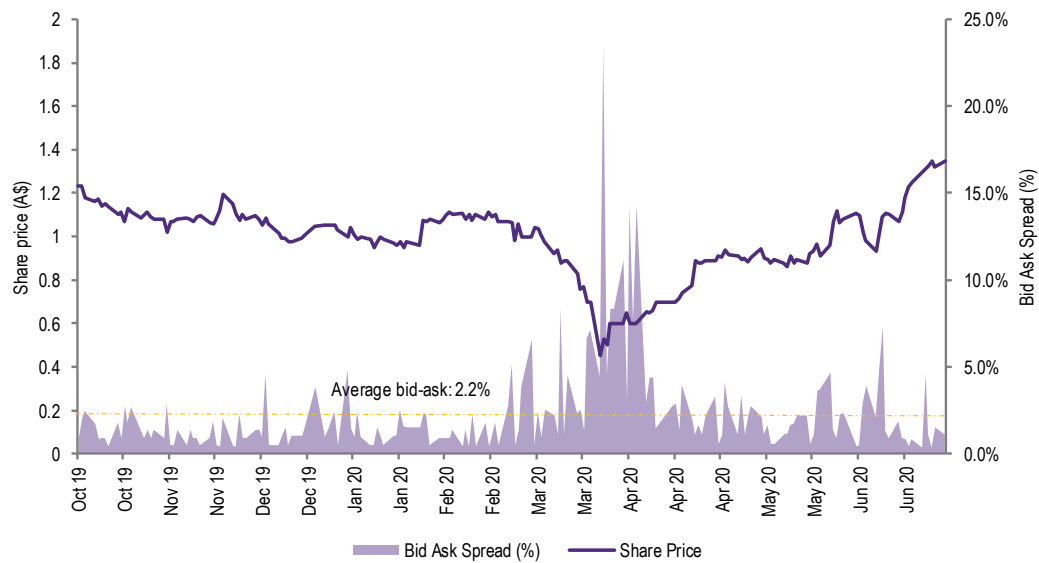
With regard to the above analysis, we note that:

- As shown in section 8.2.1, Damstra's level of free float of 37.21% is at the low end of the tier 1 and tier 2 companies. However, from October 2019 to June 2020, circa 136.2% of the free float shares were traded with an average monthly volume of 15.1% of the total free float shares with both metrics at the high end of the peer group.
- In the absence of a takeover or alternative transactions, the trading prices represent the value at which Vault Shareholders will be able to realise the Consideration.
- Damstra complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of Damstra.
- Damstra is covered by three investment analysts who provide updates to the market on a regular basis. As a result, there is extensive analysis provided to the market not only about the Damstra's performance and market standing but also regarding industry trends.
- Damstra provides updates to the market on a regular basis with information regarding past and future performance.

In addition to the above, where a company's stock is not heavily traded or is relatively illiquid, the market typically observes a difference between the 'bid' and 'ask' price for the stock as there may be a difference in opinion between the buyer and seller on the value of the stock. The graph below shows the bid ask spread for Damstra since its IPO.



### Damstra – Bid-Ask spread since IPO



Sources: S&P Global, GTCF analysis

As shown in the graph above, the historical difference between the bid and ask price has been consistently low, with an average of 2.2%, since IPO. If we isolate the market volatility and the price uncertainty in March and April 2020 due to the outbreak of Covid-19, the spread between bid and ask price is even lower.

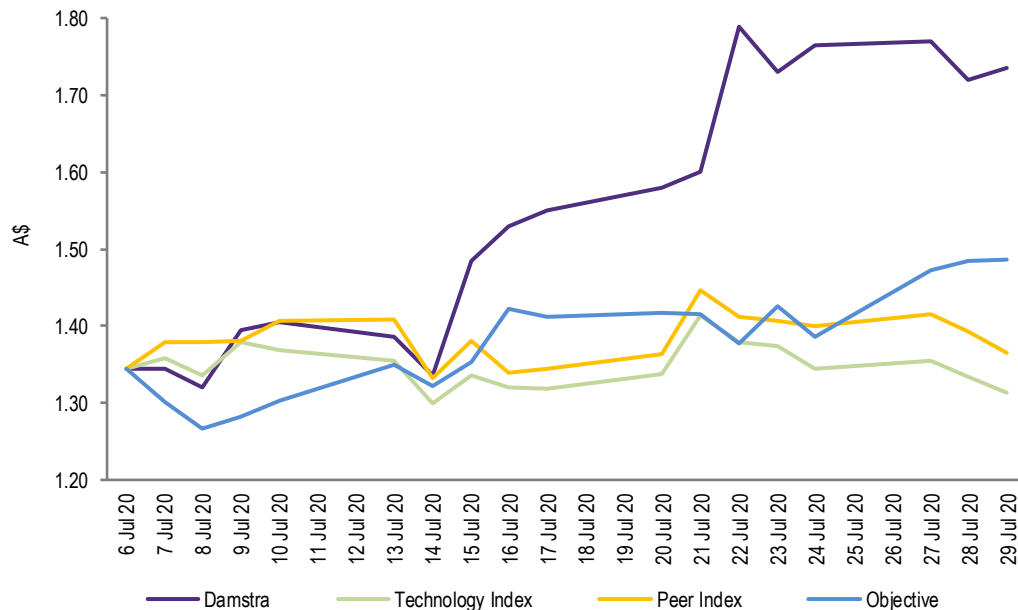
Based on the analysis above, we conclude that there is sufficient liquidity in Damstra's trading price for utilisation of the Quoted Security Price Method as required pursuant to RG111.

#### 9.1.2 Valuation assessment of Damstra based on trading price

As set in section 8.2.2, Damstra share price has been affected for a short period of time (as Vault and other technology companies) by the outbreak of Covid-19. As a result, in line with the other peers, Damstra Share price has experienced a sharp reduction and then a strong recovery between March and July 2020. The graph below illustrates the rebased Peer Index and Technology Index to Damstra Share price.



### Peers and Technology Index rebased to Damstra share price



Sources: S&P Global, GTCF analysis

Note: (1) The Peer Index includes Ideagen, Objective, IRESS Limited, Technology One, WiseTech Global and Xero Limited

In relation to Damstra share price we note that the price significantly increased in two instances that we described below:

- On 15 July 2020, Damstra Share price closed at A\$1.49, a 11% increase from the closing price on the previous day. The change in price, could have been driven by the Damstra's announcement on 14 July 2020 in relation to a change of interests of a substantial shareholder that acquired circa A\$2 million of shares, increasing its interest in Damstra from 5% to 6%.
- On 22 July 2020, Damstra Share price increased by 12%, closing at A\$1.79. The increase was driven by the company releasing the 4QFY20 activity report. Damstra confirmed a very strong FY20 performance, characterised by, among other things, revenues and other income of A\$22 million, a 38% growth from FY19 supported by 91% of recurring revenues, an EBITDA of A\$5.6 million with a cash conversion of 93%.
- We note that on the 22 July 2020, Vault released the 4QFY20 confirming the strong financial performance for FY20. Accordingly, this announcement could have positively impacted the Damstra Share price contributing to its increase given the scrip nature of the Consideration. However, we note that the certain relevant information reported in the 4QFY20 activity report had already been released in precedent Company's announcements. So we consider the potential positive impact of the Vault announcement over Damstra Share price to be marginal.

Further, we note that also Objective shows a positive trend over the same time frame as a result of the company releasing FY20 trading update where it outlined a strong FY20 financial performance. Overall, also the Peer Index together with the Technology Index has shown a slightly upward trend over the period analysed.

Set out below is a summary of the VWAP of Damstra's after the announcement of the Scheme.



Damstra Holdings Limited			
VWAP	Low	High	VWAP
Up to 07 Aug 2020			
1 day	1.635	1.720	1.688
5 day	1.635	1.750	1.696
10 day	1.635	1.850	1.733
From Announcement date - 8 July 2020	1.270	1.940	1.632
Up to 07 Jul 2020			
1 day	1.300	1.350	1.339
5 day	1.235	1.380	1.331
10 day	1.080	1.380	1.232
1 month	0.880	1.380	1.158
2 month	0.850	1.380	1.057
3 month	0.620	1.380	1.015
4 month	0.400	1.380	0.977
5 month	0.400	1.380	0.995

Sources: S&P Global and GTCF analysis

Based on the analysis above, we have assessed the fair market value of the Consideration based on trading price of between 1.60 and 1.70 per share on a minority basis.

#### 9.1.3 Value of the consideration

In the table below we have summarised the value of the Consideration to Vault Shareholders, based on the assessed fair market value of Damstra Shares and the exchange ratio reported in the SID.

Consideration received by Vault Shareholders		
A\$	Low	High
Fair value of Damstra Share	1.60	1.70
Exchange Ratio	2.90	2.90
<b>Consideration received per VLT Share</b>	<b>0.55</b>	<b>0.59</b>

Source: SID, GTCF analysis

Given that the value of the Consideration is dependent on the trading in Damstra shares, we have set out in the table below a sensitivity analysis of the value of the consideration in conjunction with different levels of Damstra trading prices.

Scheme Consideration sensitivity															
A\$															
Damstra Share price	1.30	1.35	1.4	1.45	1.5	1.55	1.6	1.65	1.70	1.75	1.8	1.85	1.9	1.95	2.00
Exchange ratio	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
<b>Scheme Consideration</b>	<b>0.45</b>	<b>0.47</b>	<b>0.48</b>	<b>0.50</b>	<b>0.52</b>	<b>0.53</b>	<b>0.55</b>	<b>0.57</b>	<b>0.59</b>	<b>0.60</b>	<b>0.62</b>	<b>0.64</b>	<b>0.66</b>	<b>0.67</b>	<b>0.69</b>

Source: GTCF analysis



## 10 Sources of information, disclaimer and consents

### 10.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Scheme Booklet.
- Annual reports/ consolidated accounts of Vault and Damstra for FY17 to 1H FY20.
- Vault Management accounts to FY20.
- Vault FY21 Budget.
- Management reports for the last 12 months before the announcement of the Scheme.
- Press releases and announcements by Vault and Damstra on the ASX.
- Quarterly reports for Vault and Damstra on the ASX.
- S&P Global.
- IBISWorld.
- Various industry and broker reports.
- Other publicly available information.

In preparing this report, Grant Thornton Corporate Finance has also held discussions with, and obtained information from, Management of VAULT and its advisers.

### 10.2 Limitations and reliance on information

This report and opinion is 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.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by the Company, and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by the Company through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of the Company.

This report has been prepared to provide an independent opinion as to whether the Scheme is in the best interests of the Vault Shareholders. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Scheme is in the best interest of Vault Shareholders.

Vault has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services



contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by the Company, which the Company knew or should have known to be false and/or reliance on information, which was material information the Company had in its possession and which the Company knew or should have known to be material and which did not provide to Grant Thornton Corporate Finance. The Company will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

### 10.3 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Scheme Booklet to be sent to Vault Shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and context in which it appears.



## Appendix A – Valuation methodologies

### Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future.

Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

### Discounted future cash flows

An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

### Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

### Market value of quoted securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

### Comparable market transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company. The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.



## Appendix B – Comparable companies descriptions

Company	Description
Technology One Limited	Technology One Limited researches, develops, markets, sells, implements, and supports integrated enterprise business software solutions worldwide. The company operates through Software, Consulting, and Corporate segments. It offers various business solutions, including enterprise asset management, financials, human resource and payroll, enterprise budgeting, supply chain, property and rating, student management, business intelligence, enterprise content management, performance planning, spatial, enterprise cash receipting, stakeholder management, and business process management. The company serves local government, education, government, asset intensive, project intensive, health and community services, and financial services industries, as well as corporates. Technology One Limited was founded in 1987 and is headquartered in Fortitude Valley, Australia.
Xero Limited	Xero Limited, together with its subsidiaries, operates as a software as a service company worldwide. The company offers Xero, a cloud-based accounting software that connects small businesses to their advisors. It also provides Xero mobile app; and accountant/bookkeeper tools, including Xero HQ, Xero Practice Manager, Xero Workpapers, Xero tax tools, and Xero Cashbook/Ledger. The company serves various businesses, such as retail, high tech, non-profit, legal, Amazon sellers, hospitality, cafés, startups, construction, creatives, e-commerce, small business, healthcare, farming, manufacturing, tourism, real estate, and franchises. Xero Limited was founded in 2006 and is headquartered in Wellington, New Zealand.
WiseTech Global Limited	WiseTech Global Limited provides cloud-based software solutions to the logistics industry worldwide. The company develops, sells, and implements software solutions that enable logistics service providers to facilitate the movement and storage of goods and information. It primarily offers CargoWise One, a single-platform software solution to enhance the productivity and integration, automation, and communication with the supply chain. The company's CargoWise One platform provides solutions for freight forwarding, customs clearance, liner and agency, container freight station, warehousing, land transport, tracking, and geo compliance, as well as for enterprise capabilities, including accounting, integration, customer relationship management, human resources management, workflow, and document management. It offers BorderWise, a technical border and customs library. The company serves multinational companies, and small and mid-sized regional and domestic enterprises. WiseTech Global Limited was founded in 1994 and is based in Alexandria, Australia.
IRESS Limited	IRESS Limited provides market data, trading, compliance, order management, portfolio and wealth management, mortgages and related tools in Australia, New Zealand, Asia, North America, Europe, South Africa, and the United Kingdom. Its software products include trading interfaces, order and execution management, order routing, FIX, portfolio management, securities lending, analytical tools, connectivity services, and client relationship and wealth management products for investment managers and platforms, discretionary retail fund managers, private client adviser, and wealth managers, as well as for institutional sell side, retail, and online brokers. It also offers integrated financial advice software, which includes client management, business automation, portfolio data, research, financial tool planning, scaled advice journeys, digital client solutions, and data driven compliance and analytics for institutional advisory and independent advisory clients. In addition, the company offers superannuation administration software comprises of fund registry, digital member portal, digital advice solutions, and fund administration services; and multi-channel mortgage sales and origination software, such as automated workflow, application processing, mortgage comparison, mortgage advice, and lender connectivity for mortgage lenders and intermediaries. Further, it offers insurance and pension sourcing software, including quoting, comparison, and application processing products. The company was formerly known as IRESS Market Technology Limited and changed its name to IRESS Limited in May 2012. IRESS Limited was founded in 1993 and is based in Melbourne, Australia.
Damstra Holdings Limited	Damstra Holdings Limited provides workplace management solutions to various industry segments worldwide. The company develops, sells, and implements integrated hardware and software-as-a-service solutions that enable industries to track, manage, and protect their staff, contractors, and organizations, as well as use to reduce the risks associated with workplace safety and regulatory compliance. Its cloud-based software suite is an integrated workplace management platform comprising workforce management, access control, asset management, and learning management, as well as health, safety, and environmental management and predictive analytics modules. The company was founded in 2002 and is headquartered in South Yarra, Australia.
Envirosuite Limited	Envirosuite Limited develops and sells environmental management technology platform solutions. It offers environmental management software for environmental compliance, risk management, incident intelligence, impact modelling, source identification, blast management, and environmental intelligence. The company serves port operators, oil refineries, and government, as well as mining and wastewater industries. It has operations in Asia-Pacific, North America, South America, Europe, the Middle East, and Africa. The company was formerly known as Pacific Environment Limited and changed its name to EnviroSuite Limited in December 2016. Envirosuite Limited was founded in 2006 and is based in North Sydney, Australia.





Company	Description
Objective Corporation Limited	Objective Corporation Limited, together with its subsidiaries, provides information technology software and services in Australia, the United Kingdom, New Zealand, and internationally. It operates through Objective Content Solutions, Objective Keystone, Objective Connect, and Objective Planning Solutions segments. The company offers objective enterprise content management that manages content, builds business processes, and empowers users to achieve desired outcomes; objective inform, which provides document management, records management, office 365, SharePoint governance, deployment options, reporting insights, and drawings management solutions; and objective perform, a streamline content-driven process that offers workflow designing, case management, anywhere access, transparency, accountability, and governance solutions. It also provides objective connect, which creates secure and private workspace; objective keystone, including content management, collaborative authoring, review and verification, one click publishing, multichannel distribution, and stakeholder engagement solutions; objective trapeze to transform the development application process; and objective redact, a redaction solution for security conscious organizations, as well as offers professional, managed, learning, and technical support services. The company serves the public sector, local government, healthcare, financial services and insurance, energy and infrastructure industries. Objective Corporation Limited was founded in 1987 and is headquartered in North Sydney, Australia.
Blackline Safety Corp.	Blackline Safety Corp., a global connected safety technology company, develops, manufactures, and markets products and services for worker safety monitoring in Canada, the United States, Europe, Australia, New Zealand, and internationally. The company offers G7c, a safety wearable for indoor and outdoor locations covered by 3G wireless; G7x safety wearable for remote locations that are not covered by 3G wireless; standard cartridge for lone worker monitoring, single-gas and multi-gas diffusion cartridge for gas detection, and multi-gas pump cartridge for confined space entry and leak check gas detection services; G7 Bridge, a portable satellite base station for remote locations; and G7 Dock, an accessory product used to calibrate G7c and G7x devices. It also provides Loner Mobile, a safety monitoring application; Loner Duo, a Bluetooth accessory; Loner M6, a lone worker monitoring device; Blackline Location Beacon, an indoor/outdoor location technology; Blackline monitoring, a 24/7/365 live monitoring service; Blackline Live, a cloud-hosted live safety monitoring portal for safety alert management; Blackline Analytics, a second-generation data analytics package; and Blackline Vision, a new data science consulting and software. In addition, the company offers portable tracking solutions for package tracking, loss prevention, surveillance, asset security, and vehicle tracking applications. It serves utilities and public works, oil and gas, natural resources, government, engineering and construction, healthcare, manufacturing, biotech and pharma, and transportation and logistics industries through a network of distributors. The company was formerly known as Blackline GPS Corp. and changed its name to Blackline Safety Corp. in July 2015. Blackline Safety Corp. was founded in 2004 and is headquartered in Calgary, Canada.
Ideagen plc	Ideagen plc develops and sells information management software in the United Kingdom, rest of Europe, North America, the Middle East, and internationally. Its governance, risk and compliance (GRC) solutions include Q-Pulse QMS, a quality management software; Q-Pulse PM, a product management software; Q-Pulse Law, an EHS legal compliance register software; Pentana Audit, an audit automation software; Pentana Disclose, a financial disclosure checklist software; and Pentana Risk, a performance and risk management software. The company's GRC solutions also comprise Coruson, an enterprise cloud safety management software; PleaseReview, a document co-authoring and review software; and Ideagen Academy, a cloud-based E-learning solution. It serves aerospace and defense, accounting, finance and banking, aviation, energy, food and drink, healthcare, life science, manufacturing, and rail industries. The company was formerly known as Datum International Plc and changed its name to Ideagen plc in July 2011. Ideagen plc was incorporated in 1993 and is headquartered in Ruddington, the United Kingdom.



## Appendix C – Comparable Transaction descriptions

Target	Description
Applied Project Experience Pty Ltd	Applied Project Experience Pty Ltd. develops a paperless site application for contractors in Australia. Its site application comprises features, such as operational forms, safety forms, project management, actions and defects, drawings and documents, and redline markup. The company was founded in 2009 and is based in Leederville, Australia. As of February 27, 2020, Applied Project Experience Pty Ltd operates as a subsidiary of Damstra Holdings Limited.
CA Technology Pty Limited	CA Technology Pty Limited, doing business as CAMMS, develops enterprise performance management (EPM) software. The company offers SYCLE, an EPM and business intelligence (BI) system; cammsrisk, an enterprise risk management system; cammsproject, a project management software; cammsengage, a solution for stakeholder reporting; ecuria, a meeting management software; RevuMap, a service review software; structural reform toolkits; and enterprise strategy and performance, and individual performance management solutions. It also offers services in the areas of software implementation, training, deep dive and service review, data warehousing, integration and BI, and advanced analytics. The company serves financial services, local government, health, construction, engineering, manufacturing, real estate, government, emergency services, NGOs, corporate, and transport and logistics sectors worldwide. CA Technology Pty Limited was founded in 1996 and is based in Darwin, Australia with additional offices in the United Kingdom, North America, Australia, New Zealand, and Asia.
Scenario Advantage Workforce Business of Projection Group	As of December 20, 2019, Scenario Advantage Workforce Business of Projection Group was acquired by Damstra Technology Pty Ltd. Scenario Advantage Workforce Business of Projection Group comprises workplace management solutions business. The asset is located in Hong Kong.
Eify Ltd	eify provides market-leading, innovative technology solutions for Personnel Management, Access Control, Timesheet Management, Project Controls, HSE/WHs Management, Compliance, Training Management, Plant Management and much more to major corporations, primarily in the resources and construction industries.
Enablon S.A.	Enablon S.A. provides sustainability, operational risk management, and environmental, health, and safety (EHS) software. It offers integrated software and on-demand solutions for corporate responsibility; supply chain; energy and carbon management; enterprise risk management; EHS management; corporate governance and legal management. It offers corporate responsibility software solutions for companies to their sustainability challenges, improve environmental and social performance, track and report on progress, and engage with stakeholders; corporate governance that helps companies comply with regulations; and QEHS Management software that helps companies meet their QEHS management and compliance challenges. It offers energy and carbon management software, which allows companies to capture and manage data, analyze consumption metrics, set emissions track progress, and optimize the use of resources; enterprise risk management solution that allows companies to meet the challenges of risk management, internal control, and auditing; and sustainable supply chain solutions that helps companies and industry-wide initiatives to improve environmental and social performance, reduce reputational and financial risks, and attain sustainability. It offers implementation, training, and support services. Its products are used in air quality management, audit and compliance, greenhouse gas management, incident/event management, product compliance and stewardship, regulatory compliance management, and mobile applications. It serves automotive, chemicals, energy and utilities, financial services, food and beverage, healthcare and pharmaceuticals, manufacturing, mining and metals, and oil and gas industries in France and internationally. Enablon S.A. has a strategic collaboration with Specialty Technical Publishers. The company was founded in 2000 and is based in Bois Colombes, France. As of July 1, 2016, Enablon S.A. operates as a subsidiary of Wolters Kluwer Law & Business Group.

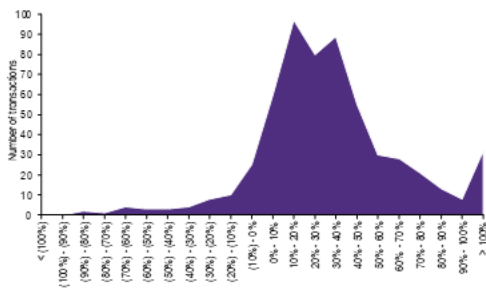




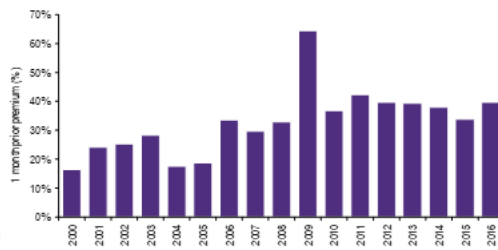
## Appendix D – Premium for control study

Evidence from studies indicates that premium for control on successful takeovers has frequently been in the range of 20% to 40% in Australia, and that the premium vary significantly for each transaction

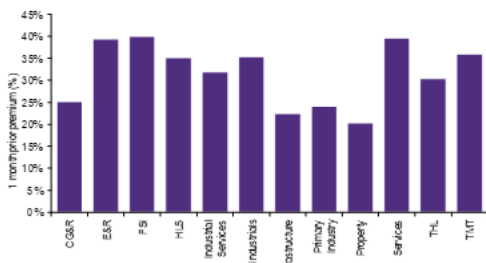
1 Month Prior Control Premium



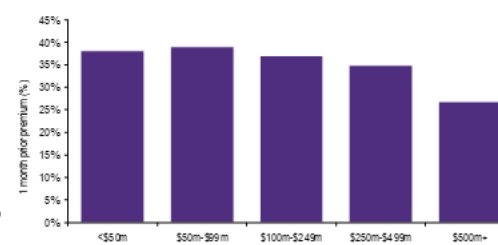
Control premium per completion date



Control premium per industry



Control premium and size



		Control premium
Average		34.33%
Median		29.34%

Source: GTCF analysis



## Appendix E – Glossary

A\$	Australian Dollar
1H FYxx	1 <sup>st</sup> half of FYxx
AASB16	Australian Accounting Standard Board 16 "Leases"
ACCC	Australian Competition and Consumer Commission
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
APES	Accounting Professional and Ethical Standards
APES225	Accounting Professional and Ethical Standard 225 "Valuation Services"
ARENA	Australian Renewable Energy Agency
ARR	Annual recurring revenues
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
Break Fee	A\$0.5 million (excluding GST) that Vault may be required to pay Damstra in certain circumstances
CARR	Contracted annual recurring revenue
Combined Group	Damstra with Vault as wholly-owned subsidiary after the implementation of the Scheme.
Corporations Act	Corporations Act 2001
Damstra or DTC	Damstra Holdings Limited
Damstra Platform	Damstra product offering
Damstra Share	1 outstanding ordinary share in Vault
DCF Method	Discounted Cash Flow and the estimated realisable value of any surplus assets
Directors and Executives Options	10,250,000 Vault Options issued to Vault Directors and Executives
EHS	Environment, Health and Safety
eify	Eify Pty Ltd
Employee Options	4,090,000 Vault Options issued to employees
EMS	EMS Bruel Business & Kjaer
Enablon	Enablon S.A.
ERP	Enterprise resource planning
EV	Enterprise Value
Exchange Ratio	1 Damstra Share in exchange for 2.9 Vault Share
FIRB	Foreign Investment Review Board
FME Method	Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets
FSG	Financial Services Guide
FY21 Budget	Vault budget and management projections to 30 June 2021
FYxx	12 month financial year ended 30 June 20xx
GDP	Gross Domestic Product
GST	Goods and Services Tax
GTCF, Grant Thornton, or Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd (ACN 003 265 987)
HCM	Human capital management



Ideagen	Ideagen PLC
IER or Report	Independent Expert Report
IPO	Initial public offering
NA	Not Available
NAV Method	Amount available for distribution to security holders on an orderly realisation of assets
New Damstra Options	The Directors and Executives Options outstanding at the Scheme Record Date will be converted in Damstra options at the Exchange Ratio
NM	Not Meaningful
Objective	Objective Corporation Limited
Quoted Security Price Method	Quoted price for listed securities, when there is a liquid and active market
RG	Regulatory Guide
RG111	ASIC Regulatory Guide 111 "Contents of expert reports"
RG112	ASIC Regulatory Guide 112 "Independence of experts"
RG60	ASIC Regulatory Guide 60 "Scheme of arrangement"
Scheme	Scheme of Arrangement whereby all the Target Shares will be transferred to the Bidder
Scheme Booklet	The Scheme Booklet, including each attachment
Scheme Consideration	Under the Scheme the scrip consideration equal to 1 Damstra Share per 2.9 Vault Share
Scheme Implementation Deed or SID	Scheme Implementation Deed dated 8 March 2020 entered into between Vault and Damstra
Technology Index	S&P/ASX 200 Information Technology
USA	United States of America
Vault Directors	Directors of Vault
Vault Enterprise or Enterprise	Vault Enterprise product
Vault Hong Kong	Vault wholly owned subsidiary in Hong Kong
Vault Options	14,340,000 of Vault Options
Vault or the Company	Vault Intelligence Limited
Vault Share	1 outstanding ordinary share in Vault
Vault Shareholder	An individual/entity beneficially holding Vault share(s)
Vault Solo or Solo	Vault Solo product
Velpic	Velpic Limited
VWAP	Volume Weighted Average Price
WHO	World Health Organisation
WHS	Workplace management solutions



## Annexure B Scheme



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# **Scheme of arrangement**

**Vault Intelligence Limited**

**Scheme Shareholders**



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## Parties

- 1 **Vault Intelligence Limited (ACN 145 040 857)** of Level 18, 1 Nicholson Street, East Melbourne, VIC, 3002 (**Vault**)
- 2 The Scheme Shareholders

### **The parties agree**

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## 1 Defined terms and interpretation

### 1.1 Defined terms

A term or expression which is defined in the dictionary in Schedule 1 has the meaning given to it in the dictionary.

### 1.2 Interpretation

The interpretation clause in Schedule 1 sets out rules of interpretation for this Scheme.

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## 2 Preliminary matters

- (a) Vault is an Australian public company limited by shares and has been admitted to the official list of ASX. Vault Shares are quoted for trading on ASX.
- (b) As at the date of the Implementation Deed, Vault had on issue or had granted (as applicable):
  - (i) 127,997,024 Vault Shares; and
  - (ii) 14,340,000 Vault Options.
- (c) Damstra is an Australian public company limited by shares and has been admitted to the official list of ASX.
- (d) If this Scheme becomes Effective:
  - (i) Damstra will provide or procure the provision of the Scheme Consideration to the Scheme Shareholders in accordance with this Scheme and the Deed Poll; and
  - (ii) all of the Scheme Shares, and all of the rights and entitlements attaching to them at the Implementation Date, will be transferred to Damstra and Vault will enter the name of Damstra in the Share Register in respect of the Scheme Shares.
- (e) Damstra and Vault have entered into the Implementation Deed in respect of (among other things) the implementation of this Scheme.
- (f) This Scheme attributes actions to Damstra but does not itself impose any obligations on Damstra to perform those actions. By executing the Deed Poll, Damstra has agreed to perform the actions attributed to it under this Scheme.



---

## 3 Conditions

### 3.1 Conditions precedent

This Scheme is conditional on and will not become Effective until and unless the following conditions precedent are satisfied:

- (a) all the conditions in clause 3.1 of the Implementation Deed (other than the condition in the Implementation Deed relating to Court approval of this Scheme) are satisfied or waived in accordance with the terms of the Implementation Deed by 8:00am on the Second Court Date;
- (b) neither the Implementation Deed nor the Deed Poll is terminated in accordance with their terms before 8.00am on the Second Court Date;
- (c) this Scheme is approved by the Court having made orders under section 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under section 411(6) of the Corporations Act as are acceptable to Vault and Damstra;
- (d) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to this Scheme as are acceptable to Vault and Damstra are satisfied or waived; and
- (e) the order of the Court made under section 411(4)(b) of the Corporations Act approving this Scheme becomes Effective.

### 3.2 Certificates

- (a) Each of Vault and Damstra will provide a certificate (or such other evidence as the Court may require) to the Court at the Second Court Hearing confirming (in respect of matters within their knowledge) whether or not the conditions precedent in clauses 3.1(a) and 3.1(b) have been satisfied or waived (but in the case of the condition precedent in clause 3.1(a) only in respect of those conditions in clause 3.1 of the Implementation Deed (other than the condition relating to Court approval of the Scheme) included for that party's benefit).
- (b) The certificates given by Vault and Damstra under clause 3.2(a) constitute conclusive evidence that the conditions precedent in clauses 3.1(a) and 3.1(b) have been satisfied or waived.

### 3.3 End Date

Without limiting any rights under the Implementation Deed, this Scheme will lapse and be of no further force or effect if:

- (a) the Effective Date does not occur on or before the End Date; or
- (b) the Implementation Deed or the Deed Poll is terminated in accordance with its terms,

unless Damstra and Vault otherwise agree in writing (and if required, as approved by the Court).



---

## 4 Implementation of the Scheme

### 4.1 Lodgement of Court orders with ASIC

Vault must lodge with ASIC an office copy of the orders made by the Court under section 411(4)(b) of the Corporations Act approving this Scheme as soon as possible and in any event before 5.00pm on the Business Day immediately following the day on which the Court approves this Scheme or 5.00pm on the Business Day on which the Court Orders are entered, whichever is the later.

### 4.2 Transfer of Scheme Shares

Subject to this Scheme becoming Effective, on the Implementation Date:

- (a) subject to the provision of the Scheme Consideration in the manner contemplated by clause 5, all of the Scheme Shares, together with all rights and entitlements attaching to them as at the Implementation Date, must be transferred to Damstra, without the need for any further act by any Scheme Shareholder (other than acts performed by Vault (or any of Vault's directors, officers, or secretaries) as attorney and agent for Scheme Shareholders under clause 8.5), by:
  - (i) Vault, in its capacity as the attorney and agent of the Scheme Shareholders, duly completing and executing the Scheme Transfer on behalf of the Scheme Shareholders (as transferors), and delivering it to Damstra; and
  - (ii) Damstra duly executing the Scheme Transfer (as transferee), attending to the stamping of the Scheme Transfer (if required) and delivering it to Vault for registration; and
- (b) immediately following receipt of the Scheme Transfer in accordance with clause 4.2(a)(ii), Vault must enter, or procure the entry of, the name of Damstra in the Share Register in respect of all the Scheme Shares transferred to Damstra in accordance with this Scheme.

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## 5 Scheme Consideration

### 5.1 Provision of Scheme Consideration

Damstra must, subject to clauses 5.2, 5.3, 5.4 and 5.6:

- (a) on or before the Implementation Date, issue to each Scheme Shareholder such number of New Damstra Shares as that Scheme Shareholder is entitled to be issued as Scheme Consideration and procure that the name and address of the Scheme Shareholder is entered in the Damstra Register in respect of those New Damstra Shares; and
- (b) procure that on or before the date that is 10 Business Days after the Implementation Date, a share certificate or holding statement (or equivalent document) is sent to the Registered Address of each Scheme Shareholder representing the number of New Damstra Shares issued to the Scheme Shareholder pursuant to this Scheme.

### 5.2 Joint holders

In the case of Scheme Shares held in joint names:



- (a) the New Damstra Shares to be issued under this Scheme must be issued to and registered in the names of the joint holders;
- (b) any cheque required to be sent under this Scheme will be made payable to the joint holders and sent to either, at the sole discretion of Vault, the holder whose name appears first in the Share Register as at the Scheme Record Date or to the joint holders; and
- (c) any other document required to be sent under this Scheme will be forwarded to either, at the sole discretion of Vault, the holder whose name appears first in the Share Register as at the Scheme Record Date or to the joint holders.

### 5.3 Ineligible Foreign Shareholders

- (a) Damstra will be under no obligation to issue any New Damstra Shares under this Scheme to any Ineligible Foreign Shareholder and instead:
  - (i) subject to clauses 5.4 and 5.6, Damstra must, on or before the Implementation Date, issue the New Damstra Shares which would otherwise be required to be issued to the Ineligible Foreign Shareholders under this Scheme to the Sale Agent;
  - (ii) Damstra must procure that as soon as reasonably practicable after the Implementation Date, the Sale Agent, in consultation with Damstra, sells or procures the sale of all the New Damstra Shares issued to the Sale Agent pursuant to clause 5.3(a)(i) in such manner, at such price and on such other terms as the Sale Agent reasonably determines, and remits to Vault the proceeds of the sale (after deduction of any applicable brokerage, stamp duty, currency conversion costs and other costs, taxes and charges) (**Proceeds**);
  - (iii) promptly after receiving the Proceeds in respect of the sale of all of the New Damstra Shares referred to in clause 5.3(a)(i), Vault must pay, or procure the payment, to each Ineligible Foreign Shareholder, of the amount 'A' calculated in accordance with the following formula and rounded down to the nearest cent:

$$A = (B \div C) \times D$$

where

B = the number of New Damstra Shares that would otherwise have been issued to that Ineligible Foreign Shareholder had it not been an Ineligible Foreign Shareholder and which were issued to the Sale Agent;

C = the total number of New Damstra Shares which would otherwise have been issued to all Ineligible Foreign Shareholders and which were issued to the Sale Agent; and

D = the Proceeds (as defined in clause 5.3(a)(ii)).

- (b) The Ineligible Foreign Shareholders acknowledge that none of Damstra, Vault or the Sale Agent gives any assurance as to the price that will be achieved for the sale of New Damstra Shares described in clause 5.3(a) and that Damstra, Vault and the Sale Agent expressly disclaim any fiduciary duty to the Ineligible Foreign Shareholders which may arise in connection with this clause 5.3.



- (c) Vault must make or procure the making of payments to Ineligible Foreign Shareholders under clause 5.3(a) by (in the absolute discretion of Vault):
- (i) where an Ineligible Foreign Shareholder has, before the Scheme Record Date, made a valid election in accordance with the requirements of the Share Registry to receive dividend payments from Vault by electronic funds transfer to a bank account nominated by the Ineligible Foreign Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election;
  - (ii) paying, or procuring the payment of, the relevant amount in Australian currency by electronic means to a bank account nominated by the Ineligible Foreign Shareholder by an appropriate authority from the Ineligible Foreign Shareholder to Vault; or
  - (iii) dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Ineligible Foreign Shareholder by prepaid post to their Registered Address (as at the Scheme Record Date), such cheque being drawn in the name of the Ineligible Foreign Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 5.2).
- (d) If Vault receives professional advice that any withholding or other tax is required by law or by a Government Agency to be withheld from a payment to an Ineligible Foreign Shareholder, Vault is entitled to withhold the relevant amount before making the payment to the Ineligible Foreign Shareholder (and payment of the reduced amount shall be taken to be full payment of the relevant amount for the purposes of this Scheme, including clause 5.3(a)(iii)). Vault must pay any amount so withheld to the relevant taxation authorities within the time permitted by law, and, if requested in writing by the relevant Ineligible Foreign Shareholder, provide a receipt or other appropriate evidence of such payment (or procure the provision of such receipt or other evidence) to the relevant Ineligible Foreign Shareholder.
- (e) Each Ineligible Foreign Shareholder appoints Vault as its agent to receive on its behalf any financial services guide (or similar or equivalent document) or other notices (including any updates of those documents) that the Sale Agent is required to provide to Ineligible Foreign Shareholders under the Corporations Act or any other applicable law.
- (f) Payment of the amount calculated in accordance with clause 5.3(a) to an Ineligible Foreign Shareholder in accordance with this clause 5.3 satisfies in full the Ineligible Foreign Shareholder's right to Scheme Consideration.
- (g) If there is any surplus Proceeds, that surplus may be retained by Damstra following the satisfaction of Vault's obligations under this clause 5.3(a). Any interest on the Proceeds (less bank fees and other charges) will be to Damstra's account.
- (h) Where the issue of New Damstra Shares to which a Scheme Shareholder would otherwise be entitled under this Scheme would result in a breach of law or of a provision of the constitution of Damstra:
- (i) Damstra will issue the maximum possible number of New Damstra Shares to the Scheme Shareholder without giving rise to such a breach; and
  - (ii) any further New Damstra Shares to which that Scheme Shareholder is entitled, but the issue of which to the Scheme Shareholder would give rise to such a breach, will instead be issued to the Sale Agent and dealt with under the preceding provisions in this clause 5.3, as if a reference to Ineligible



Foreign Shareholders also included that Scheme Shareholder and references to that person's New Damstra Shares in that clause were limited to the New Damstra Shares issued to the Sale Agent under this clause.

#### **5.4 Fractional entitlements and splitting**

- (a) Where the calculation of the Scheme Consideration to be issued to a particular Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a cent or of a New Damstra Share, the fractional entitlement will be rounded down to the nearest whole cent or number of New Damstra Shares, as applicable.
- (b) If Damstra is of the opinion, formed reasonably, that several Scheme Shareholders, each of which holds a holding of Vault Shares which results in a fractional entitlement to New Damstra Shares have, before the Scheme Record Date, been party to a shareholding splitting or division in an attempt to obtain an advantage by reference to the rounding provided for in the calculation of each Scheme Shareholder's entitlement to the Scheme Consideration, Damstra may direct Vault to give notice to those Scheme Shareholders:
  - (ii) setting out the names and Registered Addresses of all of them;
  - (iii) stating that opinion; and
  - (iv) attributing to one of them specifically identified in the notice the Vault Shares held by all of them,

and, after the notice has been so given, the Scheme Shareholder specifically identified in the notice shall, for the purposes of this Scheme, be taken to hold all those Vault Shares and each of the other Scheme Shareholders whose names are set out in the notice shall, for the purposes of this Scheme, be taken to hold no Vault Shares.

#### **5.5 Unclaimed monies**

- (a) Vault may cancel a cheque issued under this clause 5 if the cheque:
  - (ii) is returned to Vault; or
  - (iii) has not been presented for payment within six months after the date on which the cheque was sent.
- (a) During the period of 12 months commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Vault (or the Share Registry) (which request may not be made until the date which is 60 Business Days after the Implementation Date), Vault must reissue a cheque that was previously cancelled under this clause 5.5.
- (b) *The Unclaimed Money Act 1950 (ACT)* will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 6 of the *Unclaimed Money Act 1950 (ACT)*).

#### **5.6 Orders of a court or Government Agency**

If written notice is given to Vault (or the Share Registry) or Damstra (or the Damstra Registry) of an order or direction made by a court of competent jurisdiction or by another Government Agency that:



- (a) requires consideration to be provided to a third party (either through payment of a sum or the issuance of a security) in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable or required to be issued to that Scheme Shareholder by Vault or Damstra in accordance with this clause 5, then Vault or Damstra (as applicable) shall be entitled to procure that provision of that consideration is made in accordance with that order or direction; or
- (b) prevents Vault or Damstra from providing consideration to any particular Scheme Shareholder in accordance with this clause 5, or the payment or issuance of such consideration is otherwise prohibited by applicable law, Vault or Damstra shall be entitled to (as applicable):
  - (ii) retain an amount, in Australian dollars, calculated pursuant to clause 5.3(a) in respect of that Scheme Shareholder; or
  - (iii) not to issue (or direct Damstra not to issue), or to issue to a trustee or nominee, such number of New Damstra Shares as that Scheme Shareholder would otherwise be entitled to under clause 5.1,

until such time as provision of the Scheme Consideration in accordance with this clause 5 is permitted by that (or another) order or direction or otherwise by law.

## **5.7 Status of New Damstra Shares**

Subject to this Scheme becoming Effective, Damstra must:

- (a) issue the New Damstra Shares required to be issued by it under this Scheme on terms such that each such New Damstra Share will rank equally in all respects with each existing Damstra Share;
- (b) ensure that each such New Damstra Share is duly and validly issued in accordance with all applicable laws and Damstra's constitution, fully paid and free from any mortgage, charge, lien, encumbrance or other security interest (except for any lien arising under Damstra's constitution); and
- (c) use all reasonable endeavours to ensure that such New Damstra Shares are, from the Business Day following the date this Scheme becomes Effective (or such later date as ASX requires), quoted for trading on the ASX initially on a deferred settlement basis and thereafter on an ordinary settlement basis.

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# **6 Dealings in Vault Shares**

## **6.1 Determination of Scheme Shareholders**

To establish the identity of the Scheme Shareholders, dealings in Vault Shares or other alterations to the Share Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Share Register as the holder of the relevant Vault Shares at or before the Record Date; and
- (b) in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received at or before the Record Date at the place where the Vault Register is kept,



and Vault must not accept for registration, nor recognise for any purpose (except a transfer to Damstra pursuant to this Scheme and any subsequent transfer by Damstra or its successors in title), any transfer or transmission application or other request received after the Record Date, or received prior to the Record Date but not in registrable or actionable form.

## **6.2 Share Register**

- (a) Vault must register registrable transmission applications or transfers of Vault Shares in accordance with clause 6.1(b) at or before the Record Date, provided that nothing in this clause 6.2(a) requires Vault to register a transfer that would result in a Vault Shareholder holding a parcel of Vault Shares that is less than a 'marketable parcel' (as defined in the operating rules of ASX).
- (b) If this Scheme becomes Effective, a Scheme Shareholder (and any person claiming through that Scheme Shareholder) must not dispose of, or purport or agree to dispose of, any Scheme Shares or any interest in them after the Record Date otherwise than pursuant to this Scheme, and any attempt to do so will have no effect and Vault will be entitled to disregard any such disposal, purported disposal or agreement.
- (c) For the purpose of determining entitlements to the Scheme Consideration, Vault must maintain the Share Register in accordance with the provisions of this clause 6.2 until the Scheme Consideration has been paid to the Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Scheme Consideration.
- (d) All statements of holding for Vault Shares (other than statements of holding in favour of Damstra) will cease to have effect after the Record Date as documents of title in respect of those shares and, as from that date, each entry current at that date on the Share Register (other than entries in respect of Damstra) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Vault Shares relating to that entry.
- (e) As soon as possible after the Record Date, and in any event by 5:00pm on the first Business Day after the Record Date, Vault will ensure that details of the names, Registered Addresses and holdings of Vault Shares for each Scheme Shareholder as shown in the Share Register as at the Record Date are available to Damstra in the form Damstra reasonably requires.

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## **7 Quotation of Vault Shares**

- (a) Vault will apply to ASX to suspend trading in Vault Shares with effect from the close of trading on the Effective Date.
- (b) Vault must apply:
  - (i) for termination of the official quotation of Vault Shares on the ASX; and
  - (ii) to have itself removed from the official list of ASX,in each case with effect on and from the close of trading on the trading day immediately following the Implementation Date.



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## 8 General Scheme provisions

### 8.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

- (a) Vault may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which Damstra has consented; and
- (b) each Scheme Shareholder agrees to any such alterations or conditions to which counsel for Vault has consented.

### 8.2 Scheme Shareholders' agreements and warranties

- (a) Each Scheme Shareholder irrevocably:
  - (i) agrees to the transfer of their Scheme Shares, together with all rights and entitlements attaching to those shares, to Damstra in accordance with this Scheme;
  - (ii) agrees to the variation, cancellation or modification of the rights attached to their Scheme Shares constituted by or resulting from this Scheme;
  - (iii) agrees to, on the direction of the Damstra, destroy any share certificates relating to their Scheme Shares;
  - (iv) agrees to become a member of Damstra and to be bound by the terms of the constitution of Damstra;
  - (v) acknowledges and agrees that this Scheme binds Vault and all Scheme Shareholders (including those who did not attend the Scheme Meeting and those who did not vote, or voted against this Scheme, at the Scheme Meeting); and
  - (vi) consents to Vault and Damstra doing all things and executing all deeds, instruments, transfers or other documents as may be necessary, incidental or expedient to the implementation and performance of this Scheme,without the need for any further act by the Scheme Shareholder.
- (b) Each Scheme Shareholder is taken to have warranted to Damstra, and appointed and authorised Vault as its attorney and agent to warrant to Damstra, that:
  - (i) all their Scheme Shares (including any rights and entitlements attaching to their Scheme Shares) which are transferred under this Scheme will, at the time of transfer of them to Damstra, be fully paid and free from all:
    - (A) mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise; and
    - (B) restrictions on transfer of any kind;



- (ii) they have full power and capacity to transfer their Scheme Shares to Damstra together with any rights and entitlements attaching to those Scheme Shares; and
- (iii) as at the Record Date, they have no existing right to be issued any other Scheme Shares or any other form of Vault securities,

and Vault undertakes to give such warranties to Damstra as agent and attorney of each Scheme Shareholder.

### 8.3 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme will, at the time of transfer of them to Damstra, vest in Damstra free from all:
  - (i) mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise; and
  - (ii) restrictions on transfer of any kind.
- (b) Immediately upon the provision of the Scheme Consideration in the manner contemplated by clause 5, Damstra will be beneficially entitled to the Scheme Shares to be transferred to it under this Scheme pending registration by Vault of Damstra in the Share Register as the holder of the Scheme Shares. Damstra's entitlement to be registered in the Share Register as the holder of the Scheme Shares arises on the Implementation Date in accordance with clause 4.2.

### 8.4 Appointment of sole proxy

Immediately upon the provision of the Scheme Consideration in the manner contemplated by clause 5 and until Vault registers Damstra as the holder of all Scheme Shares in the Share Register, each Scheme Shareholder:

- (a) is deemed to have appointed Damstra as attorney and agent (and directed Damstra in each such capacity) to appoint any director, officer, secretary or agent nominated by Damstra as its sole proxy and, where applicable or appropriate, corporate representative to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in their name and sign any shareholders' resolution or document whether in person, by proxy or by corporate representative;
- (b) must not attend or vote at any shareholders' meetings or sign any shareholders' resolutions, whether in person, by proxy or by corporate representative (other than pursuant to clause 8.4(a));
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as Damstra reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers conferred by clause 8.4(a), Damstra and any director, officer, secretary or agent nominated by Damstra under that clause may act in the best interests of Damstra as the intended registered holder of the Scheme Shares.



## **8.5 Authority given to Vault**

On and from the Effective Date, each Scheme Shareholder, without the need for any further act, irrevocably appoints Vault and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purposes of:

- (a) enforcing the Deed Poll against Damstra; and
- (b) executing any document, or doing or taking any other act, necessary, desirable or expedient to give effect to this Scheme and the transactions contemplated by it, including executing the Scheme Transfer,

and Vault accepts such appointment. Vault, as attorney and agent of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 8.5 to all or any of its directors, officers or employees (jointly, severally or jointly and severally).

## **8.6 Instructions and elections**

If not prohibited by law (and including where permitted or facilitated by relief granted by a Government Agency), all instructions, notifications or elections by a Scheme Shareholder to Vault that are binding or deemed binding between the Scheme Shareholder and Vault relating to Vault or Vault Shares, including instructions, notifications or elections relating to:

- (a) whether dividends are to be paid by cheque or into a specific bank account;
- (b) payments of dividends on Vault Shares; and
- (c) notices or other communications from Vault (including by email),

will be deemed from the Implementation Date (except to the extent determined otherwise by Damstra in its sole discretion), by reason of this Scheme, to be made by the Scheme Shareholder to Damstra and to be a binding instruction, notification or election to, and accepted by, Damstra in respect of the New Damstra Shares issued to that Scheme Shareholder until that instruction, notification or election is revoked or amended in writing addressed to Damstra at its registry.

## **8.7 Binding effect of this Scheme**

This Scheme binds Vault and all of the Scheme Shareholders (including those who did not attend the Scheme Meeting and those who did not vote, or voted against this Scheme, at the Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of Vault.

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# **9 General**

## **9.1 Stamp Duty**

Damstra will pay any stamp duty payable on the transfer by Scheme Shareholders of the Scheme Shares to Damstra.



## **9.2 Consent**

Each Scheme Shareholder consents to Vault doing all things necessary or incidental to, or give full effect to, the implementation of this Scheme and the transactions contemplated by it, whether on behalf of the Scheme Shareholders, Vault or otherwise.

## **9.3 Notices**

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Vault, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Vault's registered office or at the office of the Share Registry.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by a Vault Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

## **9.4 Governing law and jurisdiction**

- (a) This Scheme and any dispute arising out of or in connection with the subject matters of this document is governed by the laws in force in Victoria, Australia.
- (b) Each party irrevocably:
  - (i) submits to the non-exclusive jurisdiction of the courts of Victoria, Commonwealth courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this Scheme; and
  - (ii) waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 9.4(b)(i).

## **9.5 Further action**

Vault must do all things and execute all documents necessary to give full effect to this Scheme and the transactions contemplated by it.

## **9.6 No liability when acting in good faith**

Each Scheme Shareholder agrees that none of Vault nor Damstra nor any director, officer, secretary or employee of Vault or Damstra shall be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.



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## Schedule 1    Dictionary

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### 1    Dictionary

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited (ABN 98 008 624 691) or, where the context requires, the financial market operated by it.

**Business Day** means a day that is not a Saturday, Sunday or a public holiday or bank holiday in Melbourne, Victoria.

**CHESS** means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited and ASX Clear Pty Limited.

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

**Court** means the Supreme Court of Victoria or such other court of competent jurisdiction under the Corporations Act as the parties may agree in writing.

**Damstra** means Damstra Holdings Limited (ACN 610 571 607) of Level 1, 38 Garden Street, South Yarra Victoria 3141.

**Damstra Register** means the register of members of Damstra maintained in accordance with the Corporations Act.

**Damstra Register** means Computershare Investor Services Pty Limited.

**Deed Poll** means the deed poll dated [insert] 2020 under which, among other things, Damstra covenants in favour of Scheme Shareholders to perform all actions attributed to it under this Scheme.

**Effective** means the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.

**Effective Date** means the date on which this Scheme becomes Effective.

**End Date** means the date that is 6 months after the date of the Implementation Deed or such later date as Damstra and Vault agree in writing.

**Government Agency** means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal, statutory or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any state, or any other federal, state, provincial, local or other government, whether foreign or Australian. It also includes any self-regulatory organisation established under statute or otherwise discharging substantially public or regulatory functions (including ASIC and the Takeovers Panel).

**Implementation Date** means the fifth Business Day after the Record Date, or such other Business Day as Damstra and Vault agree in writing.

**Implementation Deed** means the scheme implementation deed dated 8 July 2020 between Damstra and Vault relating to, among other things, the implementation of this Scheme.



**Ineligible Foreign Shareholder** means a Scheme Shareholder whose address shown in the Share Register on the Record Date is a place outside Australia and its external territories, unless Damstra (acting reasonably) determines that it is lawful and not unduly onerous or impracticable to issue that Scheme Shareholder with New Damstra Shares.

**Listing Rules** means the official listing rules of ASX.

**New Damstra Share** means a fully paid ordinary share in the capital of Damstra to be issued to Scheme Shareholders under this Scheme.

**Record Date** means 7.00pm on the fifth Business Day after the Effective Date of the Scheme, or such other time and date as Damstra and Vault agree in writing.

**Registered Address** means, in relation to a Scheme Shareholder, the address shown in the Share Register as at the Record Date.

**Related Body Corporate** has the meaning given in section 50 of the Corporations Act.

**Sale Agent** means the sale agent appointed to sell the New Damstra Shares that are to be issued under clause 5.3(a)(i) of this Scheme (and where appropriate in relation to holdings by it of securities, includes a nominee or custodian holding for it).

**Share Register** means the register of members of Vault maintained in accordance with the Corporations Act.

**Share Registry** means Link Market Services Limited.

**Scheme** means this scheme of arrangement under Part 5.1 of the Corporations Act between Vault and the Scheme Shareholders, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and agreed to by Damstra and Vault.

**Scheme Consideration** means 1 New Damstra Share for every 2.9 Scheme Shares, subject to the terms of this Scheme.

**Scheme Meeting** means the meeting of Vault Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on this Scheme and includes any meeting convened following any adjournment or postponement of that meeting.

**Scheme Share** means a Vault Share held by a Scheme Shareholder.

**Scheme Shareholder** means a Vault Shareholder as at the Record Date.

**Scheme Transfer** means one or more proper instruments of transfer in respect of the Scheme Shares for the purposes of section 1071B of the Corporations Act, which may be or include a master transfer of all or part of the Scheme Shares.

**Second Court Date** means the first day on which an application made to the Court for orders under section 411(4)(b) of the Corporations Act approving the Scheme is heard (or if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard), with such hearing being the **Second Court Hearing**.

**Vault Option** means an unlisted option to acquire a Vault Share.

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



**Vault Shareholder** means a holder or one or more Vault Shares, as shown in the Share Register.

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## 2 Interpretation

In this Scheme, the following rules of interpretation apply unless the contrary intention appears.

- (a) Headings are for convenience only and do not affect the interpretation of this Scheme.
- (b) The singular includes the plural and vice versa.
- (c) Words that are gender neutral or gender specific include each gender.
- (d) Where a word or phrase is given a particular meaning, other parts of speech and grammatical forms of that word or phrase have corresponding meanings.
- (e) The words “include”, “including”, “such as”, “for example” and similar expressions are not words of limitation and do not limit what else might be included.
- (f) A reference to:
  - (i) a person includes a natural person, partnership, joint venture, government agency, association, corporation or other body corporate or entity (as that term is defined in section 64A of the Corporations Act);
  - (ii) a thing (including a chose in action or other right) includes a part of that thing;
  - (iii) a party includes its successors and permitted assigns;
  - (iv) a document includes all amendments or supplements to that document;
  - (v) a clause, term, party, schedule or attachment is a reference to a clause or term of, or a party, schedule or attachment to, this Scheme (as applicable);
  - (vi) this Scheme includes all schedules to it;
  - (vii) a law includes a constitutional provision, treaty, decree, convention, statute, regulation, ordinance, by-law, judgment, rule of common law or equity or a Listing Rule and is a reference to that law as amended, consolidated or replaced;
  - (viii) an agreement (other than this Scheme) includes an undertaking or legally enforceable arrangement or understanding (whether or not in writing);
  - (ix) a reference to a date or time is to that date or time in Melbourne, Victoria, Australia;
  - (x) a time period includes the date referred to as that on which the period begins and the date referred to as that on which the period ends; and
  - (xi) a monetary amount is in Australian dollars.
- (g) An agreement on the part of two or more persons binds them jointly and severally.



- (h) When the day on which something must be done is not a Business Day, that thing must be done on the following Business Day.
- (i) In determining the time of day where relevant to this Scheme, the time of day is:
  - (i) for the purposes of giving or receiving Notice, the time of day where the party receiving Notice is located; or
  - (ii) for any other purpose under this Scheme, the time of day in the place where the party required to perform an obligation is located.
- (j) No rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of this Scheme or any part of it.



## Annexure C      Deed Poll





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# **Deed poll**

**Damstra Holdings Limited**

In favour of the Scheme Shareholders



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Date: 27 August 2020

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## Parties

**Damstra Holdings Limited (ACN 610 571 607)** of Level 1, 38 Garden Street, South Yarra Victoria 3141 (**Damstra**)

In favour of the Scheme Shareholders

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## Background

- A Damstra and Vault have entered into the Implementation Deed, under which Damstra has agreed to:
- (i) enter into this deed poll; and
  - (ii) provide or procure the provision of the Scheme Consideration, in consideration for the acquisition of all of the Scheme Shares by Damstra, in accordance with the Scheme.
- B Damstra is entering into this deed poll for the purpose of covenanting in favour of the Scheme Shareholders to undertake the actions attributed to Damstra under the Scheme.
- 

## 1 Defined terms and interpretation

### 1.1 Defined terms

Unless the context otherwise requires:

- (a) **First Court Date** means the first day on which an application made to the Court for orders under section 411(1) of the Corporations Act directing Vault to convene the Scheme Meeting is heard (or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard);
- (b) **Implementation Deed** means the scheme implementation deed dated 8 July 2020 between Damstra and Vault relating to (among other things) the implementation of this Scheme;
- (c) **Scheme** means the scheme of arrangement under Part 5.1 of the Corporations Act between the Scheme Shareholders and Vault, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and agreed to in writing by Damstra and Vault;
- (d) **Vault** means Vault Intelligence Limited (ACN 145 040 857) of Level 18, 1 Nicholson Street, East Melbourne, VIC, 3002; and
- (e) terms defined in the Scheme have the same meaning when used in this deed poll.

### 1.2 Interpretation

Clause 2 of Schedule 1 of the Scheme applies to the interpretation of this deed poll, except that references to 'Scheme' are to be read as references to 'deed poll'.

### 1.3 Nature of deed poll

Damstra acknowledges and agrees that:



- (a) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with the terms of this deed poll even though the Scheme Shareholders are not party to it; and
- (b) under the Scheme, each Scheme Shareholder irrevocably appoints Vault and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this deed poll against Damstra.

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## 2 Conditions

### 2.1 Conditions

The obligations of Damstra under this deed poll are subject to the Scheme becoming Effective.

### 2.2 Termination

The obligations of Damstra under this deed poll will automatically terminate and the terms of this deed poll will be of no further force or effect if:

- (a) the Implementation Deed is terminated in accordance with its terms; or
  - (b) the Scheme does not become Effective by the End Date,
- unless Damstra and Vault otherwise agree in writing.

### 2.3 Consequences of termination

If this deed poll is terminated under clause 2.2:

- (a) Damstra is released from its obligations to further perform this deed poll; and
- (b) in addition and without prejudice to any other available rights, powers or remedies available to the Scheme Shareholders, each Scheme Shareholder retains the rights they have against Damstra in respect of any breach of this deed poll which occurs before it was terminated.

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## 3 Scheme obligations

### 3.1 Undertaking to issue Scheme Consideration

Subject to clause 2, Damstra undertakes in favour of each Scheme Shareholder to:

- (a) provide, or procure the provision of, the Scheme Consideration to each Scheme Shareholder in accordance with the terms of the Scheme; and
- (b) undertake all other actions attributed to it under the Scheme,

in each case subject to and in accordance with the terms of the Scheme.

### 3.2 Shares to rank equally

Damstra covenants in favour of each Scheme Shareholder that the New Damstra Shares which are issued to each Scheme Shareholder in accordance with the Scheme will:

- (a) rank equally with all existing Damstra Shares; and



- (b) be issued fully paid and free from any mortgage, charge, lien, encumbrance or other security interest.

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## 4 Warranties

Damstra represents and warrants in favour of each Scheme Shareholder that:

- (a) it is a corporation validly existing under the laws of its place of incorporation;
- (b) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance by it of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) this deed poll is valid and binding on it and is enforceable against it in accordance with the terms of this deed poll; and
- (e) this deed poll does not conflict with, or result in the breach of or default under, any provision of its constitution, or any writ, order or injunction, judgment, law, rule or regulation to which it is a party or subject or by which it is bound.

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## 5 Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) Damstra has fully performed its obligations under this deed poll; or
- (b) the earlier termination of this deed poll under clause 2.2.

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## 6 General

### 6.1 Stamp duty

Damstra must pay any stamp duties and any related fines and penalties in respect of this deed poll, the performance of this deed poll and each transaction effected by or made under or pursuant to this deed poll.

### 6.2 Notices

- (a) Any notice or other communication to Damstra in connection with this deed poll must be:
  - (i) in legible writing in English;
  - (ii) signed by the person making the communication or that person's duly authorised agent; and
  - (iii) given by hand delivery, pre-paid post or email in accordance with the details set out below:

Attention: Chris Scholtz

Address: Level 1, 38 Garden Street, South Yarra Victoria 3141

Email: C.Scholtz@damstratechnology.com

with a copy (for information purposes only) to [akauye@gtlaw.com.au](mailto:akauye@gtlaw.com.au)



- (b) Subject to clause 6.2(c), any notice or other communication given in accordance with clause 6.2(a) will be deemed to have been duly given as follows:
  - (i) if delivered by hand, on delivery;
  - (ii) if sent by pre-paid post, on receipt; and
  - (iii) if sent by email:
    - (A) when the sender receives an email from the recipient confirming receipt of the email; or
    - (B) four hours after the time sent (as recorded on the device from which the email was sent), provided that the sender does not receive an automated message that the email has not been delivered,
 whichever happens first.
- (c) Any notice or other communication that, pursuant to clause 6.2(b), would be deemed to be given:
  - (i) before 9:00am on a Business Day, it will be taken to be received at 9:00am on that Business Day; or
  - (ii) after 5:00pm on a Business Day or on a non-Business Day, it will be taken to be received at 9:00am on the next Business Day,
 where references to time are to time in the place the recipient is located.

### **6.3 Cumulative rights**

The rights, powers and remedies of Damstra and each Scheme Shareholder under this deed poll are cumulative with and do not exclude the rights, powers or remedies provided by law independently of this deed poll.

### **6.4 Waiver**

- (a) A party waives a right under this deed poll only by written notice that it waives that right. A waiver is limited to the specific instance to which it relates and to the specific purpose for which it is given.
- (b) Failure to exercise or enforce, a delay in exercising or enforcing or the partial exercise or enforcement of:
  - (i) any right, power or remedy provided by law or under this deed poll; or
  - (ii) any right, power, authority, discretion or remedy created or arising upon default under this deed poll,
 by any party will not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement, of that or any other right, power or remedy provided by law or under this deed poll.

### **6.5 Variation**

A provision of this deed poll may not be varied unless:

- (a) if before the First Court Date, the variation is agreed to by Vault in writing; or
- (b) if on or after the First Court Date, the variation is agreed to by Vault in writing and the Court indicates that the variation would not of itself preclude approval of the Scheme,

in which event Damstra must enter into a further deed poll in favour of the Scheme Shareholders giving effect to the variation.



## **6.6 Governing law and jurisdiction**

- (a) This deed poll is governed by the laws in force in Victoria, Australia.
- (b) Damstra irrevocably:
  - (i) submits to the non-exclusive jurisdiction of the courts of Victoria, Commonwealth courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this Scheme; and
  - (ii) waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 6.6(b)(i).

## **6.7 Assignment**

- (a) The rights created by this deed poll are personal to Damstra and each Scheme Shareholder, and must not be dealt with at law or in equity without the prior written consent of Damstra.
- (b) Any purported dealing in contravention of clause 6.7(a) is invalid.

## **6.8 Further action**

Damstra must, at its own expense, do all things and execute all documents necessary to give full effect to this deed poll and the transactions contemplated by it.



Execution page

Executed as a deed poll.

Signed, sealed and delivered by **Damstra Holdings Limited (ACN 610 571 607)** in accordance with section 127 of the *Corporations Act 2001* (Cth) by:

DocuSigned by:  
Johannes Risseeuw  
0E13B18CA5B545A

Signature of director  
Johannes Risseeuw

Name of director (print)

DocuSigned by:  
Drew Fairchild  
91D7B5BE4E58492

Signature of director/secretary  
Drew Fairchild

Name of director/secretary (print)



## Annexure D      Notice of Meeting



Vault Intelligence Limited ACN 145 040 857 (**Vault**)  
(**ASX CODE: VLT**)

## Notice of Meeting

Vault hereby gives notice that by order of the Federal Court of Australia made on 28 August 2020 pursuant to section 411(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**), a meeting of the holders of fully paid ordinary shares in Vault will be held electronically at 10:00am (Melbourne time) on 2 October 2020 through an online platform that can be accessed at <https://agmlive.link/VLT20> (**Scheme Meeting**).

**To join the Scheme Meeting, visit <https://agmlive.link/VLT20>**

## Notice of Meeting

This is an important document and requires your immediate attention. You should read this document (including the explanatory notes, which form a part of the Notice of Meeting) in its entirety prior to deciding whether or not to vote in favour of the Scheme Resolution set out below to be considered at the Scheme Meeting. If you are in any doubt as to how to deal with this document, please consult your financial, legal, taxation or other professional adviser immediately.

## Important information regarding the participation at Scheme Meeting in light of COVID-19

As a result of the health risks associated with the COVID-19 pandemic, and in accordance with the Federal and State government directions and restrictions with respect to non-essential gatherings of people and the Treasurer's determination regarding electronic shareholder meetings,<sup>1</sup> the Scheme Meeting is scheduled to be held electronically.

**There will be no physical meeting where Vault Shareholders or proxy holders can attend in person.**

The online platform enables participants to view the Scheme Meeting live, vote on the relevant resolution in real time and ask questions online. Details are provided in the explanatory notes to this Notice of Meeting and the online platform guide which can be accessed at <https://investors.vaultintel.com/investors/scheme-of-arrangement> (**Online Platform Guide**). The Online Platform Guide provides details about how to ensure your browser is compatible with the online platform, as well as a step by step guide to successfully log in and navigate the site. The Online Platform Guide will also be released to the ASX.

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<sup>1</sup> See paragraph 5 of Corporations (Coronavirus Economic Response) Determination (No. 1) 2020, which modifies the relevant provisions of the Corporations Act to permit shareholder meetings to be held electronically without persons being physically present in the same place.



If you intend to appoint a proxy to vote on your behalf, details on how to appoint a proxy are provided in the explanatory notes to this Notice of Meeting. If it becomes necessary to make further alternative arrangements for holding the Scheme Meeting, we will ensure Vault Shareholders are given as much notice as possible.

Any changes to the dates and the conduct of the Scheme Meeting will be announced to the ASX and will be available under Vault's profile on the ASX at [www.asx.com.au](http://www.asx.com.au).

## Business of the Scheme Meeting

Damstra Holdings Limited ACN 610 571 607 (**Damstra**) and Vault have proposed that Damstra will acquire all of the Scheme Shares by means of a scheme of arrangement under Part 5.1 of the Corporations Act between Vault and the Scheme Shareholders. Under the Scheme, the Scheme Shareholders will be offered scrip consideration of 2.9 Damstra Shares per Scheme Share. On 8 July 2020, Vault and Damstra entered into the Scheme Implementation Deed which outlines the key terms of the Scheme.

Further information about the Scheme is set out in the Scheme Booklet in which this Notice of Meeting has been included.

The purpose of the Scheme Meeting is to consider and if considered fit, pass the Scheme Resolution which is provided below in this notice.

Terms used in this notice, unless defined otherwise, have the same meaning as set out in the Glossary of the Scheme Booklet.

## Scheme Resolution

*'That, pursuant to and in accordance with section 411 of the Corporations Act, the Scheme (the terms of which are described in the Scheme Booklet of which the notice convening this meeting forms part) is agreed to (with or without modification as approved by the Federal Court of Australia).'*

**Note:** The Scheme Resolution requires approval by:

- (a) a majority in number (that is, more than 50%) of the Vault Shareholders who are present and voting; and
- (b) at least 75% of the votes cast on the Scheme Resolution by Vault Shareholders, who are present and voting.



Chair

The Court has directed that Mr Ross Jenkins be Chair of the Scheme Meeting (and if Mr Jenkins is unable or unwilling to attend, Mr Robert Kirtlan is to act as Chair of the Scheme Meeting) and has directed the Chair to report the result of the Scheme Meeting to the Court.

By order of the Court.

A handwritten signature in black ink, appearing to read 'Perkinson', with a long horizontal line extending to the right.

**Todd Perkinson**  
Company Secretary

Dated: 28 August 2020



## Explanatory notes

### Material accompanying this notice

This notice and the Scheme Resolution should be read in conjunction with the Scheme Booklet.

### Majorities required for the Scheme Resolution

In accordance with section 411(4)(a) of the Corporations Act, for the Scheme to be approved by Vault Shareholders, the Scheme Resolution must be passed by:

- (a) unless the Court orders otherwise, a majority in number of Vault Shareholders present and voting (either in person or proxy); and
- (b) at least 75% of the votes cast on the Scheme Resolution.

### Court approval

In accordance with section 411(4)(b) of the Corporations Act, the Scheme must be approved by an order of the Court and an office copy of the orders of the Court approving the Scheme must be lodged with ASIC. If the Scheme Resolution put to the Scheme Meeting is passed by the requisite majorities and the other conditions to the Scheme are satisfied (or where applicable, waived) in accordance with the Scheme Implementation Deed, Vault intends to apply to the Court on 7 October 2020 for the necessary orders to give effect to the Scheme.

### Scheme Meeting and COVID-19

As a result of the health risks created by the COVID-19 pandemic, and in accordance with the Federal and State government directions and restrictions with respect to non-essential gatherings of people and the Treasurer's determination regarding electronic shareholder meetings<sup>2</sup>, the Scheme Meeting is scheduled to be held electronically.

**There will be no physical meeting where Vault Shareholders or proxy holders can attend in person.**

If you are eligible to vote at the Scheme Meeting, you may:

- vote during the electronic Scheme Meeting via the online platform using the instructions below;
- appoint one or two proxies to attend the electronic Scheme Meeting via the online platform and vote online at the Scheme Meeting on your behalf (if you would like to appoint more than one proxy please contact the Vault Registry by telephone on 1800 502 914 (within Australia) or +61 1800 502 914 (from outside Australia));

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<sup>2</sup> See paragraph 5 of Corporations (Coronavirus Economic Response) Determination (No. 1) 2020, which modifies the relevant provisions of the Corporations Act to permit shareholder meetings to be held electronically without persons being physically present in the same place.



- appoint an attorney to attend the electronic Scheme Meeting via the online platform and vote online at the Scheme Meeting on your behalf; or
- if you are a body corporate, appoint a corporate representative to attend the electronic Scheme Meeting via the online platform and vote online at the Scheme Meeting on your behalf.

Voting will be conducted by poll.

### Jointly held securities

If you hold Vault Shares jointly with one or more other persons, only one of you may vote. If more than one of you attempts to vote online at the meeting, only the vote of the Vault Shareholder whose name appears first on the Vault Register will be counted.

### How to participate in the Scheme Meeting

The Scheme Meeting will be held electronically.

Scheme Shareholders and their proxies, attorneys or corporate representatives will be able to participate in the Scheme Meeting through an online platform at <https://agmlive.link/HLT20>. The online platform enables participants to view the Scheme Meeting live, vote on the Scheme Resolution in real time and ask questions online.

The Online Platform Guide provides details about how to ensure your browser is compatible with the online platform, as well as a step by step guide to successfully log in and navigate the site. The Online Platform Guide will be released to the ASX and is also available at <https://investors.vaultintel.com/>.

We recommend logging in to the online platform at least 15 minutes prior to the scheduled start time for the Scheme Meeting using the instructions below:

- enter the link **<https://agmlive.link/HLT20>** into your web browser on an online device;
- if you are a Vault Shareholder, you will need your Shareholder Number and postcode; and
- if you are a proxyholder, you will need your proxy number issued by the Vault Registry.

Online voting will be open between the commencement of the Scheme Meeting at 10:00am (Melbourne time) on 2 October 2020 electronically through an online platform at <https://agmlive.link/HLT20> and the time at which the Chair announces the closure of voting.

### Voting by proxy

If you wish to appoint a proxy or you are unable to attend the meeting via the online platform, you may appoint a proxy to attend and vote at the Scheme Meeting on your behalf (or if the you are entitled to cast two or more votes at the meeting, then no more than two proxies). You can do this online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) or, if you received a hardcopy proxy form, by following the instructions on the proxy form (i.e. by ticking the relevant box next to the Scheme Resolution on the proxy form (being 'for', 'against' or 'abstain').



Please note if two proxies are appointed by you, you may specify the proportion or number of votes each proxy is appointed to exercise. However, where the proportion or number is not specified, each proxy may only exercise half of the votes. Any fractions of such votes shall be disregarded.

If you wish to appoint a proxy online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) you should follow the below instructions:

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

The online proxy facility may not be suitable for some shareholders who wish to appoint two proxies with different voting directions. If you would like to do so please contact the Vault Registry by telephone on 1800 502 914 (within Australia) or +61 1800 502 914 (from outside Australia).

A proxy does not need to hold Vault Shares. A proxy may be an individual or a body corporate. If a body corporate is appointed as a proxy, that body corporate must ensure that it appoints a corporate representative in accordance with section 250D of the Corporations Act to exercise its powers as proxy, as discussed below.

If you do not instruct your proxy how to vote, your proxy may vote as he or she sees fit at the Scheme Meeting. If the Chair of the Scheme Meeting is appointed as your proxy (or is appointed your proxy by default), he intends to vote all valid undirected proxies which appoint (or are taken to appoint) the Chair of the Scheme Meeting in favour of the Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Vault Shareholders.

Any directed proxies that are not voted on a poll at the Scheme Meeting by the appointed proxy will automatically default to the Chair of the Scheme Meeting who is required to vote proxies as directed on a poll.

If you choose to appoint a proxy to attend and vote on your behalf, and you attend the Scheme Meeting via the online platform, your proxy's authority to vote on your behalf is suspended and your proxy will not be entitled to vote at the meeting.

Proxy instructions must be received by the Vault Registry, Link Market Services Limited or lodged online by 10.00am (Melbourne time) on Wednesday, 30 September 2020. If the Scheme Meeting is adjourned, proxy instructions must be received by the Vault Registry or lodged online at least 48 hours before the resumption of the Scheme Meeting in relation to the resumed part of the Scheme Meeting.

Proxy instructions validly received will remain valid, and votes cast by the proxy at the Scheme Meeting in accordance with the instructions will be valid, unless notice of the revocation of the instructions is received by the Vault Registry by 10.00am (Melbourne time) on Wednesday, 30 September 2020 or at least 48 hours before the resumption of the Scheme Meeting in relation to the resumed part of the Scheme Meeting.



Proxy instructions can be revoked, provided that revocation of the instructions is received by the Vault Registry by the times and dates stated above, by sending a letter to the Vault Registry which:

- sets out your registered name, address, the relevant Scheme Meeting for which you wish to revoke your proxy, and the statement "I wish to revoke my proxy"; and
- is signed in accordance with the signing instructions set out in the proxy form.

If you wish to amend your proxy, you may lodge a replacement proxy online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) by following the below instructions:

- select 'Investor Login' and in the 'Single Holding' section enter Vault Intelligence Limited or the ASX code VLT in the Issuer name field, your Holder Identification Number (HIN) or Security Reference Number (SRN), postcode and security code which is shown on the screen and click 'Login'; and
- select the 'Voting' tab and then follow the prompts,

or by contacting the Vault Registry by telephone on 1800 502 914 within Australia or +61 1800 502 914 from outside Australia (in each case provided that the replacement proxy instructions are received by the Vault Registry by the times and dates stated above).

For those shareholders who are submitting a hardcopy proxy form rather than using the online proxy facility, the completed proxy form may be:

- mailed to the Vault Registry at Vault Intelligence Limited C/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235 Australia;
- faxed to the Vault Registry on 02 9287 0309 within Australia or +61 2 9287 0309 outside Australia; or
- delivered by hand to Link Market Services Limited at 1A Homebush Bay Drive, Rhodes NSW 2138.

If a proxy form is completed, whether using a hardcopy proxy form or using the online proxy facility, under power of attorney or other authority, the original or certified copy of the power of attorney or other authority must accompany the completed hardcopy proxy form or be mailed, faxed or delivered by hand per the details above, unless the power of attorney or other authority has previously been given to the Vault Registry.

### Voting by power of attorney

You may appoint an attorney to attend and vote at the Scheme Meeting via the online platform on your behalf.

If you choose to appoint an attorney to attend and vote on your behalf, and you attend the Scheme Meeting via the online platform your attorney's authority to vote is suspended and your attorney will not be entitled to vote at the meeting.

Certified copies of powers of attorney must be received by the Vault Registry by no later than 10.00am (Melbourne time) on Wednesday, 30 September 2020. If the Scheme Meeting is



adjourned, certified copies must be received by the Vault Registry at least 48 hours before the resumption of the Scheme Meeting in relation to the resumed part of the Scheme Meeting. Certified copies may be:

- mailed to the Vault Registry at Vault Intelligence Limited C/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235 Australia; or
- delivered by hand to Link Market Services Limited at 1A Homebush Bay Drive, Rhodes NSW 2138.

Attorney appointments of which notice has been validly received will remain valid, and votes cast by the attorney at the Scheme Meeting will be valid, unless notice of the revocation of the appointment is received by the Vault Registry by 10.00am (Melbourne time) on Wednesday, 30 September 2020 or at least 48 hours before the resumption of the Scheme Meeting in relation to the resumed part of the Scheme Meeting.

Attorney appointments can be revoked, provided that revocation of the appointment is received by the Vault Registry by the times and dates stated above, by sending a letter to the Vault Registry which:

- sets out your registered name, address, the Scheme Meeting for which you wish to revoke your appointment, and the statement "I wish to revoke my power of attorney"; and
- is signed in accordance with the signing instructions set out in the proxy form.

A validly appointed attorney wishing to attend and vote at the Scheme Meeting via the online platform will require your name, Shareholder Number and postcode in order to access the online platform.

### Voting by corporate representative (in the case of a body corporate)

If you are a body corporate, you may appoint a corporate representative to attend and vote at the Scheme Meeting via the online platform on your behalf. The appointment must comply with section 250D of the Corporations Act.

A corporate representative can be appointed via the online platform or by downloading an 'Appointment of Corporate Representative Form' from

[https://www.linkmarketservices.com.au/corporate/forms/holding-management/App\\_Corp\\_Rep\\_140312.pdf](https://www.linkmarketservices.com.au/corporate/forms/holding-management/App_Corp_Rep_140312.pdf).

A corporate representative must provide written evidence of their appointment to the Vault Registry (which would include an 'Appointment of Corporate Representative Form') which must be received by Vault Registry by no later than 10.00am (Melbourne time) on Wednesday, 30 September 2020. If the Scheme Meeting is adjourned, written evidence of an appointment must be received by the Vault Registry at least 48 hours before the resumption of the Scheme Meeting in relation to the resumed part of the Scheme Meeting. Evidence (including any authority under which the document appointing them as corporate representative was signed) may be:

- provided to the Vault Registry via the online platform at the time you appoint a corporate representative;



- emailed to the Vault Registry at [vote@linkmarketservices.com.au](mailto:vote@linkmarketservices.com.au);
- mailed to the Vault Registry at Vault Intelligence Limited C/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235 Australia;
- faxed to the Vault Registry on 02 9287 0309 within Australia or +61 2 9287 0309 outside Australia; or
- delivered by hand to Link Market Services Limited at 1A Homebush Bay Drive, Rhodes NSW 2138.

A validly appointed corporate representative wishing to attend and vote at the Scheme Meeting via the online platform will require the name, Shareholder Number and postcode of the body corporate that appointed it in order to access the online platform.

### Court approval

If the Scheme Resolution put to this Scheme Meeting (set out in the Notice of Meeting contained in the Scheme Booklet) is passed by the requisite majorities and the other Conditions to the Scheme are satisfied or waived (if applicable) in accordance with the Scheme, Vault intends to apply to the Court for the necessary orders to approve the Scheme.

In order for the Scheme to become effective, it must be approved by the Court and an office copy of the orders of the Court approving the Scheme must be lodged with ASIC.

Further details in respect of the Scheme Resolution to be put to the Scheme Meeting are set out in the Scheme Booklet.



## Corporate Directory

### **Vault Intelligence Limited**

Level 18, 1 Nicholson Street  
East Melbourne VIC 3002

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### **HWL Ebsworth - Lawyers for Vault**

Level 14, 264-278 George Street  
Sydney NSW 2000

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### **Grant Thornton Corporate Finance Pty Limited - Independent Expert**

Level 17, 383 Kent Street  
Sydney NSW 2000

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### **Moore Stephens - Tax Advisers to Vault**

Level 18, 530 Collins Street  
Melbourne VIC 3000

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### **PricewaterhouseCoopers - Auditors of Vault**

Level 19, 2 Riverside Quay  
Southbank VIC 3006

### **Shareholder Information Line**

1800 502 914 (within Australia) or  
+61 1800 502 914 (from outside Australia)  
between 9:00am and 6:00pm (Melbourne  
time), Monday to Friday, excluding public  
holidays.