

# Chairman's Update Letter



7 January 2019

**Dear Investors,**

On behalf of the Board of Directors, I am pleased to update you on AXS Group Limited (ACN 619 705 207) ("**Company**" or "**AXS**").

Please find enclosed our Supplementary Prospectus lodged on 17 December 2018 ("**Supplementary Prospectus**") by AXS with the Australian Securities & Investments Commission ("**ASIC**") to its Prospectus dated 18 September 2018 ("**Prospectus**").

The purpose of the Supplementary Prospectus is to reflect the material changes to the key terms of the Share Purchase Agreements ("**SPAs**") for the acquisition of Axxess Consulting Group Pty Ltd ("**Axxess Consulting**") according to the ASX's comments and to revise the Offer structure and the Offer period.

The revised terms of the SPAs with the Vendors eliminate cash being paid for the target company, Axxess Consulting that is being acquired by AXS and allows for AXS to raise a lower amount based on expectation of sales through organic growth moving forward.

According to the amended SPAs, the Vendors of Axxess Consulting now receive the total consideration for their sale shares in Axxess Consulting to AXS in the amount of \$14,500,000, which is made up of the following:

- issue of 55,600,000 shares in AXS at \$0.25 per share with a value of \$13,900,000; and
- 2,400,000 Performance Rights which can be vested upon the Company achieving an EBITDA of no less than \$3.7 million in either FY2019, FY2020 or FY2021.

Further, the balance of the changes in the Supplementary Prospectus:

- are technical in nature including to extend the terms and life of the Prospectus pursuant to ASX Rules and Corporations Law requirements; and
- reduce the Minimum Subscription amount to \$3,000,000 at 0.25 cents and the Maximum Subscription amount to \$3,500,000 at 0.25 cents; and
- provide for other updates and revised tables as outlined in the Supplementary Prospectus (including an update timetable for the listing of AXS and revised offer metrics (please see page 2 of this letter)).

## Revised Timetable

### Important dates in Supplemental Prospectus

Event	Date and time
Lodgement of the Prospectus with ASIC	18 September 2018
Lodgement of ASX listing application	20 September 2018
Opening Date	26 September 2018
Lodgement of this Supplementary Prospectus	17 December 2018
Closing Date	20 February 2019
Issue of New Shares	26 February 2019
Expected dispatch of Holding Statements	26 February 2019
Shares expected to begin trading on ASX	28 February 2019

These dates are indicative only and may change. The Company reserves the right to vary the dates and times set out above subject to Corporations Act and other applicable laws. The Company reserves the right to vary the times and dates of the Offer including to close the Offer early, extend the Offer or to accept late Applications, either generally or in particular cases, without notification. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law. Investors are therefore encouraged to submit their Application Forms as early as possible after the Offer opens.

## Revised Key Metrics Statistics

Below is the amended key offer statistics:

Key Offer statistics	Minimum Subscription	Maximum Subscription
Offer Price	\$0.25	\$0.25
Total cash proceeds to the Company from the Offer	\$3,000,000	\$3,500,000
Number of New Shares to be issued under the Offer	12,000,000	14,000,000
Number of New Shares to be issued to Vendors <sup>1</sup>	55,600,000	55,600,000
Number of Shares held by Existing Shareholders	28,197,647	28,197,647
Total number of Shares on issue at the Completion of the Offer and the SPAs <sup>2,3</sup>	95,797,647	97,797,647
Indicative market capitalisation at the Completion of the Offer and the SPAs	\$23,949,412	\$24,449,912

1. All these Shares will be subject to restrictions by ASX for 24 months for the date of the Listing.
2. 74,864,315 Shares held by the Shareholders upon Completion of the Offer and SPAs will be subject to an escrow arrangement up to 24 months.
3. The Vendors will hold between 58% to 57% of the shares in AXS depending if the Minimum Subscription or Maximum Subscription is reached under the revised terms.

We note that this letter does not form part of the Prospectus or the Supplementary Prospectus.

Investors should read the Supplementary Prospectus in its entirety together with the Prospectus to get full information on the changes and seek independent legal or financial advice on any queries regarding the Prospectus and the Supplementary Prospectus. The Supplementary Prospectus is issued together with the Prospectus and its electronic version can be accessed on the Company's website at [www.axsgroup.com.au](http://www.axsgroup.com.au) under the Investor Centre section.

#### **Update on Industrial Alliance**

We recently with pleasure updated to the market that on 23 October 2018, Industrial Alliance Insurance and Financial Services (**iA Financial Group**) (ticker code IAG) in Canada appointed Axxess Consulting Group Pty Ltd ("**Axxess**") and its ARMnet software as its primary software provider to support its group and independent advisor network across Canada for lending services. IA Financial Group is among the 100 largest public companies in Canada.

The transaction is a major deal for Axxess with a fixed 3-year term plus 12-month extensions by agreement. The implementation of ARMnet's software will see a new broker portal rolled out for all loan origination activities across its 25,000 plus broker network throughout Canada and Western United States. Axxess will receive base licensing fees plus transactional fees on activities for all business originated, broker databases that is scaling by volume which contributes towards a strong uplift in revenue and profit performance.

We additionally have other potential clients at varying stages for engagement and take up of the ARMnet software.

Finally, in conclusion, we wish you a happy and prosperous new year for 2019.

Yours sincerely



**Nick Brookes**  
Chairman