

Bulletproof lodges Target's Statement and recommends shareholders REJECT Macquarie Telecom's offer

Bulletproof Group Limited (ASX: BPF) (**Bulletproof** or **Company**) has today lodged its Target's Statement with the Australian Securities and Investments Commission and Australian Securities Exchange in response to the off-market takeover offer (the **Offer**) from Macquarie Cloud Services Pty Limited, a wholly owned subsidiary of Macquarie Telecom Group Limited (together **Macquarie Telecom**) to acquire all of the Bulletproof shares for \$0.11 per share.

Today, the Target's Statement has also been given to Macquarie Telecom and is being despatched to Bulletproof shareholders.

The Independent Board Committee Directors unanimously recommend shareholders REJECT the Offer, and they intend to REJECT the Offer in relation to the Bulletproof shares that they respectively hold or control.

To REJECT the Offer, shareholders should simply ignore all documents from Macquarie Telecom and do nothing.

The reasons for the Independent Board Committee Directors' unanimous recommendation that shareholders REJECT the Offer include:

- **the Independent Expert appointed by Bulletproof to review the Offer has concluded the Offer is not fair and not reasonable;**
- the Offer is opportunistic and reflects an historical low in the price of Bulletproof shares;
- the Offer does not reflect the strategic value of Bulletproof as a leading cloud services provider;
- the Offer does not reflect the potential profitability and value of Bulletproof following its recent restructuring and turnaround;
- the Offer conflicts with the efforts of the Independent Board Committee to crystallise the strategic value of Bulletproof through discussions with potential competing bidders; and
- major shareholders holding a relevant interest in 19.86% of the Bulletproof shares on issue have written to Bulletproof and advised that their current intention is that they will not accept the Offer, subject to a superior proposal. As a result of the position of these major shareholders, the Offer is unlikely to succeed on its current terms.

In considering the Independent Board Committee Directors' recommendation, Bulletproof shareholders should review the comprehensive information provided in the Target's Statement lodged today.

All company announcements and information on the Offer are available on the Bulletproof website at www.bulletproof.net.au. Shareholders can also receive further information on the Offer by calling the Bulletproof Shareholder Information Line on 1300 658 099 between 8.30am and 5.30pm (Sydney time) Monday to Friday (excluding public holidays).

For further details contact:

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Chairman
Secretary

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Paula Kensington
Chief Financial Officer / Company

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About Bulletproof

Founded in 2000, Bulletproof is Australia's leading cloud services company, supporting business, enterprise and government customers across the globe. Bulletproof has consistently been first to market with public and private cloud based services and innovations. With over a decade of experience in cloud, Bulletproof continues to drive industry innovation. Since being the first provider in Australia to launch a VMware public cloud service in 2006 and the first in 2012 to provide Managed AWS services, in 2013 Bulletproof was given the status of the first AWS Premier Consulting Partner in Australia and New Zealand.

In 2014, Bulletproof became Australia's first publicly listed pure play cloud services company, with offices in Sydney, Melbourne, Auckland and Wellington. Bulletproof Group Limited shares are listed on the Australian Securities Exchange (ASX) and are traded under the code BPF.

With the launch in 2016 of Bulletproof Support™ for Microsoft Azure, Bulletproof is now the leading end-to-end multi-cloud services company, guiding customers on their journey to the cloud through consulting, implementation and support services.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.

YOU SHOULD READ ALL OF THE DOCUMENT. IF YOU ARE IN DOUBT AS TO WHAT YOU SHOULD DO, YOU SHOULD CONSULT YOUR INVESTMENT, FINANCIAL, TAXATION OR OTHER PROFESSIONAL ADVISER.

Target's Statement

Your Independent Board Committee Directors unanimously recommend that you

REJECT

the offer by Macquarie Cloud Services Pty Limited, a wholly-owned subsidiary of Macquarie Telecom Group Limited, to acquire all of your Bulletproof Shares.

To reject the offer, simply DO NOTHING.

Financial Adviser

TMTPARTNERS

Legal Adviser

Allens & Linklaters

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Important Notices

Nature of this Document

This document is the Target's Statement dated 22 December 2017 given by Bulletproof under Part 6.5 Division 3 of the Corporations Act. This Target's Statement is given in response to the Bidder's Statement lodged with ASIC by Macquarie BidCo, a wholly-owned subsidiary of the Parent, on 23 November 2017.

ASIC and ASX Disclaimer

A copy of this Target's Statement has been lodged with ASIC. Neither ASIC nor any of its officers takes any responsibility for the contents of this Target's Statement.

A copy of this Target's Statement has also been provided to the ASX. Neither the ASX nor any of its officers takes any responsibility for the contents of this Target's Statement.

Defined Terms and Interpretation

Capitalised terms used in this Target's Statement are defined in Section 8. Section 8 also sets out some rules of interpretation which apply to this Target's Statement.

No Account of Personal Circumstances

This Target's Statement and the recommendations and other information contained in it do not constitute financial product advice. The recommendations and other information contained in this Target's Statement should not be taken as personal financial or taxation advice, as each Shareholder's deliberations and decision will depend upon their own financial situation, tax position, investment objectives and particular needs.

It is important that you read this Target's Statement in its entirety before making any investment decision and any decision relating to the Offer. Your Independent Board Committee Directors encourage you to obtain independent advice from your investment, financial, taxation or other professional adviser before making a decision whether or not to accept Macquarie BidCo's Offer.

Forward Looking Statements

This Target's Statement contains forward looking statements. All statements other than statements of historical fact are forward looking statements. Shareholders should note that those forward looking statements are only predictions and are inherently subject to uncertainties, in that they may be affected by a variety of known and unknown risks, variables and other important factors, many of which are beyond the control of Bulletproof. Actual values or results, performance or achievements may differ materially from those expressed or implied by such statements. The risks, variables and other factors that may affect the forward looking statements include matters specific to the cloud services sector and the information technology industry, as well as economic and financial market conditions; legislative, fiscal or regulatory developments; the price performance of Bulletproof Shares, including the risk of possible price decline in the absence of the Offer or other takeover or merger speculation; and risks associated with the business and operations of Bulletproof.

Further information can be found in the Section of this Target's Statement headed '**Reasons why You Should REJECT the Offer**'.

None of Bulletproof, any of its officers or any person named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement makes any representation or warranty (express or implied) or gives any assurance as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statements, except to the extent required by law. You are cautioned not to place undue reliance on any such statement.

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

Reliance on Information Obtained from Public Sources

The information in this Target's Statement about Macquarie BidCo has been compiled from or is otherwise based on information obtained from publicly available sources, and has not been independently audited or verified by Bulletproof or its

advisers. If the information obtained from public sources is inaccurate or incomplete, this may affect the information included in the Target's Statement.

Please refer to Section 3.2 for further information about the risks that apply to holding your Bulletproof Shares.

Privacy

Bulletproof has collected your information from the register of Bulletproof Shareholders for the purpose of providing you with this Target's Statement. The type of information Bulletproof has collected about you includes your name, contact details and information on your shareholding (as applicable) in Bulletproof.

Without this information, Bulletproof would be hindered in its ability to issue this Target's Statement.

The Corporations Act requires the name and address of Shareholders to be held in a public register. Your information may be disclosed on a confidential basis to external service providers (including the Bulletproof Share Registry and print and mail service providers) and may be required to be disclosed to regulators such as ASIC.

If you would like details of the information that Bulletproof holds about you, please contact the Bulletproof Share Registry on 1300 658 099. The Bulletproof Share Registry will be available between 8.30am and 5.30pm (Sydney time) Monday to Friday.

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What You Need to Do

To reject the Offer made by Macquarie BidCo, SIMPLY DO NOTHING

- To reject the Offer, you should ignore all documentation sent to you by Macquarie BidCo and take no action.
- Read this Target's Statement, which contains the unanimous recommendation of your Independent Board Committee Directors to reject the Offer, and provides the detailed reasons for this recommendation.
- If you have any questions, please call the Bulletproof Shareholder Information Line on 1300 658 099 between 8.30am and 5.30pm (Sydney time) Monday to Friday.

Key Dates

Date of the Offer	7 December 2017
Date of this Target's Statement	22 December 2017
Scheduled close of the Offer Period	7pm Sydney time, 31 January 2018 (unless extended or withdrawn)

Chairman's Letter

22 December 2017

Dear Fellow Shareholder

REJECT the Offer made by Macquarie BidCo to acquire all of your Bulletproof Shares by simply TAKING NO ACTION

You should have recently received a Bidder's Statement from Macquarie Cloud Services Pty Limited (*Macquarie BidCo*), a wholly owned subsidiary of Macquarie Telecom Group Limited, in relation to its off-market takeover offer to acquire all of the shares in Bulletproof Group Limited (*Bulletproof Shares* and *Bulletproof*, respectively) for \$0.11 cash per Bulletproof Share (the *Offer*).

Macquarie BidCo presently holds a relevant interest in 16.13% of the Bulletproof Shares on issue following the execution of a call option deed between Macquarie BidCo and Woodward Family Company Pty Limited (in its capacity as trustee for the Woodward Family Trust), an entity that is controlled by Mr. Anthony Woodward, the Co-Founder, Executive Director and Chief Executive Officer of Bulletproof.

Having regard to the involvement of Mr. Woodward in the Offer, Bulletproof has established an independent sub-committee of the Bulletproof Board (*Independent Board Committee Directors*), which comprises all of the Directors of Bulletproof other than Mr. Woodward, to evaluate the Offer and manage potential, or actual, conflicts of interest.

This Target's Statement sets out the response of your Independent Board Committee Directors to the Offer, and contains their recommendation, the reasons for that recommendation, and other important information that you should consider when deciding whether to accept or reject the Offer.

To assist the Independent Board Committee Directors in their consideration of the Offer, the Independent Board Committee Directors have engaged BDO Corporate Finance (East Coast) Pty Ltd as an independent expert to opine on this Offer.

Your Independent Board Committee Directors strongly believe that the Offer is opportunistic, inadequate and substantially undervalues your Bulletproof Shares. Accordingly, your Independent Board Committee Directors unanimously recommend that you REJECT the Offer, and intend to REJECT the Offer in relation to the Bulletproof Shares that they respectively hold or control.

To **REJECT** the Offer, simply ignore all documents from Macquarie BidCo and do nothing.

The summary reasons for your Independent Board Committee Director's unanimous recommendation that you **REJECT** the Offer include:

- the Independent Expert appointed by Bulletproof to review the Offer has concluded that the Offer is NOT FAIR AND NOT REASONABLE;
- the Offer is opportunistic and reflects a historical low in the price of Bulletproof Shares;
- the Offer does not reflect the strategic value of Bulletproof as a leading cloud services provider;
- the Offer does not reflect the potential profitability and value of Bulletproof following its recent restructuring and turnaround;
- the Offer conflicts with the efforts of the Independent Board Committee Directors to crystallise the strategic value of Bulletproof through discussions with potential competing bidders; and
- major shareholders holding a relevant interest in 19.86% of the Bulletproof Shares on issue have written to Bulletproof and advised that their current intention is that they will not accept the Offer,

subject to a superior proposal. As a result of the position of these major shareholders, the Offer is unlikely to succeed on its current terms.

Detailed reasons for the unanimous recommendation of your Independent Board Committee Directors to **REJECT** the Offer are set out in Section 1 of this Target's Statement.

Your Independent Board Committee Directors are firm in their belief in the fundamental strength of the Bulletproof business, its position as both a pioneer and a leader within the Australian cloud-services market, and its capacity to generate sustainable growth and deliver long-term returns for Bulletproof Shareholders.

Your Independent Board Committee Directors have been focused, and continue to focus, on exploring all options to maximize value for Bulletproof Shareholders.

Your Independent Board Committee Directors encourage you to read this Target's Statement, and the Bidder's Statement, having regard to your own circumstances, including as to risk profile, tax position, financial circumstances and investment time horizon.

You should consider the recommendation of the Independent Board Committee Directors, and the reasons for their recommendation, as well as the risk factors which are set out in Sections 1 and 3.2 of this Target's Statement, respectively. If you are in any doubt as to the action that you should take in relation to the Offer, please consult a professional adviser.

As the Offer progresses we will keep you updated on any significant developments. In the meantime, if you have any questions, you can call the official Bulletproof Information Line on 1300 658 099 between 9am and 5pm (Sydney time) on Business Days between Monday and Friday.

Yours sincerely,



Craig Farrow
Chairman

Bulletproof Group Limited

1 Reasons why You Should REJECT the Offer

1.1 The Independent Expert appointed by Bulletproof to review the Offer has concluded that the Offer is not fair and not reasonable

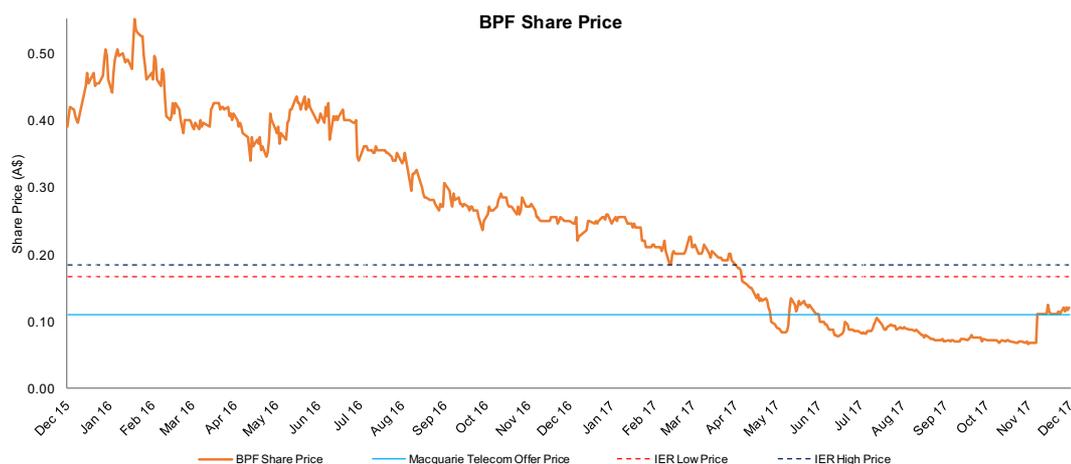
The Independent Board Committee Directors have appointed the Independent Expert to opine on whether the Offer is fair and reasonable.

The Independent Expert has concluded that the Offer is not fair and not reasonable to Bulletproof Shareholders, and has assessed the value of your Bulletproof Shares to be in the range of \$0.167 and \$0.184 per Bulletproof Share. The Offer represents a discount of 34.2% to the low end of this valuation range.

The Report is included in this Target's Statement at Schedule 2. You should read the Report carefully as it contains important information explaining how the Independent Expert has formulated its opinions.

1.2 The Offer is opportunistic and reflects a historical low in the price of Bulletproof Shares

The Offer has been made by Macquarie BidCo following the material decline of Bulletproof's shares over the past 12 months.



The declining share price reflects several factors including the recent financial performance of Bulletproof and its underperformance against market guidance, increased customer churn and the legal dispute in progress with Cloud House (for further details please see Section 6.4).

As set out in Section 1.3 below, Bulletproof management has taken specific measures to address these issues – and is demonstrating that it is succeeding in turning around the financial and commercial performance of the Bulletproof business.

1.3 The Offer does not reflect the potential profitability of Bulletproof following its recent restructuring and turnaround

Bulletproof management has now largely completed a comprehensive organisational review that commenced on 1 June 2017.

Turnaround Plan

The turnaround plan arising from this review aims to achieve growth in profitability through the addition of senior sales and marketing executives focused on sales and customer delivery

(particularly with respect to enterprise services), a focus on customer relationship management to reduce customer churn, and increased focus on key customer industry verticals.

Specific measures to turn around the financial performance of the business and improve shareholder value include:

- (a) **(Improved Operating Model)** Bulletproof management has developed a new operating model through which to target new business and manage customer churn risks. This improved model includes:
- (i) *Increased focus* – sales teams have been refocused to customers based on the size, type and complexity of buying behaviours (ie. to account for differences between enterprise customers on the one hand, and SME customers on the other hand), directing appropriate skills and focus to monthly recurring revenue, separately to non-recurring professional services and consulting.
 - (ii) *Delivery oversight* – a weekly 'Project Council' including the Chief Financial Officer and Head of Delivery has been underway since July 2017 to review all 'in-flight projects' (being those projects with greater than \$50,000 in revenue). In addition, improved resource forecasting through detailed sales plans ensures efficient resource planning to move faster once customers commit to projects.
 - (iii) *Improved financial and operational discipline* – greater financial visibility and staff accountability have been achieved through newly implemented departmental 'Profit and Loss' statements and monthly review meetings with management covering staff KPIs. The business now has greater sales and operational transparency through improved implementation and leverage of Netsuite, Adaptive and Salesforce platforms and capability.
 - (iv) *Improved project management frameworks and discipline* – Bulletproof management has implemented several measures including a 'Project Management Office' process using the ServiceNow platform in order to achieve better time recording, scope management and project responsibility with improved project tracking to manage and mitigate scope creep, while the project is in flight.
- (b) **(Improvement of Cost Base and Sales Focus)** Bulletproof's cost base has been transformed. Since the beginning of the 2017 calendar year, a total of 53 staff positions have either been made redundant or have deliberately not been filled (most recently with the redundancy of nine staff in September). Bulletproof management is confident that despite significantly reducing its cost base, Bulletproof is well positioned to grow and maintain high standards of customer service.
- To strengthen the sales team, two new Account Directors have been recruited and they are due to commence in early January 2018. Both have strong experience in senior sales roles at highly respected organisations and they are expected to make a meaningful contribution towards revenue in H2FY2018.
- (c) **(Channel Partners)** Bulletproof is exploring new channels to market through digital partners and financial advisory firms. Discussions are underway with two of the leading accountancy firms for the delivery of Bulletproof's services in partnership with their consulting teams.
- (d) **(Potential Savings from Data Centre Consolidation)** Bulletproof is considering the potential consolidation of its operations into fewer data centres. Once completed, the two year consolidation project is expected to result in cost savings of between \$1,700,000 to \$2,600,000 over five years (after allowing for project costs).

Impact of Turnaround Plan

The measures taken by Bulletproof management to turn around the financial performance of Bulletproof are succeeding. This is evidenced by:

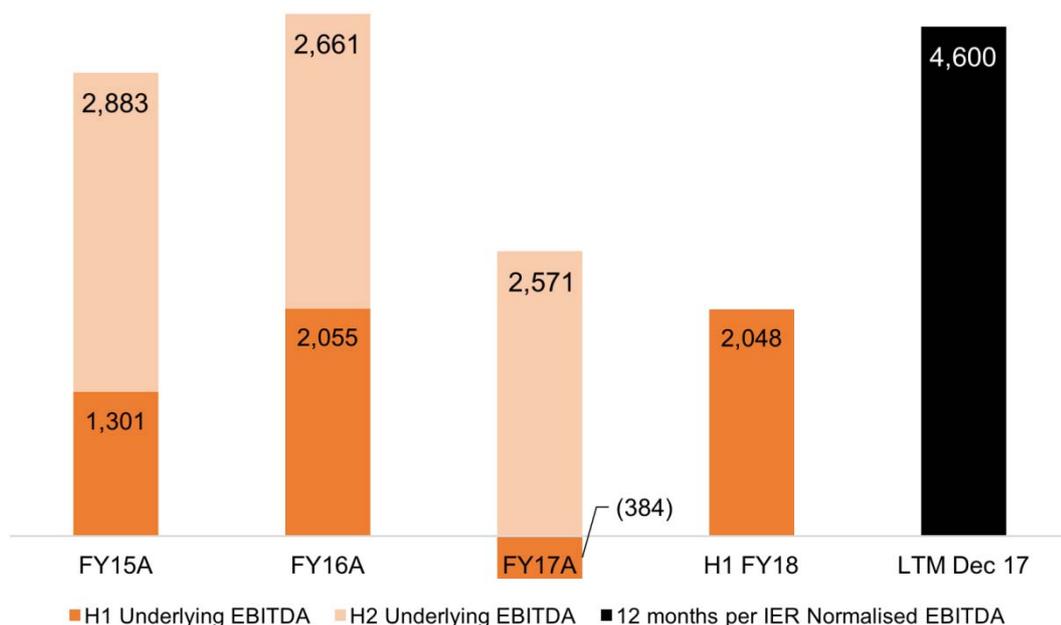
- (a) **(Improved Financial Performance)** The FY2018 budget which, as disclosed in the Bidder's Statement, indicated that FY2018 underlying EBIDTA is expected to be approximately \$5,500,000. This compares to \$2,200,000 in underlying EBITDA for FY2017.

Underlying EBITDA for H1FY2018 (based on actual results to November 2017 and forecast December 2017) is expected to be at around \$2,000,000. The second half results for FY2018 are expected to be materially higher, reflecting the full impacts of the restructuring carried out through 2017 and the historical seasonal trend for Bulletproof.

While the restructuring and cost savings this year are already having a positive impact, they will not be fully reflected in the profitability of the Bulletproof business until FY2019.

Trading results for the first five months of FY2018 are encouraging and are broadly in line with Bulletproof's FY2018 budget.

Underlying EBITDA (A\$'000)



Note: (1) FY15A to FY17A represents disclosed underlying EBITDA on a half-yearly basis (2) H1FY18 represents underlying EBITDA for the 5 months to 30 November 2017 and a forecast for December 2017 (H1) (3) 'LTM Dec 17' represents normalised EBITDA for the 12 months to 31 December 2017, as calculated by the Independent Expert.

- (b) **(Customer Churn)** The FY2018 budget had assumptions built in to allow an average churn rate of 1.1% per annum. However, current performance shows an improved position. With dedicated teams managing customer journey and relationships, Bulletproof's pro-active approach to demonstrating value to customers through its support offering, is driving up customer satisfaction measures.

- (c) **(New Business and Pipeline)** Bulletproof continues to secure its professional services pipeline, having signed a \$1,000,000 (approx.) contract with a NSW Government department that is due to commence in early January 2018.

Bulletproof has a pipeline of opportunities currently totalling \$10,000,000. This includes opportunities in the existing client base for 'flow-on' revenue of \$4,200,000 which, if closed, could be delivered in H2FY2018.

1.4 The Offer does not reflect the strategic value of Bulletproof as a leading cloud services provider

Bulletproof has strategic value as one of the leading cloud services providers in Australia and a pioneer in providing cloud services based on Amazon Web Services, the global leader in public cloud hosting.

Bulletproof remains the leading Amazon Web Services premier partner in Australia and Bulletproof is also growing its Microsoft Azure capability.

The acquisition of Bulletproof by a competing provider could bring substantial and highly valuable benefits to the acquirer. The nature and value of these benefits will vary depending on the potential acquirer but the nature and value of any such benefits may include:

- increasing the scale, depth and profitability of the acquirer's public and private cloud services practices;
- acquiring Bulletproof's team of cloud experts. There is strong demand in the Australian market for staff experienced in selling, delivering and supporting cloud services;
- leveraging Bulletproof's private cloud infrastructure to grow its own private cloud business;
- exploiting Bulletproof's partnerships with Amazon Web Services and Microsoft Azure;
- operational synergies from the consolidation of cloud services activities and operations; and
- substantial cost saving of up to \$1,000,000 per annum or more, if Bulletproof is delisted from the ASX (such savings being attributable to registry and ASX fees, board of directors and lower compliance and regulatory costs).

1.5 The Offer conflicts with the efforts of the Independent Board Committee Directors to crystallise the strategic value of Bulletproof through discussions with potential competing bidders

A number of parties have expressed to the Independent Board Committee Directors an interest in making alternative offers for Bulletproof.

On 13 December 2017, Bulletproof announced to ASX that a data room has been opened to facilitate due diligence reviews by parties considering making alternative offers.

The Independent Board Committee Directors are committed to acting in the best interests of all Shareholders and are exploring the interest of these parties to potentially crystallise the strategic value of Bulletproof.

Should the Offer proceed, it will prevent the Independent Board Committee Directors from realising a potentially higher offer from a competing bidder.

1.6 Major shareholders have indicated that they will not support the Offer and, therefore, the conditions of the Offer are not currently capable of satisfaction.

Microequities Asset Management Pty Ltd and Domains and Web Pty Ltd (an entity that is controlled by Mr. Lorenzo Modesto, a Co-Founder of Bulletproof), which have an aggregate relevant interest in 19.86% of the Bulletproof Shares on issue as at the date of this Target's Statement, have written to Bulletproof to advise of their current intention to **REJECT** the Offer in relation to all of the Bulletproof Shares that they respectively hold or control, subject to the receipt of a superior proposal.¹

The Offer is currently subject to a condition that requires that Macquarie BidCo acquire a relevant interest in at least 90% of the Bulletproof Shares on issue. Having regard to the current intentions of Microequities Asset Management Pty Ltd and Domains and Web Pty Ltd in relation to the Offer, this condition is not capable of satisfaction as at the date of this Target's Statement.

In the absence of a formal waiver by Macquarie BidCo of the minimum relevant interest condition, your Independent Board Committee Directors consider that the Offer is likely to fail.

1.7 Shareholders may miss out on the opportunity to obtain a higher price for their Bulletproof Shares and may crystallise tax losses

Should Bulletproof Shareholders sell their Bulletproof Shares into the Offer, they may crystallise tax losses and will miss out on the opportunity to receive a potentially higher price for their Bulletproof Shares in the future – whether as a result of share price appreciation following the successful implementation of Bulletproof management's plan described in Section 1.3, or as a result of some higher, future offer.

Statement of Mr. Anthony Woodward

Having regard to the involvement of Mr. Woodward in the Offer and the execution of the call option deed between Macquarie BidCo and Woodward Family Company Pty Limited (in its capacity as trustee for the Woodward Family Trust), an entity that is controlled by Mr. Woodward, it was considered inappropriate that Mr. Woodward be a member of the Independent Board Committee.

Mr. Woodward feels it is appropriate to make **NO RECOMMENDATION** to Shareholders in relation to the Offer. Full details of which are contained in Schedule 1.

¹ Microequities Asset Management Pty Ltd has a relevant interest in 12,181,443 Bulletproof Shares, comprising 7.5% of the Bulletproof Shares on issue, as at the date of this Target's Statement. Domains and Web Pty Ltd has a relevant interest in 20,064,249 Bulletproof Shares, comprising 12.36% of the Bulletproof Shares on issue, as at the date of this Target's Statement.

Your Independent Board Committee Directors' Responses to Claims made by Macquarie BidCo in its Bidder's Statement

Macquarie BidCo made a number of claims in its Bidder's Statement in support of its Offer. Your Independent Board Committee Directors provide their response to each of those claims in the table below.

Macquarie BidCo's Claim	Your Independent Board Committee Directors' Response
<p>Outstanding value for Shareholders – the Offer Price represents a significant premium to Bulletproof's recent share price.</p>	<p>The Offer undervalues Bulletproof – the Offer does not represent outstanding value for Shareholders for several reasons, namely:</p> <ul style="list-style-type: none"> • the Independent Expert appointed by Bulletproof to review the Offer has concluded that the Offer is NOT FAIR AND NOT REASONABLE; • the Offer is opportunistic and reflects a historical low in the price of Bulletproof Shares; • the Offer does not reflect the strategic value of Bulletproof as a leading cloud services provider; • the Offer does not reflect the potential profitability and value of Bulletproof following its recent restructuring and turnaround; and • the Offer conflicts with the efforts of the Independent Board Committee Directors to crystallise the strategic value of Bulletproof through discussions with potential competing bidders.
<p>Certain value – the Offer provides certain cash value for Bulletproof Shareholders rather than remaining exposed to the listed share price, which has been adversely impacted by the recent operating performance of the Bulletproof business.</p>	<p>Bulletproof Shareholders may miss out on potential Bulletproof Share price appreciation – the Offer reflects a historical low in the price of Bulletproof Shares. If the Offer proceeds, Shareholders that accept the Offer will not share in the potential value creation from the recent restructuring and turnaround by management as set out in Section 1.3.</p>
<p>Only cash Offer to Shareholders – the Offer is the only cash offer available to Bulletproof Shareholders at the present time.</p> <p>Price may fall – the trading price of the Bulletproof Shares may fall if the Offer is withdrawn or after the Offer closes.</p>	<p>You may receive a higher offer for your Bulletproof Shares – should Bulletproof Shareholders sell their Bulletproof Shares into the Offer, they may crystallise tax losses and will miss out on the opportunity to receive a potentially higher price for their Bulletproof Shares in the future – whether as a result of:</p> <ul style="list-style-type: none"> • share price appreciation following the successful implementation of the turnaround strategy described in Section 1.3; or • some higher future offer. <p>A number of parties have expressed to the Independent Board Committee Directors an interest in making alternative offers for Bulletproof. The Independent Board Committee Directors are exploring these interests with these parties in order to crystallise the strategic value of Bulletproof.</p>

Macquarie BidCo's Claim	Your Independent Board Committee Directors' Response
<p>No need to contribute further capital – acceptance of the Offer will avoid the need for Bulletproof Shareholders to participate in any future capital raising, or risk having your shareholding diluted.</p>	<p>Support from Bulletproof Shareholders – Bulletproof may seek to raise additional funds by way of a capital raising from existing Bulletproof Shareholders, and the Independent Board Committee Directors are confident, with the support of Shareholders, of executing any such capital raising (noting that a capital raising carries with it risks which are further set out at Section 3.2(a)).</p>
<p>Avoid future exposure to Bulletproof – acceptance of the Offer will avoid you being exposed to future risks associated with Bulletproof including its current financial predicament.</p>	<p>Bulletproof Shareholders may miss out on potential Bulletproof Share price appreciation – If the Offer proceeds, Shareholders that accept the Offer will not share in the potential value creation from the recent restructuring and turnaround by management as set out in Section 1.3.</p>
<p>Reduced liquidity – if Macquarie BidCo does not reach the compulsory acquisition threshold but nevertheless decides to declare the Offer unconditional, there may be reduced liquidity in Bulletproof's Shares following the completion of the Offer. Furthermore, if this happens and Macquarie BidCo acquires more than 50% of all Bulletproof's Shares, Bulletproof may be delisted and you could become a minority shareholder in a private company.</p>	<p>Major shareholders have indicated that they will not support the Offer – The Offer is currently subject to a condition that requires that Macquarie BidCo acquire a relevant interest in at least 90% of the Bulletproof Shares on issue, before the Offer becomes unconditional. Having regard to the current intentions of Microequities Asset Management Pty Ltd and Domains and Web Pty Ltd in relation to the Offer as set out in Section 1.6, the minimum relevant interest condition is not capable of satisfaction as at the date of this Target's Statement.</p> <p>In the absence of a formal waiver by Macquarie BidCo of this minimum relevant interest condition, your Independent Board Committee Directors consider that the Offer is likely to fail and, on that basis, recommend that Bulletproof Shareholders take no action in relation to the Offer until at least such time as Macquarie BidCo has made clear its intention to waive this condition.</p> <p>For Bulletproof to be de-listed from ASX, a formal request by Bulletproof must be made to ASX setting out in detail:</p> <ul style="list-style-type: none"> • reasons for seeking to be removed from the official list; • whether shareholder approval is being sought to the removal from the official list; and • what, if any, arrangements will be in place to enable shareholders to sell their shares in the lead up to, and/or after, removal from the official list. <p>In circumstances where the entity requesting removal from the official list is not readily able to be traded on another exchange, ASX will usually require that the entity obtain the approval of its shareholders to its removal from the official list.</p>

Answers to Frequently Asked Questions

This Section answers some frequently asked questions about the Offer. It is not intended to address all issues relevant to Bulletproof Shareholders. This Section should be read together with all other parts of this Target's Statement.

Question	Answer
1 What is the Bidder's Statement?	The Bidder's Statement is the document setting out the terms of the Offer. Macquarie BidCo lodged the Bidder's Statement with ASIC on 23 November 2017 and dispatched the Bidder's Statement to Bulletproof Shareholders on 7 December 2017.
2 What is the Target's Statement?	This Target's Statement has been prepared by Bulletproof and provides the response of Bulletproof to the Offer, including the recommendation of your Independent Board Committee Directors.
3 Who are Macquarie BidCo and the Parent?	Macquarie BidCo is a wholly-owned subsidiary of the Parent. The Parent is an Australian-incorporated company that is listed on the ASX (ASX Code: MAQ), and its principal activities include the provision of telecommunication and hosting services to corporate and government customers within Australia.
4 Does Macquarie BidCo hold any Bulletproof Shares?	As at the date of this Target's Statement, Macquarie BidCo holds a relevant interest in 16.13% of the Bulletproof Shares on issue following the execution of a call option deed between Macquarie BidCo and Woodward Family Company Pty Limited (in its capacity as trustee for the Woodward Family Trust), an entity that is controlled by Mr. Anthony Woodward, the Co-Founder, Executive Director and Chief Executive Officer of Bulletproof (the Call Option Deed).
5 What is Macquarie BidCo offering for my Bulletproof Shares?	Macquarie BidCo is offering \$0.11 cash for every Bulletproof Share that you hold. The Offer does not apply to any of the Bulletproof Options on issue. However, those Bulletproof Securityholders who hold Bulletproof Options should refer to Sections 4.12 and 6.6 for further information.
6 What are your Independent Directors recommending?	Your Independent Board Committee Directors unanimously recommend that you REJECT the Offer for the reasons explained in the Section of this Target's Statement headed ' Reasons why You Should REJECT the Offer '. To follow the recommendation of your Independent Board Committee Directors that you reject the Offer, you should simply do nothing. If there is a change in the recommendation of your Independent Board Committee Directors or there are any material developments in relation to the Offer, your Independent Board Committee Directors will make the appropriate supplementary disclosure.
7 What do the Independent Board Committee Directors intend to do with their Bulletproof Shares?	Your Independent Board Committee Directors intend to REJECT the Offer in respect of all of their Bulletproof Shares.
8 Can I buy Bulletproof Shares during the Offer Period?	Yes. Notwithstanding the Offer, you can still continue to buy Bulletproof Shares on-market, as you normally would through ASX, during the Offer Period.

Question	Answer
<p>9 What does the Independent Expert say?</p>	<p>The Independent Expert has concluded that the Offer is NOT FAIR AND NOT REASONABLE. The Independent Expert has assessed the value of Bulletproof to be in the range of between \$0.167 to \$0.184 per Bulletproof Share. The Offer represents a discount of 34.2% to the low end of this valuation range.</p> <p>The Report is included at Schedule 2 to this Target's Statement. You should read that report carefully as it contains important information explaining how the Independent Expert has formulated its opinions.</p>
<p>10 What action can I take?</p>	<p>As a Bulletproof Shareholder you have the following three options available:</p> <ol style="list-style-type: none"> 1 REJECT the Offer and DO NOTHING. If you agree with the recommendation of your Independent Board Committee Directors to REJECT the Offer, then do not fill in or return any of the Offer documentation. Ignore all correspondence and communications from Macquarie BidCo in relation to the Offer. You are not required to do anything; 2 SELL your shares on ASX (unless you have already accepted the Offer and have not validly withdrawn your acceptance); or 3 ACCEPT the Offer. If you choose to accept the Offer you should follow the instructions in the Bidder's Statement. Before accepting the Offer, Bulletproof Shareholders are encouraged to consider the opinion of the Independent Expert in their Report. <p>If you are in any doubt as to what to do, your Independent Board Committee Directors recommend that you consult with your investment, financial, taxation or other professional adviser.</p>
<p>11 When do I have to decide? How long will the Offer remain open?</p>	<p>If you wish to accept the Offer, you will need to do so before it expires. The Offer is currently scheduled to expire at 7pm (Sydney time) on 31 January 2018, unless withdrawn or extended. The Offer may only be withdrawn in limited circumstances, which are described in Section 4.5 of this Target's Statement, and Section 15.1 of the Bidder's Statement.</p> <p>Your Independent Board Committee Directors will keep you informed if there are any material developments in relation to the Offer.</p> <p>Shareholders are also encouraged to monitor the Bulletproof website at www.bulletproof.net.au for any updates on the Offer.</p>
<p>12 If I accept the Offer now, can I withdraw my acceptance?</p>	<p>You will only be permitted to withdraw your acceptance if the Offer lapses without becoming unconditional or the Offer Period is extended by more than one month, and then only if the Offer has not become unconditional.</p> <p>You may also be able to withdraw your acceptance in accordance with the withdrawal rights described in Section 4.11.</p>
<p>13 If I choose to accept the Offer, when will I receive my consideration?</p>	<p>If you validly accept the Offer, Macquarie BidCo has stated in its Bidder's Statement that it will pay the cash consideration for your Bulletproof Shares before the later of one month after the date on which you validly accept the Offer, and one month after the date on which the Offer becomes, or is declared to be, unconditional. As at the date of this Target's Statement, the Offer is not unconditional and remains subject to each of the Defeating Conditions.</p> <p>Therefore, it is uncertain when (if ever) the Offer will become unconditional and, as a result, when (if ever) you will be paid the cash consideration for you Bulletproof Shares, if you validly accept the Offer.</p>

Question	Answer
	Please refer to Section 4 for further information.
<p>14 What are the tax implications of accepting the Offer?</p>	<p>A general outline of the tax implications of accepting the Offer for certain Australian resident Bulletproof Shareholders is set out in Section 10 of the Bidder's Statement.</p> <p>You should not rely on that outline as advice on your own affairs. It does not deal with the position of certain Bulletproof Shareholders. It also does not take into account the particular circumstances of each Bulletproof Shareholder. You should therefore seek your own professional, financial and taxation advice before making a decision as to whether or not to accept the Offer for your Bulletproof Shares. You may, for example, be liable for Australian capital gains tax in circumstances where you make a capital gain on your Bulletproof Shares.</p>
<p>15 If I REJECT the Offer but Macquarie BidCo obtains more than 90% of the Bulletproof Shares, where do I stand?</p>	<p>If Macquarie BidCo obtains a relevant interest in at least 90% of the Bulletproof Shares on issue, then (subject to satisfaction of various legal requirements) Macquarie BidCo will be entitled to proceed to compulsory acquisition of Bulletproof Shares and the Bulletproof Options held by Bulletproof Shareholders who did not accept the Offer and the holders of Bulletproof Options.</p> <p>In the case of Bulletproof Shares, each Bulletproof Shareholder will receive the same amount as the Offer consideration for each of the Bulletproof Shares that you hold.</p> <p>In the case of Bulletproof Options, each holder of Bulletproof Options will receive either an amount agreed to by Macquarie BidCo and the relevant Bulletproof Securityholder, or an amount determined by a court, on application by the relevant Bulletproof Securityholder.</p> <p>Please refer to Section 4.12 for further information.</p>
<p>16 What happens if the Offer price is raised?</p>	<p>If you accept the Offer and Macquarie BidCo subsequently improves the Offer consideration, you will receive the improved consideration.</p> <p>If Macquarie BidCo improves the Offer consideration, your Independent Board Committee Directors will carefully consider the revised Offer and advise you of their recommendation accordingly.</p>
<p>17 During the period of the Offer, can I sell my Bulletproof Shares on ASX?</p>	Yes.
<p>18 What are the conditions of the Offer?</p>	<p>The Offer is subject to each of the following Defeating Conditions:</p> <ul style="list-style-type: none"> • (minimum relevant interest condition) the Offer results in Macquarie BidCo and its Associates having relevant interests in more than 90% of Bulletproof Shares on issue; • (no prescribed occurrence condition) none of the events listed in section 652C of the Corporations Act has occurred; • (no material sale or acquisition condition) neither Bulletproof or any of its subsidiaries has undertaken or announced any material asset sales or acquisitions or material borrowings or commitments or grants any security interest over any of their assets and undertaking; and • (no material adverse effect condition) no change has occurred, is discovered or becomes public which has or could reasonably be

Question	Answer
	<p>expected to have a materially adverse effect on the assets, liabilities, financial position, performance, profitability or prospects of Bulletproof or any of its subsidiaries taken as a whole or of any of them.</p> <p>Refer to Section 4.7 of this Target's Statement, and Section 12.1 of the Bidder's Statement, for further information in relation to the Defeating Conditions.</p>
<p>19 What happens if the conditions of the Offer are not satisfied or waived?</p>	<p>If the Defeating Conditions are not satisfied or waived in accordance with the terms of the Offer before the end of the Offer Period, the Offer will lapse, and you will not receive the Offer consideration (even if you had accepted the Offer). However, you would then be free to deal with your Bulletproof Shares.</p> <p>Your Independent Board Committee Directors note that Microequities Asset Management Pty Ltd and Domains and Web Pty Ltd (an entity that is controlled by Mr. Lorenzo Modesto, a Co-Founder of Bulletproof), which have an aggregate relevant interest in 19.86% of the Bulletproof Shares on issue as at the date of this Target's Statement, have written to Bulletproof to advise of their current intention to REJECT the Offer in relation to all of the Bulletproof Shares that they respectively hold or control, subject to the receipt of a superior proposal.</p> <p>The Offer is currently subject to a condition that requires that Macquarie BidCo acquire a relevant interest in at least 90% of the Bulletproof Shares on issue, before the Offer becomes unconditional. Having regard to the current intentions of Microequities Asset Management Pty Ltd and Domains and Web Pty Ltd in relation to the Offer, the minimum relevant interest condition is not capable of satisfaction as at the date of this Target's Statement.</p> <p>In the absence of a formal waiver by Macquarie BidCo of this minimum relevant interest condition, your Independent Board Committee Directors consider that the Offer is likely to fail and, on that basis, recommend that Bulletproof Shareholders take no action in relation to the Offer until at least such time as Macquarie BidCo has made clear its intention to waive this condition.</p>
<p>20 What are the consequences of accepting the Offer now?</p>	<p>If you validly accept the Offer, you will:</p> <ul style="list-style-type: none"> • be paid \$0.11 for each of your Bulletproof Shares before the later of one month after the date on which you validly accept the Offer, and one month after the date on which the Offer becomes, or is declared to be, unconditional; • give up your right to sell or otherwise deal with your Bulletproof Shares and unless withdrawal rights are available at the applicable time and you exercise those rights, you will not be able to sell your Bulletproof Shares on market or to any other bidder that may make a takeover offer, or deal with them in any other manner. <p>Please refer to Section 2(c) for further information.</p> <p>If you accept the Offer and Macquarie BidCo subsequently improves the Offer consideration, you will receive the improved consideration.</p> <p>If Macquarie BidCo waives the minimum relevant interest condition, and acquires between 50% and 90% of Bulletproof Shares, you may be exposed to the risks associated with being a minority shareholder in Bulletproof. Some of these risks are described in Sections 2(a) and 3.2(d).</p>

Question	Answer
21 What if there is a competing offer?	Your Independent Board Committee Directors will carefully consider the merits of any competing offer and will update Bulletproof Shareholders as appropriate. If you have already accepted the Offer, then you may not be able to participate in any competing offer. Please refer to the response to Questions 19 and 20 above for further information.
22 Can I accept the Offer for only some of my Shares?	Not unless you hold the Shares as trustee or nominee for, or otherwise on account of, another person. Please refer to Section 4.1 for further information.
23 Who should I call if I have questions?	You can contact the Bulletproof Shareholder Information Line on 1300 658 099 between 8.30am and 5.30pm (Sydney time) Monday to Friday, or you can speak to your financial or other professional adviser.

2 Your Choices as a Bulletproof Shareholder

As a Bulletproof Shareholder you have the following three options available:

(a) Take no action

If you do not wish to sell your Bulletproof Shares on market and do not wish to accept Macquarie BidCo's Offer, you should take no action. Simply disregard the documents sent to you by Macquarie BidCo in relation to the Offer. This is the approach recommended by your Independent Board Committee Directors.

You should note that:

- if you choose not to accept Macquarie BidCo's Offer, you will not receive any money from Macquarie BidCo unless, and until, each of the Defeating Conditions has been satisfied or (with the exception of the minimum relevant interest condition) waived in accordance with the terms of the Offer. In that event, Macquarie BidCo will become entitled to compulsorily acquire those Bulletproof Shares that it does not already own (see Section 4.12 for further information regarding compulsory acquisition); and
- if Macquarie BidCo acquires more than 50% but less than 90% of the Bulletproof Shares but nevertheless decides to declare the Offer unconditional by waiving its 90% minimum acceptance requirement, and you continue to hold Bulletproof Shares, you will be exposed to the risks associated with being a minority shareholder of Bulletproof. For example, there may be reduced liquidity in Bulletproof's Shares following the completion of the Offer and Bulletproof (on application by Macquarie BidCo) may be delisted and you could become a minority shareholder in a private company.

(b) Sell your Bulletproof Shares on-market

During the Offer Period, you may sell your Bulletproof Shares on-market through ASX for cash, provided you have not accepted Macquarie BidCo's Offer for those Shares (or, if you have accepted Macquarie BidCo's Offer, provided you have validly withdrawn that acceptance).

If you sell your Bulletproof Shares on-market, you:

- will lose the ability to accept Macquarie BidCo's Offer and receive \$0.11 per Share (and any subsequent increase in the Offer price) in relation to those Shares pursuant to Macquarie BidCo's Offer;
- may be liable for capital gains tax or income tax on the sale of those Shares; and
- may incur a brokerage charge.

You should contact your broker for information on how to sell your Bulletproof Shares on ASX and your tax advisor to determine your tax implications from such a sale.

(c) Accept the Offer

You may choose to accept the Offer. Details of the payment that you will receive if you accept the Offer are set out in Section 4.2 of this Target's Statement, as well as Section 3 of the Bidder's Statement. You will only receive that payment if each of the Defeating Conditions is satisfied or waived in accordance with the Terms of the Offer.

The consequences of accepting the Offer are discussed in Section 4.10. If you accept the Offer, you will not be able to sell your Bulletproof Shares on-market unless, at the time

you decide that you no longer wish to accept the Offer, you have the right to withdraw your acceptance and you exercise that right. The circumstances in which acceptances of the Offer may be withdrawn are set out in Section 4.11.

If you accept the Offer, you may be liable for capital gains tax or income tax as a result of your acceptance. An overview of the taxation consequences for certain Australian resident Bulletproof Shareholders of selling Bulletproof Shares is provided in Section 10 of the Bidder's Statement.

Please refer to Section 4 of the Bidder's Statement, and the acceptance form provided to you by Macquarie BidCo, for instructions on how to accept the Offer.

Bulletproof encourages you to consider your personal risk profile, investment strategy, tax position and financial circumstances before making any decision in relation to your Bulletproof Shares.

3 Information about Bulletproof

3.1 Overview of Bulletproof

Bulletproof was founded in 2000 and is headquartered in Sydney, Australia. Bulletproof provides managed, cloud, hosting and professional services primarily for corporate and enterprise customers in Australia and New Zealand.

Bulletproof has three practices: public cloud, private cloud and professional services.

- (a) **(Public Cloud)** Bulletproof provides managed public cloud services which include:
- (i) *Amazon Web Services* – the resale of Amazon Web Services, consulting, delivery, on-going support, security, data protection, DevOps and cost management services; and
 - (ii) *Microsoft Azure Cloud Services* – the resale of Microsoft Azure Cloud Services, consulting, delivery, on-going support, security, data protection, DevOps and cost management services.
- (b) **(Private Cloud)** Bulletproof's private cloud services include right-fit private cloud, security and compliance, private cloud and end-to-end cloud services.
- (c) **(Professional Services)** Bulletproof's professional services practice offers cloud software engineering, APIs and integration, data science, cloud migration, cloud security services, consulting services, digital strategy, next-gen architecture, DevOps and agile enablement, data lake, cloud optimisation, application migration, cloud migration, and cloud foundation services.

3.2 Risks associated with holding Bulletproof Shares

- (a) **General risks associated with holding Bulletproof Shares**
- **(Markets)** The market price of Bulletproof Shares will fluctuate due to various factors, many of which are non-specific to Bulletproof, including recommendations by brokers and analysts, Australian and international general economic conditions, inflation rates, interest rates, changes in government, fiscal, monetary and regulatory policies. In the future, these factors may cause Bulletproof Shares to trade at a lower price.
 - **(Domestic and Global Economic Conditions)** Changes in the domestic and global economic conditions and outlook may impact the profitability of Bulletproof. A downturn in domestic or global economic conditions could adversely affect the financial performance of both Bulletproof and its customers.
 - **(Changes in Accounting Standards)** Accounting standards may change. This may affect the reported earnings of Bulletproof and its financial position from time to time.
 - **(Taxation)** Future changes in Australian taxation law, including changes in interpretation or application of the law by the courts or taxation authorities in Australia, may affect the taxation treatment of an investment in Bulletproof Shares or the holding and disposal of those charges.
 - **(Capital Raising)** The ability to raise equity capital is dependent on the prevailing market conditions at the time. If additional capital is raised by Bulletproof through an issuance of Bulletproof Shares, this will have the effect of diluting the interests of Bulletproof Shareholders who do not participate in the capital raising. Any failure by Bulletproof to raise capital, if and when needed,

could delay or suspend the business strategy and activities of Bulletproof including the ability of Bulletproof management to implement their plan to deliver improved shareholder returns and to maximise shareholder value as further described in Section 1.3.

(b) **Risks affecting the cloud services sector and the information technology industry**

Bulletproof is exposed to the following risks which apply to the cloud services sector, and information technology industry, generally:

- **(Client Demand)** The financial performance of Bulletproof may be adversely affected by future changes in client demand for its cloud computing and consulting services, and any changes in the timing or scope of client requirements (including the delay of key projects).
- **(Customer Churn)** Bulletproof has experienced some churn as a result of larger clients taking cloud services 'in-house', rather than outsourcing to Bulletproof, the management of their cloud platforms. This trend may continue, though Bulletproof's turnaround, set out in Section 1.3 above, includes measure for improved client focus and services – and Bulletproof management expects to reverse this client churn.
- **(Competition)** A number of global information technology companies are entering the Australian cloud services market in order to deliver business cloud service needs. An increase in competition or a change in the behaviour of competitors could result in price reductions, reduced operating margins and/or loss of market share.
- **(Information Technology)** The businesses conducted by Bulletproof are dependent on the efficient operation of information technology systems. Failure of such systems could result in business interruption, the loss of clients, damaged reputation and a weakening of its competitive position.
- **(Permits, Licences, Accreditations and Certifications)** Bulletproof is required to hold certain operating permits, licences, accreditations and certifications. Loss of, failure to comply with or failure to hold such required permits, licences, accreditations and certifications may adversely affect Bulletproof's performance.

(c) **Risks specific to Bulletproof**

The structure of Bulletproof's business and assets give rise to the following additional risks:

- **(Customer concentration)** The largest customer of Bulletproof accounted for no more than 7% of the annual revenue of Bulletproof for the financial period ended 30 June 2017. Bulletproof seeks to reduce customer concentration by addressing as wide a market as possible. Large contract wins could skew concentration of revenue into a smaller subset of customers, increasing the risk that non-renewal will have larger impacts on future revenues.
- **(Contract retention)** Historically, cloud services customers have been introduced to pay-as-you-go models that allow very short, if any, contract period. In the private cloud segment, Bulletproof has sought to address this by providing pricing incentives to customers who are prepared to commit to longer contracted periods, which has tended to 18 – 36 months. In the public cloud industry, flexibility is key due to the nature of the clients. For further details on Bulletproof's material contracts please see Section 6.2.

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- **(Key operating personnel and labour shortages)** The growth and profitability of Bulletproof, and the ability for Bulletproof to efficiently execute the turnaround strategy described in Section 1.3, could be adversely affected by the loss of key C-suite employees including the Chief Financial Officer and Chief Executive Officer, or inability to recruit a Chief Customer Officer.
- **(Cash Position)** As noted in Section 3.5.2 of the Report, Bulletproof may require additional capital in order to execute the turnaround plan set out in Section 1.3. Bulletproof management is currently reviewing its working capital requirements and in the event that additional funding is required, Bulletproof will consider, amongst other options, increasing its debt facilities and raising additional equity from existing Bulletproof Shareholders.

(d) **Risks relating to the outcome of the Offer**

Maintaining your investment in Bulletproof may attract the following risks, depending on the outcome of the Offer:

- If Macquarie BidCo does not reach the compulsory acquisition threshold but nevertheless decides to declare the Offer unconditional by waiving the minimum relevant interest condition, there may be reduced liquidity in Bulletproof's Shares following the completion of the Offer. Furthermore, if this happens and Macquarie BidCo acquires more than 50% of all Bulletproof Shares, Bulletproof may be delisted and you could become a minority shareholder in a private company. For Bulletproof to be de-listed from ASX, a formal request by Bulletproof must be made to ASX setting out in detail:
 - reasons for seeking to be removed from the official list;
 - whether shareholder approval is being sought to the removal from the official list; and
 - what, if any, arrangements will be in place to enable shareholders to sell their shares in the lead up to, and/or after, removal from the official list.

In circumstances where the entity requesting removal from the official list is not readily able to be traded on another exchange, ASX will usually require that the entity obtain the approval of its shareholders to its removal from the official list.

- If Macquarie BidCo acquires control of Bulletproof, it will have enhanced capacity to influence the manner in which Bulletproof's business is conducted. Macquarie BidCo's intentions for Bulletproof are described in Section 8 of the Bidder's Statement, but those intentions may change, particularly as a result of the review which Macquarie BidCo states that it will undertake. Changes to the business which are implemented by Macquarie BidCo may mean that you may subsequently choose to dispose of your Bulletproof Shares at a time when market conditions are less favourable than those prevailing as at the date of this Target's Statement.
- If you choose not to accept the Offer, and Macquarie BidCo subsequently exercises compulsory acquisition rights, you are likely to be paid later than Bulletproof Shareholders who accept the Offer.

3.3 Bulletproof Financial Information

(a) Introduction

This Section contains a summary of key financial information of Bulletproof up to and including the end of H1FY2018. This summary comprises five months of unaudited actual trading results for Bulletproof (July 2017 to November 2017) and one month forecast operating results for Bulletproof.

For details of the past three financial years audited trading results, please see Section 3.5 of the Independent Expert's Report.

(b) Basis for preparation

The financial information in this Section 3.3 has been prepared in accordance with the recognition and measurement principles of Generally Accepted Accounting Practice in Australia, other mandatory professional reporting requirements and Bulletproof's adopted accounting policies.

The financial information in this Section is represented in an abbreviated form and does not contain all of the disclosures that are usually provided in an annual report prepared in accordance with Generally Accepted Accounting Practice in Australia. Shareholders should refer to the Bulletproof audited financial statements contained in Section 3.5 of the Independent Expert's Report for more detailed disclosures in relation to the historical financial performance, financial position and accounting policies of Bulletproof.

The Directors' forecast was prepared by Bulletproof management and adopted by the Independent Board Committee of Bulletproof and represents the Directors' best estimate of Bulletproof's forecast financial performance to the end of H1FY2018. It is based on:

- the Directors' assessment of the present economic and operating conditions; and
- more specifically a number of material best estimate assumptions set out in this Section 3.3 of the Target's Statement.

The Directors consider that they have used reasonable care in preparing the financial information and consider the assumptions to be reasonable when taken as a whole. However, this information is not fact, there is uncertainty surrounding any assumptions about future conditions and forecast performance and Bulletproof Shareholders are cautioned not to place undue reliance on the forecast financial performance of Bulletproof.

Forecasts are by their nature subject to uncertainties and can be affected by unexpected events, many of which are outside control of the Directors. Any variation to the assumption on which the Directors' forecast has been prepared could be materially positive or negative to actual financial performance. Therefore, the Directors cannot guarantee the achievement of the forecast financial performance of Bulletproof.

The Directors' forecast financial performance should not be regarded as a representation or warranty with respect to its accuracy or the accuracy of the best estimate assumptions or that Bulletproof will achieve, or is likely to achieve, the particular results.

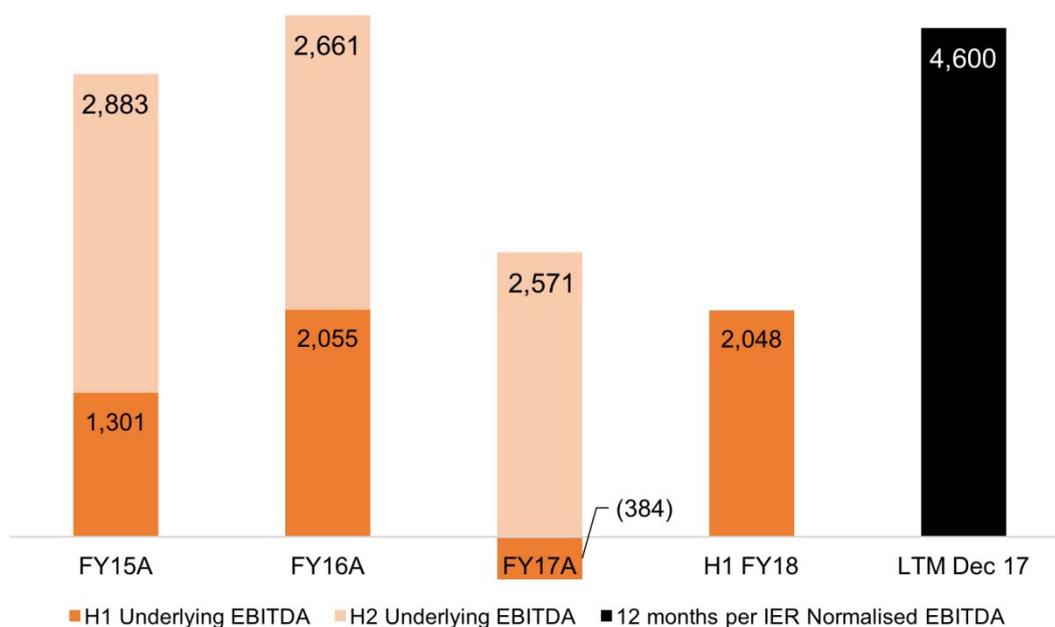
The Director's forecast financial performance also takes no account of the adviser and other third party costs incurred to date, and to be incurred by Bulletproof in responding to the Offer.

(c) Historical and Forecast Statement of Financial Performance

Underlying EBITDA for H1FY2018 (based on actual results to November and forecasts for December 2017) is expected to be around \$2,000,000. The second half results for

FY2018 are expected to be materially higher, reflecting the full impact of the restructuring carried through 2017 and the historical seasonal trend for Bulletproof.

Underlying EBITDA (A\$'000)



\$'000	H1 FY15	H2 FY15	H1 FY16	H2 FY16	H1 FY17	H2 FY17	H1 FY18F
Revenue	11,353	16,648	21,614	25,605	24,462	24,690	23,106
Gross Profit	5,272	8,690	10,451	12,378	8,855	10,260	7,555
Operating Costs	6,072	8,321	10,349	11,931	12,628	10,447	8,095
EBITDA	2,530	5,800	2,055	2,661	(1,184)	1,943	1,451
EBIT	1,043	3,954	79	789	(3,492)	(85)	(817)
NPAT	808	3,627	10	817	(5,369)	(699)	(992)
Underlying EBITDA	1,301	2,883	2,055	2,661	(384)	2,571	2,048

Note: LTM Dec 17 - Normalised EBITDA for the 12 months to 31 December 2017 as calculated by the Independent Expert

(d) Assumptions

The key assumptions underlying Bulletproof's forecast financial performance to the end of H1FY2018 include:

- for the period of 1 July 2017 to 30 November 2017 (each inclusive), underlying EBITDA was \$1,700,000; and
- for the month of December 2017, Bulletproof forecasts \$348,000 underlying EBITDA, on the basis that:
 - December is a short month, which will impact Bulletproof's revenue from professional services and consulting;

- for the 16 working days in December, Bulletproof expects to record a strong utilisation rate of over 76%;
- recurring revenues for both the public and private cloud businesses are expected to be lower than during the previous quarter because:
 - client workloads are lower in December; and
 - client workloads in October and November showed peaks of high activity (which is not expected to be repeated in December);
- it is not expected that gross margins will be negatively impacted, as infrastructure costs trend in line with revenue peaks, and holiday periods will have a positive impact on employment costs; and
- overheads are forecast at an average run rate of \$1,300,000 per month, as savings from the recent reduction in head count will not flow through until H2FY2018.

4 Other Important Information About the Offer

On 21 November 2017, Macquarie BidCo announced its intention to make the Offer, being an offer to Bulletproof Shareholders to acquire all of the Bulletproof Shares. Macquarie BidCo is a wholly-owned subsidiary of the Parent.

On 23 November 2017, Macquarie BidCo served Bulletproof with a copy of the Bidder's Statement, which contains the terms and conditions of the Offer.

4.1 The Offer

Macquarie BidCo is offering to acquire all of your Bulletproof Shares, including any rights attaching to those Shares.

The Offer is subject to the terms set out in Section 11 of the Bidder's Statement, and each of the Defeating Conditions.

Unless you hold some of your Bulletproof Shares as a trustee or nominee for, or otherwise on account of, another person, you may only accept the Offer in respect of all of your Bulletproof Shares – you cannot accept the Offer in respect of only some of your Bulletproof Shares.

4.2 Offer price

Macquarie BidCo is offering \$0.11 cash for every Bulletproof Share that you hold.

4.3 Offer Period and acceptance

The Offer is open for acceptance from 7 December 2017 until 7pm (Sydney time) on 31 January 2018, unless it is withdrawn or the Offer Period is extended in accordance with the Corporations Act. If you choose to accept the Offer, then your acceptance must be received by Macquarie BidCo before the end of the Offer Period. Instructions on how to accept the Offer are set out in the Bidder's Statement and on the acceptance form that accompanies the Bidder's Statement. If you want to accept Macquarie BidCo's Offer, you should follow these instructions carefully to ensure that your acceptance is valid.

If your Bulletproof Shares are in a CHESS holding and you want to accept the Offer, you should give instructions to your broker in sufficient time before the end of the Offer Period to allow your broker to initiate your acceptance under the CHESS system. If your Bulletproof Shares are in an issuer sponsored holding and you want to accept the Offer, you should complete and deliver the acceptance form in sufficient time that it is received by Macquarie BidCo before the end of the Offer Period.

4.4 Extension of the Offer Period

For so long as the Offer remains subject to the Defeating Conditions (that is, one or more of the Defeating Conditions has not been satisfied or waived in accordance with the terms of the Offer), Macquarie BidCo may, but is not obliged to, extend the Offer Period at any time:

- (a) before giving the notice of status of the Defeating Conditions, which, as at the date of this Target's Statement, must be given by Macquarie BidCo by 23 January 2018; and
- (b) after giving the notice of status of the Defeating Conditions in the circumstances described in section 650C(2) of the Corporations Act.

If the Offer becomes unconditional (that is, each of the Defeating Conditions has been satisfied or waived in accordance with the terms of the Offer), Macquarie BidCo:

- (a) may (but is not obliged to) extend the Offer Period at any time before the end of the Offer Period; and
- (b) must extend the Offer Period if, within the last seven days of the Offer Period:

- (i) Macquarie BidCo improves the consideration offered under the Offer; or
- (ii) Macquarie BidCo's voting power in Bulletproof increases to more than 50%.

If either of the events described in paragraph (b) occurs, the Offer will automatically be extended so it ends 14 days after the relevant event occurs.

Macquarie BidCo is obliged to file notices with ASX each time its relevant interest in Bulletproof Shares changes by 1% or more. You should monitor these filings if you wish to wait until Macquarie BidCo has a particular level of holding before deciding whether to accept or reject the Offer.

4.5 Withdrawal of the Offer

Macquarie BidCo may not withdraw the Offer if you have already accepted it. Before you accept the Offer, Macquarie BidCo may withdraw the Offer if it obtains the written consent of ASIC, subject to the conditions (if any) specified in such consent.

4.6 Lapse of Macquarie BidCo's Offer

The Offer will lapse if, at the end of the Offer Period, the Defeating Conditions are not satisfied or waived in accordance with the terms of the Offer. If this occurs then acceptances given by Bulletproof Shareholders will be void. Bulletproof Shareholders will continue to own the Bulletproof Shares the subject of any such acceptances and will be free to deal with them as they choose.

4.7 Conditions of the Offer

Macquarie BidCo's Offer is subject to the Defeating Conditions. By way of broad overview these conditions include:

- (a) **(Minimum relevant interest condition)** By the end of the Offer Period, Macquarie BidCo and its Associates have a relevant interest in at least 90% of the Bulletproof Shares on issue;
- (b) **(No prescribed occurrence condition)** Between 19 November 2017 and the date that is three business days after the end of the Offer Period (each inclusive) none of the events listed in section 652C of the Corporations Act have occurred;
- (c) **(No material sale or acquisition condition)** Between 19 November 2017 and the end of the Offer Period (each inclusive), neither Bulletproof or any of its subsidiaries undertake or announce any material asset sales or acquisitions or material borrowings or commitments or grants any security interest over any of their assets and undertaking; and
- (d) **(No material adverse effect condition)** Between 19 November 2017 and the end of the Offer Period (each inclusive), no change occurs, is discovered or becomes public which has or could reasonably be expected to have a materially adverse effect on the assets, liabilities, financial position, performance, profitability or prospects of Bulletproof or any of its subsidiaries taken as a whole or of any of them.

4.8 Comments regarding the Defeating Conditions

As at the date of this Target's Statement your Independent Board Committee Directors consider that the minimum relevant interest condition is currently incapable of being satisfied.

A number of the Defeating Conditions require Bulletproof to refrain from taking various actions, which the Independent Board Committee Director consider may not be in the best interests of Bulletproof Shareholders.

With respect to the minimum relevant interest condition, in particular, we note that Microequities Asset Management Pty Ltd and Domains and Web Pty Ltd (an entity that is controlled by Mr. Lorenzo Modesto, a Co-Founder of Bulletproof), which have an aggregate relevant interest in 19.86% of the Bulletproof Shares on issue as at the date of this Target's Statement, have written to Bulletproof to advise of their current intention to **REJECT** the Offer in relation to all of the Bulletproof Shares that they respectively hold or control, subject to the receipt of a superior proposal.²

Having regard to the current intentions of Microequities Asset Management Pty Ltd and Domains and Web Pty Ltd in relation to the Offer, the minimum relevant interest condition is currently incapable of being satisfied.

In the absence of a formal waiver by Macquarie BidCo of this minimum relevant interest condition, or in the alternative the receipt of a superior proposal in which case your Independent Board Committee Directors would need to consider the terms attaching to such superior proposal, your Independent Board Committee Directors consider that the Offer is likely to fail and, on that basis, recommend that Bulletproof Shareholders take no action in relation to the Offer until at least such time as Macquarie BidCo has made clear its intention to waive this condition.

Given that the minimum relevant interest condition is currently incapable of satisfaction, and a number of the other Defeating Conditions restrict the activities of Bulletproof over a potentially lengthy period, it is possible that by pursuing opportunities in the interests of Bulletproof Shareholders, one or more of the Defeating Conditions could be breached in the future. In doing so, the Independent Board Committee Directors will have regard to their respective fiduciary duties and the applicable policies of the Takeovers Panel.

4.9 Consequences of conditions not being satisfied

As discussed in Section 1.6, the Independent Board Committee Directors note that there is a real risk that the minimum relevant interest condition may not be satisfied.

You should be aware that, even if the Defeating Conditions are not satisfied before the end of the Offer Period (or, in the case of the Defeating Condition described in Section 4.7 of this Target's Statement, and Section 12.1 of the Bidder's Statement, the day that is three business days before the end of the Offer Period), they may be waived by Macquarie BidCo.

If any waivable Defeating Condition is unsatisfied, and has not been waived, Macquarie BidCo will have an option as to whether to proceed with the acquisition of Bulletproof Shares under the Offer or allow the Offer to lapse as a result of the Defeating Conditions not having been satisfied. Generally speaking, Macquarie BidCo would not have to decide whether to proceed with the acquisition of Bulletproof Shares under the Offer until the date that it is required to provide its notice of status of Defeating Conditions which, as discussed in Section 4.4, can be postponed if the Offer Period is extended.

4.10 Effect of acceptance

Accepting Macquarie BidCo's conditional Offer would (subject to the possible withdrawal rights discussed below):

- **(Prevent you from accepting any higher takeover bid)** that may be made by a third party or any alternative transaction proposal that may be recommended by the Bulletproof Board;

² Microequities Asset Management Pty Ltd has a relevant interest in 12,181,443 Bulletproof Shares, comprising 7.5% of the Bulletproof Shares on issue, as at the date of this Target's Statement. Domains and Web Pty Ltd has a relevant interest in 20,064,249 Bulletproof Shares, comprising 12.36% of the Bulletproof Shares on issue, as at the date of this Target's Statement.

- **(Relinquish control of your Bulletproof Shares to Macquarie BidCo with no guarantee of payment)** until the Offer becomes, or is declared, unconditional – as the Offer Period could be extended by Macquarie BidCo so that its Offer is open for up to 12 months, this could result in further delays in payment from Macquarie BidCo;
- **(Give Macquarie BidCo the option)** to keep your Bulletproof Shares (if the Defeating Conditions of the Offer are not satisfied (ie. by waiving some, or all, of the Defeating Conditions)) or return your Bulletproof Shares (as discussed in Section 4.9); and
- **(Prevent you from selling your Bulletproof Shares on ASX)** bearing in mind that since the Offer was announced, Bulletproof Shares have consistently traded at prices at or above the \$0.11 cash per Bulletproof Share being offered to you by Macquarie BidCo, and at the close of trading on 21 December 2017 traded at \$0.1225 per Bulletproof Share.

If Macquarie BidCo improves the Offer consideration, all Bulletproof Shareholders who accept the Offer (whether or not they have accepted prior to that improvement) will be entitled to the benefit of that improved consideration.

The effect of acceptance of the Offer is explained in more detail in Section 13.8 of the Bidder's Statement. You should read those provisions in full to understand the effect that acceptance will have on your ability to exercise the rights attaching to your Bulletproof Shares and the representations and warranties that you are deemed by Macquarie BidCo to give to it by accepting the Offer.

4.11 Withdrawal rights

If you accept the Offer, you will have a right to withdraw your acceptance in some circumstances. Those withdrawal rights comprise general statutory withdrawal rights under the Corporations Act. Under the Corporations Act, you may withdraw your acceptance of the Offer if Macquarie BidCo varies its Offer in a way that postpones, for more than one month, the time at which Macquarie BidCo needs to meet its obligations under the Offer. This will occur if Macquarie BidCo extends the Offer Period by more than one month and the Offer is still subject to conditions. In those circumstances, you will have a period of one month after the date that the Offer is extended to withdraw your acceptance. Your statutory withdrawal rights will terminate upon the expiry of that one month period, although if the Offer Period is then further extended you may receive further statutory withdrawal rights.

4.12 Compulsory acquisition

(a) Post-bid compulsory acquisition

As noted in Section 8.3 of the Bidder's Statement, Macquarie BidCo will be entitled to acquire compulsorily any outstanding Bulletproof Shares for which it has not received acceptances on the same terms as the Offer if, during or at the end of the Offer Period, Macquarie BidCo (taken together with its Associates):

- has a relevant interest in at least 90% (by number) of Bulletproof Shares on issue; and
- has acquired at least 75% (by number) of Bulletproof Shares for which it has made an Offer.

In applying the 75% test described above, Bulletproof Shares in which Macquarie BidCo and its Associates have a relevant interest as at the date the Offer is first made are disregarded. Based on the disclosures in the Bidder's Statement and subsequent filings by Macquarie BidCo with ASX and assuming that no Bulletproof Options are exercised,

Bulletproof calculates that Macquarie BidCo will need to acquire a further 102,140,565 Bulletproof Shares before that test will be satisfied. This means that, taking into account the Shares in which Macquarie BidCo already has a relevant interest, the 75% test will not be satisfied until Macquarie BidCo's total relevant interest is 79.03%.

If the compulsory acquisition thresholds are met, Macquarie BidCo will have one month from the end of the Offer Period within which to give compulsory acquisition notices to Bulletproof Shareholders who have not accepted the Offer, but it may choose to commence compulsory acquisition as soon as the relevant thresholds are satisfied. A Bulletproof Shareholder has statutory rights to challenge compulsory acquisition, but this will require the relevant Bulletproof Shareholder to establish to the satisfaction of a court that the terms of the Offer do not represent fair value for Bulletproof Shares.

Bulletproof Shareholders should be aware that, if their Bulletproof Shares are acquired compulsorily, they are not likely to receive any payment until at least one month after the compulsory acquisition notices are sent.

(b) **General compulsory acquisition**

Section 8.3 of the Bidder's Statement describes Macquarie BidCo's general compulsory acquisition rights, which may be triggered even if Macquarie BidCo does not reach the compulsory acquisition thresholds described above.

Under Part 6A.2 of the Corporations Act, Macquarie BidCo will be entitled to compulsorily acquire any:

- Bulletproof Shares, if Macquarie BidCo (either alone or together with a related body corporate) holds full beneficial interests in at least 90% (by number) of Bulletproof Shares; and
- Bulletproof Securities, if Macquarie BidCo (either alone or together with its related bodies corporate) holds 90% voting power in Bulletproof and full beneficial interests in at least 90% by value of Bulletproof Securities.

If this threshold is met, Macquarie BidCo will have six months after Macquarie BidCo becomes a 90% holder within which to give compulsory acquisition notices to the relevant Bulletproof Securityholders. The compulsory acquisition notices sent to the Bulletproof Securityholders must be accompanied by an independent expert's report and an objection form.

The report must set out whether the terms of the compulsory acquisition give 'fair value' for the Bulletproof Securities concerned and the independent expert's reasons for forming that opinion.

If Bulletproof Securityholders with at least 10% of Bulletproof Securities covered by the compulsory acquisition notice object to the acquisition before the end of the objection period (which must be at least one month), Macquarie BidCo may apply to the court for approval of the acquisition of the Bulletproof Securities covered by the notice. The costs incurred by any Bulletproof Securityholder who objects in legal proceedings in relation to the compulsory acquisition must be borne by Macquarie BidCo, unless the court is satisfied that the Bulletproof Securityholder acted improperly, vexatiously or otherwise unreasonably.

(c) **Post bid buy-out**

Under Part 6A.1 of the Corporations Act, if Macquarie BidCo (together with its Associates) has a relevant interest in at least 90% (by number) of the Bulletproof Shares at the end of the Offer Period, and a compulsory acquisition notice has not been given,

Macquarie BidCo must offer to buy out the remaining holders of Bulletproof Shares and the holders of any Bulletproof Options.

In such circumstances, Macquarie BidCo must give notice to the Bulletproof Securityholder of their right to be bought out, during, or within one month after the end of, the Offer Period. A copy of the notice must be lodged with ASX and ASIC. The notice to holders of Bulletproof Options must be accompanied by an independent expert's report.

Within one month after the notice is given by Macquarie BidCo, the relevant Bulletproof Securityholders may choose to give Macquarie BidCo notice requiring that it acquire their Bulletproof Securities.

The terms on which any Bulletproof Shares would be acquired would be the same as those provided under the Offer. The terms on which any Bulletproof Options would be acquired would be:

- as agreed to by Macquarie BidCo and the relevant Bulletproof Securityholder; or
- as determined by a court on application by the relevant Bulletproof Securityholder.

(d) **General buy-out of Bulletproof Securities**

Under Part 6A.2 of the Corporations Act, if Macquarie BidCo (either alone or with a related body corporate) acquires full beneficial interests in 100% of the Bulletproof Shares through compulsory acquisition under Part 6A.2 of the Corporations Act, Macquarie BidCo must offer to buy out any remaining Bulletproof Options.

In these circumstances, Macquarie BidCo must give notice to the remaining Bulletproof Securityholders of their right to be bought out within one month after Macquarie BidCo acquires full beneficial interests in 100% of the Bulletproof Shares. A copy of the notice must be lodged with ASX and ASIC. The notice to the relevant Bulletproof Securityholders must be accompanied by an independent expert's report.

Within one month after the notice is given by Macquarie BidCo, the relevant Bulletproof Securityholders may choose to give Macquarie BidCo notice requiring Macquarie BidCo to acquire their Bulletproof Options.

The terms on which any Bulletproof Options would be acquired would be:

- as agreed to by Macquarie BidCo and the relevant Bulletproof Securityholder; or
- as determined by a court on application by the relevant Bulletproof Securityholder.

4.13 Implications of Macquarie BidCo acquiring less than 90% of Bulletproof Shares

If Macquarie BidCo waives its minimum relevant interest condition (as described in Section 4.7(a)), and acquires a majority, but not all, of the Bulletproof Shares on issue, the number of Bulletproof Shares traded on ASX could be significantly reduced.

Bulletproof Shares could become an illiquid and infrequently traded share and, as such, the ASX market price may no longer be a reliable indicator of value.

There are a number of further possible implications, including:

- **(Removal of Bulletproof from official quotation on the ASX)** Macquarie BidCo has stated in Section 8.4(a) of its Bidder's Statement that, it may seek to remove Bulletproof from the official list of the ASX. If this occurs, Bulletproof Shares will not be able to be bought or sold on the ASX, which may have an adverse effect of the marketability and

valuation of the Bulletproof Shares held by minority shareholders. The requirements for removal from ASX are further discussed at Section 3.2(d);

- **(Composition of the Bulletproof Board will change, and Macquarie BidCo will be entitled to appoint nominees to the Bulletproof Board)** Macquarie BidCo has stated in Section 8.4(c) of its Bidder's Statement that, subject to the Corporations Act and the Constitution of Bulletproof, Macquarie BidCo intends to replace certain members of the Bulletproof Board with nominees of Macquarie BidCo, with no reference made by Macquarie BidCo in its Bidder's Statement to the appointment of one, or more, independent directors to represent minority shareholders;
- **(Macquarie BidCo will be in a position to pass an ordinary board resolution)** Macquarie BidCo will be in a position to cast a majority of votes at a general meeting of Bulletproof. This will enable it to control the composition of the Bulletproof Board and senior management and control the strategic direction of Bulletproof and its subsidiaries;
- **(Macquarie BidCo will be in a position to pass a special shareholder resolution)** If Macquarie BidCo acquires 75% or more of the Bulletproof Shares, it will be able to pass special resolutions at meetings of Bulletproof Shareholders. This will enable Macquarie BidCo to, among other things, change the Bulletproof Constitution;
- **(Price of Bulletproof Shares may fall as a result of decreased liquidity)** The liquidity of Bulletproof Shares will be lower than at present and, as a result, the market price for Bulletproof Shares may fall following the end of the Offer Period; and
- **(The business mix and strategic focus of Bulletproof may change)** The business mix and strategic focus of Bulletproof may change under the management of Macquarie BidCo, which may result in minority shareholders ceasing to realise their desired exposure to the growth of the cloud services sector and the information technology industry.

5 Independent Directors Board Committee Recommendation and Directors' Interests

5.1 Details of Directors

The Directors of Bulletproof as at the date of this Target's Statement are:

Name	Position
Mr. Anthony Woodward	Co-Founder, Executive Director and Chief Executive Officer
Mr. Kenneth Carr	Non-Executive Director
Mr. Craig Farrow	Non-Executive Director and Chairman

5.2 The Unanimous Recommendation of the Independent Board Committee Directors

In assessing the Offer, your Independent Board Committee Directors have taken into account many considerations, including matters set out in the Bidder's Statement and in this Target's Statement.

Based on this assessment, and for the reasons set out in Section 1 of this Target's Statement, each of your Independent Board Committee Directors recommends that Bulletproof Shareholders **REJECT** the Offer in respect of all of their Bulletproof Shares.

In considering whether you wish to follow your Independent Board Committee Directors recommendation, you should:

- read the whole of this Target's Statement;

- consider your individual risk profile, investment strategy, tax position and financial circumstances; and
- obtain independent financial and taxation advice if you believe that is necessary.

You should also consider the following:

- if you hold Bulletproof Shares as a short-term investment, and you decide that you wish to sell your Bulletproof Shares now, you should consider either accepting the Offer or, if the ASX price for Bulletproof Shares (less brokerage costs) is above the Offer price, selling your Bulletproof Shares on ASX; and
- if you decide to retain your Bulletproof Shares, you should consider the risks associated with an investment in Bulletproof which operates in a highly competitive and volatile market. You can expect that the price of Bulletproof Shares will fluctuate, and may even fall below the Offer price, depending on Bulletproof's operating performance, issues that face the markets in which it operates, and changes in sentiment regarding its prospects.

Further information on the risks associated with holding Bulletproof Shares are set out in Section 3.2 of this Target's Statement.

5.3 Intentions of the Independent Board Committee Directors

Each member of the Independent Board Committee Directors intends to **REJECT** the Offer in respect of the Bulletproof Shares held by them or on their behalf.

5.4 Interests of the Directors in Bulletproof Shares or Bulletproof Options

The only marketable securities that Bulletproof has on issue are Bulletproof Shares and Bulletproof Options.

The number of marketable securities of Bulletproof in which each Director has a relevant interest as at the date of this Target's Statement is set out below:

Name of Director	Number of Bulletproof Shares	Number of Bulletproof Options
Mr. Anthony Woodward	26,188,349	Nil
Mr. Kenneth Carr	Nil	Nil
Mr. Craig Farrow	100,000	500,000

5.5 Dealings by Directors in Bulletproof Shares

Except as set out below, no Director acquired or disposed of any Bulletproof Securities within the period of four months immediately preceding the date of this Target's Statement.

5.6 Directors' interests in the Parent

Except as set out below, no Director has a relevant interest in any marketable securities of the Parent.

5.7 Dealings by Directors in the Parent

Except as set out below, no Director acquired or disposed of any marketable securities in the Parent within the period of four months immediately preceding the date of this Target's Statement.

5.8 Conditional agreements

With the exception of the Call Option Deed, no Director is a party to any agreement or arrangement with any other person in connection with or conditional on the outcome of the Offer.

5.9 Contracts with Parent

With the exception of the Call Option Deed, none of the Directors has any interest in any contract with the Parent.

5.10 Payments and benefits

As a result of the Offer, no benefit (other than a benefit permitted by section 200F or 200G of the Corporations Act) will or may be given to an Independent Board Committee Director:

- in connection with their retirement from office in Bulletproof or a related body corporate of Bulletproof; or
- in connection with the transfer of the whole or any part of the undertaking or property of Bulletproof.

5.11 Indemnities

Each Bulletproof Director is indemnified, as authorised by the Bulletproof Constitution, against personal liability arising from their respective positions within Bulletproof and its related bodies corporate.

6 Other Material Information

6.1 Bulletproof capital structure

As at the date of this Target's Statement, Bulletproof has the following securities on issue:

Class	Number
Bulletproof Shares	162,375,769
Bulletproof Options (unquoted)	500,000

Each Bulletproof Option confers on its holder a right to subscribe for one Bulletproof Share.

Please refer to Section 6.6 for further information in relation to Bulletproof Options.

6.2 Potential impact of the Offer on the material contracts, regulatory approvals and financing arrangements of Bulletproof

(a) Material Contracts

Except for the Debtor Funding Facility and its Relevant Material Contracts, Bulletproof is not aware of any:

- contract that has been entered into by Bulletproof; or
- regulatory approval or licence required for the operations of Bulletproof,

that Bulletproof considers to be material, that contains a change of control provision, including any consent requirement, that may be triggered if Macquarie BidCo acquires any Bulletproof Shares under the Offer.

(b) Financing arrangements

In addition to customary asset financing arrangements and credit card facilities for some staff, on 14 June 2017, Bulletproof announced to ASX that it had secured a 24-month debtor funding facility with Moneytech Finance Pty Limited (ACN 112 110 906) (**Moneytech**), with a limit of \$5,000,000 (of which, \$3,594,027 remains undrawn and outstanding as at the date of this Target's Statement) (the **Debtor Funding Facility**).

Pursuant to the terms and conditions that apply to the Debtor Funding Facility, if Bulletproof was to be delisted or have its listing on ASX suspended for more than 10 days, this would be an event of default under the Debtor Funding Facility and Moneytech would have the right to terminate the Debtor Funding Facility.

If Moneytech terminates the Debtor Funding Facility, and Macquarie BidCo does not acquire 100% of the Bulletproof Shares, Bulletproof may need to secure alternative financing in order to continue the operation of its businesses on a continuous basis and give effect to the turnaround strategy described in Section 1.3.

Bulletproof may not be able to secure any such alternative financing or, the terms and conditions applicable to such alternative financing may be less favourable to Bulletproof than the Debtor Funding Facility.

Arrangements with Macquarie BidCo

If Macquarie BidCo acquires control of Bulletproof but does not acquire 100% of the Bulletproof Shares on issue, transactions between Macquarie BidCo or its Associates (including, for the avoidance of doubt, the Parent) and the Bulletproof Group which are entered into after that date will be related party transactions for the purposes of the Listing Rules and the Corporations Act.

Each transaction under which a financial benefit is given by the Bulletproof Group to a member of the Macquarie Telecom Group will, therefore, need to be on terms which are at least as favourable to the Bulletproof Group as arm's length terms, or the transactions will need to be approved by those Bulletproof Shareholders who do not have a direct or indirect interest in the relevant transaction. Under the Listing Rules, any transfer of assets between the Macquarie Telecom Group and the Bulletproof Group, where the consideration payable or the value of the relevant assets is more than 5% of the shareholder funds of Bulletproof will need to be approved by those Bulletproof Shareholders who do not have a direct or indirect interest in the relevant transfer.

6.3 Changes in financial position

So far as known to any Independent Board Committee Director, the financial position of Bulletproof has not materially changed since 30 August 2017 (the date of release of Bulletproof's last audited financial report) and the date of this Target's Statement, except as disclosed in this Target's Statement and in announcements made by Bulletproof to ASX since 30 August 2017.

As at the date of this Target's Statement, the financial statements for the half-year period ended 31 December 2017 have not been finalised, and so have not been included in this Target's Statement. The half-year report for Bulletproof will be released both through the ASX and as a supplementary Target's Statement. Bulletproof expects to release its half-year report on 22 February 2018.

6.4 Material litigation

On 17 July 2017, Bulletproof announced to the ASX that it had received a claim in relation to an asset sale and purchase agreement entered into between Bulletproof, Bulletproof Networks Pty Limited and Cloud House Limited (**Cloud House**) on 31 January 2016 (the **Cloud House Sale Agreement**), which had been lodged in the New Zealand High Court (the **Claim**). The Claim is currently at an interlocutory stage. Among other matters, the Claim alleges that the management and business decision of Bulletproof following the acquisition of the Cloud House business and assets resulted in Cloud House not becoming entitled to certain earn-out payments contemplated by the Cloud House Sale Agreement that total NZ\$3,884,554. The Claim also alleged that Cloud House was misled by Bulletproof in relation to its capabilities, customer base and access to managed services.

6.5 Due Diligence Process

As noted in its announcement to ASX dated 13 December 2017, Bulletproof has opened a data room to facilitate the due diligence review by a number of third-parties who have indicated their interest in making an alternative offer for all of the Bulletproof Shares or some, or all, of the assets of Bulletproof (or entering into other transactions involving the acquisition of a substantial interest in Bulletproof). Preliminary non-binding proposals are due to be received by the Independent Board Committee Directors in late January 2018, at which point the Independent Board Committee Directors will evaluate each such proposal that it receives and update you as appropriate.

6.6 Impact of the Incentive Plans of Bulletproof

The table below sets out the number of Bulletproof Shares that have been issued under the employee incentive plans operated by Bulletproof (being the General Employee Share Plan and the Employee Share Ownership (together, the **Incentive Plans**)), and which as at the date of this Target's Statement remain, subject to the terms of the Incentive Plans, together with the number of options over unissued Bulletproof Shares (**Bulletproof Options**) outstanding as at the date of this Target's Statement.

Incentive Plan	Bulletproof Shares	Bulletproof Options
General Employee Share Plan	979,959 ³	Nil
Employee Share Ownership Plan	2,597,916	Nil
N/A	Nil	500,000

The Offer extends to Bulletproof Shares held under the Incentive Plans, and will extend to any Bulletproof Shares issued during the Offer Period as a result of the exercise of Bulletproof Options.

The Offer does not extend to Bulletproof Options.

Set out below is additional detail regarding the impact of the Offer on securities granted under the Incentive Plans and the Bulletproof Options.

(a) **The General Employee Share Plan (the *GESP*)**

Under the GESP, Bulletproof has issued Bulletproof Shares to selected employees, at no cost to the employees. The relevant employees are generally restricted from dealing with their Bulletproof Shares (including by accepting the Offer) for a period of three years.

The trading restrictions will not be lifted during the Offer, in order to preserve any income tax exemption under Australian income tax laws with respect to Bulletproof Shares acquired under the GESP. If, as a result of the Offer, Macquarie BidCo becomes entitled to proceed to compulsory acquisition, the relevant Bulletproof Shares would be acquired under that process.

(b) **The Employee Share Ownership Plan (the *ESOP*)**

Under the ESOP, Bulletproof has issued Bulletproof Shares to selected employees at prices ranging between \$0.12 and \$0.40. Bulletproof provided non-recourse loans to relevant employees to fund the acquisition of the Bulletproof Shares.

Employees are generally restricted from dealing with their Bulletproof Shares (including by accepting the Offer) until the later of:

- three years after the allocation to them of Bulletproof Shares (the 'vesting period', which may be abridged at the Board's discretion); and
- repayment of their loan.

As at the date of this Target's Statement, the amount owing under relevant loans in respect of:

- 99,999 Bulletproof Shares, is \$0.30 per Bulletproof Share (ie substantially in excess of the consideration under the Offer); and
- 331,250 Bulletproof Shares, is \$0.40 per Bulletproof Shares (ie substantially in excess of the consideration under the Offer); and
- 2,166,667 Bulletproof Shares, is \$0.12 per Bulletproof Shares.

The three year vesting period has not yet expired in relation to any of the Bulletproof Shares referred to above.

Under the terms of the ESOP, the Board may determine that a 'change of control event' has occurred as a result of the Offer being made.

³ Of which, 194,990 Bulletproof Shares are eligible to be released from escrow.

If it were to do so, any outstanding loans provided in connection with the ESOP will become immediately repayable unless the Board determines otherwise, and the Board may determine to forgive any amounts owing under the loans. Where a loan becomes repayable and is not repaid within 30 days after a change of control event, Bulletproof is authorised to sell the relevant Bulletproof Shares and apply the proceeds towards repayment of the loan, with any excess proceeds being returned to the relevant employee.

As at the date of this Target's Statement, the Board has not determined that a change of control event has occurred under the ESOP. Similarly, the Board has not determined the manner in which it will exercise its discretions with respect to repayment of loans made in connection with the ESOP or whether it will abridge vesting periods, in the event that it determines that a change of control event has occurred.

The Board will consider its position in this regard if there are any material developments with respect to the Offer (such as if Macquarie Bidco were to receive acceptances under the Offer in respect of more than 50% of Bulletproof Shares).

(c) **Bulletproof Options**

Following shareholder approval at the Annual General Meeting held on 3 November 2016, Bulletproof granted the following options to Mr Craig Farrow:

- 250,000 options, each in respect of one Bulletproof Share, which vest on 11 May 2018 and are able to be exercised from that date until 11 November 2021 at an exercise price of \$0.35 each; and
- 250,000 options, each in respect of one Bulletproof Share, which vest on 11 May 2018 and are able to be exercised from that date until 11 November 2021 at an exercise price of \$0.39 each.

The options will vest and become immediately exercisable if Macquarie BidCo acquired 90% of Bulletproof Shares as a result of the Offer. If the options are not exercised, as described in section 4.12, in certain circumstances Macquarie BidCo may acquire (or be required to make an offer to acquire) the Bulletproof Options, following the conclusion of the Offer.

6.7 Further Developments

Should there be any developments during the Offer Period, which have the effect of changing the recommendation of the Independent Board Committee Directors in relation to the Offer, the Independent Board Committee Directors will notify Bulletproof Shareholders of such developments and such change to the recommendations of the Independent Board Committee Directors through a supplementary Target's Statement.

6.8 Taxation considerations for Bulletproof Shareholders

Section 10 of the Bidder's Statement sets out advice on Australian capital gains tax consequences of accepting the Offer.

Bulletproof Shareholders should consult their own tax adviser for tax advice tailored to their own particular circumstances. Bulletproof Shareholders should not solely rely on Section 10 of the Bidder's Statement in relation to the taxation implication associated with their acceptance of the Offer.

6.9 ASIC modifications and exemption

Bulletproof has not been granted any modifications or exemptions by ASIC from the Corporations Act in relation to the Offer, except as set out in ASIC Class Order 13/521.

Bulletproof has not been granted any waivers in relation to the Offer.

6.10 Consents

The following persons have given and have not, before the date of issue of this Target's Statement, withdrawn their consent to:

- be named in this Target's Statement in the form and context in which they are named;
- the inclusion of their respective reports or statements noted next to their names and the references to those reports or statements in the form and context in which they are included in this Target's Statement; and
- the inclusion of other statements in this Target's Statement that are based on or referable to statements made in those reports or statements, or that are based or referable to other statements made by those persons in the form and context in which they are included.

Name of Person	Named As	Reports or Statements
BDO Corporate Finance (East Coast) Pty Ltd	Independent Expert	Independent Expert's Report at Schedule 2
Microequities Asset Management Pty Ltd	Major Shareholder	Statement that they intend to reject the Offer, in the absence of a superior proposal
Domains and Web Pty Ltd	Major Shareholder	Statement that they intend to reject the Offer, in the absence of a superior proposal
Anthony Woodward	Executive Director and Chief Executive Officer	Statement that he intends to make no recommendation in relation to the Offer as set out in Schedule 1

Each of the above persons:

- does not make, or purport to make, any statement in this Target's Statement other than those statements referred to above and as consented to by that person; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement other than as described in this Section with the person's consent.

As permitted by ASIC Class Order 13/521, this Target's Statement contains statements that are made, or based on statements made, in documents lodged with ASIC or ASX (in compliance with the Listing Rules). Pursuant to this Class Order, the consent of persons such statements are attributed to is not required for the inclusion of those statements in this Target's Statement. See Section 6.12.

Additionally, as permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Target's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or
- from a public official document or published book, journal or comparable publication.

Pursuant to that Class Order, the consent of persons such statements are attributed to is not required for inclusion of those statements in this Target's Statement.

6.11 Reliance on information obtained from Macquarie BidCo or public sources

The information in this Target's Statement about Macquarie BidCo has been compiled from or is otherwise based on information obtained from publicly available sources, and has not been independently audited or verified by Bulletproof or its advisers.

If the information obtained from the public sources is inaccurate or incomplete, this may affect the information included in the Target's Statement. In particular, if the information has been used as the basis for forward looking statements in the Target's Statement, this may add to the risk that actual values, results, performance or achievements will differ materially from those expressed or implied by the forward looking statements.

See Section 3.2 for a discussion about the risks that apply to holding Bulletproof Shares.

6.12 Publicly available information

This Target's Statement contains statements that are made, or based on statements made, in documents lodged with ASIC or ASX (in compliance with the Listing Rules) by the Parent. Those documents are:

- the announcement lodged with ASX on 26 February 2015 titled 'FY15 H1 Results Presentation';
- the announcement lodged with ASX on 18 February 2017 titled 'FY16 Half Year Results Call Correction'
- the Parent's Annual Report for the year ended 30 June 2017;
- the announcement lodged with ASX on 21 November 2017 titled 'Becoming a substantial holder for BPF';
- the announcement lodged with ASX on 21 November 2017 titled 'Macquarie announces intended takeover offer';
- the Bidder's Statement lodged with ASX on 23 November 2017 titled 'Bidder's Statement';
- the announcement lodged with ASX on 24 November 2017 titled 'Chief Executive's Address to Shareholders';
- the announcement lodged with ASX on 24 November 2017 titled 'Chairman's Address to Shareholders';
- the announcement lodged with ASX on 28 November 2017 titled 'Register Date for Bidder's Statement'; and
- the announcement lodged with ASX on 7 December 2017 titled 'Completion of dispatch of Bidder's Statement'.

As required by ASIC Class Order 13/521, any Bulletproof Shareholder who would like to receive a copy of any of those documents (or relevant extracts from those documents) may obtain a copy free of charge by contacting the Bulletproof Shareholder Information Line on 1300 658 099 between 8.30am and 5.30pm (Sydney time) Monday to Friday.

6.13 Continuous disclosure

Bulletproof is a 'disclosing entity' under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. These obligations require Bulletproof to notify ASX of information about specified matters and events as they occur for the purpose of making that information available to the market. In particular, Bulletproof has an obligation (subject to limited exceptions) to notify ASX immediately on becoming aware of any

information that a reasonable person would expect to have a material effect on the price or value of Bulletproof Shares.

Copies of the documents filed with ASX may be obtained from the ASX website at www.asx.com.au.

In addition, Bulletproof will make copies of the following documents available for inspection at Level 17, 60 Margaret Street, Sydney NSW 2000 (between 9am and 5pm on Business Days):

- the 2017 Annual Report of Bulletproof;
- the Bulletproof Constitution; and
- any continuous disclosure document lodged by Bulletproof with ASX between the lodgement of the 2017 Annual Report and the date of this Target's Statement. A list of these documents is included at Schedule 3.

Copies of the documents are also available on Bulletproof's website (www.bulletproof.net.au), or may be requested to be provided free of charge by contacting the Bulletproof Shareholder Information Line on 1300 658 099 between 8.30am and 5.30pm (Sydney time) Monday to Friday.

Copies of documents lodged with ASIC in relation to Bulletproof may be obtained from, or inspected at, an ASIC office.

6.14 Other information

This Target's Statement is required to include all the information Bulletproof Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- only if the information is known to any of the Bulletproof Directors.

The Independent Board Committee Directors are of the opinion that the information that Bulletproof Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Offer is:

- the information contained in the Bidder's Statement (to the extent that the information is not inconsistent with or superseded by information in this Target's Statement);
- the information contained in the 2017 Annual Report of Bulletproof;
- the information contained in Bulletproof's announcements to ASX prior to the date of this Target's Statement; and
- the information contained in this Target's Statement, including the Schedules to this Target's Statement.

The Independent Board Committee Directors have assumed, for the purposes of preparing this Target's Statement, that the information contained in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the Bulletproof Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the Independent Board Committee Directors have had regard to:

- the nature of the Bulletproof Shares;
- the matters Bulletproof Shareholders may reasonably be expected to know;

- the fact that certain matters may reasonably be expected to be known to the professional advisers of Bulletproof Shareholders; and
- the time available to Bulletproof to prepare this Target's Statement.

7 Authorisation

This Target's Statement has been approved by a resolution passed by the Independent Board Committee Directors. Each Independent Board Committee Director of Bulletproof voted in favour of the resolution authorising this Target's Statement.

Dated 22 December 2017

Signed for and on behalf of Bulletproof:



Craig Farrow

Chairman

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8 Definitions and Interpretation

8.1 Definitions

The following definitions apply in this Target's Statement unless the context requires otherwise.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given in the Corporations Act.

ASX means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as 'ASX' operated by it.

ASX Settlement means ASX Settlement Pty Ltd (ABN 49 008 504 532).

ASX Settlement Operating Rules means the operating rules of ASX Settlement or of any relevant organisation which is an alternative or successor to or replacement of, ASX Settlement or of any applicable CS facility licensee.

Bidder's Statement means the bidder's statement lodged by Macquarie BidCo with ASIC on 23 November 2017 in relation to the Offer.

Bulletproof Board or **Board** means the board of directors of Bulletproof.

Bulletproof or **Company** means Bulletproof Group Limited (ACN 148 162 092).

Bulletproof Constitution means the Constitution of Bulletproof as amended from time to time.

Bulletproof Director or **Director** means a director of Bulletproof.

Bulletproof Group means Bulletproof and its subsidiaries.

Bulletproof Options has the meaning given in Section 6.6.

Bulletproof Securities means Bulletproof Shares and Bulletproof Options.

Bulletproof Securityholder means a holder of Bulletproof Securities.

Bulletproof Share or **Share** means a fully paid ordinary share in Bulletproof.

Bulletproof Shareholder or **Shareholder** means a person who is registered as the holder of a Bulletproof Share in the Bulletproof register of members.

Bulletproof Share Registry means Link Market Services Limited, Level 12, 680 George Street, Sydney NSW 2000.

Business Day means a day which is not a Saturday, Sunday or a public holiday in Sydney, Australia.

Call Option Deed has the meaning given in the response to Question 4 of the 'Frequently Asked Questions' in section 1.

CHES means the Clearing House Electronic Subregister System, which provides for electronic security transfer in Australia.

Claim has the meaning given in Section 6.4.

Cloud House has the meaning given in Section 6.4.

Cloud House Sale Agreement has the meaning given in Section 6.4.

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

CS facility licensee means a person who holds a licence under the Corporations Act that authorises the person to operate a clearing and settlement facility.

Debtor Funding Facility has the meaning given in Section 6.2(b)).

Defeating Condition means any of the conditions to the Offer described in Section 12.1 of the Bidder's Statement.

Director means a director of Bulletproof.

Employee Share Ownership Plan or **ESOP** has the meaning given in Section 6.6(b).

General Employment Share Plan, or **GESP**, has the meaning given in Section 6.6(a).

Incentive Plans has the meaning given in Section 6.6.

Independent Board Committee means the committee comprising the Independent Board Committee Directors.

Independent Board Committee Directors means each of:

- (a) Kenneth Carr; and
- (b) Craig Farrow.

Independent Expert means BDO Corporate Finance (East Coast) Pty Ltd (ACN 050 038 170).

Independent Expert's Report or **Report** means the report and related financial services guide prepared by the Independent Expert, as set out in Schedule 1.

Listing Rules means the listing rules of ASX.

Macquarie BidCo means Macquarie Cloud Services Pty Limited, a wholly-owned subsidiary of the Parent.

Macquarie Telecom Group means Macquarie BidCo and each subsidiary of the Parent.

Moneytech has the meaning given in section 6.2(b).

Offer means the takeover bid by Macquarie BidCo to acquire all of the Bulletproof Shares on the terms and conditions set out in Macquarie BidCo's Bidder's Statement as subsequently varied in accordance with the Corporations Act.

Offer Period has the meaning given to it in the Bidder's Statement.

Parent means Macquarie Telecom Group Limited.

Relevant Material Contracts means the following material contracts reviewed by Bulletproof, whereby a change of control would be triggered by the acquisition of Macquarie BidCo of more than 50% of the Bulletproof Shares:

- (a) the managed hosting agreement between Bulletproof Networks Pty Limited and BlueScope Steel Limited;
- (b) the master services agreement between Nextgen Networks Pty Limited and Bulletproof Networks Pty Limited;
- (c) the managed services agreement between Achmea Schadeverzekeringen NV (trading as Achmea Australia) and Bulletproof Networks Pty Limited;
- (d) the agreement for the provision of professional services (single purchaser) between Public Transport Development Authority (operating as Public Transport Victoria (PTV)) and Bulletproof Networks Pty Limited;
- (e) the master services agreement between Woolworths Limited and Pantha Corporations Pty Ltd; and
- (f) the authorised value-added reseller agreement between Amazon Web Services LLC and Bulletproof Networks Pty Ltd.

Target's Statement means this document, being the statement of Bulletproof under Part 6.5 of

the Corporations Act in relation to Macquarie BidCo's Offer. It includes the Independent Expert's Report.

8.2 Interpretation

- (a) Headings are for convenience only and do not affect interpretation.
- (b) The following rules apply unless the context requires otherwise.
 - (i) The singular includes the plural, and the converse also applies.
 - (ii) A gender includes all genders.
 - (iii) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
 - (iv) A reference to a person includes a corporation, trust, partnership, unincorporated body or other entity, whether or not it comprises a separate legal entity.
 - (v) A reference to a Section or Schedule is a reference to a Section of, or Schedule to, this Target's Statement.
 - (vi) A term not specifically defined in this Target's Statement has the meaning given to it (if any) in the Corporations Act, the Listing Rules or the ASX Settlement Operating Rules (as is appropriate to the context).
 - (vii) A reference to an agreement or document (including a reference to this Target's Statement) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this Target's Statement or that other agreement or document, and includes the recitals, schedules and annexures to that agreement or document.
 - (viii) A reference to a person includes the person's successors, permitted substitutes and permitted assigns (and, where applicable, the person's legal personal representatives).
 - (ix) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.
 - (x) A reference to a right or obligation of any two or more people comprising a single party confers that right, or imposes that obligation, as the case may be, on each of them severally and each two or more of them jointly. A reference to that party is a reference to each of those people separately (so that, for example, a representation or warranty by that party is given by each of them separately).
 - (xi) A reference to *dollars* or \$ is to Australian currency.
 - (xii) A reference to time is to Sydney time.

Schedule 1

Statement of Mr Anthony Woodward

Pursuant to section 638(3) of the Corporations Act, each director of Bulletproof is required to make a recommendation in this Target's Statement to Bulletproof Shareholders. Mr. Woodward is the Executive Director and Chief Executive Officer of Bulletproof. Having regard to the call option deed executed between Macquarie BidCo and Woodward Family Company Pty Limited (in its capacity as trustee for the Woodward Family Trust), an entity controlled by Mr. Woodward, Mr. Woodward is not a member of the Independent Board Committee. His recommendation is set out below.

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Recommendation

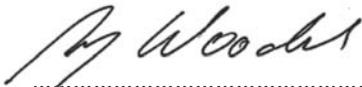
As mentioned in this Target's Statement, the other Directors established an Independent Board Committee to prepare this Target's Statement and Mr. Woodward has not otherwise participated in the process other than to prepare this statement. Also, as detailed elsewhere in this Target's Statement, Mr. Woodward is also a Director for the Woodward Family Company Pty Ltd, representing 26,188,349 Bulletproof Shares or 16.1% of the Company's issued capital. Woodward Family Company Pty Ltd entered into a Call Option Deed with the Bidder on 19 November 2017, that requires it to accept the Offer with respect to its Bulletproof Shares when called upon, until the call option deed expires on 19 March 2018.

Given these circumstances, Mr. Woodward feels it is appropriate to **make no recommendation to Shareholders** in relation to the Offer.

Mr. Woodward, acting as a director for Woodward Family Company Pty Ltd, intends to act such that Woodward Family Company Pty Ltd accepts the Offer.

Consent

I consent to the inclusion of this document in the Target's Statement given by Bulletproof in response to Macquarie Cloud Services Pty Ltd's takeover bid.



.....
Anthony Woodward

21 Dec 2017

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Schedule 2

Independent Expert's Report

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INDEPENDENT EXPERT'S REPORT
Bulletproof Group Limited

In relation to an off-market takeover offer to acquire all the ordinary shares of Bulletproof Group Limited at an Offer price of \$0.11 in cash per share by Macquarie Telecom Group Limited.

21 December 2017

This Financial Services Guide is issued in relation to an independent expert's report (**Report** or **IER**) prepared by BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170) (**BDOCF**) at the request of the independent directors (**Directors**) of Bulletproof Group Limited (**Bulletproof**).

Engagement

The IER is intended to accompany the **Target's Statement** that is to be provided by the Directors of Bulletproof to assist the Shareholders of Bulletproof in determining whether to accept the offer by Macquarie Telecom Group Limited (**MAQ**) for all the securities of Bulletproof (**Offer**).

Financial Services Guide

BDOCF holds an Australian Financial Services Licence (License No: 247420) (**Licence**). As a result of our IER being provided to you BDOCF is required to issue to you, as a retail client, a Financial Services Guide (**FSG**). The FSG includes information on the use of general financial product advice and is issued so as to comply with our obligations as holder of an Australian Financial Services Licence.

Financial services BDOCF is licensed to provide

The Licence authorises BDOCF to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues, to carry on a financial services business to provide general financial product advice for securities and certain derivatives (limited to old law securities, options contracts and warrants) to retail and wholesale clients.

BDOCF provides financial product advice by virtue of an engagement to issue the IER in connection with the acquisition of securities by another person.

Our IER includes a description of the circumstances of our engagement and identifies the party who has engaged us. You have not engaged us directly but will be provided with a copy of our IER (as a retail client) because of your connection with the matters on which our IER has been issued.

Our IER is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in the IER.

General financial product advice

Our IER provides general financial product advice only, and does not provide personal financial product advice, because it has been prepared without taking into account your particular personal circumstances or objectives (either financial or otherwise), your financial position or your needs.

Some individuals may place a different emphasis on various aspects of potential investments.

An individual's decision in relation to voting on the Offer described in the Target's Statement may be influenced by their particular circumstances and, therefore, individuals should seek independent advice.

Benefits that BDOCF may receive

BDOCF will receive a fee based on the time spent in the preparation of the IER in the amount of approximately \$55,000 (plus GST and disbursements). BDOCF will not receive any fee contingent upon the outcome of the Offer, and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the Offer.

Remuneration or other benefits received by our employees

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of BDOCF or related entities but any bonuses are not directly connected with any assignment and in particular are not directly related to the engagement for which our IER was provided.

Referrals

BDOCF does not pay commissions or provide any other benefits to any parties or person for referring customers to us in connection with the reports that BDOCF is licensed to provide.

Associations and relationships

BDOCF is the licensed corporate finance arm of BDO East Coast Partnership, Chartered Accountants and Business Advisers. The directors of BDOCF may also be partners in BDO East Coast Partnership, Chartered Accountants and Business Advisers.

BDO East Coast Partnership is comprised of a number of related entities that provide audit, accounting, tax and financial advisory services to a wide range of clients.

BDOCF's contact details are as set out on our letterhead.

BDOCF is unaware of any matter or circumstance that would preclude it from preparing the IER on the grounds of independence under regulatory or professional requirements. In particular, BDOCF has had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and the Australian Securities and Investments Commission (**ASIC**).

Complaints resolution

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, BDO Corporate Finance (East Coast) Pty Ltd, Level 11, 1 Margaret Street, Sydney NSW 2000.

On receipt of a written complaint we will record the complaint, acknowledge receipt of the complaint and seek to resolve the complaint as soon as practical. If we cannot reach a satisfactory resolution, you can raise your concerns with the Financial Ombudsman Service Limited (**FOS**). FOS is an independent body established to provide advice and assistance in helping resolve complaints relating to the financial services industry. BDOCF is a member of FOS. FOS may be contacted directly via the details set out below.

Financial Ombudsman Service Limited

GPO Box 3, Melbourne VIC 3001

Toll free: 1300 78 08 08

Email: info@fos.org.au

The Independent Directors
Bulletproof Group Limited
Level 17, 60 Margaret Street
SYDNEY NSW 2000

21 December 2017

Dear Sirs

INDEPENDENT EXPERT'S REPORT IN RELATION TO AN OFF-MARKET TAKEOVER BID BY MACQUARIE TELECOM GROUP LIMITED FOR BULLETPROOF GROUP LIMITED

1. INTRODUCTION

Bulletproof Group Limited ("**Bulletproof**" or the "**Company**") is a Sydney based Information Technology company, focused on assisting its clients with all aspects of cloud IT services, including cloud strategy, planning, design, architecture, build, test, deployment, security, operations, support, and optimisation. Bulletproof delivers these services through three key divisions: Public Cloud, Private Cloud and Professional Services. Bulletproof is listed on the Australian Securities Exchange ("**ASX**") and as at 21 November 2017 had a market capitalisation of approximately \$10.9 million.

Macquarie Telecom Group Limited ("**MAQ**" or the "**Bidder**") is a business exclusive full-service provider of data, voice, mobile and colocation services in Australia. MAQ is listed on the ASX and as at 21 November 2017 had a market capitalisation of approximately \$295.6 million.

On 21 November 2017, MAQ announced an off-market takeover bid (the "**Offer**") for all of the ordinary shares in Bulletproof for \$0.11 in cash per share ("**Offer Price**"). The Offer is scheduled to close on 31 January 2018 and is conditional upon a minimum acceptance of 90% of the voting shares. Other conditions of the Offer, including no prescribed occurrences, no material transactions and no material adverse change are noted in detail within the Bidder's Statement. As at 21 November 2017, MAQ had a relevant interest in 26,188,349 Bulletproof shares representing 16.1% of the issued capital of the Company via a call option deed with an entity associated with Mr Anthony Woodward, CEO and co-founder of Bulletproof.

Further details of the Offer are set out in the Target's Statement to be sent to Bulletproof shareholders ("**Shareholders**").

BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170) ("**BDOCF**", "**we**", "**us**" or "**our**") has been engaged by the Independent Directors ("**Directors**") of Bulletproof to prepare an independent expert's report ("**Report**" or "**IER**") setting out our opinion as to whether the Offer is fair and reasonable to Shareholders.

2. APPROACH

In preparing our IER, we have considered the requirements of:

- ASIC Regulatory Guide 111 Content of expert reports ("**RG 111**"); and
- ASIC Regulatory Guide 112 Independence of experts ("**RG 112**").

RG 111 establishes guidelines in respect of independent expert reports under the Corporations Act. This regulatory guide provides guidance as to what matters an independent expert should consider to assist Shareholders to make informed decisions about transactions.

RG 111 states that there should be a separate assessment of fairness and reasonableness.

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2.1. Fairness

A proposed transaction is 'fair' if the value of the financial benefit offered by the bidder entity (MAQ) to the target entity (Bulletproof) is equal to or greater than the value of the asset being acquired.

The fairness assessment should assume a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious seller, acting at arm's length.

2.2. Reasonableness

In accordance with paragraph 60 of RG111, an offer is 'reasonable' if it is 'fair'. It might also be 'reasonable' if, despite being 'not fair', the expert believes there are sufficient reasons to accept the offer.

When deciding whether an offer is 'reasonable', factors an expert might consider include:

- the financial situation and solvency of the entity;
- the alternative options available to the entity;
- the entity's bargaining position;
- whether there is selective treatment of any Shareholder;
- any special value of the transaction to the purchaser.

3. PURPOSE OF REPORT

While there is no legal requirement for the preparation of an IER in conjunction with the Offer, the Independent Directors have decided to commission an IER to assist Bulletproof shareholders in assessing the merits of the Offer.

4. SUMMARY OF OPINIONS

This summary should be read in conjunction with our full IER that sets out in full the purpose, scope, basis of evaluation, limitations, information relied upon, analysis and our findings.

We have considered the terms of the Offer, as outlined in the body of this Report, and have concluded that the Offer is neither fair nor reasonable to Shareholders.

A summary of our analysis in forming the above opinion is provided below.

The Offer is NEITHER FAIR NOR REASONABLE to Shareholders

4.1. The Offer is NOT FAIR to Bulletproof Shareholders

In undertaking our fairness opinion, we have had regard to the Australian Securities and Investments Commission's ("ASIC") RG 111.

RG 111.11 indicates that an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. The comparison must be made assuming:

- A knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.
- 100% ownership of the target company, irrespective of the percentage holding of the bidder or its associates in the target company.

In relation to the interpretation of RG111.11, ASIC has advised that the appropriate assessment is to compare:

- The fair market value of a share pre-transaction on a control basis (being the value of the securities the subject of the offer, per RG111.11); and
- The fair market value of the offer price.

The basis for the above form of comparison is to ensure our analysis is in line with RG111.5 to RG111.7 which include statements as follows:

- The main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the Offer; and
- The form of analysis an expert uses to evaluate a transaction should address the issues faced by Shareholders.

We have formed our opinion in relation to fairness by comparing the:

- Fair market value of a Bulletproof Share before the Offer (including a premium for control); and
- The cash consideration of \$0.11 per share offered by MAQ.

The Offer will be fair if the Offer Price is equal to or greater than the fair market value of a Bulletproof share before the Offer, on a controlling interest basis.

Accordingly, in order to make this comparison we have undertaken an assessment of the fair market value of a Bulletproof share before the Offer.

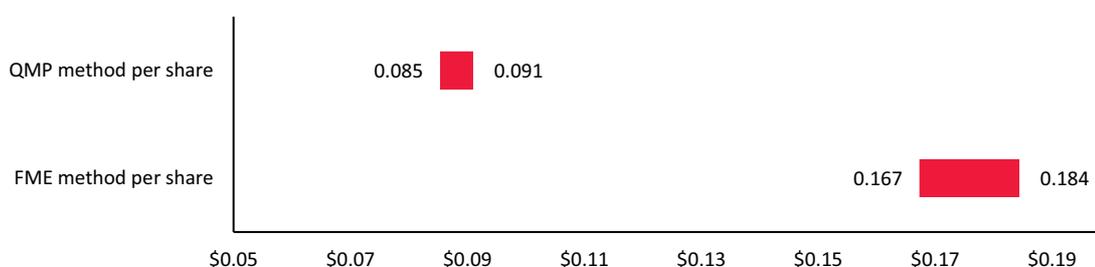
We have assessed the fair market value of Bulletproof on a controlling interest basis using capitalisation of future maintainable earnings (FME valuation method - refer Section 6) and share price trading history (QMP valuation method - refer Section 7) valuation methods. We did not utilise the discounted cash flow methodology, despite Bulletproof having prepared five year forecasts in the course of developing its current turnaround plan. We made this decision on the basis that in our view Bulletproof is at a relatively early stage in implementing its turnaround strategy and as a result, significant execution risk exists regarding the forecasts and, for the time being, the forecasts lack a supporting track record of historical financial performance.

The results of our valuation analysis using both FME and QMP valuation methods are summarised below:

Table 1: Valuation summary

	Ref	Low	High
FME method per share	6.1	0.167	0.184
QMP method per share	7.4	0.085	0.091

Figure 1: Valuation summary



4.1.1. Adopted equity value of a Bulletproof share (controlling interest basis)

In determining our adopted equity value per Bulletproof share, we have considered the relative strengths and weaknesses of the FME and QMP valuation methods, respectively. A strength of the FME valuation method, particularly in the context of this Report, is that the value determined reflects the most recent financial performance of Bulletproof. However, the FME method is a subjective measure of intrinsic value. Many listed companies, particularly those with low market capitalisations (as is the case with Bulletproof), may never trade at a share price that reflects intrinsic value due to lack of broker and market coverage, limited trading activity, and other market factors. A strength of the QMP valuation method is that it reflects regulated and observable market trading data. However, as discussed above, the historical share price of companies of Bulletproof's size may not fully reflect all relevant financial information.

On balance and for the purposes of this Report, we consider our FME valuation of Bulletproof to be a better reflection of fair market value than our QMP valuation. As discussed in Section 6, the FME valuation of Bulletproof reflects forecast normalised EBITDA for the 12 months ending 31 December 2017, comprising actual trading for the 11 months ended 30 November 2017 and forecast trading for the month ending 31 December 2017. We consider this period to be a good reflection of Bulletproof's maintainable earnings,

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taking into account the cost savings of the organisational restructure carried out in December 2016, trading performance that appears to have stabilised during 2017, and seasonality inherent in the business.

In contrast, Bulletproof's declining share price up to the date of the Offer appears to reflect market uncertainty regarding the outlook for the business, effectiveness of changes to Bulletproof's strategy, business operating model, and personnel, and potentially also insolvency risk given Bulletproof's reported FY17 loss after tax of \$6.1 million. For example, Bulletproof's last investor presentation prior to the date of the Offer (announced 27 September 2017) included no guidance from the Company regarding current or forecast trading performance on which the market might have based a revised assessment of Bulletproof's outlook compared with its FY17 financial performance.

On the basis of the foregoing discussion, we have assessed the fair market value of a Bulletproof share on a controlling interest basis prior to the Offer in the range of \$0.167 to \$0.184 primarily reflecting our FME valuation.

4.1.2. Fairness conclusion

Table 2: Fairness conclusion

	Ref	Low	High
FME method per share	6.1	0.167	0.184
QMP method per share	7.4	0.085	0.091
Adopted value range per share		0.167	0.184
Offer price		0.110	0.110
<i>Offer price premium / (discount) to adopted value</i>		<i>(34.2%)</i>	<i>(40.3%)</i>

Figure 2: Fairness conclusion



Our concluded fair market value range for a Bulletproof share of \$0.167 to \$0.184 exceeds the Offer Price of \$0.110. As such, we conclude that the offer is **NOT FAIR** to Bulletproof Shareholders.

Shareholders should consider and appreciate that our assessment of the fair market value of a Bulletproof share does not necessarily reflect the price at which Bulletproof shares will trade if Shareholders do not accept the Offer. The price at which Bulletproof shares may trade should the Offer lapse will depend on a range of factors including Bulletproof's financial performance, liquidity in the shares and general macro-economic conditions, as discussed below and in Section 9.

4.2. The Offer is NOT REASONABLE to Bulletproof Shareholders

In accordance with RG 111 an offer is reasonable if it is fair. It might also be reasonable if, despite being not fair, the expert believes that there are sufficient reasons for shareholders to accept the offer in the absence of a superior offer.

Whilst we have determined the Offer is not fair, we have assessed the reasonableness of the Offer by considering a range of other factors in our assessment, as set out below.

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4.2.1. Advantages

Advantages	
<i>Premium to pre-Offer share trading price</i>	The Offer represents a premium of 57% to Bulletproof's daily VWAP for the month preceding the date of the Offer, allowing shareholders to realise value for their shares in excess of the price at which they were trading before the Offer. This level of premium may not be available to Shareholders in the absence of the Offer.
<i>Certainty of cash</i>	The Offer represents an opportunity for Shareholders to receive certain and immediate value for their investment in Bulletproof free of any realisation costs at a significant premium that may not be available in the absence of the Offer.
<i>Opportunity to reinvest in similar investment opportunities</i>	Shareholders that accept the Offer will be able to reinvest the cash proceeds in similar investment opportunities.
<i>Impact on Bulletproof share price in the absence of the Offer</i>	In the absence of the Offer or an alternative transaction, Bulletproof shares may trade below the Offer Price. However, the Offer may have confirmed to the market that Bulletproof was undervalued compared to its intrinsic value and the price that an interested party may be willing to pay.
<i>Funding requirements</i>	As discussed in Section 3.6.1, Bulletproof appears to be in need of additional working capital funding and is currently exploring options with existing providers of debt funding. Feasibly, Bulletproof may need to consider raising additional equity capital in the short to medium term if other funding solutions cannot be secured. Additional equity capital could dilute the interests of existing Shareholders and could also result in a decrease in the value of Bulletproof's share price. The Offer alleviates this funding risk.

4.2.2. Disadvantages

Disadvantages	
<i>The Offer is not fair</i>	We have determined that the Offer is not fair to Bulletproof Shareholders.
<i>No exposure to potential upside of Bulletproof</i>	Shareholders who accept the Offer will no longer own Bulletproof Shares and therefore will not benefit from any potential future profits and capital growth.
<i>Taxation implications</i>	There may be tax consequences for Shareholders accepting the Offer or selling their shares on the ASX. Shareholders should consult their independent taxation advisers regarding the taxation implications of accepting the Offer given their own particular circumstances

4.2.3. Other factors for consideration

Other factors	
<i>Share price after the announcement</i>	Following announcement of the Offer, Bulletproof's share price has traded at or around the Offer Price, which may indicate support from investors for the Offer and limited expectation of a superior alternative offer emerging.
<i>No guarantee of intrinsic value</i>	Although we have concluded the Offer is not fair, there is no guarantee that the intrinsic value of the Company will ever be reflected in the share price due to lack of brokerage coverage, limited liquidity in the marketplace, or shareholder sentiment.

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Prospect of alternative transaction

Per its announcement on 13 December 2017, Bulletproof has opened a data room to facilitate due diligence reviews by parties considering making alternative offers. However, we note that:

- As at the date of this Report, no alternative offers have been received by the Company
- Since the announcement of the Offer, the share price of Bulletproof has traded on or around the Offer Price which indicates that market participants may not expect a superior offer or alternative proposal to emerge

Additional information provided in the Target's Statement and this Report may facilitate the ability of interested parties to assess the merits of potential alternative offers.

Public responses to Offer from significant shareholders

The following table sets out public responses to the Offer from significant shareholders:

Shareholder	Related party	Shareholding	Response
Woodward Family Company Pty Ltd	Anthony Woodward	26,188,349 (16.1%)	Accept ¹
Domains and Web Pty Ltd	Lorenzo Modesto	20,064,249 (12.4%)	Reject ²
Microequities Asset Management	n/a	12,181,443 (7.5%)	Reject ³

Notes:

1. Anthony Woodward granted a call option to MAQ in respect of his 26.1 million shares, as discussed in Section 3.7.1.
2. As indicated by Lorenzo Modesto to *The Australian Financial Review* - reported on 5 December 2017.
3. As indicated by Microequities Chief Investment Officer Carlos Gil to *The Australian Financial Review* - reported on 24 November 2017.

The Offer is conditional on minimum acceptance of 90%. Based on the intentions regarding the Offer indicated by several significant shareholders, the minimum acceptance condition of the Offer appears unlikely to be met.

MAQ intentions if it acquires less than 90% of Bulletproof

If MAQ gains control of Bulletproof but less than 90% of Bulletproof's shares, it plans to:

- Review the suitability of Bulletproof for listing on ASX in light of shareholder spread subsequent to the Offer and ASX requirements;
- Consider acquisition of an additional 3% of Bulletproof shares every six months under the "creep" provisions of the Corporations Act;
- Seek appointment of a majority of MAQ nominees to the Bulletproof board; and
- Review Bulletproof's current capital structure and credit facilities to determine whether they are adequate for continued operations or whether further capital is required.

Shareholders not planning to accept the Offer should consider the following risks:

- Bulletproof may remain an ASX listed company; however, liquidity and free float may be substantially reduced which may affect the ability of remaining Bulletproof shareholders to sell their shares at fair market value.
- If MAQ holds more than 50% of Bulletproof it will represent a strong deterrent to any future takeover bids for the Company, which may adversely affect share trading prices.

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4.2.4. Reasonableness conclusion

Based on the foregoing discussion, we conclude that the Offer is **NOT REASONABLE** to Bulletproof Shareholders.

Given the extent to which our assessed fair market value range exceeds the Offer, we do not consider the advantages of the Offer as discussed above to be sufficiently compelling for Shareholders to outweigh our assessment of the Offer as being not fair and the disadvantages of the Offer also discussed above.

Additionally, the other factors for consideration outlined above do not appear to present sufficient cause for us to conclude that the Offer is reasonable.

5. OTHER MATTERS

5.1. Shareholders' individual circumstances

Our analysis has been undertaken, and our conclusions are expressed at an aggregate level. Accordingly, BDOCF has not considered the effect of the Offer on the particular circumstances of individual Shareholders. Some individual Shareholders may place a different emphasis on various aspects of the Offer from that adopted in this IER. Accordingly, individual Shareholders may reach different conclusions as to whether or not the Offer is fair and reasonable in their individual circumstances.

The decision of an individual Shareholder in relation to the Offer may be influenced by their particular circumstances and accordingly individual Shareholders are advised to seek their own independent advice.

Acceptance or rejection of the Offer is a matter for individual Shareholders based on their expectations as to the expected value, future prospects and market conditions together with their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. Shareholders should carefully consider the Target's Statement. Individual Shareholders who are in doubt as to the action they should take in relation to the Offer should consult their professional adviser.

5.2. General requirements in relation to the IER

In preparing the IER, ASIC requires the independent expert when deciding on the form of analysis for a report, to bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated by those persons affected by the Offer. In preparing the IER we considered ASIC regulatory guides and commercial practice.

The IER also includes the following information and disclosures:

- Particulars of any relationship, pecuniary or otherwise, whether existing presently or at any time within the past, between BDO East Coast Partnership or BDOCF and any of the parties to the Offer;
- The nature of any fee or pecuniary interest or benefit, whether direct or indirect, that we have received or will or may receive for or in connection with the preparation of the IER;
- We have been appointed as independent expert for the purposes of providing an IER in relation to the Offer for the Directors;
- That we have relied on information provided by the Independent Directors and management of Bulletproof ("Management") and that we have not carried out any form of audit or independent verification of the information; and
- That we have received representations from the Independent Directors in relation to the completeness and accuracy of the information provided to us for the purpose of our IER.

5.3. Current Market Conditions

Our opinion is based on economic, market and other conditions prevailing at the date of this IER. Such conditions can change significantly over relatively short periods of time.

Changes in those conditions may result in any valuation or other opinion becoming quickly outdated and in need of revision. We reserve the right to revise any valuation or other opinion, in the light of material information existing at the valuation date that subsequently becomes known to us.

5.4. Glossary

Capitalised terms used in this IER have the meanings set out in the glossary. A glossary of terms used throughout this IER is set out in **Appendix 1**.

5.5. Sources of Information

Appendix 2 to the IER sets out details of information referred to and relied upon by us during the course of preparing this IER and forming our opinion.

The statements and opinions contained in this IER are given in good faith and are based upon our consideration and assessment of information provided by Bulletproof.

Under the terms of our engagement, Bulletproof agreed to indemnify the partners, directors and staff (as appropriate) of BDO East Coast Partnership and BDOCF and their associated entities, against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided by Bulletproof which is false or misleading or omits any material particulars, or arising from failure to supply relevant information.

5.6. Limitations

This IER and the information contained herein may not be relied upon by anyone other than the Independent Directors and Shareholders without our written consent. We accept no responsibility to any person other than the Independent Directors and Shareholders in relation to this IER.

This IER should not be used for any other purpose and we do not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of our IER, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

We have consented to the inclusion of the IER within the Target's Statement. Apart from this IER, we are not responsible for the contents of the Target's Statement or any other document associated with the Offer. We acknowledge that this IER may be lodged with regulatory authorities.

5.7. Financial Service Guide

BDOCF holds an Australian Financial Services Licence which authorises us to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues. A financial services guide is attached to this IER.

Yours faithfully

BDO CORPORATE FINANCE (EAST COAST) PTY LTD



Daniel Coote
Director



David McCourt
Director

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1. PURPOSE, SCOPE AND LIMITATIONS

1.1. Purpose

BDOCF has been appointed by the independent directors of Bulletproof to prepare an independent expert's report expressing our opinion as to whether or not the Offer is fair and reasonable to Shareholders.

The report will be provided to Shareholders as part of the Target's Statement and has been prepared to assist them in making an informed assessment whether to accept the Offer.

This report should not be used for any other purpose and BDOCF does not accept any responsibility for use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of our report, in whole or in part, should be reproduced without the written consent of BDOCF, as to the form and context in which it may appear.

1.2. Scope

The scope of the procedures we undertook in forming our opinion on whether the Offer is fair and reasonable to Shareholders has been limited to those procedures we believe are required in order to form our opinion. Our procedures did not include verification work nor constitute an audit or assurance engagement in accordance with Australian Auditing and Assurance Standards.

Our assessment involved determining the fair market value of various securities, assets and liabilities. For the purposes of our opinion, the term fair market value is defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser and a knowledgeable, willing, but not anxious vendor, acting at arm's length.

1.3. Summary of regulatory requirements

There is no statutory requirement for the directors of Bulletproof to commission an independent expert's report in relation to the Offer. However, the directors of Bulletproof have requested that BDOCF prepare an independent expert's report stating whether, in BDOCF's opinion, the Offer is fair and reasonable, and the reasons for that opinion.

1.4. Basis of evaluation

In preparing our IER, we have considered the requirements of:

- RG 111 Content of expert reports
- RG 112 Independence of experts.

RG 111 establishes guidelines in respect of independent expert.

RG 111 establishes two distinct criteria for an expert analysing a control transaction. The tests are:

- Is the offer 'fair'?
- Is it 'reasonable'?

1.4.1. Fairness

RG 111.11 indicates that an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. The value of the securities the subject of the offer is determined assuming:

- A knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.
- 100% ownership of the target company, irrespective of the percentage holding of the bidder or its associates in the target company.

In relation to the interpretation of RG111.11, the appropriate assessment is to compare:

- The fair market value of a security pre-transaction on a control basis (being the value of the securities the subject of the offer per RG111.11); and

- The cash consideration offered by MAQ.

The basis for the above form of comparison is to ensure our analysis is in line with RG111.5 to RG111.7 which includes statements as follows:

- The main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the Offer.
- The form of analysis an expert uses to evaluate a transaction should address the issues faced by Shareholders.

The Offer is fair if the cash consideration offered by MAQ per Bulletproof share is equal to or greater than the fair market value of a Bulletproof share before the Offer (including a premium for control).

1.4.2. Reasonableness

In accordance with paragraph 12 of RG 111, an offer is 'reasonable' if it is 'fair'. An offer could be considered 'reasonable' if there are valid reasons to approve it (in the absence of any higher bid before the close of the offer), notwithstanding that it may not be regarded as 'fair'.

RG 111.13 sets out some of the factors that an expert might consider in assessing the reasonableness of an offer, including:

- The bidder's pre-existing voting power in securities in the target.
- Other significant security holding blocks in the target.
- The liquidity of the market in the target's securities.
- Taxation losses, cash flow or other benefits through achieving 100% ownership of the target.
- Any special value of the target to the bidder, such as particular technology, the potential to write off outstanding loans from the target, etc.
- The likely market price if the offer is unsuccessful.
- The value to an alternative bidder and likelihood of an alternative offer being made.

1.4.3. General requirements in relation to the IER

In preparing the IER, ASIC requires the independent expert when deciding on the form of analysis for a report, to bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the Offer. In preparing the IER we considered the necessary legal requirements and guidance of the Corporations Act, ASIC regulatory guides and commercial practice.

The IER also includes the following information and disclosures:

- Particulars of any relationship, pecuniary or otherwise, whether existing presently or at any time within the last two years, between BDO East Coast Partnership or BDOCF and any of the parties to the Offer.
- The nature of any fee or pecuniary interest or benefit, whether direct or indirect, that we have received or will or may receive for or in connection with the preparation of the IER.
- We have been appointed as independent expert for the purposes of providing an IER for the Target's Statement.
- That we have relied on information provided by the Directors and management of Bulletproof and that we have not carried out any form of audit or independent verification of the information provided.
- That we have received representations from the Directors in relation to the completeness and accuracy of the information provided to us for the purpose of our IER.

1.5. Special value

We have not considered special value in forming our opinion. Special value is the amount that a potential acquirer may be prepared to pay for a business in excess of the fair market value. This premium represents the value unique to a potential acquirer of potential economies of scale, reduction in competition, other synergies and cost savings arising from the acquisition under consideration not available to likely purchasers generally. Special value is not normally considered in the assessment of fair market value as it relates to the individual circumstances of special purchasers.

1.6. Reliance on Information

This report is based upon financial and other information provided by Bulletproof. BDOCF has considered and relied upon this information. BDOCF believes the information provided to be reliable, complete and not misleading, and has no reason to believe that any material facts have been withheld. The information provided was evaluated through analysis, inquiry and review for the purpose of forming an opinion as to whether the Offer is fair and reasonable.

BDOCF does not warrant that its inquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. In any event, an opinion as to whether a corporate transaction is fair and reasonable is in the nature of an overall opinion rather than an audit or detailed investigation.

It is understood that the accounting information provided to BDOCF was prepared in accordance with generally accepted accounting principles and except where noted, prepared in a manner consistent with the method of accounting used by Bulletproof, in previous accounting periods.

Where BDOCF has relied on the views and judgement of Management the information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of direct external verification or validation. In the context of this Report, the views not capable of direct external verification or validation related principally to matters such as the likely future actions of Management and/or the likely future behaviour of competitors.

1.7. Prospective financial information

The information provided to BDOCF included prospective financial information for Bulletproof, for the month ending 31 December 2017 and the five years ending 30 June 2022 used by Bulletproof for internal strategic planning purposes.

Prospective information is dependent on the outcome of many assumptions, some of which are outside the control of Bulletproof. Assumptions relating to prospective financial information can be reasonable at the time of their preparation, but can change materially over a relatively short time. Accordingly, there can be no warranty or guarantee the prospective financial information will continue to be reasonable in the light of conditions after the date of this Report. BDOCF reserves the right to, and will, bring to the attention of Bulletproof any changes in conditions occurring between the date of this Report and the expiry of the Offer that, in its opinion, adversely affect the reasonableness of any material assumptions underlying information used in forming our opinion in this Report. We reserve the right to update our opinion should any such matters arise.

BDOCF has not been engaged to undertake an independent review of the prospective financial information. However, we have considered the prospective financial information in reviewing the prospects of Bulletproof for the purpose of forming our opinion.

The achievability of the prospective financial information is not warranted or guaranteed by the management of Bulletproof or BDOCF.

In our consideration of the prospective financial information we have had regard to RG 170. BDOCF notes that RG 170 relates to the use of prospective financial information in disclosure documents and product disclosure statements.

As discussed in Section 6.2, forecast financial information for the month ending 31 December 2017 was used in our assessment of Bulletproof’s maintainable earnings. We performed an analytical review of this information to ensure its suitability for this purpose. Bulletproof’s forecast for the five years ending 30 June 2022 contains assumptions which are largely hypothetical. Accordingly, in line with the guidance expressed in RG 170 there are insufficient grounds for disclosing specific details of this prospective financial

information. For this reason, we have not included a detailed disclosure of Bulletproof's forecasts for the five years ending 30 June 2022 in this report.

1.8. Limitations

We acknowledge that this IER may be lodged by the Directors with regulatory and statutory bodies and a copy of this IER may be included in the Target's Statement to be sent to the Shareholders. The Directors acknowledge that our IER has been prepared solely for the purposes noted in the Target's Statement and accordingly we disclaim any responsibility from reliance on the IER in regard to its use for any other purpose. Except in accordance with the stated purposes, no extract, quote or copy of the IER, in whole or in part, should be reproduced without our prior written consent, including as to the form and context in which it may appear.

It was not our role to undertake, and we have not undertaken any commercial, technical, financial, legal, taxation or other due diligence, or other similar investigative activities in respect of Bulletproof. We understand that the Directors have been advised by legal, accounting, tax and other appropriate advisors in relation to such matters as necessary. We provide no warranty or guarantee as to the existence, extent, adequacy, effectiveness and/or completeness of any due diligence or other similar investigative activities by the Directors or their advisors.

We note that the IER does not deal with the individual investment circumstances of Shareholders and no opinion has been provided in relation to same. Some individual Shareholders may place a different emphasis on various aspects of the Offer from that adopted in our IER. Accordingly, individuals may reach different conclusions on whether or not the Offer is fair and reasonable. An individual Shareholder's decision in relation to the Offer may be influenced by their particular circumstances and, therefore, Shareholders are advised to seek their own independent advice.

Apart from the IER, we are not responsible for the contents of the Target's Statement or any other document. We have provided consent for inclusion of the IER in the Target's Statement. Our consent and the Target's Statement acknowledge that we have not been involved with the issue of the Target's Statement and that we accept no responsibility for the Target's Statement apart from the IER.

1.9. Current market conditions

Our 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. Accordingly, changes in those conditions may result in any valuation opinions becoming quickly outdated and in need of revision. BDOCF reserves the right to revise any valuation, or other opinion, in the light of material information existing at the valuation date that subsequently becomes known to BDOCF.

1.10. Sources of information

Appendix 2 to this report sets out details of information referred to and relied upon by BDOCF during the course of preparing this report and forming our opinion.

Bulletproof has agreed to indemnify BDOCF, and BDO East Coast Partnership, and their partners, directors, employees, officers and agents (as applicable) against any claim arising out of misstatements or omissions in any material supplied by Bulletproof, its subsidiaries, directors or employees, on which BDOCF has relied.

1.11. Assumptions

In forming BDOCF's opinion, the following has been assumed:

- all relevant parties have complied, and will continue to comply, with all applicable laws and regulations and existing contracts and there are no alleged or actual material breaches of the same or disputes (including, but not limited to, legal proceedings), other than as publicly disclosed and that there has been no formal or informal indication that any relevant party wishes to terminate or materially renegotiate any aspect of any existing contract, agreement or material understanding, other than as publicly disclosed;

- that matters relating to title and ownership of assets (both tangible and intangible) are in good standing, and will remain so, and that there are no material legal proceedings, or disputes, other than as publicly disclosed;
- information in relation to the Offer provided to Shareholders or any statutory authority by the parties as part of the Bidder's Statement or the Target's Statement is complete, accurate and fairly presented in all material respects;
- if the Offer is accepted, it will be implemented in accordance with its disclosed terms; and
- the legal mechanisms to implement the Offer are correct and effective.

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2. OVERVIEW OF THE OFFER

2.1. MAQ ASX Announcements

On 21 November 2017, MAQ announced its intention to make an off-market bid through its wholly-owned subsidiary Macquarie Cloud Services Pty Ltd to acquire all of the ordinary shares in Bulletproof for \$0.11 cash per share.

On 7 December 2017, MAQ released its Bidder's Statement in relation to the Offer.

2.2. Formal terms of the Offer

Formal terms of the Offer, as outlined in the Bidder's Statement dated 7 December 2017, are:

- The Offer is a cash offer at a price of \$0.11 per share.
- Date of the Offer: 7 December 2017
- Date MAQ must advise of status of Conditions of the Offer: 23 January 2018
- Date Offer Closes: 31 January 2018

2.3. Conditions of the Offer

The Offer is subject to the following Conditions:

- **Minimum acceptance:** by the end of the Offer Period, MAQ having a relevant interest in at least 90% of Bulletproof shares on issue
- **No prescribed occurrences:** between 19 November 2017 and the date three business days after the end of the Offer Period none of the events listed in Section 652C of the Corporations Act occur
- **No material transactions:** between 19 November 2017 and the end of the Offer Period, Bulletproof does not undertake or announce any material asset sales or acquisitions or material borrowings or commitments or grants any security interest over any of its assets or undertakings
- **No material adverse change:** between 19 November 2017 and the end of the Offer Period, no change occurs, is discovered or becomes public which has or could reasonably be expected to have a materially adverse effect on the assets, liabilities, financial position, performance, profitability or prospects of Bulletproof.

Conditions of the Offer are noted in further detail within the Bidder's Statement.

2.4. Effects of the Offer

We note that MAQ intends to compulsorily acquire the remaining Bulletproof shares and remove Bulletproof from the ASX if it acquires 90% or more of Bulletproof.

If MAQ gains control of Bulletproof but less than 90% of Bulletproof's shares, it plans to:

- Review the suitability of Bulletproof for listing on ASX in light of shareholder spread subsequent to the Offer and ASX requirements;
- Consider acquisition of an additional 3% of Bulletproof shares every six months under the "creep" provisions of the Corporations Act;
- Seek appointment of a majority of MAQ nominees to the Bulletproof board; and
- Review Bulletproof's current capital structure and credit facilities to determine whether they are adequate for continued operations or whether further capital is required.

3. PROFILE OF BULLETPROOF

3.1. Background

Bulletproof provides managed cloud, hosting, and professional services to customers across Australia, the United States, and New Zealand. The Company's services can be categorised into public cloud, private cloud and professional services which are described in further detail below.

- **Public cloud**

Bulletproof is a premier consulting partner of Amazon Web Services ("AWS") and a Microsoft ("Azure") Gold & a Tier 1 CSP partner. Bulletproof offers end to end services for both AWS and Azure including consulting, delivery and support services. Support services relate to handling of ad-hoc requests and continuous improvement programs for customers who have implemented an AWS or Azure cloud solution.

- **Private cloud**

Bulletproof private cloud provides a scalable ISO 27001 compliant environment built to each client's technical requirements. Bulletproof private cloud services include right-fit private cloud, security and compliance, future-proof private cloud, and end-to-end cloud services.

- **Professional services**

Bulletproof provides consulting and professional services to help scope a customer's cloud requirements, recommend a cloud solution, implement the proposed cloud solution and migrate customer workloads to the cloud.

3.2. Company history

Bulletproof listed on the Australian Securities Exchange in 2014 via a reverse take-over of Spencer Resources Limited. Bulletproof has since focussed on growth through both organic means and through acquisitions.

Key acquisitions and recent developments are noted below:

- **Pantha Corp ("Pantha")**

Bulletproof acquired Pantha, a cloud consulting and professional services company, on 11 December 2014. Pantha strengthened Bulletproof's professional services offering as a major AWS consulting partner with experience in DevOps¹ and cloud enablement for top 20 ASX listed customers.

- **Infoplex Pty Ltd ("Infoplex")**

On 8 October 2015 Bulletproof acquired Infoplex. Infoplex manages and hosts private clouds for core enterprise applications using third party data centres in Sydney and Melbourne. Infoplex's secure data centres are ISO27001 certified, APRA compliant, and Sarbanes Oxley auditable. Key customers include Genworth and GraysOnline.

- **Cloud House Limited ("Cloud House")**

Bulletproof entered the New Zealand market through its acquisition of Cloud House, New Zealand's largest AWS consulting partner, on 15 February 2016. Cloud House provides consulting, billing, and managed services for customers from their Auckland and Wellington offices.

- **New project management office ("PMO")**

In January/February 2017 Bulletproof implemented a new PMO to standardise and improve customer project management across the Company.

- **Cost base restructure**

In December 2016, following the acquisition of Infoplex, Pantha and Cloud House, Bulletproof undertook a substantial restructure of its cost base reducing headcount by c. 30 staff and a further c.

¹ DevOps aims at shorter development cycles and increased deployment frequency in close alignment with business objectives. Bulletproof offers automation management, pipeline management and application release management as part of its DevOps offering.

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6 staff in January 2017. A further 17 resignations during FY17 were not replaced, resulting in an overall decrease in headcount of c. 53 staff. The terminations resulted in once off costs of circa \$1.1 million in FY17. The staff restructure allowed Bulletproof to reduce total headcount and reduce the average cost per employee.

Further redundancies of c. 9 staff in September 2017 will be partially offset by the planned new hires in line with the organisational review.

- **Turnaround plan**

In October/November 2017, Management completed an organisational review and began to implement a turnaround plan which aims to achieve growth in profitability through the addition of senior sales and marketing executives focussed on sales and customer delivery (particularly with respect to enterprise services), a focus on customer relationship management to reduce customer churn, and focus on key customer industry verticals. Cost savings from the September restructure will be partially invested in new roles created in line with the turnaround plan.

- **Data centre consolidation**

Bulletproof is currently considering a data centre consolidation business case. This could increase costs in the near term (implementation) and realise up to \$1.0 million in annual cost savings thereafter. The consolidation is expected to have a net impact of \$1.7 to \$2.6 million in savings over five years.

3.3. Revenue analysis

3.3.1. Overview

Bulletproof's revenue comprises of approximately 80% recurring and 20% non-recurring revenue. Bulletproof's recurring revenue streams achieve lower average margins than the non-recurring stream.

- **Recurring revenue** (84% of total in 4M18)

Bulletproof earns recurring revenue from public and private cloud customers in relation to their monthly cloud usage and Bulletproof's cloud management services. Cloud management services are offered in three tiers (on demand, dedicated and premium), each with their own cost structure and inclusions.

- **Non-recurring revenue** (16% of total in 4M18)

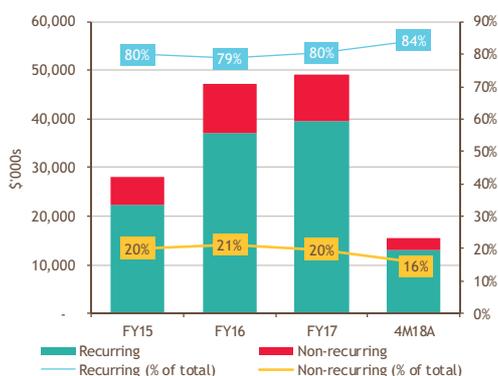
Bulletproof's non-recurring revenue mainly relates to professional services. The non-recurring revenue also includes other one-off income earned in relation to set up fees earned on public and private cloud.

Revenue exhibits seasonality with c. 55% of revenue, on average, occurring in the second half of the year ("H2"). Seasonal lows in revenue are seen over the January period with revenue peaking in May/June as customer's look to finalise projects and utilise IT budgets prior to year-end.

3.3.2. Revenue mix

Private Cloud comprises Bulletproof's largest revenue segment followed closely by Public Cloud. Bulletproof's revenue mix has been consistent over the last three financial years.

Management is currently placing a strategic focus on driving revenue growth in Professional Services, particularly with respect to large corporate and government enterprises where Bulletproof's experience in providing cloud solutions to retail and loyalty program customers can be leveraged in the financial services and insurance sectors.

Figure 3: Recurring and non-recurring revenue


Source: Management accounts and BDO analysis

3.4. Directors and management

There were various changes in key management personnel and directors of Bulletproof in the last twelve months. Key changes noted were:

- December 2016: Resignation of Kylie Turner, Chief Financial Officer and Company Secretary
- March 2017: Resignation of Mark Rainbird, Chief Operating Officer
- April 2017: Appointment of Paula Kensington as Chief Financial Officer
- September 2017: Appointment of Kenneth Carr as Non-Executive Director
- September 2017: Resignation of Lorenzo Modesto, Director of Strategy
- November 2017: Resignation of David Paterson, Non-Executive Director and Chairman
- November 2017: Appointment of Craig Farrow as Chairman

Table 3: Bulletproof Board of Directors

Name	Title	Interest in shares	Status
Craig Farrow	Non-Executive Director and Chairman	100,000 ordinary shares held indirectly, 500,000 options on ordinary shares	Appointed 24 August 2016, Chairman from 29 November 2017
Anthony Woodward	Executive Director and Chief Executive Officer	26,188,349 ordinary shares	
Kenneth Carr	Non-Executive Director	None	Appointed 1 September 2017

Source: CapitalIQ and Bulletproof ASX announcements

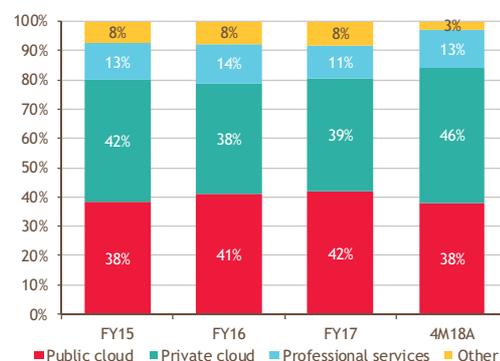
Bulletproof's current executive management team is set out below. The Management positions mirror the new operating model with sales and customer enablement forming the core strategy (responsibility of the Chief Customer Officer) supported by marketing, technology, finance and people.

Table 4: Executive Management

Director's name	Capacity
Anthony Woodward	Chief Executive Officer
John Ferlito	Chief Technology Officer
Paula Kensington	Chief Financial Officer
Rachel Sutton	Head of People and Culture
New role currently vacant	Chief Customer Officer
New role currently vacant	Head of Marketing

Source: Management information and organisational structure November 2017

Bulletproof conducted an organisational review during 2017 and developed a new operating model as a result of the process. The new operating model places sales, customer delivery and customer enablement

Figure 4: Revenue by type


Source: Management accounts

Note: Other comprises non-recurring reserved instances and set up costs. Public and Private cloud as noted above represent the recurring portion of revenue.

at the core of Bulletproof's organisational strategy. The new operating model has necessitated two new executive roles:

- Chief Customer Officer tasked with ensuring customer satisfaction, reducing customer churn, driving service delivery and project coordination and developing the customer support offering (including DevOps, application support and cloud support); and
- Head of Marketing focussed on brand, digital and product marketing, lead generation, and partner and channel strategy management.

3.5. Financial Performance

The audited income statements for the years ended 30 June 2015 ("FY15"), 30 June 2016 ("FY16") and 30 June 2017 ("FY17") as well as the unaudited management accounts for the four months ended 31 October 2017 ("4M18") are set out in the table below.

Bulletproof is audited by Grant Thornton who issued unqualified audit opinions in FY15, FY16 and FY17.

Table 5: Summary of Financial Performance

\$'000s	Notes	FY15	FY16	FY17	4M18
Revenue	1	28,001	47,219	49,152	15,365
Cost of sales	2	(10,561)	(20,584)	(25,629)	(9,280)
Gross profit		17,440	26,635	23,523	6,085
Employee benefits expense	3	(10,506)	(15,837)	(17,014)	(3,560)
Consulting, legal and professional fees	4	-	(3,645)	(1,854)	(448)
Premises expenses	5	-	(955)	(1,702)	(454)
Other expenses		(3,850)	(2,340)	(2,513)	(771)
Other income		1,164	360	319	3
Reported EBITDA		4,248	4,218	759	855
Bargain purchase in a business combination	6	-	621	-	-
Impairment of assets	7	-	-	(5,773)	-
Revaluation of financial liabilities	8	4,146	707	1,298	(70)
Depreciation and amortisation expense	9	(3,333)	(3,848)	(4,336)	(1,519)
Reported EBIT		5,061	1,698	(8,052)	(734)
Interest		(216)	(127)	(245)	(113)
Tax expense		(410)	201	2,229	(1)
Net Income		4,435	1,772	(6,068)	(848)
KPIs					
Sales growth	1	ina	68.6%	4.1%	ina
Gross profit margin	2	62.3%	56.4%	47.9%	39.6%
Employee costs % revenue		37.5%	33.5%	34.6%	23.2%
EBITDA margin		15.2%	8.9%	1.5%	5.6%
Underlying EBITDA		4,184	4,716	2,187	1,260
Underlying EBITDA margin		14.9%	10.0%	4.4%	8.2%

Source: Audited financial statements for the periods ended 30 June 2017 and 30 June 2016, BDO analysis and the management accounts as at 31 October 2017. Note: Gross margin as calculated above does not include the depreciation and amortisation allocation as monitored by Management for comparability purposes.

We note the following regarding Bulletproof's historical financial performance:

1. Revenue grew significantly in FY16 driven by 31% organic growth and an additional \$10.4m revenue following the acquisitions of Infoplex and Pantha. Bulletproof's five-year revenue CAGR was 41%. Comparatively, FY17 revenue grew by a disappointing 4.1% to \$49.2 million. FY17 guidance earlier in that year had Bulletproof targeting FY17 revenue of up to \$60 million, a c.30% increase on FY16.

FY17 revenue growth was impacted by customer churn and buying behaviour which, in particular, negatively impacted recurring public cloud revenue. Professional services revenues declined by 14% in FY17 due to customer side project reductions, as the largest professional services customer placed projects on hold for the first half of the financial year.

4M18 was broadly in line with budget and Management has indicated that the November 2017 accounts are tracking ahead of the budget.

Table 6: Gross margin reconciliation

\$000s	FY15	FY16	FY17	4M18
Reported gross profit	17,440	26,635	23,523	6,085
<i>Reported gross profit margin</i>	<i>62.3%</i>	<i>56.4%</i>	<i>47.9%</i>	<i>39.6%</i>
Adjustment for labour recharge	-	-	-	1,373
Depreciation & amortisation	(3,280)	(3,687)	(4,187)	(1,232)
Interest expense	(198)	(119)	(221)	-
Management gross profit	13,962	22,829	19,115	6,225
<i>Management gross profit margin</i>	<i>49.9%</i>	<i>48.3%</i>	<i>38.9%</i>	<i>40.5%</i>

Source: Audited financial statements for the periods ended 30 June 2017 and 30 June 2016, BDO analysis and the management accounts as at 31 October 2017.

2. Depreciation and amortisation included in Management gross profit, set out above, relates to amortisation of the customer relationships, amortisation of the brand names and trademarks, depreciation of computer hardware, and amortisation of the AWS reserved instances.

Cost of sales includes the portion of employee costs directly attributable to the provision of services. The Company has experienced continued downward pressure with margins declining from 62.3% in FY15 to 47.9% in FY17. This is driven by a number of factors including revenue mix, with lower professional services revenue, and increased pricing pressure on support services for public and private cloud. Management has also increased the allocation of employee costs to monitor project performance. The labour recharge to cost of sales increased from \$2.4 million in FY16, to \$3.9 million in FY17 and \$2.3 million in 4M18. 4M18 cost of sales includes \$1.4 million in allocated support staff recharges which was not recharged in prior periods. Excluding the \$1.4 million recharge, 4M18 gross profit margin as monitored by Management has increased to 40.5%.

3. Employee costs in FY17 comprise \$14.1 million in salaries and wages, \$2.3m in payroll on costs and \$0.5 million in other employee costs (including recruitment). Employment costs are shown net of the portion capitalised to software and product development and the portion allocated to cost of sales.

Employee expenses decreased as a percentage of revenue from 37.5% in FY15 to 34.6% in FY17. Management restructured the cost base in December 2016 to lower overall headcount by c. 30 which is expected to realise circa \$4.0 million in annualised cost savings. The FY17 employee costs include \$1.1 million in one-off termination costs.

4. Consulting legal and professional costs in FY17 relate to \$0.3 million legal fees, \$0.9 million in consulting fees and \$0.6 million in accounting, board and other fees. Consulting fees relate to specialised consultants and contract workers hired for internal projects.
5. Premises expenses increased by 78.2% in FY17 due to the move to a new and larger premises at a higher rental cost per square metre.
6. The gain from bargain purchase was recognised in relation to the acquisition of Infoplex's identifiable net assets, valued at \$4.1 million, for \$3.5 million consideration.
7. FY17 Impairment of goodwill (\$1.5 million) related to Cloud House (NZ). Management lowered forecast growth rates for Cloud House in line with recent performance. The impairment of software

and product development (\$4.3 million) was recognised in FY17 as Management implemented a new policy from FY17. Only external product development costs will be capitalised going forward with historical costs largely being written off as a result.

8. Revaluation of the financial liabilities relates to the write down of the deferred consideration payable in relation to the acquisition of Cloud House as the professional services business did not meet the earn out requirements.
9. Depreciation (\$2.9 million in FY17) relates mainly to the plant and equipment used for the private cloud segment while amortisation (\$1.4 million in FY17) relates mainly to the amortisation of reserved instances (\$1.1 million in FY17).

Capital expenditure is estimated to be c. \$1.7 million to \$2.0 million per year by Management to maintain the current operations. The board is currently considering a data centre consolidation business case which could deliver between \$1.7 million and \$2.6 million in total cost savings (split between capital and operating expenditures) over the next five years.

3.5.1. Underlying EBITDA

Bulletproof achieved an increase in underlying EBITDA in FY16, in line with revenue growth despite the deterioration in the gross margin percentage.

Underlying EBITDA deteriorated in FY17 largely because the expected revenue growth required relative to Bulletproof's cost base failed to materialise and, as previously discussed, Bulletproof's higher margin professional services business performed below expectations.

Bulletproof's underlying EBITDA is set out in the table below.

Table 7: Summary of underlying EBITDA and EBIT

\$'000s	Notes	FY15	FY16	FY17	4M18
Reported EBITDA		4,248	4,218	759	855
EBITDA Margin		15.2%	8.9%	1.5%	5.6%
Adjustments					
Restructuring costs	1	-	-	1,251	306
Acquisition costs	2	-	537	-	-
Working capital adjustment	3	-	-	190	-
Cloud House legal	4	-	-	-	98
Interest income		(64)	(39)	(13)	0
Underlying EBITDA		4,184	4,716	2,187	1,260
Depreciation and amortisation		(3,333)	(3,848)	(4,336)	(1,519)
Underlying EBIT		851	868	(2,149)	(259)
KPIs					
<i>Underlying EBITDA margin</i>		14.9%	10.0%	4.4%	8.2%
<i>Underlying EBIT margin</i>		3.0%	1.8%	(4.4%)	(1.7%)

Source: Audited financial statements for the periods ended 30 June 2017 and 30 June 2016, BDO analysis and the management accounts and information as at 31 October 2017.

1. Restructuring costs relate mainly to the once off staff termination costs in relation to the December 2016 cost base restructure.
2. Acquisition costs relate to the legal, due diligence, and other costs incurred in relation to the acquisition of Cloud House and Infoplex during FY16.
3. The working capital adjustment relates to a one off recognition of software licences and other costs which had not been accrued due to incorrect dating on invoices received. This has been corrected and is not expected to re-occur by Management.
4. One off legal and consulting fees incurred in relation to the Cloud House legal case and external consultants hired in relation to the organisational review.

3.5.2. Financial performance outlook

In response to the disappointing financial performance of FY17, Bulletproof:

- has made significant personnel changes at board level and senior management;
- performed an organisational review and developed a new operating model through which to target new business, focus a strengthening sales capability, and manage customer churn risks;
- undertook organisational restructures in December 2016 and October 2017 in order to align headcount with current levels of revenue and is in the process of recruiting key roles required under the current strategy;
- has improved governance in relation to customer projects; and
- has developed a new suite of products and services which is hoped to better align to customer needs in key industry verticals.

Management expects that these changes will result in improvement in revenue and in underlying EBITDA performance. We note that aside from reductions in headcount, which is delivering cost savings to the business, Bulletproof is at an early stage of its turnaround plan and significant implementation risk exists.

As discussed in Section 6.2, our assessment of Bulletproof's underlying EBITDA for the 12 months ending 31 December 2017 is \$4.6 million which compares positively to FY17 underlying EBITDA of \$2.2 million.

Per our assessment in Section 3.6.1, Bulletproof may require further working capital in the range of \$0.5 million to \$1.0 million in the short to medium term. Achievement of the turnaround plan may depend on the Company's ability to obtain further finance. Management is currently in the process of unlocking further funding with MoneyTech in relation to the professional services invoices which are not currently financed.

The outlook for Bulletproof appears broadly positive although there remains significant risk in achieving the turnaround plan.

3.6. Financial Position

The following table sets out Bulletproof's historical audited statements of financial position as at 30 June 2015 ("FY15"), 30 June 2016 ("FY16") and 30 June 2017 ("FY17"), the unaudited financial position as at 31 October 2017 ("4M18") per the Company's management accounts.

Table 8: Summary of Financial Position

\$'000s	Notes	FY15	FY16	FY17	4M18
Cash and cash equivalents	1	3,363	4,664	1,500	1,538
Trade and other receivables	2	4,988	7,441	4,548	4,403
Current tax asset		149	-	32	15
Financial asset		26	-	-	-
Other current assets	3	821	2,167	4,275	4,924
Total current assets		9,347	14,272	10,355	10,880
Property, plant and equipment	4	4,827	8,629	7,593	6,457
Intangible assets	5	4,019	7,216	1,780	1,754
Goodwill	6	3,466	6,676	4,186	4,186
Deferred tax asset	7	1,381	1,898	2,927	2,924
Deposits		37	461	461	461
Total non-current assets		13,730	24,880	16,947	15,783
Total assets		23,077	39,153	27,302	26,663
Trade and other payables	8	5,239	8,140	6,497	8,244
Financial liability	9	-	11	21	-
Income tax payable		-	10	-	(28)
Income received in advance	10	994	1,349	-	-
Provisions (current)		470	975	663	758
Borrowings (current)	11	1,246	1,351	3,007	1,891
Deferred consideration	12	2,763	2,927	-	-

Financial liabilities		3,333	-	-	-
Total current liabilities		14,046	14,762	10,188	10,865
Provisions		166	265	174	220
Borrowings	13	1,012	1,621	1,566	1,360
Deferred tax liability		1,005	1,685	87	87
Total non-current liabilities		2,184	3,570	1,827	1,668
Total liabilities		16,229	18,333	12,015	12,533
Net assets		6,848	20,820	15,287	14,130
KPIs					
<i>Current ratio</i>		0.67	0.97	1.02	1.00
<i>Interest bearing debt to total assets</i>		0.10	0.08	0.17	0.12
<i>Debtor days</i>	2	ina	44	31	30
<i>Creditor days</i>	8	ina	136	105	61

Source: Statutory accounts for FY15, FY16 and FY17 and October 2017 management accounts

We note the following regarding Bulletproof's historical financial position:

- Cash declined by \$3.1 million in FY17, due to negative cash flows from operating activities of \$2.4 million and investment in software and product development of \$0.7 million, partially offset by the net proceeds from issuing shares and borrowings.
- FY17 trade and other receivables primarily relate to trade receivables (\$4.5 million). No provision for doubtful debts was raised in the current year (\$69k in FY16). No write off of trade receivables was recognised in FY17. Collectability of trade receivables are reviewed on an ongoing basis. Trade receivables are generally settled within 30 days. As at 30 June 2017, trade debtors 30-60 days overdue and greater than 60 days overdue represent 2.2% and 2.0% of the year-end balance, respectively.

During FY17, a 24 month \$5.0 million debtor financing agreement was entered into with MoneyTech which provides financing for approved debtors (excluding milestone revenue, foreign currency invoices and advance invoices). Approximately 50% of monthly debtors are approved debtors for MoneyTech purposes. Invoice discounting has provided Bulletproof with an additional \$1.7 million of working capital as at 31 October 2017. The facility has improved the stability of the debtor's days which have decreased from 44 days in FY16 to 30 days in 4M18.
- FY17 other current assets relate to accrued revenue (\$2.3 million), prepayments (\$1.6 million), other deposits (\$0.2 million) and other assets (\$0.2 million). Bulletproof accrues revenue on a monthly basis as private and public cloud customers are billed in arrears for their monthly usage. Professional services work in progress is accrued monthly with revenue being recognised on the percentage of completion basis. Customer invoicing for professional services is done on a milestone basis. Prepayments largely relate to annual software licences, AWS reserved instances, insurance and maintenance contracts which are generally paid annually in advance.
- FY17 property, plant and equipment relates to plant and equipment under lease (\$4.2 million), plant and equipment (\$2.8 million), office furniture and equipment (\$0.5 million) and building improvements (\$0.1 million). The plant and equipment under lease relates to the servers and IT infrastructure subject to hire purchase agreements, generally financed over a five-year term.
- FY17 intangible assets relate to software and product development (\$0.6m), customer contracts and brands (\$0.6 million), Amazon web services reserved instances (\$0.5 million) and domain name (\$23k). The FY17 decline in value of intangible assets is due to a \$4.3 million impairment of software and product development, as discussed above.

Bulletproof no longer capitalises the cost of reserved instances purchased from AWS. Reserved instances are now recognised as cost of sales as incurred. Bulletproof also makes use of convertible

reserved instances which allow for flexibility in the fixed versus monthly usage charges to improve cost optimisation.

6. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.
7. Goodwill in relation to the Cloud House acquisition was impaired by \$1.5 million in FY17. Refer to Section 3.5.
8. FY17 trade and other payables comprise trade payables (\$4 million), accruals (\$1.8 million), payroll liabilities (\$0.4 million) and GST payable (\$0.3 million).

Trade and other payables were highest in December 2016 at \$7.5 million. Bulletproof has since focussed on unlocking working capital through the MoneyTech facility which has reduced trade payables to \$3.7 million in October 2017 with creditor days falling from 136 days in FY16 to 61 days in 4M18.

9. FY17 financial liability relates to forward foreign exchange contracts net settled at \$21k. The Company uses derivatives to hedge against certain risk exposures. The Company also obtains guarantees where appropriate to mitigate credit risk.
10. Bulletproof changed its revenue recognition policy in FY17, in which the reserved instances and private cloud revenue are no longer deferred. Refer to Section 3.5 for more detail.
11. FY17 current borrowings comprise of debtor financing (\$1.3 million) and a lease liability (\$1.7 million) with weighted average interest rates of 7.97% and 6.40%, respectively.
The MoneyTech facility has an annual interest rate of 7.97% and a monthly fee of \$2,825. As part of this facility, the Company entered into a general security deed across its business assets.
12. Deferred consideration (earn out payable) was reduced to nil in FY17 due to the finalisation of the Cloud House acquisition. On 17 July 2017, Bulletproof received a claim in relation to the acquisition of Cloud House from the previous founders of the business. The directors consider the claim to have no basis and therefore no provision has been made in the financial statements as at 30 June 2017. Legal advice has provided an estimate of legal costs to defend and counter the claim to be in the region of \$300,000 should the matter go to court. Defences to the claim were lodged in the New Zealand High Court on 24 August 2017.
13. FY17 non-current borrowings relate to a lease liability of \$1.6m relating to the hire purchase of plant and equipment. The lease liability is secured with the rights to the leased assets reverting to the lessor in the event of default.

3.6.1. Working Capital

The table below sets out Bulletproof's net current assets/(liabilities) as at FY15, FY16, FY17, and 4M18. Net current assets/(liabilities) is a measure used by Management to assess working capital requirements.

Table 9: Net current assets

\$'000s	FY15	FY16	FY17	4M18
Cash	3,363	4,664	1,500	1,538
Trade and other receivables	4,988	7,441	4,548	4,403
Other current assets	996	2,167	4,307	4,939
Trade and other payables	(5,239)	(8,140)	(6,497)	(8,244)
Other current liabilities	(8,807)	(6,623)	(3,691)	(2,622)
Net current assets	(4,698)	(490)	167	15

Source: Statutory accounts for FY15, FY16 and FY17 and October 2017 management accounts

Over recent periods, Bulletproof's net current asset position has been negative or marginally positive. The MoneyTech facility has provided working capital; however, Management's weekly cash flow forecasts indicate occasional shortages in the short term after factoring in significant planned termination payments. We estimate that Bulletproof requires c. \$0.5 million to \$1.0 million additional funding for short to medium term working capital requirements.

3.6.2. Finance and operating leases

Bulletproof has 31 finance lease liabilities on various items of plant and equipment each with varying payment terms and interest rates. The total finance lease obligation in FY17 is as follows:

Table 10: Finance commitments

Terms	\$'000s
Finance lease commitments	
- within one year	\$1,738
- between one and five years	\$1,566
Weighted average interest rate	6.40%
Security	Lease liabilities are secured by the related leased assets.

Source: 30 June 2017 annual report

The operating lease commitments relate to non-cancellable leases for the Sydney and Melbourne offices.

Table 11: Operating lease commitments

Terms	\$'000s
Finance lease commitments	
- within one year	\$1,300
- between one and five years	\$3,419

Source: 30 June 2017 annual report

3.6.3. Off balance sheet and contingent liabilities

Management is not aware of any off balance sheet or contingent liabilities other than the claim in relation to the acquisition of Cloud House from the previous founders of the business.

On 31 January 2016, the Company entered into an asset sale agreement with Cloud House to acquire the business. The agreement provided for an earn out payment for the periods ending 31 December 2016, 30 June 2017 and 31 December 2017 based on business performance hurdles including revenue and profit performance. For the first measurement period the performance hurdles were not met and no earn out was payable.

The claim alleges that the underperformance was due to Bulletproof's management and decisions after Cloud House was acquired. The claim further alleges that Cloud House was misled as to Bulletproof's capabilities, customer base and access to managed services. The loss in earn out is alleged to be NZ\$3.9 million.

Bulletproof's position is that the claim is speculative and baseless. Bulletproof has lodged a counter claim against Cloud House and plans to defend the proceedings. Legal advice has provided an estimate of legal costs to defend and counter the claim to be circa \$300,000 should the matter run to trial.

3.7. Capital structure

As at 15 December 2017, Bulletproof had 162,375,769 shares and 500,000 options on issue.

3.7.1. Top 10 shareholders

The top 10 Shareholders as at 15 December 2017 are as follows:

Table 12: Top 10 shareholders

Rank	Shareholder	Related party	Securities Outstanding	% ownership
1	WOODWARD FAMILY COMPANY PTY	Anthony Woodward	26,188,349	16.1%
2	DOMAINS AND WEB PTY LTD	Lorenzo Modesto	20,064,249	12.4%
3	J P MORGAN NOMINEES AUSTRALIA		13,630,847	8.4%
4	FERLITO AND PFEIFFER FAMILY	John Ferlito	8,210,765	5.1%
5	HSBC CUSTODY NOMINEES		6,984,046	4.3%
6	RAPTOR RACING PTY LTD	David Stevens	6,746,277	4.2%
7	BM CAPITAL MANAGEMENT PTY LTD		5,169,820	3.2%
8	DWS SUPER INVESTMENTS PTY LTD	David Stevens	4,033,019	2.5%
9	KIM LEE		2,206,742	1.4%
10	JAPEM PTY LTD		1,672,769	1.0%
Top ten subtotal			94,906,883	58.4%
Other shareholders			67,468,886	41.6%
Total securities outstanding			162,375,769	100.0%

Source: *Bulletproof share register as at 15 December 2017*

Note 1: Per substantial holding notices on 24 November 2017 and 27 November 2017, 12,181,443 shares (7.5%) relate to *Microequities Asset Management*.

The top 10 Shareholders own a total equity interest of approximately 58.4%. We note that MAQ had a relevant interest in 26,188,349 shares representing 16.1% of the issued capital of the Company via a call option deed with the entity associated with Mr Anthony Woodward, CEO and co-founder of Bulletproof.

3.7.2. Share options

As at 30 June 2017, Bulletproof had issued 500,000 options to Craig Farrow (a non-executive director and Chairman). Management has performed a market valuation of these options as at 30 June 2017 and estimate the value to be c. \$80k. Details of the share options are as follows:

Table 13: Options

Grant date	Expiry date	Exercise price	Number of options
24/8/2016	07/11/2021	\$0.35	250,000
24/8/2016	07/11/2021	\$0.39	250,000
Total			500,000

Source: *30 June 2017 annual report*

3.7.3. Employee share ownership plan

Bulletproof maintains two equity settled share based payment schemes for employee remuneration. The employee share ownership plan (“ESOP”) is part of the remuneration package of Bulletproof’s senior management and is designed to provide loans to employees solely for the purpose of acquiring shares in the Company. The general employee share plan (“GESP”) is for general personnel and enables eligible employees to acquire shares up to \$1,000 each year on a tax exempt basis.

ESOP participants have to remain employed at Bulletproof until the end of the agreed restriction period (three years). Shares issued under the ESOP and GESP are classified as restricted securities until vesting.

The shares issued in relation to the GESP and ESOP plan are included within the 162,375,769 per 3.7.1 above. Details of the ESOP and GESP as at 15 December 2017 are as follows:

Table 14: GSEP and ESOP details

Description	Issue date	Restriction end date	Issue price	Number on issue
GESP - 2015	13/03/2015	12/03/2018	\$0.30	156,651
ESOP - 2015	13/03/2015	12/03/2018	\$0.30	99,999
GESP - 2016	08/02/2016	07/02/2019	\$0.40	190,000
ESOP - 2016	08/02/2016	07/02/2019	\$0.40	331,250
ESOP - 2017	12/08/2017	11/08/2020	\$0.12	2,166,667
GESP - 2017	12/08/2017	11/08/2020	\$0.12	633,308
Total:				3,577,875

Source: *Share register as at 15 December 2017 and Management information*

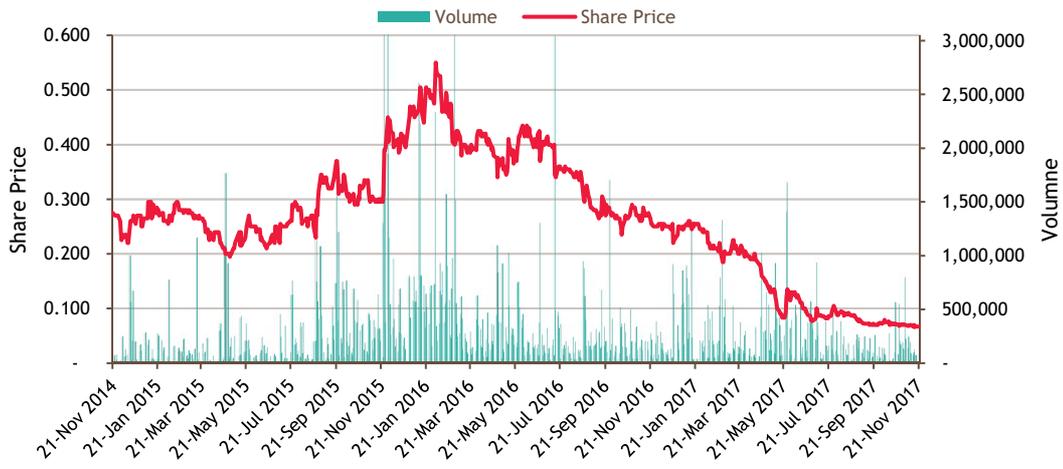
3.8. Historical share trading analysis

As indicated below, the Company’s share price has exhibited significant volatility in the prior three years, exhibiting a range of \$0.07 per share to \$0.55 per share.

The large decline over the last two years appears attributable to actual financial performance under performing market guidance provided, a lack of communication to Shareholders of information relating to key underlying drivers of the business, high turnover in key management personnel and directors, and the legal dispute in progress with Cloud House.

We have performed a detailed analysis of the share price movements and impact of trading announcements in Section 7.

Figure 5: Daily closing share price and trading volume (three years)



Source: CapitalIQ

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4. INDUSTRY OVERVIEW

4.1. Introduction

Cloud managed service providers (MSPs) operate within the area of cloud computing, which is the delivery of computing over the internet. The three primary types of cloud services are:

- Infrastructure-as-a-Service (“IaaS”)
- Platform-as-a-Service (“PaaS”)
- Software-as-a-Service (“SaaS”)

These three categories are generally considered a ‘stack’ and build on one another, as outlined in more detail below.

Infrastructure-as-a-Service

IaaS relates to underlying network infrastructure such as servers and virtual machines. IaaS providers deliver these computing resources over the internet using infrastructure housed in data centres. Within IaaS, there are three types of hosting solutions: Private Cloud, Public Cloud, and Hybrid Cloud.

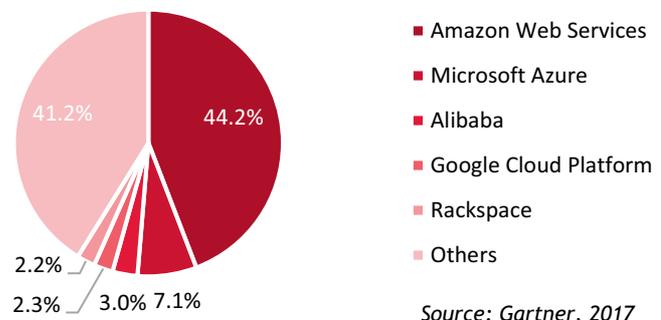
A Private Cloud IaaS solution uses infrastructure dedicated to a particular customer and can either be hosted on-premise or through a third party service provider’s data centre. An in-house Private Cloud strategy requires the management, maintenance, and support of the network to be conducted on-site.

A Public Cloud IaaS solution involves the use of an external IaaS provider to store, maintain, support, and deliver computing services over the internet for a fee. As such, a company employing a Public Cloud strategy does not need to build its own infrastructure network. While there are various Public IaaS providers, the industry is dominated by Amazon Web Services (“AWS”), which had 44% market share in 2016, as indicated below.

A Hybrid Cloud solution combines elements of both Private and Public Cloud.

The Company offers solutions within the IaaS area of the cloud computing stack. MSPs, such as the Company, act as intermediaries between IaaS providers and customers, offering various services depending on the individual IT needs of the customer. These services range from reselling cloud-computing capacity from IaaS providers, such as AWS and Azure, to assisting customers migrate to the cloud, and other professional services related to tailoring a customer’s overall cloud strategy.

Figure 6: Public Cloud IaaS Market Share (2016)



Source: Gartner, 2017

Platform-as-a-Service

PaaS relates to services that supply an environment allowing users to develop, run, and manage applications without having to invest in physical infrastructure. Similar to IaaS, PaaS can be delivered as either a public service (through a third-party provider) or as a private service, whereby a customer supplies the services required to host applications. Given PaaS sits above IaaS in the cloud computing ‘stack’, Private PaaS can be delivered through a Public Cloud IaaS solution.

Software-as-a-Service

SaaS relates to the delivery of software applications over the internet and is typically priced on a per-use or subscription basis. SaaS applications are not installed on a user’s own hardware, which alleviates the need for on-premise maintenance and support.

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4.2. Key revenue drivers

Cloud adoption

The number of companies employing cloud strategies, and the extent to which their IT activities involve cloud computing, represents the primary driver of revenue in the industry. Based on a global survey of over 2,000 IT professionals conducted by McAfee in September 2016, 93% of those surveyed are operating some type of cloud services in their organisation.

While cloud services are already present in most businesses, an increasing proportion of traditional IT activities are expected to shift to the cloud. According to Gartner, approximately 17 percent of the total market revenue for infrastructure, middleware, application, and business process services had shifted to cloud, as at 2016. This figure is expected to increase to 28% by 2021.

Terms with IaaS providers

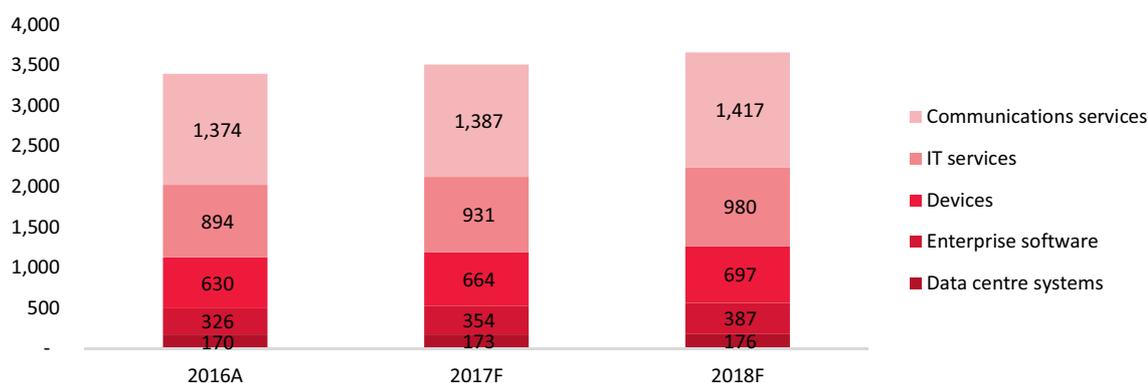
Given the commoditised nature and market share concentration of the industry, MSPs are subject to prices and terms offered by hyper-scale cloud providers, such as AWS and Microsoft Azure.

IT Spending

As providers of IT-related services, cloud MSPs consider IT budgets core revenue drivers. The professionals surveyed in McAfee's Cloud Report believe that 80% of all IT budgets will be committed to cloud solutions within 15 months of the survey, signalling its importance in the minds of IT professionals.

Gartner predicts worldwide IT spending to increase to \$3.51 trillion USD in 2017 and \$3.66 trillion USD in 2018, with the majority of spending related to Communications Services.

Figure 7: Worldwide IT spending (USD Billions)



Source: Gartner, 2017

4.3. Financial outlook

Global Public Cloud Service revenue is projected to grow from \$219.6 billion USD in 2016 to \$411.5 billion USD in 2020, representing a compound annual growth rate of 17%.

Figure 8: Worldwide Public Cloud Services Revenue Forecast

USD Billions	2016A	2017F	2018F	2019F	2020F
Cloud Business Process Services (BPaaS)	39.6	42.2	45.8	49.5	53.6
Cloud Application Infrastructure Services (PaaS)	9.0	11.4	14.2	17.3	20.8
Cloud Application Services (SaaS)	48.2	58.6	71.2	84.8	99.7
Cloud Management and Security Services	7.1	8.7	10.3	12.0	13.9
Cloud System Infrastructure Services (IaaS)	25.4	34.7	45.8	58.4	72.4
Cloud Advertising	90.3	104.5	118.5	133.6	151.1
Total	219.6	260.1	305.8	355.6	411.5

Source: Gartner, Inc. (October 2017)

Of the various cloud services, IaaS, in which Bulletproof operates, is expected to exhibit the most significant growth to 2020, with a 2016 - 2020 CAGR of 30%.

4.4. Competitive Landscape

4.4.1. Key performance indicators

Recurring revenue

Pricing and fee structures in the cloud services industry generally employ a subscription-based revenue model, with subscribers paying a monthly or annual fee based on their individual requirements. Accordingly, a certain percentage of a market-participant's revenue is recurring in nature, which provides predictability and stability to future cash flows. Typically, companies will also have 'once-off' or non-recurring revenue, typically based on professional or consulting services.

Churn

Participants in this market also focus heavily on churn, which represents the amount of existing customer or recurring revenue lost in any given period. Churn may result from losing work to competitors, or reduced customer IT budgets, among other factors. Companies reduce churn by investing more heavily in existing customer relationship management and support and constantly improving service offerings.

4.4.2. Key players in the Australian Market

Global hyper-scale IaaS providers

Amazon Web Services (AWS)

AWS, a subsidiary of Amazon.com, dominates the global and Australian IaaS provider market with over 44% market share worldwide. Pricing generally reflects a pay-as-you-go strategy, based on the individual needs of each subscriber. AWS manages, upgrades, and provides support and security for the underlying system. In its latest earnings announcement, Amazon announced quarterly AWS revenue growth of 42%, indicating continued strength and momentum.

Microsoft Azure

Azure launched in 2010 as a direct competitor to AWS, who has been the market leader in the space since its inception. While Azure held c. 7% market share in 2016, as indicated above, the division has been growing rapidly as Microsoft aggressively targets large enterprise clients, reporting quarterly revenue growth of 90% in its latest earnings release.

Managed cloud service providers

The managed cloud service provider market is significantly more fragmented than that of the global hyper-scale IaaS providers. The market also features large, diversified professional services entrants with a focus on cloud solutions.

Melbourne IT Limited (ASX:MLB)

Melbourne IT, headquartered in Australia, provides a range of IT services from SME services such as domain name and website hosting to enterprise-scale support, including full-service cloud solutions. In its 'Magic Quadrant' for Public Cloud Infrastructure Managed Service Providers, Gartner highlights Melbourne IT's forward-thinking vision of managed services but notes investment is required if Melbourne IT is to extend its reach outside of Australia.

Rackspace Hosting, Inc.

Rackspace, a U.S.-based company, began offering cloud managed services in 2015 as a provider of both AWS and Azure based solutions. Rackspace also operates its own public cloud IaaS offering, albeit with c. 2% market share in 2016. Rackspace's history in operating its own IaaS hosting network has allowed it to become a market leader in managed cloud services, particularly in its ability to offer tailored solutions on both the AWS and Azure platforms.

5. FAIRNESS ASSESSMENT AND VALUATION METHODOLOGY

5.1. Fairness assessment overview

The Offer is fair if the fair market value of the consideration offered by MAQ per Bulletproof share is equal to or greater than the fair market value of a Bulletproof share before the Offer (on a controlling interest basis).

Accordingly, to undertake this comparison we have undertaken an assessment of the value of a Bulletproof share before the Offer.

The valuation methods commonly used for the above analyses are considered below.

5.2. Valuation methods

Details of common methodologies for valuing businesses and assets are included at **Appendix 3**. The principal methodologies which can be used are as follows:

- Discounted cash flow (“DCF”)
- Capitalisation of future maintainable earnings (“FME”)
- Net asset value (“NAV”)
- Quoted market price basis (“QMP”).

Set out below is a discussion around the valuation methods we consider appropriate for the purposes of undertaking our valuation assessment of the Company.

5.3. Selected valuation methods for the Company

In accordance with RG 111.15, we have considered the fair market value of a Company share on the basis of a knowledgeable and willing, but not anxious, seller that is able to consider alternative options to the bid.

We have assessed the equity value of a Bulletproof share using the FME and QMP approaches for the following reasons:

DCF considered inappropriate

A DCF valuation is appropriate where a business is operating within the early stages of its life cycle or expects variation in cash flows from year to year. This method would typically be our preferred approach given that Bulletproof is in the process of implementing its turnaround strategy, which will likely result in variation in cash flows in the near to medium term.

However, as discussed in Section 3.5.2, Bulletproof is at a relatively early stage in implementing its turnaround strategy, and consequently, while Management has developed forecasts beyond December 2017 including a substantial uplift in FY19 revenue, we have been reluctant to place undue reliance on these forecasts given the lack of a supporting track record in Bulletproof’s historical financial performance and significant risk in Bulletproof achieving the forecast financial results set out in its turnaround plan.

FME considered appropriate

The capitalisation of future maintainable earnings is most appropriate for entities which exhibit stable earnings and are expected to have an indefinite life.

While it is likely that Bulletproof’s future earnings are likely to differ from the current or historical earnings on the basis that the Company is implementing a turnaround strategy, we note that Bulletproof was able to achieve revenue growth in FY17 and, based on actual and forecast trading for the twelve months ending 31 December 2017, appears to have stabilised and improved underlying EBITDA performance to a point where we consider that we are able to determine a level of maintainable earnings on which to base an FME valuation of Bulletproof.

NAV method considered inappropriate

The assets and liabilities of the relevant entity under this approach are valued at fair market value and the net value forms the basis for the entity’s value. This methodology is deemed appropriate in instances where reliable cash flow forecasts or maintainable earnings cannot be supplied.

The net asset value can be calculated through various methods such as the orderly realisation method, the liquidation of assets method, and on a going concern basis. We do not consider the NAV method to be an appropriate approach for the valuation of Bulletproof on the basis that the business has a reasonable expectation of generating future profits sufficient to generate value in excess of its asset base.

QMP analysis considered appropriate

We have considered the QMP valuation methodology appropriate given that Bulletproof shares are listed on the ASX, which provides a regulated and observable market in which the shares of Bulletproof are traded.

In assessing Bulletproof's share price performance, we have had particular regard to the following:

- The level of trading activity of Bulletproof securities; and
- Recent key developments, market announcements, and the timing and level of dissemination of information to the market.

We have reviewed the following factors relating to the trading activity of Bulletproof securities:

- Daily price activity;
- Daily volume;
- Volume weighted average price ("VWAP"); and
- Total value of securities traded.

We consider the Company's trading history and level of information dissemination to be sufficient to perform a market-based share price analysis.

After analysis of the ASX quoted market price we derived a fair market value range, which reflects a minority interest price for a Bulletproof share. We then applied a control premium to determine a controlling interest value. A detailed presentation of the daily movement in the Company's share price and volume prior to the Offer is outlined in Section 7.

5.4. Other valuation considerations

Future events

The business of Bulletproof assumed in this valuation, is that which exists at the current date. Other growth potential, which may result from new activities, business initiatives, acquisitions and the like (which cannot be estimated), is not within the scope of this valuation.

Control premium

Appropriate control premiums have been considered in our application of the QMP valuation method (refer Section 7) and in our application of the FME valuation method (refer Section 6).

Valuation in accordance with APES 225

This engagement has been conducted in accordance with professional standard APES 225 Valuation Services, as issued by the Australian Professional and Ethical Standards Board.

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6. FME VALUATION OF BULLETPROOF BEFORE THE OFFER

6.1. FME value of Bulletproof securities on a control basis

The following table summarises our FME valuation of Bulletproof on a controlling interest basis.

Table 15: FME value conclusion

000s, except per-share price	Ref	Low	High
Normalised EBITDA	6.2	4,600	4,600
BEV/EBITDA Multiple	6.3	6.5x	7.0x
Business enterprise value		29,900	32,200
Add: Cash	6.5.1	1,538	1,538
Less: Borrowings	6.5.1	(4,797)	(4,797)
Add: Deferred tax assets	6.5.2	1,500	1,500
Less: Working capital deficit	6.5.3	(1,000)	(500)
Equity value		27,142	29,942
Shares outstanding (thousands)	3.7	162,376	162,376
Equity value per share		0.167	0.184

Source: BDOCF analysis

We have concluded that the fair market value of a Bulletproof share prior to the Offer is \$0.167 to \$0.184, on a controlling interest basis.

6.2. Normalisation of earnings

The FME method requires a determination of the Company's maintainable earnings potential on a normalised basis. We have selected EBITDA as the appropriate earnings level given it allows greater comparability between firms with varying capital structures and differences in accounting practices.

In determining the Company's future maintainable earnings, we have focused on the Company's forecast performance for the twelve-month period ending 31 December 2017 ("**LTM Dec-17**"), comprising audited results for the six months ended 30 June 2017, unaudited actual results per the Company's management accounts for the five months ended 30 November 2017, and forecast results for December 2017.

The LTM Dec-17 period has been selected for the following reasons:

- The period reflects substantially all of the cost savings brought about by the December 2016 organisational restructure, which has had a significant effect on Bulletproof's profitability;
- The period reflects the most current available financial information; and
- The period captures the seasonality in Bulletproof's business but does not rely materially on forecast financial information (i.e. the second half of FY18) around which remains significant implementation risk including successful recruitment of key executive management positions: Chief Customer Office and Head of Marketing.

Details of LTM Dec-17 EBITDA and our normalisation adjustments are set out below:

Table 16: Assessment of maintainable earnings

	Notes	LTM Dec-17
Reported EBITDA - 6 months to 30/6/17	1	1,943
Reported EBITDA - 5 months to 30/11/17	2	1,378
Reported EBITDA - Dec-17 forecast	3	260
		3,581
Normalisations		
Restructuring costs	4	756
Working capital adjustment	5	190
One-off legal	6	98
Other income	7	(8)
Interest income		(4)
Maintainable EBITDA		4,614

Source: Monthly management accounts for FY17, FY18, and forecast for December 2017

Notes:

1. Based on monthly management accounts for the six-month period ended 30 June 2017.
2. Based on monthly management accounts for the five months ended 30 November 2017.
3. Based on Management's forecast for December 2017.
4. Restructuring costs relate mainly to the once-off staff termination costs in relation to the December 2016 organisation restructure.
5. The working capital adjustment relates to a one-off recognition of software licences and other costs that had not been accrued due to incorrect dating on invoices received. This has been corrected and is not expected to re-occur by Management.
6. Legal costs in relation to dispute regarding the Cloud House acquisition and consultancy costs regarding strategic review and internal projects.
7. Other income relates to government grants and other non-recurring income.

As discussed in Section 3.5, underlying EBITDA performance suffered in FY17 predominantly due to lower than expected revenue growth and high personnel costs. However, the Company has undergone restructuring to reduce and streamline its cost structure. Additionally, the Company has tracked in line with its FY18 budget for the five months to 30 November 2017 and has reduced customer churn, a key focus after the FY17 operating results. Based on the number of operational initiatives employed by the Company, we consider the most recent operating period to provide a reasonable indication of maintainable earnings.

Based on the analysis set out above, we have selected a normalised level of EBITDA of \$4.6 million for the purposes of our FME valuation.

6.3. Capitalisation multiple

In selecting a capitalisation multiple to apply in the valuation of Bulletproof, we primarily considered:

- Trading multiples of companies listed on the ASX that operate within a similar segment of the IT industry; and
- Implied earnings multiples for recent transactions involving comparable businesses to Bulletproof.

For both comparable transactions and comparable listed entities, we assessed the comparability of the relevant companies to Bulletproof and find that the operations of these comparable companies are not identical to those of Bulletproof. However, we consider that these companies would be broadly comparable, as they operate in a similar industry and are influenced by similar demand drivers and risks as Bulletproof. Consequently, we are satisfied that they provide an appropriate benchmark against which to determine a capitalisation multiple for the valuation of Bulletproof.

6.3.1. Public company trading multiples

We have researched a range of broadly comparable companies that offer managed cloud and cloud consulting services. The table below sets out the calculated market EBITDA multiples of selected comparable listed companies, as at 21 November 2017.

Table 17: Guideline public company trading multiples

Ticker	Company Name	Country	Market Cap	Enterprise Value	EV/EBITDA	EV/EBITDA
			AUDm	AUDm	LTM	NTM
IAB	Inabox Group Limited	Australia	9	18	5.6x	n/a
RHP	rhipe Limited	Australia	106	86	27.4x	16.3x
MLB	Melbourne IT Limited	Australia	435	476	22.1x	14.1x
OTW	Over the Wire Holdings Limited	Australia	112	110	19.0x	12.0x
CNW	Cirrus Networks Holdings Limited	Australia	16	12	21.0x	n/a
RXP	RXP Services Limited	Australia	122	120	8.4x	5.9x
EPD	Empired Limited	Australia	83	97	10.4x	6.5x
MOQ	MOQ Limited	Australia	37	34	46.1x	n/a
DTL	Data#3 Limited	Australia	297	163	9.8x	8.3x
DWS	DWS Limited	Australia	189	193	9.2x	9.1x
Median			109	104	14.7x	9.1x
Median (excl MOQ Limited)			112	110	10.4x	9.1x

Source: Capital IQ and BDO analysis, as at 21 November 2017

Notes:

1. Enterprise value represents the sum of market capitalisation, preferred equity, minority interest and debt, less cash.
2. A control premium of 25% has been applied to market capitalisation to calculate the multiples above (refer Appendix 4).

Appendix 5 sets out detailed descriptions of the comparable listed companies.

With respect to the above, we note the following:

- MOQ Limited exhibits an extremely high EV/LTM EBITDA multiple of 46.1x, which we consider to be an outlier. MOQ is in a high-growth phase and had generated negative EBITDA in each year until FY2017. While we consider MOQ to be similar in terms of service offering, we do not believe the exhibited multiple can be relied upon for valuation purposes and have presented the median multiples of the guideline companies excluding MOQ.
- On 9 November 2017, Inabox Group Limited announced that its Hostworks cloud services business, which it acquired in February 2017, would perform below expectations during FY18 and provided revised FY18 outlook. On the day of this announcement, the share price of Inabox declined from \$1.00 to \$0.52. Accordingly, the multiple presented above reflects the poor recent performance of its cloud services business.

Given implied trading multiples of public companies include equity values based on individual share prices, they reflect minority levels of value. Accordingly, we have applied a control premium of 25% to the market capitalisations indicated above to calculate the implied trading multiples on a control basis.

The guideline public companies exhibit LTM and NTM EBITDA multiples (control basis) of 10.4x and 9.1x, respectively.

We have also examined key performance indicators and ratios of Bulletproof compared to the guideline public companies, as set out below:

Table 18 - Guideline public company key statistics

	BPF	IAB	RHP	MLB	OTW	CNW	RXP	EPD	MOQ	DTL	DWS
Enterprise value (\$m)	14	18	86	476	110	12	120	97	34	163	193
Market capitalisation (\$m)	11	9	106	435	112	16	122	83	37	297	189
Revenue growth - LFY	4.1%	2.4%	14.5%	12.1%	44.9%	176.5%	10.6%	4.6%	61.7%	11.8%	-4.9%
Revenue growth - NTM	NA	NA	11.6%	23.8%	54.8%	NA	22.6%	7.5%	NA	7.4%	-2.0%
EBITDA margin	4.4%	4.0%	2.6%	14.9%	21.3%	1.4%	12.8%	6.8%	1.7%	2.2%	19.0%
EBIT margin	-4.4%	1.1%	2.5%	12.0%	14.5%	1.2%	12.5%	4.1%	0.8%	2.0%	18.8%
Fixed assets/total assets	27.8%	8.5%	0.9%	1.9%	15.0%	1.3%	1.1%	17.6%	1.9%	1.8%	2.1%
Fixed asset turnover	6.1x	30.1x	204.0x	25.4x	8.2x	187.4x	115.6x	8.0x	112.2x	175.5x	59.5x
Receivables/total assets	16.7%	22.1%	41.5%	6.6%	7.0%	67.8%	14.2%	19.2%	28.9%	44.8%	21.0%
Receivables turnover	11.4x	8.7x	5.0x	9.0x	20.4x	4.7x	6.3x	7.5x	8.0x	7.2x	5.3x
CapEx/total revenue	5.3%	0.8%	0.2%	2.4%	5.2%	0.1%	0.7%	2.2%	0.6%	0.2%	0.1%
Net debt/EV	22.2%	47.5%	-23.1%	8.6%	-1.4%	-32.9%	-1.8%	14.2%	-9.7%	-82.7%	2.1%

Source: Capital IQ and BDO analysis

Notes:

1. All statistics relate the latest available last twelve-month period as at the Valuation Date.
2. NTM revenue growth based on consensus revenue estimates per S&P Capital IQ.

Section 6.3.3 below discusses the implications of these metrics in our selection of an appropriate EBITDA multiple range.

6.3.2. Transaction multiples

The table below sets out the implied EBITDA acquisition multiples for announced transactions involving comparable companies in the three years prior to the Valuation Date. Business descriptions of the acquired companies are set out in Appendix 6.

Table 19: Guideline transactions

Transaction Announced Date	Target	Buyer	Country	Implied Enterprise Value	EV / EBITDA multiple
20/10/2017	VPN Solutions Pty Ltd	Over the Wire Holdings Limited	Australia	17	5.6x
29/05/2017	SMS Management & Technology Limited	ASG Group Limited	Australia	128	14.4x
30/09/2016	ASG Group Limited	Nomura Research Institute, Ltd.	Australia	343	14.3x
13/09/2016	BigAir Group Limited	Superloop Limited	Australia	232	13.6x
3/03/2016	TETRA PTY. LTD.	Montech Holdings Limited (nka:MOQ Limited)	Australia	10	9.2x
13/03/2016	Arrow ECS Australia Pty Limited	Arrow Electronics, Inc.	Australia	64	6.3x
5/10/2015	UXC Limited	CSC Computer Sciences Australia Holdings Pty Limited	Australia	418	11.3x
27/10/2014	Amcom Telecommunications Limited	Vocus Communications Limited (nka:Vocus Group Limited)	Australia	770	16.9x
18/11/2014	Oriel Technologies Pty Ltd.	BigAir Group Limited	Australia	14	16.8x
28/11/2014	nSynergy Pty Ltd	Rhype Limited (nka:rhipe Limited)	Australia	25	7.3x
Median				96	12.5x
Median (<\$100M)				17	7.3x

Source: Capital IQ, Merger Market, and BDO analysis

Notes:

1. All transactions reflect acquisitions of majority ownership interests and thus represent control levels of value.

As indicated above, we have calculated the median implied EV/EBITDA multiples of the representative transactions to be 12.5x. We have also presented the median multiple of the transactions with enterprise values below \$100 million (7.3x) in order to derive the most applicable comparisons to the Company.

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6.3.3. Capitalisation multiples factors

In determining the appropriate multiple, we have had consideration for the guideline public company and transaction multiples discussed above.

Forward versus trailing multiples

Presented above are the last twelve month and next twelve month EBITDA multiples for the guideline public companies. Our adopted range of maintainable earnings reflects historical and forecast financial information for the 12 months ending 31 December 2017. We have therefore considered both the historical (LTM) and the forward (NTM) multiples for the guideline public companies selected.

Size

Bulletproof's market capitalisation as at 21 November 2017 was less than all but one of the public guideline companies set out in Section 6.3.1. In general, smaller companies command lower multiples than larger ones due to less diversified service offerings, smaller geographic footprint, reduced access to capital, and reduced market influence, among other factors. Accordingly, we consider the appropriate multiple for the Company to be below the 10.4x and 9.1x multiples presented above based on consideration for size.

When examining the guideline transaction multiples, we have focused on the transactions under \$100 million implied enterprise value in order to derive multiples most comparable to the Company in terms of size. These transactions exhibited a median multiple of 7.3x. We consider this to be a reasonable guideline for the appropriate multiple to apply to the Company based on size.

Growth

The guideline companies exhibit median expected revenue growth of 11.6% in the NTM period from the Valuation Date. While Bulletproof lacks equity analyst coverage and has not announced future revenue guidance to the market, its revenue growth in the LTM period of 4.1% is well below the median of the peer group and on the low end of indicated revenue growth rates. All else held equal, we would expect high-growth companies to command higher multiples than low-growth companies. Accordingly, we consider the appropriate multiple for the Company to be below the 10.4x and 9.1x multiples presented above based on consideration for growth.

Capital requirements

Due primarily to its Private Cloud segment, Bulletproof has higher capital expenditure requirements than all of the guideline public companies, at 5.3% of revenue. The guideline companies generally have lower fixed asset bases, both as a percent of total assets and in terms of fixed asset turnover. All else held equal, we would expect companies with higher capital requirements to command lower EBITDA multiples given the impact of capital expenditure requirements on cash flows.

Recurring revenue

As set out in Section 3.3.2, c. 80% of Bulletproof's FY17 revenue was recurring in nature, increasing to 84% of total revenue in 4M18. While we are unable to benchmark this level against the guideline public companies listed above due to lack of available information, we consider Bulletproof's level of recurring revenue to be substantial. All else held equal, we would expect companies with higher levels of recurring revenue to command higher EBITDA multiples due to the greater associated stability and predictability of future cash flows.

6.4. Selected capitalisation multiple

Based on the foregoing discussion, we have concluded an appropriate EBITDA multiple for Bulletproof in the range of 6.5x to 7.0x. This multiple range is to be applied to our assessment of maintainable EBITDA.

With reference to the historical and forward trading multiples, our adopted multiple range reflects:

- Bulletproof's smaller size in comparison to its peers;
- Bulletproof's lower recent and expected revenue growth rates; and
- Bulletproof's relatively high capital expenditure requirements.

With reference to EBITDA multiples implied by recent transactions, we have set an adopted multiple range below the median implied multiple for transactions below \$100 million enterprise value, primarily due to Bulletproof's capital expenditure profile.

6.5. Equity adjustments

In order to calculate the fair market value of the Company's equity, we have made the following adjustments to calculated enterprise value:

6.5.1. Net debt

Set out below is the Company's net debt position as at 31 October 2017:

\$'000s	Notes	4M18
Cash and cash equivalents	1	1,538
Borrowings (current)	1	(1,891)
Borrowings	1	(1,360)
MoneyTech facility	2	(1,545)
Net debt		(3,258)

Source: Monthly management accounts as at 31 October 2017

Notes:

1. Refer to Section 3.6
2. Represents outstanding balance of MoneyTech facility as at 31 October 2017

6.5.2. Deferred tax assets

Bulletproof's balance sheet as at 30 June 2017 includes deferred tax assets of \$2.9 million, which relate primarily to historical operating losses. We consider these deferred tax assets as having value to Bulletproof not captured in an assessment of maintainable earnings or earnings capitalisation multiple. The book value of the deferred tax assets (\$2.9 million) does not take into account time value of money. For the purposes of our FME valuation of Bulletproof, we have calculated the present value of estimated tax savings based on Management's forecasts for the five years ending 30 June 2022 and a discount rate of 13%.

6.5.3. Working capital deficit

As discussed in Section 3.6.1, we estimate that Bulletproof has an unfunded working capital requirement in the range of \$0.5 million to \$1 million. Management is exploring additional funding options with a number of providers. For the purposes of our FME valuation of Bulletproof, we have adjusted for our estimation of unfunded working capital requirements as a surplus liability of the business.

6.6. Shares outstanding

Based on the latest share register available, the Company has 162.4 million shares outstanding.

The Company also has 500,000 options on issue: 250,000 with a strike price of \$0.35 and 250,000 with a strike price of \$0.39, as presented in Section 3.7.2. Given the small number of options, their immaterial associated exercise proceeds, and the extent to which they are out of the money, we have not considered these in the calculation of shares outstanding given the unlikelihood they will be exercised.

7. QMP VALUATION OF BULLETPROOF BEFORE THE OFFER

Bulletproof is listed on the ASX (ASX:BPF) and has sufficient trading history for a market price based valuation. In order to assess the fair market value of the Company, we have considered the movement in Bulletproof's share price, volume weighted average price ("VWAP") and volume traded in the three years prior to the Valuation Date.

The Company's share price quoted on the ASX represents a minority level of value. Accordingly, we have also applied a control premium in our analysis to determine a fair market value of the Company on a controlling interest basis.

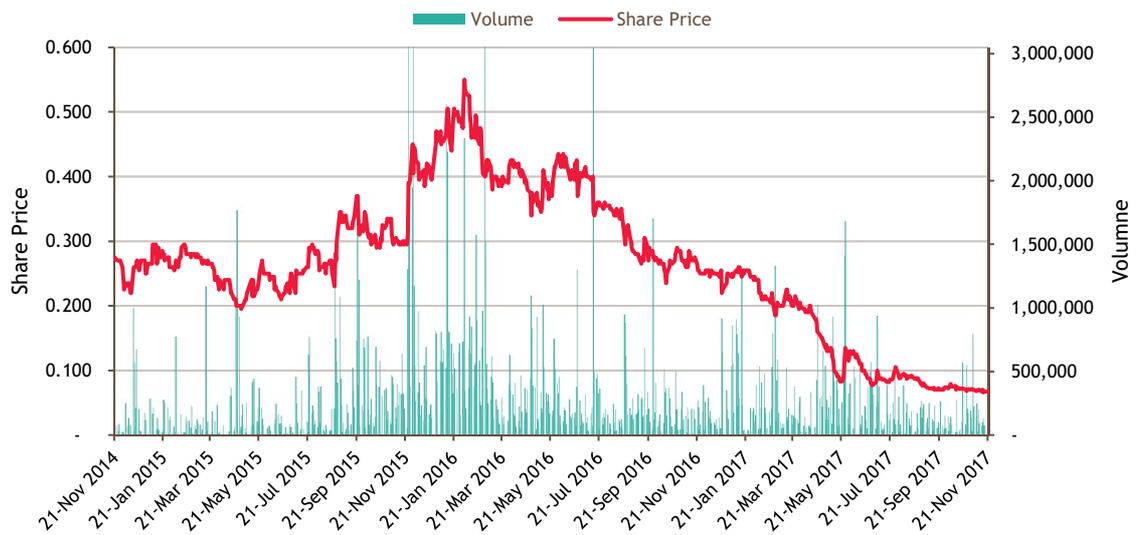
In assessing the Company's share price performance, we have had particular regard to the following:

- Trading value and volume of trading activity;
- Free float; and
- Recent key developments and market announcements.

7.1. Trading price

Set out below is the trading history of the Company over the prior three years.

Figure 9: Daily closing share price and trading volume (three years prior)



Source: CapitalIQ

As indicated above, the Company's share price has exhibited significant movement in the prior three years, exhibiting a range of \$0.07 per share to \$0.55 per share over the period. However, we have focused on the trading history in the year prior to the Valuation Date, as we consider more recent price history to be more indicative of the Company's current value. Set out below is the price history of the Company in the prior twelve months.

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Figure 10: Daily closing share price and trading volume (one year prior)



Source: CapitalIQ

In the past twelve months, the Company's share price has ranged from \$0.07 to \$0.26 and was \$0.07 the day before the Offer was announced.

Set out below is a summary of the Company's price-sensitive announcements in the twelve months prior to the Valuation Date. We note the Offer was made on 21 November 2017. As such, we have not considered price history after this date in our analysis (shaded below).

Table 20: Price sensitive announcements

Date	Announcement	Share price - 1 day before	Share price - 1 day after	Change (\$)	Change (%)
13-Dec-17	Bulletproof to open data room	0.12	0.12	0.00	2.2%
23-Nov-17	MAQ: Bidder's Statement	0.11	0.11	-	0.0%
23-Nov-17	AGM Presentation	0.11	0.11	-	0.0%
21-Nov-17	Response to Macquarie Telecom Off-Market Takeover Bid	0.07	0.11	0.04	64.2%
21-Nov-17	BPF: Macquarie announces intended takeover offer				
20-Nov-17	Trading Halt	0.07	0.07	-	0.0%
4-Sep-17	Appendix 4E and Annual Report	0.08	0.07	(0.01)	(7.5%)
17-Jul-17	Notification of Legal Claim	0.09	0.08	(0.00)	(3.5%)
7-Jul-17	FY17 Full Year Results - Update	0.10	0.09	(0.01)	(8.4%)
14-Jun-17	Debtor Funding Facility	0.11	0.11	-	0.0%
26-May-17	ASX Price Query	0.12	0.14	0.02	12.5%
8-May-17	Bulletproof Partners With Accenture	0.13	0.13	-	0.0%
8-May-17	FY17 Q3 Update and FY17 Guidance				
23-Feb-17	FY17 H1 Results Announcement	0.21	0.21	(0.01)	(2.4%)
23-Feb-17	Appendix 4D				
22-Dec-16	H1FY17 Forecast Results and FY17 Guidance	0.26	0.23	(0.03)	(11.8%)

Source: Capital IQ and BDO analysis

Note: Shaded data represents announcements after the Offer was made. Accordingly, we have not considered this data in our analysis of the Company before the Offer.

7.2. VWAP per share

The table below summarises trading over the twelve-month period to 21 November 2017. The VWAP analysis has been performed for the twelve months to 21 November 2017 to exclude the impact of announcements related to the Offer.

Table 21: VWAP history

Time period prior to 21 Nov 2017	Low price	High price	Daily VWAP	Average daily volume	Cumulative shares traded	Cumulative shares traded as % of free float	Average Free Float (#)	Average Free Float (%)
One week prior	0.07	0.07	0.07	64,232	385,390	0.44%	88,418,520	54.4%
One month prior	0.07	0.07	0.07	180,421	4,149,680	4.69%	88,418,520	54.4%
Three months prior	0.07	0.09	0.07	125,694	8,421,530	9.63%	87,443,950	54.2%
Six months prior	0.07	0.14	0.09	183,624	24,238,310	27.90%	86,882,831	54.1%
Twelve months prior	0.07	0.27	0.16	220,791	56,080,910	64.96%	86,334,737	54.0%

Source: Capital IQ; BDOCF analysis

Note 1: Free float represents the shares available for trading after excluding insiders (such as employees) and strategic corporate investors, as defined by Capital IQ.

We note the following with respect to the trading of the Company's securities during the twelve months to 21 November 2017:

- The Company's share price has declined throughout 2017, trading at a high of \$0.26 on 13 January 2017 and a low of \$0.07 on 21 November 2017. Accordingly, the daily VWAP has declined from \$0.16 in the twelve months prior to 21 November 2017 to \$0.07 in the one-week, one month, and three months prior.
- In order to evaluate the liquidity of the Company's shares, we consider the Company's free float (i.e. number of shares held by the public as opposed to insiders and strategic corporate investors) to better represent shares available for trading than total shares outstanding. Circa 54% of the Company's total outstanding shares have comprised its free float in the one year prior to 21 November 2017.
- Securities with a low free float generally exhibit greater volatility due to the lower supply of shares available for trading. Shareholders may apply a discount to securities with a lower free float to compensate for the additional risk and decreased liquidity. We consider the Company's free float to be sufficient to analyse the Company's trading history, and we consider any perceived discounts related to low free float to already be reflected within the share price trading history.
- Over the period analysed, there were a total of 253 trading days. The Company's securities were exchanged in all but one of those days (excluding 21 November 2017, on which trading was halted), indicating an active market for its shares.
- The Company made a number of price-sensitive announcements from May 2017 to September 2017 including re-forecasts, release of the FY17 annual report, and disclosure of a legal claim by Cloud House, which was purchased by the Company in 2016. We consider these announcements to reflect material information. As such, we have primarily relied up the VWAP in the three months prior to 21 November 2017, as we consider this period to most closely reflect operations of the Company as at the Valuation Date.

We consider the liquidity exhibited by the Company's trading history to be sufficient to rely of the VWAP of the Company. However, given a number of price sensitive announcements have occurred during the year, particularly those that relate to changes in forecast financial performance, we believe the more recent price indications provide the most applicable indications of fair market value. As such, we have relied upon the indicated VWAP in the three months prior the 21 November 2017.

7.3. Premium for control

Given the price indicated on a public exchange is based on a minority ownership interest, we have applied a control premium in the application of the QMP methodology to derive a fair market value reflective of a controlling ownership interest.

We have applied a control premium of 25% in our analysis.

Refer to Appendix 4 for further discussion regarding our applied control premium.

7.4. QMP value of Bulletproof securities on a control basis

Based on the share price analysis above, we consider the historical trading history to be sufficient to apply a QMP analysis. Specifically, we have selected a minority share price range of \$0.068 per share to \$0.073 per share, which reflect the share price one week prior and three months prior the 21 November 2017, respectively.

Our assessed value of one Bulletproof share on a controlling interest basis using the QMP approach ranges from \$0.085 to \$0.091, as presented below.

Table 22: Concluded share value - QMP Method

		Low	High
Bulletproof share (minority basis)	7.2	0.068	0.073
Control premium	7.3	25%	25%
Bulletproof share (control basis)		0.085	0.091

Source: BDOCF Analysis

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8. ASSESSMENT OF FAIRNESS

In undertaking our fairness opinion, we have had regard to ASIC RG 111.

RG 111.11 indicates that an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. The comparison must be made assuming:

- A knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.
- 100% ownership of the target company, irrespective of the percentage holding of the bidder or its associates in the target company.

In relation to the interpretation of RG111.11, ASIC has advised that the appropriate assessment is to compare:

- The fair market value of a share pre-transaction on a control basis (being the value of the securities the subject of the offer, per RG111.11); and
- The fair market value of the offer price.

The basis for the above form of comparison is to ensure our analysis is in line with RG111.5 to RG111.7 which include statements as follows:

- The main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the Offer; and
- The form of analysis an expert uses to evaluate a transaction should address the issues faced by Shareholders.

We have formed our opinion in relation to fairness by comparing the:

- Fair market value of a Bulletproof Share before the Offer (including a premium for control); and
- The cash consideration of \$0.11 per share offered by MAQ.

The Offer will be fair if the Offer Price is equal to or greater than the fair market value of a Bulletproof share before the Offer, on a controlling interest basis.

Accordingly, in order to make this comparison we have undertaken an assessment of the fair market value of a Bulletproof share before the Offer.

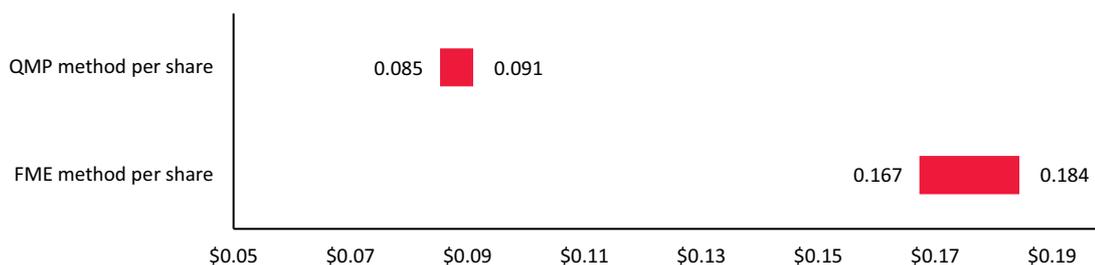
We have assessed the fair market value of Bulletproof on a controlling interest basis using capitalisation of future maintainable earnings (FME valuation method - refer Section 6) and share price trading history (QMP valuation method - refer Section 7) valuation methods. We did not utilise the discounted cash flow methodology, despite Bulletproof having prepared five year forecasts in the course of developing its current turnaround plan. We made this decision on the basis that in our view Bulletproof is at a relatively early stage in implementing its turnaround strategy and as a result, significant execution risk exists regarding the forecasts and, for the time being, the forecasts lack a supporting track record of historical financial performance.

The results of our valuation analysis using both FME and QMP valuation methods are summarised below:

Table 23: Valuation summary

	Ref	Low	High
FME method per share	6.1	0.167	0.184
QMP method per share	7.4	0.085	0.091

Figure 11: Valuation summary



8.1.1. Adopted equity value of a Bulletproof share (controlling interest basis)

In determining our adopted equity value per Bulletproof share, we have considered the relative strengths and weaknesses of the FME and QMP valuation methods, respectively. A strength of the FME valuation method, particularly in the context of this Report, is that the value determined reflects the most recent financial performance of Bulletproof. However, the FME method is a subjective measure of intrinsic value. Many listed companies, particularly those with low market capitalisations (as is the case with Bulletproof), may never trade at a share price that reflects intrinsic value due to lack of broker and market coverage, limited trading activity, and other market factors. A strength of the QMP valuation method is that it reflects regulated and observable market trading data. However, as discussed above, the historical share price of companies of Bulletproof's size may not fully reflect all relevant financial information.

On balance and for the purposes of this Report, we consider our FME valuation of Bulletproof to be a better reflection of fair market value than our QMP valuation. As discussed in Section 6, the FME valuation of Bulletproof reflects forecast normalised EBITDA for the 12 months ending 31 December 2017, comprising actual trading for the 11 months ended 30 November 2017 and forecast trading for the month ending 31 December 2017. We consider this period to be a good reflection of Bulletproof's maintainable earnings, taking into account the cost savings of the organisational restructure carried out in December 2016, trading performance that appears to have stabilised during 2017, and seasonality inherent in the business.

In contrast, Bulletproof's declining share price up to the date of the Offer appears to reflect market uncertainty regarding the outlook for the business, effectiveness of changes to Bulletproof's strategy, business operating model, and personnel, and potentially also insolvency risk given Bulletproof's reported FY17 loss after tax of \$6.1 million. For example, Bulletproof's last investor presentation prior to the date of the Offer (announced 27 September 2017) included no guidance from the Company regarding current or forecast trading performance on which the market might have based a revised assessment of Bulletproof's outlook compared with its FY17 financial performance.

On the basis of the foregoing discussion, we have assessed the fair market value of a Bulletproof share on a controlling interest basis prior to the Offer in the range of \$0.167 to \$0.184 primarily reflecting our FME valuation.

8.1.2. Fairness conclusion

Table 24: Fairness conclusion

	Ref	Low	High
FME method per share	6.1	0.167	0.184
QMP method per share	7.4	0.085	0.091
Adopted value range per share		0.167	0.184
Offer price		0.110	0.110
<i>Offer price premium / (discount) to adopted value</i>		<i>(34.2%)</i>	<i>(40.3%)</i>

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Figure 12: Fairness conclusion



Our concluded fair market value range for a Bulletproof share of \$0.167 to \$0.184 exceeds the Offer Price of \$0.110. As such, we conclude that the offer is NOT FAIR to Bulletproof Shareholders.

Shareholders should consider and appreciate that our assessment of the fair market value of a Bulletproof share does not necessarily reflect the price at which Bulletproof shares will trade if Shareholders do not accept the Offer. The price at which Bulletproof shares may trade should the Offer lapse will depend on a range of factors including Bulletproof's financial performance, liquidity in the shares and general macro-economic conditions, as discussed below and in Section 9.

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9. ASSESSMENT OF REASONABLENESS

In accordance with RG 111 an offer is reasonable if it is fair. It might also be reasonable if, despite being not fair, the expert believes that there are sufficient reasons for shareholders to accept the offer in the absence of a superior offer.

Whilst we have determined the Offer is not fair, we have assessed the reasonableness of the Offer by considering a range of other factors in our assessment, as set out below.

9.1.1. Advantages

Advantages	
<i>Premium to pre-Offer share trading price</i>	The Offer represents a premium of 57% to Bulletproof's daily VWAP for the month preceding the date of the Offer, allowing shareholders to realise value for their shares in excess of the price at which they were trading before the Offer. This level of premium may not be available to Shareholders in the absence of the Offer.
<i>Certainty of cash</i>	The Offer represents an opportunity for Shareholders to receive certain and immediate value for their investment in Bulletproof free of any realisation costs at a significant premium that may not be available in the absence of the Offer.
<i>Opportunity to reinvest in similar investment opportunities</i>	Shareholders that accept the Offer will be able to reinvest the cash proceeds in similar investment opportunities.
<i>Impact on Bulletproof share price in the absence of the Offer</i>	In the absence of the Offer or an alternative transaction, Bulletproof shares may trade below the Offer Price. However, the Offer may have confirmed to the market that Bulletproof was undervalued compared to its intrinsic value and the price that an interested party may be willing to pay.
<i>Funding requirements</i>	As discussed in Section 3.6.1, Bulletproof appears to be in need of additional working capital funding and is currently exploring options with existing providers of debt funding. Feasibly, Bulletproof may need to consider raising additional equity capital in the short to medium term if other funding solutions cannot be secured. Additional equity capital could dilute the interests of existing Shareholders and could also result in a decrease in the value of Bulletproof's share price. The Offer alleviates this funding risk.

9.1.2. Disadvantages

Disadvantages	
<i>The Offer is not fair</i>	We have determined that the Offer is not fair to Bulletproof Shareholders.
<i>No exposure to potential upside of Bulletproof</i>	Shareholders who accept the Offer will no longer own Bulletproof Shares and therefore will not benefit from any potential future profits and capital growth.
<i>Taxation implications</i>	There may be tax consequences for Shareholders accepting the Offer or selling their shares on the ASX. Shareholders should consult their independent taxation advisers regarding the taxation implications of accepting the Offer given their own particular circumstances

9.1.3. Other factors for consideration

Other factors	
<i>Share price after the announcement</i>	Following announcement of the Offer, Bulletproof's share price has traded at or around the Offer Price, which may indicate support from investors for the Offer and limited expectation of a superior alternative offer emerging.

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No guarantee of intrinsic value Although we have concluded the Offer is not fair, there is no guarantee that the intrinsic value of the Company will ever be reflected in the share price due to lack of brokerage coverage, limited liquidity in the marketplace, or shareholder sentiment.

Prospect of alternative transaction Per its announcement on 13 December 2017, Bulletproof has opened a data room to facilitate due diligence reviews by parties considering making alternative offers. However, we note that:

- As at the date of this Report, no alternative offers have been received by the Company
- Since the announcement of the Offer, the share price of Bulletproof has traded on or around the Offer Price which indicates that market participants may not expect a superior offer or alternative proposal to emerge

Additional information provided in the Target's Statement and this Report may facilitate the ability of interested parties to assess the merits of potential alternative offers.

Public responses to Offer from significant shareholders The following table sets out public responses to the Offer from significant shareholders:

Shareholder	Related party	Shareholding	Response
Woodward Family Company Pty Ltd	Anthony Woodward	26,188,349 (16.1%)	Accept ¹
Domains and Web Pty Ltd	Lorenzo Modesto	20,064,249 (12.4%)	Reject ²
Microequities Asset Management	n/a	12,181,443 (7.5%)	Reject ³

Notes:

4. Anthony Woodward granted a call option to MAQ in respect of his 26.1 million shares, as discussed in Section 3.7.1.
5. As indicated by Lorenzo Modesto to *The Australian Financial Review* - reported on 5 December 2017.
6. As indicated by Microequities Chief Investment Officer Carlos Gil to *The Australian Financial Review* - reported on 24 November 2017.

The Offer is conditional on minimum acceptance of 90%. Based on the intentions regarding the Offer indicated by several significant shareholders, the minimum acceptance condition of the Offer appears unlikely to be met.

MAQ intentions if it acquires less than 90% of Bulletproof If MAQ gains control of Bulletproof but less than 90% of Bulletproof's shares, it plans to:

- Review the suitability of Bulletproof for listing on ASX in light of shareholder spread subsequent to the Offer and ASX requirements;
- Consider acquisition of an additional 3% of Bulletproof shares every six months under the "creep" provisions of the Corporations Act;
- Seek appointment of a majority of MAQ nominees to the Bulletproof board; and
- Review Bulletproof's current capital structure and credit facilities to determine whether they are adequate for continued operations or whether further capital is required.

Shareholders not planning to accept the Offer should consider the following risks:

- Bulletproof may remain an ASX listed company; however, liquidity and free float may be substantially reduced which may affect the ability of remaining Bulletproof shareholders to sell their shares at fair market value.
- If MAQ holds more than 50% of Bulletproof it will represent a strong deterrent to any future takeover bids for the Company, which may adversely affect share trading prices.

9.2. Reasonableness conclusion

Based on the foregoing discussion, we conclude that the Offer is **NOT REASONABLE** to Bulletproof Shareholders.

Given the extent to which our assessed fair market value range exceeds the Offer, we do not consider the advantages of the Offer as discussed above to be sufficiently compelling for Shareholders to outweigh our assessment of the Offer as being not fair and the disadvantages of the Offer also discussed above.

Additionally, the other factors for consideration outlined above do not appear to present sufficient cause for us to conclude that the Offer is reasonable.

9.3. Other matters

Shareholder's individual circumstances

Our analysis has been undertaken, and our conclusions are expressed at an aggregate level. Accordingly, BDOCF has not considered the effect of the Offer on the particular circumstances of individual Shareholders. Some individual Shareholders may place a different emphasis on various aspects of the Offer from that adopted in this IER. Accordingly, individual Shareholders may reach different conclusions as to whether or not the Offer is fair and reasonable in their individual circumstances.

The decision of an individual Shareholder in relation to the Offer may be influenced by their particular circumstances and accordingly individual Shareholders are advised to seek their own independent advice.

Acceptance or rejection of the Offer is a matter for individual Shareholders based on their expectations as to the expected value, future prospects and market conditions together with their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. Shareholders should carefully consider the Target's Statement. Individual Shareholders who are in doubt as to the action they should take in relation to the Offer should consult their professional adviser.



10. OVERALL OPINION

We have considered the terms of the Offer, as outlined in this Report, and have concluded that the Offer is **NEITHER FAIR NOR REASONABLE** to Bulletproof Shareholders.

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11. QUALIFICATIONS, DECLARATIONS AND CONSENTS

11.1. Qualifications

BDOCF is the licensed corporate advisory arm of BDO East Coast Practice, Chartered Accountants and Business Advisers. BDOCF provides advice in relation to all aspects of valuations and has extensive experience in the valuation of corporate entities and provision of expert's reports.

Mr Daniel Coote, B.Com, CA, MAppFin is a Director of BDOCF. Mr Coote is also a partner of BDO East Coast Practice.

Mr Coote is the Director responsible for the preparation of this IER. Mr Coote has over 12 years of experience in a number of specialist corporate advisory activities including company valuations advising on independent expert reports, due diligence investigations, preparation and review of business feasibility studies, public company floats, advising on mergers and acquisitions, preparation of information memoranda and other corporate investigations. Accordingly, Mr Coote is considered to have the appropriate experience and professional qualifications to provide the advice offered.

Mr David McCourt, B.Bus, CA, is a Director of BDOCF. Mr McCourt is also a Partner of BDO East Coast Practice. Mr McCourt has been responsible for the review of this IER.

Mr McCourt has over 19 years of experience in the chartered accountancy profession and has undertaken numerous corporate finance assignments involving acquisitions, divestments and valuations.

11.2. Independence

BDOCF is not aware of any matter or circumstance that would preclude it from preparing this IER on the grounds of independence either under regulatory or professional requirements. In particular, we have had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and ASIC.

BDOCF considers itself to be independent in terms of RG 112 independence of experts, issued by ASIC. BDOCF was not involved in advising on, negotiating, setting, or otherwise acting in any capacity for the Company in relation to the Offer. Further, BDOCF has not held and, at the date of this IER, does not hold any shareholding in, or other relationship with MAQ or Bulletproof that could be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Offer.

BDOCF will receive a fee of up to \$55,000 plus Goods and Services Tax for the preparation of this IER. BDOCF will not receive any fee contingent upon the outcome of the Offer, and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the Offer.

A draft of this IER was provided to the Directors and their advisors for review of factual accuracy. Certain changes were made to the IER as a result of the circulation of the draft IER. However, no changes were made to the methodology, conclusions, or recommendations made to the Shareholders as a result of issuing the draft IER.

11.3. Disclaimer

This IER has been prepared at the request of the Directors and was not prepared for any purpose other than that stated in this IER. This IER has been prepared for the sole benefit of the Directors and Shareholders. Accordingly, this IER and the information contained herein may not be relied upon by anyone other than the Directors and Shareholders without the written consent of BDOCF. BDOCF accepts no responsibility to any person other than the Directors and Shareholders in relation to this IER.

The statements and opinions contained in this IER are given in good faith and are based upon BDOCF's consideration and assessment of information provided by the Directors, executives and Management of all the entities.

APPENDIX 1: GLOSSARY

Term	Definition
4M18	Unaudited management accounts for the four months ended 31 October 2017
APES 225	Accounting Professional & Ethical Standards Board Limited issued professional standard APES 225 on valuation services
AUASB	Australian Auditing and Assurance Standards Board
AWS	Amazon Web Services, a division of Amazon.com, Inc.
Azure	Microsoft Azure, a division of Microsoft Corporation
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
BDOCF, we, our or us	BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170)
Bidder's Statement	MAQ's Bidder's statement in relation to the Offer, dated 7 December 2017
Board	The board of directors of Bulletproof
Bulletproof or Company	Bulletproof Group Limited
C.	circa
CAGR	Compounded annual growth rate
Cloud House	Cloud House Limited
Corporations Act	Corporations Act 2001
DCF	Discounted cash flow method
Directors	The independent directors of Bulletproof
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
ESOP	Employee stock ownership plan
FME	Capitalisation of future maintainable earnings
FOS	Financial Ombudsman Service Limited
FYxx	Financial year ended/ending 30 June 20xx
GESP	General employee share plan
GST	Goods and Services Tax
H2	Second half of financial year
IaaS	Infrastructure-as-a-service
Ina	Information not available
Infoplex	Infoplex Pty Ltd
Licence	Australian Financial Services Licence No: 247420
LTM Dec-17	Twelve-month period ending 31 December 2017, consisting of actual results through 30 November 2017 and forecast results for 31 December 2017
Management	Management of Bulletproof
MAQ or Bidder	Macquarie Cloud Services Pty Limited, a wholly owned subsidiary of Macquarie Telecom Group Limited
NAV	Net asset value
NWC	Net working capital
NTA	Net tangible assets
Offer	MAQ's offer of \$0.11 per Bulletproof share
Offer Period	From 7 December 2017 to 31 January 2018
Offer Price	The offer price of \$0.11 per share
PaaS	Platform-as-a-service
Pantha	Pantha Corp
PMO	Project management office
QMP	Quoted market price basis
Report or IER	Independent expert's report
RG	Regulatory Guides
RG 111	ASIC Regulatory Guide 111 Content of expert reports
RG 112	ASIC Regulatory Guide 112 Independence of experts
Target's Statement	Bulletproof's target statement in relation to the Offer
SaaS	Software-as-a-service
Shareholders	An individual who owns an interest in Bulletproof
Section 640	Section 640 of the Corporations Act

Term	Definition
<i>Valuation Date</i>	21 November 2017
<i>VWAP</i>	Volume weighted average price

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APPENDIX 2: SOURCES OF INFORMATION

In preparing this IER, we had access to and relied upon the following principal sources of information:

- MAQ's Bidder's Statement regarding the Offer dated 7 December 2017
- Statutory accounts for the full years ended 30 June 2015, 30 June 2016, and 30 June 2017
- Statutory accounts for the half years ended 31 December 2015 and 31 December 2016
- Unaudited Bulletproof management accounts for the financial years ended 30 June 2015, 30 June 2016, 30 June 2017, and the 4 months ended 31 October 2017
- Profit and loss management accounts for the month ended 30 November 2017
- Internal board presentations and strategy documents
- Data centre consolidation business case analysis
- Documents and court minutes associated with Cloud House legal claim
- Bulletproof Shareholder Register dated 15 December 2017
- Various ASX announcements
- Various discussions with and information supplied by the Directors and Management of Bulletproof
- BDOCF analysis
- Gartner industry analysis
- Mergermarket
- S&P Capital IQ
- Other generally available public information

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APPENDIX 3: VALUATION METHODS - BUSINESSES AND ASSETS

In conducting our assessment of the fair market value of the Company's securities, the following commonly used business valuation methods have been considered:

Discounted Cash Flow Method

The discounted cash flow (DCF) method is based on the premise that the value of a business or any asset is represented by the present value of its future cash flows. It requires two essential elements:

- the forecast of future cash flows of the business asset for a number of years (usually five to 10 years); and
- the discount rate that reflects the riskiness of those cash flows used to discount the forecast cash flows back to net present value (NPV).

DCF is appropriate where:

- the businesses' earnings are capable of being forecast for a reasonable period (preferably 5 to 10 years) with reasonable accuracy;
- earnings or cash flows are expected to fluctuate significantly from year to year;
- the business or asset has a finite life;
- the business is in a 'start up' or in early stages of development;
- the business has irregular capital expenditure requirements;
- the business involves infrastructure projects with major capital expenditure requirements; or
- the business is currently making losses but is expected to recover.

Capitalisation of Future Maintainable Earnings Method

This method involves the capitalisation of normalised earnings by an appropriate multiple. Normalised earnings are the assessed sustainable profits that can be derived by the vendor's business and exclude any one off profits or losses. An appropriate earnings multiple is assessed by reference to market evidence as to the earnings multiples of comparable companies.

This method is suitable for the valuation of businesses with indefinite trading lives and where earnings are relatively stable or a reliable trend in earnings is evident.

Net Asset Value Methods

Asset based valuations involve the determination of the fair market value of a business based on the net realisable value of the assets used in the business.

Valuation of net realisable assets involves:

- separating the business or entity into components which can be readily sold, such as individual business securities or collection of individual items of plant and equipment and other net assets; and
- ascribing a value to each based on the net amount that could be obtained for this asset if sold.

The net realisable value of the assets can be determined on the basis of:

- orderly realisation (NRV): this method estimates fair market value by determining the net assets of the underlying business including an allowance for the reasonable costs of carrying out the sale of assets, taxation charges and the time value of money assuming the business is wound up in an orderly manner. This is not a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value;
- liquidation: this is a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value; or
- continuing operations (NAV): this is a valuation of the net assets on the basis that the operations of the business will continue. It estimates the market value of the net assets but does not take into account any realisation costs. This method is often considered appropriate for the valuation of an investment or property holding entity. Adjustments may need to be made to the book value of assets and liabilities to reflect their value based on the continuation of operations.

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The net realisable value of a trading entity's assets will generally provide the lowest possible value for the business. The difference between the value of the entity's identifiable net assets (including identifiable intangibles) and the value obtained by capitalising earnings is attributable to goodwill.

The net realisable value of assets is relevant where an entity is making sustained losses or profits but at a level less than the required rate of return, where it is close to liquidation, where it is a holding entity, or where all its assets are liquid. It is also relevant to businesses which are being segmented and divested and to value assets that are surplus to the core operating business. The net realisable assets methodology is also used as a check for the value derived using other methods.

These approaches ignore the possibility that the entity's value could exceed the realisable value of its assets.

Quoted Market Prices

The price that an entity's share trades on an exchange can be an appropriate basis for valuation where:

- the share trades in an efficient market place where 'willing' buyers and sellers readily trade the entity's share; and
- the market for the entity's share is active and liquid.

APPENDIX 4: CONTROL PREMIUM

Investment fundamentals dictate that the value of 100% of an entity is normally greater than the sum of values attributable to the individual securities of that entity based on transactions of minority holdings.

The difference between the value of 100% of an entity and the total value of minority interests is referred to as a premium for control and considers control and synergistic benefits for the acquirer.

Control of an entity by a shareholder gives that shareholder rights to which minority shareholders are not entitled, including control of the entity's policies and strategies, and use of cash flows.

A premium for control is applicable when an acquisition would give rise to benefits such as:

- The ability to realise synergistic benefits;
- Access to cash flows;
- Access to tax benefits; and
- Control of the board of directors of the company.

Therefore, a transaction premium would typically include a premium for control as well as potential buyer specific synergies.

Evidence from studies indicates that premiums paid on successful takeovers have frequently been in the range of 20% to 40% in Australia and that the premiums vary significantly by transaction. We have analysed the average premiums paid for completed acquisitions since 1 January 2010 (cash consideration only), in order to assess an appropriate control premium.

Figure 13: Premiums on completed takeovers relative to the share price one day prior to the offer

Year	Number of Transactions	Average Deal Value (AUD\$m)	Average premium (%)
2017	12	1482	15%
2016	33	784	28%
2015	36	782	34%
2014	35	673	22%
2013	37	701	26%
2012	43	302	30%
<i>Mean</i>		787	26%
<i>Median</i>		742	27%

Source: MergerMarket and BDO analysis

Figure 14: Premiums on completed takeovers relative to the share price one month prior to the offer

Year	Number of Transactions	Average Deal Value (AUD\$m)	Average control premium (%)
2017	11	1609	10%
2016	34	762	34%
2015	37	762	38%
2014	35	673	29%
2013	37	706	32%
2012	43	302	34%
<i>Mean</i>		802	30%
<i>Median</i>		734	33%

Source: MergerMarket and BDO analysis

In arriving at an appropriate premium for control to apply, we note that buyers would generally assess the following considerations:

- Level of liquidity in the trade of the target's securities;
- Synergistic value;
- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;

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- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited; and
- Ability to integrate the target into the acquirer's business.

An acquirer of the Company could potentially reduce corporate overheads and realise synergies through the integration into their business while, at the same time incurring one-off integration expenses.

Having considered the market evidence of transaction premiums, we note that the premiums paid prior to 2017 ranged between 22% and 38%. Fewer transactions occurred in 2017 compared to prior years, which increases susceptibility to bias by outliers. Therefore, the median values covering 2012 to 2016 are considered to be the best representation of the premiums paid.

The above data, together with the fact that the exhibited premiums include both a control premium and synergistic value, we have applied a control premium of 25% in our application of the QMP and FME valuation methodologies.

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APPENDIX 5: GUIDELINE PUBLIC COMPANY DESCRIPTIONS

Company Name	Business Description
Inabox Group Limited	Inabox Group Limited provides information technology (IT), cloud, and telecommunications products and services in Australia. It operates in three segments: Direct, Indirect, and Enablement. The company offers wholesale telecommunications solutions, wholesale VoIP services, cloud services consisting of co-location, cloud desktop, Infrastructure as a Service, cloud back-up, cloud Web-hosting, business Internet, private IP and MPLS, customized IT solutions, and designs, builds, and operates 24/7 cloud services across private cloud and other cloud platforms under the Hostworks name. The company was founded in 2003 and is based in Sydney, Australia.
rhipe Limited	rhipe Limited, through its subsidiaries, provides cloud licensing, subscription management tools, and value-added services to IT service providers across the Asia Pacific. The company engages in the wholesale of subscription software licenses. It also offers value-added consulting and support to vendors and IT service. In addition, the company invests in operations that are focused on the industry transition to the cloud business model with integrated divisions of cloud licensing (private, public, and hybrid), cloud solutions (consulting services), and cloud operations (billing, provisioning, support, and marketing). rhipe Limited was founded in 2003 and is based in North Sydney, Australia.
Melbourne IT Limited	Melbourne IT Limited, together with its subsidiaries, provides cloud-based technology solutions. It operates through SMB Solutions and Enterprise Services segments. The SMB Solutions segment provides online marketing solutions for small and medium businesses in Australia. The Enterprise Services segment provides digital solutions for the corporate and government markets in Australia. It offers cloud, mobile application development, data and analytics, digital and applications, and security under the Melbourne IT, InfoReady, and Outware Systems brands. The company was founded in 1996 and is headquartered in Ultimo, Australia.
Over the Wire Holdings Limited	Over the Wire Holdings Limited provides telecommunications, cloud, and IT solutions for corporate clients in Australia and New Zealand. The company offers Internet connectivity services to enable Internet services, video conferencing, Software as a Service applications, and online collaboration for various businesses. The company offers a range of private cloud-based services consisting of Infrastructure as a Service, hosted PBX, and Amazon Web Services Direct Connect and Microsoft Azure Express Route, as well as managed services. Further, it allows customers to house their equipment, such as servers and network equipment. Over the Wire Holdings Limited was founded in 2005 and is headquartered in Brisbane, Australia.
Cirrus Networks Holdings Limited	Cirrus Networks Holdings Limited, together with its subsidiaries, provides information technology (IT) services and related third-party products in Australia. It offers a range of solutions, such as data center and cloud, convergence, network design and optimization, business continuity, end user computing, unified communications and IP telephony, lifecycle management, IT consulting and management, and project management, as well as storage, big data, and data management solutions. Further, the company provides IT integration solutions and managed services. Cirrus Networks Holdings Limited was founded in 2003 and is headquartered in Subiaco, Australia.
RXP Services Limited	RXP Services Limited provides information and communications technology consulting, development, support, and maintenance services to corporations and government bodies in the Asia-Pacific Region. Further, it provides business process management services and infrastructure support services, including delivery as a service, strategic plan and road-map, and support services. The company is based in Melbourne, Australia.
Empired Limited	Empired Limited provides information technology solutions in Australia, New Zealand, and North America. The company offers integrated solutions, such as cloud, customer relationship management, data insight and business intelligence, digital and experience design, enterprise content management, enterprise resource planning, expert guidance, identity and access management, infrastructure transformation, Internet of Things, managed infrastructure, mobile, application, project management office, spatial, system integration, and unified communication services. It serves clients in various industries, such as education, financial services and insurance, health, mining, oil and gas, and retail and manufacturing, as well as serves public sector and utilities. Empired Limited was founded in 1999 and is headquartered in Perth, Australia.
MOQ Limited	MOQ Limited provides information technology solutions in Australia. The company operates in three segments: Technology Sales, Professional Services, and Recurring Services. The Technology Sales segment provides vendor hardware, software, and related licenses and maintenance contracts. The Professional Services segment offers a range of specialist services, including consulting, project management, and systems and software engineering. The Recurring Services segment provides managed services, such as operations, support, and ICT management, as well as a range of in-house developed IP and cloud based solutions. The company was formerly known as Montech Holdings Limited and changed its name to MOQ Limited in July 2016. MOQ Limited is based in North Sydney, Australia.
Data#3 Limited	Data#3 Limited, together with its subsidiaries, provides information technology (IT) solutions in Australia and the Asia Pacific. The company operates through two segments, Product and Services. The Product segment provides hardware and software licenses for customers' desktop, network, and data center infrastructure. The Services segment offers consulting, project, managed, and maintenance contracts, as well as workforce recruitment and contracting. It also provides cloud/hybrid IT, mobility, security, data and analytics, and IT lifecycle management solutions. Data#3 Limited was founded in 1977 and is headquartered in Toowong, Australia.
DWS Limited	DWS Limited provides information technology services to corporations and government bodies in Australia. The company offers a suite of integrated solutions, including IT consulting services, business intelligence services comprising advanced analytics, as well as power BI and data warehouse as a service; sourcing and productivity services; and managed application services using a mix of offshore, on-site, off-site, and high-security models depending on client requirements. The company was incorporated in 1991 and is headquartered in Melbourne, Australia.

Source: S&P Capital IQ

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APPENDIX 6: GUIDELINE TRANSACTION TARGET COMPANY DESCRIPTIONS

Company Name	Business Description
VPN Solutions Pty Ltd	VPN Solutions Pty Ltd is a telecommunications company that delivers business grade solutions to the Australian SME and Enterprise markets. The company was founded in 2002 and is based in Sydney, Australia. As of November 1, 2017, VPN Solutions Pty Ltd operates as a subsidiary of Over the Wire Holdings Limited.
SMS Management & Technology Limited	SMS Management & Technology Limited provides consulting services in Australia, Hong Kong, Singapore, and the Philippines. The company operates through two segments, SMS Consulting and M&T Resources. The SMS Consulting segment provides Information Technology (IT) advisory solutions and technology solutions, including Web, mobile, IoT application solutions; data provisioning and business analytics; customer solutions; process and productivity solutions; and cloud migration and enablement solutions, as well as managed services. The M&T Resources segment provides recruitment and contract labor services primarily in the IT sector. SMS Management & Technology Limited was founded in 1986 and is based in Melbourne, Australia. As of September 7, 2017, SMS Management & Technology Limited operates as a subsidiary of ASG Group Limited.
ASG Group Limited	ASG Group Limited provides information technology (IT) services in Australia. It offers a range of managed and professional services. Its consulting services consist of strategic business analysis, IT service and supply chain transformation, and multi-channel transformation; and cloud services include private cloud services, infrastructure as a managed service solutions, Platform as a Service solutions, Software as a Service solutions, and consulting services. ASG Group Limited was founded in 1996 and is headquartered in Perth, Australia. As of December 12, 2016, ASG Group Limited operates as a subsidiary of Nomura Research Institute, Ltd.
BigAir Group Limited	BigAir Group Limited, together with its subsidiaries, provides managed services, cloud-based solutions, and networking infrastructure in Australia. It operates through Fixed Wireless for Business, BigAir Community Broadband, and Cloud Managed Services segments. It provides cloud and managed services and offers outsourced managed Internet services in the tertiary student accommodation market. The company was founded in 2002 and is headquartered in St Leonards, Australia. BigAir Group Limited is a subsidiary of Superloop Limited.
TETTRAN PTY. LTD.	TETTRAN PTY. LTD. offers managed and cloud IT services. The company offers managed server, network, devices, security, backup, telephony, and disaster recovery services, as well as service desk services. It also provides services in the areas of IT security assessment. TETTRAN PTY. LTD. was incorporated in 2006 and is based in Lane Cove, Australia. It has additional offices in Australia, New Zealand, Singapore, and Colombo. As of May 20, 2016, TETTRAN PTY. LTD. operates as a subsidiary of MOQ Limited.
Arrow ECS Australia Pty Limited	Arrow ECS Australia Pty Limited engages in the distribution and support of IT security products, wireless or wired network products, storage applications, and unified communications systems in Australia, New Zealand, and Singapore. Arrow ECS Australia Pty Limited was formerly known as Distribution Central Pty Limited. The company was incorporated in 1987 and is headquartered in St Leonards, Australia. As of March 13, 2016, Arrow ECS Australia Pty Limited operates as a subsidiary of Arrow Electronics, Inc.
UXC Limited	UXC Limited, an IT services company, provides business services and solutions in the areas of information, communication, and technology in Australia, North America, and internationally. It operates through three segments: Consulting, Applications, and IT Infrastructure. UXC Limited is headquartered in Melbourne, Australia. As of February 26, 2016, UXC Limited operates as a subsidiary of DXC Technology Company.
Amcom Telecommunications Limited	Amcom Telecommunications Limited operates as an IT and telecommunications company in Australia. It operates in Telecommunications, Hosted and Cloud Services, and IT Services segments. The company offers data and network solutions, provides managed IT services, and provides IT services, technology consulting (ICT) services, consumer DSL services, and infrastructure-as-a-service. The company was formerly known as Fibertel Limited and changed its name to Amcom Telecommunications Limited in June 2000. The company was incorporated in 1993 and is headquartered in Perth, Australia. As of July 8, 2015, Amcom Telecommunications Limited operates as a subsidiary of Vocus Communications Limited.
Oriel Technologies Pty Ltd.	Oriel Technologies Pty Ltd. provides end-to-end IT infrastructure service and solutions. It offers managed IT services, infrastructure as a service, plus private, hybrid and public cloud services, data infrastructure solutions, consulting IT services, business continuity solutions, and unified communications solutions. Further, the company offers data center solutions. Oriel Technologies Pty Ltd. was founded in 1995 and is based in Lane Cove, Australia. As of December 19, 2014, Oriel Technologies Pty Ltd. operates as a subsidiary of BigAir Group Limited.
nSynergy Pty Ltd	nSynergy Pty Ltd. engages in designing, building, and deploying business solutions based on SharePoint and Office 365 technologies for enterprise-sized organizations around the globe. It offers consulting services, including implementation, strategy, design, development, training, integration, and deployment, as well as migration and upgrades. The company was founded in 2001 and is based in Southbank, Australia with additional offices in Sydney, Melbourne, Canberra, Brisbane, London, New York, and Shanghai. As of December 15, 2014, nSynergy Pty Ltd operates as a subsidiary of Rhipe Limited.

Source: S&P Capital IQ

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Schedule 3

List of Bulletproof Announcements to ASX since release of Bulletproof's 2017 Annual Report

Date	Headline
20/12/2017	Change in substantial holding
13/12/2017	Change in substantial holding
13/12/2017	Bulletproof to open data room
08/12/2017	BPF response to Macquarie Telecom's proposed takeover bid
07/12/2017	MAQ: Completion of dispatch of Bidders Statement
06/12/2017	Appointment of independent experts and advisors
04/12/2017	Becoming a substantial holder
29/11/2017	Change of Director's Interest Notice
29/11/2017	Board Changes
29/11/2017	Board Changes
28/11/2017	MAQ: Register Date for Bidder's Statement
28/11/2017	Form 604 – 671B(1)(c) of the Corporations Act from MAQ
27/11/2017	Change in substantial holding
24/11/2017	Change in substantial holding
23/11/2017	Appendix 3B
23/11/2017	Results of Meeting
23/11/2017	MAQ: Bidder's Statement
23/11/2017	AGM Presentation
21/11/2017	Response to Macquarie Telecom Off-Market Takeover Bid
21/11/2017	Becoming a substantial holder from MAQ
21/11/2017	BPF: Macquarie announces intended takeover offer
20/11/2017	Trading Halt
30/10/2017	Notice of Annual General Meeting – correction
20/10/2017	Notice of Annual General Meeting/Proxy Form
27/09/2017	Investor Presentation
07/09/2017	Appendix 3B – corrected
04/09/2017	Final Director's Interest Notice – Lorenzo Modesto