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OTIS ENERGY LIMITED

ACN 075 419 715

NOTICE OF GENERAL MEETING

**A General Meeting of the Company will be held at the office of Cygnet Capital,
50 Ord Street, West Perth, Western Australia,
on Monday, 22 December 2014 at 10.00 am (WST).**

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

The Independent Expert has concluded that the transactions subject to Resolutions 1 to 8 of the General Meeting are not fair but reasonable to non-associated Shareholders. All Shareholders should refer to the Independent Expert's Report enclosed with this Notice of General Meeting.

Should you wish to discuss any matter please do not hesitate to contact the Company by telephone on (08) 9389 3140.

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OTIS ENERGY LIMITED

ACN 075 419 715

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of Shareholders of Otis Energy Limited (**Company**) will be held at the office of Cygnet Capital, 50 Ord Street, West Perth, Western Australia on Monday, 22 December 2014 at 10.00 am (WST) (**Meeting**).

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on Saturday, 20 December 2014 at 10.00 am (WST).

Terms and abbreviations used in this Notice and Explanatory Memorandum are defined in Section 12.

AGENDA

1. Resolution 1 – Change to scale and nature of activities

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

"That, subject to Resolutions 1 to 8 (inclusive) being passed, for the purposes of Listing Rule 11.1.2 and for all other purposes, the Company be authorised to make a significant change to the scale and nature of its activities on the terms and conditions in the Explanatory Memorandum accompanying this Notice."

Voting Exclusion

The Company will disregard any votes cast on this resolution by a person who might obtain a benefit (except a benefit solely in their capacity as holder of ordinary securities) if the resolution is passed and any associates of those persons.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. Resolution 2 – Approval of issue of Vendor Securities

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

*“That, subject to Resolutions 1,3,4,5,6,7 and 8 being passed, and for the purposes of section 611 item 7 of the Corporations Act, and all other purposes, Shareholders approve the issue of Shares and Performance Shares (and Shares on conversion of Performance Shares) under the terms of the Acquisition Agreement (together, the **Vendor Securities**), to the Vendor as consideration for the Acquisition on the terms and conditions in the Explanatory Memorandum accompanying this Notice.”*

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person (and any associate of such a person) who may participate in the issue of the Vendor Securities.

Expert’s Report

Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval under section 611 item 7 of the Corporations Act. The Independent Expert’s Report comments on the fairness and reasonableness of the transaction the subject of this Resolution to the non-associated Shareholders in the Company. The Independent Expert has determined that the transaction is not fair but reasonable to the non-associated Shareholders in the Company.

3. Resolution 3 - Approval of Performance Shares

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

*“That, subject to Resolutions 1,2,4,5,7 and 8 being passed, and for the purposes of section 246B(1) of the Corporations Act and Article 2.4 of the Constitution of the Company and for all other purposes, the Company be authorised to create a new class of share on the terms and conditions in Schedule 2 and in the Explanatory Memorandum accompanying this Notice (**Performance Shares**).”*

4. Resolution 4 – Authority to issue Capital Raising Shares

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

*“That, subject to Resolutions 1,2,3,5,7 and 8 being passed, for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders approve and authorise the Directors to issue up to 80,000,000 Shares (on a post-consolidation basis) (**Capital Raising Shares**) each at an issue price of \$0.03 (**Capital Raising**) on the terms and conditions set out in the Explanatory Memorandum.”*

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the

capacity of a holder of ordinary securities, if the resolution is passed, and any associates of those persons.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. Resolution 5 - Approval of Share Consolidation

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

"That, subject to Resolutions 1,2,3,4,6,7 and 8 being passed, for the purposes of section 254H of the Corporations Act, and for all other purposes, Shareholders approve and authorise the Directors to consolidate the issued capital of the Company on the basis that every 10 Shares be consolidated into one Share and that Options on issue be adjusted in accordance with the Listing Rules on the terms and conditions in the attached Explanatory Memorandum accompanying this Notice."

6. Resolution 6 – Change of Company Name

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

"That, subject to Resolutions 1,2,3,4,5,7 and 8 being passed, with effect from the date that ASIC alters the details of the Company's registration in accordance with section 157 of the Corporations Act, the name of the Company be changed to iSignthis Ltd."

7. Resolution 7 – Appointment of Mr Nickolas John Karantzis as a Director

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

"That, in accordance with Article 13.3 of the Constitution, and with effect from Completion of the Acquisition, Mr Nickolas John Karantzis be appointed as a Director."

8. Resolution 8 – Appointment of Mr Scott William Minehane as a Director

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

"That, in accordance with Article 13.3 of the Constitution, and with effect from Completion of the Acquisition, Mr Scott William Minehane be appointed as a Director."

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9. Resolution 9 – Authority for Director Participation in the Capital Raising

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

"That, subject to Resolution 4 being passed, for the purpose of Listing Rule 10.11, and for all other purposes, Shareholders approve and authorise Mr Barnaby Egerton-Warburton (and/or his nominees) to participate in the Capital Raising to the extent of up to 2,750,000 Shares (on a post-consolidation basis) each at an issue price of \$0.03 on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Mr Barnaby Egerton-Warburton and his nominees and any associates of those persons.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

10. Resolution 10 – Authority for Director Participation in the Capital Raising

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

"That, subject to Resolution 4 being passed, for the purpose of Listing Rule 10.11, and for all other purposes, Shareholders approve and authorise Mr Winton Willesee (and/or his nominees) to participate in the Capital Raising to the extent of up to 1,000,000 Shares (on a post-consolidation basis) each at an issue price of \$0.03 on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Mr Winton Willesee and his nominees and any associates of those persons.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

BY ORDER OF THE BOARD



Winton Willesee - Director and Company Secretary
17 November 2014

OTIS ENERGY LIMITED

ACN 075 419 715

EXPLANATORY MEMORANDUM

1. Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at the office of Cygnet Capital, 50 Ord Street, West Perth, Western Australia on Monday, 22 December 2014 at 10.00am (WST).

This Explanatory Memorandum should be read in conjunction with and forms part of the accompanying Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the Resolutions set out in the Notice.

A Proxy Form is located at the end of the Explanatory Memorandum.

2. Action to be taken by Shareholders

Shareholders should read the Notice and this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

2.1 Proxies

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgment of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (a) a member of the Company entitled to attend and vote at the General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

3. Summary of the Acquisition

3.1 Background

The Company announced on 4 September 2014 that it had signed a binding term sheet to acquire 100% of online identification and payment authentication provider, iSignthis (**Acquisition**). To undertake this transaction, Otis has entered into a binding term sheet with iSignthis Ltd (**Vendor**) to acquire 100% of the issued capital of iSignthis BV (**iSignthis**) and ISX IP Ltd (**ISX**), which includes all associated intellectual property, software, patents and trademarks.

iSignthis is an Australian based company which has been granted USA, European, South African and Australian patents that significantly enhance online payment security, internet identity, e-mandates and e-contract validation services, to safeguard e-commerce operators, and assist Anti Money Laundering (**AML**) and Counter Terrorism Funding (**CTF**) obligated entities meet their compliance requirements. The company has patents pending in several other key jurisdictions, including China, Hong Kong, South Korea, Canada, Brazil and India.

3.2 Capital Raising

Subject to shareholder approval, the Company will complete the Acquisition in conjunction with a consolidation of securities, on a basis of 10 to 1 (equivalent of \$0.03 per share).

The Company will seek to raise a minimum of \$2,000,000 and a maximum of \$2,400,000 by way of a Share placement to the general public via a prospectus, at an issue price of \$0.03 per Share (post consolidation). Shareholders may participate in the Capital Raising under the prospectus. Resolution 4 seeks Shareholder approval for the Capital Raising (refer to Section 7).

The Company has executed a mandate for Cygnet Capital Pty Ltd (**Cygnet**) to act as lead manager of the Capital Raising.

3.3 iSignthis Overview

iSignthis is a Melbourne, Australia based company, which dynamically creates evidence of identity via regulated payment instrument authentication. The automated, online identification of persons remote to the transaction is made possible via a patented electronic verification method, and is available to more than 3 billion customer accounts across more than 190 countries.

iSignthis provides online identity authentication by dynamically verifying ownership of financial instruments (including bank accounts, credit and debit cards), in turn leveraging the mandatory face-to-face customer due diligence processes completed by regulated financial entities at the account opening stage.

iSignthis offers its authentication technology as a cloud based compliance solution for payment service providers, including payment gateways, financial institutions, card issuers and acquirers. Our service also assists Anti Money Laundering, Counter Terrorism Funding, Patriot Act or Bank Secrecy Act obligated or regulated entities to identify their customers. Payment authentication can also be used to mitigate the growing issue of payment fraud in cross border e-commerce, and for airline and travel operators.

The iSignthis payment authentication service assists payment service providers to meet the European Central Bank's 'Strong Customer Authentication' SecuRE-Pay requirements, which

are soon to be mandatory for all internet payments in the EU28 and Single Euro Payment Area (SEPA).

Since receiving confirmation of the grant of patents in late 2013, iSignthis has executed several contracts for the provision of Evidence of Identity (**EOI**) and SCA services in Europe. Existing clients include European based payment processing service providers eMerchantPay and Adelante which collectively process payments in more than 40 countries. iSignthis has also executed agreements with the operator of the Singapore Government's National Authentication Framework, Assurity Pte Ltd.

3.4 Business Activities and Budget

iSignthis offers two global services of authentication. The services cover two key objectives, Evidence of Identity and Strong Customer Authentication.

Evidence of Identity (EOI)

A number of businesses or operations fall under the category of being an obligated or regulated entity under Anti Money Laundering (AML) laws. One of their obligations is to fully identify their customers, which is also referred to as Know Your Customer (KYC) to a similar standard as financial institutions. To date, online merchants have been unable to do this in a truly online manner. They are able to have customers submit basic details in an online form (such as name, address and date of birth) but then require a submission of notarised documents (copies of passport, birth certificate, drivers licence) in order to meet the AML requirements. The other option is to ask the customer to present themselves in a face-to-face environment with their required forms of identification. Both methods are timely, expensive, annoying to the customer and takes them offline, delaying their ability to transact.

The unique and patented iSignthis process assists with the efficient on boarding of customers. This is done in a matter of minutes, operates totally online and takes away current frustrations and obligations to provide numerous forms of identification. The process authenticates that a customer owns a payment instrument (such as a credit card) and uses that ownership to identify the customer.

The service Assists with AML/CTF Directive Compliance plus Chapter 6 of European Central Bank's (ECB) SecuRE Pay.

Key Points and Advantages:

- Assists to Identify customers to an AML/CTF standard, consistent with Financial Action Task Force (FATF) risk based approach.
- Covers more than 190 countries
- Allows online onboarding of customers
- Reaching more than 3Bn accounts
- PEP & Sanctions screening
- Almost any remote payment instrument as source
- Eliminates manual processes, automates customer on-boarding
- Using routine online payments

Strong Customer Authentication (SCA)

This service has been designed to authenticate online payment transactions. It uses the EOI process above and links the customer and the payment instrument on an issuer agnostic basis to a 2FA system. The 2FA is then used to rapidly authenticate subsequent mobile, online payments processed on the payment instrument or eWallet.

In simple terms, it authenticates that an online card or account user is also the card or account owner or authorised to access the statement of account.

The SCA allows online merchants to safely accept payment without the present risk of chargebacks and Card Not Present fraud associated with unauthenticated transactions.

Key Points and Advantages:

- Authenticates online payments and associated financial or payment instrument
- The process is post transactional (no sales abandonment issues)
- No interruption to the normal payment processing and settlement process
- Payment instrument coverage is for more than 30 card schemes, including Visa, Mastercard, American Express, JCB and Diners.
- The service is independent of card issuer and scheme
- Includes means for authentication of Online Banking Electronic Payments (OBEP), e-mandates and direct debit payments
- Uses scalable, cloud based, patented technology

Both services are offered on a business to business (b2b) basis, where iSignthis performs the authentication function as designated agent of its client, being the consumer facing business.

The iSignthis business will contract directly with large online merchants, Payment Service Providers (PSP’s), Payment Gateways, payment processors and obligated or regulated entities under Anti Money Laundering (AML) legislation. The company has completed agreements with European PSP’s eMerchantPay and Adelante as well as the Singaporean Government. The EOI and SCA services to be provided are being integrated at present.

The business model is based on a fee charged for each transaction processed. Volumes and market will affect price to some extent but as general guide the following pricing structure operates:

- Evidence of Identity – up to \$11 per identity transaction
- Strong Customer Authentication – up to \$0.28 per transaction plus cost per SMS sent
- Market size – approximately 5Bn transactions are processed annually in the EU, with a compound average growth rate on these transactions of approximately 20% per annum.

Business Development is currently focused on the wider local market (Australia and Asia Pacific) as well as Europe. The strong business driver in Europe is due to the European Central Bank legislative requirements commencing in 2015. The legislation requires all online payment transactions to be fully authenticated (Strong Customer Authentication). The iSignthis service allows merchants and PSP’s to meet the legislative requirements.

3.5 Budget

Following the Acquisition and the Capital Raising, the Company intends to apply funds as follows:

PROPOSED BUDGET	Amount
Existing Cash	\$1,700,000
Proceeds from Capital Raising	\$2,000,000

Total Cash on completion of re-compliance	\$3,700,000
USE OF FUNDS	
Product development	\$750,000
Licensing, Patents and regulatory expenses	\$100,000
Sales, marketing and promotion	\$1,000,000
Otis/iSignthis Loan and inducement fee	\$350,000
ASX and associated listing fees	\$60,000
Working Capital	\$1,030,000
Costs of the Offer	\$410,000
Total	\$3,700,000

Note:

The above table is a statement of the Board's current intention as at the date of this Notice and assumes the raising of \$2,000,000 under the Capital Raising. If the Company raises an additional \$400,000, those monies will be applied towards general working capital. However, Shareholders should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of operational and development activities, regulatory developments, market and general economic conditions and environmental factors. In light of this, the Board reserves the right to alter the way the funds are applied.

3.6 Consideration

Under the terms of the Acquisition, the Company has agreed to issue Shares and Performance Shares as consideration to the Vendor.

The Vendor does not currently hold any Shares in the Company.

Following Completion of the Acquisition and the Capital Raising, the Vendor will hold up to the following number of Shares and Performance Shares (on a post consolidation basis) and exercise the following voting power in the Company:

	Number of Shares	Number of Performance Shares	Voting Power
Vendor	298,333,333 ⁽¹⁾	336,666,667	56.86% ⁽¹⁾

(1) This number does not include any Shares issued for the Cash Shortfall Amount pursuant to the terms of the Acquisition Agreement. Refer Section 3.10(b) for further information about the Cash Shortfall Amount. Up to 56,666,667 additional Shares may be issued to the Vendor for the Cash Shortfall Amount (this assumes the Company has no existing cash at Completion), which would increase the voting power of the Vendor to 61.06%. The Company does not expect to be anywhere near this position but has included this disclosure as it is the maximum theoretical percentage the Vendor may achieve.

- (2) Assumes the raising of the minimum amount under the Capital Raising of \$2,000,000. If the Company raises an additional \$400,000 under the Capital Raising, the voting power of the Vendor will be 55.45% (or 59.69% if 56,666,667 additional Shares are issued for the Cash Shortfall Amount as set out in Note 1 above).

If all of the Performance Shares are converted into Shares (and assuming the Company does not issue any further Shares other than pursuant to the Capital Raising), the Vendor will hold the following number of Shares and Performance Shares (on a post consolidation basis) and exercise the following voting power in the Company:

Name of Vendor	Number of Shares	Number of Performance Shares	Voting Power
Vendor	635,000,000 ⁽¹⁾	Nil	73.72% ⁽¹⁾

- (1) This number does not include any Shares issued for the Cash Shortfall Amount pursuant to the terms of the Acquisition Agreement. Refer Section 3.10(b) for further information about the Cash Shortfall Amount. Up to 56,666,667 additional Shares may be issued to the Vendor for the Cash Shortfall Amount (this assumes the Company has no existing cash at Completion), which would increase the voting power of the Vendor to 75.34%. The Company does not expect to be anywhere near this position but has included this disclosure as it is the maximum theoretical percentage the Vendor may achieve.
- (2) Assumes the raising of the minimum amount under the Capital Raising of \$2,000,000. If the Company raises an additional \$400,000 under the Capital Raising, the voting power of the Vendor will be 72.60% (or 74.26% if 56,666,667 additional Shares are issued for the Cash Shortfall Amount as set out in Note 1 above).

As a consequence of the Vendor's voting power in the Company on Completion of the Acquisition and voting power if all of the Performance Shares are converted, the Company will need Shareholder approval to complete the Acquisition. Specifically, Shareholder approval is required pursuant to Item 7 of section 611 of the Corporations Act because the Acquisition will result in the Vendor acquiring ownership of more than 20% of the issued share capital of the Company.

3.7 Board and Management Changes

Following the completion of the Acquisition, the Company will seek changes to its Board of Directors, with existing Directors, Mr. Harry Hill and Mr. Winton Willesee stepping down from their positions and Mr. Barnaby Egerton-Warburton moving to the role of Non-Executive Director.

The outgoing Directors will be replaced on the Board by 2 directors to be nominated by the Vendor, and an independent Chairman. The Vendor has nominated Mr. Nickolas John Karantzis as Managing Director and Mr. Scott William Minehane be appointed to the Board of the Company as Non-Executive Directors. Shareholder approval for these appointments is being sought pursuant to Resolutions 7 and 8. Refer to Section 10 for more information on the qualifications of each of these nominees.

3.8 Proposed Executive Services Agreement

As a condition of the Acquisition, the Company will enter into executive services agreement, to be effective from Completion, with Mr. Nickolas John Karantzis and Mr. Todd Richards.

Mr. Karantzis will be appointed as Managing Director and Chief Executive Officer of the Company. Mr. Karantzis holds qualifications in engineering (University of Western Australia), law and business (University of Melbourne and Melbourne Business School). Mr. Karantzis is a founder of iSignthis, and has been leading the sales effort whilst developing the intellectual

property to its commercialised state. He has over 20 years' experience in a number of sectors, including online media, defence and communications, with a background in secure communications. Mr. Karantzis' previous public company experience includes directorships with ASX listed Pacific Star Network Limited (ASX:PNW) and Reeltime Media Limited (ASX:RMA).

The proposed terms of Mr. Karantzis Executive Services Agreement for the position of Managing Director and Chief Executive Officer will include a term of twenty four (24) months, with a termination period of six (6) months by either party, a director's fee and base salary totalling \$200,000 per annum, plus statutory superannuation entitlements, and domicile portability provisions.

Mr. Todd Richards will be appointed as the Chief Financial Officer and Company Secretary of the Company. Mr. Richards is a co-founder of the iSignthis business, and a Certified Practising Accountant with more than 20 years' experience in statutory corporations and international and ASX listed companies. His experience has been gained in a number of industries including manufacturing, logistics, professional sport, IT, online media and telecommunications. Todd's previous public company experience includes executive and Company Secretary roles with ASX listed Destra Corporation Limited (ASX:DES) and Reeltime Media Limited (ASX:RMA).

The proposed terms of Mr. Richards' Executive Services Agreement for the position of Chief Financial Officer and Company Secretary of the Company will include a term of twenty four (24) months, with a termination period of three (3) months by either party, a base salary of \$180,000 per annum, plus statutory superannuation entitlements, and domicile portability provisions.

3.9 Overview of the Intellectual Property Rights

The iSignthis Patent portfolio comprises 19 active patents or patent application, of which 5 have been granted, with 14 remaining pending. The 5 granted patents include the USA, 2 for Australia, Portugal, South Africa. Key jurisdictions where patents examinations are pending include China, India, Korea, Brazil and Canada.

iSignthis is a registered trademark in the European Union, the USA and Australia.

The company intends to build and maintain its own software platform to exploit its intellectual property.

Further information in respect of the Acquisition is contained in the Company's ASX announcement dated 4 September 2014.

3.10 Acquisition Agreement

The Company has entered into the Acquisition Agreement with the Vendor to acquire the Intellectual Property Rights by the acquisition of the Sale Companies on the following terms:

- (a) The consideration is:
 - (i) 298,333,333 Shares (on a post consolidation basis);
 - (ii) 112,222,222 Class A Performance Shares (on a post consolidation basis), which convert on achievement, within three (3) full financial years of Completion, of revenue over a 6 month reporting period equivalent, on an annualised basis, to annual revenue of at least \$5,000,000 (**Milestone A**), each Class A Performance Share will convert on a one for one basis into a

Share and otherwise on the terms and conditions in Schedule 2. For the avoidance of doubt, a half year revenue of \$2,500,000 will satisfy Milestone A;

- (iii) 112,222,222 Class B Performance Shares (on a post consolidation basis), which convert on achievement, within three (3) full financial years of Completion, of revenue over a 6 month reporting period equivalent, on an annualised basis, to annual revenue of at least \$7,500,000 (**Milestone B**), each Class B Performance Share will convert on a one for one basis into a Share and otherwise on the terms and conditions in Schedule 2. For the avoidance of doubt, a half year revenue of \$3,750,000 will satisfy Milestone B; and
- (iv) 112,222,223 Class C Performance Shares (on a post consolidation basis), which convert on achievement, within three (3) full financial years of Completion, of revenue over a 6 month reporting period equivalent, on an annualised basis, to annual revenue of at least \$10,000,000 (**Milestone C**), each Class C Performance Share will convert on a one for one basis into a Share and otherwise on the terms and conditions in Schedule 2. For the avoidance of doubt, a half year revenue of \$5,000,000 will satisfy Milestone C.

- (b) Under the Acquisition Agreement the parties have agreed to target \$1,700,000 as the Company's cash at Completion (excluding the proceeds from the Capital Raising and adding back costs agreed with the Vendor that relate to the Capital Raising, reasonable costs related to the Acquisition and any loan amounts provided to the Sale Companies prior to Completion).

If the Company's cash at bank at Completion, after the applicable exclusions and add backs, is below \$1,700,000 (the amount of the shortfall being the **Cash Shortfall Amount**), the Company and the Vendor shall negotiate in good faith to resolve the cash shortfall. If the Company and the Vendor fail to agree a resolution with respect to such cash shortfall, the Company shall issue additional Shares to the Vendor of a value equal to the Cash Shortfall Amount (using a deemed issue price of \$0.03 per Share).

- (c) The Acquisition is conditional upon, and subject to, a number of conditions. These conditions have either been satisfied or substantially satisfied, with the exception of the following conditions which remain outstanding at the date of this Notice:
 - (i) Shareholder approval of the Acquisition;
 - (i) execution of the Executive Services Agreements;
 - (ii) completion of the Capital Raising; and
 - (iii) the Company obtaining all necessary regulatory approvals required in relation to the Acquisition including re-compliance with Chapters 1 and 2 of the Listing Rules.
- (d) The Vendor has acknowledged that some or all of the Vendor Securities may be escrowed in accordance with the requirements of ASX.
- (e) There are normal commercial warranties associated with the Acquisition.

Resolutions 2 and 3 seek Shareholder approval for the:

- (a) issue of the Shares under the Acquisition Agreement (including those in Section 3.10(a) and 3.10(b)) (**Vendor Shares**); and
- (b) issue of the Performance Shares (and Shares on conversion of the Performance Shares).

Refer to Sections 5 and 6 for further details.

3.11 Effect of the Acquisition on the Company

- (a) Capital Structure

Below is a table showing the Company's current capital structure and the capital structure on completion of the Capital Raising, issue of the Vendor Shares (assuming no Cash Shortfall Amount) and upon conversion of the maximum possible Performance Shares and assuming none of the Options expire, or are exercised, prior to the date that all of the Performance Shares have converted, all of which is shown on a post-consolidation basis.

	Shares	Options	Performance Shares
Balance at the date of this Notice	159,706,451	19,604,996	Nil
Balance following completion of the Capital Raising	226,373,118 ⁽¹⁾	19,604,996	Nil
Balance following Completion of the Acquisition	524,706,451 ⁽¹⁾⁽²⁾	19,604,996	336,666,667
Balance following conversion of the Performance Shares	861,373,118 ⁽¹⁾⁽²⁾⁽³⁾	19,604,996	Nil

- (1) Assumes the raising of the minimum amount under the Capital Raising of \$2,000,000. If the Company raises an additional \$400,000 under the Capital Raising then up to an additional 13,333,333 Shares may be issued.
- (2) This number does not include any Shares issued for the Cash Shortfall Amount pursuant to the terms of the Acquisition Agreement. Refer Section 3.10(b) for further information about the Cash Shortfall Amount. Up to 56,666,667 additional Shares may be issued to the Vendor for the Cash Shortfall Amount (this assumes the Company has no existing cash at Completion). The Company does not expect to be anywhere near this position but has included this disclosure as it is the maximum theoretical percentage the Vendor may achieve.
- (3) Assumes all of the Performance Shares are converted to Shares prior to the expiry date of the Performance Shares.

The table above shows the possible capital structure of the Company that will give the Vendor the maximum voting power. For details of other scenarios possible as a result of various combinations of securities to be issued under the Capital Raising and if existing Options are exercised, refer to page 30 of the Independent Expert's Report.

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(b) The Vendor's Voting Power

The following table outlines the voting power of the Vendor (on a post consolidation basis) under various scenarios depending on whether the Performance Shares convert.

In addition, Mr Nickolas John Karantzis, who holds an interest of over 20% in the issued capital of the Vendor, will also be deemed to have the voting power set out below.

Event causing the Share issue	Number of Shares issued to the Vendor	% of Share capital held by the Vendor on issue of the Shares
Prior to Completion of the Acquisition	Nil	0%
On Completion of the Acquisition and Capital Raising	298,333,333 ⁽¹⁾⁽²⁾	56.86% ⁽¹⁾⁽²⁾
On achievement of the Milestones prior to the expiry date of the Performance Shares	635,000,000 ⁽³⁾⁽⁴⁾	73.72% ⁽³⁾⁽⁴⁾⁽⁵⁾

- (1) This number does not include any Shares issued for the Cash Shortfall Amount pursuant to the terms of the Acquisition Agreement. Refer Section 3.10(b) for further information about the Cash Shortfall Amount. Up to 56,666,667 additional Shares may be issued to the Vendor for the Cash Shortfall Amount (this assumes the Company has no existing cash at Completion), which would increase the voting power of the Vendor to 61.06%. The Company does not expect to be anywhere near this position but has included this disclosure as it is the maximum theoretical percentage the Vendor may achieve.
- (2) Assumes the raising of the minimum amount under the Capital Raising of \$2,000,000. If the Company raises an additional \$400,000 under the Capital Raising, the voting power of the Vendor will be 55.45% (or 59.69% if 56,666,667 additional Shares are issued for the Cash Shortfall Amount as set out in Note 1 above).
- (3) Assumes all of the Performance Shares issued to the Vendor are converted to Shares prior to the expiry date of the Performance Shares.
- (4) This number does not include any Shares issued for the Cash Shortfall Amount pursuant to the terms of the Acquisition Agreement. Refer Section 3.10(b) for further information about the Cash Shortfall Amount. Up to 56,666,667 additional Shares may be issued to the Vendor for the Cash Shortfall Amount (this assumes the Company has no existing cash at Completion), which would increase the voting power of the Vendor to 75.34%. The Company does not expect to be anywhere near this position but has included this disclosure as it is the maximum theoretical percentage the Vendor may achieve.
- (5) Assumes the raising of the minimum amount under the Capital Raising of \$2,000,000. If the Company raises an additional \$400,000 under the Capital Raising, the voting power of the Vendor will be 72.60% (or 74.26% if 56,666,667 additional Shares are issued for the Cash Shortfall Amount as set out in Note 3 above).

(c) The Vendor's Voting Power Increase/Decrease

The Vendor's voting power in the Company may change as follows:

- (i) Increase in the Vendor's voting power:
- (A) Acquisition of Shares by the Vendor on and off market. The Vendor could increase its Shareholding under the creep provisions of the Corporations Act allowing it to acquire 3% every 6 months.
 - (B) Cancellation of Shares held by Shareholders other than the Vendor.
- (ii) Decrease in the Vendor's voting power:
- (A) Disposal of Shares held by the Vendor.
 - (B) Issue of Shares by the Company to Shareholders other than the Vendor.
 - (C) Conversion of a proportion of Performance Shares rather than all of the Performance Shares.
 - (D) Exercise of Options by Option holders.

3.12 Pro-forma Balance Sheet

A pro-forma balance sheet of the Company on completion of the Acquisition and the Capital Raising is set out in Schedule 3.

3.13 Disposal of US assets

As part of the process of transitioning to focus on the iSignthis business the Company has gone through a process to determine how to best realise value for the existing oil and gas assets of the Company and limit the exposure of the Company to the potential of liability from the prior operation of these assets.

Following such process the Company was presented a proposal by an entity related to one of the directors of the Company, Mr Winton Willesee, to purchase all of the Company's US subsidiaries (excluding the cash at bank of those subsidiaries which will be returned to Otis) and by virtue of the transaction being a share sale transaction, assume all the liabilities and legacy risks inherent within those entities, on an as is where is basis.

The Company has accepted the offer which is subject to, amongst other procedural matters, shareholders passing the resolutions to proceed with the Acquisition.

3.14 Advantages of the Acquisition

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the Resolution 2. Refer to section 2.8 of the Independent Expert's Report for further advantages:

- (a) The Company will be exposed to a growth industry.
- (b) The Company's ability to raise funds and attract expertise will be improved.
- (c) The Acquisition may encourage new investors in the Company because the Company is pursuing a new strategic direction. This improvement in the attractiveness of an investment in the Company may lead to an increased liquidity of Shares and greater trading depth than currently experienced by Shareholders.

- (d) Shareholders may be exposed to further debt and equity opportunities that it did not have prior to the Acquisition.

3.15 Disadvantages of the Acquisition

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote of Resolution 2. Refer to section 2.9 of the Independent Expert's Report for further disadvantages:

- (a) The iSignthis business has a different risk and reward profile than the Company has historically. The new risk profile may not suit all Shareholders.
- (b) Should the Acquisition be completed, the Company's Shareholders will have their voting power reduced. As such, the ability of the existing Shareholders to influence decisions, including the composition of the Board or the acquisition or disposal of assets will be reduced accordingly.
- (c) Following the issue of the Shares as the consideration under the Acquisition Agreement, the Vendor will become the largest shareholder of the Company. In this scenario, the Vendor may have the ability to significantly influence or control the Company.
- (d) The Company will be exposed to the risks associated with the Sale Companies and their subsidiaries (refer to Section 3.17 for further information).

3.16 Timetable

An indicative timetable for the completion of the Acquisition and re-compliance with Chapters 1 and 2 of the Listing Rules is in the table below.

Event	Date*
Lodgement of Prospectus	5 December 2014
Shareholder Meeting	22 December 2014
Closing of the offer under the Prospectus	24 December 2014
Complete Consolidation	31 December 2014
Re-instatement to Trading	On or before 31 January 2015

*Dates in the above table are indicative only.

3.17 Risk Factors

The Company will undertake the requisite due diligence process (including commercial, financial, legal, technical and other risks) prior to Completion. While this process is undertaken to identify any material risks specific to the Sale Companies, their subsidiaries and the Intellectual Property Rights, it should be noted that the usual risks associated with companies with a small market capitalisation undertaking development and commercialisation

activities in the technology sectors are expected to remain after the completion of due diligence.

Shareholders and investors should also be aware that the Acquisition Agreement to acquire the Sale Companies is conditional on a number of events (refer to Section 3.10 above). Accordingly there is a risk that the Acquisition may not be completed.

Investing in a company involves risks of various kinds, some of which are within the realms of influence of the Company and some, arising from external factors, which may be beyond the control of the Company. A summary of the risks associated with the Acquisition and ongoing development and commercialisation of the Intellectual Property Rights are outlined in Schedule 1.

3.18 Independent Expert's Report

The Directors resolved to appoint RSM Bird Cameron as an independent expert and commissioned it to prepare a report to provide an opinion as to whether or not the proposal in Resolution 2 is fair and reasonable to the existing Shareholders.

What is fair and reasonable must be judged by the independent expert in all the circumstances of the proposal. This requires taking into account the likely advantages to Shareholders if the proposal is approved and comparing them with the disadvantages to them if the proposal is not approved.

RSM Bird Cameron has concluded that the proposed Acquisition is not fair but reasonable to the existing Shareholders.

The Company strongly recommends that you read the Independent Expert's Report in full, a copy of which is in Annexure A to this Explanatory Memorandum.

3.19 Section 611 Corporations Act

- (a) Section 606 of the Corporations Act prohibits a person acquiring a relevant interest in the issued voting shares of the Company if, because of the acquisition, that person's or another person's voting power in the Company increases from:
 - (i) 20% or below to more than 20%; or
 - (ii) a starting point that is above 20% and below 90%.
- (b) The voting power of a person in the Company is determined by reference to section 610 of the Corporations Act. A person's voting power in the Company is the total of the votes attaching to the Shares in the Company in which that person and that person's associates (within the meaning of the Corporations Act) have a relevant interest.
- (c) Under section 608 of the Corporations Act, a person will have a relevant interest in Shares if:
 - (i) the person is the registered holder of the Shares;
 - (ii) the person has the power to exercise or control the exercise of votes or disposal of the Shares; or

- (iii) the person has over 20% of the voting power in a company that has a relevant interest in Shares, then the person has a relevant interest in said Shares.
- (d) For the purpose of determining who is an associate you need to consider section 12 of the Corporations Act. Any reference in chapters 6 to 6C of the Corporations Act to an associate is as that term is defined in section 12. The definition of 'associate' in section 12 is exclusive. If a person is an associate under section 11, 13 or 15 of the Corporations Act then it does not apply to chapters 6 to 6C. A person is only an associate for the purpose of chapter 6 to 6C if he is an associate under section 12.
- (e) A person (second person) will be an associate of the other person (first person) if:
 - (i) the first person is a body corporate and the second person is:
 - (A) A body corporate the first person controls;
 - (B) A body corporate that controls the first person: or
 - (C) A body corporate that is controlled by an entity that controls the first person;
 - (ii) the second person has entered, or proposes to enter into, a relevant agreement with the first person for the purpose of controlling or influencing the composition of the board of a body corporate or the conduct of the affairs of a body corporate; and
 - (iii) the second person is a person with whom the first person is acting or proposes to act, in concert in relation to the affairs of a body corporate.
- (f) The Corporations Act defines 'control' and 'relevant agreement' very broadly as follows:
 - (i) Under section 50AA of the Corporations Act control means the capacity to determine the outcome of decisions about the financial and operating policies of the Company. In determining the capacity you need to take into account the practical influence a person can exert and any practice or pattern of behaviour affecting the financial or operating policies of the Company.
 - (ii) Under section 9 of the Corporations Act relevant agreement means an agreement, arrangement or understanding:
 - (A) whether formal or informal or partly informal and partly informal;
 - (B) whether written or oral or partly written and partly oral; and
 - (C) whether or not having legal or equitable force and whether or not based on legal or equitable rights.
- (g) Associates are determined as a matter of fact. For example where a person controls or influences the Board or the conduct of the Company's business affairs, or acts in concert with a person in relation to the entity's business affairs.
- (h) Section 611 of the Corporations Act has exceptions to the prohibition in section 606 of the Corporations Act. Item 7 of section 611 of the Corporations Act provides a

mechanism by which Shareholders may approve an issue of Shares to a person which results in that person's or another person's voting power in the Company increasing from:

- (i) 20% or below to more than 20%; or
 - (ii) a starting point that is above 20% and below 90%.
- (i) To comply with the requirements of the Corporations Act (as contained in ASIC Regulatory Guide 74), the Company provides the information in Section 4 of the Explanatory Memorandum to Shareholders in relation to Resolution 2.

4. Resolution 1 – Change to scale and nature of activities

4.1 Background

Resolution 1 seeks approval from Shareholders for a change to the scale and nature of the activities of the Company.

As outlined in Section 1 of this Explanatory Memorandum, the Company has entered into the Acquisition Agreement under which the Company has agreed to acquire the Sale Companies.

The Acquisition Agreement is subject to a condition precedent to obtain Shareholder approval.

Resolution 1 is an ordinary resolution. Resolution 1 is subject to the approval of Resolutions 2, 3, 4, 5, 6, 7 and 8.

4.2 Listing Rule 11.1 Requirements

Chapter 11 of the Listing Rules requires Shareholders to approve any significant change in the nature or scale of a company's activities. The acquisition of the Sale Companies by the Company will have the effect of increasing the scale and nature of the Company's activities.

Resolution 1 seeks Shareholder approval to allow the Company to complete the Acquisition thereby increasing the scale and nature of its activities. The Company previously operated in oil and gas exploration and development. In early 2013 the Company commenced a review of its business activities and announced that it would commence reviewing potential acquisitions and business opportunities in other business sectors. Therefore the proposed Acquisition will change the scale and nature of the Company's activities. Accordingly the Company must:

- (a) under Listing Rule 11.1.1, notify ASX of the proposed change;
- (b) under Listing Rule 11.1.2, obtain shareholder approval to undertake the change; and
- (c) under Listing Rule 11.1.3, meet the requirements of Chapters 1 and 2 of the Listing Rules as if the Company was applying for admission to the official list of ASX, if required by ASX. The ASX has confirmed that the Company will need to re-comply with the requirements of Chapters 1 and 2 of the Listing Rules. The Company proposes to undertake the share consolidation pursuant to Resolution 5 and the capital raising pursuant to Resolution 4 to meet the requirements of re-compliance.

See Section 3 of this Explanatory Memorandum for further information on the Acquisition and the likely affect that the Acquisition will have on the Company.

A voting exclusion statement is included in the notice.

4.3 Waiver of 20 cent rule as part of re-compliance

As set out in Section 4.2, the proposed Acquisition will require the Company to meet the requirements of Chapters 1 and 2 of the Listing Rules as if the Company were applying for admission to the official list of ASX. These requirements include:

- (a) that the main class of a company's securities for which a company seeks quotation must have an issue price of at least 20 cents in cash (pursuant to Listing Rule 2.1 Condition 2); and
- (b) that the exercise price for any options on issue must be at least 20 cents in cash (pursuant to Listing Rule 1.1 Condition 11).

The effect of the share consolidation pursuant to Resolution 5 and the terms of the proposed capital raising pursuant to Resolution 4 will not meet the requirements set out above.

Following the consolidation, the number of Options on issue will be consolidated on the basis of one Option for every 10 Options held and the exercise price of such Options will increase according to the consolidation ratio. As a result, the Company will have 18,604,996 Options on issue with an exercise price of \$0.05, being less than the 20 cent exercise price required by Listing Rule 1.1 Condition 11.

The Capital Raising is proposed to be completed at an issue price of 3 cents per Share (post-consolidation), being at less than the 20 cent issue price required by Listing Rule 2.1 Condition 2.

On 1 September 2014, ASX released a policy update indicating that ASX will consider a request for the 20 cent rule (Listing Rule 2.1 Condition 2) not to apply to a company, where subject to the satisfaction of certain other requirements, that company's securities have been trading on ASX at a price less than 20 cents and where not applying the 20 cent rule may otherwise be in the interests of a company and its shareholders.

The Company has applied to ASX for a waiver of ASX Listing Rule 2.1 Condition 2 together with a waiver from ASX Listing Rule 1.1 Condition 11 to allow the Company to issue the Capital Raising Shares at 3 cents per Share, and to have Options on issue with an exercise price less than 20 cents. Completion of the Acquisition (including the Company meeting the re-compliance requirements pursuant to Chapters 1 and 2 of the Listing Rules) will be conditional on these waivers being granted. The Company will make an announcement once the result of ASX's decision on the waivers is notified to the Company.

5. Resolution 2 – Approval of issue of Vendor Securities

5.1 General

Resolution 2 seeks Shareholder approval under item 7 of section 611 of the Corporations Act to issue securities exceeding 20% of the Company's fully diluted share capital to a party.

A company is not required to obtain Shareholder approval under Listing Rule 7.1 where Shareholder approval is granted under item 7 of section 611 of the Corporations Act. Accordingly, Shareholder approval to issue the Vendor Securities to the Vendor is not required pursuant to Listing Rule 7.2 exception 16.

Resolution 2 is an ordinary resolution. Resolution 2 is subject to the approval of Resolutions 1, 3, 4, 5, 6, 7 and 8.

5.2 Information required by item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74

The information that Shareholders require under item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74 is as follows:

(a) **The identity of the Vendor and any person who will have a relevant interest in the Vendor Shares to be allotted to the Vendor**

The Vendor, iSignthis Ltd is a company based in the British Virgin Islands.

Mr. Nickolas John Karantzis has a relevant interest in the Vendor Securities to be allotted to the Vendor because he holds an interest exceeding 20% of the Vendor.

(b) **Full particulars (including the number and percentage) of the shares in the Company to which the Vendor will be entitled immediately before and after the acquisition**

The Vendor does not hold any Shares in the Company prior to Completion of the Acquisition.

Refer to Section 3.1 for full particulars (including the number and percentage) of the Vendor Securities in which the Vendor and Mr. Nickolas John Karantzis has, or will have, a relevant interest in immediately before and after the acquisition and after conversion of the Performance Shares (assuming all of the Performance Shares are converted into Shares).

(c) **The identity, associations (with the Company, the Vendor or any of their associates) and qualifications of any person who is intended to become a director if Shareholders agree to the acquisition**

The Vendor has nominated Mr. Nickolas John Karantzis and Mr. Scott William Minehane be appointed to the Board of the Company if Shareholders agree to the Acquisition. Shareholder approval for these appointments is being sought pursuant to Resolutions 7 and 8. Refer to Section 10 for more information on the qualifications of each of these nominees.

(d) **The Vendor's intentions regarding the future of the Company if Shareholders agree to the Acquisition and the allotment of Shares and Performance Shares to the Vendor in consideration of the Acquisition**

The Vendor will be a Shareholder in the Company following Completion of the Acquisition and:

- (i) other than set out in Section 3 there is no intention to change the business of the Company;
- (ii) there is no intention to inject further capital into the Company (other than as disclosed in this Notice);
- (iii) there is no intention to change the future employment of the present employees of the Company;
- (iv) there is no proposal whereby any property will be transferred between the Company and the Vendor or any parties associated with the Vendor; and

(v) there is no intention to otherwise redeploy any of the fixed assets of the Company.

- (e) **Particulars of the terms of the proposed allotment of Shares and Performance Shares and any contract or proposed contract between the Vendor and the Company or any of their associates which is conditional upon, or directly or indirectly dependent on, Shareholders agreement to the allotment of Shares to the Vendor in consideration of the acquisition**

Other than the Acquisition Agreement, there are no contracts or proposed contracts between the Vendor and the Company or any of their associates which are conditional upon, or directly or indirectly dependent on, Shareholder agreement to the allotment of Vendor Securities to the Vendor in consideration of the Acquisition.

- (f) **When the allotment of Shares to the Vendor as consideration under the Acquisition Agreement is to be made**

The Vendor Shares and Performance Shares will be issued to the Vendor on Completion of the Acquisition. Completion is expected to occur shortly after approval of the Acquisition by Shareholders.

- (g) **An explanation of the reasons for the proposed allotment of Shares and Performance Shares to the Vendor**

The Vendor Shares and Performance Shares will be issued to the Vendor on Completion as consideration for the Acquisition.

- (h) **The interests of the Directors in Resolution 2**

None of the Directors have an interest in Resolution 2.

- (i) **Identity of the Directors who approved or voted against the proposal to put Resolution 2 to Shareholders and the Explanatory Memorandum**

All of the Directors voted in favour of the proposal to put the Acquisition to the approval of Shareholders.

- (j) **Any intention of the Vendor to change significantly the financial or dividend policies of the Company**

The Vendor does not intend to change significantly the financial or dividend policies of the Company at this time.

- (k) **Recommendation or otherwise of each Director as to whether Shareholders should agree to the proposed allotment and the reasons for the recommendation or otherwise**

See Section 5.3 in respect to the Directors Recommendation.

- (l) **An analysis of whether the proposed allotment of Shares and Performance Shares to the Vendor in consideration of the Acquisition is fair and reasonable when considered in the context of the interests of the Shareholders other than the Vendor.**

Refer to section 3.18 of this Explanatory Memorandum.

5.3 Directors' Recommendation

Based on the information available, including:

- (a) the information contained in this Explanatory Memorandum; and
- (b) the Independent Expert's Report in Annexure A,

the Directors consider that Resolution 2 is in the best interests of the Company and recommend that Shareholders vote in favour of Resolution 2.

Each of the Directors voted for the proposal to be put to Shareholders.

Each of the Directors who holds Shares in the Company (or whose associated entities hold Shares) and is entitled to vote will vote their Shares in favour of the Acquisition.

Other than as set out below, the Directors do not have any material personal interest in the outcome of the Resolution other than their interests arising solely in their capacity as Shareholders of the Company.

6. Resolution 3 – Approval of Performance Shares

The Company seeks Shareholder approval to create the Performance Shares as a new class of Shares on the terms and conditions in Schedule 2.

Resolution 3 is a special resolution. Resolution 3 is subject to the passing of the Acquisition Resolutions.

Under Article 2.2 of the Constitution and, subject to the Corporations Act, the Listing Rules and the Constitution, the Directors may at any time issue such number of Shares either as ordinary Shares or Shares of a named class or classes (being either an existing class or a new class) at the issue price that the Directors determine and with such preferred, deferred, or other special rights or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Directors shall, in their absolute discretion, determine.

Section 246C(5) of the Corporations Act provides that if a company has one class of share and seeks to issue a new class of share, such issue is taken to vary the rights attached to the shares already issued.

Under section 246B(1) of the Corporation Act, if a company has a constitution which sets out the procedure for varying or cancelling (in the case of a company with share capital) rights attached to shares in a class of shares, those rights may be varied or cancelled only in accordance with the procedure. In accordance with Article 2.4 of the Constitution, if at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied, whether or not the Company is being wound up:

- (a) with the consent in writing of the holders of three quarters of the issued shares of that class; or
- (b) authorised by a special resolution passed at a separate meeting of the holders of the shares of the class.

Accordingly, the Company seeks approval from Shareholders for the issue of the Performance Shares as a new class of shares on the terms set out in Schedule 2 of this Explanatory Memorandum.

The Company will also seek approval in Resolution 2 from Shareholders to issue Performance Shares to the Vendor.

The Company has requested ASX consider whether the terms of the Performance Shares are appropriate and equitable for the purposes of Listing Rule 6.1, and to approve the issue of the Performance Shares Pursuant to Listing Rule 6.2. The ASX is currently considering the terms of the Performance Shares for the purposes of Listing Rules 6.1 and 6.2.

7. Resolution 4 – Authority to issue Capital Raising Shares

7.1 General

Resolution 4 seeks Shareholder approval pursuant to Listing Rule 7.1 for the issue of up to 80,000,000 Shares (on a post consolidation basis) each at an issue price of \$0.03, to raise up to approximately \$2,400,000 (before costs).

As set out in Section 3.2, the Company will seek to raise a minimum of \$2,000,000 and up to \$2,400,000 by way of a Share placement to the general public via a prospectus, at an issue price of \$0.03 per Share (post consolidation). Shareholders may participate in the Capital Raising under the prospectus.

The funds raised from the Capital Raising will be used for promotion and marketing of iSignthis, further product development, the acquisition of new technology assets, to pay the costs of the Acquisition and Capital Raising and for general working capital. A proposed use of funds is set out in Section 3.5.

Listing Rule 7.1 provides that a company must not (subject to specified exceptions), without the approval of shareholders, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of ordinary securities on issue at the commencement of that 12 month period.

Given the Capital Raising Shares to be issued under Resolution 4 will exceed the 15% threshold set out in Listing Rule 7.1 and none of the exceptions contained in Listing Rule 7.2 apply, Shareholder approval is required under Listing Rule 7.1.

Resolution 4 is an ordinary resolution and is subject to the passing of each of the other Acquisition Resolutions.

7.2 Specific information required by Listing Rule 7.3

The following information is provided pursuant to and in accordance with Listing Rule 7.3:

- (a) The maximum number of securities the Company may issue under the Capital Raising is 80,000,000 Shares (on a post-consolidation basis).
- (b) The Company will issue the Capital Raising Shares no later than three months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules).

- (c) The Capital Raising Shares will be issued at an issue price of \$0.03 per Share (on a post-consolidation basis).
- (d) The Capital Raising Shares will be issued to the general public which will exclude related parties of the Company (other than as provided for in Resolutions 9 and 10).
- (e) The Capital Raising Shares will comprise fully paid ordinary shares of the Company ranking equally with all other fully paid ordinary shares of the Company.
- (f) The funds raised from the issue of the Capital Raising Shares will be used to for the promotion and marketing of iSignthis, further product development, the acquisition of new technology assets, pay the costs of the Acquisition and Capital Raising and for general working capital. Refer to Section 3.5 for further details on the budget.
- (g) The issue of the Capital Raising Shares may occur progressively.
- (h) A voting exclusion statement is included in this Notice.

8. Resolution 5 – Approval of Share Consolidation

Resolution 5 seeks Shareholder approval for the Company to undertake a consolidation of the number of Shares on issue on the basis that every 10 Shares held be consolidated into one Share. Similarly, the number of Options on issue will be consolidated on the basis of one Option for every 10 Options held and the exercise price of such Options will increase according to the consolidation ratio.

The result of the consolidation is that each Security holding will be reduced by 10 times its current level. Each Shareholder's proportional interest in the Company's share capital will remain unchanged as a result of the consolidation. Any fractional entitlements of Security holders as a consequence of the consolidation will be rounded up.

The change in capital structure of the Company following the consolidation, which is subject to adjustments for rounding, is as follows:

Class of Security	Number on Issue (Pre- Consolidation)	Number on Issue (Post-Consolidation)
Shares	1,597,064,508	159,706,451
Options	196,049,962 ⁽¹⁾	19,604,996 ⁽²⁾

(1) Options on issue (pre consolidation): a) 186,049,962 ex \$0.05, 31 Dec 2015; and b) 10,000,000 \$0.005, 1 Mar 2016.

(2) Options on issue (post consolidation) will be a) 18,604,996 (ex \$0.50, 31 Dec 2015; and b) 1,000,000 \$0.05, 1 Mar 2016.

The consolidation will take effect from the second Business Day after Shareholder approval is received pursuant to the Notice of Meeting (**Effective Date**).

As from the day that is four Business Days after the Effective Date, the Company may not register transfers on a pre-consolidation basis. In the case of certificated holdings, this is the last day for the Company to accept transfers accompanied by certificates issued before the consolidation.

The Company will send a notice to all Security holders not earlier than the fifth Business Day after the Effective Date and not later than the ninth Business Day after the Effective Date advising of the number of Securities held by each Security holder both before and after the capital consolidation.

Uncertificated security holding statements or certificates (as applicable) for the Securities will be sent to Security holders not earlier than the fifth Business Day after (but not including) the Effective Date and not later than the ninth Business Day after (but not including) the Effective Date.

The Company will, from the date that is five Business Days after the Effective Date, reject transfers accompanied by a certificate or holding statement that was issued before the consolidation.

Where a Security holder has sold his or her Securities in the Company prior to the consolidation of ordinary Shares or consolidation of Options and the Company receives a valid transfer executed by the Security holder together with a certificate (if applicable) for those Shares or options, the Company will send an uncertificated security holding statement or certificate (as applicable) for the new securities (in respect to the Shares or Options) to the transferee named in the transfer.

Resolution 5 is an ordinary resolution. Resolution 5 is subject to the passing of each of the other Acquisition Resolutions.

Based upon the above, an indicative timetable assuming Shareholder approval is obtained will be as follows:

Date	Event
22 December 2014	Following shareholder approval Company announces shareholder approval of capital consolidation.
23 December 2014	Last day for trading pre-capital consolidation securities.
24 December 2014	Ex Date.
30 December 2014	Record Date. Last day to register transfers on a pre-capital consolidation basis.
31 December 2014	First day to register transfers on a post-capital consolidation basis.
7 January 2015	Latest date for Company to send notice to each security holder of pre and post capital consolidation holdings.

9. Resolution 6 – Change of Company Name

As part of the Acquisition, the Directors have determined to change the Company name to iSignthis Ltd. Resolution 6 seeks Shareholder approval for the change of name in accordance with section 157 of the Corporations Act.

Resolution 6 is a special resolution. Resolution 6 is subject to the passing of each of the other Acquisition Resolutions.

If the proposed change of name is available, that change of name will take effect from when ASIC alters the details of the Company's registration.

10. Resolutions 7, and 8 – Appointment of Directors

10.1 General

The Vendor has nominated Mr. Nickolas John Karantzis and Mr. Scott William Minehane as its nominees to be appointed as Directors.

Article 13.3 of the Constitution provides that the Company in general meeting may by ordinary resolution appoint any person as a Director.

Both Mr Nickolas Karantzis and Mr Scott Minehane, having consented to act, seek approval to be appointed as Directors with effect from Completion of the Acquisition.

10.2 Candidate Director's Profile – Mr. Nickolas John Karantzis (Resolution 7)

Mr. Karantzis holds qualifications in engineering (University of Western Australia), law and business (University of Melbourne and Melbourne Business School). He is a founder of iSignthis, and has been leading the sales effort whilst developing the intellectual property to its commercialised state. Mr. Karantzis has over 20 years' experience in a number of sectors, including online media, defence and communications, with a background in secure communications. His previous public company experience includes directorships with ASX listed Pacific Star Network Limited (ASX:PNW) and Reeltime Media Limited (ASX:RMA).

10.3 Candidate Director's Profile – Mr. Scott William Minehane (Resolution 8)

Mr. Minehane has international regulatory and strategy experience in the telecommunications sector and has been involved in advising investors, telecommunications operators, Governments and regulators in Australia, Asia, the Pacific and South Africa for over 25 years. He is also an independent director of ASX listed Etherstack plc (ASX:ESK) which specialises in wireless technology including waveforms and public mobile radio solutions. Mr. Minehane has a Bachelor of Economics and a Bachelor of Laws from the University of Queensland and holds a Master of Laws, specialising in Communications and Asian Law from the University of Melbourne.

11. Resolutions 9 and 10 - Authority for Director Participation in the Capital Raising

11.1 General

It is proposed that Mr Barnaby Egerton-Warburton and Mr Winton Willesee (both Directors) and/or their nominees, participate in the Capital Raising. Further details of the Capital Raising are set out in Section 3.2. Mr Barnaby Egerton-Warburton and Mr Winton Willesee wish to obtain Shareholder approval to subscribe for up to 2,750,000 and 1,000,000 Shares respectively (on a post consolidation basis) (**Director Capital Raising Shares**).

Listing Rule 10.11 provides that a company must not (subject to specified exceptions) issue or agree to issue equity securities to a related party without the approval of shareholders. Mr

Egerton-Warburton and Mr Willesee are each a related party of the Company by virtue of being a Director. Therefore approval is required under Listing Rule 10.11 for the issue of the Director Capital Raising Shares to them.

Resolutions 9 and 10 seek Shareholder approval pursuant to Listing Rule 10.11 for the issue of the Director Capital Raising Shares to the Directors. If approval is given under Listing Rule 10.11, Shareholder approval is not required under Listing Rule 7.1.

Furthermore, Shareholder approval of the issue of the Director Capital Raising Shares means that these issues will not reduce the Company's 15% placement capacity under Listing Rule 7.1.

Resolutions 9 and 10 are ordinary resolutions and are subject to Resolution 4 being passed.

11.2 Specific information required by Listing Rule 10.13

For the purposes of Listing Rule 10.13, information regarding the issue of the Director Capital Raising Shares is provided as follows:

- (a) The maximum number of Securities to be issued to the Directors (and/or their nominees) on a post-consolidation basis is:
 - (i) Mr Barnaby Egerton-Warburton (and/or his nominees) – up to 2,750,000 Shares; and
 - (ii) Mr Winton Willesee (and/or his nominees) – up to 1,000,000 Shares.
- (b) The Company has sought a waiver from ASX in respect of Listing Rule 10.13.3, which would otherwise require that the Director Capital Raising Shares are issued within a 1 month period from the date of the Meeting. At the time of this Explanatory Memorandum ASX has not formally granted the waiver. The Company will make an announcement once the result of ASX's final decision is notified to the Company.

Subject to the decision on the waiver application, issue of the Director Capital Raising Shares will occur on completion of the Acquisition, and being no later than 1 month after the date of the Meeting (or such later date to the extent permitted by an ASX waiver or modification of the ASX Listing Rules, including grant of the waiver currently being considered by ASX) and it is intended that the Director Capital Raising Shares will be issued on the same date;

- (c) Each of the Directors is a related party of the Company by virtue of being a Director.
- (d) The Director Capital Raising Shares will be issued at an issue price of \$0.03 each.
- (e) The Director Capital Raising Shares will comprise fully paid ordinary shares of the Company ranking equally with all other fully paid ordinary shares of the Company.
- (f) The funds raised from the issue of the Director Capital Raising Shares will be aggregated with and used for the same purpose as the funds raised from the Capital Raising. See Section 3.5 for further details.
- (g) As Shareholder approval is sought under Listing Rule 10.11, approval under Listing Rule 7.1 is not required.
- (h) A voting exclusion statement is included in the Notice.

12. Definitions

In this Notice, Explanatory Memorandum and Proxy Form:

\$ means Australian Dollars.

Acquisition has the meaning in Section 3.1.

Acquisition Agreement means the share sale agreement between the Company and the Vendor dated 21 October 2014 and includes any variation thereof.

Acquisition Resolutions means Resolutions 1 to 8.

Article means an article of the Constitution.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX.

Board means the board of Directors.

Capital Raising has the meaning in Resolution 4.

Capital Raising Shares has the meaning in Resolution 4.

Company means Otis Energy Limited ACN 075 419 715.

Completion means completion of the Acquisition pursuant to the Acquisition Agreement.

Constitution means the current constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of the Company.

Executive Services Agreements means the executive services agreements with Mr. Nickolas John Karantzis and Mr. Todd Richards, to be effective from Completion.

Explanatory Memorandum means the explanatory memorandum attached to the Notice.

Independent Expert's Report means the independent expert's report prepared by RSM Bird Cameron in Annexure A of this Notice.

Listing Rules means the listing rules of ASX.

Meeting has the meaning in the introductory paragraph of the Notice.

Notice means this notice of meeting.

Option means an option to acquire a Share.

Performance Share means a performance share referred to in Resolution 3 on the terms and conditions in Schedule 2.

Intellectual Property Rights means the intellectual property rights held by the Sale Companies and as set out in Section 3.9.

iSignthis means iSignthis BV, a company incorporated in The Netherlands with KVK No 60762187.

ISX means a company incorporated in the British Virgin Islands, Company Number 1842689.

Prospectus means the prospectus, to be issued by the Company, for the Capital Raising.

Proxy Form means the proxy form attached to the Notice.

Resolution means a resolution contained in this Notice.

RSM Bird Cameron means RSM Bird Cameron Financial Services Pty Ltd.

Sale Companies means iSignthis and ISX.

Schedule means a schedule to this Notice.

Section means a section contained in this Explanatory Memorandum.

Securities means Shares, Options, and/or Performance Shares.

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

Shareholder means a shareholder of the Company.

Vendor means iSignthis Ltd, a company incorporated in the British Virgin Islands, Company Number 667231.

Vendor Securities has the meaning in Resolution 3.

Vendor Shares has the meaning in Resolution 3.10.

WST means Western Standard Time, being the time in Perth, Western Australia.

In this Notice, words importing the singular include the plural and vice versa.

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Schedule 1 – Risk Factors of the Acquisition

1. Introduction

There are a number of risks associated with the Acquisition that may have an impact on the financial returns received by Shareholders. These risks are important for Shareholders to understand.

Shareholders are already exposed to a number of risks through their existing shareholding in the Company. A number of these risks are inherent in investing in securities generally and also inherent in any technology company such as that of the Company.

The risk factors include, but are not limited to, those detailed below. Additional risks not presently known to the Company, or if known, not considered material, may also have an adverse impact.

The Directors believe that the advantages of the Acquisition outweigh the associated extent of the risks.

2. Risks specific to the Acquisition

- (a) **Limited trading history** – iSignthis is essentially a start-up company with limited trading history. iSignthis has to date principally developed its software and product as well as seeking patent protection. iSignthis has been successful in obtaining Patents in a number of jurisdictions and has therefore secured its intellectual property. However iSignthis is now in the commercialisation phase of the business cycle and as such carries the normal risks of a start up business. Given the limited trading history of iSignthis, no assurance can be given that iSignthis will achieve commercial viability through the implementation of its business plan.
- (b) **Market adoption and sales and marketing** – use of proceeds post completion will focus efforts on sales, marketing and trade exhibitions. Business operations of iSignthis are currently integrating existing contracts to become revenue generating. Although iSignthis has been relatively successful to date in securing new business and to an extent have confirmed the commerciality of the services developed, there are no guarantees of further success in obtaining further new business. The success of the commercialisation of iSignthis will be in its target market accepting its products for routine use. Take up of the products will involve education of market participants and marketing to raise the profile of iSignthis and its products.
- (c) **Competition and new technologies** – iSignthis is confident that its product provides a unique market proposition in providing real time authentication services which is a significant differentiator to historical database checks. The iSignthis product is also able to extend its market by offering a cross border service. Notwithstanding this, the industry in which iSignthis operates is competitive and includes companies with significantly greater financial, technical, human, research and development, and marketing resources than iSignthis. Numerous entities around the world may compete with iSignthis' efforts to commercialise products that may compete with iSignthis' products. iSignthis' competitors may develop products: in advance of iSignthis; that are more effective than those developed by iSignthis; or have greater market acceptance. As a consequence, iSignthis' current and future technologies and products may become obsolete or uncompetitive, resulting in adverse effects on revenue, margins and profitability.

- (d) **Reliance on key personnel** – iSignthis currently employs or engages as consultants a number of key management and personnel, and iSignthis' future depends on retaining and attracting suitable qualified personnel. In particular Mr. Nickolas John Karantzis is the inventor and main founder of the business. His background in IP law, security and software development are a significant advantage and the reason for the successful granting of patents and move to commercialisation of the service. In the short term he will be responsible for business development initiatives and will also be the main driver of new products and development. There is no guarantee that iSignthis will be able to attract and retain suitable qualified personnel, and a failure to do so could materially adversely affect the business, operating results and financial prospects.
- (e) **Regulatory and legislative change** – the iSignthis business assists its customers with complying with their Anti Money Legislation (AML) and Counter Terrorism Funding (CTF) obligations in relation to their customers. Future legislative changes concerning Anti Money Legislation (AML) and Counter Terrorism Funding (CTF) legislation, including the European Central Bank's (ECB) requirements for payment transactions to be subject to Strong Customer Authentication (SCA), may result in the product offering of iSignthis not being as effective in assisting its customers with their Anti Money Legislation (AML) and Counter Terrorism Funding (CTF) obligations which may have a significant effect on the business operations of iSignthis.
- (f) **Faults with products/services** – the product of iSignthis may have errors or defects that are identified after customers start using it which could harm reputation and business. Internet-based services frequently contain undetected errors with first introduced or when new versions or enhancements are released. Such an occurrence could result in loss of revenue or customers.
- (g) **Technology Risk** – iSignthis has developed its own software in house in relation to its products. Such software may be subject to external factors, such as deprecation of operating systems, libraries, components, third party interfaces, drivers, patches, or other related issues. Further the software will require updating and maintenance, these external factors may also effect the ability of iSignthis to effectively upgrade and maintain its software. Should iSignthis have such issues it may effect the ability of iSignthis to successfully provide its product.
- (h) **Dependency on service providers** - iSignthis currently proposes to operate a significant amount of its operations through a series of contractual relationships with third party service providers and intends to continue to operate in this manner. All of such arrangements carry a risk that the third parties do not adequately or fully comply with their respective contractual rights and obligations. Such failure can lead to termination and/or significant damage to iSignthis' product. In particular iSignthis currently stores customers' information within third-party datacenter hosting facilities located in the cloud. As part of iSignthis' current disaster recovery arrangements, the production environment and all customers' data is currently replicated in near real time in a facility to be co-located with Amazon Web Services. These facilities may be vulnerable to damage or interruption from floods, fires, power loss, telecommunications failures and similar events. They may also be subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct. Such disruption, particularly prolonged ones, in these services may have a material adverse impact on the reputation of iSignthis and its business operations.
- (i) **Dependency on the internet** – Expanding sale of the iSignthis products and other future developed products depends on the continued acceptance of the internet as a communications and commerce platform for individuals and enterprises. The

internet could become less viable as a business tool due to delays in development or adoption of new standards and protocols to handle increased demands of internet activity, security, reliability, cost, ease-of-use, accessibility and quality-of service. If for any reason the internet does not remain a widespread communications medium and commercial platform, the demand for the product of iSignthis would be significantly reduced, which would harm the business.

- (j) **Customer Service and reputational risk** - The reputation of iSignthis and its products is important in attracting retaining existing business and obtaining new business and key employees. Reputational damage could arise due to a number of circumstances, including errors or defects, inadequate services or unsatisfactory client outcomes. Negative publicity could adversely impact the reputation of iSignthis which may potentially result in a fall in the number of customers seeking the products and services of iSignthis.
- (k) **Hackers**- iSignthis relies on the availability of its website to provide services to customers. Hackers could render the website unavailable. Whilst iSignthis takes reasonable precautions, such as ensuring that services will be audited to and comply with the Payment Card Industry Data Security Standards (PCI DSS), iSignthis may be a target for hackers. Actual or perceived security vulnerabilities in iSignthis' services or any breaches of its security controls and unauthorized access to a customer's data could harm the business and operating results.
- (l) **Government metadata tracking** - Government agencies may seek to access sensitive information that is generated by the iSignthis systems. Laws and regulations relating to government access and restrictions are evolving, and compliance with such laws and regulations could limit adoption of services by users and create burdens on the business. Moreover, regulatory investigations into iSignthis' compliance with privacy-related laws and regulations could increase our costs and divert management attention.
- (m) **Patent rights** - iSignthis relies heavily for its success on its ability to obtain and maintain patent protection for its technology. iSignthis owns granted and pending patent applications covering major markets which present commercialisation opportunities. The prospect of attaining patent protection for products and the technology such as those proposed is highly uncertain and involves complex and continually evolving factual and legal questions. These include:
- (i) legislative and judicial changes, or changes in the examination guidelines of governmental patent offices, which may negatively affect iSignthis' ability to obtain patents for its products and technologies. In addition, the scope of patent applications can be significantly reduced during prosecution of the patent applications, with the result that the scope of protection in the issued patent being significantly less than the scope of protection sought by iSignthis. As a result, iSignthis' patent application may not proceed to issued patents and, if issued, may not be of commercial benefit to iSignthis, or may not afford iSignthis adequate protection from competing products; and
 - (ii) since most patent applications remain secret for eighteen months from the time of filing, and since publication of discoveries in the scientific or patent literature often lags behind actual discoveries, iSignthis cannot be certain that it is the first to make the inventions covered by the pending patent applications or that its patent applications for such inventions was the first to be filed.

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

- (n) **Infringement of third party intellectual property rights** - If a third party accuses iSignthis of infringing its intellectual property rights or if a third party commences litigation against iSignthis for the infringement of patent or other intellectual property rights, iSignthis may incur significant costs in defending such action, whether or not it ultimately prevails. Typically, patent litigation is expensive. Costs that iSignthis incurs in defending third party infringement actions would also include diversion of management's and technical personnel's time.

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

- (o) **Sufficiency of funding** - iSignthis' growth through product development and commercialisation activities will require substantial expenditure and may not result in profitability being achieved. There can be no guarantees that iSignthis' cash reserves together with the funds raised by the Offer will be sufficient to successfully achieve all the objectives of iSignthis' overall business strategy.

If iSignthis is unable to use debt or equity to fund expansion after the substantial exhaustion of the net proceeds of the Offer and existing working capital, there can be no assurance that iSignthis will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional resources on terms acceptable to iSignthis or at all.

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

- (p) **Foreign exchange risks** – iSignthis is a global business and has significantly greater opportunity in Europe and outside of Australia in general to generate revenue. This point is confirmed by existing contracts in place originating in Europe. The Australian ecommerce market is small when compared with Europe and the United States. This coupled with compliance and legislation factors in Europe will mean that majority of revenue will be billed in Euros and other currencies. Contracts currently in place will be billed in Euros and GBP and conversion to AUD for reporting purposes will be affected by currency fluctuations which may adversely impact on financial performance and position.

- (q) **Litigation** – iSignthis is exposed to the risk of actual or threatened litigation or legal disputes in the form of customer claims, intellectual property claims, personal injury claims, employee claims and other litigation and disputes. If any claim was successfully pursued it may adversely impact the financial performance, financial position, cash flow and share price of iSignthis.

3. General Risks

(a) **Market conditions** - Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

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

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(b) **Economic and government risks** - The future viability of the Company is also dependent on a number of other factors affecting performance of all industries and not just the technology industry including, but not limited to, the following:

- (i) general economic conditions in jurisdictions in which the Company operates;
- (ii) changes in government policies, taxation and other laws in jurisdictions in which the Company operates;
- (iii) the strength of the equity and share markets in Australia and throughout the world, and in particular investor sentiment towards the technology sector;
- (iv) movement in, or outlook on, interest rates and inflation rates in jurisdictions in which the Company operates; and
- (v) natural disasters, social upheaval or war in jurisdictions in which the Company operates.

Schedule 2 – Terms and Conditions of the Performance Shares

For the purpose of these terms and conditions:

Agreement means the share sale agreement between the iSignthis Ltd, the Company, iSignthis BV and ISX IP Ltd dated 21 October 2014 and includes any variation thereof.

Company means Otis Energy Limited ACN 075 419 715.

Completion means completion of the Acquisition (as defined in the Agreement).

Share means a fully paid ordinary share in the Company.

Vendor means iSignthis Ltd.

The Performance Shares will be subject to the standard terms and conditions applied to performance shares by the ASX.

Class A Performance Shares

1. Conversion of Class A Performance Shares

- (a) **(Conversion on achievement of Milestone A)** On achievement, within three (3) full financial years from Completion, of revenue over a 6 month reporting period (being for a 6 month period ending 30 June or 31 December), on an annualised basis, to annual revenue of at least \$5,000,000 (**Milestone A**), each Class A Performance Share will convert on a one for one basis into a Share.

For the avoidance of doubt, a half year revenue of \$2,500,000 will satisfy Milestone A.

- (b) **(Expiry)** Milestone A must be achieved on or before 5.00 pm on the date which is 14 days after the release of the audited financial reports for the third full financial year after Completion being financial year 2017/2018 (**Expiry Date**).
- (c) **(Conversion on change of control)** If there is a Change of Control Event in relation to the Company prior to the conversion of the Class A Performance Shares, then:
- (i) Milestone A will be deemed to have been achieved; and
 - (ii) each Class A Performance Share will automatically and immediately convert into Shares,

however, if the number of Shares to be issued as a result of the conversion of Class A Performance Shares, together with the number of Shares to be issued as a result of the conversion of the Class B Performance Shares and Class C Performance Shares, due to a Change in Control Event is in excess of 10% of the total fully diluted share capital of the Company at the time of the conversion, then the number of Class A Performance Shares, Class B Performance Shares and the Class C Performance Shares to be converted will be prorated so that the aggregate number of Shares issued upon conversion of the Class A Performance Shares, Class B Performance Shares and Class C Performance Shares is equal to 10% of the entire fully diluted share capital of the Company.

- (d) **(No conversion)** To the extent that Class A Performance Shares have not converted into Shares on or before the Expiry Date, then all such unconverted Class A Performance Shares held by each holder (**Class A Holder**) will automatically consolidate into one Class A Performance Share and will then convert into one Share.
- (e) **(Conversion procedure)** The Company will issue a Class A Holder with a new holding statement for the Share or Shares as soon as practicable following the conversion of each Class A Performance Share.
- (f) **(Ranking of shares)** Each Share into which the Class A Performance Shares will convert will upon issue:
- (i) rank equally in all respects (including, without limitation, rights relating to dividends) with other issued Shares;
 - (ii) be issued credited as fully paid;
 - (iii) be duly authorised and issued by all necessary corporate action; and
 - (iv) be allotted and issued free from all liens, charges and encumbrances whether known about or not including statutory and other pre-emption rights and any transfer restrictions.

2. Rights attaching to Class A Performance Shares

- (a) **(Share capital)** Each Class A Performance Share is a share in the capital of the Company.
- (b) **(General meetings)** Each Class A Performance Share confers on a Class A Holder the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to shareholders. A Class A Holder has the right to attend general meetings of shareholders of the Company.
- (c) **(No Voting rights)** A Class A Performance Share does not entitle a Class A Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company.
- (d) **(No dividend rights)** A Class A Performance Share does not entitle a Class A Holder to any dividends.
- (e) **(Rights on winding up)** Each Class A Performance Share entitles a Class A Holder to participate in the surplus profits or assets of the Company upon winding up of the Company, but only to the extent of \$0.0001 per Class A Performance Share.
- (f) **(Not transferable)** A Class A Performance Share is not transferable.
- (g) **(Reorganisation of capital)** If there is a reorganisation (including, without limitation, consolidation, sub-division, reduction or return) of the issued capital of the Company, the rights of a Class A Holder will be varied (as appropriate) in accordance with the Listing Rules which apply to reorganisation of capital at the time of the reorganisation.
- (h) **(Quotation of shares on conversion)** An application will be made by the Company to ASX Limited for official quotation of the Shares issued upon the conversion of each Class A Performance Share within the time period required by the Listing Rules.

- (i) **(Participation in entitlements and bonus issues)** A Class A Performance Share does not entitle a Class A Holder to participate in new issues of capital offered to holders of Shares, such as bonus issues and entitlement issues.
- (j) **(No other rights)** A Class A Performance Share does not give a Class A Holder any other rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

Class B Performance Shares

3. Conversion of Class B Performance Shares

- (a) **(Conversion on achievement of Milestone B)** On achievement, within three (3) full financial years from Completion, of revenue over a 6 month reporting period (being for a 6 month period ending 30 June or 31 December), on an annualised basis, to annual revenue of at least \$7,500,000 (**Milestone B**), each Class B Performance Share will convert on a one for one basis into a Share.

For the avoidance of doubt, a half year revenue of \$3,750,000 will satisfy Milestone B.

- (b) **(Expiry)** Milestone B must be achieved on or before 5.00 pm on the date which is 14 days after the release of the audited financial reports for the third full financial year after Completion being financial year 2017/2018 (**Expiry Date**).
- (c) **(Conversion on change of control)** If there is a Change of Control Event in relation to the Company prior to the conversion of the Class B Performance Shares, then:
- (i) Milestone B will be deemed to have been achieved; and
- (ii) each Class B Performance Share will automatically and immediately convert into Shares,

however, if the number of Shares to be issued as a result of the conversion of Class B Performance Shares, together with the number of Shares to be issued as a result of the conversion of the Class A Performance Shares and Class C Performance Shares, due to a Change in Control Event is in excess of 10% of the total fully diluted share capital of the Company at the time of the conversion, then the number of Class A Performance Shares, Class B Performance Shares and the Class C Performance Shares to be converted will be pro-rata so that the aggregate number of Shares issued upon conversion of the Class A Performance Shares, Class B Performance Shares and Class C Performance Shares is equal to 10% of the entire fully diluted share capital of the Company.

- (d) **(No conversion)** To the extent that Class B Performance Shares have not converted into Shares, on or before the Expiry Date, then all such unconverted Class B Performance Shares held by each holder (**Class B Holder**) will automatically consolidate into one Class B Performance Share and will then convert into one Share.
- (e) **(Conversion procedure)** The Company will issue a Class B Holder with a new holding statement for the Share or Shares as soon as practicable following the conversion of each Class B Performance Share.
- (f) **(Ranking of shares)** Each Share into which the Class B Performance Shares will convert will upon issue:

- (i) rank equally in all respects (including, without limitation, rights relating to dividends) with other issued Shares;
- (ii) be issued credited as fully paid;
- (iii) be duly authorised and issued by all necessary corporate action; and
- (iv) be allotted and issued free from all liens, charges and encumbrances whether known about or not including statutory and other pre-emption rights and any transfer restrictions.

4. Rights attaching to Class B Performance Shares

- (a) **(Share capital)** Each Class B Performance Share is a share in the capital of the Company.
- (b) **(General meetings)** Each Class B Performance Share confers on a Class B Holder the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to shareholders. A Class B Holder has the right to attend general meetings of shareholders of the Company.
- (c) **(No Voting rights)** A Class B Performance Share does not entitle a Class B Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company.
- (d) **(No dividend rights)** A Class B Performance Share does not entitle a Class B Holder to any dividends.
- (e) **(Rights on winding up)** Each Class B Performance Share entitles a Class B Holder to participate in the surplus profits or assets of the Company upon winding up of the Company, but only to the extent of \$0.0001 per Class B Performance Share.
- (f) **(Not transferable)** A Class B Performance Share is not transferable.
- (g) **(Reorganisation of capital)** If there is a reorganisation (including, without limitation, consolidation, sub-division, reduction or return) of the issued capital of the Company, the rights of a Class B Holder will be varied (as appropriate) in accordance with the Listing Rules which apply to reorganisation of capital at the time of the reorganisation.
- (h) **(Quotation of shares on conversion)** An application will be made by the Company to ASX Limited for official quotation of the Shares issued upon the conversion of each Class B Performance Share within the time period required by the Listing Rules.
- (i) **(Participation in entitlements and bonus issues)** A Class B Performance Share does not entitle a Class B Holder to participate in new issues of capital offered to holders of Shares, such as bonus issues and entitlement issues.
- (j) **(No other rights)** A Class B Performance Share does not give a Class B Holder any other rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

Class C Performance Shares

5. Conversion of Class C Performance Shares

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- (a) **(Conversion on achievement of Milestone C)** On achievement, within three (3) full financial years from Completion, of revenue over a 6 month reporting period (being for a 6 month period ending 30 June or 31 December), on an annualised basis, to annual revenue of at least \$10,000,000 (**Milestone C**), each Class C Performance Share will convert on a one for one basis into a Share.
- For the avoidance of doubt, a half year revenue of \$5,000,000 will satisfy Milestone C.
- (b) **(Expiry)** Milestone C must be achieved on or before 5.00 pm on the date which is 14 days after the release of the audited financial reports for the third full financial year after Completion being financial year 2017/2018 (**Expiry Date**).
- (c) **(Conversion on change of control)** If there is a Change of Control Event in relation to the Company prior to the conversion of the Class C Performance Shares, then:
- (i) Milestone C will be deemed to have been achieved; and
 - (ii) each Class C Performance Share will automatically and immediately convert into Shares,
- however, if the number of Shares to be issued as a result of the conversion of Class C Performance Shares, together with the number of Shares to be issued as a result of the conversion of the Class A Performance Shares and Class B Performance Shares, due to a Change in Control Event is in excess of 10% of the total fully diluted share capital of the Company at the time of the conversion, then the number of Class A Performance Shares, Class B Performance Shares and Class C Performance Shares to be converted will be pro-rated so that the aggregate number of Shares issued upon conversion of the Class A Performance Shares, Class B Performance Shares and Class C Performance Shares is equal to 10% of the entire fully diluted share capital of the Company.
- (d) **(No conversion)** To the extent that Class C Performance Shares have not converted into Shares, on or before the Expiry Date, then all such unconverted Class C Performance Shares held by each holder (**Class C Holder**) will automatically consolidate into one Class C Performance Share and will then convert into one Share.
- (e) **(Conversion procedure)** The Company will issue a Class C Holder with a new holding statement for the Share or Shares as soon as practicable following the conversion of each Class C Performance Share.
- (f) **(Ranking of shares)** Each Share into which the Class C Performance Shares will convert will upon issue:
- (i) rank equally in all respects (including, without limitation, rights relating to dividends) with other issued Shares;
 - (ii) be issued credited as fully paid;
 - (iii) be duly authorised and issued by all necessary corporate action; and
 - (iv) be allotted and issued free from all liens, charges and encumbrances whether known about or not including statutory and other pre-emption rights and any transfer restrictions.

- (a) **(Share capital)** Each Class C Performance Share is a share in the capital of the Company.
- (b) **(General meetings)** Each Class C Performance Share confers on a Class C Holder the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to shareholders. A Class C Holder has the right to attend general meetings of shareholders of the Company.
- (c) **(No Voting rights)** A Class C Performance Share does not entitle a Class C Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company.
- (d) **(No dividend rights)** A Class C Performance Share does not entitle a Class C Holder to any dividends.
- (e) **(Rights on winding up)** Each Class C Performance Share entitles a Class C Holder to participate in the surplus profits or assets of the Company upon winding up of the Company, but only to the extent of \$0.0001 per Class C Performance Share.
- (f) **(Not transferable)** A Class C Performance Share is not transferable.
- (g) **(Reorganisation of capital)** If there is a reorganisation (including, without limitation, consolidation, sub-division, reduction or return) of the issued capital of the Company, the rights of a Class C Holder will be varied (as appropriate) in accordance with the Listing Rules which apply to reorganisation of capital at the time of the reorganisation.
- (h) **(Quotation of shares on conversion)** An application will be made by the Company to ASX Limited for official quotation of the Shares issued upon the conversion of each Class C Performance Share within the time period required by the Listing Rules.
- (i) **(Participation in entitlements and bonus issues)** A Class C Performance Share does not entitle a Class C Holder to participate in new issues of capital offered to holders of Shares, such as bonus issues and entitlement issues.
- (j) **(No other rights)** A Class C Performance Share does not give a Class C Holder any other rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

Schedule 3 – Pro-forma Balance Sheet

OTIS ENERGY LIMITED 30 June 2014 Pro-Forma Balance Sheet	Consolidated Balance Sheet (audited)	Pro-forma Consolidated Balance Sheet (unaudited)
	\$	\$
Current Assets		
Cash and cash equivalents	1,984,796	3,514,796
Trade and other receivables	22,796	22,796
Current assets classified as held for sale	75,000	75,000
Other assets	15,163	15,163
Total current assets	2,097,755	3,627,755
Non current assets		
Property, Plant & Equipment	1,326	1,326
Intangible Assets at Cost (iSignthis)		8,950,000
Total non current assets	1,326	8,951,326
Total assets	2,099,081	12,579,081
Current liabilities		
Trade and other payables	157,498	157,498
Employee Benefits	16,154	16,154
Total current liabilities	173,652	173,652
Non current liabilities		
Employee Benefits	3,421	3,421
Total non current liabilities	3,421	3,421
Total liabilities	177,073	177,073
Net assets	1,922,008	12,402,008
Equity		
Issued capital	81,227,362	92,057,362
Reserves	944,366	944,366
Accumulated losses	(80,249,720)	(80,599,720)
Total equity	1,922,008	12,402,008

The pro-forma balance sheet includes the following pro-forma adjustments;

1. The inclusion of a capital raising of \$2,000,000 less costs of 6%.
2. The inclusion of transaction costs of \$350,000
3. The inclusion of the acquisition consideration pursuant to the transaction being the issue of equity with a deemed value of \$8,950,000. The only material assets within iSignthis are intangible assets.

Appointment of Proxy Form

OTIS ENERGY LIMITED

ACN 075 419 715

PROXY FORM

The Company Secretary
Otis Energy Limited

By delivery:

Otis Energy Limited
Suite 25
145 Stirling Hwy
Nedlands WA 6009

By post:

PO BOX 3144
Nedlands WA 6009

By facsimile:

+61 8 9389 3199

I/We

Insert name

being a Shareholder entitled to attend and vote at the Meeting, hereby appoint:

Name of proxy:

Insert proxy's name

Address of proxy:

Insert proxy's address

OR:

the Chair of the Meeting as my/our proxy.

or failing the person so named or, if no person is named, the Chair of the Annual General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Annual General Meeting to be held at the office of Cygnet Capital, 50 Ord Street, West, Perth, Western Australia at 10.00 am (WST) on Monday, 22 December 2014, and at any adjournment thereof.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.

Voting on business of the Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Change to scale and nature of activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Approval of issue of Vendor Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval of Performance Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Authority to issue Capital Raising Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval of Share Consolidation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Change of Company Name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Appointment of Mr Nickolas John Karantzis as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Appointment of Mr Scott William Minehane as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Authority for Director Participation in the Capital Raising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10	Authority for Director Participation in the Capital Raising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is: _____%

Signature of Shareholder(s):

Date: _____

Individual or Shareholder 1

Shareholder 2

Shareholder 3

Sole Director/Company Secretary

Director

Director/Company Secretary

Contact Name: _____ Contact Ph (daytime): _____

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Proxy Notes:

A Shareholder entitled to attend and vote at the General Meeting may appoint a natural person as the Shareholder's proxy to attend and vote for the Shareholder at that General Meeting. If the Shareholder is entitled to cast 2 or more votes at the General Meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at that General Meeting, the representative of the body corporate to attend the General Meeting must produce the Certificate of Appointment of Representative prior to admission. A form of the certificate may be obtained from the Company's share registry.

You must sign this form as follows in the spaces provided:

- Joint Holding: where the holding is in more than one name all of the holders must sign.
- Power of Attorney: if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.
- Companies: a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the General Meeting the appropriate "Certificate of Appointment of Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received by facsimile transmission at the address below no later than 48 hours prior to the time of commencement of the General Meeting (WST).

Hand deliveries: Otis Energy Limited
Suite 25
145 Stirling Hwy
Nedlands WA 6009

Postal address: PO BOX 3144, Nedlands WA 6009

Facsimile: (08) 9389 3199 if faxed from within Australia or + 61 8 9389 3199 if faxed from outside Australia.

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Otis Energy Limited
Financial Services Guide and
Independent Expert's Report

November 2014

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Financial Services Guide

RSM Bird Cameron Corporate Pty Ltd ABN 82 050 508 024 ("RSM Bird Cameron Corporate Pty Ltd" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial services we are licensed to provide

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

- deposit and payment products limited to:
 - (a) basic deposit products;
 - (b) deposit products other than basic deposit products.
- interests in managed investments schemes (excluding investor directed portfolio services); and
- securities (such as shares and debentures).

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

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

General Financial Product Advice

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

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

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

Except for the fees referred to above, neither RSM Bird Cameron Corporate Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary.

Referrals

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

Associations and relationships

RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the partners of RSM Bird Cameron, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Bird Cameron Partners.

From time to time, RSM Bird Cameron Corporate Pty Ltd, RSM Bird Cameron Partners, RSM Bird Cameron and / or RSM Bird Cameron related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints Resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, RSM Bird Cameron Corporate Pty Ltd, P O Box R1253, Perth, WA, 6844.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

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

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact Details

You may contact us using the details set out at the top of our letterhead on page 1 of this report.

Independent Expert's Report

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Direct Line: (08) 9261 9447
Email: andy.gilmour@rsmi.com.au
AJG/AB/AM

6 November 2014

The Directors
Otis Energy Limited
Suite 25, 145 Stirling Highway
NEDLANDS WA 6009

Dear Directors

Independent Expert's Report

1. Introduction

- 1.1. This Independent Expert's Report (the "Report" or "IER") has been prepared to accompany the Notice of General Meeting and Explanatory Statement ("Notice") to shareholders for a General Meeting of Otis Energy Limited ("Otis", "OTE" or "the Company") to be held on or around 5 December 2014, at which, shareholder approval will be sought for the acquisition of 100% of the issued capital of iSignthis BV and ISX IP Ltd (together "iSignthis") from iSignthis Limited ("Vendor").
- 1.2. The consideration to be paid by OTE for the issued capital of iSignthis is as follows:
- The issue of 298,333,333¹ ordinary OTE shares (post consolidation) as upfront consideration ("Initial Consideration").
 - The issue of 336,666,667 performance OTE shares (post consolidation) as deferred consideration ("Deferred Consideration") with the following milestones:
 - 112,222,222 performance shares will vest if annualised² revenue of at least \$5 million is achieved within three years of completing the Proposed Transaction ("Class A Performance Shares");
 - 112,222,222 performance shares will vest if annualised revenue of at least \$7.5 million is achieved within three years of completing the Proposed Transaction ("Class B Performance Shares");
 - 112,222,223 performance shares will vest if annualised revenue of at least \$10 million is achieved within three years of completing the Proposed Transaction ("Class C Performance Shares");
- 1.3. The acquisition of iSignthis is dependent on the approval of the following resolutions that will also be put to Shareholders at the General Meeting.
- A change in the scale and nature of activities of Otis (Resolution 1);
 - The issue of between 66,666,667 and 80,000,000 ordinary OTE shares (post consolidation) to raise between \$2.0 million and \$2.4 million at an issue price of \$0.03 each as part of a capital raising

¹ Subject to change if Otis' cash balance is below a predetermined amount on completion.

² Annualised revenue is calculated by extrapolating revenue from any six month reporting period.

("Capital Raising") (Resolution 4). For the purpose of our Report, we have assumed the minimum amount under the Capital Raising is received;

- A 1 for 10 share consolidation (Resolution 5). For the purpose of our valuation we have used the post consolidation shares on issue;
- A change of name to iSignthis Ltd (Resolution 6); and
- The appointment of Mr John Karantzis, Mr Scott Minehane and another appointee to be determined by the directors of Otis (Resolutions 7 and 8).

1.4. Whilst we have only been requested to provide an opinion on whether the acquisition of iSignthis is fair and reasonable to the Shareholders, approval of Resolutions 1, 4, 5, 6, 7 and 8 are interdependent on each other, therefore the acquisition of iSignthis cannot therefore be approved without the Resolutions noted above being approved. As such, we consider the substance of Resolutions 1 to 8 to be part of the same transaction. On this basis, we have assessed whether the acquisition of iSignthis is fair and reasonable to Shareholders through evaluating whether the proposed transactions as a whole, comprising Resolutions 1 to 8 ("Proposed Transaction") are fair and reasonable to the Shareholders.

1.5. Following the issue of the Initial Consideration, Vendor will have a combined interest in OTE of 56.9%. This interest will increase to approximately 73.7% if the all of the Performance Shares are issued. ASIC advises the commissioning of an Independent Expert's Report in such circumstances and provides guidance on the content. As such, OTE requires an IER for the Proposed Transaction providing an opinion as to whether the Proposed Transaction is fair and reasonable to the non-associated shareholder of OTE.

1.6. The Directors of OTE have requested that RSM Bird Cameron Corporate Pty Ltd ("RSMBCC"), being independent and qualified for the purpose, express an opinion as to whether the Proposed Transaction is fair and reasonable to shareholders not associated with the Proposed Transaction ("Shareholders").

1.7. The ultimate decision whether to approve the Proposed Transaction should be based on each Shareholder's assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt as to the action they should take with regard to the Proposed Transaction, or the matters dealt with in this Report, Shareholders should seek independent professional advice.

2. Summary and Conclusion

2.1. In our opinion, and for the reasons set out in Sections 11 and 12 of this Report, the Proposed Transaction is **not fair but reasonable** for the Shareholders of Otis.

Fairness

2.2. In order to assess the fairness of the Proposed Transaction, we have valued a share in Otis prior to and immediately after the Proposed Transaction. Our assessed values are summarised in the tables below.

Assessment of fairness	Ref:	Preferred	Low	High
Pre Proposed Transaction (Control value) per share	Section 9	\$0.011	\$0.010	\$0.011
Post Proposed Transaction (Minority value) per share	Section 10	\$0.010	\$0.006	\$0.014

Table 1: Valuation Summary (undiluted basis)

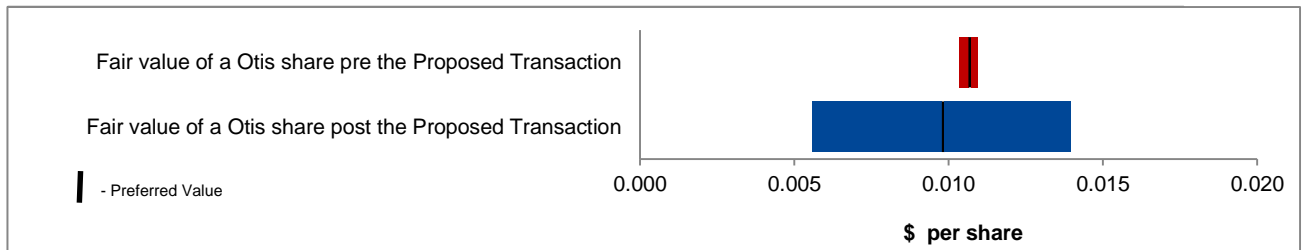


Figure 1: Otis Share Valuation Graphical Representation (Source: RSMBCC Analysis)

2.3. We have determined that, based on our preferred mid-points, the value of an Otis Share after the Proposed Transaction is lower than the value of an Otis share prior to the Proposed Transaction.

2.4. Therefore, we consider the Proposed Transaction to be **not fair** to the Shareholders.

2.5. In order to assess the impact of the Performance Milestones, we have also analysed the value of an Otis share pre the Proposed Transaction to the value of an Otis share post the Proposed Transaction assuming the minimum requirement of each milestone is achieved. The following table summarises this analysis:

Milestones	Reference	Assessed Value \$	Fair \$
If minimum requirement for Milestone A is met	10.35	0.010	x
If minimum requirement for Milestone B is met	10.35	0.012	✓
If minimum requirement for Milestone C is met	10.35	0.014	✓

Table 2: Valuation of Otis share when Milestones are achieved

2.6. The table above indicates that, if the minimum requirement for Milestone A is met that the Proposed Transaction is not fair, however, if each of the next two milestones are met then the Proposed Transaction would be fair.

Reasonableness

2.7. Regulatory Guide 111 *Content of Experts Reports* ("RG111") issued by the Australian Securities and Investment Commission ("ASIC") establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient reasons for the security holders to accept the offer

in the absence of any higher bid before the offer closes. In assessing the reasonableness of the Proposed Transaction, we have considered the following factors in our assessment:

- The future prospects of the Company if the Proposed Transaction does not proceed; and
- Any other commercial advantages and disadvantages to the Shareholders as a consequence of the Proposed Transaction proceeding.

2.8. If the Proposed Transaction does not proceed, Otis will continue to seek assets to acquire and add value to shareholders while seeking buyers for its oil and gas assets. Also, we note that Otis' share price increased following the announcement of the Proposed Transaction and it is possible that the share price will decline if the Proposed Transaction is not approved.

2.9. The key advantages of the Proposed Transaction are:

- Online transaction authentication is a growing market, assisted by recent changes in regulation to help prevent online fraud and money laundering. As a result of its market exposure, the revenue stream from the iSignthis technology can be expected to grow. Otis' existing assets, whilst generating income, will typically decline in value as the hydrocarbons produced decline and no additional wells are drilled. As such, Shareholders will be exposed to possible growth in revenue without the need for high levels of capital expenditure;
- iSignthis has secured one service contract and has signed a heads of agreement for a second contract. This is a positive reflection of the potential value of the technology. The contract has a fixed minimum monthly payment to iSignthis indicating a minimum amount of volume that the customer expects to achieve;
- The structure of the agreement with eMerchantpay is such that every 12 months an account holder must reconfirm their identity. Accordingly, iSignthis' revenue will compound every 12 months as a new EOI check is required for any account holder that created an account 12 months prior. This compounding growth will only continue if transactions continue to grow;
- We note that the proposed capital raising that is required as part of the Proposed Transaction will be conducted at \$0.030. Our quoted market price of an Otis share on a minority basis pre the Proposed Transaction was between \$0.001 and \$0.002. On a post consolidated basis this equates to \$0.010 and \$0.020 per share. The proposed capital raising is at \$0.030 per share and could result in a share price of \$0.030 providing Otis shareholders with an uplift in the value of their shares pre the Proposed Transaction. This assumes that an Otis share trades at \$0.030 following the proposed capital raising; and
- iSignthis forecasts profitability in the future. If these forecasts are achieved then this could result in sufficient surplus cash flows for Otis to pay dividends in the future.

2.10. The key disadvantages of the Proposed Transaction are:

- Should the acquisition be completed, the Company's Shareholders will have their voting power reduced. Consequently, the ability of the existing Shareholders to influence decisions, including the composition of the Board or the acquisition or disposal of assets will be reduced accordingly;
- The Vendor will appoint up to three representatives to the Board and, hence, will have control of the Board;
- The Vendor will control at least 56.9% of the issued capital of Otis (assuming the Vendor does not receive any shortfall shares) and up to 73.7% if all the milestone share are issued (assuming the Vendor does not receive any shortfall shares). Accordingly, the Vendor will have the ability to control ordinary resolutions and significantly influence special resolutions;

- The iSignthis business has a different risk and reward profile than Otis has historically. The new risk profile may not suit all shareholders;
- The granted iSignthis patents are relatively new and whilst a review is undertaken by the patent issuing authority prior to confirming grant, patents may be disputed in the future. Further, iSignthis has a number of patent applications being progressed and whilst iSignthis is confident of its applications, there can be no assurance these patents will ultimately be granted;
- The milestone shares are linked to turnover and not to profitability; and
- Although contracts are in place and being negotiated, the iSignthis technology is still unproven in the commercial market place.

2.11. We are not aware of any alternative proposals which may provide a greater benefit to the Shareholders of Otis at this time.

2.12. In our opinion, the position of the Shareholders of Otis if the Proposed Transaction is approved is more advantageous than the position if it is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Transaction is reasonable for the Shareholders of Otis.

3. Summary of Proposed Transaction

Overview

- 3.1. Otis has signed a share sale and purchase agreement to acquire 100% of the issued capital of iSignthis. Together, these companies own the intellectual property and rights to use the technology linked to authenticating online transactions.
- 3.2. The Proposed Transaction includes:
- The issue of 298,333,333 ordinary OTE shares (post consolidation) as upfront consideration (Resolution 2).
 - The issue of 336,666,667 performance OTE shares (post consolidation) as deferred consideration with the following milestones (Resolutions 2 and 3):
 - 112,222,222 performance shares will vest if annualised revenue of at least \$5 million is achieved within three years of completing the Proposed Transaction;
 - 112,222,222 performance shares will vest if annualised revenue of at least \$7.5 million is achieved within three years of completing the Proposed Transaction;
 - 112,222,223 performance shares will vest if annualised revenue of at least \$10 million is achieved within three years of completing the Proposed Transaction;
 - A change in the scale and nature of activities of Otis (Resolution 1);
 - The issue of between 66,666,667 and 80,000,000 ordinary OTE shares (post consolidation) to raise between \$2.0 million and \$2.4 million at an issue price of \$0.03 each as part of a capital raising ("Capital Raising") (Resolution 4). For the purpose of our Report, we have assumed the minimum amount under the Capital Raising is received;
 - A 1 for 10 share consolidation (Resolution 5);
 - A change of name to iSignthis Ltd (Resolution 6); and
 - The appointment of Mr John Karantzis and Mr Scott Minehane as directors of Otis (Resolutions 7 and 8).
- 3.3. The Proposed Transaction includes a minimum cash balance that must be maintained by Otis until completion. This is based on a balance of \$1.7 million pre the Proposed Transaction less certain costs associated with the Proposed Transaction. If this minimum cash balance is not maintained, the Vendor will receive an additional number of shares equal to the difference in the minimum required cash balance and the actual adjusted cash balance at completion (at a deemed issue price of \$0.03 per share). For example, if the difference in the cash balance was \$100,000 then Vendor would receive an additional 3,333,333 shares.

Impact of Proposed Transaction on Otis's Capital Structure

- 3.4. The table below sets out Otis's capital structure pre and post the Proposed Transaction on an undiluted and fully diluted basis.

	Shares	Interest	Options	Interest	Performance Shares	Interest	Total diluted	Interest
Current shareholders	1,597,064,508	n/a	196,049,962	n/a	-	n/a	1,793,114,470	n/a
Post consolidation	159,706,451	30.4%	19,604,996	100.0%	-	0.0%	179,311,447	20.4%
Vendor	298,333,333	56.9%	-	0.0%	336,666,667	100.0%	635,000,000	72.1%
Capital raising	66,666,667	12.7%	-	0.0%	-	0.0%	66,666,667	7.6%
Post acquisition capital structure	524,706,451	100.0%	19,604,996	100.0%	336,666,667	100.0%	880,978,114	100.0%

Table 3: Otis Capital Structure Pre and Post Proposed Transaction (Source: Otis Notice of General Meeting)

- 3.5. Should Shareholders approve the Proposed Transaction, their interest in Otis will fall from 100% pre the Proposed Transaction to approximately 30.4% on an undiluted basis immediately post the Proposed Transaction (assuming the minimum amount is subscribed under the Capital Raising).
- 3.6. We note that Otis also has 196,049,962 listed options exercisable at \$0.05 and expiring on 31 December 2015 and 10,000,000 unlisted options exercisable at \$0.005 and expiring on 1 March 2016. As these options are out of the money, we have assumed that they will not be exercised.
- 3.7. If none of the existing options were exercised and all of the performance shares were issued then we note that the Vendor's interest in Otis would be 73.7%.

4. Purpose of this Report

Corporations Act

- 4.1. Section 606(1) of the Act provides that, subject to limited specified exemptions, a person must not acquire a "relevant interest" in issued voting shares in a public company, if as a result of the acquisition any person's voting power in the company would increase from 19.99% or below to 20% or greater. In broad terms, a person has a "relevant interest" in shares if that person holds shares or has the power to control the right to vote or dispose of shares. A person's voting power in a company is the number of voting shares in which the person (and its associates) has a relevant interest compared with the total number of voting shares in a company.
- 4.2. Completion of the Proposed Transaction will result in OTE acquiring a "relevant interest" in the Company above 20% and therefore in breach of Section 606(1) of the Act in the absence of an applicable exception.
- 4.3. Section 611, Item 7 of the Act provides an exemption to the rule noted in paragraph 4.1 above. Section 611, Item 7 allows a party (and its associates) to acquire a relevant interest in shares that would otherwise be prohibited under section 606(1) of the Act if the proposed acquisition is approved in advance by a resolution passed at a general meeting of the company, and:
- (i) no votes are cast in favour of the resolution by the proposed acquirer or respective associates; and
 - (ii) there was full disclosure to shareholders of all information that was known to the proposed acquirer or its associates or known to the company that was material to a decision on how to vote on the resolution.
- 4.4. Section 611 of the Act states that shareholders must be given all information that is material to the decision on how to vote at the meeting. ASIC advises the commissioning of an Independent Expert's Report in such circumstances and provides guidance on the content.
- 4.5. Consequently Otis is to hold a meeting of its shareholders where it will seek approval for the Proposed Transaction and the Company has engaged RSMBCC, to prepare a report which sets out our opinion as to whether the Proposed Transaction is fair and reasonable to the Shareholders.

Basis of Evaluation

- 4.6. In determining whether the Proposed Transaction is "fair and reasonable" we have given regard to the views expressed by ASIC in Regulatory Guide 111 Contents of Expert's Reports ("RG 111").
- 4.7. RG 111 provides ASIC's views on how an expert can help security holders make informed decisions about transactions. Specifically, it gives guidance to experts on how to evaluate whether or not a proposed transaction is fair and reasonable.
- 4.8. RG 111 states that the expert report should focus on:
- the issues facing the security holders for whom the report is being prepared; and
 - the substance of the transaction rather than the legal mechanism used to achieve it.
- 4.9. Where an issue of shares by a company otherwise prohibited under section 606 is approved under item 7 of section 611 and the effect on the company shareholding is comparable to a takeover bid, RG 111 states that the transaction should be analysed as if it was a takeover bid.
- 4.10. RG 111 applies the "fair and reasonable" test as two distinct criteria in the circumstance of a takeover offer, stating:

- A takeover offer is considered “fair” if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer; and
- A takeover offer is considered “reasonable” if it is fair or, where the offer is “not fair”, it may still be “reasonable” if the expert believes that there are sufficient reasons for security holders to accept the offer.

4.11. Consistent with the guidelines in RG 111, in determining whether the Proposed Transaction is “fair and reasonable” to the Shareholders, the analysis undertaken is as follows:

- A comparison of the Fair Value of an ordinary share in Otis prior to (on a control basis) and immediately following (on a non control basis) the Proposed Transaction, being the ‘consideration’ for the Shareholders – fairness; and
- A review of other significant factors which the Shareholders might consider prior to approving the Proposed Transaction – reasonableness.

4.12. In particular, we have considered the advantages and disadvantages of the Proposed Transaction in the event that it proceeds or does not proceed including:

- The future prospects of the Company if the Proposed Transaction does not proceed; and
- Any other commercial advantages and disadvantages to the Shareholders as a consequence of the Proposed Transaction proceeding.

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5. Profile of Otis

Overview and history

5.1. Otis is a Perth based public company listed on the ASX, with a principal focus on oil and gas exploration, primarily in the gulf states of the United States. Otis was incorporated on 29 August 1996 and admitted to the official list of the ASX on 7 December 1998. A brief overview of the Company's recent history is provided in the table below.

Year	Milestone
2010	➤ The Company acquired an interest in the Catahoula Lake Project (prospective for oil and gas) in Louisiana. The Company announced that it is also seeking farm-in partners for the Atocha Project and that it was seeking partners for investment in Lowell Capital Limited.
2011	➤ The Company announced the acquisition of a 10% working interest in the San Jacinto 3D Project located across three counties in Texas, USA and a 10% interest in the Avalanche 3D Project in south-central Louisiana, USA; ➤ The Company changed its name to Otis Energy Limited ("Otis") and affirmed its principal activities as oil and gas exploration and development and sold Lowell Capital Limited.
2012	➤ Otis announced the acquisition of a 5% Working Interest in the Sombrero Exploration Project located in Lea County, New Mexico, USA; ➤ Otis announced the acquisition of a 12.5% Working Interest in the Comanche Project located in northern Texas; ➤ Otis announced the acquisition of a 10% Working Interest in the Stagecoach Prospect located in Brooks County, Texas.
2013	➤ On 28 May 2013 Otis announced an agreement with Mitsui E&P Middle East BV to acquire an 8.5% Working Interest in the Block 7 Permit in Yemen.
2014	➤ On 22 May 2014 Otis announced the Yemen Block 7 transaction was discontinued. ➤ On 4 September 2014 Otis announced the proposed acquisition of iSignthis.

Table 4: Otis history (Source: Otis ASX announcements)

Directors

5.2. A profile of the current board of directors of Otis is set out in the table below.

Name	Title	Experience
Mr Harry Hill	Non-Executive Chairman	Mr Hill is a Certified Practising Accountant and Fellow of the Chartered Institute of Secretaries. He has over 35 years' experience as a Director and Company Secretary of several publicly listed companies involved in oil and gas exploration, mining and mineral exploration particularly in commodities of gold, nickel and diamonds and publicly listed companies operating in the field of education, construction and clothing, both wholesale and retail.
Mr Barnaby Egerton-Warburton	Managing Director	Mr Egerton-Warburton has over 20 years of trading, investment banking, international investment and market experience. He has held positions with investment banks in Perth, Sydney, New York and Hong Kong including JP Morgan, BNP Equities (New York) and Prudential Securities (New York).
Mr Winton Willesee	Non-executive Director	Mr Willesee is an experienced company director. Mr Willesee has a broad range of skills and experience in strategy, company development, corporate governance, company public listings, merger and acquisition transactions and corporate finance. Mr Willesee has experience with ASX listed and other companies over a broad range of industries and different levels of development. Mr Willesee has fulfilled the role of chairman and/or director of a number of listed companies and is currently the Chairman of four ASX listed companies. Mr Willesee holds formal qualifications in economics, finance, accounting, education and governance. He is a Fellow of the Financial Services Institute of Australasia, a Member of the Australian Institute of Company Directors, a Member of CPA Australia and a Chartered Secretary.

Table 5: Profile of Otis Directors (Source: Otis FY14 annual financial report)

Capital Structure

- 5.3. As at the date of this Report the Company has 1,597,064,508 shares on issue. In addition the Company also has 196,049,962 options on issue as summarised in the table below.

Securities currently on issue	Number
Shares on issue	1,597,064,508
Ordinary shares on issue at date of this Report	1,597,064,508
Listed Options exercisable at \$0.05 on or before 31 December 2015	186,049,962
Unlisted Options exercisable at \$0.005 on or before 1 March 2016	10,000,000
Total options on issue	196,049,962
Fully diluted number of shares on issue	1,793,114,470

Table 6: Otis capital structure (Source: Notice)

- 5.4. Approximately 33.94% of the Company's ordinary shares are held by the top 10 shareholders as summarised in the table below.

OTE Top 10 Shareholders	Number held	% of total shares issued
Mycatmax Pty Ltd	160,000,000	10.02
HSBC Custody Nominees (Australia) Limited	146,842,612	9.19
Ms Merle Smith & Ms Kathryn Smith	80,000,000	5.01
Seaspin Pty Ltd	54,250,000	3.40
Scintilla Strategic Investments Limited	50,000,000	3.13
Mr Garry Collins	47,795,934	2.99
Mahsor Holdings Pty Ltd	30,000,000	1.88
J P Morgan Nominees Australia Limited	26,130,204	1.64
Miss Stacey Ann Stobaus	25,150,000	1.57
B&G Estates Pty Ltd	25,000,000	1.57
	645,168,750	40.40

Table 7: Otis major shareholders (Source: Otis share register October 2014)

Share Price and Performance

5.5. A summary of Otis's recent share price and volume is set out in the figure below.

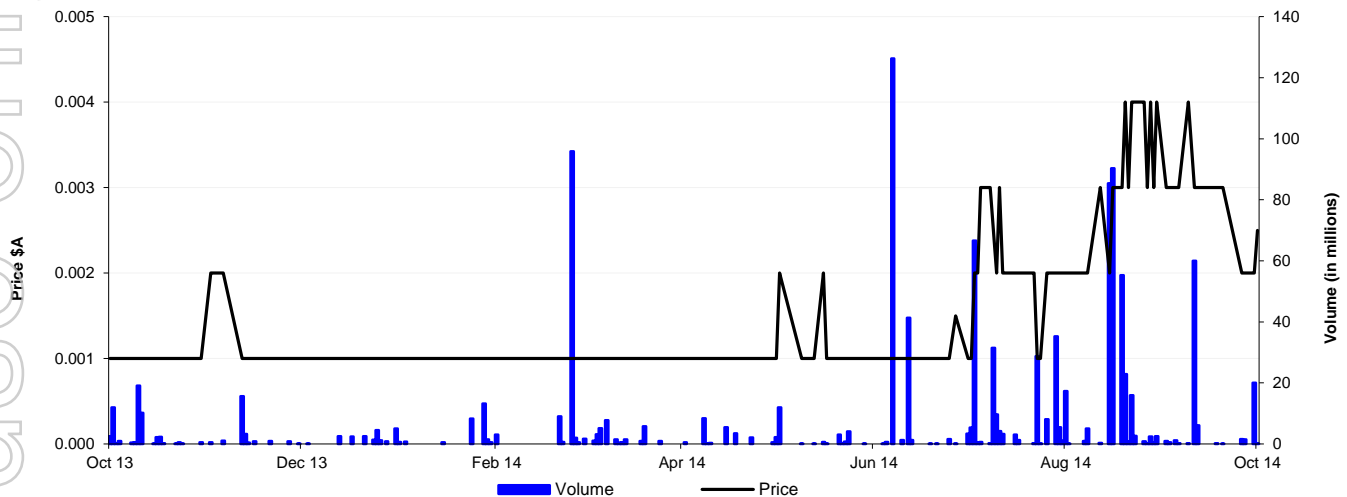


Figure 2: Otis Daily Closing Share Price and Traded Volumes (Source: S&P Capital IQ)

5.6. We make the following comments with regard to Otis's recent share price performance:

- In the 12 months prior to the Proposed Transaction, Otis's shares have traded between a low of \$0.001 on various dates and a high of \$0.003;
- Following the announcement by the Company of the Proposed Transaction on 4 September 2014, the Company's share price has traded between \$0.002 and \$0.004;
- There were two significant trading days over the period of price chart above. The first was the trading of 95 million shares on 17 March 2014 with no explanation. The second was the trading of 126 million shares on 27 June 2014. An announcement was released after 27 June 2014 for a change in directors' interest after a director of Otis acquired 10 million shares. There was no explanation for the other shares traded on that day; and
- Further analysis on the recent volume and price at which Otis shares have traded is set out at paragraph 9.7.

Projects

5.7. The Company is engaged in the exploration of oil and gas projects in US States – Texas and Louisiana. The Company holds from 9.4% to 12.5% working interest positions in the following projects.

Comanche, North Central Texas - 12.5% Working Interest, 9.375% Net Revenue Interest ("NRI")

5.8. The Comanche Project is a shallow horizontal oil development play analogous to recent discoveries nearby comprising of approximately 10,000 acres. The project targets the Pennsylvanian (Morrowan) Marble Falls Limestone (MFL) a micro-fractured carbonate on the western margin of the Fort Worth Basin.

5.9. Wells are drilled to the primary target; the Marble Falls Limestone formation (MFL) at a vertical depth of approximately 5,100 feet (1,554 metres). The partners have drilled horizontally approximately 2,500-3,000 feet targeting the Upper Marble Falls Limestone formation which produces oil, natural gas liquids and natural gas from existing vertical completions surrounding the Comanche Project.

- 5.10. Four wells in total have been drilled at the Comanche Project (Sloan, Hoefle, Lott Unit #1 and The Laura Faye Sloan #1). Only two of the wells are producing at a very low rate of production.

[Avalanche, Evangeline Parish Louisiana - 10% Working Interest, 7.5% NRI](#)

- 5.11. Avalanche is located in South Central Louisiana, covers close to 24,000 acres and is approximately 75% covered by a proprietary 3D seismic survey. Analytical and reprocessing work has continued on the Avalanche project post the drilling of the Avalanche #1 well in December 2011 and resulted in a successful shallow 3,000 feet gas well being drilled in July 2012. The well is estimated to contain up to 1 billion cubic feet of gas. The well has now been placed on production.

Financial Performance

- 5.12. The financial performance of Otis for the years ended 30 June 2012 ("FY12"), 30 June 2013 ("FY13") and 30 June 2014 ("FY14") is set out in the table below.

	Ref:	FY14 <i>Audited</i> \$	FY13 <i>Audited</i> \$	FY12 <i>Audited</i> \$
Revenue from continuing operations	5.13	599,611	799,549	374,740
Other income		-	36,750	-
Total income		599,611	836,299	374,740
Employee benefits expense		337,413	324,952	379,416
Depreciation and amortisation		2,147	2,532	1,326
Depreciation of oil producing assets		94,199	166,265	-
Loss on revaluation of held for sale investments		6,282	9,267	-
Write-off of petroleum exploration expenditure		2,175,307	2,695,407	2,271,395
Consultancy and management expenses		91,972	88,083	139,034
Share based payments		-	24,800	-
Other expenses		454,694	494,908	583,761
Total expenses		3,162,014	3,806,214	3,374,932
Loss before income tax from continuing operations		(2,562,403)	(2,969,915)	(3,000,192)
Income tax expense		-	-	-
Loss after income tax from continuing operations		(2,562,403)	(2,969,915)	(3,000,192)
Profit after income tax from discontinued operations			0	87,112
Loss after income tax attributable to the owners of Otis Energy Ltd		(2,562,403)	(2,969,915)	(2,913,080)
Other comprehensive income net of tax		(65,308)	574,831	105,939
Total comprehensive income for the year attributable to the owners of Otis Energy Ltd		(2,627,711)	(2,395,084)	(2,807,141)

Table 8: Otis financial performance for FY12, FY13 and FY14 (Source: Otis FY13 & FY14 annual financial reports)

- 5.13. Revenue from continuing operations in FY14 is mostly representative of oil and gas production from assets sold during the year. Following the sale of key producing assets during FY14, Otis' revenue is expected to decline significantly in FY15.
- 5.14. Expenses predominantly represent costs incurred in exploring for and producing hydrocarbons that were written off.
- 5.15. The Company generated losses before tax of approximately \$2.8 million in FY12, \$2.4 million in FY13 and approximately \$2.6 million in FY14.

Financial Position

5.16. The consolidated financial position of Otis as at 30 June 2013 and 30 June 2014 is set out in the table below.

	Ref:	As at 30-Jun-14 <i>Audited</i> \$	As at 30-Jun-13 <i>Audited</i> \$
Current Assets			
Cash and cash equivalents	5.19	1,984,796	433,689
Trade and other receivables		22,796	12,657
Other current assets		15,163	68,159
Current assets classified as held for sale		75,000	-
Total Current Assets		2,097,755	514,505
Non-Current Assets			
Plant and equipment		1,326	1,633,817
Petroleum exploration and evaluation	5.18	-	2,323,723
Total Non-Current Assets		1,326	3,957,540
Total Assets		2,099,081	4,472,045
Current Liabilities			
Trade and other payables		157,498	210,231
Employee benefits		16,154	18,981
Total Current Liabilities		173,652	229,212
Non-current Liabilities			
Employee benefits		3,421	6,536
Total Current Liabilities		3,421	6,536
Total Liabilities		177,073	235,748
Net Assets	5.17	1,922,008	4,236,297
Equity			
Issued capital		81,227,362	80,913,940
Reserves		944,366	1,288,474
Accumulated losses		(80,249,720)	(77,966,117)
Total Equity		1,922,008	4,236,297

Table 9: Otis financial position as at 30 June 2014 (Source: Otis 30 June 2014 annual report)

5.17. As at 30 June 2014 Otis had net assets of approximately \$1.9 million and a net working capital surplus (current assets less current liabilities) of approximately \$1.9 million represented predominantly by cash.

5.18. During the financial year ended 30 June 2014 the company sold its interest in the Catahoula Lake Project, a producing asset, for a total of \$1.35 million. The company relinquished its interest in the Charro, and Sombrero projects and wrote off most of its capitalised expenditure for the remaining projects. We note that the assets that have not been written off are now included as held for sale assets.

5.19. The Company had cash and cash equivalents as at 30 June 2014 of approximately \$2.0 million.

6. Profile of iSignthis

Overview and history

- 6.1. iSignthis is an Australian based company which has been granted USA, European, South African and Australian patents that enhance payment security, internet identity, e-mandates and e-contracts validation services, to safeguard eCommerce operators, and assist Anti Money Laundering (AML) and Counter Terrorism Funding (CTF) obligated entities meet their compliance requirements. The company has patents pending in several other key jurisdictions, including China, Hong Kong, South Korea, Canada, Brazil and India.
- 6.2. Since receiving confirmation of the grant of patents in late 2013, iSignthis has executed several contracts for the provision of Evidence of Identity (EOI) and Strong Customer Authentication (SCA) services in Europe. Existing clients include European based payment processing services providers' eMerchantPay and Adelante which collectively process payments in more than 40 countries. iSignthis has also executed agreements with the operator of the Singapore Government's National Authentication Framework, Assurity Pte Ltd.
- 6.3. iSignthis offers two services of authentication. The services cover two objectives, Evidence of Identity (EOI) and Strong Customer Authentication (SCA). These services are detailed below:

Evidence of Identity (EOI)

- 6.4. A number of business or operations fall under the category of being an obligated entity under AML laws. One of the obligations is to fully identify their customers to financial institution standard. Currently, online merchants have not been able to achieve this standard fully online. They are able to have customers submit basic details in an online form but then require a submission of certain documents (such as copies of passport, birth certificate and drivers licence) to meet the AML requirements.
- 6.5. The EOI process of iSignthis authenticates that a customer owns a payment instrument and uses that ownership to identify the customer. When a customer initiates a payment, the iSignthis technology splits this payment into two amounts which the customer will be able to see in their account (the two amounts total the initial payment amount), the customer can then confirm their ownership of the account and their identification by disclosing the value of each of the two payments. The initial registration and authentication process for credit card payment instrument is illustrated in the diagram below:



Figure 3: iSignthis Initial Registration and Authentication Process

Strong Customer Authentication (SCA)

- 6.6. This service has been designed to authenticate online payment transactions. It uses the EOI process and links the customer and the payment instrument to Two Factor Authentication (“2FA”). 2FA is a process whereby customers are requested to provide two pieces of information to prove their identity. The 2FA is then used to authenticate subsequent mobile, online payments processed on the payment instrument.
- 6.7. The SCA allows online merchants to safely accept payment without the present risk of chargebacks and credit card not presented fraud associated with unauthenticated transactions. Both EOI and SCA services are offered on a Business to Business basis, where iSignthis performs the authentication function as designated agent of its client, being the customer facing the business.

Financial Position

- 6.8. The consolidated financial position of iSignthis as at 30 September 2014 is set out in the table below.

Financial Position	As at 30-Sep-14 \$
Current Assets	
Cash and cash equivalents	69,757
Total current assets	<u>69,757</u>
Non-current assets	
Intellectual Property	8,950,000
Total non-current assets	<u>8,950,000</u>
Total assets	9,019,757
Current liabilities	
Trade and other payables	17,473
Business Loan – Otis Energy Ltd	100,000
Total current liabilities	<u>117,473</u>
Total non-current liabilities	<u>117,473</u>
Total liabilities	<u>117,473</u>
Net assets	<u>8,902,284</u>
Equity	
Shareholders' Funds	8,902,284
Total Equity	<u>8,902,284</u>

Table 10: iSignthis financial position as at 30 September (Source: iSignthis management report)

- 6.9. iSignthis has only been incorporated for a short time and the balance sheet is reflective of a company with no trading history.
- 6.10. Intellectual property reflects the value attributed to the iSignthis technology by iSignthis management. We note that the balance sheet presented above is based on unaudited management accounts and the carrying value of the intellectual property could change following an audit review. We have considered a range of values for the iSignthis technology in Section 10.

7. Profile of the online transaction industry

- 7.1. In the simplest explanation, the iSignthis technology ensures that a person making a payment online is authorised to access the financial account used to make the payment, thereby preventing fraud and money laundering. As such, the iSignthis technology operates in the authentication of online payments market specifically servicing Payment Support Providers (“PSP”). PSPs are the entities that coordinate online transactions between a customer and a merchant. The authentication of payments market is driven by the number of online payments/transactions.
- 7.2. iSignthis serves two sectors of the online payments market. The first is merchants or companies that are required to meet certain criteria under the KYC obligations. The KYC obligations are a regulatory requirement to identify a customer before accepting a transfer of funds from that customer. This check is performed partly in order to prevent money laundering. Merchants or companies that fall under this category include banks, stock brokers, ecasinos (gaming/wagering), financial advisors, super funds, insurers and other similar organisations. iSignthis serves these organisations by remotely verifying the identity of a potential customer by relying on KYC processes undertaken by that potential customer’s financial institution. This allows these merchants and companies to accept funds from customers without meeting them. These merchants also require annual KYC checks to be performed.
- 7.3. The second sector of the online payments market includes any merchant accepting transactions online. These merchants are interested in confirming that potential customers own the bank account that they are using to pay for a product. This confirmation helps prevent fraud and also means that merchants can comply with the regulatory requirements in existence or soon to be in existence that require strong customer authentication (SCA). Where iSignthis assists SCA is through a 2 factor authentication process (2FA) which requires customers provide two pieces of information, including one that is known to them and one that they have (this can take the form of a token or an SMS code). 2FA is not a new concept but is increasing in its use.

Competition

- 7.4. Competing technologies include the use of static databases of information uploaded to a server by organisations that have previously confirmed the identity of a customer. This data is accessed by payment authentication companies and potential customers are asked to answer a question that relates to these documents. Similar to accessing a database of proven identity documents, another alternative technology involves customers scanning a proof of identification document online through the use of a camera.
- 7.5. There are a number of participants in the market place using various combinations of technologies who provide either SCA or EOI services. The largest of these include Visa, Mastercard, American Express, Google Wallet and Paypal. New competitors with competing technologies include Jumio and Miicard. We note that, if iSignthis’ technology proves to be more efficient when signing up new customers, the competitors listed above could be users of the technology.

Regulation

- 7.6. There are a number of organisations with member nations around the world that have established certain requirements to prevent money laundering and fraud via online transactions. In particular, a large number of countries are members of organisations associated with the Financial Action Taskforce (“FATF”). Member nations include the US, Australia, China, France, United Kingdom, Switzerland and Germany.
- 7.7. The FATF and its affiliated bodies have been refining recommendations to combat money laundering and the financing of terrorist organisations since 1990. Since its inception, a number of revisions and recommendations have been refined to include the use of AML and KYC obligations as provided by iSignthis.

- 7.8. The European Central Bank (“ECB”) has created guidelines for the security of online transactions and has implemented a requirement by 1 February 2015 for PSPs and governance authorities to comply with the recommendations. Again, the ECB recommendations encourage the use of EOI and specifically 2FA processes.

Online transactions

- 7.9. The number and value of online transactions continues to grow. The recent increase in mobile devices has assisted the growth in online transactions by making it easier for customers to make transactions anytime, anywhere.
- 7.10. Key markets of China, the US and Europe have experienced significant growth in online sales. The value of online sales in China was approximately US\$190 billion in 2012 and is predicted to increase to US\$650 billion by 2020. The US Department of Commerce reported online retail sales for FY14 of US\$283 billion, reflecting growth of approximately 16% year on year. Research firm Forrester Research expect online sales to reach US\$414 billion by 2018. European online retail sales were €165 billion in 2013 and are expected to reach €330 billion by 2019.

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8. Valuation approach

Valuation methodologies

8.1. In assessing the Fair Value of an ordinary Otis share prior to and immediately following the Proposed Transaction, we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:

- the discounted cash flow (“DCF”) method and the estimated realisable value of any surplus assets;
- the application of earnings multiples to the estimated future maintainable earnings or cash flows added to the estimated realisable value of any surplus assets;
- the amount which would be available for distribution on an orderly realisation of assets;
- the quoted price for listed securities; and
- any recent genuine offers received.

8.2. We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows.

Market based methods

8.3. Market based methods estimate the Fair Value by considering the market value of a company’s securities or the market value of comparable companies. Market based methods include;

- The quoted price for listed securities; and
- Industry specific methods.

8.4. The recent quoted price for listed securities method provides evidence of the fair market value of a company’s securities where they are publicly traded in an informed and liquid market.

8.5. Industry specific methods usually involve the use of industry rules of thumb to estimate the fair market value of a company and its securities. Generally rules of thumb provide less persuasive evidence of the fair market value of a company than other market based valuation methods because they may not account for company specific risks and factors.

Income based

8.6. Income based methods estimate value by calculating the present value of a company’s estimated future stream of earnings or cash flows. Income based methods include:

- Capitalisation of maintainable earnings; and
- Discounted cash flow methods.

8.7. The capitalisation of earnings methodology is generally considered a short form DCF, where an estimation of the Future Maintainable Earnings (“FME”) of the business, rather than a stream of cash flows is capitalised based on an appropriate capitalisation multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading multiples of comparable companies.

8.8. The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an

assessment of the residual value or the terminal value of the company's cash flows at the end of the forecast period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.

Asset based methods

- 8.9. Asset based methodologies estimate the Fair Value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:
- orderly realisation of assets method;
 - liquidation of assets method; and
 - net assets on a going concern basis.
- 8.10. The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.
- 8.11. The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame.
- 8.12. The net assets on a going concern method estimates the market values of the net assets of a company but unlike the orderly realisation of assets method it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company's assets are liquid, or for asset holding companies.

Selection of valuation methodologies

Basis of fairness assessment

- 8.13. In forming our opinion as to whether we consider the Proposed Transaction to be fair to the Shareholders we have assessed and compared:
- The Fair Value of Otis and an Otis share pre the Proposed Transaction; and
 - The Fair Value of Otis and an Otis share post the Proposed Transaction.
- 8.14. In accordance with the guidance set out in RG 111, our assessment of the Fair Value of an Otis share pre the Proposed Transaction is on a controlling basis, and on a non-controlling basis post the Proposed Transaction.

Valuation of an ordinary Otis share pre the Proposed Transaction

- 8.15. In assessing the Fair Value of Otis and an Otis share pre the Proposed Transaction we have selected the net assets on a going concern methodology for the following reasons:
- Otis is effectively a shell company with immaterial assets and net liabilities. In our experience, the most appropriate method for determining the value of companies such as Otis is on the basis of the fair value of their underlying net assets;
 - Otis does not generate profits. Therefore there are no historic profits that could be used to represent future earnings. This means that the capitalisation of FME approach is not appropriate; and
 - Otis does not expect to produce positive future cash flows and therefore we do not consider the application of the DCF methodology to be appropriate in these circumstances.

Valuation of an Otis share post the Proposed Transaction

- 8.16. To assess the Fair Value of Otis and an Otis share on a non-controlling basis immediately post the Proposed Transaction, using the net assets on a going concern methodology, based on our assessment of the Fair Value of Otis and iSignthis.
- 8.17. Should the Shareholders approve the Proposed Transaction they will relinquish control of Otis. Accordingly we have assessed the value of an ordinary Otis share immediately post the Proposed Transaction on a non-control basis, through the application of an appropriate portfolio discount to the assessed Fair Value of an Otis share on a control basis.
- 8.18. When assessing the value of the technology included in the net assets of iSignthis, we have considered the following methodologies:
- DCF methodology – We have utilised the DCF methodology as the technology is in an early stage of implementation and the DCF methodology will capture the potential growth in the cash flows generated by the technology. RG111.99 states that there may be a reasonable basis for the use of the DCF methodology before a project generates cash flows as long as, at the date of reporting, the expert has reasonable grounds for the forward looking information. We note that the forecast cash flows for iSignthis have been based on a signed contract with fixed minimum revenue payments and transaction prices and a signed memorandum of understanding, which, in our opinion provides reasonable basis for the cash flows. Further, the number of transactions to be processed by iSignthis has been established following consultation with its customers. We have considered the risk of achieving the cash flows and successful implementation of the technology in our discount rate applied to the cash flows.
 - Historic cost – Where a DCF produces a negative net present value, we have used the historic cost of the technology as our minimum value on the basis that a buyer would be willing to pay for the replacement cost of developing the technology.

9. Valuation of an ordinary Otis share pre the Proposed Transaction (control basis)

Net Asset Value

- 9.1. We have assessed the Fair Value of Otis to be approximately \$0.001 pre consolidation (between \$0.010 and \$0.011 post consolidation), based on the net assets on a going concern methodology, as summarised in the table below.

Valuation of OTE and an OTE share pre the Proposed Transaction	Ref:	Low \$	High \$
Net assets at 30 June 2014	9.3	1,650,000	1,750,000
Fair value of OTE on a control basis		1,650,000	1,750,000
Number of OTE shares on issue at the date of this Report	3.4	1,597,064,508	1,597,064,508
Fair Value of an OTE share on a control basis (pre consolidation)		\$0.001	\$0.001
Fair Value of an OTE share on a control basis (post consolidation)		\$0.010	\$0.011

Table 11: Assessed Fair Value of an Otis share pre Proposed Transaction (Source: RSMBCC analysis)

Key assumptions

Net assets as at 30 June 2014

- 9.2. Our assessment has been based on the audited net assets of Otis as at 30 June 2014 of \$1,922,000 as set out in the Company's audited financial statements. We have considered whether any adjustments are required to be made to reflect the Company's financial position at the date of this report and determined that an adjustment to cash and a loan to iSignthis is relevant. However, we note that the net impact of the loan to the net assets of Otis is nil as there would be an increase in loans receivable and a corresponding decrease in cash.
- 9.3. Therefore, we have adjusted net assets as at 30 June 2014 for the following information included in the September cash flow statement for Otis:

Adjusted net assets	Ref:	Value \$
Net assets at 30 June 2014	5.16	1,922,008
Movement in cash from 30 June 2014 to 30 September 2014		(317,796)
Add back loan recorded as asset		100,000
Net assets at 30 September 2014		1,704,212

Table 12: Adjusted net assets as at 30 September 2014 (Source: RSMBCC analysis)

- 9.4. In order to calculate a range of values for Otis, we have utilised a range approximately \$50,000 above and below the adjusted net assets.

Oil and gas projects

9.5. We note that the oil and gas assets have a book value of \$75,000 and have been reclassified from petroleum exploration and evaluation to assets classified as held for sale. Based on possible transaction data and the minimal cash flows generated by the assets, we consider the \$75,000 value to be reasonable.

Number of shares on issue

9.6. The number of OTE shares on issue represents ordinary shares on issue pre the consolidation. The number of OTE shares on issue following the consolidation is 159,706,451.

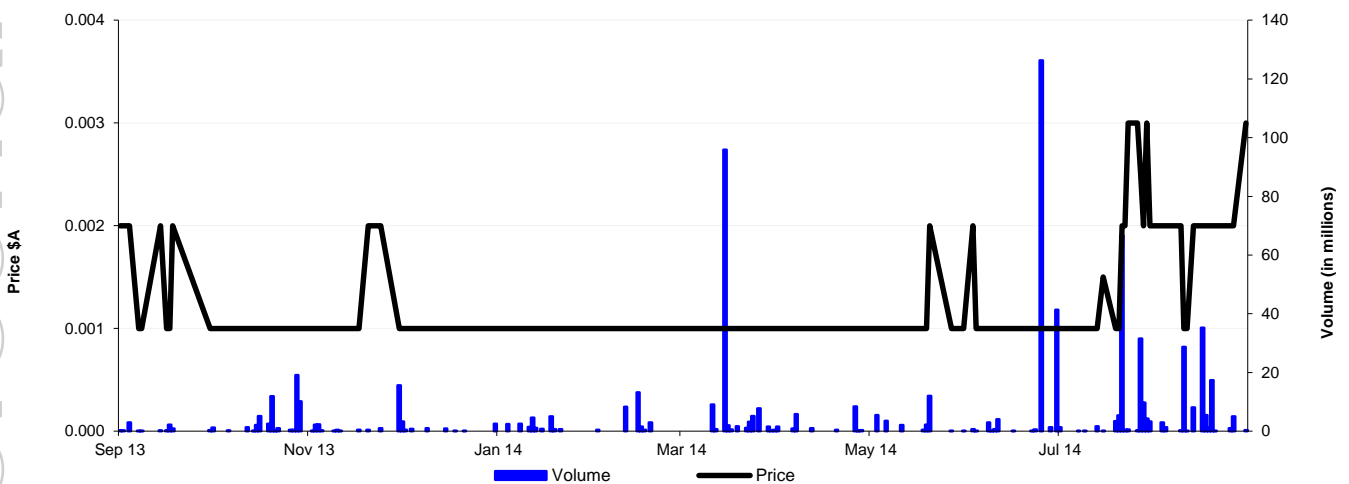
Quoted Price of Listed Securities

9.7. In order to provide a cross-check to the valuation of an Otis share under the net assets on a going concern basis, we have also assessed the fair value based on the quoted market price.

9.8. The Proposed Transaction was announced to the ASX on 4 September 2014.

9.9. Over this period, Otis shares have traded between a low of \$0.001 on to a high of \$0.003.

Figure 4: Daily closing price and traded volumes of Otis from 12 months prior to date of announcement.



9.10. We note that prior to 22 July 2014, Otis shares had traded mostly at \$0.001, with occasional trades at \$0.002. Trading volumes were also very low.

9.11. From 22 July 2014, Otis' shares traded consistently above \$0.001 with improved volumes. There were no announcements or news from Otis during this period that would explain the increase in trading. In our opinion, the timing of the improvement in trading was likely the result of speculation of a transaction. As such, when considering the value of an Otis share, we have considered the trading prior to 22 July 2014.

- 9.12. In order to provide further analysis of the market prices for Otis shares, we have considered the volume weighted average market price ("VWAP") for 10 day, 30 day, 60 day and 90 trading day periods to 22 July 2014:

VWAP as at 22 July 2014	1 Day	5 Day	10 Day	30 Day	60 Day	90 Day	120 Day	180 Day
VWAP (\$)	0.002	0.002	0.002	0.001	0.001	0.001	0.001	0.001
Total Volume (000's)	5,406	8,806	10,564	186,372	216,318	363,694	390,694	442,188
Total Volume as a % of Total Shares	0.34%	0.55%	0.66%	11.67%	13.54%	22.77%	24.46%	27.69%
Low Price (\$)	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001
High Price (\$)	0.002	0.002	0.002	0.002	0.002	0.002	0.002	0.002
Trading Days (no.)	1	3	6	16	29	48	54	82

Table 13: VWAP Otis share pre Proposed Transaction (Source: RSMBCC analysis)

- 9.13. The table indicates very limited volume and liquidity in Otis shares.

Value of an Otis Share on a non-control minority basis

- 9.14. Whilst we note that trading of Otis Shares was thin in the above trading periods, we have selected the 1 to 180 day VWAP of between \$0.001 and \$0.002 for our assessment of the quoted market price valuation of an Otis Share.

Valuation of an Otis Share

- 9.15. Our valuation of an Otis share, on the basis of the recent quoted market price including a premium for control is between \$0.001 and \$0.003 pre consolidation (between \$0.013 and \$0.026 post consolidation), as summarised in the table below.

	Ref.	Low	High
Quoted market price of Otis share	9.14	\$0.001	\$0.002
Add premium for control	9.16	25%	30%
Quoted market price controlling value (pre consolidation)		\$0.001	\$0.003
Quoted market price controlling value (post consolidation)		\$0.013	\$0.026

Table 13: Assessed value of an Otis Share – Quoted Price of Listed Securities (Source: RSMBCC analysis)

Key assumptions

Control Premium

- 9.16. The value derived at paragraph 9.15 is indicative of the value of a marketable parcel of shares assuming the shareholder does not have control of Otis. RG 111.11 states that when considering the value of a company's shares the expert should consider a premium for control. If the Proposed Transaction is successful, the existing shareholders of iSignthis will increase their interest in Otis to 55.5% of the issued share capital of Otis and, therefore, our assessment of the fair value of an Otis share must include a premium for control.
- 9.17. In selecting a control premium we have given consideration to the RSM Bird Cameron 2013 Control Premium Study. The study performed an analysis of control premiums paid over a 7-year period to 31 December 2012

in 345 successful takeovers and schemes of arrangements of companies listed on the ASX. Our study concluded that, on average, control premiums in takeovers and schemes of arrangements involving Australian companies was in the range of 20% to 35%. In valuing an ordinary Otis Share prior to the Proposed Transaction using the quoted price of listed securities methodology we have reflected a premium for control in a range determined either side of the mid point of 27.5%.

Valuation summary and conclusion

- 9.18. A summary of our assessed values of an ordinary Otis Share on a control basis pre the Proposed Transaction, derived under the two methodologies, is set out in the table below.

	Ref.	Low	High
Pre consolidation			
Net asset value	9.1	\$0.001	\$0.001
Quoted market value	9.15	\$0.001	\$0.003
Preferred valuation		\$0.001	\$0.001
Post consolidation			
Net asset value	9.1	\$0.010	\$0.011
Quoted market value	9.15	\$0.013	\$0.026
Preferred valuation		\$0.010	\$0.011

Table 14: Otis Share valuation summary (Source: RSMBCC analysis)

- 9.19. In our opinion we consider that the net asset valuation methodology provides a better indicator of the fair value of an Otis Share as we consider our analysis of the trading of Otis' shares prior to the announcement of the Proposed Transaction indicates that the market for Otis' shares is not deep enough to provide an assessment of their fair value.
- 9.20. Therefore, in our opinion, the fair value of an Otis Share pre the Proposed Transaction is in the range of \$0.010 to \$0.011 on a controlling basis (post consolidation).

10. Valuation of an ordinary Otis share post the Proposed Transaction

10.1. In order to consider the value of an ordinary Otis share, on a minority basis immediately post the Proposed Transaction, we have assessed the fair value of Otis as the sum of:

- The fair value of Otis on a standalone basis pre the Proposed Transaction;
- Plus the fair value of 100% of the shares of iSignthis on a controlling basis;
- Plus the cash raised through the Capital Raising and other share issues which form part of the Proposed Transaction less any transaction costs; and
- Less a minority discount.

Valuation of Otis pre the Proposed Transaction

10.2. We have assessed the value of Otis pre the Proposed Transaction to be between \$1.65 million and \$1.75 million as set out in section 9.1.

Valuation of iSignthis

10.3. The Company has prepared projections related to the iSignthis technology based on the sales contracts secured to date. Based on this information we have elected to apply the Discounted Cash Flow (DCF) valuation methodology to the valuation of iSignthis.

10.4. The DCF methodology requires the future cash flow estimates over the relevant period of time, estimation of the terminal value at the end of the time period and assessment of an appropriate discount rate. The DCF methodology is considered as superior to other methodologies as it recognises that:

- the ultimate value of an asset depends upon the cash flow that will be generated during its economic life;
- there is a benefit in receiving cash flow today rather than in the future; and
- the inducement to make an investment in an asset with a high level of risk is the expected higher return from the higher risk assets.

Calculate the cash flows of iSignthis

10.5. The management of iSignthis have prepared forecast cash flows for the nine month period of FY15 and the two years ending FY17 ("the Model"). We have reviewed the Model and the assumptions used to prepare it. Where we consider it necessary, we have made adjustments to the Model to reflect different assumptions. In particular, we delayed the commencement of the first contract by three months.

10.6. The forecast cash flows are set out below:

	Opening Cash	FY15	FY16	FY17
Net Sales		400,109	2,402,491	5,732,485
Operating Costs		(1,094,648)	(2,120,725)	(2,439,043)
Net Pre Tax Cash Flows	69,757	(694,539)	281,766	3,293,441

Table 15: iSignthis forecast cash flows (Source: RSMBCC analysis)

10.7. The key assumptions used for preparing the Model are summarised below:

Net Sales

10.8. Net sales are based on an existing contract with eMerchantpay and a heads of agreement with Adelante. For the purpose of our valuation, we have assumed no new contracts are won.

10.9. Sales are generated on a fee per transaction basis. The fee per transaction is contracted and earned on each separate SCA and EOI transaction that is processed by iSignthis.

10.10. The table below summarises the net sales of iSignthis:

Transaction type	FY15	FY16	FY17
	\$	\$	\$
SCA transaction revenue	326,605	1,715,712	2,260,101
EOI transaction revenue	73,504	686,779	3,472,384
Total net income	400,109	2,402,491	5,732,485

Table 16: iSignthis forecast revenue (Source: RSMBCC analysis)

10.11. SCA revenue grows significantly from FY15 to FY16 for two reasons. The first is that FY15 only reflects six months of revenue generation. The second is that we assume a ramp up of the use of the iSignthis technology while it is implemented and tested against the other operating systems of its customers. Growth from FY16 to FY17 is considered organic growth of 31% which is partly an expected growth in online transactions (circa 20%) and additional growth by iSignthis' customers into a new market.

10.12. EOI revenue also grows significantly from FY15 to FY16. Again, part of the growth is due to FY15 including just six months of revenue. However, the major reason for the growth is the planned expansion of iSignthis' customer's existing business into China. The growth in FY17 is also partly the result of the planned expansion into China, however, 20% of EOI revenue in FY17 is made up of 12 month update EOI checks as per the guidelines of the FATF. The FATF recommends that all online merchant accounts confirm the identity of their account holders every 12 months. As such, every 12 months the number of transactions processed by iSignthis increases by the number of transactions processed 12 months prior, plus any new accounts.

10.13. The contracts held by iSignthis are in pounds and euros. All sales have been converted to Australian dollars at current exchange rates.

Direct costs

10.14. The iSignthis service is completely automated so direct costs relate to the costs of storing the iSignthis software and communicating with merchant's customers. The iSignthis technology will be hosted in the cloud on strategically located servers to meet regional requirements.

10.15. Movements in direct costs are driven by the same factors as revenue.

	FY15	FY16	FY17
	\$	\$	\$
Direct costs	125,294	740,035	999,389

Table 17: iSignthis forecast direct costs (Source: RSMBCC analysis)

Overheads

10.16. Other significant operational costs include; technical support costs, management costs and other overheads.

10.17. Overhead costs do not experience the same growth from FY15 to FY16 as direct costs because we assume overhead costs are incurred during the period prior to the implementation of the iSignthis technology as it is integrated into customer systems.

Category	FY15 \$	FY16 \$	FY17 \$
Technical support	319,104	492,944	513,230
Management costs	456,750	633,533	646,175
Other overheads	193,500	254,213	280,249
Total overheads	969,354	1,380,690	1,439,655

Table 18: iSignthis forecast overhead costs (Source: RSMBCC analysis)

Capital costs

10.18. Whilst there are no specific capital costs, we note that development costs are expensed in overheads within technical support costs.

Terminal value

10.19. The terminal value of iSignthis for cash flows after FY17 has been assessed on the following basis:

- The cash flow forecast after FY17;
- No growth rate; and
- The applicable discount rate used in the valuation of iSignthis.

Calculation of an appropriate discount rate

10.20. The discount rate we have selected allows for both the time value of money and the risks attached to future cash flows. In addition, it is a nominal discount rate on the basis that the Model considers inflation. The applicable discount rate is the likely rate of return an acquirer of iSignthis would require.

10.21. We have utilised the weighted average cost of capital ("WACC") as our discount rate. We have assessed the pre-tax WACC to be in the range of 22.9% to 25.4%. Details of how we have calculated our preferred range of WACCs is included in Appendix B.

Calculation of discounted cash flows

10.22. In order to calculate the DCF, we have applied the discount rates calculated in Paragraph 10.21 to the cash flows for the iSignthis.

		FY15	FY16	FY17	Terminal Value
	\$	\$	\$	\$	\$
DCF assuming 22.9% WACC					
Net cash flows		(694,539)	281,766	3,293,441	
Average discount factor		1.10	1.33	1.63	
Discounted cash flows (calculated monthly)		(639,773)	192,727	1,975,232	6,366,987
Net present value	7,895,173				
DCF assuming 25.4% WACC					
Net cash flows		(694,539)	281,766	3,293,441	
Average discount factor		1.11	1.37	1.72	
Discounted cash flows (calculated monthly)		(634,447)	185,263	1,873,996	5,244,392
Net present value	6,669,204				

Table 19: iSignthis DCF (Source: RSMBCC analysis)

10.23. We have calculated the value of the iSignthis at between \$6.7 million and \$7.9 million.

Sensitivity and minimum value

10.24. Whilst iSignthis' customers have provided the estimated transactions figures included in the Model, we consider the growth in transactions to be the key risk in the cash flows. As such, we have also calculated the DCF for iSignthis assuming no growth in EOI transactions. This means that we have assumed there are only 500 EOI transactions per month based on an initial market entry. Our reasoning for including this sensitivity as a minimum value is that, although iSignthis' customers are established businesses, a key growth path lies in successfully entering a new region (albeit by winning a very small percentage of the market).

10.25. Based on no growth in EOI transaction, revenue is not sufficient to offset costs and, as such, we have calculated the DCF value of iSignthis to be nil. Where a DCF value is nil, in our opinion, the replacement cost methodology must be considered for a potential minimum value. The theory of replacement cost assumes that a potential acquirer will be willing to pay for the costs incurred in creating an asset. In the case of iSignthis, we are of the opinion that this is a reasonable minimum value based on the existence of current contracts indicating demand for iSignthis' technology.

10.26. We have been informed by iSignthis management that the costs incurred in creating the technology to date are approximately \$670,000. These costs were incurred over recent years so we have assumed that historic costs are reflective of current costs to replicate the technology.

10.27. Accordingly, we have valued the iSignthis technology on a controlling interest basis to be in the range of \$670,000 to \$7,895,173.

10.28. RG111.79 states that when a narrow range cannot be given, the expert should prominently explain in its report what factors create this uncertainty and how the expert is able to justify its finding despite the uncertainty. The factor that creates the uncertainty is the variable nature of start-up companies. In our opinion, the range of values is justified because it is important for Shareholders to understand the potential value impact of the technology. Although there is a wide range at the technology value level, we note that

the range narrows at the per share value. RG111.79 also states that, in ASICs view, a broad range of values undermines the usefulness of a report. However, in this instance, we believe the broad range is required to enhance Shareholder understanding of the value of the technology for the following reasons:

- iSignthis has secured a contract with fixed transaction fees and a minimum revenue amount;
- iSignthis' customers are established businesses with immediate use of the technology; and
- Despite the customer contracts, the business is a start-up business and there is risk that the cash flows are not achieved.

Valuation of Otis Shares Post Proposed Transaction

10.29. Our assessed values of an ordinary Otis share pre and immediately after the Proposed Transaction are summarised in the table below, where there is a maximum take up of the Shares under the Capital Raising.

	Ref	Assessed Value (Low) \$	Assessed Value (High) \$	No. of shares
Value of Otis pre Proposed Transaction	9.1	1,650,000	1,750,000	159,706,451
Value of iSignthis technology (controlling basis)	10.27	670,000	7,895,173	-
Other iSignthis net assets	6.8	(47,716)	(47,716)	-
		2,272,284	9,597,457	159,706,451
Issue of Vendor Shares	10.31	-	-	298,333,333
Issue of Performance Shares	10.32	-	-	112,222,222
Capital Raising (net of capital raise and acquisition costs)	10.33	1,530,000	1,530,000	66,666,667
Equity value of Otis on a controlling basis post Proposed Transactions		3,802,284	11,127,457	636,928,673
Portfolio Holding Discount (20% to 23%)	10.34	(874,525)	(2,225,491)	
Portfolio Equity Value		2,927,759	8,901,965	
Ordinary shares on issue post the Proposed Transaction	10.32	524,706,451	636,928,673	
Value per share post the Proposed Transaction and consolidation (undiluted)		\$0.006	\$0.014	

Table 20: Comparison of the Fair Value of an ordinary Otis share post the Proposed Transaction on an undiluted basis, with a maximum take up of Shares under the Capital Raising

10.30. Following the 10:1 consolidation of Otis' ordinary shares pursuant to Resolution 5 in the Notice of Meeting, Otis shareholders will hold 159,706,451 ordinary shares in Otis.

10.31. The issue of 298,333,333 Vendor Securities (on a post-consolidation basis) under Resolution 2 of the Notice of Meeting.

10.32. We note that the total number of performance shares is 336,666,667, however based on the cash flow model provided and the milestones for the performance shares it appears that only 112,222,222 of the 336,666,667 Performance Shares are likely to be issued. We have therefore only taken into account 112,222,222 shares in our valuation. The issue of Milestone A shares only applies to our high value, the hurdle for Milestone A is not met under our low value case.

- 10.33. Capital raising costs of \$470,000 apply to the minimum subscription of Otis Shares under the Capital Raising. The transaction costs include ASIC fees, ASX fees, broker fees and commissions, legal, accounting and other fees.
- 10.34. Should the Shareholders approve the Proposed Transaction they will relinquish control of Otis, therefore we have applied a discount to the assessed controlling value of Otis post the Proposed Transaction of between 20% and 23%, which has been calculated as the inverse of the control premium calculated at paragraph 9.7.

Other value considerations

- 10.35. Our Model assumes that only the Milestone A shares are issued. In order to assess the value of an Otis share if each of the Milestone A, B and C shares are issued, we have assessed the value of an Otis share post the Proposed Transaction and consolidation assuming the minimum requirement for each milestone is achieved. These values have been calculated based on the same underlying assumptions used in our valuation above. However, for Milestone B and Milestone C we have assumed that the increase in revenue for each milestone is the result of increased sales and have included \$300,000 for the cost of two sales staff as expected to be employed by iSignthis to promote the technology.

Milestones	Assessed Value \$
Milestone A - issue of 112,222,222 shares	0.010
Milestone B - issue of 112,222,222 shares	0.012
Milestone C - issue of 112,222,223 shares	0.014

Table 21: Valuation of Otis share post the Proposed Transaction, assuming Milestones A, B & C are achieved

- 10.36. We note that our Model exceeded the Milestone A hurdle and was close to reaching the Milestone B hurdle. As such, if Milestone A or B are only just met, the value of an Otis share would be lower than our high value case.
- 10.37. Under the terms of the Proposed Transaction, Otis has agreed to issue additional shares to the Vendor of iSignthis if the Company's cash position on completion is less than \$1.7 million. This amount is subject to adjustments for costs incurred in relation to the Proposed Transaction, agreed operating costs and loans to iSignthis. The additional shares will be issued to the Vendor based on the amount of the shortfall at an issue price of \$0.03. For example, if the shortfall was \$100,000 then an additional 3,333,333 shares would be issued to the Vendor. We have not considered any additional shortfall shares in our valuation above, however, we have prepared a table below that reflects the impact on our valuation should shortfall shares be issued.

Shortfall in cash	Potential valuation	
	Low	High
\$100,000	\$0.006	\$0.014
\$200,000	\$0.005	\$0.014
\$300,000	\$0.005	\$0.013

Table 22: Analysis of shortfall shares on our valuation

11. Is The Proposed Transaction Fair?

11.1. Our assessed values of an Otis share prior to and immediately after the Proposed Transaction are summarised in the tables below.

Assessment of fairness	Ref:	Preferred	Low	High
Pre Proposed Transaction (Control value) per share (Post-consolidation)	Section 9	\$0.011	\$0.010	\$0.011
Post Proposed Transaction (Minority value) per share	Section 10	\$0.010	\$0.006	\$0.014

Table 23: Assessed values of an Otis share pre and post the Proposed Transaction on an undiluted basis

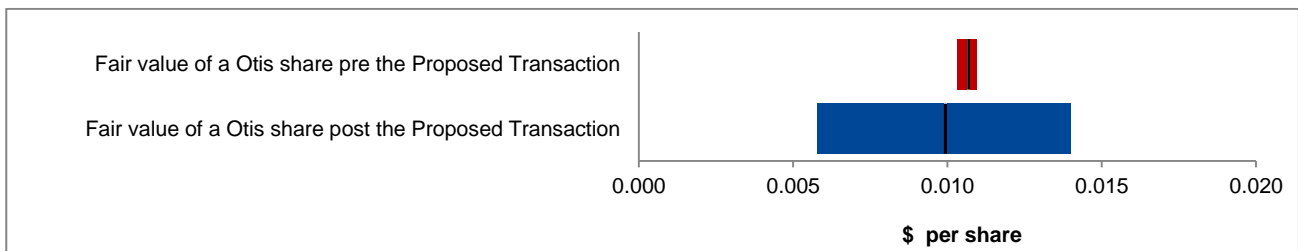


Figure 5: Otis Share Valuation Graphical Representation (Source: RSMBCC Analysis)

11.2. We have compared the value per Otis Share pre the Proposed Transaction to the value of an Otis Share post the Proposed Transaction (on a post consolidation basis). Accordingly, our assessment of fairness assumes that the change in equity structure is appropriately recognised. Our analysis has concluded that the range of values of an Otis share pre the Proposed Transaction is between \$0.010 and \$0.011 and the value of an Otis share post the Proposed Transactions is between \$0.006 and \$0.014.

11.3. The range of values post the Proposed Transaction is typical of a company with a start-up technology. We consider the range to be necessary to demonstrate the potential value of the technology, and important for Shareholders so that they can understand the risks in a new technology. We note that our low value assumes the value of the technology is at replacement cost. This is due to inadequate growth in assumed transaction numbers. However, given the existing contracts, the size of the market and iSignthis' client's existing knowledge base, it is likely that there will be an increase in transaction numbers and, hence, our high valuation is also appropriate.

11.4. In order to assess the impact of the Performance Milestones, we have also analysed the value of an Otis share pre the Proposed Transaction to the value of an Otis share post the Proposed Transaction assuming the minimum requirement of each milestone is achieved. The following table summarises this analysis:

Milestones	Reference	Assessed Value \$	Fair \$
If minimum requirement for Milestone A is met	10.35	0.010	x
If minimum requirement for Milestone B is met	10.35	0.012	✓
If minimum requirement for Milestone C is met	10.35	0.014	✓

Table 24: Valuation of Otis share when Milestones are achieved

Conclusion on Fairness

11.5. Given the range in values of an Otis share post the Proposed Transaction, we have relied on our preferred mid-points to assess fairness. As such, despite the value of an Otis share pre the Proposed Transaction falling within the range of the value of an Otis share post the Proposed Transaction, in our opinion the Proposed Transaction is not fair to Shareholders.

12. Is The Proposed Transaction Reasonable?

12.1. RG111 establishes that an offer is reasonable if it is fair. If an offer is not fair it may still be reasonable after considering the specific circumstances applicable to the offer. In our assessment of the reasonableness of the Proposed Transaction, we have given consideration to:

- The future prospects of Otis if the Proposed Transaction does not proceed; and
- Other commercial advantages and disadvantages to the Shareholders as a consequence of the Proposed Transaction proceeding.

Future Prospects of Otis if the Proposed Transaction Does Not Proceed

12.2. If the Proposed Transaction does not proceed then Otis will continue to seek acquirers for its existing oil and gas assets whilst sourcing other businesses that could add value for Shareholders.

Trading in Otis Shares post the announcement of the Proposed Transaction

12.3. The figure below sets out an analysis of the trading in Otis' shares since 1 July 2014.

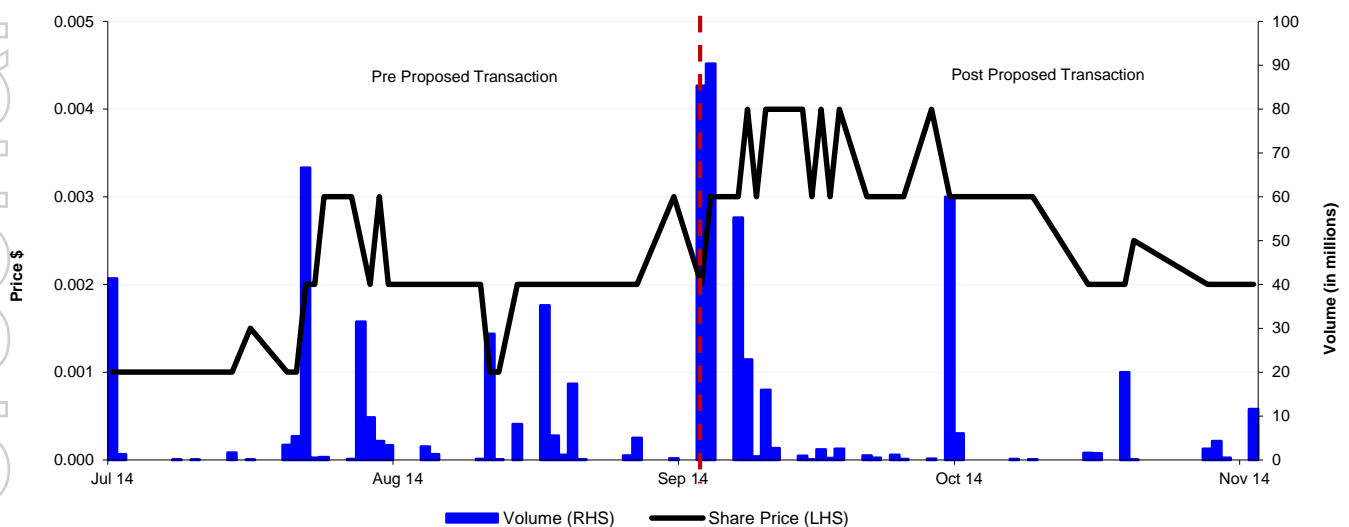


Figure 6: Otis Share price and volume post announcement of the Proposed Transaction (Source: S&P Capital IQ)

12.4. In the period immediately after the announcement of the Proposed Transaction, Otis' shares traded from \$0.002 to \$0.004. This indicates that the Proposed Transaction was viewed favourably by the market. However, we also highlight that prior to 22 July 2014, Otis' share price had generally traded at \$0.001. This indicates that, prior to the announcement of the Proposed Transaction, there was very little value given to the assets of Otis and that there may have been speculation of a transaction included in the share price from 22 July 2014.

12.5. Based on trading in Otis' shares immediately before and after the announcement of the Proposed Transaction, if the Proposed Transaction is not approved it is possible that the value of an Otis share will decline.

Advantages and Disadvantages

- 12.6. In assessing whether the Shareholders are likely to be better off if the Proposed Transaction proceeds than if it does not, we have compared various advantages and disadvantages that are likely to accrue to the Shareholders.

Advantages

Advantage 1 – Exposure to a growth technology

- 12.7. Online transaction authentication is a growing market, assisted by recent changes in regulation to help prevent online fraud and money laundering.
- 12.8. As a result of its market exposure, the revenue stream from the iSignthis technology can be expected to grow. Otis' existing assets, whilst generating income, will typically decline in value as the hydrocarbons produced decline and no additional wells are drilled. As such, Shareholders will be exposed to possible growth in revenue without the need for high levels of capital expenditure.

Advantage 2 – Contracted revenue

- 12.9. iSignthis has secured one service contract and has signed a heads of agreement for a second contract. This is a positive reflection of the potential value of the technology. Also, the contract has a fixed minimum monthly payment to iSignthis indicating a minimum amount of volume that the customer expects to achieve.

Advantage 3 – Compounding revenue growth

- 12.10. The structure of the agreement with eMerchantpay is such that every 12 months an account holder must reconfirm their identity. As such, iSignthis' revenue will compound every 12 months as a new EOI check is required for any account holder that created an account 12 months prior. This compounding growth will only continue if transactions continue to grow.

Advantage 4 – The proposed capital raising will result in holders paying \$0.030 per share

- 12.11. We have prepared our analysis based on the net asset value of Otis pre and post the Proposed Transaction. However, we note that the proposed capital raising that is required as part of the Proposed Transaction will be conducted at \$0.030. Our quoted market price of an Otis share on a minority basis pre the Proposed Transaction was between \$0.001 and \$0.002. On a post consolidated basis this equates to \$0.010 and \$0.020 per share. As such, the proposed capital raising could result in a share price of \$0.030 and Otis shareholders will experience an uplift in the value of their shares pre the Proposed Transaction. This assumes that an Otis share trades at \$0.030 following the proposed capital raising.

Advantage 5 – Possible Future Dividend Stream

- 12.12. iSignthis forecasts profitability in the future. If these forecasts are achieved then this could result in sufficient surplus cash flows for Otis to pay dividends in the future.

Disadvantages

Disadvantage 1 – Dilution of Shareholders' Interests

12.13. The Proposed Transactions will result in dilution of the Shareholders interests from 100% to 30.4% on an undiluted basis and to 20.4% on a fully diluted basis. This dilution includes the proposed capital raising as the Proposed Transaction is contingent on the capital raising.

Disadvantage 2 – the Vendor will gain control of Otis

12.14. As a minimum, the Vendor will hold 56.9% of Otis. This assumes that the Vendor does not participate in the proposed capital raising, the milestone shares are not issued and there are no shortfall shares issued. Therefore, as a minimum, the Vendor will be able to pass or block ordinary resolutions and will be able to block or have a significant influence over special resolutions.

12.15. If the milestone shares are issued to the Vendor then its interest in Otis will increase to 73.7% (assuming it does not participate in the capital raising and there are no shortfall shares issued). This will further increase the Vendor's capacity to influence passing of special resolutions.

12.16. It's possible for the Vendor to gain an additional interest of 4.2% (pre milestone shares) and 1.7% (post milestone shares) if Otis had no cash on completion. Whilst it's possible that the Vendor will receive some milestone shares, we do not consider it likely that it will be a material amount.

Disadvantage 3 – Change of activities

12.17. Otis will be changing the nature and scale of its activities from oil and gas exploration and production to the provision of online payment authentication. This change in focus may not be consistent with the objectives or risk profiles of all Shareholders. We note that Otis has previously announced that it intended to dispose of its oil and gas assets and seek alternative investment opportunities.

Disadvantage 4 – Lack of Track Record of iSignthis

12.18. iSignthis is a new technology that is unproven. As such, there is no guarantee that it will be successfully implemented. Further, iSignthis will suffer penalties from its customers if its technology does not work adequately or efficiently.

Disadvantage 5 – Milestone Shares are not linked to profitability

12.19. The Milestone Shares are not linked to profitability. As such, the incentive to grow revenue could come at the expense of profits.

Disadvantage 6 – New patents could be disputed

12.20. Although iSignthis has been granted a number of patents, it is possible that a dispute is raised in the future as these patents are new. We note, however, that part of the patent approval process includes a review of prior technology to ensure the patent application represents a new idea.

Alternative Proposal

12.21. We are not aware of any alternative proposal at the current time which might offer the Shareholders of Otis a greater benefit than the Proposed Transaction.

Conclusion on Reasonableness

12.22. In our opinion, the position of the Shareholders if the Proposed Transaction is approved is more advantageous than the position if it is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Transaction is reasonable for the Shareholders of Otis.

12.23. An individual shareholder's decision in relation to the Proposed Transaction may be influenced by his or her individual circumstances. If in doubt, shareholders should consult an independent advisor.

Yours faithfully

RSM BIRD CAMERON CORPORATE PTY LTD



A J GILMOUR
Director



G YATES
Director

APPENDIX A

Declarations and Disclosures

RSM Bird Cameron Corporate Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

Qualifications

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board.

RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the partners of RSM Bird Cameron (RSMBC) a large national firm of chartered accountants and business advisors.

Mr Andrew Gilmour and Mr Glyn Yates are directors of RSM Bird Cameron Corporate Pty Ltd. Both Mr Gilmour and Mr Yates are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert's reports for transactions involving publicly listed and unlisted companies in Australia.

Reliance on this Report

This report has been prepared solely for the purpose of assisting the Shareholders of Otis Energy Limited in considering the Proposed Transaction. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

Reliance on Information

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the directors and management of Otis Energy Limited and we have no reason to believe that this information was inaccurate, misleading or incomplete. However, we have not endeavoured to seek any independent confirmation in relation to its accuracy, reliability or completeness. RSM Bird Cameron Corporate Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Bird Cameron Corporate Pty Ltd 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.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

Disclosure of Interest

At the date of this report, none of RSM Bird Cameron Corporate Pty Ltd, RSMBC, Andrew Gilmour, Glyn Yates, nor any other member, director, partner or employee of RSM Bird Cameron Corporate Pty Ltd and RSMBC has any interest in the outcome of the Proposed Transaction, except that RSM Bird Cameron Corporate Pty Ltd are expected to receive a fee of \$30,000 based on time occupied at normal professional rates for the preparation of this Report. In addition RSM Bird Cameron Partners will invoice Otis Corporation Limited fees for the provision of due diligence services, taxation and accounting advice in relation to the Proposed Transaction. All fees are payable regardless of whether Otis Energy Limited receives Shareholder approval for the Proposed Transaction, or otherwise.

Consents

RSM Bird Cameron Corporate Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the Explanatory Memorandum to be issued to Shareholders. Other than this report, none of RSM Bird Cameron Corporate Pty Ltd, RSM Bird Cameron Partners or RSMBC has been involved in the preparation of the Notice of General Meeting and Explanatory Statement. Accordingly, we take no responsibility for the content of the Notice of General Meeting and Explanatory Statement as a whole.

APPENDIX B

In preparing this report we have relied upon the following principal sources of information:

- Otis Financial accounts for the three years ended 30 June 2014;
- iSignthis unaudited financial information for the years period ended 30 September 2014;
- Forecast cash flows for the three years ended 30 June 2017 for iSignthis;
- Notice of General Meeting and Explanatory Statement for the meeting of Otis shareholders;
- Share sale and purchase agreement for the sale of iSignthis BV and ISX IP Ltd;
- Information provided by Otis management through meetings and correspondence;
- Capital IQ, IBIS World and other financial databases and subscription services; and
- Publicly available information including ASX announcements.

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APPENDIX C – WACC Assessment

When assessing an appropriate discount rate to use in a discounted cash flow valuation, due regard must be given to the rates of return available in the marketplace, the degree of risk attached to the business, shares or project and the required rate of return.

Businesses are normally funded by a mix of debt and equity. The Weighted Average Cost of Capital (“WACC”) is a widely used and accepted basis to calculate the “representative” rate of returns required by debt and equity investors. We have applied the WACC methodology to determine an appropriate discount rate to be used in assessing the fair value of this cashflows.

The Capital Asset Pricing Model (“CAPM”) is the most frequently used model in determining the cost of equity of an investment or project and the required rate of return for debt funding is determined having regard to current borrowing costs and prevailing credit ratings. The cost of equity and cost of debt are weighted by the respective proportions of equity and debt funding to arrive at the WACC.

WACC

The generally accepted WACC formula is the post-tax WACC as shown below:

$$\text{WACC} = [\text{Re} * \text{E/V}] + [\text{Rd} (1 - \text{t}) * \text{D/V}]$$

Where:

Re	=	Expected equity investment return or cost of equity
Rd	=	Interest rate on debt (pre-tax)
t	=	Corporate tax rate
E	=	Market value of equity
D	=	Market value of debt
V	=	Market value of debt plus equity

CAPM

The CAPM is based on the theory that the prudent investor will price investments so that the expected return is equal to the risk free rate of return plus a premium for risk. CAPM assumes that there is a positive relationship between risk and return; that is, investors are risk averse and therefore demand higher returns for accepting higher levels of risk.

The CAPM calculates the cost of equity through the following formula:

$$\text{Re} = \text{Rf} + \beta[\text{E}(\text{Rm}) - \text{Rf}]$$

Where:

Re	=	Cost of equity capital or expected return on the investment.
Rf	=	Risk free rate of return.
E(Rm)	=	Expected return on the market.
E(Rm) - Rf	=	Market risk premium
β	=	Beta

We have considered each component of the CAPM below.

Risk free rate - R_f

We have assumed a risk free rate of 4.90% being the average yield on the 10-year Australian Government Bond for the last 10 years, as published by the RBA. We have used the 10-year bond rate as this is typically used as a proxy for the long-term risk-free rate.

Market Risk Premium – $E(R_m) - R_f$

Market risk premium represents the level of return investors require over and above the risk free rate in order to compensate them for the non-diversifiable risks associated with an investment in a market portfolio. Strictly speaking, the market risk premium is equal to the expected return from holding shares over and above the return from holding risk-free government securities.

Various empirical studies undertaken in Australia and overseas show that historical market risk premiums vary across markets; the Australian market is generally in line with the overall range of other developed countries but is slightly higher than the world average.

Having regard to this information, we have assumed a market risk premium range of 6% to 7% in our determination of the discount rate.

Beta - β

The beta coefficient measures the systematic risk of the company compared to the market as a whole. A beta of 1 indicates that the company's risk is comparable to that of the market.

The choice of a beta requires judgement and necessarily involves subjective assessment as observations of beta in comparable companies may be subject measurement issues and other variations. Accordingly, depending upon circumstance, a sector average, or a basket of comparable companies may present a more reliable beta, rather than relying on a single comparable company.

Beta can be expressed as an equity beta (which includes the effect of gearing on equity returns) or as an asset beta (where the impact of gearing is removed). The asset beta will be lower than the equity beta for any given investments, with the difference dependent upon the level of gearing in the capital structure.

The selection of an appropriate beta involves a degree of professional judgement, particularly where the performance drivers of the company being valued are not directly aligned with the most comparable listed companies.

The comparable company data included in the table below illustrates the observed beta coefficients for public listed companies we consider most comparable to iSignthis.

In assessing companies comparable to the iSignthis, we have considered companies in information technology industry in Australia, whose securities are listed on the Australian Securities Exchange.

The ungeared equity beta's for the companies selected ranged from a low of 0.48 to a high of 5.7, with an average of 1.8 as set out in the table below.

Company	Levered beta	Total debt/equity	Unlevered beta
Qanda Technology Limited	6.19	11.5%	5.728
World Reach Limited	2.91	69.6%	1.957
Maxsec Group Limited	2.47	0.0%	2.470
Transaction Solutions International Limited	2.22	0.0%	2.220
MGM Wireless Limited	2.05	2.2%	2.019
iCollege Ltd.	1.67	0.0%	1.670
Primary Opinion Limited	1.54	0.0%	1.540
ComOps Ltd.	1.34	0.2%	1.338
Applabs Technologies Limited	0.98	0.0%	0.980
JCurve Solutions Limited	0.90	0.0%	0.900
Bluechiip Limited	0.80	4.9%	0.773
Kollakorn Corporation Limited	0.74	76.1%	0.483
Average	1.98	13.7%	1.84
Median	1.61	0.00	1.61

Taking a preferred debt to equity ratio of nil (assuming companies in this industry do not carry any debt) we have relied on the average ungeared beta of 1.84.

We provide descriptions of the comparable companies in the table below.

Ticker	Company Description
ASX:ALA	Applabs Technologies Limited designs and develops mobile applications (apps) in Australia. The company develops apps for Iphone, Ipad, and Android applications. It develops apps for clients across multiple industries, including business services, consumer products, gaming, events, entertainment, government, real estate, education, and health.
ASX:BCT	Bluechiip Limited develops and commercializes a wireless tracking solution for the healthcare and life science, security, defence, and manufacturing industries. The company offers bluechiip system that consists of a radio frequency identification system, including chips and an interrogator system. It also provides reader products, such as Matchbox reader to track and record sample identification and temperature; and Stream software, a Web-based biospecimen and biological sample management application for cryogenic and cold chain environments.
ASX:COM	ComOps Limited is engaged in the development, licensing, integration, and support of business software to various industry sectors in Australia and internationally. The company offers workforce management software and services. Its workforce management solutions include rostering and scheduling, award interpretation, labor cost management, fatigue risk management, leave management, time and attendance, employee self-service portals, workforce analytics, risk management and safety compliance, and learning and development.
ASX:ICT	iCollege Pty Ltd offers online education services. The company was incorporated in 2012 and is based in Australia.
ASX:JCS	JCurve Solutions Limited develops and markets telecommunications expense management (TEM) solutions to corporate and government clientele in Australia. The company provides JTel, a TEM solution, which is a multi carrier that uploads telco billing into one unified platform from mobiles, data, and fixed line services. It also offers Call Accounting (CADS) solution, a voice and data monitoring tool, which enables organizations of various sizes to manage their telephone systems and related infrastructure; CADS Directory, a directory management solution for switchboard operations; and CADS Phone Book for searching, dialing, and emailing of the directory database.
ASX:MSP	MaxSec Group Limited provides integrated security and turn-key solutions. The company develops, manufactures, and supplies smart card based access control and biometric solutions, as well as electromechanical locking devices under door lock, roller shutter and gate lock, and cabinet lock categories.
ASX:MWR	MGM Wireless Limited provides school messaging services and Internet related services to schools primarily in Australia, the United States, and New Zealand. The company offers SMS School communication solutions that allow schools to communicate with parents and caregivers using SMS text messaging and enhance student attendance, welfare, safety, and parent engagement. Its products include messageyou, which offers student absence notification; MGM Watchlists, which automates the analysis of parent reply messages, message traffic, and the status of attendance data to detect emerging patterns or trends and automatically alert school leaders responsible for follow-up action; and Outreach, a school specific Web based SMS social communication solution that allows school leaders to communicate school event reminders, sport fixtures, late breaking news, and emergency notifications..

Ticker	Company Description
ASX:POP	Primary Opinion Limited focuses on the development of digital knowledge sharing platform for the global professional services industry. The company offers Primary Opinion, a content-driven digital distribution and community engagement platform that enables professional advisory firms to showcase their expertise, share knowledge, and build business networks worldwide.
ASX:QNA	Qanda Technology Limited creates online marketplaces that facilitate peer-to-peer transactions between owners of assets and those seeking to rent various goods in Australia. It operates in two segments, Marketboomer and Collaborative Consumption Marketplaces. The company operates DriveMyCar Rentals, a private car rental marketplace, which enables owners to rent their vehicles to drivers; and Rentoid, an online rental marketplace for household items, hardware items, and other products.
ASX:TSN	Transaction Solutions International provides solutions for electronic transaction payments industry in India. The company, through its interest in TSI India Private Limited, installs and manages a network of ATMs on behalf of various banks in India. As of March 31, 2014, it installed and operated 1,324 ATMs. Transaction Solutions International is based in West Perth, Australia.
ASX:WRR	World Reach Limited, together with its subsidiaries, designs, manufactures, and distributes equipment, applications, and services for the information communication and technology markets worldwide. It offers specialized satellite communications equipment to satellite networks; and a range of voice and data solutions across a spectrum of market applications.

We set out the detailed calculation of the WACC in the table below.

WACC		
Cost of Equity (CAPM) (Ke)		
Risk Free Rate, Rf	4.90%	4.90%
Beta, B	1.84	1.84
Market Risk Premium, Mrp	6%	7%
Standard (Vanilla) Capm Cost Of Equity (Pre-Tax Nominal)	22.8%	25.4%
Assumed capital structure		
D/V - Gearing	Nil	Nil
Cost of Debt, Kd	n/a	n/a
Corporate Tax Rate, T	30.00%	30.00%
Weighted Average Cost Of Capital (Pre-Tax Nominal)	22.8%	25.4%

We have not considered company specific risk given the broad range of comparable companies used to calculate a company specific beta. As a result, a broad range of risks are already reflected in the beta.

Based on the assumptions set out above, we have assessed the post-tax WACC to be in the range of 22.8% and 25.4%

APPENDIX D

Glossary of Terms and Abbreviations

Term or Abbreviation	Definition
\$	Australian Dollar
Act	Corporations Act 2001 (Cth)
APES	Accounting Professional & Ethical Standards Board
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
Capital Raising	The issue of 80,000,000 ordinary OTE shares (post consolidation) at an issue price of \$0.03
CAPM	Capital Asset Pricing Model
Class A Performance Shares	112,222,222 performance shares will vest if annualised revenue of at least \$5 million is achieved within three years of completing the Proposed Transaction
Class B Performance Shares	112,222,222 performance shares will vest if annualised revenue of at least \$7.5 million is achieved within three years of completing the Proposed Transaction
Class C Performance Shares	112,222,223 performance shares will vest if annualised revenue of at least \$10 million is achieved within three years of completing the Proposed Transaction
Company	Otis Energy Limited
Control basis	As assessment of the fair value on an equity interest, which assumes the holder or holders have control of entity in which the equity is held
DCF	Discounted Cash Flow
Deferred consideration	The issue of 50,500,000 performance OTE shares (post consolidation)
Directors	Directors of Otis Energy Limited
EBIT	Earnings, Before, Interest and Tax
EBITDA	Earnings, Before, Interest, Tax, Depreciation and Amortisation
ECB	European Central Bank
Equity	The owner's interest in property after deduction of all liabilities
EV	Enterprise Value, meaning, the total value of the equity in a business plus the value of its debt or debt-related liabilities, minus any cash or cash equivalents available to meet those liabilities
Fair Value	the amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer, both acting at arm's length
FATF	Financial Action Taskforce

Term or Abbreviation	Definition
FME	Future Maintainable Earnings
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
FY##	Financial year ended 30 June
IBIS	IBIS World, producer of industry reports
IER	This Independent Expert Report
Initial Consideration	The issue of 298,333,333 ordinary OTE shares (post consolidation)
iSignthis	iSignthis BV and ISX IP Pty Ltd
Milestones	The performance targets relating to the issue of the Performance Shares
The Model	The forecast of cash flows for iSignthis
Non-Associate Shareholders	Shareholders not associated with the Proposed Transaction
Non control basis	As assessment of the fair value on an equity interest, which assumes the holder or holders do not have control of entity in which the equity is held
Notice	The notice of meeting to vote on the Proposed Transaction
NPBT	Net Profit Before Tax
NPAT	Net Profit After Tax
NRI	Net Revenue Interest
OTE	Otis Energy Limited
Otis	Otis Energy Limited
PDS	Product Disclosure Statement
Performance Shares	Issue of 336,666,667 Performance Shares on achieving certain Milestones
Proposed Transaction	The acquisition of 100% of the issued capital of iSignthis BV and ISX IP Ltd (together "iSignthis") by Otis Energy Limited
PSP	Payment Support Providers
Relevant Interest	If that person holds shares or has the power to control the right to vote or dispose of shares
Regulations	Corporations Act Regulations 2001 (Cth)
Report	This Independent Experts Report prepared by RSMBCCC dated October 2014
RG 111	ASIC Regulatory Guide 111 Contents of Expert's Reports
RSMBCCC	RSM Bird Cameron Corporate Pty Ltd
2FA	Two Factor Authentication
S&P Capital IQ	An entity of Standard and Poors which is a third party provider of company and other financial information
Vendor	iSignthis Limited
Vendor Shares	Issue of 336,666,667 shares in Otis Energy Limited
VWAP	Volume weighted average share price
WACC	Weighted Average Cost of Capital



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Our one-firm structure enables us to provide strong connections and a focus on client relationships. Clients can readily connect to our national and international expertise and networks, our extensive understanding of Australian business and to our senior advisors. With RSM Bird Cameron you really are... [Connected for Success](#)

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