

[LETTER OF OFFER – PERFORMANCE RIGHTS]

5G Networks Limited
Level 8, 99 William Street
Melbourne VIC 3000

ATTN: Joseph Demase
J D Management Group Pty Ltd
130 Bulleen Road
Balwyn North VIC 3104

[date]

Dear Joseph

OFFER OF RIGHTS

On behalf of the Board of Directors of 5G Networks Limited (**5GN**) I am pleased to offer J D Management Group Pty Ltd (**JDM** or **Holder**) Performance Rights (**Rights**) on terms and conditions set out in this letter (**Offer**). By accepting this Offer JDM will agree to be bound by the terms and conditions set out in this Offer and the Constitution of 5GN.

The Offer is as set out below:

Number of Rights	5,000,000
Type of Rights	Each Right entitles the Holder to subscribe for 1 fully paid ordinary share in 5GN (Share) upon exercise
Consideration	Nil
Expiry Date	14 September 2020 (3 years after the issue date) (Expiry Date). Rights which have vested may be exercised at any time prior to 5.00 pm on the Expiry Date
Exercise Price	\$0.30 per Right
Vesting Conditions	See below
General Conditions	The Rights are subject to applicable laws, ASX listing rules and the 5GN Constitution

VESTING

Rights may only be exercised when vested. The Rights offered in this letter will be vested upon satisfaction of the following conditions:

- Joe Demase has been at all relevant times employed by 5GN;
- the annual revenue of 5GN and its subsidiaries (**5GN Group**) achieves \$25 million; and
- the EBITDA of the 5GN Group achieves \$2 million.

Assessment of achievement of the annual revenue and EBITDA targets will be based on the audited consolidated annual financial statements of 5GN and its subsidiaries. The Board of Directors of 5GN (**Board**) may agree that the targets in the above paragraphs (a) and (b) have been achieved before publication of the audited consolidated annual financial statements of 5GN and its subsidiaries for a particular year. The Board will only exercise its discretion in this manner if there is very clear evidence that the targets will be met, and if the Board is

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satisfied that allowing performance rights to vest will not be disruptive to the market or potentially contravene the Company's continuous disclosure obligations.

CASH OUT

If the Rights holder wishes to exercise the Rights however the exercise would result in a contravention of section 606 of the Corporations Act 2001, the Rights holder may require 5GN to pay the difference between the Share market price at then and the exercise price in cash in lieu of issue of Shares.

DILUTION

Rights Issues

If the Company Offers Shares by way of a Pro-rata Issue (except a Bonus Issue) to the holders of Shares (whether renounceable or non-renounceable), the Exercise Price of a Right will be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.

Bonus Issues

If there is a Bonus Issue to the holders of Shares in the Company then the number of Shares over which each Right is exercisable will be increased by the number of Shares which you would have received under the Bonus Issue if the Right had been exercised before the record date for the Bonus Issue.

Reconstructions of Capital

In the event of any reorganisation including subdivision, consolidation, reduction, return or cancellation of the issued capital of the Company on or prior to the Expiry Date, your rights will be changed to the extent necessary to comply with the applicable ASX Listing Rules governing reorganisations in force at the time of the reorganisation.

RISKS

Before accepting this offer, you should be satisfied that you have a sufficient understanding of the risks involved in exercising Rights and acquiring Shares, having regard to your investment objectives, financial circumstances and taxation position. You should be aware that the value of Shares may increase or decrease. There is no assurance that the price of the Shares will increase on that 5GN's earnings will increase.

Some of the factors which may affect the price of the Shares include but are not limited to:

- fluctuations in the domestic and international market for listed stocks;
- general economic conditions, including interest rates, inflation rates, exchange rates, commodity and oil prices or changes to government fiscal, monetary or regulatory policies, legislation or regulation;
- the nature of the markets in which 5GN operates; and
- general operational and business risks.

Other factors which may negatively affect investment sentiment and influence 5GN specifically or the stock market more generally, include acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events. All of these risk factors could affect the value of Shares.

We recommend that you seek professional guidance from your financial advisor, solicitor, accountant or other independent and qualified professionals before deciding whether to acquire Rights or exercise Rights and acquire Shares.

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TAXATION

Division 83A

Special rules contained in Division 83A of the *Income Tax Assessment Act 1997* (**Division 83A**) apply to the taxation of the Rights.

Acquisition

Division 83A taxes the “discount” on the Rights received by you upfront, i.e. at acquisition.

The “discount” is the market value of the Right less any consideration paid by you for the Right. As you are not required to pay for your Rights the “discount” will be the value of the Rights at the date that you acquire them.

In **Table A** we set out the amount which will be required to be included in your income tax return in the income tax year ended 30 June 2018 i.e. the discount (based on the number of Rights acquired).

We note that the Plan is not eligible for the Division 83A upfront deduction nor does it satisfy the requirements for income tax deferral and consequently as the Right holder you will not be eligible to have:

- the amount included in assessable income reduced; or
- the income year in which it is included deferred.

Therefore, you will need to include the Table A amount in your 30 June 2018 income tax return. This will be taxed as ordinary income i.e. not as a capital gain.

Table A

Number of Rights	Discount included in assessable income in 30 June 2018 income year*
5,000,000	\$9,000.00

*The discount is calculated based on an acquisition date of 13 September 2017 and an Expiry Date of 14 September 2020, a 25c market value price and a 30c exercise price. Changes to either of these dates or figures might affect the value of the discount.

Shares acquired on exercising Rights

There are no income tax consequences on acquiring 5GN shares by exercising your Rights.

This recognises that you will have already been taxed on acquisition of the Rights, and should not be taxed again on exercise. We consider gains or losses on subsequent a disposal of any 5GN share obtained below.

CGT Consequences on disposal of 5GN shares

For capital gains tax (**CGT**) purposes, the acquisition date of the 5GN shares is taken to be the acquisition date of the Rights.

The first element of your cost base for the 5GN shares acquired the discount included in your assessable income on acquiring the Right (we refer you to Table A) plus any amount paid by you to exercise that Right.

Example

5GN issues Rights to a senior employee. If exercised, the Rights would allow the senior employee to acquire 100,000 5GN shares for \$0.30 each. The senior employee does not pay for the Right.

The senior employee exercises the Right and pays \$30,000 for the 5GN shares. The first element of the senior employee’s cost base for the 5GN shares is \$30,180 (i.e. \$30,000 + \$180).

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Lapsed and forfeited Rights

You may be entitled to exclude the taxable discount from your assessable income and receive a refund of taxes paid for an Right that has been forfeited, lapsed, expired or lost (without the Right having been disposed of or exercised) as the Plan does not directly protect you from a fall in the market value of the Rights (or 5GN shares) (this is referred to as market risk).

A refund is available if the forfeiture or loss was not the result of a choice you made, except where the choice was

- to cease employment; or
- not to exercise the Right before it lapsed or to allow the Right to be cancelled.

However, if you receive valuable consideration for no longer holding the interest, it is possible that the Australian Tax Office may not consider your ESS interests forfeited or lost.

If you are entitled to exclude the taxable discount, you are treated as never having acquired your ESS interests. You may request an amendment of your assessment to exclude the amount previously included in your assessable income. There is no time limit for amending an assessment to exclude an amount from assessable income for an ESS interest which is forfeited or lost.

In the highly unlikely event where a refund is not available, (because say, 5GN reacquires the Rights off you, for whatever reason), you may be able to claim a capital loss under the CGT provisions.

Fringe Benefit Tax

As the discount on the Rights are taxed under Division 83A, they are exempt from being taxed as a fringe benefit and no fringe benefits tax will be payable on you receiving the Rights.

If you wish to accept this offer please sign where indicated below and return to [insert].

Yours sincerely

.....
[name] - For and on behalf of 5G Networks Limited
Director

ACCEPTANCE:

I accept this Offer on terms and conditions specified in this letter. I agree to be bound by the terms and conditions set out in this offer and the Constitution of 5GN.

.....
Joseph Demase

for and on behalf of J D Management Group Pty Ltd

Date:

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