

17 January 2019

ASX Announcement

Acquisition of Lincd HQ Pty Ltd

Harris Technology Group Limited ACN 085 545 973 ("HT8") advises that it has today entered into a binding heads of agreement ("HOA") to acquire all of the shares in Lincd HQ Pty Ltd ("Lincd") from First Growth Funds Limited ("FGF") on the terms set out below.

Background – The Lincd Business

Lincd is a software and services company that has developed a platform connecting legacy software to blockchain protocols, making it easy and cost effective for businesses to deploy blockchain solutions.

The acquisition of LINCD will provide HT8 with the opportunity to deploy blockchain solutions internally to improve the competitiveness of its ecommerce business including the possibility of launching a royalty program using blockchain technology. Additionally, HT8 plans to bundle Lincd with its cloud service offering to create a new revenue stream for the group.

The Directors of HT8 and Lincd are confident that, working together the businesses will achieve significantly higher growth rates and profitability.

Material terms of acquisition

The HOA requires the parties to negotiate and conclude a share purchase agreement ("SPA"), the material terms of which will be as follows:

- a) HT8 will acquire 100% of the shares on issue in Lincd from FGF.
- b) HT8 must convene a shareholders meeting within 45 days of the date of the HOA ("EGM Date")
- c) The consideration payable for the acquisition is, subject to shareholder approval, as follows:
 - (i) HT8 will issue 30,000,000 fully paid ordinary shares (Tranche 1 Shares) to FGF on the EGM Date;
 - (ii) HT8 will issue 20,055,334 options to acquire fully paid ordinary shares in HT8 in accordance with the terms set out in the Schedule 1 (Tranche 2 Options – see below); and;
 - (iii) HT8 will issue 20,000,000 options to acquire fully paid ordinary shares in HT8 in accordance with the terms set out in the Schedule 2 (Tranche 3 Options – see below).
- d) If HT8 fails to obtain the relevant shareholder approvals for the Tranche 1 Shares, Tranche 2 Options or Tranche 3 Options (as applicable), HT8 shall, at the option of FGF, make a cash payment to FGF in lieu of those securities.

- e) No later than seven days after the EGM Date, one of the current HT8 directors will resign and be replaced by an FGF representative. If and when the “Lincd Proceeds” are achieved, one of the remaining current HT8 directors will resign and be replaced by an FGF representative. The Lincd Proceeds means “the generation of at least \$600,000 either by way of revenue for services or Lincd having sold some or all of the tokens in its possession, or a combination thereof within 12 months of the EGM Date”.
- f) FGF has an outstanding loan of US\$250,000 to Lincd. The Lincd Proceeds will be first applied to repayment of the loan and any accrued interest.
- g) On and from the EGM Date, Lincd will employ Prasanth Kumar Rasam (“Key Person”) as Managing Director on the Key Person Terms set out below.
- h) There are no conditions precedent to the SPA.

Funding

HT8 has working capital to fund the Lincd business after completion.

Effect on share capital

The effect of the acquisition on the HT8 share capital is as follows:

	Number of shares	%
Number of fully paid ordinary shares currently on issue	155,001,811	79.49%
Shares to be issued to FGF	30,000,000	15.38%
Shares to be issued to PK	10,000,000	5.13%
Completion	195,001,811	100.00%
Tranche 2 option issue to Key Person	10,000,000	4.08%
Tranche 2 option issue to FGF	20,055,334	8.18%
Tranche 3 option issue to FGF	20,000,000	8.16%
Number of fully paid ordinary shares on issue after Completion and exercise of Tranche 2 and Tranche 3 options	245,057,145	

General Meeting

A meeting of shareholders to approve the issue of shares to FGF is expected to be held in late February 2019.

Key Person Terms

- (a) On and from Completion, the Key Person shall be employed as Managing Director of Lincd.
- (b) The Key Person shall not be entitled to draw a salary until such time as Lincd has generated the Lincd Proceeds.
- (c) Notwithstanding clause (b), the Key Person is entitled to receive consultancy fees for work performed to be drawn from the Lincd Proceeds, up to an aggregate amount of \$50,000.
- (d) Subject to any requisite shareholder or regulatory approvals required to give effect to the following, the Key Person shall be entitled to receive:
 - (i) 10,000,000 fully paid ordinary shares in the capital of HT8; and
 - (ii) 10,000,000 options to acquire fully paid ordinary shares in the capital of HT8 in accordance with the terms set out in the Schedule 2,

in each case, subject to certain performance hurdles based on revenue and EBITDA to be agreed between the parties and set out in the Key Person Engagement Agreement and to be issued to the Key Person by no later than the date of the next AGM following the completion of the Proposed Transaction.

Schedule 1 (Tranche 2 Options) Terms

- a) Each Option entitles the Option Holder to subscribe for, and be allotted, one ordinary Share in the capital of the Company.
- b) The issue and vesting date for the Options is the EGM Date ("Issue Date").
- c) The expiry date is 25 months after the Issue Date.
- d) The exercise price of each Option is \$0.025.
- e) The exercise of any Options by the Option Holder shall be conditional upon Lincd receiving no less than \$1.35 million within 24 months of the Issue Date in consideration for divesting some or all of its digital currency holdings or otherwise earned as revenue during the ordinary course of business.
- f) The Company will not apply to the ASX for official quotation of the Options.
- g) In the event of any reconstruction or reorganisation (including consolidation, sub-division, reduction or return of the capital of the Company), the rights of the holder of an Option are to be changed to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation, if any.

- h) The holder of an Option cannot participate in new issues made by HT8 without exercising the Option.

Schedule 2 (Tranche 3 Options) Terms

- a) Each Option entitles the Option Holder to subscribe for, and be allotted, one ordinary Share in the capital of the Company.
- b) The issue and vesting date for the Options is the EGM Date ("Issue Date").
- c) Subject The expiry date is 25 months after the Issue Date.
- d) The exercise price of each Option is \$0.035.
- e) The exercise of any Options by the Option Holder shall be conditional upon Lincd receiving no less than \$1.05 million within 24 months of the Issue Date in consideration for divesting some or all of its digital currency holdings or otherwise earned as revenue during the ordinary course of business.
- f) The Company will not apply to the ASX for official quotation of the Options.
- g) In the event of any reconstruction or reorganisation (including consolidation, sub-division, reduction or return of the capital of the Company), the rights of the holder of an Option are to be changed to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation, if any.
- h) The holder of an Option cannot participate in new issues made by HT8 without exercising the Option.

ANDREW PLYMTON – CHAIRMAN

GARRISON HUANG - CEO