

**COSOL Limited**  
**(ACN 635 371 363)**

## **PROSPECTUS**

**For an initial public offer of 60,000,000 Shares at an issue price of \$0.20 each to raise \$12,000,000 before costs (Offer).**

**The Offer is fully underwritten by Euroz Securities Limited.**

### **Compliance with ASX admission requirements**

In addition to the purpose of raising funds under the Offer, this Prospectus is issued for the purpose of complying with the admission requirements of Chapters 1 and 2 of the ASX Listing Rules.

ASIC, ASX and their officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

## **IMPORTANT NOTICE**

***This document is important and requires your immediate attention. It should be read in its entirety. If you do not understand its contents or are in doubt as to the course you should follow, you should consult your professional adviser. The Shares the subject of this Prospectus should be considered speculative.***

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## CORPORATE DIRECTORY

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### BOARD OF DIRECTORS

Geoffrey Lewis (Non-Executive Chairman)  
Grant Pestell (Non-Executive Director)  
Stephen Johnston (Non-Executive Director)  
Gerald Strautins (Non-Executive Director)

### COMPANY SECRETARY

Ben Secrett

### PROPOSED ASX CODE

COS

### REGISTERED OFFICE

Murcia Pestell Hillard Lawyers  
Suite 183, Level 6, 580 Hay Street  
Perth WA 6000  
T: (08) 9221 0033

### SHARE REGISTRY

Link Market Services Limited  
Level 12, QV1 Building  
250 St Georges Terrace  
Perth WA 6000  
T: (08) 9211 6670

### INVESTIGATING ACCOUNTANT

Elderton Capital Pty Ltd  
Level 2, 267 St Georges Terrace  
Perth WA 6000  
T: (08) 6324 2900

### AUDITOR

Greenwich & Co Pty Ltd  
Level 2, 267 St Georges Terrace  
Perth WA 6000  
T: (08) 6555 9500

### LEAD MANAGER AND UNDERWRITER

Euroz Securities Limited  
Level 18 Alluvion  
58 Mounts Bay Road  
Perth WA 6000  
T: (08) 9488 1400

### SOLICITORS TO THE COMPANY

Murcia Pestell Hillard Lawyers  
Suite 183, Level 6  
580 Hay Street  
Perth WA 6000  
T: (08) 9221 0033

## **IMPORTANT NOTICES**

### **Prospectus**

This Prospectus is dated 10 December 2019 and a copy of this Prospectus was lodged with ASIC on that date.

Shares issued pursuant to this Prospectus will be issued on the terms and conditions set out in this Prospectus.

No Shares will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Throughout this Prospectus, for ease of reading, various words and phrases have been defined rather than used in full on each occasion. These definitions are set out in Section 12 of this Prospectus.

### **Electronic Prospectus**

A copy of this Prospectus can be downloaded at [www.cosol-ipo.com.au](http://www.cosol-ipo.com.au). If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia.

While the offer of Shares pursuant to this Prospectus remains open, a paper copy of this Prospectus may be obtained free of charge on request by contacting the Company at [info@cosol-ipo.com.au](mailto:info@cosol-ipo.com.au).

The offer of Shares pursuant to this Prospectus, including any electronic form of this Prospectus, is made only to persons resident in Australia.

Shares will only be issued with respect to an Application Form if the Company is satisfied the Application Form was attached to a hard copy of this Prospectus or accompanied a complete and unaltered version of this Prospectus. You must not pass the Application Form to another person unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus.

### **Risk factors**

You should read the entire Prospectus. In considering the prospects of the Company, you should consider the risk factors that could affect the performance of the Company. Please refer to Section 7 for further information about risks applicable to the Company.

### **Overseas Persons**

This Prospectus does not, and is not intended to, constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation or to issue this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

### **Forward-looking statements**

All statements contained in this Prospectus that are not statements of historical fact constitute "forward-looking statements". You can identify some of these forward-looking statements by terms such as "may", "will", "would", "could", "expects", "anticipates", "intends", "estimates", "believes", "plans", or similar words and phrases. However, you should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding the Company's expected financial position, business strategy, plans and prospects are forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by those forward-looking statements.

All forward-looking statements by or attributable to the Company, or persons acting on the Company's behalf, contained in this Prospectus are expressly qualified in their entirety by such factors. Given the risks and uncertainties that may cause the Company's actual future results, performance or achievements to be materially different than expected, expressed or implied by the forward-looking statements in this Prospectus, the Company advises you not to place undue reliance on those statements.

### **Exposure Period**

The Corporations Act prohibits the Company from processing Applications in the seven day period after lodgement of the Prospectus with ASIC (**Exposure Period**). The Exposure Period may be extended by ASIC by up to a further seven days.

The Exposure Period enables the Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in the Prospectus. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period.

### **Photographs and diagrams**

Photographs used in this Prospectus which do not have a description are for illustration purposes only and should not be interpreted to mean that any person shown endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

**Key dates\***

Date of Prospectus	10 December 2019
Date of lodgement of Prospectus with ASIC and ASX	10 December 2019
Opening Date of Offer	18 December 2019
Closing Date of Offer	20 December 2019
Issue of Shares under the Offer	16 January 2020
Anticipated date for admission to ASX	24 January 2020

\*The above dates are indicative only and may change without notice. The Company, in consultation with the Lead Manager and Underwriter, reserves the right to vary any and all of the times and dates without notice (subject to the Listing Rules and the Corporations Act), including to close the Offer early, extend the Offer, or to accept late Applications (either generally or in particular cases), or to cancel or withdraw the Offer before settlement of the Offer.

**Key statistics of the Offer**

Shares currently on issue	45,000,000
Shares to be issued under the Offer	60,000,000
Shares to be issued under the Secondary Offer <sup>1</sup>	22,500,000
Shares on issue post-Listing (fully diluted)	<b>127,500,000</b>
Market capitalisation post-Listing (fully diluted) <sup>2</sup>	\$25,500,000
Pro forma net debt (on completion of the Offer) <sup>3</sup>	\$1,600,000
Enterprise value at the Offer Price <sup>4</sup>	\$27,100,000
Enterprise value/pro forma FY2020 forecast EBIT <sup>5</sup>	7.09

**Notes:**

1. As described further in Section 2.4, the Secondary Offer comprises 22,500,000 Consideration Shares to be issued to the vendors of COSOL Australia in part-payment for the Acquisition.
2. Market capitalisation is defined as the Offer Price multiplied by the total number of Shares on issue post-Listing.
3. Pro forma net debt is equivalent to cash and cash equivalents of \$4.89 million calculated on a pro forma basis assuming completion of the Offer and Settlement of the Acquisition, less the assumed Maximum Earn Out Consideration of \$6.50 million for the Acquisition (see Section 9.2 for information regarding the Earn Out Consideration).
4. Enterprise Value at the Offer Price is defined as market capitalisation at the Offer Price, plus net debt of \$1.6 million.
5. Enterprise Value/EBIT multiple is calculated as the enterprise value at the Offer Price divided by the pro forma forecast FY2020 Operating EBIT of \$3.82 million, calculated as the Statutory Net Profit before income tax for FY2020 of \$3.75 million (see Section 5.3.2) plus expenses relating to the Offer of \$0.10 million less other income of \$0.03 million.

## Financial Information Summary

The table below is a summary of COSOL Australia's pro forma historical financial information for the years ended 2017, 2018 and 2019 and pro forma forecast financial information for the 2020 financial year. This information is included as a summary only. More detailed financial information, including a reconciliation between the pro forma financial information presented below and the statutory equivalent financial information can be found in Section 5. Investors should be aware that past performance does not represent, and should not be relied upon as being indicative of, future performance.

	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>
	<b>pro forma</b>	<b>pro forma</b>	<b>pro forma</b>	<b>pro forma</b>
<b>EBIT</b>	(391,105)	738,947	2,757,078	4,068,656
<b>Net profit before tax</b>	(391,105)	738,947	2,881,956	4,068,656
<b>Net profit after tax</b>	(277,159)	430,661	1,984,001	2,949,776
<b>Earnings per Share</b>	(\$0.002)	\$0.003	\$0.016	\$0.023

### Notes:

Pro forma forecast income statement differs from the statutory forecast income statement because the statutory forecast income statement includes expenses of the Offer and the Secondary Offer and the Company's estimate of the incremental costs that it will incur as a consolidated group, which are recognised on a pro rata basis in the FY2020 statutory forecast financial information. The pro forma forecast income statement for the financial year ended 30 June 2020 is reconciled to the statutory forecast income statement for the financial year ended 30 June 2020 in Section 5.6.1.

The Company confirms that the Directors have made enquiries and nothing has come to their attention to suggest that COSOL Australia is not continuing to earn profit from continuing operations up to the date of this Prospectus.

## CHAIRMAN'S LETTER

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Dear Investor

On behalf of the Board of COSOL Limited (**Company**), I am pleased to invite you to become a shareholder in the Company.

The Company was founded in August 2019 by myself and a number of former directors and executives of ASG Group Limited with a view to acquiring COSOL Australia and establishing a listed digital services company with a strong platform for growth.

COSOL Australia was founded in 2000 and is an IT business focused on clients operating in asset-intensive industries. These clients typically have in place complex and capital-intensive systems – underpinned by software products such as SAP and Ellipse – to manage the lifecycle of their physical assets. By utilising both its own proprietary software and its extensive services capabilities in relation to Enterprise Asset Management (**EAM**) software and systems, COSOL Australia is able to deliver a range of IT and business solutions to its clients.

Key EAM-dependent industry sectors include manufacturing, oil & gas, energy and utilities, government, transportation and logistics, healthcare, and defence. The nature of businesses operating in these segments is that they are all heavily reliant on the effective and efficient operation of expensive and complex physical assets, and by default their EAM systems. While not immune to the broader economic environment, the continuing dependence by these industries on EAM tends to insulate EAM professional service providers operating in these sectors, such as COSOL Australia, from broader economic instabilities. Further, as the optimization of asset usage using effective EAM creates associated benefits of reducing maintenance and procurement expenses, those aspects act as drivers for clients to continue to require EAM-related services during periods of economic downturn.

The global market for EAM-related software and services is forecast to grow at a CAGR of 13.3% during the period 2019 – 2024, with its market size predicted to reach USD 8.8 billion within that time. This forecast does not include the impact on EAM-focused clients of advances and trends such as the introduction and exploitation of data analytics, artificial intelligence, remote asset management, and 'solutions as a service' – all of which present COSOL Australia with strong growth opportunities.

The Board has considered these industry trends and has followed COSOL Australia for some time. With COSOL Australia having started to realise the benefit from the investment made in its proprietary IP solutions suite, the recent announcements of new, long term contracts (including with the Department of Defence), the actual and forecast growth in earnings from 2018, and the change and expansion occurring in the EAM market, I believe COSOL Australia is strategically well positioned to take advantage of future opportunities and developments in the EAM market.

The Board is of the view that an investment in the Company is attractive for the following key reasons:

- **Profitable growth** – COSOL Australia has a track record of profitability, and is forecasting 47% growth in EBIT, from \$2.76 million in FY 2019 to \$4.07 million in FY2020.
- **Proprietary technology** – COSOL Australia has developed a suite of digital technology solutions related to both data migration and data analytics, which it has begun to license to clients and which offers significant value to them.
- **Scalable business model** – The Board intends to scale COSOL Australia's existing business model with a view to unlocking opportunities in terms of its existing customers and markets, more broadly within the key sectors currently serviced by COSOL Australia, and through entering into new sectors and markets. It intends to do this specifically by incorporating increased digital-based solutions into COSOL Australia's service offering and combining them with artificial intelligence software and services.



- **Highly credible Board and management team** – the Company has in place a credible and experienced Board and management team to progress the commercialisation and expansion of COSOL Australia's solution offerings. The Board has an excellent track record of building and expanding IT services businesses.

The Offer will raise \$12,000,000 (before associated costs) through the issue of 60,000,000 Shares at an issue price of \$0.20 each. The Offer is fully underwritten by Euroz Securities and accordingly the minimum subscription under the Offer is \$12,000,000. The Company will also issue a further 22,500,000 Shares under this Prospectus to the vendors of COSOL Australia in connection with the acquisition of COSOL Australia by the Company. Section 3.10 contains a table setting out the capital structure of the Company following completion of the Offer and the acquisition of COSOL Australia by the Company.

The proceeds of the Offer will be utilised by the Company to fund the cash consideration that is payable to the vendors of COSOL Australia, and to provide working capital to support the Company's growth aspirations. Section 3.9 contains further information about the Company's intended use of proceeds of the Offer.

This Prospectus contains detailed information about the Offer and the current and proposed operations of the Company and COSOL Australia, as well as the risks pertaining to an investment in the Company. Before applying for Shares, any prospective investor should be satisfied that they understand the risks involved in making an investment in the Company, including the risks set out in Section 7 of this Prospectus. Those risks include, but are not limited to, failure to complete the Acquisition (in which case the Offer will not proceed), failure to continually grow, develop or protect COSOL Australia's proprietary technology, failure to retain existing clients and attract new clients, inability to attract and/or retain key experienced personnel, failure to further access capital to continue to grow and develop the Company and execute its business model and growth strategy, competition risk, cyber security risks (including security breaches and data privacy), and decline in the energy, utility and mining sectors or economic conditions. Potential investors should read this Prospectus in its entirety before making any investment decision and seek professional advice if required.

We look forward to welcoming you as a Shareholder should you decide to take up Shares pursuant to the Offer.

Yours faithfully



Geoffrey Lewis  
Non-Executive Chairman  
COSOL Limited

## 1. INVESTMENT OVERVIEW

This Section is a summary only and not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

### 1.1 INTRODUCTION

Item	Summary	Further information
<b>Who is the issuer of this Prospectus?</b>	COSOL Limited (ACN 635 371 363) (ASX: COS)	Section 3.1
<b>Who is the Company?</b>	The Company is a company limited by shares which was incorporated in Western Australia on 7 August 2019 for the primary purpose of completing the acquisition of COSOL Australia and undertaking the COSOL Australia Business.	Section 3.1
<b>Who are the Directors of the Company?</b>	<p>The Directors of the Company are:</p> <ul style="list-style-type: none"><li>(a) Geoffrey Lewis (Non-Executive Chairman);</li><li>(b) Grant Pestell (Independent Non-Executive Director);</li><li>(c) Stephen Johnston (Non-Executive Director); and</li><li>(d) Gerald Strautins (Independent Non-Executive Director).</li></ul> <p>Profiles of each Director (and a statement as to their independence) are set out in Section 8.1.</p>	Section 8.1
<b>Who are the other Key Management Personnel and officers of the Company?</b>	<p>The Key Management Personnel of the Company will on completion of the Offer and Settlement of the Acquisition consist of:</p> <ul style="list-style-type: none"><li>(a) Scott McGowan – Chief Executive Officer of COSOL Australia; and</li><li>(b) Melanie Woodward – Chief Financial Officer of COSOL Australia.</li></ul> <p>The Company's Secretary is Ben Secrett.</p> <p>The profiles of each of the Key Management Personnel and the Company Secretary are set out in Sections 8.1 and 8.2.</p>	Sections 8.1 and 8.2
<b>Who is the Lead Manager and Underwriter?</b>	Euroz Securities is the Lead Manager and Underwriter to the Offer.	Section 9.1
<b>What are the interests of the Board and Key Management Personnel in the Company?</b>	The Directors and Key Management Personnel will, pursuant to engagement letters/employment agreements (which are summarised in Section 9.5) receive the annual remuneration set out in the table below:	Sections 8.5 and 9.5

Item	Summary	Further information
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Director/Key Management Personnel	Remuneration
Geoffrey Lewis (Non-Executive Chairman)	\$65,000
Grant Pestell (Non-Executive Director)	\$45,000
Stephen Johnston (Non-Executive Director)	\$45,000
Gerald Strautins (Non-Executive Director)	\$45,000
Scott McGowan (Chief Executive Officer – COSOL Australia)	\$250,000 <sup>1</sup>
Melanie Woodward (Chief Financial Officer – COSOL Australia)	\$200,385 <sup>1</sup>

**Notes:**

1. Inclusive of superannuation but not inclusive of performance-based incentive payments.

The Directors and Key Management Personnel will hold the following interests in Shares upon completion of the Offer and Settlement of the Acquisition:

Director/Key Management Personnel	Number of Shares
Geoffrey Lewis (Non-Executive Chairman)	24,250,000
Grant Pestell (Non-Executive Director)	2,500,000
Stephen Johnston (Non-Executive Director)	24,250,000
Gerald Strautins (Non-Executive Director)	3,000,000
Scott McGowan (Chief Executive Officer)	4,500,000
Melanie Woodward (Chief Financial Officer)	Nil

It is noted in regards to the above:

- (a) Geoffrey Lewis and Stephen Johnston have confirmed to the Company that they will each apply for 5,250,000 Shares under the Offer. Grant Pestell has confirmed to the Company that he will apply for 500,000 Shares under the

Item	Summary	Further information
	<p>Offer. The above table assumes that each of Messrs Lewis, Johnston and Pestell will be issued with their full allocation in that regard.</p> <p>(b) The Shares held by Scott McGowan will be issued to him in his capacity as a Vendor under the Secondary Offer.</p>	
<b>What are the Company's objectives post-listing?</b>	<p>The Company has identified a set of key objectives which underpin the Company's overall strategy and which the Board intends to pursue following the Official Quotation of the Company's Shares.</p> <p>Those key objectives fall into 3 categories, being:</p> <ol style="list-style-type: none"> <li>1. Corporate Strategy;</li> <li>2. Financial Objectives; and</li> <li>3. Client Objectives,</li> </ol> <p>and are set out in more detail in Section 3.4.</p>	Section 3.4

## 1.2 INDUSTRY OVERVIEW

Item	Summary	Further information
<b>What is the industry in which COSOL Australia operates?</b>	<p>COSOL Australia operates in the IT and business services industry, with a particular focus on providing EAM-related solutions. EAM, or Enterprise Asset Management, is a process which involves managing the lifecycle of physical assets to:</p> <ul style="list-style-type: none"> <li>• maximise their use;</li> <li>• maximise their economic return and viability;</li> <li>• improve quality and efficiency of business operations; and</li> <li>• safeguard health, safety and the environment.</li> </ul> <p>The key industry segments for the global EAM market include manufacturing, oil &amp; gas, energy and utilities, government, transportation and logistics, healthcare, and defence. A common feature of businesses operating in these industries is that they are heavily reliant on the effective and efficient operation of expensive and complex physical assets (and, accordingly, their EAM systems). EAM assists businesses by helping to ensure their high-value assets operate the way they are designed to and, in the process, helping to:</p> <ol style="list-style-type: none"> <li>(a) minimise the risks and costs in operating those high-value assets; and</li> <li>(b) enhance and optimise business value.</li> </ol>	Section 4

Item	Summary	Further information
	The global EAM market is expected to grow at a compound annual growth rate ( <b>CAGR</b> ) of 13.3% during the period 2019 – 2024, with its market size predicted to reach USD 8.8 billion during that period.	

### 1.3 BUSINESS MODEL

Item	Summary	Further information
<b>Who is COSOL Australia?</b>	COSOL Australia is an Australian-based IT and business services company founded in 2000. COSOL Australia utilises both proprietary software and services to deliver solutions for clients operating in asset-intensive industries, with a particular focus on resource and capital-intensive Enterprise Asset Management and infrastructure-focused systems.	Section 3.2
<b>What does COSOL Australia do?</b>	COSOL Australia's key offering is focused on optimising business processes and reducing business expenditure for its clients by providing services such as digital business solutions, which include business process and strategic reviews, implementation of Enterprise Resource Planning ( <b>ERP</b> )/EAM solutions, data migration and ongoing support services to clients.	Section 3.2
<b>How does COSOL Australia's business generate revenue?</b>	<p>COSOL Australia's revenue-generation model is predicated on:</p> <ul style="list-style-type: none"> <li>• targeting diversified pre-determined industry sectors; and</li> <li>• offering digital solutions, operational efficiency and product leadership and innovation to its existing and potential new clients.</li> </ul> <p>Specifically, COSOL Australia's revenue is primarily generated from three key service streams, being:</p> <ol style="list-style-type: none"> <li>1. EAM/ERP support services;</li> <li>2. data migration, and</li> <li>3. legacy data services.</li> </ol> <p>COSOL Australia is focused on establishing long-term revenue-generative relationships with clients to support new versions of the core software which underpins their EAM systems and to deliver business services which drive optimisation and efficiencies.</p> <p>Historically, revenue has been generated through services provided to clients in the following industry sectors, which are areas of potential focus for the Business moving forward:</p> <ul style="list-style-type: none"> <li>• mining and minerals processing;</li> <li>• energy and utilities;</li> </ul>	Section 3.3.1

Item	Summary	Further information
	<ul style="list-style-type: none"> <li>• public infrastructure and transport;</li> <li>• defence;</li> <li>• health services; and</li> <li>• oil, gas and petrochemical.</li> </ul>	
<b>How does COSOL Australia market its Business?</b>	<p>COSOL Australia undertakes and markets its sales initiatives in three ways:</p> <ol style="list-style-type: none"> <li>1. directly in its own right;</li> <li>2. indirectly as part of a consortium typically led by either a multinational systems integrator or professional services partner (including IBM, Accenture, Deloitte, and DXC Technology); and</li> <li>3. as a preferred partner of third-party software providers (including ABB and SAP ERP), having the capability to either sell those parties' products (for ABB only) or to provide services in respect of those products (for both ABB and SAP) to clients directly in conjunction with other services provided by COSOL Australia.</li> </ol>	Section 3.3.3
<b>What are the significant dependencies of the Company and COSOL Australia post-listing?</b>	<p>COSOL Australia's future success is dependent on its ability to retain and attract additional business from its existing clients, as well as its ability to attract and retain new clients.</p> <p>The Company may be affected by a decline in regional and global energy, utility and mining &amp; materials markets, or by recessionary economic conditions. These may adversely affect the financial performance of the Company. However, the nature of COSOL Australia's diversified client base, coupled with its approach of offering EAM/ERP support services and digital solutions to clients in targeted industries which are typically reliant on these services, provides a high degree of mitigation against any economic uncertainty.</p> <p>An increasingly key part of COSOL Australia's business model is the point of difference provided by way of its proprietary digital software products including:</p> <ul style="list-style-type: none"> <li>• <b>RPConnect®</b>: a packaged connectivity enterprise framework, which allows users to facilitate data extraction by accessing, retrieving and integrating legacy data residing in disparate or obsolete systems; and</li> <li>• <b>BPConnect®</b>: an integration tool for Ellipse, which operates as a packaged connectivity enterprise framework and is designed to assist clients in overcoming the challenges of non-standard integration of multiple applications required for day-to-day business operations.</li> </ul> <p>The Company's future growth may be dependent on its ability to develop enhancements and new features for these solutions (as well as the development of new</p>	Section 7

Item	Summary	Further information
	solutions) so as to enable COSOL Australia to satisfy its existing client's needs, attract new clients and generate additional revenue from increased usage.	

#### 1.4 FINANCIAL INFORMATION

Item	Summary	Further information
<b>What is the key financial information for the Company and COSOL Australia?</b>	<p>Refer to Section 5 for:</p> <ul style="list-style-type: none"> <li>(a) statutory historical financial information for the Company, being: <ul style="list-style-type: none"> <li>(i) statutory historical income statements for the Company for the period ended 30 September 2019;</li> <li>(ii) statutory historical statements of financial position for the Company as at 30 September 2019; and</li> <li>(iii) statutory historical statement of cash flows of the Company as at 30 September 2019;</li> </ul> </li> <li>(b) statutory historical financial information for COSOL Australia, being: <ul style="list-style-type: none"> <li>(i) statutory historical income statements of COSOL Australia for FY17, FY18 and FY19;</li> <li>(ii) statutory historical statements of financial position of COSOL Australia for FY17, FY18 and FY19;</li> <li>(iii) statutory historical statements of cash flows for COSOL Australia for FY17, FY18 and FY19;</li> </ul> </li> <li>(c) pro-forma historical statement of financial position of the Company as at 30 September 2019; and</li> <li>(d) pro-forma forecast income statement and pro-forma forecast net cash flows of the Company for FY20.</li> </ul> <p>Investors should note that past performance is not a guide to future performance.</p>	Section 5
<b>Has the Company provided prospective financial information for COSOL Australia's</b>	<p>Yes – the Company has provided a financial forecast for COSOL Australia for FY20. The Company has considered that any further forecasts beyond that time may be unreliable and potentially misleading (and accordingly have not provided any further financial forecasts beyond FY20).</p>	Section 5.6

Item	Summary	Further information
<b>Business?</b>		
<b>How will the Company fund its activities?</b>	Following completion of the Offer and Settlement of the Acquisition, the funding for the Company's activities (in the short to medium term) will be generated from its operating cash flows and the money raised under the Offer.	Section 3.9

## 1.5 KEY RISKS

Item	Summary	Further information
<b>Business risk</b>	<p>The key dependencies of the Company's business model (following completion of the Offer and Settlement of the Acquisition) will include:</p> <ul style="list-style-type: none"> <li>(a) the Company's ability to continually grow and develop its proprietary technology (including its ability to protect its associated intellectual property);</li> <li>(b) recruiting and retaining key experienced personnel;</li> <li>(c) having access to capital to further research, develop and improve the Company's technology, as well as to enable the Company to execute its business model and growth strategy (both organically and from an acquisition perspective); and</li> <li>(d) the Company having continued demand for its products and services from both existing and new clients.</li> </ul>	Section 7.1
<b>Acquisition risk</b>	Completion of the Acquisition is subject to the fulfilment of certain conditions precedent. The Company's ability to achieve its stated objectives will depend on the performance by the parties of their obligations under the Acquisition Agreement.	Section 7.2.9
<b>Financing risk</b>	Upon completion of the Offer, the Company will be debt-free and will have access to a small overdraft facility. However, a loss of, or adverse impact to, one or more of the Company's funding sources in the future could limit the Company's ability to conduct and grow the Business. The Company is attempting to mitigate this risk by having available, following completion of the Offer and Settlement of the Acquisition, an estimated \$4.89 million in general working capital, which will be used to maintain and further develop COSOL Australia's existing business.	Section 7.2.10
<b>Regulatory /policy risk</b>	The Company will be required to monitor its regulatory obligations in Australia and any other geographic market and jurisdiction in which it may operate in order	Section 7.2.11



Item	Summary	Further information
	to ensure it remains compliant with regulatory requirements. The Company cannot control or predict changes to regulatory requirements, which may adversely affect the Company.	
<b>Reliance on key management</b>	The responsibility of overseeing the day-to-day operations and the strategic management of the Company and the COSOL Australia Business will depend substantially on the Board and Key Management Personnel. The Company's continued success depends on the continuing efforts and retention of its management team and staff. There can be no assurance that there will be no detrimental impact on the Company if one or more of these employees or officers cease to be employed or engaged by the Company.	Sections 3.3.4 and 7.2.8
<b>Competition risk</b>	<p>The Company may be exposed to increased competition, particularly in one or more of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The Company may fail to anticipate and adapt to technology and/or business sector trends as quickly as its competitors.</li> <li>• Technological advancements could render the Company's existing products and offerings inefficient or obsolete.</li> <li>• Existing or potential competitors (including EAM software providers such as SAP and ABB, to the extent they may decide to broaden their service offerings) may increase their market share through aggressive marketing campaigns, product innovation and development, improved functionality and increased service delivery capability or acquisitions, all of which could result in the Company's market share being reduced.</li> <li>• The Company may face competition from new entrants into the EAM services solutions market.</li> </ul>	Section 7.1
<b>Loss of customers</b>	The loss of one or more of the Company's key customers through termination or expiry of agreements with those customers may adversely affect the operating results of the Company.	Section 7.2.5
<b>Risks of acquisitional growth</b>	The Company's ability to expand in the future by acquisitions may be affected by factors beyond the Company's control, which may result in there being limited or unsuitable acquisition opportunities at any relevant time. Whilst the Company intends to actively pursue acquisition opportunities following Listing, as at the date of this Prospectus the Company has not approached or engaged with any companies identified as acquisition opportunities for the Company, and accordingly is not party to any agreement (binding or otherwise) nor to any discussions relating to any future acquisitions to be made by the Company. There can	Section 7.2.9

Item	Summary	Further information
	be no assurance that suitable future acquisition opportunities will arise or, if they do arise, that they will be able to be made on acceptable terms and able to be completed and integrated successfully with the Company and its offerings.	
<b>Cyber security and incidents</b>	Any accidental or deliberate security breaches or other unauthorised access to the Company's systems or its client data may have the potential to result in reputational damage, loss of confidence in the Business, a disruption of services to clients, loss of clients, claims by clients, theft, misappropriation of funds, legal action or regulatory scrutiny. The Company may also incur costs as a result of rectifying any incidents or introducing additional safeguards to minimise the risk of future security breaches. Any of these events could adversely impact the Company's reputation or its financial or operational performance.	Section 7.2.7
<b>Other risks</b>	<p>This Prospectus also contains information about other risks the Company may be exposed to in relation to:</p> <ul style="list-style-type: none"> <li>• lack of success of sales and marketing strategy for the Company;</li> <li>• any potential decline in the energy, utility and mining sectors or economic conditions;</li> <li>• intellectual property;</li> <li>• any inability to access funding and capital markets; and</li> <li>• foreign exchange and currency.</li> </ul> <p>For information on these risks and other general risks which are largely beyond the control of the Company, please refer to Sections 7.2 and 7.3.</p>	Sections 7.2 and 7.3

## 1.6 THE OFFER AND SECONDARY OFFER

Item	Summary	Further information
<b>What is being offered?</b>	<p>The Offer is an offer of 60,000,000 Shares at an issue price of \$0.20 per Share to raise \$12,000,000 before costs.</p> <p>The minimum subscription under the Offer is \$12,000,000, and the Offer is fully underwritten.</p>	Section 2
<b>How is the Offer structured?</b>	<p>The Offer comprises:</p> <ul style="list-style-type: none"> <li>(a) the Broker Firm Offer; and</li> <li>(b) the Institutional Offer.</li> </ul> <p>No offer of Shares to the general public will be made under the Offer.</p>	Section 2.1

Item	Summary	Further information
<b>Is the Offer underwritten?</b>	Yes. The Offer is fully underwritten by the Lead Manager and Underwriter.	Sections 2.1.2 and 9.1
<b>What is the Secondary Offer?</b>	<p>This Prospectus also includes a secondary offer of 22,500,000 Consideration Shares to be issued to the vendors of COSOL Australia in part-payment of the overall consideration for the Acquisition.</p> <p>Only the Vendors may accept the Secondary Offer.</p>	Section 2.4
<b>What is the purpose of the Offer?</b>	<p>The primary purpose of the Offer is to:</p> <ul style="list-style-type: none"> <li>(a) fund the cash component of the upfront consideration payable to the Vendors in connection with the Acquisition;</li> <li>(b) provide working and expansion capital to assist the development and growth of the Company;</li> <li>(c) assist the Company to meet the admission requirements of ASX under Chapters 1 and 2 of the Listing Rules;</li> <li>(d) provide the Company with access to the equity markets to assist its growth objectives; and</li> <li>(e) fund the costs of the Offer.</li> </ul>	Section 2.5
<b>What will the Company's capital structure look like after completion of the Offer and the Secondary Offer?</b>	<p>The Company's capital structure on completion of the Offer and the Secondary Offer is set out in Section 3.10.</p> <p>Upon completion of the Offer and the Secondary Offer, the Company considers that it will satisfy the requirement for at least 20% of its Shares to be held by non-affiliated parties and able to be traded on ASX.</p>	Section 3.10
<b>What are the terms of the Shares offered under the Offer and to be issued at Settlement of the Acquisition?</b>	A summary of the material rights and liabilities attaching to the Shares offered under the Offer and the Secondary Offer are set out in Section 10.1.	Section 10.1
<b>Will any Shares be subject to escrow?</b>	Yes. The Escrowed Shares held on completion of the Offer and Settlement of the Acquisition by the Escrowed Shareholders will be subject to voluntary escrow arrangements. Under these arrangements, each Escrowed Shareholder has agreed not to dispose of their Escrowed Shares for a period of 12 months from the date of Listing the Company is admitted to the Official List ( <b>Escrow Period</b> ). At the end of the Escrow Period, Shares will be released from escrow at the same time, which may impact the Company's Share price if relevant persons seek to	Section 3.12

Item	Summary	Further information
	<p>trade their Shares at the same time.</p> <p>As at the date of this Prospectus, the Company has applied for ASIC relief so that the Company is not deemed to have a relevant interest in the Escrowed Shares for the purposes of Chapters 6 and 6C of the Corporations Act. To the extent the Company is unable to obtain such relief from ASIC, the number of Shares held by each Escrowed Shareholder which will be treated as Escrowed Shares will be reduced to prevent the Company from being in breach of section 606 of the Corporations Act.</p>	
<b>Will the Shares be quoted?</b>	Application for quotation of all Shares to be issued under the Offer and the Secondary Offer will be made to ASX no later than 7 days after the date of this Prospectus.	Section 2.9
<b>What are the key dates of the Offer?</b>	The key dates of the Offer are set out in the indicative timetable at the front of this Prospectus.	Page vi
<b>What is the minimum investment size under the Offer?</b>	<p>Applications under the Offer must be for a minimum of \$2,000 worth of Shares in aggregate (10,000 Shares) and thereafter, in multiples of \$100 worth of Shares (500 Shares).</p> <p>The Company, together with the Lead Manager and Underwriter, reserves the right to:</p> <ul style="list-style-type: none"> <li>(a) reject any Application or to allocate a lesser number of Shares than applied for; or</li> <li>(b) aggregate any Applications which it believes may be multiple Applications from the same person.</li> </ul>	Section 2.1.4
<b>Are there any conditions to the Offer?</b>	<p>The Offer is conditional on the Acquisition Agreement becoming unconditional other than any condition relating to the completion of the Offer or the Listing. If this Condition is not satisfied, the Acquisition and the Offer and Secondary Offer will not proceed.</p> <p>Shares issued under this Prospectus will be issued on the Settlement Date. Accordingly, if Settlement does not occur, no Shares will be issued under this Prospectus.</p>	Section 2.13

Item	Summary	Further information										
<b>How will the proceeds of the Offer be used?</b>	<p>The following shows the intended use of funds from the Offer following Official Quotation of the Company on ASX:</p> <table><tr><th>Use of funds</th><th>\$</th></tr><tr><td>Payment to Vendors pursuant to Acquisition</td><td>9,000,000</td></tr><tr><td>Lead Manager and Underwriting Fee</td><td>360,000</td></tr><tr><td>Working and expansion capital</td><td>2,640,000</td></tr><tr><td><b>Total</b></td><td><b>12,000,000</b></td></tr></table>	Use of funds	\$	Payment to Vendors pursuant to Acquisition	9,000,000	Lead Manager and Underwriting Fee	360,000	Working and expansion capital	2,640,000	<b>Total</b>	<b>12,000,000</b>	Section 3.9
Use of funds	\$											
Payment to Vendors pursuant to Acquisition	9,000,000											
Lead Manager and Underwriting Fee	360,000											
Working and expansion capital	2,640,000											
<b>Total</b>	<b>12,000,000</b>											
<b>Can the Offer be withdrawn?</b>	<p>The Company may withdraw the Offer at any time before the allocation and issue of Shares to successful Applicants under the Offer.</p> <p>If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).</p>	Section 2.14										
<b>What are the tax implications of investing in Shares?</b>	<p>Holders of Shares may be subject to tax on dividends and possibly capital gains or losses on a future disposal of Shares issued under this Prospectus. The tax consequences of any investment in Shares will depend upon an investor's own circumstances. Applicants are encouraged to obtain their own taxation advice prior to deciding whether to subscribe for Shares under this Prospectus.</p>	Section 2.11										
<b>Where can I find more information?</b>	<p>All enquires in relation to this Prospectus should be directed to the Lead Manager and Underwriter.</p>	Section 2.16										

## 1.7 INVESTMENT HIGHLIGHTS

Set out below is a summary of the key investment highlights for the Company and COSOL Australia.

Item	Summary	Further information
<b>Well established business</b>	COSOL Australia has operated for nearly 20 years and is a well-established Australian business with a strong client base.	Section 3.6
<b>Specialised services</b>	COSOL Australia specialises in providing business and IT digital solutions for resource and capital-intensive EAM and infrastructure focused systems.	Section 3.6
<b>Historically</b>	COSOL Australia has a track record of profitability.	Section 3.6

<b>profitable and growing</b>	COSOL Australia's EBIT is forecast to grow 47% from \$2.76 million in FY2019 to \$4.07 million in FY2020.	
<b>Unique intellectual property</b>	COSOL Australia has developed its own unique proprietary digital software suite including RPConnect® and BPConnect®, which it is able to provide as a unique, value-adding offering to its clients.	Section 3.6
<b>Experienced senior management team</b>	The Company has an established, highly experienced and capable Board and senior management team. The Company intends, following completion of the Offer and Settlement of the Acquisition, to utilise the skills and experience of its Board and leverage the Company's balance sheet to scale the existing COSOL Australia business model by tendering for larger business development opportunities and pursuing future acquisitions.	Section 3.6

## **2. DETAILS OF THE OFFER AND SECONDARY OFFER**

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### **2.1 THE OFFER**

#### **2.1.1 Description**

The Offer is an initial public offering of 60,000,000 Shares at \$0.20 per Share to raise \$12,000,000 before costs.

The total number of Shares on completion of the Offer will be 127,500,000. The 60,000,000 Shares offered under the Offer will represent approximately 47.06% of the total Shares which will be on issue as at completion of the Offer and the Secondary Offer.

All Shares issued under the Offer will be fully paid ordinary shares in the capital of the Company. The Shares offered under this Prospectus will rank equally with the existing Shares on issue. A summary of the material rights and liabilities attaching to the Shares is set out in Section 10.1.

#### **2.1.2 Structure of the Offer**

The Offer comprises:

- (a) the Broker Firm Offer, which is open to Australian resident retail clients of Brokers who have received a firm allocation from their Broker (see Section 2.2 for further details); and
- (b) the Institutional Offer, which consists of an invitation to subscribe for Shares made to Institutional Investors in Australia (see Section 2.3 for further details).

No offer of Shares to the wider general public will be made under the Offer.

The Offer is fully underwritten by the Lead Manager and Underwriter. A summary of the Underwriting Agreement, including the events which would entitle the Lead Manager and Underwriter to terminate the Underwriting Agreement, is set out in Section 9.1.

#### **2.1.3 Offer period**

The Offer opens on 18 December 2019 and is expected to close at 5pm (WST) on 20 December 2019. The Company and the Lead Manager and Underwriter may elect to close the Offer early, extend the Offer or accept late applications in their absolute discretion and without notice to potential investors.

#### **2.1.4 Minimum application amount**

Applications for Shares must be for a minimum of 10,000 Shares and thereafter in multiples of 500 Shares. Payment for the Shares must be made in full at the issue price of \$0.20 per Share.

### **2.2 BROKER FIRM OFFER**

#### **2.2.1 Applications under Broker Firm Offer**

If you have received a 'firm' allocation of Shares from your Broker, your application and payment procedures are outlined below:

- (a) your cheque or direct debit for your Application Money must be received by your Broker in accordance with their instructions; and
- (b) your completed Application Form must be delivered to your Broker directly (not to the Share Registry).

Applicants who receive a firm allocation of Shares must lodge their Application Form and Application Money with the relevant Broker in accordance with the relevant Broker's directions in order to accept the offer of that firm allocation.

Your Broker will act as your agent in submitting your Application. The Company, the Share Registry and the Lead Manager and Underwriter take no responsibility for any acts or omissions by your Broker in connection with your Application, Application Form or Application Money.

The procedure should be explained to you in further detail by your Broker. If you have a firm allocation of Shares and are in any doubt about what action to take, you should immediately contact the Broker who has made you the firm allocation offer.

### **2.2.2 Allocation policy under the Broker Firm Offer**

The allocation of Shares to Brokers will be determined by the Lead Manager and Underwriter in consultation with the Company with a view to obtaining a sufficient spread of Shareholders to satisfy Listing Rule 1.1 condition 8, identifying new potential long-term investors, and ensuring an appropriate Shareholder base for the Company. Shares which are allocated to Brokers for allocation to their Australian clients will be issued to the Applicants nominated by those Brokers (subject to the right of the Company and the Lead Manager and Underwriter to reject, aggregate or scale back any Application). It will be a matter for each Broker to determine as to how they allocate Shares among their clients, and they (and not the Company or the Lead Manager and Underwriter) will be responsible for ensuring that Applicants who have received an allocation from them receive the relevant corresponding Shares.

## **2.3 INSTITUTIONAL OFFER**

### **2.3.1 Invitations to bid**

The Institutional Offer consists of an invitation prior to or after the date of this Prospectus to certain Institutional Investors in Australia to apply for Shares under this Prospectus. Delivery versus payment (**DvP**) settlement is available for Applicants under the Institutional Offer. Please contact your Broker if you wish to pay for Shares under the Institutional Offer on a DvP basis.

### **2.3.2 Allocation policy under the Institutional Offer**

The allocation of Shares among Applicants in the Institutional Offer will be determined by the Lead Manager and Underwriter in consultation with the Company. The Lead Manager and Underwriter, in consultation with the Company, has absolute discretion regarding the basis of allocation of Shares among Institutional Investors.

Participants in the Institutional Offer will be advised of their allocation of Shares, if any, by the Lead Manager and Underwriter.

The allocation policy under both the Broker Firm Offer and the Institutional Offer is influenced, but not constrained, by the following factors.

- the number of Shares bid for by particular Applicants;
- the timeliness of the bid by particular Applicants;
- the Company's desire for an informed and active trading market following its Listing;
- the Company's desire to establish a spread of institutional shareholders;
- the overall level of demand under the Broker Firm Offer and the Institutional Offer;



- the size and type of funds under management of particular Applicants;
- the likelihood that particular Applicants will be long-term shareholders of the Company; and
- any other factors which the Company and the Lead Manager and Underwriter may consider appropriate.

## **2.4 SECONDARY OFFER**

This Prospectus also includes an offer of 22,500,000 Consideration Shares to be issued to the Vendors pursuant to the Acquisition Agreement (the material terms of which are summarised at Section 9.2).

The terms of the Consideration Shares offered under the Secondary Offer are summarised in Section 10.1.

Only the Vendors may accept the Secondary Offer. A personalised Application Form in relation to the Secondary Offer will be issued to the Vendors together with a copy of this Prospectus.

All of the Consideration Shares issued under the Secondary Offer will be subject to escrow. Please refer to Section 3.12 for a summary of the escrow position.

## **2.5 PURPOSE OF THE OFFER**

The primary purposes of the Offer is to:

- (a) fund the upfront Acquisition consideration to be paid to the Vendors;
- (b) provide working and expansion capital to assist the development and growth of the Company and its business;
- (c) assist the Company to meet the admission requirements of ASX under Chapters 1 and 2 of the Listing Rules;
- (d) provide the Company with access to the equity markets to assist its growth objectives; and
- (e) fund the costs of the Offer.

The Company intends to apply the funds raised under the Offer, along with its current cash reserves, in the manner detailed in Section 3.9.

## **2.6 MINIMUM SUBSCRIPTION**

The minimum subscription in relation to the Offer is \$12,000,000, and the Offer is fully underwritten.

## **2.7 OVERSUBSCRIPTIONS**

No oversubscriptions will be accepted by the Company.

## **2.8 APPLICATIONS**

Applications for Shares under the Offer or the Secondary Offer must be made using the relevant Application Form.

By completing an Application Form, each Applicant will be taken to have represented, warranted, agreed and acknowledged as follows:

- (a) they have personally received the Application Form together with a complete and unaltered copy of the Prospectus;
- (b) the Applicant(s), if a natural person, is/are over 18 years of age;
- (c) all details and statements made by them are complete and accurate;
- (d) they agree to become a member of the Company and be bound by the terms of the Constitution and the terms and conditions of the Offer or Secondary Offer (as applicable);
- (e) they acknowledge that, once the Company or a Broker receives an Application Form, it may not be withdrawn;
- (f) (in respect of the Offer only), they have agreed to being allocated and issued the number of Shares applied for (or a lower number which may be allocated to them in a way described in this Prospectus), or no Shares at all;
- (g) they authorise the Company, the Lead Manager and Underwriter and each of their respective officers or agents to do anything on behalf of the Applicant(s) necessary for Shares to be allocated to the Applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- (h) they acknowledge the Company may not pay dividends, or that dividends may not be franked;
- (i) they acknowledge the information contained in this Prospectus, or any supplementary or replacement prospectus, is not financial product advice or a recommendation that Shares are suitable for Applicant(s), given the investment objectives, financial situation and particular needs (including financial and taxation issues) of the Applicant(s);
- (j) they warrant that the Applicant(s) is/are a resident of Australia (except as applicable to the Institutional Offer);
- (k) they acknowledge the Offer and Secondary Offer may be withdrawn by the Company or may otherwise not proceed in the circumstances described in this Prospectus; and
- (l) they acknowledge and agree that if Official Quotation of the Company does not occur for any reason, the Offer and Secondary Offer will not proceed.

Completed Application Forms must be mailed or delivered to your Broker or as set out in the Application Form, with sufficient time to be received by or on behalf of the Company by **no later than 5.00pm (WST) on the Closing Date**, which is currently scheduled to occur on 20 December 2019 (but which may be subject to change).

Applications under the Offer must be accompanied by payment in full in Australian currency by cheque or direct debit in accordance with the instructions provided by the Applicant's Broker.

Where no issue of Shares is made under the Offer, Application Monies will be refunded (without interest) to the Applicants as soon as practicable after the Closing Date.

The Company and the Lead Manager and Underwriter reserves the right to close the Offer early.

If you have questions on how to complete the Application Form, or you require additional copies of this Prospectus, you can:

- (a) contact the Lead Manager and Underwriter on +61 8 9488 1400; or
- (b) visit the website at [www.cosol-ipo.com.au](http://www.cosol-ipo.com.au) to download a copy of this Prospectus and the Application Form.

The Company and the Lead Manager and Underwriter reserve the right to decline any Application in whole or in part, without giving any reason. Applicants whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will be refunded all or part of their Application Monies (as applicable). Interest will not be paid on any Application Monies refunded by the Company.

Applicants should note that if the amount of Application Monies an Applicant pays is less than the amount specified on the Applicant's Application Form, the Applicant may be taken to have applied for such lower amount of Shares as corresponds to the Applicant's cleared Application Monies (and to have specified that amount on the Applicant's Application Form), or the Applicant's Application may be rejected.

Acceptance of an Application by the Company will give rise to a binding contract on the terms and conditions set out in this Prospectus and the Application Form. To the extent permitted by law, Applications are irrevocable.

An Application Form does not need to be signed to be valid. If the Application Form is not completed correctly or if the accompany payment is for the wrong amount, it may be treated by the Company as valid. A decision of the Company and the Lead Manager and Underwriter as to whether to treat such an application as valid and how to construe, amend or complete an Application Form is final; however an Applicant will not be treated as having applied for more Shares than is indicated by the amount of the Application Monies paid by that Applicant.

The Company and the Lead Manager and Underwriter reserve the right to reject any Application which is not correctly completed or which is submitted by a person who they believe is ineligible to participate in the Offer, or to waive or correct any errors made by an Applicant in completing their Application.

## **2.9 ASX LISTING**

Application for Official Quotation by ASX of the Shares offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus. If the Shares are not admitted to Official Quotation by ASX before the expiration of 3 months after the date of issue of this Prospectus, or such period as varied by ASIC, the Company will not issue any Shares and will repay all Application Monies for the Shares within the time prescribed by the Corporations Act, without interest.

The fact ASX may grant Official Quotation of the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares offered for subscription.

## **2.10 ISSUE**

Subject to ASX granting conditional approval for the Company to be admitted to the Official List, the issue of the Shares offered by this Prospectus will take place as soon as practicable after the Closing Date.

Pending the issue of the Shares or payment of refunds pursuant to this Prospectus, all Application Monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

## **2.11 TAXATION**

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. It is not possible to provide a comprehensive summary of the possible taxation positions of all potential Applicants. As such, all potential investors in the Company are urged to obtain independent professional taxation and financial advice about the consequences of them acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability or responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus or the reliance of any Applicant on any part of the summary contained in this Section.

No brokerage, commission or duty is payable by Applicants on the acquisition of Shares under the Offer or Secondary Offer.

## **2.12 APPLICANTS OUTSIDE AUSTRALIA**

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction outside Australia.

## **2.13 CONDITIONAL OFFER**

The Offer and the Secondary Offer are conditional on the Acquisition Agreement becoming unconditional other than any condition relating to the completion of the Offer or the admission of the Company to the Official List (**Condition**). Accordingly, if the Condition is not satisfied, the Acquisition, the Offer and the Secondary Offer will not proceed. Shares issued under this Prospectus will be issued on the Settlement Date.

## **2.14 DISCRETION REGARDING THE OFFERS**

The Company reserves the right not to proceed with the Offer and Secondary Offer at any time before the issue of Shares to successful Applicants. If the Offer and Secondary Offer, or any part of them, do not proceed, all relevant Application Monies will be refunded. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer and Secondary Offer.

The Company and the Lead Manager and Underwriter also reserve the right to close the Offer and the Secondary Offer early, extend the Offer and the Secondary Offer, accept late applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Shares than applied for.

## **2.15 PRIVACY**

The Company collects information about each Applicant for the purposes of administering that Applicant's shareholding in the Company.

Shareholders have an entitlement to gain access to the information the Company holds about them, subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

## **2.16 ENQUIRIES**

This Prospectus provides information about the Company and its prospects and should be read in its entirety. If, after reading this Prospectus, you have any questions about any aspect of the Company, please contact your Broker, accountant or independent financial advisor. Any questions concerning the Company, or the Offer, should be directed to the Lead Manager and Underwriter.

### **3. COMPANY OVERVIEW**

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#### **3.1 ABOUT THE COMPANY**

The Company is a company limited by shares which was incorporated in Western Australia on 7 August 2019 for the primary purpose of completing the Acquisition of COSOL Australia and undertaking the COSOL Australia Business.

#### **3.2 COSOL AUSTRALIA**

##### General

COSOL Australia is an Australian based, digital services company which was founded in 2000. Based out of headquarters in Brisbane, COSOL Australia has a team of approximately 95 employees and consultants which service clients throughout Australia. In FY19, COSOL Australia achieved revenue of approximately \$13.5 million.

COSOL Australia utilises both proprietary software and services to deliver solutions for clients operating in asset-intensive industries, in relation to resource and capital-intensive EAM and infrastructure-focused systems. COSOL Australia operates in a large global marketplace for EAM service and solution providers, with annual global EAM market revenues expected to reach USD \$8.8 billion in 2024. COSOL Australia is recognised by its clients for its experience in optimising business processes and reducing business expenditure using digital business solutions. These include business process and strategic reviews, implementing ERP/EAM solutions, undertaking and managing customer data migration and providing ongoing support services.

##### Services offered

COSOL Australia provides services to customers operating in multiple industry sectors, including mining and minerals processing, healthcare, energy and utilities, defence, public infrastructure and transport.

COSOL Australia has developed a digital service portfolio with a full vertical of digital solutions across the following five key areas:

1. strategy;
2. enterprise systems;
3. operational systems;
4. solutions; and
5. support.

This capability, supported by COSOL Australia's proprietary software and coupled with its in-depth knowledge of EAM systems and data and business processes, provides COSOL Australia with the ability to interact from "the shop floor to the boardroom", enabling streamlined and sustainable business process transformations to be implemented.

##### Strategic alignments

Since its inception, COSOL Australia has adopted a clear strategy of aligning itself with software and suppliers that are well known in the EAM sector. It has done this by entering into authorised reseller/partner (and similar) arrangements with leading vendors such as ABB and SAP. This alignment has ensured that not only does COSOL Australia retain relevance to the software providers, but also that its offering to clients is bolstered (including through having the capability to supply core EAM software, as well as providing an extensive range of services in relation to it).

The Board considers that the strong relationships which COSOL Australia has developed with digital solution software providers ABB and SAP, both of which are recognised by Gartner (a leading research and advisory company) as being “visionaries” in their respective markets, positions COSOL Australia to have access to a broad range of potential clients who utilise ABB (Ellipse) and SAP EAM software products.

**Diagram 1**



Diagram 1 above shows a “Magic Quadrant” analysis undertaken by Gartner (and published on 9 October 2018) for EAM software providers. Using a range of market research, the Magic Quadrant analysis highlights competing players in the EAM software market and how those entities are positioned.

#### Ellipse capability

Ellipse is an Australian-developed EAM software product, which is used widely by organisations operating in the mining, defence and utility sectors. Ellipse is currently owned by ABB, with the majority (80.1%) ownership of the ABB entity which owns Ellipse to be acquired by Hitachi in a transaction that is expected to be completed in the first half of 2020. COSOL Australia has entered into a formal Systems Integrator Master Agreement with ABB which covers both software and business improvement services and allows COSOL Australia to resell and distribute ABB products. For more information, please refer to Section 9.3.

#### SAP capability

In addition, COSOL Australia provides a comprehensive and flexible support service for the widely-used German ERP software product SAP (Systems, Applications and Products), through a range of technical and functional SAP specialists. COSOL Australia’s SAP practice, much like its Ellipse practice, includes system implementations and consulting, upgrades, maintenance and data migration services.



## Data migration and storage

Through the use of its proprietary digital software solution RPConnect®, COSOL Australia has assisted numerous organisations (typically in circumstances involving a merger or acquisition) in transitioning data from Ellipse to SAP, as well as from SAP to Ellipse. These projects have not only provided an expanded client base to COSOL Australia, but have also provided it with the ability to develop and offer a broad range of products and services suited to its clients' needs.

COSOL Australia's SAP and Ellipse expertise, coupled with its proprietary digital data migration/management software technology, provides it with a unique capability as regards the migration of data and storage of legacy data for companies migrating from Ellipse to SAP. To date, COSOL Australia has conducted over 20 Ellipse to SAP data migrations, as well as upgrades between different versions of these EAM systems. In this manner, COSOL Australia has been able to differentiate itself from competitors through its ability to deliver high quality asset-intensive industry expertise in relation to both Ellipse and SAP. This has led to COSOL Australia developing its own proprietary products and significant know-how in relation to ERP data migration projects.

## Competitive advantage

A major competitive advantage of COSOL Australia is that its software solutions can connect ERP/EAM core functions to operational asset-intensive business systems and mobility applications, enabling SAP and Ellipse-based data transition, data archiving and legacy data management to be undertaken. This capability has resulted in COSOL Australia having the ability to provide for niche services by major systems integrators (**SI**). Increasingly, the proprietary digital software developed and owned by COSOL Australia is being recognised as valuable intellectual property by its new and existing clients. The recently announced \$95.5 million design phase for the estimated \$1 billion Department of Defence ERP replacement project is a case in point, where COSOL Australia is a key partner in the IBM-led consortium largely because of its intellectual property. For more information, please refer to Section 9.4.2.

## Diverse client portfolio

Approximately 98% of COSOL Australia's revenue over the last 5 years has been derived from asset-intensive industries. COSOL Australia's referenceable client portfolio has been developed and retained over time since its inception and is the basis for COSOL Australia's longevity and success. This portfolio has been underpinned by a diversity of revenue generation across multiple clients and sectors.

Key clients (which include Ok Tedi Mining Limited, Energy Queensland, Queensland Urban Utilities, and the Australian Defence Force) are diverse in terms of both the industries and geographical environments in which they operate, thereby somewhat insulating COSOL Australia's revenue streams from a downturn in any particular sector or geographical region.

## **3.3 BUSINESS MODEL**

### **3.3.1 How COSOL Australia generates revenue**

COSOL Australia has a diversified revenue generation model based on:

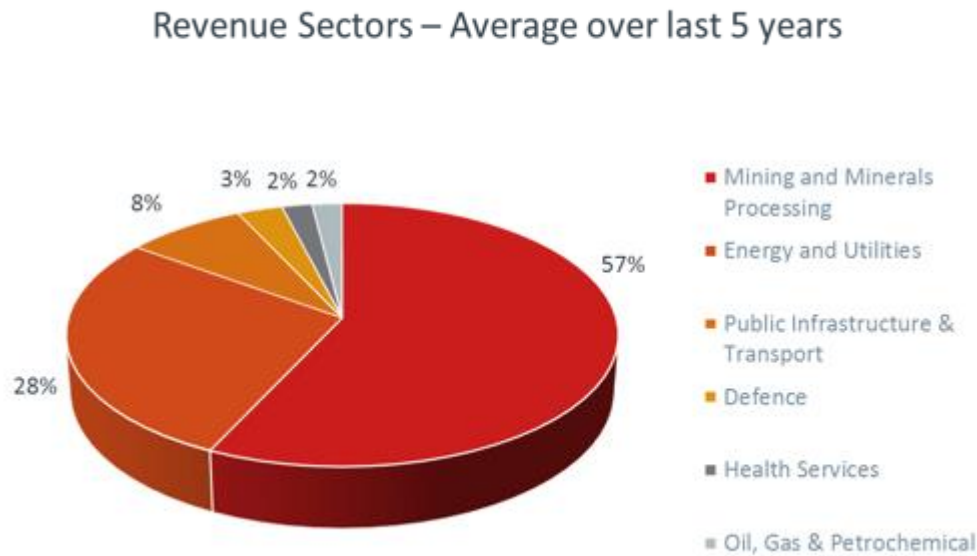
- diversified, but targeted industry sectors; and
- a proven, successful value proposition based on digital solutions, product leadership & innovation, operational efficiency and customer intimacy.

COSOL Australia has continued to focus on asset-intensive industry sectors because, for clients operating in these sectors, EAM is critical to their business, and continued investment in maintaining and improving associated EAM systems is typically a high corporate priority

for them. Due to the diverse nature of businesses that are asset-intensive across a range of different industry sectors, COSOL Australia’s revenue generation tends to be insulated from broader macro-economic fluctuations and does not correlate with changes in the broader macro economy.

98% of revenue over the last 5 years has been generated through providing services to a diverse client portfolio operating in multiple industries. An overview of the client-sectors in which services have been provided and revenue generated over the last 5 years is set out in Diagram 2 below.

**Diagram 2**



In combination with the Company’s focus on strategic industries, COSOL Australia’s value proposition is geared towards revenue generation that is derived from long-term relationships and ongoing strategic relevance. Revenue generation is driven by both professional services and product sales/license fees.

Specifically, revenue is predominantly derived from 3 key service streams as follows:

- EAM/ERP Support Services:**

Covering both project-based services such as consulting, benchmarking, implementations, system upgrades, enhancements and services under ongoing Application Management Support (AMS) contracts. COSOL Australia has in place partnership agreements with both ABB (for Ellipse) and SAP (for S4/Hana) which provide for an endorsed ability to service those providers’ products to COSOL Australia’s clients.
- Data Migration:**

Clients require data migration for a variety of reasons, ranging from new software releases relating to their existing EAM system to a decision to move to a new EAM system or, in certain instances, the need for data to be available across multiple different EAM systems which may be in use across the client’s organisation. Key to the success and usefulness of any EAM system is the ability to ensure that asset and business data is accurate and up to date. Through its proprietary digital software RPConnect®, COSOL Australia is uniquely positioned to provide both consultancy and implementation services in this growing area. Revenue is generated through both use and licensing of RPConnect®. To date, COSOL Australia has conducted over 20 Ellipse to SAP data migrations, as well as upgrades between different versions of these EAMs, all using RPConnect®. RPConnect® has a proven track record of reducing



the effort in such data migrations by between 30% - 40% compared to bespoke development, reducing project risk and positioning COSOL Australia as a preferred supplier in this domain. As new releases of both Ellipse and S4/Hana come to market, the Company expects that not only will the demand for RPConnect® increase, but it will create a sustainable revenue stream as clients move to new versions and systems, and the data migration/interface from other enterprise-critical systems becomes more complex.

### Legacy Data Services:

Increasingly, clients' data systems are becoming more complex. Through its RPConnect® suite, COSOL Australia offers a service and capability to access both legacy and new application sources of data. The intimate knowledge that COSOL Australia develops of a client's business and the value of their data in business operations, together with the use of the proprietary RPConnect® suite, creates a high likelihood of client retention and an associated long-term revenue stream. Moreover, COSOL Australia is well positioned to exploit key industry trends such as the increasing use of artificial intelligence and the interconnectedness of objects via the "Internet of Things" (IoT). As trends such as IoT gain momentum (predicted by leading market research organisation MarketWatch to exceed USD 176 billion for the industrial sector alone by 2022), COSOL Australia's RPConnect® service and capability is expected to increase in both size and importance.

The implementation of the business strategy outlined above has already seen COSOL Australia's overall revenue profile transform from an emphasis on a transactional baseline of discrete projects to a more sustainable, long-term revenue platform as new versions of the core EAM software are released, business optimisation-driving efficiencies increase, and underlying corporate/operational data sources become more complex. This trend is expected to continue and grow.

**Diagram 3**

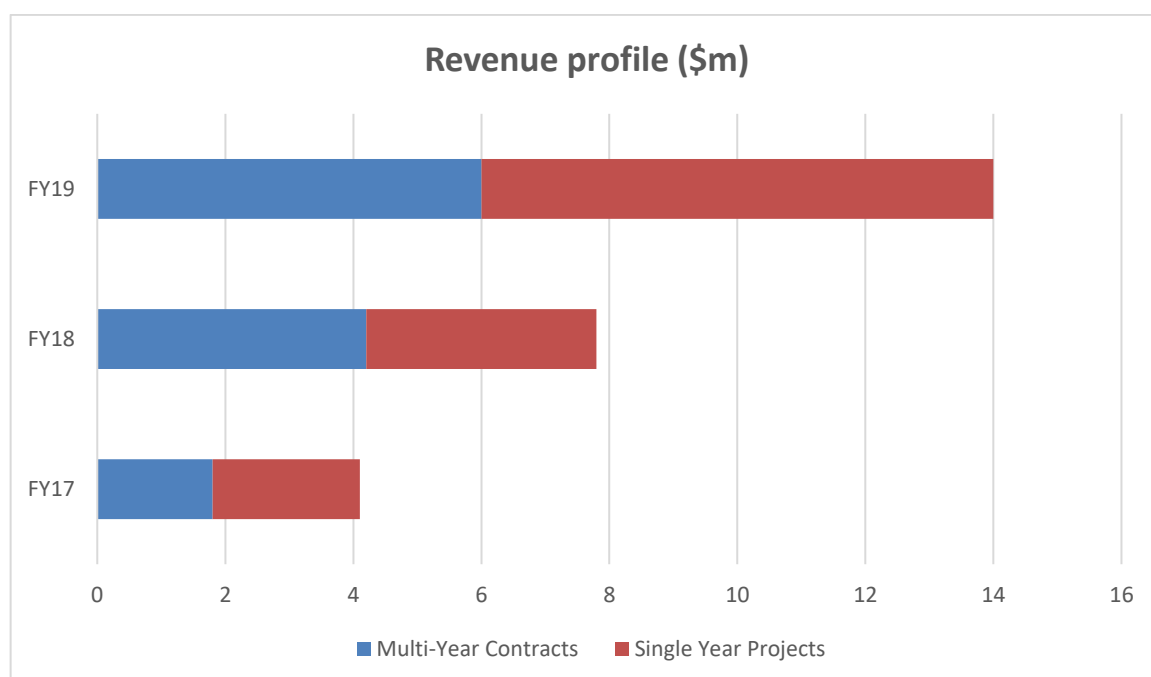


Diagram 3 above outlines the composition of COSOL Australia's revenue for the previous 3 years as distinguished by revenue generated from shorter-term single year projects (in red) and longer-term multi-year projects (in blue).

### **3.3.2 Historic performance of COSOL Australia**

The historic performance of COSOL Australia is set out Section 5.

### **3.3.3 Marketing and selling**

COSOL Australia is focused on increasing revenue by leveraging the significant opportunities that exist in the installation, upgrade and migration of EAM solutions for enterprise clients. That revenue growth is expected to be driven by utilising COSOL Australia's proven digital solutions, underpinned by a range of sales and marketing strategies focusing on winning new clients and growing its existing client base, as well as upselling additional products and services to its existing client base.

The sales and marketing team is divided into two functions:

1. new client acquisition; and
2. account management (e.g. client support and cross-selling).

These two functions work cohesively to target key strategic industries and clients through both a lead generation and marketing strategy, and an account management strategy.

COSOL Australia typically undertakes sales initiatives either directly in its own right, indirectly as part of a consortium led by either a multinational systems integrator (**SI**) or professional services partner, or through the agency of a software partner such as ABB or SAP.

COSOL Australia's direct sales initiatives, segmentation and identification of target clients are core to its marketing and sales strategy. For each of the priority industry segments, the focus is on identification of the organisations where it is believed value can be added, and the development of a detailed value proposition that drives the marketing and sales plan for the potential client. As part of the marketing mix, both digital and traditional marketing channels are utilised and a sales team is allocated.

For indirect sales initiatives, COSOL Australia typically enters into a Teaming Agreement with the lead SI, with services and scopes of work defined. COSOL Australia's sales and marketing team will work with the SI in the definition of the sales strategy, and actively participate in the conduct of the sales cycle. Given COSOL Australia's respected position in the EAM marketplace, it is common practice for an SI and/or professional services organisations to approach COSOL Australia directly with the opportunity, although COSOL Australia may also seek out an SI or professional services organisation for a specific opportunity.

When COSOL Australia seeks out an SI or professional services organisation for a specific opportunity, the client will usually make a determination of the financial risk associated with the service provided (and, by extension, with COSOL Australia).

Following the admission of the Company to the Official List, the financial position of COSOL Australia will be strengthened and, together with its ability to raise equity capital, will better position COSOL Australia to take the prime contractor role on significantly larger engagements than those undertaken to date.

The SI and Professional Services organisations that COSOL Australia has worked with, and continues to engage with, include IBM, Accenture, Deloitte, and DXC.

Another indirect sales channel is the partnerships that COSOL Australia has in place with leading EAM software providers ABB (for the Ellipse product) and SAP (for the S4/Hana product). The sales engagements with these organisations are often a hybrid of both direct and indirect pursuits, with ABB and SAP providing sales opportunities to COSOL Australia either to lead or (on larger engagements) to sub-contract to. Although these companies have their own professional services arms, the value proposition that is provided by COSOL

Australia, because of its data migration through RPConnect® and its track-record in relation to professional delivery, has seen an increasing number of clients insist on COSOL Australia's involvement in key implementations.

When ABB and/or SAP release new versions of their EAM/ERP software, there is an increasing requirement for services of the kind provided by COSOL Australia, as organisations are forced to (or wish to) upgrade these core enterprise systems in a timely and risk-free manner. This area of growth, partnered with the strategic relationships COSOL Australia has with both its existing clients and the providers of key EAM/ERP software, provides an extensive pipeline of opportunities for pursuit by both COSOL Australia's new business teams and its account management teams.

#### **3.3.4 Key personnel**

In addition to its Board the Company will, following completion of the Offer and Settlement of the Acquisition, have a strong and experienced senior management team responsible for managing the day-to-day operations of the Business. Please see Section 8.2 for further information.

### **3.4 THE OBJECTIVES OF THE COMPANY**

The Company has identified a set of key objectives which it intends to target following its Listing and which form the basis of the Company's overall strategy.

Those key objectives fall into 3 categories, being:

1. Corporate Strategy;
2. Financial Objectives; and
3. Client Objectives.

These broad objectives are further broken into realisable targets against which the Company intends to measure success and progress, to ensure the long-term sustainability of its business. Specifically, those objectives and associated targets are as follows:

- |                              |   |
|------------------------------|---|
| <b>Corporate Strategy:</b>   | <ul style="list-style-type: none"><li>• Utilise unique digital solutions for organic growth</li><li>• Enhance digital IP via targeted acquisitions</li><li>• Leverage Board and management expertise to win larger contracts</li></ul>  |
| <b>Financial Objectives:</b> | <ul style="list-style-type: none"><li>• Leverage public company structure to take advantage of strategic acquisition and other opportunities</li><li>• Deliver consistent revenue growth year on year</li><li>• Maintain targeted EBIT margins (as a percentage of revenue)</li></ul> |
| <b>Client Objectives:</b>    | <ul style="list-style-type: none"><li>• Improve client interaction through strategic planning</li><li>• Improve client satisfaction</li><li>• Improve client service</li></ul>  |

In order to achieve these objectives, a number of organisational and process initiatives have been established. These initiatives underpin the attainment of the objectives stated above and are set out below.

**Process-related initiatives:**

- Improve development, harvest & productisation of COSOL Australia's intellectual property
- Improve planning & execution of strategic sales
- Improve value created through partner networks
- Improve delivery of projects & services so they become strategic advantages
- Improve internal business processes, governance & reporting
- Evolve the business structure to enhance innovation

**Organisation-related initiatives:**

- Enhance consulting capability
- Enhance sales & presales capability
- Improve internal & external communications
- Evolve and protect business and organizational culture
- Attract, develop & retain capable people
- Enhance leadership capabilities for growth.

### **3.5 ACQUISITIONAL GROWTH**

In addition to the strategies set out in Section 3.4 which the Board intends to implement as part of its strategy of growing and developing the COSOL Australia Business organically the Board also intends, on an ongoing basis, to identify and examine external businesses which may be complementary and synergistic with COSOL Australia and which may present as potential acquisition opportunities for the Company. As at the date of this Prospectus, the Company has not approached or engaged with any companies identified as acquisition opportunities for the Company, and accordingly is not party to any agreement (binding or otherwise) nor to any discussions relating to any future acquisitions to be made by the Company.

Such acquisitional opportunities (if successful) may enable the Company to accelerate its plans to expand and broaden the Company's current service offering. This will enable the Company to offer improved services to its existing clients, as well as allow the Company to identify new opportunities which COSOL Australia may not presently have access to.

### **3.6 KEY INVESTMENT HIGHLIGHTS**

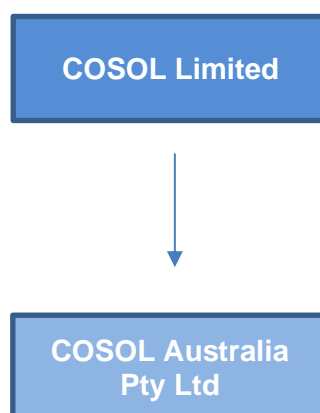
While the Board strongly urges all prospective investors to do their own research and seek independent advice as to any investment decision, the following points are highlighted:

- (i) COSOL Australia is an established Australian-based business, with a strong base of global clients, which has operated successfully for nearly 20 years.

- (ii) COSOL Australia specialises in the provision of business and IT digital solutions for resource and capital-intensive Enterprise Asset Management and infrastructure focused systems, with the global EAM market being forecast to grow to USD 8.8 billion at a CAGR of 13.3% during the period 2019 – 2024.
- (iii) COSOL Australia has a track record of profitability, and is forecasting 47% growth in EBIT, from \$2.76 million in FY2019 to \$4.07 million in FY2020. Approximately 98% of revenue over the past 5 years has been derived from asset-intensive industries, generally via long term contracts with clients.
- (iv) COSOL Australia's market position is further supported by the use of its proprietary digital software suite RPConnect®, which has been developed based on the Company's extensive EAM experience and deployed within various of COSOL Australia's clients (and in respect of which the Board considers significant barriers to competition accordingly exist).
- (v) By utilising the capabilities of its well-credentialled Board and leveraging its balance sheet, the Company intends to scale the existing COSOL Australia business model by tendering for larger business development opportunities. A number of these organic opportunities have already been identified within existing customers and markets serviced by COSOL Australia.
- (vi) The increased access to capital provided by the Listing will give the Company and COSOL Australia greater financial capacity to pursue acquisition opportunities in relation to emerging product solutions and in synergistic markets.
- (vii) Under the Company's ownership, COSOL Australia intends to continue to invest in research and development to improve and expand the range of its proprietary technologies, for licensing to clients.
- (viii) The Company has in place a credible and effective team of Directors and senior executives who have the expertise to progress the commercialisation and expansion of COSOL Australia's solution offerings.

### 3.7 CORPORATE STRUCTURE

Following completion of the Offer and Settlement of the Acquisition, COSOL Australia will be wholly owned by the Company. The group structure following Settlement of the Acquisition is as follows:



### 3.8 INTELLECTUAL PROPERTY

COSOL Australia has a range of proprietary trade secrets and intellectual property residing in:

- Proprietary software (RPCConnect® and BPConnect®);
- Discrete 6 Sigma based methodologies & processes covering key EAM (SAP, Ellipse etc.) and RPCConnect® implementations; and
- Standard operating procedures, including disaster recovery plans.

COSOL Australia has developed an in-house research and development capability, with key R&D activities undertaken in Brisbane. This R&D function continues to research ways in which COSOL Australia's service and solution offerings can be improved and remain relevant in the broader market. The R&D function also investigates and develops new value-adding and potential revenue-generating services that are intended to complement COSOL Australia's core service offering and provide COSOL Australia with a competitive advantage that could drive improved market share.

COSOL Australia's industry-leading digital software suite RPCConnect® has been developed, and continues to be enhanced, utilising COSOL Australia's in-house R&D capability. RPCConnect® is proprietary software that is unique to COSOL Australia, providing enabling connectivity between large enterprise corporate systems to support end-to-end business processes.

Ownership rights in relation to RPCConnect® are protected and its usage controlled through the use of software license agreements between COSOL Australia and its clients. Under such agreements, ownership of all intellectual property rights in relation to RPCConnect® and all associated materials provided to clients remain with COSOL Australia at all times.

Currently all R&D expenditure is expensed.

### 3.9 USE OF FUNDS

The following table shows the intended use of funds from the Offer following admission of the Company to the Official List:

Use of IPO Proceeds	
Payment to Vendors	\$9,000,000 <sup>1</sup>
Working and Expansion Capital (including further payments to Vendors under Acquisition Agreement)	\$2,640,000
Lead Manager and Underwriting Fee (@ 3%)	\$360,000
<b>Total</b>	<b>\$12,000,000</b>

**Note:**

1. Subject to an adjustment to align the actual net working capital of COSOL Australia at Settlement to an agreed target net working capital figure.

The market capitalisation, and enterprise value, of the Company at the Offer Price is set out in the table below:

<b>Market Capitalisation at IPO Price</b>	<b>\$25,500,000</b>
Debt (Maximum Earn Out Consideration to COSOL Australia's Vendors) <sup>1</sup>	\$6,500,000

less Cash (Seed Capital + Net IPO proceeds)	\$4,890,000
Net Debt	\$1,610,000
<b>Enterprise Value (EV)</b>	<b>\$27,110,000</b>

**Note:**

1. The actual amount of the Earn Out Consideration may be less than the Maximum Earn Out Consideration of \$6.50 million for the Acquisition (see Section 9.2 for information regarding the Earn Out Consideration).

The above estimated expenditures are subject to modification on an ongoing basis depending on the results obtained from the Company's activities and opportunities that may arise for the Company. Due to market conditions, the development of new opportunities and/or any number of other factors (including the risk factors outlined in Section 7), actual expenditure levels may differ from the above estimates.

The Board believes that the funds raised from the Offer, together with the cashflow generated from the Business, will provide the Company with sufficient working capital to achieve its stated objectives as detailed in this Prospectus. The issue of further equity may be considered by the Board where it is considered appropriate to accelerate a specific project or strategy, or to fund an acquisition.

### 3.10 CAPITAL STRUCTURE

The capital structure of the Company following completion of the Offer and Settlement of the Acquisition is summarised below:

	<b>Shares<sup>1</sup></b>
Shares currently on issue <sup>2</sup>	45,000,000
Shares to be issued under Offer <sup>3</sup>	60,000,000
Consideration Shares to be issued pursuant to Acquisition (Secondary Offer) <sup>4</sup>	22,500,000
<b>Total Shares on issue following completion of the Offer and Secondary Offer</b>	<b>127,500,000</b>

**Notes:**

- 1 The rights attaching to the Shares are summarised in Section 10.1.
- 2 There are currently 45,000,000 Shares on issue. 1 Share was issued on incorporation at an issue price of \$1.00. 42,999,999 Shares were issued at an issue price of \$0.05 per Share to Directors or their related entities to fund acquisition costs, the listing costs and initial working capital requirements of the Company. These Shares were issued at a discount to the issue price of the Shares offered pursuant to the Offer to reflect the increased risk associated with an investment in the Company at the time of issue of the seed capital. The Shares currently on issue also include 2,000,000 Shares which were issued to Euroz as consideration for services provided to the Company.
- 3 60,000,000 Shares to be issued under the Offer at an issue price of \$0.20 per Share to raise \$12,000,000.



4 Refer to Section 9.2 for a summary of the terms of the Acquisition Agreement.

### 3.11 SUBSTANTIAL SHAREHOLDERS

Upon completion of the Offer and Settlement of the Acquisition, it is anticipated that the following parties will have substantial shareholdings in the Company:

Shareholder	Shares	%
Geoffrey Lewis (or his nominee)	24,250,000	19.0%
Stephen Johnston (or his nominee)	24,250,000	19.0%
Bradley Skeggs (or his nominee)	6,975,000	5.7%

Geoffrey Lewis and Stephen Johnston have confirmed to the Company that they will each apply for 5,250,000 Shares under the Offer (and the above table assumes that they will each be issued with their full allocation in that regard). The above table does not include any Shares that may be allocated to Bradley Skeggs under the Offer.

### 3.12 RESTRICTED SECURITIES

The following parties are subject to voluntary escrow arrangements with the Company (and are each an **Escrowed Shareholder**):

Escrowed Shareholder	Maximum number of Escrowed Shares
Geoffrey Lewis <sup>1</sup>	19,000,000 <sup>2</sup>
Grant Pestell <sup>1</sup>	2,000,000 <sup>2</sup>
Stephen Johnston <sup>1</sup>	19,000,000 <sup>2</sup>
Gerald Strautins <sup>1</sup>	3,000,000 <sup>2</sup>
Euroz Securities <sup>1</sup>	2,000,000 <sup>2</sup>
Vendors <sup>1</sup>	22,500,000 <sup>2</sup>
<b>Total</b>	<b>67,500,000</b>

#### Notes:

1. Or their nominee(s).
2. Subject to the information set out in this Section 3.12 below.

Each Escrowed Shareholder has entered into a voluntary escrow deed in respect of their Escrowed Shares, which prevents them from dealing in their Escrowed Shares for the applicable escrow period (with “dealing” being broadly defined to include, amongst other things, disposing of, or agreeing or offering to dispose of, the Escrowed Shares, or any legal, beneficial or economic interest in the Escrowed Shares or to create or agree or offer to create any security interest in the Escrowed Shares.

Escrowed Shares held by each Escrowed Shareholder will be subject to escrow for a period of 12 months commencing on and from the date the Company is admitted to the Official List (**Escrow Period**).



An Escrowed Shareholder may be released from these escrow obligations to enable:

- (a) the Escrowed Shareholder to transfer or sell, agree to transfer or sell or indicate that it will accept an offer to buy or transfer Escrowed Shares under a takeover offer (including a proportional takeover offer) under Chapter 6 of the Corporations Act where holders of at least 50% of the Shares that are not subject to any voluntary escrow have accepted the takeover offer (or proportional takeover offer) and the offer has become unconditional; or
- (b) the Escrowed Shares to be cancelled by the Company or transferred as part of a scheme of arrangement under part 5.1 of the Corporations Act.

As at the date of this Prospectus, the Company has applied to ASIC for relief so that the Company is not deemed to have a relevant interest in the Escrowed Shares for the purposes of Chapter 6 or 6C of the Corporations Act. To the extent the Company is unable to obtain such relief from ASIC, the number of Escrowed Shares of each Escrowed Shareholder will be reduced to prevent the Company from being in breach of section 606 of the Corporations Act.

## **4. INDUSTRY OVERVIEW**

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### **4.1 ENTERPRISE ASSET MANAGEMENT**

COSOL Australia operates in the IT and business services industry, providing associated solutions to clients whose businesses are predominantly in asset-intensive industries. A key focus, both for those clients and as regards COSOL Australia's offering, is Enterprise Asset Management. EAM is the process of managing the lifecycle of physical assets to maximise their:

- use;
- economic return and viability;
- quality and efficiency of business operations; and
- performance in relation to health, safety and environmental matters.

By helping to ensure that high-value assets operate the way they are designed to, EAM can both minimise risks and costs, while enhancing and optimising business value.

Core to the operation of EAM systems is an asset registry which contains details of the characteristics, utilisation and nature of each asset. This data, and the ability to gain access to it from a variety of sources in a timely and accurate manner, together with an in-depth understanding of the business impact of the data, is critical to the success of implementing, exploiting and operating EAM systems. Specifically, business functions such as:

- Maintenance Planning and Scheduling;
- Asset Lifecycle Management;
- Supply Chain Management;
- Inventory, including materials management and procurement; and
- Demand Management,

rely on the integrity of the asset registry data to function optimally.

## 4.2 THE EAM MARKET

The global EAM market is expected to grow at a compound annual growth rate (**CAGR**) of 13.3% during the period 2019 – 2024, with its market size predicted to reach USD 8.8 billion during that time.

The market for EAM service providers is categorised into software, service and solutions. The line between services and solutions is being increasingly blurred by specialist companies, such as COSOL Australia, which understand that the link between underlying data attributes and business outcomes requires a capability to offer data-related solutions on a 'solution as a service' basis. While the software category is expected to be the primary driver of growth throughout the forecast period, the combined service and solutions categories are the areas predicted to experience the greatest increase in growth. Increasingly, the predicted growth in services is forecast to be driven by the demand of both large enterprises and SMEs in moving away from 'on premise' systems implementations or operations to cloud/'as a service' offerings.

This growth in services is expected to be further enhanced by new releases of core software (such as SAP's Enterprise Resource Planning system S/4 Hana/4). In essence, such changes in software force enterprises to review their EAM operations and either upgrade their existing platform or migrate to a new EAM platform. In these instances, seamless data management and migration are key, and the strength, reputation and proven proprietary software that COSOL Australia has developed to successfully mitigate an enterprise's risk from such exercises places COSOL Australia in a strong position to exploit this projected growth in services & solutions.

Key industry segments for the global EAM market are manufacturing, oil & gas, energy and utilities, government, transportation and logistics, healthcare, and defence. The nature of these segments is that they are all heavily reliant on the effective and efficient operation of expensive and complex physical assets, and by default their associated EAM systems. While not immune to the broader economic environment, this industry dependence on EAM tends to insulate EAM professional service providers who operate in these sectors from broader economic instabilities, with reduced maintenance and procurement expenses (both of which are associated with effective EAM) being major factors for ongoing client appetite for EAM-related services, regardless of the macroeconomic climate.

With the exception of the manufacturing sector, COSOL Australia targets all of the industry sectors identified above.

## 4.3 TRENDS

Apart from the operational/technical trends identified above, such as 'cloud' and 'as a service' offerings, both software service providers and their clients are increasingly interested in exploiting the value in the data held within EAM systems. Accordingly, software and service vendors are seeking to provide software and services which are able to capture new sources of data and provide it to the EAM system via IoT. This is attributable to the growing deployment of IoT by way of mobile devices and sensors, as well as the exploitation of data through artificial intelligence (**AI**) applications. For the industrial sector alone, it is forecast by leading market research organisation MarketWatch that the global IoT market will exceed USD 176 billion by 2022.

At the core of these trends is the ability to understand the underlying data, its impact on the business to which it relates and an ability to automate the creation and maintenance of the associated broad base of EAM-related data. Given that this data will typically be collected within, and distributed to, a variety of different systems, service providers with a proven capability to support this complex requirement of maintaining data integrity and optimising usability have an advantage over their competitors.

Through its proprietary RPConnect® digital technology, COSOL Australia has this proven capability in place, and operates such a service within the global resources sector. These capabilities position COSOL Australia well for the future in the EAM market.

#### 4.4 COMPETITIVE LANDSCAPE

The EAM services and solutions market is fragmented. It includes single and multi-capability IT solutions providers, large global vendors of EAM software, and in-house developed solutions, all of which differ by geographic and functional coverage.

COSOL Australia's value proposition in the EAM market is to offer solutions to address specialist segments of the market, which integrate with various third-party applications and services, as well as to provide ongoing managed services that are often not offered by software-only vendors. Apart from engaging clients in its own right, the capability, competency and reputation that COSOL Australia has within the EAM market has resulted in it being engaged regularly by large multi-national IT services and consulting organisations such as IBM, Accenture and DXC, as well as leading EAM software providers such as SAP and ABB.

Other factors reinforcing COSOL Australia's market position include the following:

- ***An ability to offer an integrated solution comprising multiple services*** - including core applications implementation and maintenance, managed services, and the increasing need for an integrated data management solution.
- ***Product development investment*** – by building, developing and operating a software suite, such as COSOL Australia's proprietary RPConnect® product, it has created a barrier to entry for new entrants who would need to invest in both the development of the software suite and its subsequent deployment across multiple clients to reach an equivalent position.
- ***Reputation and brand*** – which has been built over nearly two decades and which drives the generation of future opportunities.

## 5. FINANCIAL INFORMATION

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### 5.1 INTRODUCTION

The Company was incorporated on 7 August 2019 for the primary purpose of acquiring COSOL Australia. The principal activities of COSOL Australia is that of a global, professional Enterprise Asset Management service provider specialising in providing strategic advice and practical delivery of business processes and technology systems.

The financial information in this Section includes:

- **Statutory Historical Financial Information**, being the
  - statutory historical income statements of the Company for the financial period ended 30 September 2019;
  - statutory historical statements of financial position of the Company as at 30 September 2019;
  - statutory historical statements of cash flows of the Company for the financial period ended 30 September 2019;
  - statutory historical income statements of COSOL Australia for the financial years ended 30 June 2017, 2018 and 2019;
  - statutory historical statements of financial position of COSOL Australia as at 30 June 2017, 2018 and 2019; and
  - statutory historical statements of cash flows of COSOL Australia for the financial years ended 30 June 2017, 2018 and 2019.
- **Pro Forma Historical Financial Information**, being the pro forma historical statement of financial position of the Company as at 30 September 2019;
- **Forecast Financial Information**, being the pro forma forecast income statement and pro forma forecast net cash flows of the Company for the financial year ended 30 June 2020;

The Statutory Historical Financial Information, the Pro Forma Historical Financial Information and the Forecast Financial Information are collectively referred to as the **Financial Information**.

The Company and COSOL Australia each have a 30 June financial year end. However, in order to comply with the requirements of ASX, the Company has prepared audited financial statements for the period 7 August 2019 (being the Company's date of incorporation) to 30 September 2019. Any references in this Section to "**FY**" typically refer to a 30 June financial year end. However, in this instance as a result of the above, the pro forma information is based on the Company's financial position at 30 September 2019, incorporating the results for COSOL Australia for the year ended 30 June 2019. Also summarised in this Section 5 is the basis of preparation and presentation of the Financial Information (refer to Section 5.2).

The Financial Information has been reviewed and reported on by Elderton Capital, whose Investigating Accountant's Report is contained in Section 6. Investors should note the scope and limitations of the Investigating Accountant's Report.

The information in this Section 5 should also be read in conjunction with the risk factors set out in Section 7 and all other information contained in this Prospectus.

All amounts disclosed in the tables are presented in Australian dollars unless otherwise stated.

## **5.2 BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL INFORMATION**

### **5.2.1 Overview**

The Directors are responsible for the preparation and presentation of the Financial Information.

The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding the historical financial performance, cash flows and financial position of the Company and COSOL Australia together with Forecast Financial Information.

The Statutory Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (**AAS**) (including the Australian Accounting Interpretations), issued by the Australian Accounting Standards Board, which are consistent with International Financial Reporting Standards (**IFRS**) and Interpretations issued by the International Accounting Standards Board.

The Pro Forma Financial Information has been prepared in accordance with the recognition and measurement requirements of AAS. It also includes certain adjustments which have been prepared in a manner consistent with AAS, which reflect the impact of certain transactions as if they had occurred on or before 30 September 2019 in the Historical Financial Information, or on or before 1 July 2019 in the Forecast Financial Information.

The Pro Forma Historical Financial Information does not reflect the actual financial results and cash flows of the Company for the periods indicated. However, the Company believes that it provides useful information as it permits investors to examine what it considers to be the underlying financial performance and cash flows of the business, presented on a consistent basis with the Pro Forma Forecast Financial Information. The Financial Information is presented in an abbreviated form and does not include all of the disclosures, statements or comparative information required by AAS applicable to annual financial reports prepared in accordance with the Corporations Act.

Accounting policies have been consistently applied throughout the periods presented. Significant accounting policies of the Company and COSOL Australia relevant to the Financial Information are set out in Section 5.7.1.

### **5.2.2 Preparation of historical financial information**

The historical financial information is presented on both a statutory and pro forma basis.

The Statutory Historical Financial Information for the Period ended 30 September 2019 for the Company has been derived from the audited general purpose historical financial reports of the Company for the period ended 30 September 2019.

The financial statements of the Company for the period ended 30 September 2019 were audited by Greenwich & Co (Audit) Pty Ltd, which issued an unqualified audit opinion.

The Statutory Historical Financial Information for the year ended 30 June 2017, 2018 and 2019 for COSOL Australia has been derived from the FY2017, FY2018 and

FY2019 audited general purpose historical financial reports of COSOL Australia. The Statutory Historical Financial Information for FY2017, FY2018 and FY2019 has been derived from the general-purpose financial report of COSOL Australia.

The financial statements of COSOL Australia for FY2017, FY2018 and FY2019 were audited by Greenwich & Co (Audit) Pty Ltd, who issued a qualified audit opinion in respect of comparative financial information as at 30 June 2017 which has not been audited. In respect of the financial statements for the years ended 30 June 2018 and 2019, unqualified audit opinions were issued.

The Pro Forma Historical Financial Information has been prepared for the purposes of inclusion in this Prospectus. The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information, adjusted to reflect incremental costs associated with the Company being a listed company, as if they were incurred from 1 July 2019, including Board costs and incremental compliance costs.

Reconciliations between the Statutory Historical Financial Information and the Pro Forma Historical Financial Information are provided in Sections 5.6.3 to 5.6.7 inclusive.

In preparation for Listing, a restructure will take place, resulting in the newly incorporated Company becoming the legal parent of COSOL Australia, subject to the completion of the Offer and Settlement of the Acquisition.

The Directors have elected to account for the effect of the Acquisition as a common control transaction. In the Directors' opinion, the continuation of existing accounting values is consistent with the accounting that would have occurred if the assets and liabilities had already been in a structure suitable for the Listing, and most appropriately reflects the substance of the proposed transaction.

The Pro Forma Historical Financial Information presented in this Prospectus has been reviewed by Elderton Capital, whose Investigating Accountant's Report is contained in Section 6. Investors should note the scope and limitations of the Investigating Accountant's Report (refer to Section 6).

### **5.2.3 Preparation of forecast financial information**

The Forecast Financial Information is presented on both a statutory and pro forma basis.

The Forecast Financial Information has been prepared solely for inclusion in this Prospectus. The Directors believe the Forecast Financial Information has been prepared with due care and attention and consider all best estimate assumptions when taken as a whole to be reasonable at the time of preparing this Prospectus.

However, this information is not fact, and Applicants are cautioned not to place undue reliance on the Forecast Financial Information.

Investors should note that past results are not a guarantee of future performance.

The Forecast Financial Information in Section 5 should be read in conjunction with the assumptions as set out in Section 5.6.4, the sensitivity analysis as set out in Section 5.6.10, the risk factors as set out in Section 7 and all other information contained in this Prospectus.

The Statutory Forecast Financial Information represents the best estimate of the financial performance that the Directors expect to report in the Company's financial statements under AAS, based on a measured assessment of key business drivers and current sales trends. The Statutory Forecast Financial Information for FY2020 includes



the unaudited actual trading results to 31 August 2019, with forecast results for the remainder of FY2020.

The Pro Forma Forecast Financial Information differs from the Statutory Forecast Financial Information, as the Pro Forma Forecast Financial Information reflects the forecast full-year effect of the operations and the capital structure that will be in place upon completion of the Offer and Settlement of the Acquisition. Examples of these effects include the estimated incremental costs associated with the Company being a listed company, but exclude the one-off IPO transaction costs of the Offer.

Section 5.6 provides a reconciliation of the Statutory Forecast Results to the Pro Forma Forecast Results. Section 5.6.6 provides a reconciliation of the Statutory Forecast Cash Flows to the Pro Forma Forecast Cash Flows.

## 5.3 STATUTORY HISTORICAL INCOME STATEMENTS

### 5.3.1 Company Overview

The table below sets out the statutory historical income statements for the Company for the period from 7 August 2019 (being the date of incorporation of the Company) to 30 September 2019. The statutory historical income statements are presented in Australian dollars (\$AUD).

Statutory historical	
\$AUD	7 Aug 2019 to 30 Sept 2019
Sales	-
Cost of sales	-
Gross profit	-
Operating expenses	-
<b>Operating (loss)/profit</b>	-
Interest (expense)/income	-
Net (loss)/profit before tax	-
Income tax expense	-
Net (loss)/profit after tax	-

The table below sets out the statutory historical statement of position of the Company as at 30 September 2019. The statutory historical statement of financial position is presented in Australian dollars (\$AUD).

\$AUD		30 Sept 2019
<b>Current Assets</b>		
Cash and cash equivalents		400,000
Deposits		100,000
Total Current Assets		500,000
TOTAL ASSETS		500,000
<b>Current Liabilities</b>		
		-
<b>Non-Current Liabilities</b>		
		-
TOTAL LIABILITIES		-
NET ASSETS		500,000
<b>Equity</b>		
Share capital		500,000
TOTAL EQUITY		500,000

The table below sets out the statutory historical statements of cash flows of the Company for the period from 7 August 2019 (being the date of incorporation of the Company) to 30 September 2019. The statutory historical statements of cash flows are presented in Australian dollars (\$AUD).

\$AUD		7 Aug 2019 to 30 Sept 2019
<b>Cash flows from operating activities</b>		
<b>Cash flows from investing activities</b>		
Deposits paid		(100,000)
Net cash used in investing activities		
<b>Cash flow from financing activities</b>		
Capital introduced		500,000
Repayment of shareholders current account		
<b>Net cash (used in)/provided by financing activities</b>		
Net (decrease)/increase in cash		
Cash, beginning of year		-
Cash, end of year		400,000



### 5.3.2 COSOL Australia Overview

The table below sets out the statutory historical income statements of COSOL Australia for the years ended 30 June 2017, 2018 and 2019, as well as the pro forma forecast income statement and the statutory forecast income statement of COSOL Australia for the period ended 30 June 2020. The statutory historical, pro forma forecast and statutory forecast income statements are presented in Australian dollars (\$AUD).

	Statutory historical			Pro forma forecast	Statutory forecast
\$AUD	FY2017	FY2018	FY2019	FY2020	FY2020
Revenue	4,145,911	7,390,114	13,507,233	21,443,657	21,443,657
Other income	1,848	3,137	124,878	-	28,000
Cost of sales	(219,531)	(501,911)	(1,192,493)	(872,050)	(872,050)
Salaries and wages	(2,693,065)	(4,466,952)	(6,675,595)	(8,176,524)	(8,176,524)
Contractors costs	(1,233,273)	(972,269)	(2,166,764)	(7,195,941)	(7,195,941)
Depreciation and amortisation	(9,869)	(6,966)	(15,556)	(14,270)	(14,270)
Reversal of impairment of trade receivables	23,960	-	-	-	-
Loss of disposal of fixed assets	(78,655)	-	-	-	-
Operating and general expenses	(324,061)	(706,206)	(749,747)	(1,116,216)	(1,466,216)
Finance costs	(4,370)	-	-	-	-
Net (loss) Profit before income tax	(391,105)	738,947	2,881,956	4,068,656	3,746,656
Income tax expense	113,946	(308,286)	(897,955)	(1,118,880)	(1,030,330)
Net (loss)/profit after tax	(277,159)	430,661	1,984,001	2,949,776	2,716,325

#### Notes:

The pro forma forecast income statement differs from the statutory forecast income statement because the statutory forecast income statement includes expenses of the Offer and the Company's estimate of the incremental costs that it will incur as a consolidated group, which are recognised on a pro rata basis in the FY2020 statutory forecast financial information. The pro forma forecast income statement for the financial year ended 30 June 2020 is reconciled to the statutory forecast income statement for the financial year ended 30 June 2020 in Section 5.6.1.

## 5.4 STATUTORY AND PRO FORMA HISTORICAL STATEMENTS OF FINANCIAL POSITION

### 5.4.1 Overview

The tables below set out the audited statutory historical statements of financial position for COSOL Australia as at 30 June 2017, 30 June 2018 and 30 June 2019.

\$AUD	FY2017	FY2018	FY2019
<b>Current Assets</b>			
Cash and cash equivalents	3,730	572,279	584,143
Trade and other receivables	534,383	1,268,491	3,003,574
Due from related parties	490,608	139,370	2,374,889
Total Current Assets	1,028,721	1,980,140	5,962,606
<b>Non-Current Assets</b>			
Property, plant and equipment	12,504	39,348	48,845
Deposits	45,600	42,949	45,269
Due from related parties	-	360,000	-
Total Non-Current Assets	58,104	442,297	94,110
TOTAL ASSETS	1,086,825	2,422,437	6,056,716
<b>Current Liabilities</b>			
Trade and other payables	427,294	1,237,329	1,941,689
Bank overdraft	211,721	-	-
Provisions	228,841	219,849	319,242
Taxation Liability	(145,089)	170,540	1,068,494
Total Current Liabilities	722,767	1,627,718	3,329,425
TOTAL LIABILITIES	722,767	1,627,718	3,329,425
NET ASSETS	364,058	794,719	2,727,291
Share capital	343,716	343,716	343,716
Reserves	(20,354)	(20,354)	(20,354)
Retained earnings	40,696	471,357	2,403,929
TOTAL EQUITY	364,058	794,719	2,727,291

#### 5.4.2 Commentary on major items included in the historical statements of financial position for COSOL Australia

The key items included in the historical statement of financial position of COSOL Australia as at 30 June 2019 are as follows:

- Cash and cash equivalents are funds held by Australian financial institutions in interest bearing accounts and are readily available for use by COSOL Australia.
- Loans to related parties are unsecured and are required to be repaid within 7 years. After 7 years the loans convert to secured loans repayable within 25 years. The loan carries interest at the prevailing benchmark commercial rates.
- Trade and other receivables relate to monies owed by independent third parties.
- Trade and other payables relate to amounts payable to third parties in relation to goods and services provided to COSOL Australia.

### 5.5 STATUTORY HISTORICAL STATEMENTS OF CASH FLOWS

#### 5.5.1 Overview

The table below sets out the statutory historical statements of cash flows of COSOL Australia for the years ended 30 June 2017, 2018 and 2019. The statutory historical statements of cash flows are presented in Australian dollars (\$AUD).

\$AUD	FY2017	FY2018	FY2019	FY2020
<b>Cash flows from operating activities</b>				
Receipts from customers	4,193,657	6,643,038	12,047,932	19,728,164
Payments to suppliers and employees	(4,632,263)	(5,838,952)	(12,008,699)	(17,544,197)
Income tax refund	-	7,343	-	-
<b>Net cash (used in)/ provided by operating activities</b>	<b>(438,606)</b>	<b>811,429</b>	<b>39,233</b>	<b>2,183,967</b>
<b>Cash flows from investing activities</b>				
Payments for property, plant and equipment	(11,852)	(33,810)	(25,049)	-
Release of security deposits	(6,784)	2,651	(2,320)	-
<b>Net cash used in investing activities</b>	<b>(20,636)</b>	<b>(31,159)</b>	<b>(27,369)</b>	<b>-</b>
<b>Cash flow from financing activities</b>				
			-	
Payments for property, plant & equipment	200,000	-	-	(150,000)
Proceeds from release of security deposits	(100,000)	-	-	-
<b>Net cash (used in)/provided by financing activities</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>(150,000)</b>
<b>Net (decrease)/increase in cash</b>	<b>(359,242)</b>	<b>780,270</b>	<b>11,864</b>	<b>2,033,967</b>
Cash, beginning of year	(151,242)	(207,991)	572,279	584,143
<b>Cash, end of year</b>	<b>(207,991)</b>	<b>572,279</b>	<b>584,143</b>	<b>2,168,110</b>

## 5.5.2 Pro Forma consolidated statement of financial position

The table below set out the pro forma historical statement of financial position of the Company as at 30 September 2019 and the financial position of COSOL Australia at 30 June 2019. The pro forma historical statement of financial position is provided for illustrative purposes only and is not represented as being necessarily indicative of the Company's view of its future financial position.

Pro forma consolidated statement of financial position				
Audited				
\$AUD	Cosol Pty Ltd as 30 September 2019	Cosol Pty Ltd as 30 June 2019	Pro forma adjustments	Pro forma
<b>Current Assets</b>				
Cash and cash equivalents	400,000	584,143	4,390,000	5,374,143
Trade and other receivables	-	3,003,574	-	3,003,574
Deposit	100,000	-	(100,000)	-
Due from related parties	-	2,374,889	(2,369,704)	5,185
<b>Total Current Assets</b>	<b>500,000</b>	<b>5,962,606</b>	<b>1,920,296</b>	<b>8,382,902</b>
<b>Non-Current Assets</b>				
Goodwill	-	-	18,375,413	18,375,413
Property, plant and equipment	-	48,841	-	48,841
Other non-current assets	-	45,269	-	45,269
<b>Total Non-Current Assets</b>	<b>-</b>	<b>94,110</b>	<b>18,375,413</b>	<b>18,469,523</b>
<b>TOTAL ASSETS</b>	<b>500,000</b>	<b>6,056,716</b>	<b>20,295,709</b>	<b>26,852,425</b>
<b>Current Liabilities</b>				
Trade and other payables	-	1,941,689	-	1,941,689
Accruals	-	-	279,882	279,882
Taxation	-	1,068,494	-	1,068,494
Provisions	-	319,242	-	319,242
<b>Total Current Liabilities</b>	<b>-</b>	<b>3,329,425</b>	<b>279,882</b>	<b>3,609,307</b>
<b>Non-Current Liabilities</b>				
Deferred consideration	-	-	5,233,000	5,233,000
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>3,329,425</b>	<b>5,512,882</b>	<b>8,842,307</b>
<b>NET ASSETS</b>	<b>500,000</b>	<b>2,727,291</b>	<b>14,782,827</b>	<b>18,010,118</b>
<b>Equity</b>				
Called up share capital	500,000	343,716	17,166,402	18,010,118

Foreign currency reserve	-	(20,354)	20,354	-
Retained earnings	-	2,403,929	(2,403,929)	-
<b>TOTAL EQUITY</b>	<b>500,000</b>	<b>2,727,291</b>	<b>14,782,827</b>	<b>18,010,118</b>

### 5.5.3 Notes on the pro forma consolidated statement of financial position

The pro forma statement of financial position as at 30 September 2019 is based on the consolidated statements of financial position of COSOL Australia as at 30 June 2019 and the Company as at 30 September 2019 after allowing for adjustments.

The pro forma statement of financial position reflects the net impact of the proposed capital raising under the Offer. These include the following:

- Subscription of \$12,000,000 (60,000,000 shares at \$0.20 each) under the Offer.
- Expenses of the Offer totalling \$739,882 collectively. These represent the gross expenses payable.
- Payment of the following fees to the Lead Manager and Underwriter:
  - (a) \$100,000; and
  - (b) 3% of the total amount raised under the Offer (being \$360,000).

In addition, a further amount of \$279,882 has been allocated towards legal, accounting, audit and Listing fees.

- Cash payment to the Vendors of \$9,000,000 at Settlement, together with an estimated Earn Out Consideration of \$5,233,000 payable to the Vendors (subject to meeting certain performance hurdles). The Maximum Earn Out Consideration to the Vendors is \$6,500,000. Refer to Section 9.2 for more information).
- Consideration in excess of COSOL Australia's NTA at the date of acquisition being classified as goodwill.
- For COSOL Australia, repayment of shareholder loans of \$2,369,704 via a combination of franked and unfranked dividends.

### 5.5.4 Pro forma cash reconciliation

The table below details the reconciliation of the pro forma cash balance of the Company as at 30 September 2019, reflecting the actual cash at bank at the date and reflecting the impact of the pro forma adjustments as set out in Section 5.5.3.

Pro forma historical cash reconciliation	
\$AUD	
Cash reconciliation	
COSOL Pty Ltd cash at September 2019	400,000
COSOL Australia cash at 30 June 2019	584,143
Balance of COSOL Pty Ltd issued share capital pre-IPO	1,650,000
Capital raising at IPO	12,000,000
Payments to vendors	(8,900,000)
Expenses of the Offers	(360,000)
Pro forma cash balance	5,374,143

### 5.5.5 Pro forma issued capital reconciliation

The table below details the reconciliation of the pro forma issued capital balance of the Company as at 30 September 2019, reflecting the actual issued capital balance at the date and reflecting the impact of the pro forma adjustments as set out in Section 5.5.3:

Pro forma historical issued capital reconciliation		
\$AUD	Number of Shares	\$
<b>Issued capital reconciliation</b>		
Issued on incorporation	42,000,000	2,250,000
Shares issued to Euroz for services	2,000,000	-
Shares issued to vendors	22,500,000	4,500,000
Shares issued at IPO	60,000,000	12,000,000
Issuing costs		
Euroz – capital raising costs		(360,000)
– Fees		(100,000)
Others – accrued		(279,882)
Proforma Issued Capital	127,500,000	18,010,118

### 5.5.6 Pro forma Goodwill

Issue of shares to COSOL Australia at IPO	4,500,000
Cash paid to COSOL Australia Shareholders at IPO	9,000,000
Assumed Earn Out Consideration	5,233,000
	18,733,000
COSOL Australia's NTA as date of acquisition	(357,587)
Goodwill	18,375,413

**Note:**

Under the Acquisition Agreement, there will be a working capital adjustment on Settlement. The adjustment has not been reflected in the pro forma.

## 5.6 PRO FORMA FORECAST FINANCIAL INFORMATION

### 5.6.1 Reconciliation of the pro forma and statutory forecast income statements

The table below set out the reconciliation of the pro forma forecast income statement to the statutory forecast income statement for the financial year ended 30 June 2020. The pro forma Forecast Financial Information is provided for illustrative purposes only and is not represented as being necessarily indicative of the Company's view of its future financial activity.

\$AUD	FY2020
<b>Pro forma forecast net profit after tax</b>	2,949,776
Add: Other income	28,000
Less: Expenses of the Offer	(100,000)
Less: Corporate overhead costs	(250,000)
Add: Tax adjustment	88,549
Statutory forecast net profit after tax	2,716,325

**Notes:**

- Expenses of the Offers (P&L portion) represent one off Offer costs including legal, accounting and other fees.

In accordance with AASB 132 Financial Instruments Presentation, costs associated with an IPO should be treated as follows:

- Incremental costs that are directly attributable to issuing new shares should be deducted from equity.

- Costs that relate to the Stock Market listing or are otherwise not incremental and directly attributable to issuing new shares, should be recorded as an expense in the statement of comprehensive income.

A number of costs relate to both share issuance and Listing. In this instance IAS 32.38 states that these costs should be allocated on a rational and consistent basis. In the absence of a more specific basis, in this instance costs should be allocated on the basis of new shares issued to the total number (new and existing) of shares.

2. Tax adjustment relates to the deductible expenses included in the statutory forecast income statement. This adjustment is required to reflect the notional income tax expense for the period at the marginal rate of 27.5% of the calculated profit before tax, being the corporate tax rate of Australia.
3. The Board has estimated additional corporate costs, including Listing fees and compliance costs, of approximately \$200,000 per annum and additional costs associated with strengthening the existing Board of approximately \$300,000 per annum. Given it is highly unlikely that the Listing will be completed before 31 December 2019, the Board envisage combined additional costs of \$250,000 being incurred in the 6 months to 30 June 2020.

### 5.6.2 Pro forma forecast net cash flows

The table below sets out the pro forma forecast net cash flows for the financial year ended 30 June 2020. The pro forma Forecast Financial Information is provided for illustrative purposes only and is not represented as being necessarily indicative of the Company's view of its future financial activity.

<b>Net profit before tax</b>	<b>4,068,656</b>
Depreciation	14,270
Changes in Working Capital	(1,001,104)
Income tax paid	(897,955)
<b>Operating cash flows</b>	<b>2,183,867</b>
Capital expenditure	-
<b>Net cash flow before financing</b>	<b>2,183,656</b>

#### Notes:

1. Changes in working capital are impacted by changes in trade and other receivables, trade and other payables, inventory levels and other current assets and liabilities.
2. Income tax paid amount is based on the corporate tax rate of 27.5% in Australia.

### 5.6.3 Notes on the Forecast Financial Information

The Forecast Financial Information is based on an assessment of present economic and operating conditions and on a number of assumptions, including the assumptions set out in Section 5.6.4.

The Company believes that it has prepared the Forecast Financial Information with due care and attention and considers all best estimate assumptions when taken as a whole to be reasonable at the time of preparing this Prospectus. However, this



information is not fact and Applicants are cautioned to not place undue reliance on the Forecast Financial Information.

Accordingly, neither the Company, its Directors or any other person can give any assurance that the Forecast Financial Information contained in this Prospectus will be achieved.

The Directors have no intention to update or revise the Forecast Financial Information or other forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

#### **5.6.4 Assumptions**

In preparing the Forecast Financial Information, the following assumptions have been adopted:

- no significant change in the competitive environment in which the Company operates occurs;
- the Company holds appropriate insurance arrangements to mitigate operational risks during the forecast period;
- no significant asset acquisitions or sales occurs other than those set out in this Section 5;
- no further issue of Shares occurs during the forecast period other than those anticipated in this Prospectus;
- there are no material changes in the government regulatory environment;
- there are no material changes in general economic and business conditions including levels of inflation, employment and interest rates;
- there are no changes to the statutory, legal or regulatory environment which would be detrimental to the Company in any of the jurisdictions in which it operates;
- there are no changes in current income tax legislation in Australia;
- there are no material changes in AAS, other mandatory professional reporting requirements, or the accounting policies of the Company which would have a material impact on the financial results of the Company;
- there is no material impact from the loss of key personnel;
- there is no material impact from contingent liabilities, litigation or other legal claims to which the Company is a party;
- there are no material disruptions to the continuity of operations of the Company or other material changes in its business;
- there is no material amendment to, or termination of, any material contract or arrangement referred to in this Prospectus; and
- the Offer proceeds in accordance with the timetable set out in this Prospectus.

### 5.6.5 Pro forma forecast results: FY2020 compared to FY2019

The table below sets out a comparison of selected Forecast Financial Information for FY2020 and FY2019.

Statutory historical	Pro forma forecast			
\$AUD	FY2019	FY2020	Change	%
Revenue	13,507,233	21,443,657	7,936,424	59%
Other income	124,878	-	(124,878)	(100%)
Cost of sales	(1,192,493)	(872,050)	(320,443)	(27%)
Salaries and wages	(6,675,595)	(8,176,524)	1,500,929	23%
Contractors costs	(2,166,764)	(7,195,941)	5,029,177	232%
Depreciation and amortisation	(15,556)	(14,270)	(1,296)	(8%)
Reversal of impairment of trade receivables	-	-		
Loss of disposal of fixed assets	-	-		
Operating and general expenses	(749,747)	(1,116,216)	366,469	49%
Finance costs	-	-		
Net (loss) Profit before income tax	2,881,956	4,068,656	1,186,700	41%
Income tax expense	(897,955)	(1,118,880)	220,825	25%
Net (loss)/profit after tax	1,984,001	2,949,776	965,775	49%

### 5.6.6 Revenue

Revenue is forecast to increase 59%, by \$7.9 million, to \$21.4 million in FY2020 (from \$13.506 million in FY2019). COSOL Australia's explanation for this increase is as follows:

- Contract with existing major client, Queensland Urban Utilities has been extended. In addition, the scope of work provided to this client has increased. For more information on COSOL Australia's relationship with Queensland Urban Utilities, refer to Section 9.4.1.
- Several existing customers have committed to expand their requirements.

- Significant ramping up of contract with the Department of Defence in the latter half of 2019-2020. For more information on COSOL Australia's relationship with the Department of Defence, refer to Section 9.4.2.
- Sizeable pipeline of "category A" opportunities which COSOL Australia management assign a probability of 90% of success.

### Direct Costs

Direct costs increased in tandem with the projected increase in revenue for the year ending 30 June 2020.

- Salaries and wages have been budgeted to increase by \$1,500,929 (23%) in order to achieve target revenue.
- Contractors have been budgeted to increase by \$5,029,177 (232%) in order to achieve target revenue.
- Operating and general expenses have been budgeted to increase by \$366,469 (49%) to achieve target revenue.

### 5.6.7 Gross Margins

Based on COSOL Australia management's budget, net profit before tax will increase by \$1,001,700 (35%) as a result of the projected increases in revenue.

In absolute terms, net profit will reduce slightly from 21% in the year to 30 June 2019 to 18% in the year to 30 June 2020.

The Board intends, as part of its growth strategy, to improve COSOL Australia's market share and, consequently, the Board is prepared to sacrifice net margins in the short term.

### 5.6.8 Sensitivity Analysis

Set out below are the budgeted revenue and net profit figures for the Company if projected revenue and associated costs were to be reduced by 10%, 15% and 20%.

	Base case	10% reduction	15% reduction	20% reduction
	000's	000's	000's	000's
Revenue	21,443	19,298	18,226	17,154
Net profit	4,068	3,661	3,457	3,254

The analysis above shows that with a reduction in revenue as high as 20%, the Company's returning net profit before tax would still be in excess of \$3 million.

### 5.6.9 Dividend Policy

It is the Directors' intention not to pay a dividend in respect of FY2020. However, the Directors will review the position after the completion of FY2021 financial statements.

## 5.7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 5.7.1 Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (**AASB**) and the Corporations Act, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (**IASB**).

#### *Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

#### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

#### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty.

Revenue is recognised in the statement of comprehensive income to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur and the revenue and costs, if applicable, can be measured reliably. The following criteria must also be met before turnover is recognized:

#### *Sale of goods*

Turnover from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- The Company has transferred the significant risks and rewards of ownership to the buyer;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the Company will receive the consideration due under the transaction; and

- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### *Rendering of services*

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the Company will receive the consideration due under the contract;
- The stage of completion of the contract at the end of the reporting period can be measured reliably; and
- The costs incurred and the costs to complete the contract can be measured reliably.

#### Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

#### Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for impairment.

#### Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives.

### Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted.

### Provisions

Provisions are recognised when the company has a present (legal or constructive) obligation as a result of a past event, it is probable the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

### Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

### Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

## **6. INVESTIGATING ACCOUNTANT'S REPORT**

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1 November 2019

The Directors  
COSOL Limited

Dear Board of Directors

**Investigating Accountant's Report on COSOL Pty Ltd.'s Historical, Pro-Forma and Forecast Financial Information**

**1. Introduction**

The Directors of COSOL Limited ("**COSOL Ltd**" or "**Company**") have requested Elderton Capital Pty Ltd ("**Elderton**") to prepare an Investigating Accountant's Report ("**Report**") for inclusion in a prospectus dated on or around 15 November 2019 ("**Prospectus**"), and to be issued by the Company in respect of the initial public offering of shares in the Company (the "**Offer**") and the listing of the Company on the Australian Securities Exchange.

It is proposed that the Company will simultaneously acquire the issued shares in COSOL Australia Pty Ltd ("**COSOL Australia**") at the time of Completion of the Offer.

Elderton holds the appropriate Australian Financial Service License (AFSL 342143) under the Corporations Act for the issue of this Report.

This report relates to, amongst other things:

- The public offer of up to 60,000,000 Shares in the Company ("**Shares**") at an issue price of \$0.20 each to raise up to \$12,000,000 before costs ("**Offer**").
- COSOL Ltd acquiring all of the issued share capital of COSOL Australia ("**COSOL Australia**"), with the consideration being 22,500,000 COSOL Ltd shares to COSOL Australia shareholders at a deemed issue price of \$0.20, a cash payment to COSOL Australia's shareholders of \$9,000,000 and a deferred payment estimated to be \$5,233,000 (but which could be up to a maximum amount of \$6,500,000) and which will have been paid no later than 7 days after the Company releases its audited financial statements for FY21.

All amounts stated in this Report are in Australian Dollars unless otherwise indicated. All the terms used in this Report have the same meaning as the terms used and defined in the Prospectus unless otherwise defined in this Report.

**Scope**

Elderton has been engaged by the Directors of the Company to review the following historical financial Information of the Company and controlled entities included in the Prospectus.



# ELDERTON

## CAPITAL

- Statutory historical statements of financial position of COSOL Australia as at 30 June 2017, 30 June 2018 and 30 June 2019.
- Statutory historical statements of cash flows of COSOL Australia for the years ended 30 June 2017, 30 June 2018 and 30 June 2019
- Statutory historical statements of income s of COSOL Australia for the year ended 30 June 2017, 30 June 2018 and 30 June 2019.

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies. The statutory historical information has been extracted from the financial report of COSOL Australia for the years ended 30 June 2017, 2018 and 2019, which were audited by Greenwich & Co Audit Pty Ltd ("**Greenwich & Co**") in accordance with International Standards on Auditing. Greenwich & Co issued a modified opinion on the financial report for the year ended 30 June 2017 in relation to the opening balances. Unmodified opinions were issued in respect of the financial reports for the years ending 30 June 2018 and 30 June 2019.

The Statutory and Pro-Forma Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

Our limited assurance engagement has not been carried out in accordance with auditing or other standards and practices generally accepted outside of Australia and accordingly should not be relied on upon as if it had been carried in accordance with those standards and practices.

### ***Pro Forma Historical Financial Information***

The Directors of the Company have requested Elderton to perform limited assurance procedures in relation to the Pro Forma Historical Financial Information of the Company (the responsible party) included in the Prospectus.

The Pro Forma Historical Financial Information consists of the Company's and COSOL Australia's historical statement of financial position as at 30 June 2019 and related notes as set out in Sections 5.5.3 and 5.5.4 of the Prospectus issued by the Company (collectively the "Pro Forma Historical Financial Information").

The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information of the Company and COSOL Australia, after adjusting for the effects of pro forma adjustments described in Section 5.5.3 of the Prospectus.

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in Section 5.5.3 of the Prospectus. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial position.

### **Forecast Financial Information**

The Directors of the Company have requested Elderton to perform limited assurance procedures in relation to:

- The pro forma forecast income statement and the pro forma forecast net cash flows of the Company for the year ended 30 June 2020 as set out in Sections 5.6.1 and 5.6.2 of the Prospectus (collectively the **“Pro Forma Forecast Financial Information”**). The assumptions underlying the Pro Forma Forecast Financial Information are described in Section 5.6.4 of the Prospectus. The stated basis of preparation used in the preparation of the Pro Forma Forecast Financial Information is the accounting policies adopted and used by the Company and the recognition and measurement principles contained in Australian Accounting Standards; and
- The statutory forecast income statement of the Company for the year ended 30 June 2020 is set out in Section 5.3.1 of the Prospectus (the **“Statutory Forecast Financial Information”**). The assumptions underlying the Statutory Forecast Financial Information are described in Section 5.6.4 of the Prospectus. The Statutory Forecast Financial Information has been derived from the Pro Forma Forecast Financial Information. The stated basis of preparation used in the preparation of the Statutory Forecast Financial Information is the accounting policies adopted and used by the Company and the recognition and measurement principles contained in Australian Accounting Standards, (together, the **“Forecast Financial Information”**).

For the purposes of preparing this Report we have performed limited assurance procedures in relation to the Forecast Financial Information in order to state whether, on the basis of the procedures described, anything comes to our attention that would cause us to believe that the Forecast Financial Information is not prepared or presented fairly, in all material respects, by the directors in accordance with the stated basis of preparation.

### **4. Directors’ Responsibility**

The Directors of the Company are responsible for:

- the preparation and presentation of the Statutory Historical Financial Information and the Pro-Forma Financial Information, including the selection and determination of the Pro-Forma adjustments. They are also responsible for all assumptions, judgements and estimates, used in the COSOL Ltd Historical Financial Information, the COSOL Australia Historical Financial Information, including as included in the Pro-Forma Financial Information.
- the preparation of the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information for the year ended 30 June 2020, including the best-estimate assumptions underlying the forecast, and
- the information contained within the Prospectus.

The Directors’ responsibility includes establishing and maintaining such internal controls as the Directors determine are necessary to enable the preparation of the Statutory Historical Financial Information, the Pro Forma Historical Financial Information and the Forecast Financial information that is free from material misstatement, whether due to fraud or error.

## **5. Our Responsibility**

Our responsibility is to express a limited assurance conclusion on the Statutory Historical Financial Information, the Pro Forma Historical Financial Information and the Forecast Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

Our limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

### **Conclusions**

#### Statutory Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information, as described in Sections 5.3.1, 5.4.1 and 5.5.1 of the Prospectus, and comprising:

- Statutory historical income statements of COSOL Australia for the years ended 30 June 2017, 2018 and 2019;
- Statutory historical statements of cash flows of COSOL Australia for the years ended 30 June 2017, 2018 and 2019 and;
- Statutory Historical statement of financial position of COSOL Australia as at 30 June 2017, 2018 and 2019,

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 5.2 of the Prospectus.

#### Pro Forma Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, being the pro forma historical statement of financial position as at 30 September 2019, is not presented fairly in all material respects, in accordance with the stated basis of preparation as described in Section 5.2 of the Prospectus.

#### Pro Forma Forecast Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention which causes us to believe that:

- the assumptions used in the preparation of the Pro Forma Forecast Financial Information for the year ended 30 June 2019 do not provide reasonable grounds for the Pro Forma Forecast Financial Information; and
- in all material respects, the Pro Forma Forecast Financial Information:
  - is not prepared on the basis of the assumptions as described in Section 5.6.4 of the Prospectus; and
  - is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in Australian Accounting Standards, applied to the Statutory Forecast Financial Information and the pro forma adjustments as if those adjustments had occurred prior to 30 June 2019 ; and
- the Pro Forma Forecast Financial Information itself is unreasonable.

### Statutory Forecast Financial Information

Based on our limited assurance engagement, which is not a reasonable assurance engagement, nothing has come to our attention which causes us to believe that:

- the assumptions used in the preparation of the Statutory Forecast Financial Information of the Company for the year ended 30 June 2020 do not provide reasonable grounds for the Statutory Forecast Financial Information; and
- in all material respects, the Statutory Forecast Financial Information:
  - is not prepared on the basis of the is not prepared on the basis of the assumptions as described in Sections 5.6.4 of the Prospectus; and
  - is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in Australian Accounting Standards; and
- the Statutory Forecast Financial Information itself is unreasonable.

### Pro Forma and Statutory Forecast Financial Information

The Pro Forma and Statutory Forecast Financial Information has been prepared by the Company's management and adopted and disclosed by the Directors in order to provide prospective investors with a guide to the potential financial performance of the Company for the twelve-month period ended 30 June 2020. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Pro Forma and Statutory Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material. The assumptions on which the Pro Forma and Statutory Forecast Financial Information is based relate to the events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the assumptions on which the Pro Forma and Statutory Forecast Financial Information is based however such evidence is generally future-oriented and therefore speculative in nature. We

are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of those assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the Pro Forma and Statutory Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in Section 7 of the Prospectus. We express no opinion as to whether the Pro Forma and Statutory Forecast Financial Information will be achieved.

We disclaim any assumption of responsibility for any reliance on this report, or on the Pro Forma or Statutory Forecast Financial Information to which it relates, for any purpose other than that for which it was prepared. We have assumed and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

### **Independence**

Elderton does not have any interest in the outcome of the proposed initial public offering, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

### **General advice warning**

This Report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. This Report is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this Report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

### **Restriction on use**

Without modifying our conclusions, we draw attention to the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this Report, or on the financial information to which it relates, for any purpose other than that for which it was prepared.

### **Consent**

Elderton has consented to the inclusion of this Investigating Accountant's Report in the Prospectus in the form and context in which it is so included but has not authorised the issue of the Prospectus. Accordingly, Elderton makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

Yours faithfully

ACN 22 137 309 892

## Financial Services Guide

### *About us*

Elderton Capital Pty Ltd (**Elderton Capital** or **we** or **us** or **our**) (Australian Financial Services Licence 342143) has been engaged by COSOL Limited (**COSOL** or the **Company**) to provide general financial product advice in the form of an Investigating Accountant's report (**Report**) in connection with the proposed Transaction.

The *Corporations Act 2001 (Cth)* requires us to provide this Financial Services Guide (**FSG**) in connection with the attached Report prepared for COSOL. You are not the party who engaged us to prepare this Report and we are not acting for any person other than COSOL. This FSG provides important information designed to assist Shareholders in forming their views of the Transaction and in understanding any general financial advice provided by Elderton Capital in this Report. Our Report is not intended to comprise personal retail financial product advice to retail investors or market-related advice to retail investors. This FSG contains information about our engagement by the directors of COSOL to prepare this Report in connection with the Transaction (Engagement), the financial services we are authorised to provide, the remuneration we (and any other relevant parties) may receive in connection with the Engagement, and details of our internal and external dispute resolution systems and how these may be accessed.

### *Financial services we are authorised to provide*

Our Australian Financial Services License authorises us to carry on a financial services business to provide financial product advice for classes of financial products, including securities and government debentures, stocks and bonds, and to deal in financial products by applying for, acquiring, varying or disposing of financial products on behalf of another person in respect of the abovementioned classes of financial products to retail and wholesale clients.

### *General financial product advice*

We do not provide personal financial product advice to retail clients. This Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs. Where the advice relates to the application for or acquisition of a financial product, you should also obtain and read carefully the relevant Transaction document or explanatory memorandum provided by the issuer or seller of the financial product before making a decision regarding the application for or acquisition of the financial product.

### *Remuneration, commissions and other benefits*

Elderton Capital charges fees for its services and will receive a fee of \$16,000 (excluding GST) for its work on this Report. These fees have been agreed on, and will be paid solely by COSOL, which has engaged our services for the purpose of providing this Report. Elderton Capital may seek reimbursement of any out of pocket expenses incurred in providing these services. Our advisers are directors and employees of Elderton Capital who are paid salaries and dividends by Elderton Capital and may also receive bonuses and other benefits from Elderton Capital. Our advisers may alternatively be paid by means of commission determined by a percentage of revenue written by the adviser.



## *Associations and relationships*

Other than as set out in this FSG or this Report, Elderton Capital has no association or relationship with any person who might reasonably be expected to be capable of influencing them in providing advice under the Engagement. Elderton Capital, its officers and employees and other related parties have not and will not receive, whether directly or indirectly, any commission, fees, or benefits, except for the fees to be paid to Elderton Capital for services rendered in producing this Report. Elderton Capital, its directors and executives do not have an interest in securities, directly or indirectly, which are the subject of this Report. Elderton Capital may perform paid services in the ordinary course of business for entities, which are the subject of this Report.

## *Risks associated with our advice*

This FSG is provided in connection with the attached Report relating to the Transaction. The Report comprises general product advice and does not comprise personal financial product advice to retail investors or market-related advice to retail investors.

## *Compensation arrangements*

The law requires Elderton Capital to have arrangements in place to compensate certain persons for loss or damage they suffer from certain breaches of the *Corporations Act 2001* by Elderton Capital or its representatives. Elderton Capital has internal compensation arrangements as well as professional indemnity insurance that satisfy these requirements.

## *Complaints*

As an Australian Financial Services Licence holder, we are required to have an internal complaints-handling mechanism. All complaints must be addressed to us in writing at Level 2, 35 Outram Street, West Perth, WA, 6005. You may contact us on

P: 08 6324 2900, E: [info@eldertoncapital.com](mailto:info@eldertoncapital.com). If we are not able to resolve your complaint to your satisfaction within 45 days of first lodging it with us, you are entitled to have your matter referred to the Financial Ombudsman Service (FOS). You will not be charged for using the FOS service.

To contact the FOS:

GPO Box 3  
MELBOURNE, VIC 3001  
Tel: 1300 780 808  
Fax: (03) 9613 6399

**Privacy & use of information.** We do not collect personal information on individual clients and are bound by the Elderton Capital Privacy Policy in the way that it governs personal information collected on clients. If you have any questions on privacy please contact us on the details above.

## **7. RISK FACTORS**

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### **7.1 INTRODUCTION**

The Shares offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free, and the Board strongly recommends potential investors consider the risk factors described in this Section 7, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares, and to consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks which are largely beyond the control of the Company and the Directors. The risks identified in this Section 7, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

The list of risks contained in this Section 7 is not intended to be an exhaustive list of the risk factors to which the Company is or may be exposed to.

### **7.2 COMPANY-SPECIFIC RISK FACTORS**

#### **7.2.1 Failure to effectively attract new or retain existing clients**

The Business depends on the ability to retain existing clients, attract further business from existing clients and to gain new clients. There is a risk that existing clients may in the future reduce usage of COSOL Australia's offered solutions and services (for example, the client may reduce the number of sites supported by COSOL Australia or the number of services utilised). In addition, there is a risk that existing clients may elect to not upgrade their EAM systems as new versions are released by software providers. This may then result in the services being offered by COSOL Australia to that client being reduced. Although COSOL Australia has ongoing relationships with a number of its clients through fixed-term contracts, there is a risk that these contracts are either not renewed or are terminated, which may result in a decrease in revenue.

There is also a risk that new clients fail to use COSOL Australia's solutions for their businesses. If existing clients do not continue to use COSOL Australia's solutions or services, or if the number of new clients electing to engage COSOL Australia declines, then the Business' growth in revenue may subsequently slow or decline.

#### **7.2.2 Lack of success of sales and marketing strategy**

The Business' ability to attract new clients is somewhat dependent on the conversion of client sales from internal investment in sales and marketing campaigns and initiatives. These campaigns and initiatives (which are developed on an ongoing basis from time to time) will continue to be a key feature of the Business' sales strategy as it continues to grow, with the promotion of COSOL Australia's brand, offerings and value proposition being of significant importance. Failure to realise the intended benefits from future sales and marketing investment could negatively impact on COSOL Australia's ability to attract new clients and may adversely impact operating and financial performance.

#### **7.2.3 Decline in energy, utility and mining sectors or economic conditions**

As mentioned in this Prospectus, COSOL Australia offers services to a number of clients in both regional and global energies, utilities and mining & materials sectors. These industries are themselves subject to a number of factors which may not be reasonably foreseeable and can have an adverse effect on success of parties operating in these industries. Any experience of future economic downturn, recessionary conditions or other economic or political factor to these industry sectors, could result in the take-up of COSOL Australia's solution and service offerings by existing and new clients in these sectors being reduced. If



this were this to occur, it may have an adverse effect on the Company's financial and operating performance.

#### **7.2.4 Competition Risk**

COSOL Australia faces competition from other single and multi-point EAM services solution providers, as well as from global enterprise software companies and companies offering in-house developed solutions. The broader EAM market is ever-evolving and is fragmented along both product lines (core EAM and ancillary support applications) - and geographical lines. While the Board believes fragmentation and disparate data source market strengthens COSOL Australia's position, particularly through the exploitation of its proprietary digital software RPCConnect®, COSOL Australia will ultimately be competing against existing and potential competitors who may have significantly more financial and operational resources available to it as compared to that of COSOL Australia. There is accordingly a risk that any one or more of the following could occur:

- COSOL Australia does not anticipate and adapt to changes in technology and key sector trends as quickly as its competitors;
- technological advancements make existing products or services offered by COSOL Australia obsolete;
- COSOL Australia's competitors enhance and improve their current range of solution and service offerings (particularly in relation to data migration and analytics) which improves their competitive positioning relative to COSOL Australia);
- EAM software providers, specifically SAP and ABB, enhance the breadth of the functionality of their core products to include open data migration interfaces and conduits;
- Existing or potential competitors (particularly EAM software providers such as SAP and ABB) increase their market share through aggressive marketing campaigns, product innovation or development, improved functionality, increased service delivery capability or acquisitions; and/or
- New entrants into the EAM market could develop their own unique services and solutions which compete directly with the services and solutions offered by COSOL Australia.

If any of the above scenarios eventuate, there is a risk that COSOL Australia may compete less effectively against its competitors, which could reduce its overall market share and ability to retain existing clients and secure new clients. In such circumstances, this could have an adverse effect on the operational and financial performance of the Company.

#### **7.2.5 Loss of key contracts**

COSOL Australia's relationships with its customers and suppliers are governed by its contractual arrangements with those parties. Any failure to maintain, renew or replace key contracts and arrangements on commercially acceptable terms, or any failure by a party (including COSOL Australia) to perform its obligations under such contracts or arrangements, could have a material adverse effect on the Business and the financial and operational performance of the Company. There is a risk that key contracts and arrangements may be lost for a variety of reasons. Certain key contracts and arrangements may be terminated by the counterparty for convenience. In these cases, COSOL Australia may not have contractual certainty in respect of the term of the relevant contract or arrangement or the operation of such contract or arrangement. As a result, these contracts and arrangements may give rise to a greater risk of unexpected termination or renegotiation of key commercial terms, or disputes. In addition, there is a risk that contracts may be lost due to a breach of contract by either the relevant counterparty or COSOL Australia. In particular, certain key contracts and

arrangements contain change of control clauses which will or may be triggered by this Prospectus, the Offer or a future change in ownership. Unless the necessary consents or waivers of the relevant counterparties are obtained, such counterparties may seek to exercise or enforce rights under or in respect of the relevant contracts or arrangements, including rights of termination and/or damages claims for breach of contract. The enforcement of such rights may have an adverse impact on the financial and operational performance of the Company.

#### **7.2.6 Intellectual Property**

A key component of COSOL Australia's business model is dependent on its ability to offer new and existing clients its proprietary digital software solutions RPConnect® and BPConnect®. The Business will be dependent on its ability to ensure the primacy of these proprietary digital software solutions in order to continue offering them. There is a risk that failure by COSOL Australia to update proprietary digital software solutions to adequately reflect changes in the core ERP/EAM systems of its software partners (particularly ABB and SAP) may lead to performance issues and faults which would likely result in a decrease in client satisfaction and potentially a loss of customers for the Business.

The Business' future growth will also be dependent on its ability to develop enhancements and new features for its solutions, in order to ensure the Business can satisfy existing client needs as well as attract new clients. There is a risk that the Company's operational and financial performance suffers as a result of lack of development and introduction of new features and modules by the Business due to insufficient investment, unforeseen costs, poor performance and reliability, low client acceptance, existing competition or adverse economic and market conditions.

Any of these factors may result in reduced sales and usage, loss of clients, reputational damage, an inability to attract new clients and potential claims for compensation against the Company.

#### **7.2.7 Cyber security incidents**

As an IT service provider, the use of information technology by the Company will be critical to its ability to deliver products and services to clients, and to the growth of the Business. The Company may be exposed to cyber-attacks, unauthorised access to data, theft and disruption outside of its control. Any accidental or deliberate security breaches or other unauthorised access to the Company's systems or client data may result in reputational damage, a loss of confidence in the Business, a disruption of services to clients, loss of clients, claims made against the Company by its clients, theft, misappropriation of funds, legal action or regulatory scrutiny. The Company may also incur costs as a result of rectifying any incidents or introducing additional safeguards to minimise the risk of future security breaches. Any of these events could adversely impact the Company's reputation, business and financial performance.

There is also a risk that any protective or preventative measures the Company takes may not be sufficient to prevent or detect any unauthorised access to, or disclosure of, the Company's confidential or proprietary information. Any of these events could cause a material disruption to the Business and the Company's operations. This may also expose the Company to reputational damage, claims against the Company by its clients, regulatory action against the Company (including investigations or fines) and/or termination of contracts, any of which could have an adverse effect on the Company's financial or operational performance.

#### **7.2.8 Key personnel**

Success of the Company will be dependent on the ability:

- (a) of the Board and the senior management of the Company to oversee the day-to-day operations and strategic management of the Company; and

- (b) to attract and retain key quality employees and consultants.

The Company has identified and put in place initiatives (including commissions and incentives) to retain key management personnel. Whilst the Company and COSOL Australia have (as applicable) entered into suitable employment or consultancy agreements with its officers, employees and consultants, there is no assurance that such arrangements will not be terminated. There can be no assurance given that there will be no detrimental impact on the Company if one or more of its officers, employees or agents ceases their employment or engagement with the Company. There is no assurance that the Company will be able to retain the services of all these persons.

#### **7.2.9 Acquisition risk**

As stated in Section 3.5, the Board intends on growing the Business both organically and, as opportunities present themselves, through potential acquisitions of complementary and synergistic businesses. While the Company will attempt to undertake all reasonable and appropriate due diligence in respect of any acquisition opportunities, there is a risk that the due diligence and analysis may be incomplete or inaccurate, warranties or indemnities cannot be obtained, or that the benefits and synergies the Company anticipates to receive from such acquisitions may not be realised due to a variety of factors. Although the Company will seek to obtain suitable warranties and indemnities in respect of any acquisition, there is a risk that adverse issues are subsequently discovered and that these risks cannot be fully mitigated by any contractual protection. If an unforeseen liability arises in respect of which the Company is not able to rely on any contractual protection, this may adversely affect the financial and operating performance of the Company and the Business.

The Company's ability to expand through future acquisitions as one part of its growth strategy may be affected by factors beyond its control, which may result in there being limited or unsuitable acquisition opportunities at the relevant time. There can be no assurance that suitable future acquisition opportunities will arise, or if they do arise, that they will be able to be made on acceptable terms. In addition, there is a risk that the acquisitions may fail to meet the strategic and financial objectives, generate the synergies and benefits that are expected, or provide an adequate return on the purchase price and resources invested in them. This may occur due to a variety of factors, including poor market conditions, poor integration of personnel, personnel losses, client losses, technology impacts or other integration barriers. Any of the above factors, either individually or in combination, may have an adverse effect on the Company's financial and operational performance.

#### **7.2.10 Ability to access funding and capital markets**

COSOL Australia has historically relied on organically generated cashflows to grow and expand its Business and to fund its investment in the development of its proprietary intellectual property. As at the date of this Prospectus, the Company does not have any debt and only has access to a small overdraft facility which has not been drawn on. The Board intends on utilising both the expanded working capital base (as a result of completion of the Offer) along with any suitable available equity funding options in order to fund the Business' day-to-day operations and future growth. Whilst the Offer is fully underwritten, any deterioration to prevailing equity market conditions may prevent the Company from raising new equity for any potential acquisitions as they arise, which could adversely affect the ability of the Company to grow and expand as it intends to.

#### **7.2.11 Regulatory risk**

The Company will be subject to various regulatory requirements (including those applicable to the IT services industry). Any changes to legislation, standards, policies, guidelines, interpretations or principles may affect the ability of the Company and the Business to carry out its day-to-day operations and/or achieve its future objectives. The Company is unable to predict or control changes to regulatory requirements which may have an adverse effect on the Company.

### **7.2.12 Data loss, theft or corruption**

The COSOL Australia Business could be materially disrupted by data breaches which may impact the security of information and data concerning the Company and/or its clients. This could occur through:

- (a) theft, unauthorised access or malicious attacks on COSOL Australia's systems, products or processes (for example through hacking);
- (b) unauthorized disclosure of confidential customer information (including exploitation of data); or
- (c) loss of information (for example through system problems).

Whilst COSOL Australia undertakes measures to detect and prevent the occurrence of security breaches, there is a risk that these measures may not be adequate. Any security breach may result in significant disruption to the COSOL Australia Business or to the operations of its clients. Any loss or leaking of client data may result in litigation arising out of a data breach.

A security breach could cause material harm to the Company's reputation and accordingly may have a material adverse impact on the Company's financial and operating results and performance, as well as its growth prospects.

### **7.2.13 Research and development risk**

COSOL Australia has developed an in-house research and development capability, with key R&D activities undertaken in Brisbane which will be of significance to the Company and the Business moving forward. There is a risk that, despite significant time and expenditure being applied to its R&D, such R&D may not result in an advancement to the Company's technology and products. There is no guarantee that the Company's R&D will be successful or prove to be commercially viable. The failure of any R&D project could have a materially adverse impact on the Company's financial and operational performance.

### **7.2.14 Trading in Shares might not be liquid**

There is currently no public market through which Shares may be sold. There can be no guarantee that an active market for Shares will develop or that the price of Shares will increase following Listing. There may be relatively few potential buyers or sellers of Shares on ASX at any time.

This may increase the volatility of the market price of Shares. It may also affect the prevailing market price at which Shares are able to be sold. This may result in holders of Shares receiving a market price for their Shares that is less or more than the price that they paid.

Upon completion of the Offer and Settlement of the Acquisition, the Escrowed Shares will comprise up to approximately 52.94% of the total Shares on issue and will be subject to voluntary escrow conditions as described in Section 3.12. During the Escrow Period, the existence of such escrow arrangements may adversely affect the market price of Shares.

Following the end of the Escrow Period, a significant sale of Shares by the Escrowed Shareholders (or the perception that such sales might occur following the end of the Escrow Period) could adversely affect the market price of the Shares.

## **7.3 GENERAL INVESTMENT RISKS**

### **7.3.1 Market conditions**

Share market conditions may affect the value of the Shares regardless of the Company's operating performance. Share market conditions are affected by many factors, including:

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) the strength of the equity and share markets in Australia and internationally;
- (iv) movement in, or outlook on, exchange rates, interest rates and inflation rates;
- (v) changes in investor sentiment toward particular market sectors;
- (vi) the demand for, and supply of, capital;
- (vii) natural disasters, social upheaval or war; and
- (viii) terrorism or other hostilities (including industrial disputes).

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 technology 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.

### **7.3.2 Price of Shares**

The Company's operating results, economic and financial prospects and other factors will affect the trading price of its Shares. In addition, the price of Shares will be subject to varied and often unpredictable influences on the market for equities. There is no assurance that the price of the Shares will increase or not decrease following the commencement of quotation on ASX, even if the Company's earnings increase.

### **7.3.3 Shareholder dilution**

The Company may in the future elect to issue Shares or engage in fundraising activities for a variety of reasons, including to fund acquisitions or growth initiatives. Whilst the Company will be subject to the constraints of the Listing Rules regarding the percentage of capital it is able to issue within a 12-month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues of Shares or fundraising activities.

### **7.3.4 Taxation risk**

Changes in Australian or international tax laws or changes in the way those laws are interpreted may impact the Company's tax liabilities or the tax treatment of a Shareholder's investment. In particular, both the level and basis of taxation may change.

An investment in Shares pursuant to the Offer or Secondary Offer involves tax considerations which may differ for each Applicant. All potential investors in the Company are urged to obtain independent professional taxation and financial advice about the consequences of acquiring and disposing of the Shares offered under this Prospectus.

### **7.3.5 Investment speculative**

The above risk factors ought not to be taken as an exhaustive list of the risks faced by the Company or by prospective investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus. Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee for the payment of dividends, returns of capital or the market value of those Shares. Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.



## **8. BOARD, KEY MANAGEMENT AND CORPORATE GOVERNANCE**

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### **8.1 BOARD OF DIRECTORS AND COMPANY SECRETARY**

#### **Geoffrey Lewis – Non-Executive Chairman**

Mr Lewis established formerly-listed ASG Group Limited ASX: ASZ) in 1996 and was its Managing Director until it was acquired and delisted in late 2016 for \$350 million by Japanese multinational IT services and consulting business Nomura Research Institute, Ltd. Mr Lewis has over 20 years' experience in the delivery of IT services and outsourcing.

#### **Grant Pestell – Independent Non-Executive Director**

Mr Pestell has been the managing director of Perth-based legal firm Murcia Pestell Hillard since 2000. He has extensive experience advising both listed and private companies particularly in the ICT, energy and resources and mining services industries. He is regularly involved in and advises on complex commercial disputes, strategic contract negotiations, mergers and acquisitions, risk management and large-scale financing. Mr Pestell was an independent non-executive director of formerly-listed ASG Group Ltd (ASX: ASZ) until it was acquired and delisted in late 2016 for \$350 million by Japanese multinational IT services and consulting business Nomura Research Institute, Ltd. Mr Pestell is currently the non-executive chair of RooLife Group Limited (formerly OpenDNA Limited) (ASX: RLG).

#### **Stephen Johnston – Non-Executive Director**

Mr Johnston has significant international experience in investment, corporate finance, mergers and acquisitions and commercial management gained over 25 years in Australian industrial and investment organisations. He was the managing director and founder shareholder of an industrial packaging group with operations in Australia and south east Asia and was an independent non-executive director of formerly-listed ASG Group Ltd (ASX: ASZ) until it was acquired and delisted in late 2016 for \$350million.

#### **Gerald Strautins – Independent Non-Executive Director**

Mr Strautins has extensive executive, M&A, consulting, program and business management experience, with particular strength in formulation, implementation & management of strategic managed service/outsourcing operations and transformation initiatives. Mr Strautins' strategic business consultancy and corporate management experience has been gained through extensive work in Australia, Europe and Asia. As the Executive – Strategy and M&A for formerly-listed ASG Group Ltd (ASX: ASZ), Mr Strautins was responsible for not only the strategic direction of the organisation, but also completed in excess of \$500 million in M&A transactions.

#### **Ben Secrett – Company Secretary**

Mr Secrett has over 10 years' experience providing corporate advisory, legal, risk and governance services to Australian and foreign listed and unlisted entities, having worked as a corporate lawyer and a Principal Adviser in ASX Listings Compliance. Mr Secrett has a comprehensive knowledge of the Corporations Act and the ASX Listing Rules, and extensive experience in IPOs and capital raisings, backdoor listings, transaction structuring, and corporate governance and compliance. Mr Secrett has qualifications in economics, law and corporate governance.

## **8.2 KEY MANAGEMENT**

### **Scott McGowan – Chief Executive Officer**

Mr McGowan is the Chief Executive Officer of COSOL Australia.

Mr McGowan is a highly experienced Executive Manager with a demonstrated ability to lead diverse teams of professionals to new levels of success in highly competitive markets. Mr McGowan has over 20 years of experience in both start-ups and global multinational corporations. Mr McGowan has strong technical and business qualifications and has an impressive track record in strategic planning, business unit development, project management, product development and system engineering strategies.

Prior to taking on the Chief Executive Officer role for COSOL Australia, Mr McGowan was Director of the Global Mining Practice for Wipro, having previously been an Associate Partner with IBM where he was responsible for Business Analytics and Optimisation.

Mr McGowan holds a Bachelor in Information Technology, majoring in Information Systems, from the Queensland University of Technology.

### **Melanie Woodward – Chief Financial Officer**

Ms Woodward is the Chief Financial Officer of COSOL Australia.

Ms Woodward has experience working as a Chief Financial Officer, Chief Operating Officer, Company Secretary and risk management specialist, with extensive professional experience and significant executive leadership accomplishments. Ms Woodward is skilled in finance, risk management, governance, global regulatory compliance, office management, and company secretarial work.

Prior to joining COSOL Australia, Ms Woodward held a number of key executive positions within Tactical Global Management Limited, an investment management company providing tailored investment solutions for wholesale institutional clients. Her responsibilities included global finance, strategic direction, business planning, risk management, compliance and governance functions of the business.

Ms Woodward was the winner of CFO of the Year in the 2018 Women in Finance Awards.

Ms Woodward holds a Bachelor of Business, majoring in accounting, from the Queensland University of Technology. In addition, she is a Certified Practising Accountant (CPA), and holds a Graduate Diploma in Company Secretarial Practice from the Governance Institute of Australia and is a Graduate of the Australian Institute of Company Directors.

## **8.3 MANAGEMENT AND CONSULTANTS**

The Company is aware of the need to have sufficient senior management personnel in order to properly supervise the day-to-day operations and strategic management of the Company and the Business. The Board will continue to monitor the Company's development and management capabilities to ensure they are properly adequate. The Board will look to appoint additional management personnel, employees and/or consultants when and where appropriate to ensure there is at all times proper management of the Company and the Business.

## **8.4 DIRECTOR REMUNERATION**

Each of the Directors has entered into a letter agreement with the Company pursuant to which, conditional upon and with effect from the Listing occurring, they are entitled to the following annual remuneration.

Director	Remuneration
Geoffrey Lewis (Non-Executive Chairman)	\$65,000
Grant Pestell (Non-Executive Director)	\$45,000
Stephen Johnston (Non-Executive Director)	\$45,000
Gerald Strautins (Non-Executive Director)	\$45,000

A summary of the letter agreements entered into between the Company and each Director is set out in Section 9.5.

The total aggregate amount of directors' fees payable to all of the Company's Non-Executive Directors is currently set at \$300,000, and may only be increased with the approval of Shareholders.

## 8.5 DIRECTOR INTERESTS IN SECURITIES

Directors are not required under the Constitution to hold any Shares to be eligible to act as a Director.

Details of each Director's relevant interest in Shares upon completion of the Offer and the Secondary Offer are set out in the table below:

Director	Number of Shares	%
Geoffrey Lewis (Non-Executive Chairman) <sup>1</sup>	24,250,000	19.0%
Grant Pestell (Non-Executive Director)	2,500,000	1.96%
Stephen Johnston (Non-Executive Director) <sup>1</sup>	24,250,000	19.0%
Gerald Strautins (Non-Executive Director)	3,000,000	2.4%

### Notes:

Geoffrey Lewis and Stephen Johnston have confirmed to the Company that they will each apply for 5,250,000 Shares under the Offer. Grant Pestell has confirmed to the Company that he will apply for 500,000 Shares under the Offer. The above table assumes that each of Messrs Lewis, Johnston and Pestell will be issued with their full allocation in that regard)

## 8.6 ASX CORPORATE GOVERNANCE COUNCIL PRINCIPLES AND RECOMMENDATIONS

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance with the Company's needs.

To the extent applicable, the Company has adopted *The Corporate Governance Principles and Recommendations (3<sup>rd</sup> Edition)* as published by ASX Corporate Governance Council (**Recommendations**).

In light of the Company's size and nature, the Board considers that the current Board will be a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.



The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined below and the Company's full Corporate Governance Plan will be available in a dedicated corporate governance information section at [www.cosol-ipo.com.au](http://www.cosol-ipo.com.au).

**(a) Board of Directors**

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- (i) maintain and increase shareholder value;
- (ii) ensure a prudential and ethical basis for the Company's conduct and activities; and
- (iii) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

- (i) leading and setting the strategic direction and objectives of the Company;
- (ii) developing initiatives for profit and asset growth;
- (iii) reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- (iv) acting on behalf of, and being accountable to, shareholders; and
- (v) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

**(b) Audit committee**

The Company will not have a separate audit committee until such time as the Board is of a sufficient size and structure, and the Company's operations are of a sufficient magnitude for a separate committee to be of benefit to the Company. In the meantime, the full Board will carry out the duties that would ordinarily be assigned to that committee, including but not limited to, monitoring and reviewing any matters of significance affecting the financial reporting and compliance, the integrity of the financial reporting of the Company, the Company's internal financial control system and risk management systems and the external audit function.

**(c) External auditors**

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board will from time to time review the performance, scope and fees of its external auditors.

**(d) Trading policy**

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its Key Management Personnel. The policy generally provides that the written acknowledgement of the Board must be obtained prior to trading.

## **8.7 DEPARTURES FROM RECOMMENDATIONS**

Following admission to the Official List of ASX, the Company will be required to report any departures from the Recommendations in its annual financial report.

The Company's compliance and departure from the Recommendations as at the date of this Prospectus will be announced upon its admission to the Official List of ASX.

## 9. MATERIAL CONTRACTS

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Set out below is a summary of material contracts to which the Company or COSOL Australia is a party.

### 9.1 UNDERWRITING AGREEMENT

The Company has appointed Euroz Securities to act as lead manager and underwriter to the Offer. The Lead Manager and Underwriter may at any time appoint co-managers and brokers to the Offer and, at its own cost, appoint sub-underwriters to sub-underwrite the Offer.

Pursuant to the Underwriting Agreement, the Company has agreed to:

- (a) pay the Lead Manager and Underwriter an underwriting fee of 3% of the total amount raised under the Offer; and
- (b) reimburse the Lead Manager and Underwriter for all reasonable costs and out-of-pocket expenses of and incidental to the Offer.

Amounts due and payable under the Underwriting Agreement by the Company to the Lead Manager and Underwriter for more than 30 days incur interest at a rate per annum equal to the Reserve Bank of Australia's overnight cash rate plus 1.00%.

The obligations of the Lead Manager and Underwriter under the Underwriting Agreement are conditional on, among other things:

- (a) lodgement of the Prospectus with ASIC;
- (b) completion of all due diligence investigations with respect to the Offer including the provision of a Due Diligence Report and Legal Opinion to Lead Manager and Underwriter, together with any other opinions or sign-offs obtained during these investigations;
- (c) the execution of voluntary escrow deeds by each of the Escrowed Shareholders in a form and substance acceptable to the Lead Manager and Underwriter and ASX; and
- (d) the parties to the Acquisition Agreement having satisfied or waived all conditions precedent under the Acquisition Agreement (save for conditions precedent relating to Settlement or completion of the Offer) before the Settlement Date and the Acquisition Agreement having not been rescinded, terminated, breached or amended (without the consent of the Lead Manager and Underwriter).

The Lead Manager and Underwriter may terminate, at any time, its obligations under the Underwriting Agreement if:

- (a) **(Acquisition Agreement)** the Acquisition Agreement has become void or voidable, illegal, invalid or unenforceable, or has been frustrated, terminated or rescinded, or has been amended in a manner that is materially adverse to the Company (including any increase to the purchase price payable under the Acquisition Agreement), the Company has received written notification under an Acquisition Agreement of a breach and that breach would entitle a party to terminate that agreement (provided any time for rectification of such breach has also expired) or where a condition precedent to an obligation under the Acquisition Agreement has failed to be satisfied by the requisite time or becomes incapable of being satisfied and that condition precedent has not been waived in writing by the persons who have the benefit of that condition precedent by the day before the Settlement Date.
- (b) **(disclosures)** a statement contained in any Offer Document or in any public and other media statements made by, or on behalf of, the Company in relation to the affairs of

the Company, COSOL Australia or the Offer, is or becomes misleading or deceptive, or a matter required to be included is omitted from those documents.

- (c) **(forecasts):**
  - (i) there are not, or there cease to be, reasonable grounds for any statement or estimate in the Offer Documents which relate to a future matter; or
  - (ii) any statement or estimate in the Offer Documents which relates to a future matter is unlikely to be met in the projected timeframe (including in each case financial forecasts).
- (d) **(new circumstances)** there occurs a new circumstance that arises after the Prospectus is lodged that would have been required to be included in the Prospectus if it had arisen before the Prospectus was lodged, provided such circumstance has or is likely to have a materially adverse effect on the Offer.
- (e) **(supplementary offer document)** the Company issues or, in the reasonable opinion of the Lead Manager, is required to issue any supplementary or replacement prospectus to comply with section 719 of the Corporations Act, provided such issue or requirement to issue arises in connection with the occurrence of a matter or event which has or is likely to have a materially adverse effect on the Offer.
- (f) **(form of Supplementary Offer Document)** the Company lodges a supplementary or replacement prospectus with ASIC in a form that has not been approved by the Lead Manager and Underwriter in circumstances required under the Underwriting Agreement.
- (g) **(market fall)** at any time after the close of any bookbuild the S&P/ASX All Ordinaries Index (XAO) falls to a level that is 90% or less of the level as at the close of trading on the day immediately prior to the date of the Underwriting Agreement and remains at or below that level at the close of trading for at least 2 Business Days or on the Business Day immediately prior to the Settlement Date.
- (h) **(listing and quotation)** approval is refused or not granted, or approval is granted subject to conditions other than customary conditions, to:
  - (i) the Company's admission to the Official List; or
  - (ii) the quotation of the Company's Shares on ASX or for the Shares to be cleared through CHESS on or before the date of quotation,or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld.
- (i) **(notifications)** any of the following notifications are made in respect of the Offer:
  - (i) ASIC issues an order (including an interim order, other than an interim order which does not become public) under section 739 of the Corporations Act;
  - (ii) ASIC holds a hearing under section 739(2) of the Corporations Act;
  - (iii) any person (other than the Lead Manager and Underwriter) who has previously consented to the inclusion of its name in any Offer Document withdraws that consent; or
  - (iv) any person (other than the Lead Manager and Underwriter) gives a notice under section 730 of the Corporations Act in relation to any Offer Document.

- (j) (**certificate**) the Company does not provide a closing certificate as and when required by the Underwriting Agreement.
- (k) (**withdrawal**) the Company withdraws the Prospectus or the Offer.
- (l) (**insolvency event**) either the Company or COSOL Australia is or becomes insolvent or there is an act or omission which may result in the Company or COSOL Australia becoming insolvent.
- (m) (**applications and proceedings**) any person makes an application for an order under Part 9.5 of the Corporations Act, or to any Government Agency, in relation to the Prospectus or the Offer or ASIC commences or gives notice of an intention to hold any investigation, proceedings or hearing in relation to the Offer or the Prospectus or any government agency (other than ASX or ASIC) commences or gives notice of an intention to hold, any enquiry, except where the application, investigation, proceeding or hearing does not become public or is withdrawn to the Lead Manager and Underwriter's reasonable satisfaction within 2 Business Days of when it is made, or if it is made within 2 Business Days of the Settlement Date, it has not been withdrawn before 4.00pm on the Business Day before the Settlement Date.
- (n) (**fraud**) the Company or any of its directors or officers (as those terms are defined in the Corporations Act) engage, or have engaged since the date of the Underwriting Agreement, in any fraudulent conduct or activity, whether or not in connection with the Offer.
- (o) (**prosecution**) any of the following occur:
  - (i) a director or proposed director of the Company named in the Prospectus or any pathfinder prospectus is charged with an indictable offence;
  - (ii) any Government Agency commences, or announces that it intends to take, any public action against the Company or COSOL Australia or any of the Directors in their capacity as a Director (as applicable); or
  - (iii) any Director or proposed Director named in the Prospectus or any pathfinder prospectus is disqualified from managing a corporation under Part 2D.6 of the Corporations Act.
- (p) (**force majeure**) there is an event or occurrence, including any statute, order, rule, regulation, directive or request (including one compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) of any Government Agency which makes it illegal for the Lead Manager and Underwriter to satisfy an obligation under the Underwriting Agreement, or to market, promote or settle the Offer.
- (q) (**unable to issue**) the Company is prevented from allotting or issuing Shares within the time required by the timetable set out in the Underwriting Agreement, the Offer Documents, the Listing Rules, the ASX Settlement Operating Rules or by any other applicable laws, an order of a court of competent jurisdiction or a Government Agency, by more than five Business Days, unless agreed otherwise by the Lead Manager and Underwriter in writing.
- (r) (**voluntary escrow deed**) any voluntary escrow deed is withdrawn, varied, terminated, rescinded, altered, amended or breached or failed to be complied with.
- (s) (**Material Contracts**) if any of the material obligations of the relevant parties under any of the material contracts set out in Section 9 are not capable of being performed in accordance with their terms (in the reasonable opinion of the Lead Manager or Underwriter) or if all or any part of any of such contracts:

- (i) is amended or varied in a material respect without the consent of the Lead Manager, where such amendment or variation has or is likely to have a materially adverse effect on the Offer;
  - (ii) is terminated;
  - (iii) is breached, provided such breach has or is likely to have a materially adverse effect on the Offer;
  - (iv) ceases to have effect, otherwise than in accordance with its terms; or
  - (v) is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, rescinded or avoided or of limited force and effect, or its performance is or becomes illegal.
- (t) **(change to Company)** the Company:
- (i) alters the issued capital of the Company or COSOL Australia (other than pursuant to an employee share or option plan or other issue described in the Prospectus); or
  - (ii) disposes or attempts to dispose of a substantial part of the business or property of the Company or COSOL Australia,
- without the prior written consent of the Lead Manager and Underwriter.
- (u) **(regulatory approvals)** if a regulatory body withdraws or revokes; or amends, any regulatory approvals required for the Company to perform its obligations under the Underwriting Agreement or to carry out the transactions contemplated by the Offer Documents.
- (v) **(timetable)** the Offer is not conducted in accordance with the timetable set out in the Underwriting Agreement or any event specified in that timetable is delayed by more than two Business Days without the prior written consent of the Lead Manager and Underwriter (not to be unreasonably withheld or delayed).

The Underwriting Agreement also contains a number of indemnities, representations and warranties from the Company to the Lead Manager and Underwriter as well as other provisions that are considered standard for an agreement of this type.

The Lead Manager and Underwriter is also currently a Shareholder. The extent to which Shares are issued pursuant to the underwriting will increase the Lead Manager and Underwriters' voting power in the Company. The Lead Manager and Underwriter is not a related party of the Company for the purpose of the Corporations Act. The Lead Manager and Underwriter's present relevant interest and changes under several scenarios are set out in the table below.

Event	Shares held by Lead Manager and Underwriter	Voting power of Lead Manager and Underwriter
Shares held as at date of this Prospectus	2,000,000	4.4%

Event	Shares held by Lead Manager and Underwriter	Voting power of Lead Manager and Underwriter
<b>Completion of Offer</b>		
• If the Offer is fully subscribed	2,000,000	1.6%
• If the Offer is 50% subscribed	32,000,000	25.1%
• If the Offer is only subscribed for by Geoffrey Lewis and Stephen Johnston (5,250,000 Shares each) and Grant Pestell (500,000 Shares)	51,000,000	40%

The number of Shares held by the Lead Manager and Underwriter and its voting power in the table above show the potential effect of the underwriting of the Offer. However, it is unlikely that no investors, other than Geoffrey Lewis, Stephen Johnston, Grant Pestell and the Lead Manager and Underwriter, will take up Shares under the Offer. The underwriting obligation, and therefore voting power of the Lead Manager and Underwriter, will reduce by a corresponding amount for the number of Shares taken up by investors under the Offer. The Lead Manager and Underwriter has advised the Company that it intends to allocate Shares from its underwriting allocation to its nominated investors to ensure neither it, nor its nominated investors, acquire more than a 20% shareholding in the Company on Listing.

## 9.2 ACQUISITION AGREEMENT

The Company has entered into a binding Share Purchase Agreement with the Vendors and COSOL Australia (**Acquisition Agreement**), under which the Company has the conditional right to acquire 100% of the issued capital of COSOL Australia.

The key terms of the Acquisition Agreement are as follows:

- (a) **Conditions Precedent:** The Acquisition is conditional upon satisfaction or waiver of the following conditions precedent:
- (i) no event, condition or circumstance occurring before Settlement which has a material adverse effect on the financial condition, operations, business or prospects of COSOL Australia other than any condition resulting from:
    - A. any change in economic, industry, financial, market or political conditions;
    - B. any change in law, regulatory policy or accounting rules;
    - C. entering into the Acquisition Agreement or the announcement of the Acquisition contemplated by the Acquisition Agreement; or
    - D. any change arising in connection with any natural disasters, hostilities, acts of war, sabotage or terrorism;
  - (ii) the entry by Scott McGowan, COSOL Australia's Chief Executive Officer, into a new employment agreement with the Company or an entity designated by it on terms and conditions approved by the Company and Mr McGowan (each acting reasonably), which agreement must be on terms no less favourable than Mr McGowan's employment conditions as at the date of execution of the Acquisition Agreement, for an indefinite term, and subject to and conditional on Settlement occurring (with the employment agreement to come into effect

on and from Settlement) – a summary of this employment agreement is set out in Section 9.5.5;

- (iii) the Vendors discharging all security interests over the assets of COSOL Australia;
- (iv) the Vendors complying with certain pre-Settlement tax matters;
- (v) each of the directors of COSOL Australia agreeing in writing to resign, conditional upon and effective as at Settlement, from all:
  - A. officeholder positions held by them with COSOL Australia, without claim for any compensation whatsoever (other than in terms of amounts to which they may be expressly entitled under the Acquisition Agreement); and
  - B. employment positions held by them with COSOL Australia, without claim for any compensation other than with respect to accrued statutory entitlements and any payment in lieu of notice owing to such directors pursuant to the terms of their employment agreements with COSOL Australia;
- (vi) as regards any material contract (as identified by the Company and the Vendors) containing change of control provisions which may potentially be triggered by the Acquisition, the Vendors delivering to the Company written confirmation (in a form reasonably satisfactory to the Company) from all relevant counterparties that such material contracts will continue in force following Settlement, on terms and conditions that are no less favourable to COSOL Australia than those which exist prior to Settlement;
- (vii) no changes being made to the capital structure, and/or debt capital structure of COSOL Australia (other than in relation to dividends and debt repayments, or as occurs in the normal course of the Business), without the approval of the Company;
- (viii) the application by the Company for Official Quotation having been conditionally approved by ASX;
- (ix) the parties obtaining all other necessary regulatory and other approvals required in connection with the Acquisition;
- (x) the Vendors having delivered to the Company such signed escrow agreements as may be required in connection with the escrow of the Consideration Shares to be issued to the Vendors at Settlement;
- (xi) the Company having received binding commitments for, or cleared funds to, the value of no less than \$12,000,000 (or such lesser amount as the Company in its absolute discretion determines) by way of subscription funds in connection with the Offer; and
- (xii) the Vendors having confirmed in writing to the Company that they have carefully read and reviewed the final version of this Prospectus and that:
  - A. all content contained in the Prospectus which has been supplied for inclusion by the Vendors or COSOL Australia is true, correct and not misleading;
  - B. all information contained in the Prospectus in relation to the Business, including as to its nature, performance, key customers and suppliers, is true, correct and not misleading (whether by omission or otherwise)



and, to the extent that forecast financial information is included in the Prospectus which is derived directly from the forecast financial information prepared by the management of Cosol Australia, such forecast financial information is based on reasonable assumptions;

- C. to the best of the Vendors' knowledge, the Prospectus contains all information that investors and their professional advisers would reasonably require to make an informed assessment of the assets and liabilities, financial position and performance, profits and losses and prospects of the Business; and
  - D. to the best of the Vendor's Knowledge, there is no misleading or deceptive statement contained in the Prospectus, nor any omission from the Prospectus of any material required by sections 710 and 711 of the Corporations Act.
- (b) **Consideration:** In consideration for the Acquisition, and subject to the satisfaction or waiver of the conditions precedent set out in Section 9.2(a), the Company will pay or issue (as applicable) the Vendors in aggregate with the following consideration at Settlement:
- (i) \$4,500,000 worth of Consideration Shares (being 22,500,000 at a deemed issue price of \$0.20 per Consideration Share); and
  - (ii) \$9,000,000 in cash, subject to an adjustment to align the actual net working capital of COSOL Australia at Settlement to an agreed target net working capital figure.
- (c) **Earn Out Consideration:** The Vendors are also eligible under the Acquisition Agreement to receive up to 2 instalments of deferred consideration (**Earn Out Consideration**), depending on the financial performance of the COSOL Australia business following Settlement. In that regard:
- (i) for the financial year ended 30 June 2020, if EBITDA in relation to the business meets or exceeds \$3.11 million, the Vendors will be entitled to a payment of Earn Out Consideration which in aggregate equates to the difference between that relevant EBITDA result and \$2.78 million (being the audited EBITDA result for the business for the financial year ended 30 June 2019), multiplied by 2; and
  - (ii) for the financial year ended 30 June 2021, if EBITDA in relation to the business meets or exceeds \$3.83 million, the Vendors will be entitled to a payment of Earn Out Consideration which in aggregate equates to the difference between that relevant EBITDA result and \$2.78 million, multiplied by 1.5.

Earn Out Consideration instalments are payable either in cash or in Shares at the Company's election (subject to any necessary shareholder approvals being obtained) and are subject to COSOL Australia's CEO Scott McGowan remaining continually employed by COSOL Australia during the above periods (other than where such employment ceases due to redundancy or a decision by COSOL Australia to terminate such employment without cause). The maximum aggregate amount that the Company is liable to pay by way of Earn Out Consideration is \$6.5 million.

The Acquisition Agreement otherwise contains terms and conditions considered standard for an agreement of this nature (including as to maintenance of assets, warranties, indemnities and confidentiality).

### 9.3 OPERATIONAL AGREEMENTS

COSOL Australia is party to a System Integrator Master Agreement with ABB dated 8 September 2017 (**SIM Agreement**) which governs the participation by COSOL Australia in ABB's Partner Program and COSOL Australia's resale of ABB's software (through licences granted by COSOL Australia to its end users).

A summary of the material terms and conditions of the SIM Agreement are set out below.

- (a) **Right to resell or distribute ABB products:** Under the SIM Agreement, COSOL Australia is granted the right by ABB to resell or distribute ABB's Ellipse, Ellipse Select, Axis and LinkOne products by the grant of licences by COSOL Australia to its end users (being its clients).
- (b) **Term:** The SIM Agreement commenced on 8 September 2017 for an initial one year term. The SIM Agreement automatically renews on 8 September of each year for an additional one-year term, unless terminated by either party with 60 days' prior written notice, subject to COSOL Australia providing ABB with written certification of its compliance with the US *Foreign Corrupt Practices Act* prior to the automatic renewal date. COSOL Australia has confirmed it has met these obligations as and when they fall due. The SIM Agreement may otherwise be terminated as set out in Section 9.3(d) below.
- (c) **Payment:** COSOL Australia is required to pay ABB a fee to purchase ABB's relevant software products for on-sale to its clients. The price for these products is based on ABB's list price for the relevant product, as amended from time to time, subject to a 20% discount. COSOL Australia is solely responsible for determining the price for licenses in respect of any ABB products offered to its clients (as well as the price for associated support services and other services provided in connection with such products).
- (d) **Termination:** either party may terminate the SIM Agreement:
  - (i) if the other party is in breach of a material provision of the SIM Agreement and, if such breach is capable of being remedied, has not been remedied by the other party within 30 days of receiving a notice to do so; or
  - (ii) for convenience at any time by providing the other party with 60 days' prior notice.
- (e) **Intellectual Property:** Any intellectual property rights in any materials developed by COSOL Australia in connection with the SIM Agreement shall be immediately assigned to ABB upon creation. COSOL Australia must ensure that each agreement or contract entered into by COSOL Australia with an end user relating to an ABB product does not transfer, assign or otherwise transmit any intellectual property right in such product or derivative work created from the product to the end user or a third party.
- (f) **Assignment:** COSOL Australia may not assign, transfer or delegate any of its rights, duties or obligations under the SIM Agreement without the prior written consent of ABB. However, ABB may assign the SIM Agreement in whole or in part to any of its affiliates.

### 9.4 AGREEMENTS WITH KEY CUSTOMERS

This Section 9.4 sets out summaries of the material terms of the contractual relationships which exist between COSOL Australia and certain key customers (based on revenue generated by those customers), so as to highlight the types of relationship that COSOL Australia has formed and intends to continue following completion of the Offer and Settlement of the Acquisition.

#### 9.4.1 DXC and Queensland Urban Utilities

COSOL Australia provides services to Queensland Urban Utilities through a Subcontractor Agreement entered into by COSOL Australia and DXC Technology Australia Pty Ltd (formerly CSC Australia Pty Ltd) (**DXC**), on or around 13 March 2019. Under the Subcontractor Agreement, COSOL Australia provides various data migration and Ellipse implementation services to DXC in connection with DXC's contract to provide services to Queensland Urban Utilities.

The key terms of the Subcontractor Agreement are as follows:

- **Fees:** Under the Subcontractor Agreement, COSOL Australia's estimated fees for providing services (across the term of the Subcontractor Agreement) are \$6,196,800 (plus GST), comprising:
  - (a) \$3,231,800 in fixed fees payable upon completion of various milestones in connection with data migration services to be provided by COSOL Australia; and
  - (b) \$2,965,000 in estimated fees on a time and materials basis in connection with Ellipse implementation services to be provided by COSOL Australia (with such fees to be invoiced monthly in arrears).
- **Intellectual property:** Any intellectual property created by COSOL Australia in the course of work undertaken pursuant to the Subcontractor Agreement is assigned to DXC and owned by DXC for the purpose of assignment to Queensland Urban Utilities. COSOL Australia grants DXC a worldwide, perpetual, non-exclusive, royalty-free licence in respect of any pre-existing intellectual property forming part of the deliverables under the Subcontractor Agreement for the purposes of using the services provided by COSOL Australia and so as to enable Queensland Urban Utilities to operate any project as a result of those services.
- **Termination:** The Subcontractor Agreement may be terminated for convenience by DXC on 30 days' written notice.

#### 9.4.2 Department of Defence

COSOL Australia provides services to the Department of Defence directly as well as through a Statement of Work document entered into by COSOL Australia and IBM Australia Limited (**IBM**) on or around 19 August 2019. IBM is directly engaged by the Department of Defence pursuant to a Deed of Standing Order. Under the Statement of Work, COSOL Australia is engaged by IBM to provide services in connection with the Department of Defence's ERP Program, including its program known as the "model defence organisation" which was prepared by SAP Australia Pty Ltd (**MDO**). Under the Statement of Work, COSOL Australia will provide services until the later of 31 January 2021 or the date the required deliverables and services have been delivered and performed under the Statement of Work.

The key terms of the Statement of Work are as follows:

- **Fees:** Under the Statement of Work, COSOL Australia provides services through its various personnel on a time and materials basis, with COSOL Australia's fees under the Statement of Work estimated to be approximately \$4.5 million (provided the Statement of Work runs its full course).
- **Intellectual property:** All intellectual property created by COSOL Australia in connection with the MDO will vest on its creation in the Department of Defence. COSOL Australia grants to the Department of Defence a licence in respect of all intellectual property created in connection with the Statement of Work so as to enable the Department of Defence to obtain the full benefit of the services provided by

COSOL Australia under the Statement of Work and for the carrying out of any function, power or activity of the Commonwealth.

- **Termination:** IBM may terminate or reduce the scope of work to be performed by COSOL Australia under the Statement of Work by written notice.

#### 9.4.3 OK Tedi Mining Limited

COSOL Australia performs work for OK Tedi Mining Limited (**OTML**) pursuant to two major agreements, being:

- (a) Contract OTML218707, which sets out the terms by which COSOL Australia provides SAP application support services to OTML; and
- (b) Contract OTML218708, which sets out the terms by which COSOL Australia provides SAP application project and continuous improvement services to OTML.

The agreements each commenced on 1 March 2019 and are set to expire on 28 February 2022, with an opportunity for extension of an additional 12 months.

The key terms of the OTM218707 and OTML218708 agreements are set out below.

- **Fees:** Under the agreements:
  - COSOL Australia will (under OTML218707) be paid a fixed annual service fee of \$1,980,000, payable in advance in fixed monthly instalments of \$165,000, and will also be paid (based on set rates which are subject to rise and fall provisions) for any ad hoc services or project and continuous improvement work performed; and
  - COSOL Australia will (under OTML218708) be paid on a set-rate basis (subject to rise and fall provisions) when performing work as requested by OTML from time to time.
- **Intellectual property:** Under the agreements, intellectual property in all works, ideas, concepts, designs and inventions arising as a result of the provision of services vests exclusively in OTML. COSOL Australia grants to OTML a perpetual, non-exclusive, irrevocable, worldwide, transferable, royalty-free licence to exercise COSOL Australia's existing or independent intellectual property as necessary for OTML to enjoy the benefit of the services provided by COSOL Australia.
- **Termination:** The agreements may each be terminated for convenience by OTML on 30 days' written notice.

#### 9.4.4 Energy Queensland Ltd

COSOL Australia provides services to Energy Queensland Ltd pursuant to an Operational Services Agreement by which Energy Queensland Ltd places services orders as required from time to time. Under one such service order, COSOL Australia has been engaged by Energy Queensland Ltd to provide services to the volume of approximately \$2.5 million over the period commencing 1 July 2018 and expiring 30 June 2020 (although there is an option to extend for an additional 12 months), for software support services relating to Energy Queensland Ltd's Legacy Ellipse 5.2 system.

The key terms of the Operational Services Agreement are as follows:

- **Fees:** Under the Operational Services Agreement, COSOL Australia will be paid a monthly fee of \$103,320.

- **Intellectual property:** Any intellectual property in new material created for Energy Queensland vests in Energy Queensland Ltd. Intellectual property rights in pre-existing materials which are incorporated into any deliverables remain vested in COSOL Australia, which grants Energy Queensland Ltd an irrevocable, unconditional, perpetual, royalty-free, non-exclusive, worldwide and transferable licence for the purposes of using, supporting or modifying a deliverable in the course of Energy Queensland Ltd's activities or functions.
- **Termination:** The Operational Services Agreement may be terminated for convenience by either party on 30 days' written notice.

#### 9.4.5 New Hope Group

COSOL Australia and New Hope Corporation Limited (**New Hope**) entered into a Software Implementation Agreement in August 2019 pursuant to which COSOL Australia provides services relevant to the configuration, implementation, integration, commissioning and deployment of the ERP and EAM software which is licensed to New Hope by ABB.

The key terms of the Software Implementation Agreement are as follows:

- **Fees:** Under the Software Implementation Agreement, COSOL Australia is to receive a total of \$1,040,000 (plus GST) payable in instalments upon the achievement of various milestones (expected to be finalised in May 2020).
- **Intellectual property:** All intellectual property rights created by COSOL Australia in the course of providing services to New Hope under the Software Implementation Agreement are the property of New Hope. Any intellectual property owned by COSOL Australia that is embedded in any deliverables or necessary to New Hope receiving the benefits of the services and deliverables under the Software Implementation Agreement are licensed to New Hope on a perpetual, non-exclusive, worldwide, royalty-free basis.
- **Termination:** The Software Implementation Agreement may be terminated for convenience by New Hope on 30 days' written notice.

### 9.5 AGREEMENTS WITH DIRECTORS AND MANAGEMENT

#### 9.5.1 Non-Executive Letter of Appointment – Mr Geoffrey Lewis

The Company has entered into a letter of appointment with Mr Geoffrey Lewis, pursuant to which Mr Lewis has been appointed as the Non-Executive Chairman of the Company on the following terms:

- (a) **Term:** the term of Mr Lewis' appointment is subject to the Listing Rules and provisions of the Constitution relating to retirement by rotation and re-election of Directors and will automatically cease at the end of any meeting at which Mr Lewis is not re-elected as a Director by shareholders of the Company.
- (b) **Fees:** \$65,000 per annum
- (c) **Termination:** Mr Lewis' appointment may be terminated:
  - (i) by the Board if, after notifying Mr Lewis in writing that the Board considers Mr Lewis has willfully and persistently failed to comply with his duties or obligations or has otherwise lost the confidence of the Board, Mr Lewis has not remedied the relevant failure within 14 days of such notice; or
  - (ii) by Mr Lewis resigning at any time, provided that he must use all reasonable endeavours to give the Company at least one months' prior written notice of

such resignation.

#### 9.5.2 Non-Executive Letter of Appointment – Mr Grant Pestell

The Company has entered into a letter of appointment with Mr Grant Pestell, pursuant to which Mr Pestell has been appointed as a Non-Executive Director of the Company on the following terms:

- (a) **Term:** the term of Mr Pestell's appointment is subject to the Listing Rules and provisions of the Constitution relating to retirement by rotation and re-election of Directors and will automatically cease at the end of any meeting at which Mr Pestell is not re-elected as a Director by shareholders of the Company;
- (b) **Fees:** \$45,000 per annum
- (d) **Termination:** Mr Pestell's appointment may be terminated:
  - (i) by the Board if, after notifying Mr Pestell in writing that the Board considers Mr Pestell has willfully and persistently failed to comply with his duties or obligations or has otherwise lost the confidence of the Board, Mr Pestell has not remedied the relevant failure within 14 days of such notice; or
  - (ii) by Mr Pestell resigning at any time, provided that he must use all reasonable endeavours to give the Company at least one months' prior written notice of such resignation.

#### 9.5.3 Non-Executive Letter of Appointment – Mr Stephen Johnston

The Company has entered into a letter of appointment with Mr Stephen Johnston, pursuant to which Mr Johnston has been appointed as a Non-Executive Director of the Company on the following terms:

- (a) **Term:** the term of Mr Johnston's appointment is subject to the Listing Rules and provisions of the Constitution relating to retirement by rotation and re-election of Directors and will automatically cease at the end of any meeting at which Mr Johnston is not re-elected as a Director by shareholders of the Company;
- (b) **Fees:** \$45,000 per annum
- (c) **Termination: Termination:** Mr Johnston's appointment may be terminated:
  - (i) by the Board if, after notifying Mr Johnston in writing that the Board considers Mr Johnston has willfully and persistently failed to comply with his duties or obligations or has otherwise lost the confidence of the Board, Mr Johnston has not remedied the relevant failure within 14 days of such notice; or
  - (ii) by Mr Johnston resigning at any time, provided that he must use all reasonable endeavours to give the Company at least one months' prior written notice of such resignation.

#### 9.5.4 Non-Executive Letter of Appointment – Mr Gerald Strautins

The Company has entered into a letter of appointment with Mr Gerald Strautins, pursuant to which Mr Strautins has been appointed as a Non-Executive Director of the Company on the following terms:

- (a) **Term:** the term of Mr Strautins' appointment is subject to the Listing Rules and provisions of the Constitution relating to retirement by rotation and re-election of Directors and will automatically cease at the end of any meeting at which Mr Strautins is not re-elected as a Director by shareholders of the Company;



- (b) **Fees:** \$45,000 per annum
- (c) **Termination: Termination:** Mr Strautins' appointment may be terminated:
  - (i) by the Board if, after notifying Mr Strautins in writing that the Board considers Mr Strautins has willfully and persistently failed to comply with his duties or obligations or has otherwise lost the confidence of the Board, Mr Strautins has not remedied the relevant failure within 14 days of such notice; or
  - (ii) by Mr Strautins resigning at any time, provided that he must use all reasonable endeavours to give the Company at least one months' prior written notice of such resignation.

#### 9.5.5 Executive Services Agreement – Mr Scott McGowan

COSOL Australia and Mr Scott McGowan have entered into an executive services agreement (**ESA**) pursuant to which Mr McGowan will, subject to completion of the Offer and Settlement of the Acquisition occurring, continue to be appointed as the Chief Executive Officer of the Company. The material terms of the ESA are set out below.

- (a) **Term:** Mr McGowan's employment under the ESA will commence on the Settlement Date and will continue until the ESA is validly terminated in accordance with its terms.
- (b) **Remuneration:** Mr McGowan's remuneration comprises:
  - (i) a base salary of \$250,000 per annum (inclusive of superannuation); and
  - (ii) a short term performance-based incentive for FY20 of up to \$250,000 (inclusive of superannuation) which is payable quarterly on the following terms:
    - A. Mr McGowan's short term incentive will be calculated based upon delivery of an annual target EBIT of \$3,360,000 for COSOL Australia (subject to adjustment by the Board), with quarterly targets calculated as on quarter of the annual target EBIT.
    - B. Mr McGowan will be entitled to a bonus payment if COSOL Australia achieves at least 80% of the target EBIT for the year (capped at \$62,500 per quarter). As an example if, for any relevant quarter, the EBIT for COSOL Australia is 79%, then the short term incentive payable to Mr McGowan for that quarter will be nil. However, if the EBIT for COSOL Australia for any relevant quarter is 80%, then Mr McGowan will be entitled to 80% of the incentive payment for that quarter.
    - C. EBIT for COSOL Australia will be calculated after all incentives and bonuses (including bonuses to any members of COSOL Australia's leadership team, consulting bonuses and sales bonuses) have been calculated.
    - D. If Mr McGowan fails to reach an incentive payment for any particular quarter, there is an ability to "catch up" in subsequent quarters on a year-to-date basis.
    - E. Payment of any bonus to Mr McGowan is subject to him having met a number of agreed prerequisite conditions (which are consistent with the role of a Chief Executive Officer).
    - F. Should Mr McGowan leave the employment of COSOL Australia for any reason (or if his employment is terminated for any reason), he will

be paid a short term incentive which accrues to “completed quarters” relating to his employment with COSOL Australia. No partial allocation of bonuses for part quarters will apply.

- (c) ***Ability for Company to terminate:*** COSOL Australia may terminate Mr McGowan’s employment agreement by giving six months’ prior written notice to Mr McGowan. In addition, the Company may by written notice terminate the employment agreement:
- (i) by giving three months’ prior written notice in circumstances where Mr McGowan is absent due to injury, illness or incapacity for a period exceeding three months (either in one single period or cumulatively in any rolling 12 month period); or
  - (ii) immediately without notice in various circumstances, including (but not limited to) if Mr McGowan:
    - A. willfully neglects his duties under the employment agreement;
    - B. is wholly incompetent in, or persistently fails to perform, his duties under the employment agreement, including persistent failure to achieve budget or other reasonable and realistic targets set by the Board;
    - C. is in serious or persistent breach of the terms of the employment and/or any of COSOL Australia’s policies and procedures without reasonable explanation;
    - D. engages in willful misconduct at work or work related activities, including but not limited to misappropriation or failure to properly account for the use of COSOL Australia’s funds, assets or property, dishonesty, or being under the influence of illicit drugs or alcohol (to the extent, in the case of alcohol, it materially affects his ability to perform his duties under the employment agreement or, in the reasonable opinion of COSOL Australia, causes the public image of COSOL Australia to be negatively affected);
    - E. engages in any deliberate act, neglect or default or conduct which has the direct or indirect effect of causing material damage or discredit to the Company;
    - F. engages in sexual or racial harassment or vilification or any form of unlawful discrimination or bullying or intimidation at work or in work related activities; or
    - G. unreasonably fails on more than one occasion without proper reason to comply with the reasonable and lawful directions of COSOL Australia.
- (d) ***Ability for Mr McGowan to terminate:*** Mr McGowan may terminate his employment agreement by giving six months’ prior written notice to COSOL Australia. In addition, Mr McGowan may by written notice terminate the employment agreement immediately if COSOL Australia is in material breach of the employment agreement and fails to remedy such breach within 14 days of receiving written notification of the breach.

#### **9.5.6 Employment Agreement – Ms Melanie Woodward**

COSOL Australia and Ms Melanie Woodward have entered into an employment agreement pursuant to which Ms Woodward has been appointed as the Chief Financial Officer of COSOL Australia. The material terms of Ms Woodward’s employment are set out below:



- (a) **Term:** Ms Woodward's employment commenced on or around 21 September 2018 and will continue until the employment agreement is validly terminated in accordance with its terms.
- (b) **Remuneration:** Ms Woodward's remuneration comprises:
  - (i) a base salary of \$200,385 per annum (inclusive of superannuation); and
  - (ii) a short-term performance-based incentive of up to \$40,800 (inclusive of superannuation).
- (c) **Ability for Company to terminate:** COSOL Australia may terminate Ms Woodward's employment agreement at any time by giving 30 days' prior written notice. In addition, COSOL Australia may terminate the employment agreement at any time without notice if Ms Woodward:
  - (i) commits any serious or persistent breach of any of the provisions of the employment agreement;
  - (ii) becomes of unsound mind;
  - (iii) is convicted of any criminal offence other than an offence, which in the reasonable opinion of COSOL Australia, does not affect Ms Woodward's position; or
  - (iv) becomes permanently incapacitated by reason of accident or illness from performing her duties under the employment agreement in excess of 90 aggregate days in any 12 month period.
- (d) **Ability for Ms Woodward to terminate:** Ms Woodward may terminate the employment agreement by giving 30 days' prior written notice.

#### **9.5.7 Deeds of Indemnity, Insurance and Access**

The Company has entered into deeds of indemnity, insurance and access with each of the Directors. Under these deeds, the Company agrees to indemnify each Director to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as a Director of the Company or a related body corporate (subject to customary exceptions). The Company is also required to maintain insurance policies for the benefit of the relevant officer and must also allow the officers to inspect board papers and other documents provided to the Board in certain circumstances.

## **10. ADDITIONAL INFORMATION**

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### **10.1 Rights attaching to Shares**

Full details of the rights attaching to the Company's Shares are set out in its Constitution, a copy of which can be inspected at the Company's registered office.

The following is a summary of the principal rights which attach to the Company's Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, you should seek independent legal advice.

#### **10.1.1 Voting**

Every holder of Shares (**Shareholder**) present in person or by proxy, attorney or representative at a meeting of Shareholders has one vote on a vote taken by a show of hands, and, on a poll every holder of Shares who is present in person or by proxy, attorney or representative has one vote for every Share held by him or her.

A poll may be demanded by the chairman of the meeting, by not less than five Shareholders entitled to vote on the particular resolution present in person or by proxy, attorney or representative, or by any one or more Shareholders who are together entitled to not less than 5% of the total voting rights of the Shares of all those Shareholders having the right to vote on the resolution.

#### **10.1.2 Transfer of Shares**

A Shareholder may transfer Shares by a market transfer in accordance with any computerised or electronic system permitted by the Corporations Act for the purpose of facilitating dealings in Shares or by an instrument in writing in any usual form or in any form approved by the Directors.

The Directors of the Company may refuse to register any transfer of Shares, (other than a market transfer) where the Company is permitted or required to do so by the Listing Rules or the ASX Settlement Operating Rules. The Company must not prevent, delay or interfere with the generation of a proper market transfer in a manner which is contrary to the provisions of any of the Listing Rules or the ASX Settlement Operating Rules.

#### **10.1.3 Meetings and notice**

Each Shareholder is entitled to receive notice of and to attend general meetings for the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act or the Listing Rules.

#### **10.1.4 Liquidation rights**

The Company has only issued one class of Shares, which all rank equally in the event of liquidation. Once all the liabilities of the Company are satisfied, a liquidator may, with the authority of a special resolution of Shareholders divide among the Shareholders the whole or any part of the remaining assets of the Company. The liquidator can with the sanction of a special resolution of the Company's Shareholders vest the whole or any part of the assets in trust for the benefit of Shareholders as the liquidator thinks fit, but no Shareholder can be compelled to accept any shares or other securities in respect of which there is any liability.

#### **10.1.5 Shareholder liability**

As the Shares are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

### **10.1.6 Alteration to the Constitution**

The Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. At least 28 days' written notice, specifying the intention to propose the resolution as a special resolution must be given.

### **10.1.7 Listing Rules**

If the Company is admitted to the Official List, then despite anything in the Constitution, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the Constitution to contain a provision or not to contain a provision the Constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the Constitution is or becomes inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

## **10.2 INTERESTS OF DIRECTORS OF THE COMPANY**

Except as disclosed in this Prospectus, no Director holds, or during the last two years has held any interests in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company,

and no amounts of any kind (whether in cash, Shares or otherwise) have been paid or agreed to be paid to any Director to induce him to become or to qualify as a Director or otherwise for services rendered by him in connection with the formation or promotion of the Company.

### **10.2.1 Remuneration Disclosure**

The remuneration payable to the Directors is set out in Section 8.4.

## **10.3 INTERESTS OF EXPERTS AND ADVISERS**

Except as disclosed in this Prospectus, no expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion of this Prospectus.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, options or otherwise) have been paid or agreed to be paid to any expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, or to any firm in which any of those persons is or was a partner or to any company in which any of those persons is or was associated with, for services rendered by that person in connection with the formation or promotion of the Company or this Prospectus.

Murcia Pestell Hillard has acted as solicitors to the Company in relation to this Prospectus. For their work on this Prospectus, the Company has agreed to pay Murcia Pestell Hillard

\$100,000.

Murcia Pestell Hillard has provided other professional services to the Company during the last two years in connection with the Offer and Acquisition amounting to approximately \$75,000.

#### **10.4 CONSENTS**

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Shares), the Directors, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) in light of the above, to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Elderton Capital Pty Ltd has given its written consent to being named as Investigating Accountant of the Company in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 6 of this Prospectus in the form and context in which the information and report is included. Elderton Capital Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.

Greenwich & Co Pty Ltd has given its written consent to being named as auditor of the Company in this Prospectus and to the inclusion of the audited financial information of the Company contained in Section 5 of this Prospectus in the form and context in which it appears. Greenwich & Co Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.

Murcia Pestell Hillard Lawyers has given its written consent to being named as the solicitors of the Company in this Prospectus. Murcia Pestell Hillard Lawyers has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

Euroz Securities Limited has given its written consent to being named as the Lead Manager and Underwriter to the Offer in this Prospectus. Euroz Securities Limited has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

Link Market Services Limited has given its written consent to being named as the Share Registry in this Prospectus. Link Market Services Limited has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

#### **10.5 EXPENSES OF THE OFFER**

The total expenses of the Offer (excluding GST) are estimated to be approximately \$739,882 and are expected to be applied towards the items set out in the table below.

Item of expenditure	\$
ASIC fees	3,206
ASX fees	105,128
Lead Manager and Underwriter fee	360,000
Legal fees	175,000
Investigating Accountant's fees	17,600
Auditor's fees	24,000
Miscellaneous	54,948
<b>TOTAL</b>	<b>739,882</b>

## 10.6 LITIGATION

Neither the Company or COSOL Australia is currently party to any litigation proceedings, whether as plaintiff or defendant.

## 10.7 CONTINUOUS DISCLOSURE OBLIGATIONS

On being admitted to the Official List of ASX, the Company will be a “disclosing entity” for the purposes of Part 1.2A of the Corporations Act. As such, it will be subject to regular reporting and disclosure obligations which require it to disclose to ASX any information which it is, or becomes aware of concerning the Company and which a reasonable person would expect to have a material effect on the price or value of the securities of the Company. The Company's documents will also be made available on the Company's website.

Price sensitive information will be publicly released through ASX before it is disclosed to Shareholders and market participants. Distribution of other information to Shareholders and market participants will also be managed through disclosure to ASX. In addition, the Company will post this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

## 10.8 ELECTRONIC PROSPECTUS

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of this Prospectus or both. Alternatively, you may obtain a copy of this Prospectus from [www.cosol-ipo.com.au](http://www.cosol-ipo.com.au).

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

## 10.9 PRIVACY STATEMENT

If you complete an Application Form, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the

register, including bidders for your securities in the context of takeovers, regulatory bodies including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Share Registry.

You can access, correct and update the personal information that the Company holds about you. If you wish to do so, please contact the Share Registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

#### **10.10 CHESS AND ISSUER SPONSORSHIP**

The Company will apply to participate in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company.

Electronic sub-registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with statements (similar to a bank account statement) that set out the number of Shares issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Electronic sub-registers also mean ownership of securities can be transferred without having to rely upon paper documentation. Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

### **11. DIRECTORS' RESPONSIBILITY AND CONSENT**

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The Directors state they have made all reasonable enquiries and on that basis have reasonable grounds to believe any statements made by the Directors in this Prospectus are not misleading or deceptive. In respect to any other statements made in the Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe persons making the statement or statements were competent to make such statements. Those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with ASIC.

The Prospectus is prepared on the basis that certain matters may be reasonably expected to be known to likely investors or their professional advisers.

Each Director has consented to the lodgement of this Prospectus with the Australian Securities and Investments Commission and has not withdrawn that consent.

Dated: 10 December 2019



Geoffrey Lewis  
Non-Executive Chairman

## 12. GLOSSARY OF GENERAL DEFINITIONS

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In this Prospectus unless the context otherwise requires, the following definitions apply throughout:

**AAS** means the Australian Accounting Standards.

**Acquisition** means the acquisition by the Company of 100% of the shares in COSOL Australia by the Company pursuant to the Acquisition Agreement.

**Acquisition Agreement** means a binding Share Purchase Agreement between the Company, the Vendors and COSOL Australia, under which the Company has the conditional right to acquire 100% of the issued capital of COSOL Australia, a summary of which is set out in Section 9.2.

**Applicant(s)** means a person(s) who submits a valid Application Form.

**Application** means an application for Shares under the Offer.

**Application Form** means the application form attached to or accompanying this Prospectus relating to the Offer.

**Application Monies** means the amount of monies accompanying an Application Form submitted by the Applicant.

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

**ASX Listing Rules** or **Listing Rules** means the Listing Rules of ASX.

**ASX Settlement Operating Rules** means the operating rules of ASX Settlement Pty Ltd (ACN 008 504 532).

**Board** means the board of Directors.

**Broker** means an ASX participating organisation selected by the Lead Manager and Underwriter to participate in the Broker Firm Offer.

**Broker Firm Offer** means the offer to apply for Shares under this Prospectus, which is made to clients of Brokers who have received an invitation from their Broker to participate (full details of which are set out in Section 2.2).

**Business** or **COSOL Australia Business** means the business operated by COSOL Australia, as summarised in Section 3.

**Business Day** means a day on which ASX is open for trading in securities and banks are open for general banking business in Western Australia.

**CAGR** means compound annual growth rate.

**CHESS** means the ASX Clearing House Electronic Subregistry System.

**Closing Date** means the closing date of the Offer as set out in the indicative timetable on page vi (subject to the Company reserving the right to extend the Closing Date or close the Offer early).

**Consideration Shares** means 22,500,000 Shares to be issued to the Vendors upon Settlement of the Acquisition.

**Constitution** means the constitution of the Company.



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

**COSOL Australia** means COSOL Australia Pty Ltd ACN 092 306 682.

**Company** means COSOL Limited ACN 635 371 363.

**Directors** means the directors of the Company at the date of this Prospectus.

**EAM** or **Enterprise Asset Management** means the process of managing the lifecycle of physical assets to maximise their use, economic return and viability, improve quality and efficiency of business operations; and safeguard health, safety and the environment.

**Earn Out Consideration** has the meaning given in Section 9.2(c).

**EBIT** means earnings before interest and tax.

**EBITDA** means earnings before interest, taxes, depreciation and amortisation.

**Elderton Capital** means Elderton Capital Pty Ltd (ACN 137 309 892).

**ERP** means Enterprise Resource Planning.

**Escrow Period** means the period of 12 months commencing on and from the date the Company is admitted to the Official List of ASX.

**Escrowed Shares** means those Shares of the Escrowed Shareholders retained immediately following completion of the Offer and the Acquisition which are subject to voluntary escrow pursuant to a voluntary escrow deed with the Company.

**Escrowed Shareholders** means each Shareholder set out in Section 3.12.

**Euroz Securities** means Euroz Securities Limited ACN 089 314 983.

**Financial Information** has the meaning given in Section 5.1.

**Forecast Financial Information** has the meaning given in Section 5.1.

**Government Agency** means any governmental, semi-governmental, administrative, fiscal, judicial or quasi-judicial body, department, commission, authority, tribunal, agency, bureau, municipal, board, stock exchange authority, instrumentality or entity in any jurisdiction.

**Institutional Investor** means an investor in Australia who is a “wholesale client” for the purpose of section 761G of the Corporations Act and who is either a “sophisticated investor” or “professional investor” under sections 708(8) and 708(11) of the Corporations Act respectively.

**Institutional Offer** means the offer of Shares to institutional investors set out in Section 2.3 of this Prospectus.

**IoT** means the “Internet of Things”.

**Key Management Personnel** has the meaning given in the Listing Rules.

**Lead Manager and Underwriter** means Euroz Securities.

**Listing** means admission of the Company to the official list of ASX and quotation of the Shares on ASX.

**Maximum Earn Out Consideration** means \$6.50 million for the Acquisition (see Section 9.2 for information regarding the Earn Out Consideration).



**Offer** means the offer described in Section 2.1, being collectively the Broker Firm Offer and the Institutional Offer.

**Offer Document** means the documents issued or published by or on behalf of the Company in respect of the Offer, including the Prospectus and any pathfinder prospectus or document which supplements or replaces it, any application form or supplementary prospectus or any investor presentation, roadshow presentation or marketing presentation and/or ASX announcements approved by the Company and used in connection with the Offer.

**Offer Price** means \$0.20 per Share under the Offer.

**Official List** means the official list of ASX.

**Official Quotation** means official quotation by ASX in accordance with the Listing Rules.

**Pro Forma Historical Financial Information** has the meaning given in Section 5.1.

**Prospectus** means this prospectus.

**SAP** means Systems, Applications and Products or SAP Australia Pty Ltd (ACN 003 682 504), as the context requires.

**Section** means a section of this Prospectus.

**Secondary Offer** means the offer of the Consideration Shares in accordance with the Acquisition Agreement, the terms of which are set out in Section 2.4.

**Settlement** means completion of the Acquisition in accordance with the Acquisition Agreement.

**Settlement Date** means the date of Settlement in accordance with the Acquisition Agreement.

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

**Share Registry** means Link Market Services Limited (ACN 083 214 537).

**Statutory Historical Financial Information** has the meaning given in Section 5.1.

**Underwriting Agreement** means the underwriting agreement between the Company and the Underwriter pursuant to which the Underwriter agrees to underwrite the Offer, as set out in Section 9.1.

**USD** means United States Dollars.

**Vendors** means the shareholders of COSOL Australia.

**WST** means Western Standard Time as observed in Perth, Western Australia.