



19 DECEMBER 2018

## AXS GROUP LIMITED

### KEY MARKET UPDATE

On 17 December 2018, AXS lodged with the Australian Securities & Investments Commission (“ASIC”) a supplementary prospectus (“**Supplementary Prospectus**”) to its Prospectus dated 18 September 2018 (“**Prospectus**”) to reflect the material changes to the key terms of the SPAs for the acquisition of Axxess Consulting Group Pty Ltd according to ASX’s comments and to revise the Offer structure and the Offer period.

Please note the undefined capitalised terms have the same meaning given to them in the Prospectus supplemented by the Supplementary Prospectus.

#### **Effect of the Supplementary Prospectus**

The Supplementary Prospectus has been prepared to:

- reduce the Minimum Subscription amount to \$3,000,000 at 0.25 cents and the Maximum Subscription amount to \$3,500,000 at 0.25 cents;
- extend the indicative Closing Date of the Offer to 20 February 2019 (AXS may close the Offer earlier if the Minimum Subscription is met before the indicative Closing Date);
- advise that, as at the date of this Supplementary Prospectus, AXS’s Shares have not been admitted to quotation on the ASX;
- advise that, as at the date of this Supplementary Prospectus, AXS has not issued any Shares pursuant to the Prospectus;
- extend the period to raise the Minimum Subscription under the Offer to 17 April 2019;
- extend the period for admission to quotation of Shares of the Company to 17 March 2019;
- disclose material new circumstances which have arisen in the period since the lodgement of the Prospectus, including the updates on:
  - a. key financial information which shows net assets of \$3 million to \$3.4 million on Completion of the Offer under the Minimum Subscription and Maximum Subscription;
  - b. the use of funds, capital structure, the Offer structure and the Costs of the Offer;
  - c. the Board composition of AXS (which now includes only one executive director);
  - d. the change to the Directors’ and Managements’ interests and remuneration;
  - e. amendment to the Company’s ESOP rules for technical revisions;
  - f. amendment to the SPAs for revised terms to the Vendors; and
  - g. escrow arrangements covering 24 months from approval of quotation.
- explain the withdrawal rights of applicants who have lodged applications for shares prior to 17 December 2018.



## New Terms with Vendors

The revised terms of the SPAs eliminate cash paid to the Vendors in the target company being acquired by AXS. According to the amended SPAs, the Vendors receive the total consideration for their sale shares in Axxess Consulting to AXS in the amount of \$14,500,000, which is made up of the following:

- issue of 55,600,000 shares in AXS at \$0.25 per share with a value of \$13,900,000; and
- 2,400,000 Performance Rights which can be vested upon the Company achieving an EBITDA of no less than \$3.7 million in either FY2019, FY2020 or FY2021.

The revised terms reduce the cash paid out at completion of the Offer and allows for AXS to lower the amount for Minimum Subscription amount based on expectation of sales through organic growth moving forward.

## Amended Key Offer Statistics

Below is the amended key offer statistics:

Key Offer statistics	Minimum Subscription	Maximum Subscription
Offer Price	\$0.25	\$0.25
Total cash proceeds to the Company from the Offer	\$3,000,000	\$3,500,000
Number of New Shares to be issued under the Offer	12,000,000	14,000,000
Number of New Shares to be issued to Vendors <sup>1</sup>	55,600,000	55,600,000
Number of Shares held by Existing Shareholders	28,197,647	28,197,647
Total number of Shares on issue at the Completion of the Offer and the SPAs <sup>2</sup>	95,797,647	97,797,647
Indicative market capitalisation at the Completion of the Offer and the SPAs	\$23,949,412	\$24,449,912

1. All these Shares will be subject to restrictions by ASX for 24 months for the date of the Listing.

2. 74,864,315 Shares held by the Shareholders upon Completion of the Offer and SPAs will be subject to an escrow arrangement up to 24 months.

The Vendors will hold between 58% to 57% of the shares in AXS depending if the Minimum Subscription or Maximum Subscription is reached under the revised terms.

We note that the above is only a summary of the changes to the Prospectus contained in the Supplementary Prospectus. Investors should read the Supplementary Prospectus in its entirety together with the Prospectus to get full information on the changes and seek independent legal or financial advice on any queries regarding the Prospectus and the Supplementary Prospectus. The Supplementary Prospectus is issued together with the Prospectus and its electronic version can be accessed on the Company's website at [www.axsgroup.com.au](http://www.axsgroup.com.au) under the Investor Centre section.

**END.**