

# Syft Technologies Limited

## Independent Adviser's Report

### In Respect of the Issue of up to \$5.5 Million of Convertible Notes (and Stapled Warrants) to Ampersand 2020 Limited Partnership and Accident Compensation Corporation

*July 2023*

#### Statement of Independence

Simmons Corporate Finance Limited confirms that it:

- has no conflict of interest that could affect its ability to provide an unbiased report; and
- has no direct or indirect pecuniary or other interest in the proposed transactions considered in this report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

Simmons Corporate Finance Limited has satisfied the Takeovers Panel, on the basis of the material provided to the Takeovers Panel, that it is independent under the Takeovers Code for the purposes of preparing this report.

## Index

Section	Page
1. Introduction .....	1
2. Evaluation of the Merits of the Funding Round (Including the Ampersand / ACC Allotment).....	7
3. Profile of Syft Technologies Limited .....	19
4. Valuation of the Convertible Notes (Including the Stapled Warrants).....	25
5. Sources of Information, Reliance on Information, Disclaimer and Indemnity .....	28
6. Qualifications and Expertise, Independence, Declarations and Consents .....	30

## 1. Introduction

### 1.1 Background

Syft Technologies Limited (**Syft** or the **Company**) is a world leading provider of Selected Ion Flow Tube Mass Spectrometry (**SIFT-MS**) solutions. The business is based in Christchurch.

Syft's ordinary shares are quoted on the Unlisted Securities Exchange securities trading facility (**USX**) with a market capitalisation of \$31.4 million as at 30 June 2023. Its unaudited total equity as at 31 March 2023 was \$33.4 million.

A profile of Syft is set out in section 3.

### 1.2 Ampersand 2020 Limited Partnership

Ampersand 2020 Limited Partnership (**Ampersand**) is Syft's largest shareholder.

Ampersand is owned by Ampersand Capital Partners (**ACP**), a USA private equity firm founded in 1988 with approximately US\$3 billion of assets under management. ACP specialises in growth equity investments in the life sciences and healthcare sectors.

Ampersand currently holds 17,545,000 convertible preference shares, being first ranking preference shares (the **2022 Ampersand Shares**), representing 19.56% of the Company's total shares on issue.

The 2022 Ampersand Shares were issued on 13 April 2022 following shareholder approval at an issue price of \$1.30 per share for a total subscription amount of \$22.8 million.

The 2022 Ampersand Shares have the following rights and terms:

- the shares rank ahead of ordinary shares in any liquidation event
- in every other way they rank equally with ordinary shares
- Ampersand is entitled to have the shares reclassified into ordinary shares on a one-for-one basis at any time.

### 1.3 Accident Compensation Corporation

Accident Compensation Corporation (**ACC**) is Syft's second largest shareholder.

ACC currently holds 14,170,738 ordinary shares, representing 15.80% of the Company's total shares on issue.

## 1.4 Funding Round

### *\$5.5 Million of Convertible Notes and Stapled Warrants*

Syft is looking to undertake a funding round of \$5.5 million (the **Funding Round**) through the issue of:

- 5,500,000 convertible notes (**CNs**) at an issue price of \$1.00 per CN (the **Face Value**) and a conversion price of \$0.30 for each second ranking preference share (the **Conversion Price**)
- 1,222,222 warrants (the **Warrants**) on a 1:4.5 basis stapled to the CNs at an exercise price of \$0.01 per ordinary share (the **Exercise Price**).

### *Ampersand Subscription*

Syft has entered into a Convertible Note Agreement (the **CN Agreement**) and a Warrant Agreement (the **Warrant Agreement**) with Ampersand under which Ampersand will subscribe for CNs for up to the full amount of the Funding Round of \$5.5 million.

However, the offer of CNs and stapled Warrants will also be made to Syft's ordinary shareholders who are wholesale investors (for the purposes of schedule 1, clause 3 of the Financial Markets Conduct Act 2013 or the equivalent in their jurisdiction) (the **Wholesale Shareholders**) on an equal participation basis (including the ability to participate in any shortfall) so that the amount subscribed for by Wholesale Shareholders will reduce the amount of Ampersand's subscription.

Accordingly, Ampersand is effectively underwriting the Funding Round and giving the Company's other shareholders (who meet the Wholesale Shareholder criteria) the ability to participate in the Funding Round.

The CN Agreement and Warrant Agreement being offered to Wholesale Shareholders will be on the same terms as the CN Agreement and Warrant Agreement entered into by Ampersand.

### *ACC Subscription*

Syft has also entered into a CN Agreement and a Warrant Agreement with ACC under which ACC will subscribe for up to \$2.03 million of CNs (the **ACC Subscription**).

ACC's subscription amount will also be reduced rateably to reflect participation in the Funding Round by the Wholesale Shareholders.

### *Preference Shares and Ordinary Shares*

Syft currently has 89,692,692 shares on issue, consisting of:

- 17,545,000 2022 Ampersand Shares (convertible preference shares)
- 72,147,692 ordinary shares held by 559 shareholders (including ACC).

The CNs can be converted into second ranking preference shares, which will rank behind the 2022 Ampersand Shares but rank ahead of the Company's ordinary shares.

The terms of the second ranking preference shares issued on conversion of the CNs will be the same for all holders of such shares.

The exercise of the Warrants will lead to the issue of ordinary shares (rather than any type of preference share).

The CNs will rank ahead of all shares in the event of a liquidation as noteholders will be unsecured creditors, ranking ahead of shareholders.

### 1.5 Impact on Shareholding Levels

Ampersand currently holds 19.56% of the Company's shares on issue and ACC currently holds 15.80%.

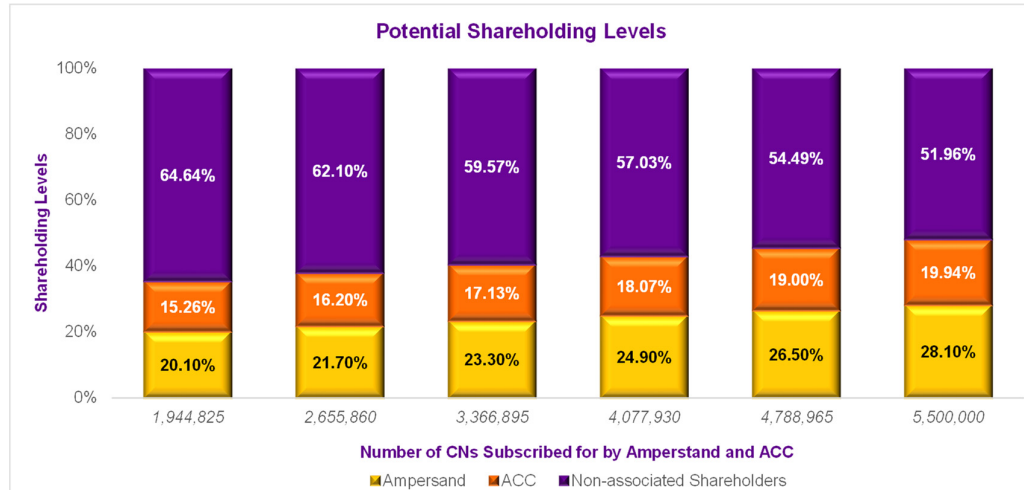
The Company's shareholders not associated with Ampersand or ACC (the **Non-associated Shareholders**) currently collectively hold 64.64% of the Company's shares on issue.

If the full \$5.5 million of CNs were issued to Ampersand and ACC under the Funding Round, the maximum interest on the CNs was accrued (totalling approximately \$0.7 million) and the maximum number of 21,892,589 shares were issued to Ampersand and ACC (20,670,367 second ranking preference shares and 1,222,222 ordinary shares) (the **Ampersand / ACC Allotment**), then:

- Ampersand will hold 28.10% of the Company's shares
- ACC will hold 19.94% of the Company's shares
- Ampersand and ACC will collectively hold 48.04% of the Company's shares
- the Non-associated Shareholders will collectively hold 51.96% of the Company's shares.

Maximum Impact of the Ampersand / ACC Allotment on Shareholding Levels					
	Current		Ampersand / ACC Allotment	Post Ampersand / ACC Allotment	
	Shares	%	Shares	Shares	%
Ampersand	17,545,000	19.56%	13,812,233	31,357,233	28.10%
ACC	14,170,738	15.80%	8,080,356	22,251,094	19.94%
Combined	31,715,738	35.36%	21,892,589	53,608,327	48.04%
Non-associated Shareholders	57,976,954	64.64%	-	57,976,954	51.96%
Total	89,692,692	100.00%	21,892,589	111,585,281	100.00%

The graph that follows sets out the range of shareholdings for Ampersand, ACC and the Non-associated Shareholders based on the number of CNs subscribed for by Ampersand and ACC and subsequently converted into shares under the Ampersand / ACC Allotment (assuming all CNs are converted into second ranking preference shares, the maximum interest on the CNs of approximately \$0.7 million is accrued and converted into second ranking preference shares and all Warrants are exercised).



This shows that following the Ampersand / ACC Allotment, Ampersand's shareholding will be between:

- 20.10% – assuming all of the Non-associated Shareholders are Wholesale Shareholders and all of the Wholesale Shareholders subscribe for their equal participation entitlements of approximately \$3.56 million of CNs, resulting in ACC subscribing for approximately \$0.72 million of CNs and Ampersand subscribing for approximately \$1.23 million of CNs and
- 28.10% – assuming Ampersand subscribes for \$3.47 million of the CNs and ACC subscribes for \$2.03 million of CNs.

Under the 2 scenarios:

- ACC's shareholding will be between 15.26% and 19.94%
- Ampersand and ACC's combined shareholding will be between 35.36% and 48.04%.

## 1.6 Summary of Opinion

Our evaluation of the merits of the Ampersand / ACC Allotment as required under the Takeovers Code (the **Code**) is set out in section 2.

In our opinion, after having regard to all relevant factors, the positive aspects of the Ampersand / ACC Allotment outweigh the negative aspects from the perspective of the Non-associated Shareholders.

## 1.7 Special Meeting

The Company's shareholders will vote at the Company's special meeting of shareholders on 21 July 2023 on 2 ordinary resolutions in respect of the Funding Round and the Ampersand / ACC Allotment:

- resolution 1 – the issue of the CNs and the Warrants under the Funding Round (the **Funding Round Resolution**)
- resolution 2 – the issue of a maximum of 21,892,589 shares upon the conversion of the CNs and / or the exercise of the Warrants by Ampersand and / or ACC (as applicable) (the **Allotment Resolution**).

We refer to Funding Round Resolution and the Allotment Resolution collectively as the **Two Resolutions**.

The Funding Round Resolution and the Allotment Resolution are interdependent. Both resolutions must be passed in order for either resolution to be implemented.

The Two Resolutions are ordinary resolutions which are passed by a simple majority of votes of those shareholders entitled to vote and who vote on the resolutions.

Ampersand is not permitted to vote on the Funding Round Resolution as it is a resolution for ordinary shareholders only and Ampersand does not hold any ordinary shares.

Ampersand and ACC and their respective associates (as defined in the Code) are not permitted to vote on the Allotment Resolution.

## **1.8 Regulatory Requirements**

Syft is a code company as defined by the Code and is subject to the provisions of the Code.

Rule 6 of the Code prohibits:

- a person who holds or controls no voting rights or less than 20% of the voting rights in a code company from holding or controlling an increased percentage of the voting rights in the code company unless, after that event, that person and that person's associates hold or control in total not more than 20% of the voting rights in the code company
- a person who holds or controls 20% or more of the voting rights in a code company from holding or controlling an increased percentage of the voting rights in the code company

unless done in compliance with exceptions to this fundamental rule.

One of the exceptions, set out in Rule 7(d) of the Code, enables a person to become a holder or controller of an increased percentage of voting rights by an allotment of voting securities in the code company if the allotment is approved by an ordinary resolution of the code company (on which neither that person, nor any of its associates, may vote).

Ampersand, ACC and Syft are strongly of the view that ACC is not an associate of Ampersand under the Code. However, in order to avoid any possibility of a subsequent concern from any third party regarding this matter, Syft has decided to assume, purely for the purposes of the Allotment Resolution, that Ampersand and ACC are associates under the Code.

If Ampersand and ACC convert all of their CNs into second ranking preference shares and exercise all of their Warrants into ordinary shares:

- Ampersand will increase its control of the voting rights in Syft from 19.56% to up to 28.10%
- ACC will increase its control of the voting rights in Syft from 15.80% to up to 19.94%.

Accordingly, in accordance with the Code, the Non-associated Shareholders will vote at the Company's special meeting on the Allotment Resolution in accordance with the Code.

Rule 18 of the Code requires the directors of a code company to obtain an Independent Adviser's Report on the merits of an allotment under Rule 7(d).

This Independent Adviser's Report is to be included in, or accompany, the notice of meeting pursuant to Rule 16(h).

### 1.9 Purpose of the Report

The Company's directors not associated with Ampersand and / or ACC, being Michael Bushell, Desh Edirisuriya, Jeff McDowall, Kate McGrath and Alan Monro (the **Non-associated Directors**) have engaged Simmons Corporate Finance Limited (**Simmons Corporate Finance**) to prepare an Independent Adviser's Report on the merits of the Ampersand / ACC Allotment in accordance with Rule 18 of the Code.

Simmons Corporate Finance was approved by the Takeovers Panel on 29 May 2023 to prepare the Independent Adviser's Report.

Simmons Corporate Finance issues this Independent Adviser's Report to the Non-associated Directors for the benefit of the Non-associated Shareholders to assist them in forming their own opinion on whether to vote for or against the Allotment Resolution.

This Independent Adviser's Report is not to be used for any other purpose without our prior written consent.



## 2. Evaluation of the Merits of the Funding Round (Including the Ampersand / ACC Allotment)

### 2.1 Basis of Evaluation

Rule 18 of the Code requires an evaluation of the merits of the Ampersand / ACC Allotment, having regard to the interests of the Non-associated Shareholders.

There is no legal definition of the term *merits* in either the Code or in any statute dealing with securities or commercial law in New Zealand.

In the absence of an explicit definition of *merits*, guidance can be taken from:

- the Takeovers Panel *Guidance Note on Independent Advisers* dated 11 March 2021
- definitions designed to address similar issues within New Zealand regulations which are relevant to the proposed transaction
- overseas precedents
- the ordinary meaning of the term *merits*.

The Ampersand / ACC Allotment is a function of the Funding Round. Therefore, when assessing the merits of the Ampersand / ACC Allotment, we are of the view that an assessment of the merits of the Funding Round also needs to be undertaken.

We are of the view that an assessment of the merits of the Funding Round (including the Ampersand / ACC Allotment) should focus on:

- the rationale for the Funding Round
- the terms and conditions of the CNs and the Warrants
- the impact of the Funding Round on Syft's financial position
- the impact of the Funding Round on the control of the Company
- the dilutionary impact of the Funding Round
- the impact of the Funding Round on Syft's share price
- the benefits and disadvantages to the Non-associated Shareholders, Ampersand and ACC of the Funding Round
- the likelihood of the Two Resolutions being approved
- the implications if the Two Resolutions are not approved.

Our opinion should be considered as a whole. Selecting portions of the evaluation without considering all the factors and analyses together could create a misleading view of the process underlying the opinion.

## 2.2 Summary of the Evaluation of the Merits of the Funding Round (Including the Ampersand / ACC Allotment)

Our evaluation of the merits of the Funding Round (including the Ampersand / ACC Allotment) is set out in detail in sections 2.3 to 2.14.

The Funding Round will provide \$5.5 million of funding to Syft, which the Company's board of directors (the **Board**) considers sufficient to fund the Company's upcoming working capital requirements and maintain its growth strategy in certain areas, as well as to allow the Board an opportunity to explore the best strategic options for the Company moving forward.

The Ampersand / ACC Allotment will enable Ampersand and ACC to:

- convert their CNs (and accrued interest) into second ranking preference shares and therefore Syft will not need to repay the loans (and accrued interest) in cash when they mature
- exercise their Warrants into new ordinary shares.

Ampersand currently holds 19.56% of the Company's shares on issue and ACC holds 15.80%. Following the Ampersand / ACC Allotment, Ampersand will hold between 20.10% and 28.10% of the Company's shares on issue (depending on the number of CNs Ampersand subscribes for, how much interest is accrued on the CNs, how many of those CNs are converted into second ranking preference shares and how many Warrants are exercised into ordinary shares) and ACC will hold between 15.26% and 19.94% of the Company's shares on issue.

In summary, the key positive aspects of the Funding Round (including the Ampersand / ACC Allotment) are:

- the rationale for the Funding Round is sound. The Funding Round will provide \$5.5 million of funding for the Company, ensuring Syft will have sufficient capital to continue to fund its operations and maintain its growth strategy in certain areas
- the rationale for the Ampersand / ACC Allotment is sound. It preserves Syft's cash resources by converting interest bearing debt (in the form of the CNs) into equity
- the terms of the CNs and the Warrants are reasonable:
  - the 12.0% coupon is favourable to the Company as it is lower than what we expect Syft would have to pay on an unsecured loan
  - the Conversion Price of \$0.30 per second ranking preference share is slightly below the Company's current share price
  - we assess the value of each \$1 CN (including the stapled Warrants) to be in the range of \$1.044 to \$1.105
- Ampersand is not charging Syft an underwriting fee for fully underwriting the Funding Round. This is a significant financial benefit to Syft
- the Funding Round and the Ampersand / ACC Allotment will have a positive impact on the Company's financial position, raising \$5.5 million of interest bearing debt which may be converted into equity.

In summary, the key negative aspects of the Funding Round (including the Ampersand / ACC Allotment) are:

- Ampersand's shareholding will be between 20.10% and 28.10% following the Ampersand / ACC Allotment, increasing its ability to influence the outcome of shareholder voting to some (but not a significant) degree
- ACC's shareholding will be between 15.26% and 19.94%
- Ampersand and ACC's combined shareholding will be between 35.36% and 48.04%
- the dilutionary impact of the Ampersand / ACC Allotment on Non-associated Shareholders not participating in the Funding Round will result in their proportionate shareholdings in the Company reducing by up to 19.6% following the Ampersand / ACC Allotment. However, Non-associated Shareholders who meet the Wholesale Shareholder criteria have the opportunity to eliminate the dilutionary impact of the Ampersand / ACC Allotment by taking up their equal participation entitlement to the Funding Round
- the attraction of Syft as a takeover target may diminish to a minor degree.

The Ampersand / ACC Allotment is unlikely to have any significant impact in the near term on:

- Syft's share price as the Conversion Price is equivalent to the current share price
- the liquidity of Syft's shares as trading in the Company's shares is extremely thin.

If either of the Two Resolutions is not approved, the Funding Round cannot proceed, resulting in the need for Syft to raise additional capital in a relatively short timeframe to fund its operations. Failure to do so will likely result in Syft facing solvency issues in the near term.

There are a number of positive and negative features associated with the Funding Round and the Ampersand / ACC Allotment. In our view, when the Non-associated Shareholders are evaluating the merits of the Funding Round and the Ampersand / ACC Allotment, they need to carefully consider whether the negative aspects of the Funding Round, including the increase in the level of control that Ampersand and ACC will hold over the Company and the dilutionary impact, could justify voting against either of the Two Resolutions with the outcome that the Funding Round cannot proceed and the Company will need to seek alternative sources of capital within a relatively short timeframe in order to continue to fund its operations and pursue its growth initiatives.

**In our opinion, after having regard to all relevant factors, the positive aspects of the Funding Round (including the Ampersand / ACC Allotment) outweigh the negative aspects from the perspective of the Non-associated Shareholders.**

### 2.3 Rationale for the Funding Round

Syft had cash and cash equivalents of \$1.3 million as at 31 March 2023 and its monthly cash burn is in the vicinity of \$2.7 million. At this level of monthly cash burn, Syft will utilise all of its cash reserves and debt headroom in the next few months.

The intended use of funds raised under the Funding Round is to enable the Company to meet its upcoming working capital requirements and maintain its growth strategy in certain areas.

The funding will also allow the Board an opportunity to explore the best strategic options for the Company moving forward. A condition of the CN Agreement is that Syft appoints an investment bank / adviser by 10 July 2023 to consider strategic options (including the potential sale of the Syft business or all of the Company's shares).

We consider the rationale for the Funding Round to be sound:

- the CNs will provide \$5.5 million of much needed capital to fund Syft's operations and maintain its growth strategy in certain areas
- the Ampersand / ACC Allotment will preserve the Company's cash resources by converting interest bearing debt (in the form of the CNs and accrued interest) into equity.

## 2.4 Terms of the Funding Round

### *Size of the Funding Round*

We are advised that the \$5.5 million facility was based on financial modelling undertaken by Syft based on expected revenue and cash consumption in the coming months. The amount of \$5.5 million was deemed to be sufficient to meet Syft's working capital requirements for the next few months.

### *CNs*

The principal terms of the CNs are set out in Appendix 1 of the notice of special meeting and are summarised below:

- a total commitment of \$5.5 million
- a Face Value of \$1 per CN
- a repayment date of 31 December 2023, which may be extended by up to 6 months by agreement between Syft, Ampersand and ACC (the **Final Repayment Date**)
- an interest coupon of 12.0% per annum, compounded daily until repayment
- noteholders may convert all of the CNs into second ranking preference shares at any time up until the Final Repayment Date at the Conversion Price of \$0.30 per share at the request of Ampersand and ACC (acting independently of each other)
- if the CNs are not converted into second ranking preference shares by the Final Repayment Date, Syft must repay the face value of the CNs plus accrued interest
- the CNs are unsecured
- the issue of the CNs is conditional on:
  - Syft obtaining any required approvals of its shareholders (including approval of the Ampersand / ACC Allotment under the Code)
  - Syft appointing an investment bank / adviser by 10 July 2023 to consider strategic options (including the potential sale of the Syft business or all of the Company's shares).

### *Interest Rate*

The interest rate payable on the CNs is 12.0% per annum, compounded daily until repayment.

An interest rate of 12.0% per annum compounded daily equates to an annual interest rate of 12.75%.

We consider this interest rate to be favourable to the Non-associated Shareholders as a company with a similar financial position to Syft issuing an unsecured bond would likely have to offer a coupon in the vicinity of 12% to 17%.

### *Conversion Price*

A summary of Syft's closing share price since 5 January 2022 is set out in section 3.10.

The Conversion Price of \$0.30 is slightly below the most recent trading price of Syft's shares on the USX:

- the shares last traded on 28 June 2023 at \$0.35
- the one month volume weighted average share price (**VWAP**) up to 30 June 2023 was \$0.32
- the 3 months VWAP up to 30 June 2023 was \$0.37.

However, it should be noted that trading in the Company's shares is extremely thin, with only 1.3% of the Company's shares trading in the last year.

### *Warrants*

The principal terms of the Warrants are set out in Appendix 1 of the notice of special meeting and are summarised below:

- an exercise period ending 2 years from the date of funding first being provided under the Funding Round (the **Exercise Period**)
- warrantholders may exercise some or all of the Warrants at any time up until the end of the Exercise Period at the Exercise Price of \$0.01 per share
- the grant of the Warrants is conditional on:
  - Syft obtaining any required approvals of its shareholders (including approval of the Ampersand / ACC Allotment under the Code)
  - Syft appointing an investment bank / adviser by 10 July 2023 to consider strategic options (including the potential sale of the Syft business or all of the Company's shares).

### *Valuation*

As set out in section 4, we assess the value of each \$1 CN (including the stapled Warrants) to be in the range of \$1.044 to \$1.105.

### **No Underwriting Fee**

While Ampersand is effectively underwriting the full \$5.5 million Funding Round, it is not charging Syft any form of underwriting fee.

The payment of underwriting fees to an underwriter is a normal part of a capital raising (such as a rights issue or an issue of CNs).

The actual fee percentage varies and generally is a function of the discount of the issue price, the size of the issue and the assessment of the risk that the underwriter is assuming (ie the probability that the underwriter will be called upon to purchase any shortfall in subscriptions). Underwriting fees in New Zealand tend to be in the range of 1.5% to 5.0%.

### **Conclusion**

While the assessed value of the CNs of \$1.044 to \$1.105 is higher than the Face Value of \$1, we consider that this financial benefit to Ampersand (and any Wholesale Shareholders who subscribe for CNs) is offset by Syft not being charging an underwriting fee by Ampersand.

Accordingly, we consider the terms of the Funding Round to be fair, from a financial point of view, to the Non-associated Shareholders.

## **2.5 Alternatives to the Funding Round**

As an alternative to the Funding Round, Syft could have considered alternative forms of raising capital including:

- undertaking a pro rata rights issue to all shareholders
- making a series of share placements to other investors
- the sale of assets
- seeking alternative debt funding.

We are advised by the Board that it considered a rights issue, share placements and further debt funding as alternative capital raising options but concluded that none of those options provided certainty that the required level of capital would be raised.

We are of the view that the alternative funding sources are not realistic alternatives at this point in time. The \$5.5 million of capital to be raised under the Funding Round represents approximately 20% of Syft's current market capitalisation. Such a proportionately large capital raising is unlikely to be successful via a rights issue (unless it was fully underwritten) or via a placement of shares to a party other than the Company's major shareholder. Given the nature of the Company's asset base, we do not consider that it could realise any level of significant capital from the sale of assets. Syft's current earnings levels restrict the Company from accessing additional external debt funding on commercially viable terms.

## 2.6 Impact on Financial Position

A summary of Syft's recent financial position is set out in section 3.8.

For illustrative purposes, the table below shows Syft's financial position assuming the \$5.5 million Funding Round is raised from Ampersand and the Ampersand / ACC Allotment occurred on 31 March 2023.

Illustrative Financial Impact of the Funding Round				
	As at 31 March 23 \$000	Funding Round \$000	Ampersand / ACC Allotment \$000	Post the Ampersand / ACC Allotment \$000
Current assets	15,122	5,500	12 <sup>2</sup>	20,634
Non current assets	41,421	-	-	41,421
Total assets	56,543	5,500	12	62,055
Current liabilities	(7,879)	(6,201) <sup>1</sup>	6,201 <sup>3</sup>	(7,879)
Non current liabilities	(15,269)	-	-	(15,269)
Total liabilities	(23,148)	(6,201)	6,201	(23,148)
Total equity	33,395	(701) <sup>1</sup>	6,213 <sup>3</sup>	38,907
No. of shares (000)	89,693		21,893 <sup>4</sup>	111,585
Net assets per share	\$0.37		\$0.28	\$0.35
Net tangible assets (NTA) per share	\$0.26		\$0.28	\$0.26

1 Includes the maximum amount of \$0.7 million of accrued interest  
2 Proceeds from the exercise of 1,222,222 Warrants  
3 Assumes the maximum amount of \$5.5 million plus \$0.7 million of accrued interest is converted into shares  
4 Based on the Conversion Price of \$0.30 per second ranking preference share and the Issue Price of \$0.01 per ordinary share

Source: Syft draft 2023 annual report

The illustrative financial position shows that following the Funding Round and the Ampersand / ACC Allotment, Syft's total equity would increase by \$5.5 million from \$33.4 million to \$38.9 million.

Net assets per share would decrease by 6% from \$0.37 to \$0.35 per share and NTA per share of \$0.26 would decrease by 1% (due to the Conversion Price being \$0.30 per share and the Exercise Price being \$0.01 per share).

## 2.7 Impact on Control

### Share Capital and Shareholders

Syft currently has 89,692,692 shares on issue (including the 2022 Ampersand Shares) held by 560 shareholders. The names, number of shares and percentage holding of the Company's 10 largest shareholders as at 30 June 2023 are set out in section 3.6.

Syft currently has 3 shareholders holding more than 5% of the Company's shares:

- Ampersand – 19.56%
- ACC – 15.80%
- Whale Watch Holdings Limited (**WWHL**) – 9.60%.

The 10 largest shareholders collectively hold 63.10% of the Company's shares.



Ampersand's shareholding level following the Ampersand / ACC Allotment will be between 20.10% and 28.10% and ACC's shareholding will be between 15.26% and 19.94% (depending on the amount of CNs they each subscribe for).

### **Shareholding Voting**

Ampersand currently holds 19.56% of the voting rights in the Company, which means that it cannot singlehandedly pass or block special resolutions (which require the approval of 75% of the votes cast by shareholders) or ordinary resolutions (which require the approval of more than 50% of the votes cast by shareholders).

However, while the control of 19.56% of the voting rights is technically not sufficient to singlehandedly block a special resolution, it most probably can as a number of shareholders in widely held companies (such as Syft with over 500 shareholders) tend not to vote on resolutions and hence the relative weight of the 19.56% interest increases.

An increase of up to 8.54% in Ampersand's control of voting rights to 28.10% under the Ampersand / ACC Allotment will not increase Ampersand's ability to influence shareholding voting to any significant degree. Ampersand will be able to singlehandedly block special resolutions (as it most likely currently can do) but it still will not be able to singlehandedly pass or block ordinary resolutions or pass special resolutions.

An increase of up to 4.14% in ACC's control of voting rights to 19.94% will not increase ACC's ability to influence shareholding voting to any significant degree.

As set out in section 1.5, Ampersand and ACC's combined shareholding is currently 35.36%. Following the Ampersand / ACC Allotment, their combined shareholding will be between 35.36% and 48.04%. At the top end of the shareholding range, Ampersand and ACC will be able to strongly influence the outcome of any ordinary resolution that they both vote on if they vote in the same manner.

The ability for any shareholder to influence the outcome of voting on the Company's ordinary resolutions or special resolutions may be reduced by external factors such as the Company's constitution, the Code and the Companies Act 1993.

### **Ability to Creep**

After the Ampersand / ACC Allotment, Ampersand will control between 20.10% and 28.10% of the Company's voting rights and ACC will control between 15.26% and 19.94%. Neither Ampersand nor ACC will not be able to utilise the *creep provisions* of Rule 7(e) of the Code. The *creep provisions* enable entities that hold more than 50% and less than 90% of the voting securities in a code company to buy up to a further 5% of the code company's shares per annum without the need for shareholder approval.

### **Board Control**

As set out in section 3.5, the Company currently has 6 directors, of whom one (David Patteson) is deemed to be an associate of Ampersand or ACC.

We are advised by the Board that the Ampersand / ACC Allotment will not change the composition of the Board.



## **Operations**

We are advised by the Board that Ampersand's influence over Syft's operations is predominantly through its Board representation and that the Ampersand / ACC Allotment will not change Ampersand's level of influence over the Company's operations.

## **2.8 Dilutionary Impact**

The Funding Round will result in the shareholdings of Non-associated Shareholders who do not participate in the Funding Round being diluted by up to 19.6% (based on the \$5.5 million of CNs plus the maximum accrued interest of \$0.7 million being converted into second ranking preference shares and all of the Warrants being exercised into ordinary shares).

However, Wholesale Shareholders will have the opportunity to participate on an equal participation basis (including the ability to participate in any shortfall) in the Funding Round. Those Wholesale Shareholders who take up their equal participation entitlements and fully convert / exercise them into shares will eliminate any dilutionary impact of the Ampersand / ACC Allotment on their shareholding levels.

While the potential dilutionary impact is significant, we are of the view that the Non-associated Shareholders' main focus should be on whether there is any dilutionary impact on the value of their respective shareholdings rather than on their level of voting rights. As stated in section 2.4, we are of the view that the terms of the Funding Round are fair to the Non-associated Shareholders from a financial point of view and therefore should not result in any material transfer of value from the Non-associated Shareholders to Ampersand.

## **2.9 Impact on Share Price and Liquidity**

### **Share Price**

A summary of Syft's closing share price since 5 January 2022 is set out in section 3.10.

The second ranking preference shares issued under the Ampersand / ACC Allotment will be issued at the Conversion Price of \$0.30 per share. As discussed in section 2.4, the Conversion Price is slightly below Syft's current share price.

In our view, the Funding Round and the Ampersand / ACC Allotment are unlikely to have any significant impact on the Company's share price in the near term. However, if the capital raised from the Funding Round is successfully invested to execute Syft's growth initiatives and / or Syft undertakes a change of control transaction, this may result in an appreciation in the Company's share price over the longer term.

### **Liquidity**

The analysis in section 3.10 shows that Syft's shares are extremely thinly traded on the USX, with only 1.3% of the shares being traded in the past year.

The Ampersand / ACC Allotment will not improve the liquidity of the Company's shares in the near term as the number of shares held by the Non-associated Shareholders will not change unless they subscribe for CNs under the Funding Round as Wholesale Shareholders and convert their CNs and / or exercise their Warrants.

However, should Ampersand and / or ACC seek to dispose of some of their Syft shares following the Ampersand / ACC Allotment, this may result in increased trading in the Company's shares, thereby possibly improving liquidity.

## 2.10 Key Benefits to Ampersand and ACC

The Ampersand / ACC Allotment provides Ampersand with the opportunity to increase its shareholding in Syft from 19.56% to up to 28.10% and for ACC to increase its shareholding from 15.80% to up to 19.94% by converting up to \$5.5 million of interest bearing debt (in the form of the CNs) plus accrued interest into second ranking preference shares and exercising the Warrants that they have been granted into ordinary shares.

## 2.11 Disadvantages to Ampersand

The key issues and risks that are likely to impact upon the business operations of Syft are summarised in section 3.4. As Ampersand's and ACC's ownership in Syft increase, so does their exposure to these risks.

## 2.12 Other Issues

### ***Benefits to Syft of Ampersand and ACC as Cornerstone Shareholders***

The Funding Round and the Ampersand / ACC Allotment will further position Ampersand and ACC as important cornerstone strategic investors in the Company, further signalling their confidence in the future prospects of Syft.

### ***Non-associated Shareholders Approval is Required***

Pursuant to the Code, the Non-associated Shareholders must approve by ordinary resolution the Ampersand / ACC Allotment.

The Funding Round and the Ampersand / ACC Allotment will not proceed unless both the Funding Round Resolution and the Allotment Resolution are approved.

### ***May Reduce the Likelihood of a Takeover Offer to a Minor Degree***

Following the Ampersand / ACC Allotment, Ampersand will not be able to increase the level of its shareholding unless it complies with the provisions of the Code. It will only be able to acquire more shares in the Company if:

- it makes a full or partial takeover offer
- the acquisition is approved by way of an ordinary resolution of the Company's shareholders excluding Ampersand
- the Company makes an allotment of shares which is approved by way of an ordinary resolution of the Company's shareholders excluding Ampersand
- the Company undertakes a share buyback that is approved by the Company's shareholders and Ampersand does not accept the offer of the buyback.

If Ampersand holds between 19.56% and 28.10% of the Company's shares, this may reduce the likelihood of a takeover offer for the Company from Ampersand to a minor degree as it may consider that it has sufficient control over the Company.

It is possible that if Ampersand did make a takeover offer for further shares in the Company, it may offer a control premium that is lower than would otherwise be expected as it may value its offer on the basis that it already had significant control of the Company and hence does not need to pay a control premium of any significance.

Ampersand's shareholding of between 19.56% and 28.10% may also reduce the attraction of Syft as a takeover target to other parties to a minor degree, as any bidder looking to fully or partially take over the Company would need to ensure that Ampersand would accept its offer.

### **2.13 Likelihood of the Two Resolutions Being Approved**

Ampersand is not permitted to vote on either the Funding Round Resolution or the Allotment Resolution and ACC is not permitted to vote on the Allotment Resolution. Accordingly, the outcome of the Two Resolutions will be determined by the voting of the Non-associated Shareholders, who collectively hold 64.64% of the Company's shares.

The Non-associated Directors have unanimously recommended the approval of the resolutions.

The Company's top 10 shareholders after Ampersand and ACC collectively hold 31.39% of the Company's shares (representing 48.56% of the maximum number of shares that can vote on the Allotment Resolution) and will therefore significantly influence the outcome of the voting on the Two Resolutions if they vote.

We are not aware of how these major shareholders will vote in respect of the resolutions.

### **2.14 Implications of the Two Resolutions not Being Approved**

If either of the Funding Round Resolution or the Allotment Resolution is not approved, then the Funding Round cannot proceed. Syft will not gain access to \$5.5 million of capital to fund its working capital requirements and maintain its growth strategy in certain areas.

Syft had equity of \$33.4 million as at 31 March 2023 and cash and cash equivalents of \$1.3 million. Its monthly cash burn rate is currently approximately \$2.7 million, implying that the Company will need to undertake another capital raising in the very near future.

The non-approval of either of the Two Resolutions will likely have negative implications for future capital raising initiatives as potential investors may be hesitant to invest in the Company – especially if shareholder approval is required. As discussed in section 2.5, we consider the alternative capital raising options for Syft to be limited if a comparable amount of capital needs to be raised within a relatively short timeframe.

In the event that Syft cannot raise sufficient capital in the near term, the Company will likely face solvency issues resulting in the Board needing to contemplate seeking shareholder approval to place the Company into liquidation. Such an outcome is likely to result in minimal returns to the Company's shareholders.

## **2.15 Voting For or Against the Two Resolutions**

Voting for or against the Two Resolutions is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile and other factors. Shareholders will need to consider these consequences and consult their own professional adviser if appropriate.

### 3. Profile of Syft Technologies Limited

#### 3.1 Background

Syft was founded in 2002 to take the SIFT-MS academic research developed at the University of Canterbury to a fully developed commercial solution.

Syft was incorporated on 7 October 2002 as Sift International Limited. It changed its name to Syft Limited on 21 November 2002 and to Syft Technologies Limited on 11 June 2003.

#### 3.2 Nature of Operations

Syft develops SIFT-MS, a form of direct mass spectrometry that analyses volatile organic compounds (**VOCs**) in air with typical detection limits at parts-per-trillion level (by volume; pptv).

Realtime, quantitative analysis is achieved by applying precisely controlled soft chemical ionization and eliminating sample preparation, pre-concentration and chromatography.

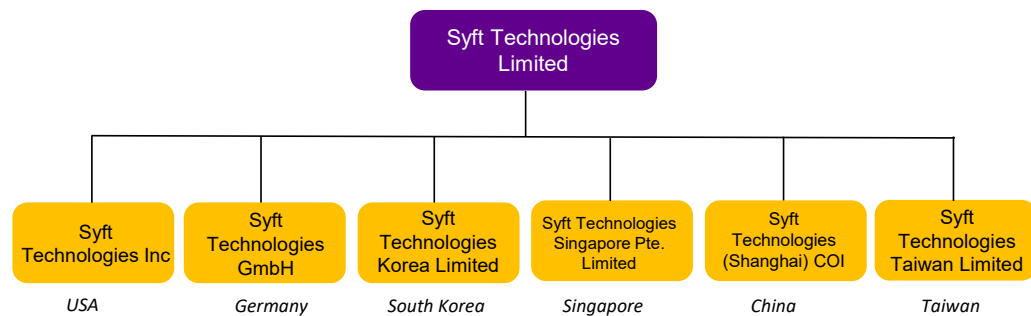
Syft is considered the world leader in real-time, direct injection mass spectrometry with more than 20 years of SIFT-MS expertise.

Syft instruments support a broad range of industries, including semiconductor manufacturing, pharma and contract development and manufacturing organisations, environmental protection, automotive, food, flavour and fragrance and many more.

Syft has over 150 professionals in offices throughout the world offering 24/7 service and support including those in New Zealand, South Korea, Taiwan, Singapore, Germany, China and the USA.

#### 3.3 Group Structure

Syft has 6 wholly owned subsidiaries:



### 3.4 Key Issues Affecting Syft

Syft is a relatively early stage technology business. The main industry and specific business factors and risks that Syft faces include:

- the inability to develop or introduce new product offerings and / or keep pace with technological changes may lead to customer losses and / or fail to attract new customers
- the Company's products may not attain widespread acceptance, thereby restricting Syft's future growth prospects
- Syft may not be able to compete successfully against its current and any future competitors
- deterioration in relationships with the Company's partners may have an adverse effect on the Company's financial performance
- the inability to protect and enforce the Company's intellectual property rights
- the loss of, or failure to attract key personnel who Syft is dependent upon, may adversely affect the Company's operations
- the inability to adequately fund the Company's operations may cause it to adopt alternative funding options or a modified growth strategy.

### 3.5 Directors and Senior Management

The directors of Syft are:

- Michael Bushell, independent non-executive director
- Desh Edirisuriya, independent non-executive director
- Jeff McDowell, independent non-executive director
- Kate McGrath, independent non-executive director
- Alan Munro, independent non-executive chair
- David Patteson, non-executive director, associated with Ampersand.

The Company's senior management team comprises:

- Alex Fala, chief executive officer
- Nicole Robinson, chief financial officer
- Damien Fischer, vice president of sales, USA and Europe
- Jihoon Lee, vice president of sales, Asia
- Dr Daniel Milligan, chief technology officer.

### 3.6 Capital Structure and Shareholders

Syft currently has 89,692,692 fully paid shares on issue held by 560 shareholders.

The names, number of shares and percentage holding of the 10 largest shareholders as at 30 June 2023 are set out below.

Syft's 10 Largest Shareholders		
Shareholder	No. of Shares Held	%
Ampersand	17,545,000	19.56%
ACC	14,170,738	15.80%
WWHL	8,612,260	9.60%
Stephen Collins, William Dwyer and Bill Parsons Trustee Limited	3,000,000	3.34%
Douglas Ziffel & Smoot (New York) Limited	2,880,000	3.21%
Wing Leung	2,168,783	2.42%
Leveraged Equities Finance Limited	2,166,450	2.42%
Iconic Investments Limited	2,108,706	2.35%
Opihi Investment Limited	2,062,447	2.30%
Maarten Janssen	1,881,780	2.10%
Subtotal	56,596,164	63.10%
Others (550 shareholders)	33,096,528	36.90%
Total	89,692,692	100.00%

Source: Syft

WWHL is owned by Tukete Charitable Trust (56.5%) and Ngāi Tahu Capital Limited (43.5%).

In addition to the 89,692,692 shares on issue, Syft has granted 2,086,000 restricted share units to its senior leadership team under the Company's long term incentive scheme.

### 3.7 Financial Performance

A summary of Syft's recent financial performance is set out below.

Summary of Syft Financial Performance				
	Year to 31 Mar 20 (Audited) \$000	Year to 31 Mar 21 (Audited) \$000	Year to 31 Mar 22 (Audited) \$000	Year to 31 Mar 23 (Draft) \$000
Operating revenue	30,864	28,787	33,755	17,274
Cost of sales	(17,991)	(15,673)	(17,024)	(11,461)
Gross profit	12,873	13,114	16,731	5,813
Other income	777	1,360	462	525
Total expenses	(12,439)	(13,416)	(16,748)	(23,795)
Profit / (loss) before income tax	1,211	1,058	445	(17,457)
Income tax (expense) / benefit	(406)	(237)	(491)	4,317
Profit / (loss) after income tax	805	821	(46)	(13,140)

Source: Syft annual reports and draft 2023 annual report

The Company's financial performance in the 2020, 2021 and 2022 financial years was relatively steady:

- revenue ranged between \$29 million and \$34 million
- gross profit ranged between \$13 million and \$17 million at a gross margin of between 42% and 50%
- after tax profit ranged between break even and \$1 million.

Syft's operating expenses ranged between \$12 million and \$17 million over the 3 financial years. Its main operating expenses are:

- sales and marketing expenses
- administrative expenses
- depreciation and amortisation
- research costs.

Syft announced on 9 February 2023 that its revenue in the 2023 financial year was slower than anticipated due to delays in order from major customers.

Revenue of \$17 million in the 2023 financial year was 49% lower than the previous year, with almost 90% of the decline due to reduced revenue from Syft's largest customer. The Company incurred an after tax loss of \$13 million for the year after a \$3 million impairment charge in respect of development costs and goodwill.

### 3.8 Financial Position

A summary of Syft's recent financial position is set out below.

Summary of Syft Financial Position				
	As at 31 Mar 20 (Audited) \$000	As at 31 Mar 21 (Audited) \$000	As at 31 Mar 22 (Audited) \$000	As at 31 Mar 23 (Draft) \$000
Current assets	17,030	11,976	12,353	15,122
Non current assets	9,585	28,461	34,598	41,421
Total assets	<u>26,615</u>	<u>40,437</u>	<u>46,951</u>	<u>56,543</u>
Current liabilities	(5,699)	(5,619)	(6,659)	(7,879)
Non current liabilities	(292)	(13,642)	(16,625)	(15,269)
Total liabilities	<u>(5,991)</u>	<u>(19,261)</u>	<u>(23,284)</u>	<u>(23,148)</u>
Total equity	<u>20,624</u>	<u>21,176</u>	<u>23,667</u>	<u>33,395</u>

*Source: Syft annual reports and draft 2023 annual report*

The Company's current assets consist mainly of inventories and trade and other receivables. Syft held \$1.3 million of cash and cash equivalents as at 31 March 2023.

Non current assets as at 31 March 2023 consisted of:

- right of use assets: \$12.8 million (premises leases)
- property, plant and equipment: \$12.7 million (mainly demo units, leasehold improvements and plant and equipment)
- intangible assets: \$10.0 million (mainly capitalised development costs)
- deferred tax asset: \$6.0 million (mainly in respect of tax losses).

The Company's current liabilities consist mainly of trade and other payables and short term borrowings.

Non current liabilities consist mainly of lease liabilities and long term borrowings.

In April 2021, Syft drew down on a \$5 million 5 year term loan from Bank of New Zealand Limited (the **BNZ Loan**). As at 31 March 2023, \$3.2 million was owing on the BNZ Loan.



Shareholders' equity of \$33.4 million as at 31 March 2023 consisted of:

- \$61.7 million of issued share capital
- negative \$30.2 million of accumulated losses
- reserves of \$1.9 million.

### 3.9 Cash Flows

A summary of Syft's recent cash flows is set out below.

Summary of Syft Cash Flows				
	Year to 31 Mar 20 (Audited) \$000	Year to 31 Mar 21 (Audited) \$000	Year to 31 Mar 22 (Audited) \$000	Year to 31 Mar 23 (Draft) \$000
Net cash inflow / (outflow) from operating activities	6,948	4,752	2,581	(9,993)
Net cash (outflow) from investing activities	(4,435)	(6,991)	(8,617)	(8,847)
Net cash inflow / (outflow) from financing activities	(430)	(652)	4,913	19,708
Net increase / (decrease) in cash held	2,083	(2,891)	(1,123)	868
Opening cash balance	2,381	4,464	1,573	408
Effect of exchange rates	-	-	(42)	39
Closing cash balance	<u>4,464</u>	<u>1,573</u>	<u>408</u>	<u>1,315</u>

*Source: Syft annual reports and draft 2023 annual report*

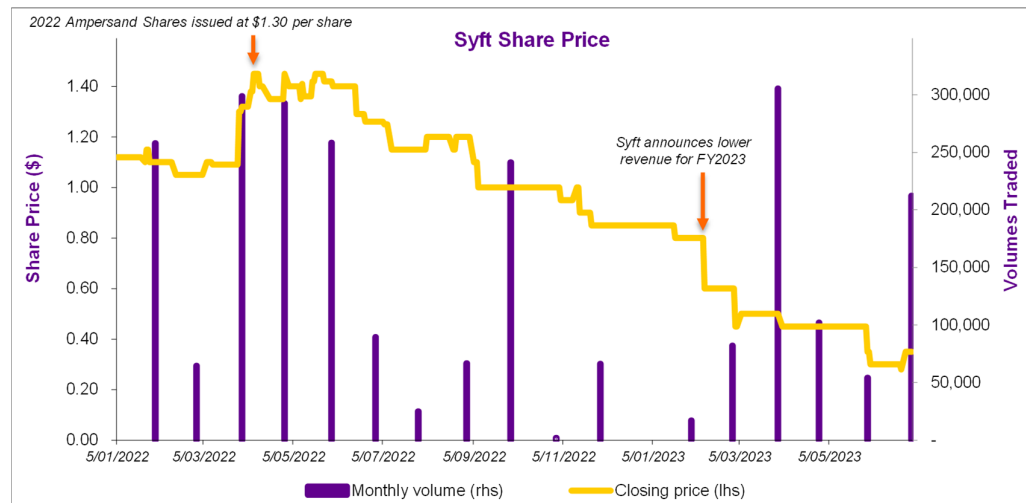
Investing cash flows have consisted mainly of capitalised development costs.

Financing cash flows have included:

- \$2.0 million of equity and \$5.0 million draw down of the BNZ Loan in the 2022 financial year
- \$23.8 million of equity raised in the 2023 financial year including \$22.8 million from the issue of the 2022 Ampersand Shares.

### 3.10 Share Price History

Set out below is a summary of Syft's daily closing share price and monthly volumes of shares traded from 5 January 2022 to 30 June 2023.



Source: USX

Syft's shares have traded between \$0.28 (on 23 June 2023) and \$1.45 (on 8 and 11 April 2022) at a VWAP of \$0.97.

An analysis of VWAP, traded volumes and liquidity (measured as traded volumes as a percentage of shares outstanding) up to 30 June 2023 is set out below.

Syft Share Trading up to 30 June 2023					
Period	Low \$	High \$	VWAP \$	Volume Traded (000)	Liquidity
1 month	0.28	0.35	0.32	212	0.2%
3 months	0.28	0.45	0.37	369	0.4%
6 months	0.28	0.85	0.45	773	0.9%
12 months	0.28	1.26	0.65	1,174	1.3%

*Source: USX*

Over the last 12 months, only 1.3% of Syft's shares have traded on 35 days between \$0.28 and \$1.26 at a VWAP of \$0.65. The shares last traded on 28 June 2023 at \$0.35.

## 4. Valuation of the Convertible Notes (Including the Stapled Warrants)

### 4.1 CNs Methodology and Valuation Approach

The CNs represent a Syft security which are a combination of a bond and an embedded option:

- the bond component carries an interest coupon of 12.0% per annum, compound daily
- the embedded option component provides the noteholder with the ability to benefit if the share price of Syft is above \$0.30 when the CNs are converted.

To assess the value of the CNs, it is necessary to assess the value of the bond component and the embedded option component.

#### *Valuation of Bonds*

The value of the bond is a function of the interest rate on the bond and the value of the principal returned.

Each \$1 CN carries a 12.0% coupon (compounded daily) and repayment of \$1 of principal when it is repaid.

A required rate of return higher than the coupon will result in a bond value lower than the principal and vice versa.

In our view, the required rate of return on a “plain vanilla” unsecured bond offered by Syft at this point in time would be in the range of 12.0% to 17.0% per annum.

#### *Valuation of Options*

The Binomial option-valuation model (**Binomial Model**) and the Black-Scholes option-valuation formula (**Black-Scholes Formula**) are commonly used in commercial practice to value options. The Binomial Model is more appropriate for the valuation of American options (which can be exercised at any time during their life, as opposed to European options which can only be exercised on one particular day) and options over shares which are expected to pay dividends during the exercise period, although variants of the Black-Scholes Formula exist to handle the valuation of such options.

The key variables in determining the value of an American option are:

- the exercise price of the option
- the risk free rate
- the current spot price or market value of the underlying instrument
- the volatility of the returns on the underlying instrument
- the time to expiry
- the expected distributions to be made on the underlying instrument.

The value derived represents the value of options over existing shares. The CNs are in effect warrants and hence Syft will issue new second ranking preference shares when the CNs are converted. Accordingly, an adjustment must be made to the value derived from the Black-Scholes Formula to take into account the dilutionary effect of the conversion of the CNs.

## 4.2 Valuation of the Bond Component of the CNs

### *Valuation Parameters*

The key variables applied in our assessment of the value of the bond component of the CNs are:

- valuation date – 21 July 2023, being the expected date that the Funding Round will be approved
- coupon – 12.0% per annum compounded daily (which equates to an annual interest rate of 12.75%)
- repayment date – 21 July 2024, being the maximum extended Final Repayment Date
- principal repayment – \$1
- required yield – 12.0% to 17.0% per annum.

### *Conclusion*

Based on the above, we assess the fair value of the bond component of the CNs to be in the range of \$0.951 to \$1.000 per \$1 of Face Value.

## 4.3 Valuation of the Option Component of the CNs

### *Valuation Parameters*

Each \$1 of CN can be converted into one second ranking preference share at the Conversion Price of \$0.30.

The key variables applied in our assessment of the value of the embedded option component of the CNs are:

- valuation date – 21 July 2023, being the expected date that the Funding Round will be approved
- exercise price – \$0.30 per share, being the Conversion Price
- the risk free rate – 5.4%, based on the current yield on New Zealand Government May 2024 bonds
- the current market value of Syft shares – \$0.32, being the 2 week VWAP up to 30 June 2023
- volatility – 30% to 40%, based on the observed volatility levels of movements in Syft's share price
- the time to expiry – 21 July 2024, being the maximum extended Final Repayment Date
- expected distributions – nil, based on the Company's recent dividend history.

### Conclusion

Based on the above, we assess the fair value of the embedded option in each \$1 CN to be in the range of \$0.024 to \$0.036.

## 4.4 Valuation of the Warrants

### Valuation Parameters

Each Warrant can be exercised for the issue of one ordinary share at the Exercise Price of \$0.01.

The key variables applied in our assessment of the value of the Warrants are:

- valuation date – 21 July 2023, being the expected date that the Funding Round will be approved
- exercise price – \$0.01 per share, being the Exercise Price
- the risk free rate – 5.3%, based on the current yield on New Zealand Government April 2025 bonds
- the current market value of Syft shares – \$0.32, being the 2 week VWAP up to 30 June 2023
- volatility – 30% to 40%, based on the observed volatility levels of movements in Syft's share price
- the time to expiry – 21 July 2025, being the end of the Exercise Period
- expected distributions – nil, based on the Company's recent dividend history.

### Conclusion

Based on the above, we assess the fair value of each Warrant to be in the vicinity of \$0.311.

The Warrants are stapled to the CNs on a 1:4.5 basis. Accordingly, each \$1 CN has 0.22222 Warrants stapled to it. This equates to a Warrant value of \$0.069 per \$1 CN.

## 4.5 CNs Valuation Conclusion

Based on the above, we assess the fair value of each \$1 CN (including the stapled 0.22222 Warrant) to be in the range of \$1.044 to \$1.105.

Valuation of CNs		
Security Component	Value of CNs	
	Low (\$)	High (\$)
Bond	0.951	1.000
Embedded option	0.024	0.036
Stapled Warrant	0.069 <sup>1</sup>	0.069 <sup>1</sup>
Value per \$1 CN	<u>1.044</u>	<u>1.105</u>

<sup>1</sup> Each \$1 CN has 0.22222 of a Warrant stapled to it

## **5. Sources of Information, Reliance on Information, Disclaimer and Indemnity**

### **5.1 Sources of Information**

The statements and opinions expressed in this report are based on the following main sources of information:

- the draft notice of special meeting
- the CN Agreement
- the Warrant Agreement
- the Syft annual reports for the years ended 31 March, 2021 and 2022
- the draft Syft annual report for the year ended 31 March 2023
- Syft share price data from USX
- publicly available information regarding Syft.

During the course of preparing this report, we have had discussions with and / or received information from the Non-associated Directors and Syft's legal advisers.

The Non-associated Directors have confirmed that we have been provided for the purpose of this Independent Adviser's Report with all information relevant to the Funding Round and the Ampersand / ACC Allotment that is known to them and that all the factual information provided by Company contained in this report is true and accurate in all material respects and is not misleading by reason of omission or otherwise.

Including this confirmation, we have obtained all the information that we believe is necessary for the purpose of preparing this Independent Adviser's Report.

In our opinion, the information set out in this Independent Adviser's Report is sufficient to enable the Non-associated Directors and the Company's shareholders to understand all the relevant factors and to make an informed decision in respect of the Funding Round and the Ampersand / ACC Allotment.

### **5.2 Reliance on Information**

In preparing this report we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by Syft and its advisers.

We have evaluated that information through analysis, enquiry and examination for the purposes of preparing this report but we have not verified the accuracy or completeness of any such information or conducted an appraisal of any assets. We have not carried out any form of due diligence or audit on the accounting or other records of Syft. We do not warrant that our enquiries would reveal any matter which an audit, due diligence review or extensive examination might disclose.

### **5.3 Disclaimer**

We have prepared this report with care and diligence and the statements in the report are given in good faith and in the belief, on reasonable grounds, that such statements are not false or misleading. However, in no way do we guarantee or otherwise warrant that any forecasts of future profits, cash flows or financial position of Syft will be achieved. Forecasts are inherently uncertain. They are predictions of future events that cannot be assured. They are based upon assumptions, many of which are beyond the control of Syft and its Board and management team. Actual results will vary from the forecasts and these variations may be significantly more or less favourable.

We assume no responsibility arising in any way whatsoever for errors or omissions (including responsibility to any person for negligence) for the preparation of the report to the extent that such errors or omissions result from our reasonable reliance on information provided by others or assumptions disclosed in the report or assumptions reasonably taken as implicit.

Our evaluation has been arrived at based on economic, exchange rate, market and other conditions prevailing at the date of this report. Such conditions may change significantly over relatively short periods of time. We have no obligation or undertaking to advise any person of any change in circumstances which comes to our attention after the date of this report or to review, revise or update this report.

We have had no involvement in the preparation of the notice of special meeting issued by Syft and have not verified or approved the contents of the notice of special meeting. We do not accept any responsibility for the contents of the notice of special meeting except for this report.

### **5.4 Indemnity**

Syft has agreed that, to the extent permitted by law, it will indemnify Simmons Corporate Finance and its directors and employees in respect of any liability suffered or incurred as a result of or in connection with the preparation of this report. This indemnity does not apply in respect of any negligence, wilful misconduct or breach of law. Syft has also agreed to indemnify Simmons Corporate Finance and its directors and employees for time incurred and any costs in relation to any inquiry or proceeding initiated by any person. Where Simmons Corporate Finance or its directors and employees are found liable for or guilty of negligence, wilful misconduct or breach of law, Simmons Corporate Finance shall reimburse such costs.

## 6. Qualifications and Expertise, Independence, Declarations and Consents

### 6.1 Qualifications and Expertise

Simmons Corporate Finance is a New Zealand owned specialist corporate finance advisory practice. It advises on mergers and acquisitions, prepares independent expert's reports and provides valuation advice.

The person in the company responsible for issuing this report is Peter Simmons, B.Com, DipBus (Finance), INFINZ (Cert).

Simmons Corporate Finance and Mr Simmons have significant experience in the independent investigation of transactions and issuing opinions on the merits and fairness of the terms and financial conditions of the transactions.

### 6.2 Independence

Simmons Corporate Finance does not have at the date of this report, and has not had, any shareholding in or other relationship with Syft, Ampersand or ACC or any conflicts of interest that could affect our ability to provide an unbiased opinion in relation to the Funding Round and the Ampersand / ACC Allotment.

Simmons Corporate Finance has not had any part in the formulation of the Funding Round and the Ampersand / ACC Allotment or any aspects thereof. Our sole involvement has been the preparation of this report.

Simmons Corporate Finance will receive a fixed fee for the preparation of this report. This fee is not contingent on the conclusions of this report or the outcome of the voting on the Two Resolutions. We will receive no other benefit from the preparation of this report.

### 6.3 Declarations

An advance draft of this report was provided to the Non-associated Directors for their comments as to factual accuracy of the contents of the report. Changes made to the report as a result of the circulation of the draft have not changed the methodology or our conclusions.

Our terms of reference for this engagement did not contain any term which materially restricted the scope of the report.

### 6.4 Consents

We consent to the issuing of this report in the form and context in which it is to be included in the notice of special meeting to be sent to Syft's shareholders. Neither the whole nor any part of this report, nor any reference thereto may be included in any other document without our prior written consent as to the form and context in which it appears.



Peter Simmons  
Director

**Simmons Corporate Finance Limited**  
3 June 2023