

SUPPLEMENTARY PROSPECTUS

MSL SOLUTIONS LIMITED ACN 120 815 778

1. Important information

This Supplementary Prospectus is dated 10 April 2017 (**Supplementary Prospectus**) and is intended to supplement and amend the information contained in the Prospectus dated 31 March 2017 (**Prospectus**) issued by MSL Solutions Limited ACN 120 815 778 (**Company** or **MSL**) to raise \$15 million through the issue of 60 million fully paid ordinary shares in the Company.

This Supplementary Prospectus was lodged with the Australian Securities and Investments Commission (**ASIC**) and the Australian Securities Exchange (**ASX**) on 10 April 2017. Neither ASIC nor the ASX take responsibility for the contents of this Supplementary Prospectus.

This Supplementary Prospectus must be read together with the Prospectus. To the extent of any inconsistency between this Supplementary Prospectus and the Prospectus, this Supplementary Prospectus will prevail. Unless otherwise indicated, terms defined and used in the Prospectus have the same meaning in this Supplementary Prospectus. This document is important and should be read in its entirety. Please consult your legal, financial or other professional adviser if you do not fully understand the contents.

The Company has issued both a printed and electronic version of this Supplementary Prospectus and the Prospectus. Electronic versions of both may be accessed at www.mpowermsl.com.

2. Contents

The information below is to supplement and amend the information presently contained in the Prospectus. Namely, the Prospectus is amended as follows:

Chairman's letter

The first sentence of paragraph 10 of the Chairman's letter is replaced with the following statement:

As set out in Section 5, MSL is subject to a range of risks including a competitive technology industry, disruption or failure of technology systems, cyber security and intellectual property rights.

Statutory Historical Results

A new section 4.3.3 entitled 'Statutory Historical Results' is included as follows:

4.3.3 Statutory Historical Results

Table 4.3.3 sets out the Statutory Historical Results, as set out in the audited financial statements of MSL Solutions Limited for FY15 and FY16 and as set out in the reviewed financial statements for H1 FY16 and H1 FY17.

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Table 4.3.3: Statutory Historical Results

A\$'000s	Statutory Historical Results		Statutory Historical Results	
	FY15	FY16	H1 FY16	H1 FY17
Revenue	8,702	11,289	3,966	9,221
Cost of sales	(946)	(1,898)	(420)	(2,067)
Gross margin	7,756	9,390	3,547	7,154
Sales and marketing	(2,447)	(3,164)	(1,460)	(2,098)
Customer support and technical services	(2,470)	(2,842)	(1,296)	(1,643)
Research and development	(1,158)	(1,331)	(576)	(1,045)
General and administration	(849)	(1,852)	(771)	(3,437)
Other income and expenses	8	782	(43)	(620)
Total expenses	(6,915)	(8,407)	(4,146)	(8,843)
EBITDA	842	983	(599)	(1,689)
Depreciation	(87)	(81)	(65)	(74)
Amortisation	(1,283)	(1,898)	(658)	(2,104)
EBIT	(528)	(996)	(1,322)	(3,868)
Finance costs	(186)	(157)	(44)	(37)
NPBT	(715)	(1,153)	(1,366)	(3,905)
Tax expense	-	(114)	-	1,005
Statutory loss from continuing operations	(715)	(1,266)	(1,366)	(2,900)
Profit / (loss) from discontinued operations	1,698	-	-	-
Other comprehensive income for the year	-	-	-	74
Statutory total comprehensive income	983	(1,266)	(1,366)	(2,826)

Pro forma adjustments to the consolidated income statements

On page 67 of the Prospectus, the table in section 4.3.2 entitled 'Pro forma adjustments to the consolidated income statements' is amended so that:

- 1 the line item entitled 'Total comprehensive income / (loss) for the year' is amended to 'Statutory total comprehensive income'; and
- 2 the line item entitled 'Loss from continuing operations' is amended to 'Statutory loss from continuing operations'.

Use of funds

The use of funds section on pages 17 and 120 of the Prospectus is amended to include:

- 3 in the use of funds table, an additional line item under the line currently entitled 'Deferred payments and earn-out from prior acquisitions', to include a subtotal line of \$6,800,000; and
- 4 the following statements:
 - (a) Approximately 45% of the proceeds of the Offer is intended to fund deferred payments and earn-outs from prior acquisitions.
 - (b) The Company will incur \$850,000 in interest costs in relation to the convertible notes if the shares are not trading on the ASX by 7 May 2017. These costs would be funded through the proceeds of the Offer.

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Bonus and incentive funding

Section 1.7 on page 18 'What are the related party transactions MSL has entered into?' is amended to include the following statement:

Bonuses and incentives will be funded from existing cash and operating cashflows of the business.

Costs of offer

Section 9.8 on page 146 is amended to include the following statement:

As detailed in the use of funds in Section 1, \$1,500,000 of the proceeds will be used in relation to costs of the Offer. Any additional costs will be funded from existing cash and operating cashflows of the business.

Growth in MSL's key operating metrics

Section 1.5 on page 16 'What is MSL's key pro forma financial information?' is amended to include the following statement:

The Company's pro-forma net assets at 31 December 2016 of \$40.1 million following the Offer will primarily be made up of \$43.4 million of intangible assets and goodwill.

Key operating metrics

The reference to 'GM' in the table on page 15 is replaced with 'Gross Margin'.

Corporate structure

Paragraph 9.3 on page 144 is amended to include the following statement:

*50% of the shares in Artra South Pty Ltd are owned by Micropower Pty Ltd and the other 50% of shares are held by Artra Pty Ltd. Artra South Pty Ltd is a dormant entity originally incorporated for the purposes of a joint venture which did not proceed.

Timetable

The Broker Firm Offer opening date is amended to 11 April 2017. All other dates throughout the Prospectus remain unchanged.

3. Authorisation

This Supplementary Prospectus is issued by the Company. In accordance with section 720 of the *Corporations Act 2001* (Cth), each Director has consented to the lodgement of this Supplementary Prospectus with ASIC and has not withdrawn that consent prior to lodgement.



John Down
Chairman
MSL Solutions Limited

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