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Manager Announcements
Company Announcements Platform
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Acquisition of Pioneering Software Optimisation Network Provider, NexGen Networks

Highlights:

- VTX Holdings Limited (ASX: VTX) has signed a binding terms sheet to purchase 100% equity interest in NexGen Networks Limited.
- **Demonstrated superior performance** - NexGen's technology has demonstrated over 300% increase in data speed and over 30% data volume reduction on the world wide web.
- **The technology** can be used on any device and is highly scalable. It improves the performance of existing hardware and networks.
- **Unique Technology** - NexGen has developed cutting edge "virtual" software technology, "Warpware" which uniquely optimises, rebuilds and intelligently compresses data on existing hardware resulting in significant efficiencies across speed, data consumption and end user costs.
- **Significant global market opportunity** - $100 billion global market opportunity, initially targeting the mobile technology sector with 2.2 billion smartphone users, expected to grow to c.3 billion by 2018 (GSMA Mobile Economy 2014).
- **Early mover advantage** - first to market technology that substantially extends and enhances the life of existing hardware, creating scalable efficiencies in the speed and transfer of content.
- **Highly scalable platform**, with minimal capital expenditure required to fund future growth.
- **Strong management and leadership team** with proven entrepreneur and technology experience to execute, drive growth and create significant shareholder value.
- **High activity near-term news flow outlook** expected to drive shareholder value.

VTX Holdings Limited (**ASX: VTX**) ("**VTX**" or the "**Company**") is pleased to announce that it has signed a binding terms sheet ("**Terms Sheet**") to acquire 100% of the equity interests in NexGen Networks Limited ("**NexGen**") ("**Transaction**").

The Acquisition of NexGen strategically diversifies and expands the operations of VTX Holdings into the significant and fast growing global mobile technology sector, worth over $100 billion annually.

NexGen Networks Overview

NexGen is a New Zealand based software technology company founded in 2013, by experienced technology entrepreneurs and retail executives Jason Gitmans and Robert Pole.

NexGen has developed cutting edge software technology "Warpware" - a first to market software - which delivers highly intelligent customised algorithms that enables the re-creation and optimisation of data flow between two geographical points on the globe.

NexGen's technology disrupts a rapidly growing sector of data usage and transfers allowing bigger packets of already compressed data to be sent more effectively, facilitating faster speeds on existing hardware.

Warpware creates and enables material efficiencies to occur between data flows through its proprietary customised algorithms, which leverages and optimises data flows based on historical user experience and usage. In particular, the technology reduces the level of data transferred in excess of 30%, based on intelligent analysis and repackaging of 'new data' being transferred between networks.

The ability to deliver such optimal results is due to NexGen's customised virtual based technology, which re-directs data through to its own proprietary server, delivering faster and more efficient data usage to each user through existing infrastructure.

NexGen extends the life of a company's investment in hardware. Built in a virtual environment, the technology is readily scalable, has built in safe guards against data loss, includes high availability design, and is encrypted for better security.

First Mover Advantage with Significant Market Opportunity

NexGen will be the first to market its cutting edge and unique software technology globally. Access to Warpware is initially planned through the release of mobile apps across three platforms: iOS, Android and Windows, with further potential across the enterprise sector. The Warpware technology can be adapted quickly and cost effectively across multi-sectors.

In 2014, global mobile data traffic amounted to 2.5 billion gigabytes (exabyte) per month. Global mobile data traffic will increase nearly tenfold between 2014 and 2019. Mobile data traffic is expected to grow at a compound annual growth rate ("**CAGR**") of 57% from 2014 to 2019, reaching 24.3 exabytes per month by 2019.

With the introduction of new, larger screen smartphones and tablets with all mobile-data-plan types, there is a continuing increase in usage in terms of gigabytes per month per user in all of the top tiers. The average global mobile user consumed 201 megabytes (MB) of data a month in 2012, more than doubling the 92 MBs monthly average from 2011.

In addition, cloud applications are forecast to account for 90% of mobile data traffic by 2019, with the average smartphone user generating 4.0 gigabytes (GB) of traffic per month by 2019, representing a fivefold increase over the 2014 average of 819 MBs per month.

By 2019, aggregate smartphone traffic will be over 10 times greater than it is today, with a CAGR of 60%.

The average mobile network connection speed will reach nearly 4.0 megabits per second (Mbps) by 2019 (up from 1.7 Mbps in 2014. By 2016, average mobile network connection speed will surpass 2.0 Mbps).

The opportunity for NexGen's pioneering technology is significant, and the business is well positioned at the forefront of a rapidly growing and consumer driven technology sector.

Source for all data: Cisco Systems' new Visual Networking Index for mobile traffic 2015

Unique Differentiators

NexGen's Warpware technology has a number of competitive differentiators:

- customisation and rebuild of data flows based on historical data flow and user patterns;
- optimisation of intelligent data;
- superior and sharper user experience, on phone, tablet and laptop;
- re-direction of data via Warpware server delivering faster speeds (up to 300%) and more efficient data usage converting to data savings in excess of 30%;
- additional features to include higher definition streaming, better quality "voice over Internet protocol" calls and additional security through encryption;
- future generations of the software to include gaming competitive advantage enhancement services;
- minimal level of storage required;
- technology can be used on any device and is highly scalable; and
- intellectual property protected by custom written algorithm creating significant barriers to entry.

Commercialisation Model

NexGen will initially commercialise its technology to end consumers through monthly subscriptions with further opportunities to license its technology with key global and industry partners.

NexGen is currently in discussions with potential partners to establish such opportunities.

Near term catalysts

The near term catalysts for the Company include:

- soft launch and beta testing of mobile application via consumer market;
- licensing agreements with software providers leveraging NexGen's unique technology platform;
- partnerships with leading technology providers; and
- licensing agreements in discussion with multiple partners globally.

Management Team and Board Changes

On completion of the Transaction the board of directors of the Company is intended to comprise Jason Gitmans (Managing Director), Robert Pole (Technical Director), Keaton Wallace (Corporate Director) and Andrew Haythorpe (Chairman).

Jason Gitmans

Mr Gitmans has extensive experience as an entrepreneur, having founded and successfully managed a number of small to medium size enterprises during his career. These include wholesale and retail businesses. Jason previously built and led a retail chain in over 19 European countries with 450 retail locations with over 2000 staff in just under two years.
His prior roles include top level company and entrepreneurial management, having built global networks across the world. Mr Gitmans currently sits on a number of company boards and provides active and strategic direction into these companies. Jason has helped incubate and foster the NexGen technology bringing together investors and technical contractors to support Mr Pole, in getting the business off the ground.

Robert Pole

Mr Pole has previous entrepreneurial experience and success creating a company and pioneering solutions using Advanced IT Technology. Rob previously founded a large IT service provider company still operating successfully today. This saw a number of successful years providing complex calling centre solutions plus offering wholesale VoIP to customers.
The largest was a 1500+ seat operation where the advanced solution afforded the transmission of 600 concurrent calls over long-distance full-duplex outdoor wireless between sites >30 km apart. He has over 20 years' experience in IT, specialising in networking. Rob is a well-respected pioneer leader in his field. NexGen and the resultant NeoNet product range is a result of Rob's expertise and technical knowhow.

Keaton Wallace

Keaton Wallace is a Founder and executive director of ZipTel Limited, which successfully listed on the ASX in July 2014. Keaton has overseen the business operations of ZipTel's two core products - AussieSim and the highly anticipated launch of the ZipT mobile based application. ZipT is a mobile based application utilising proprietary compression technology to allow VOIP calls to be carried at less than 4 Kbps. The company has experience substantial share price appreciation in the past 12 months with gains of over 400%. Keaton will oversee the listing process on behalf of NexGen from Australia and provide high level consultancy to the company during the listing phase until successful listing on the ASX.

Andrew Haythorpe

During the past 15 years Mr Haythorpe has been involved in a number of junior company turnarounds with ASX and TSX listed companies. Mr Haythorpe is currently the Managing Director of Liberty Resources Ltd. In the past he has held numerous Board positions, including Managing Director of Michelago and Crescent Gold, Non-executive Chairman of Liberty, Aurox Resources, Golden Heritage Mines, (which merged into Address Express Holdings), Central Kalgoorlie Gold Mines and Top End Uranium, as well as a non-executive Director of 131 Shop, Club Crocodile PL, a resort property company and Salmon Resources (Canada). During this time Mr Haythorpe was involved in over $200m worth of equity and debt raisings, often during difficult market times.

Prior to this, he was a Fund Manager (Global Energy and Resources) and Analyst at Bankers Trust Australia, which grew and merged from $2 billion under management to over $40 billion in its Global Funds management business during the 1990's.

Transaction Terms

In consideration of the Transaction, the Company paid a non-refundable cash deposit of $100,000 upon execution of the Terms Sheet to NexGen as initial consideration, and shall issue 240,000,000 fully paid ordinary shares and 160,000,000 performance shares to the vendors (or their nominees) upon settlement of the Transaction. The performance shares will be issued in four equal classes of 40,000,000 shares and are subject to the attainment of certain milestones (set out in the schedule to this announcement and which remain subject to ASX approval).

In addition, the Company has agreed to loan up to $500,000 in 5 equal monthly instalments, with each advance able to be converted into a 4% equity interest in NexGen (calculated immediately following each conversion) resulting in an aggregate of 20% interest in NexGen if all advances are converted. The convertible loan is given on an unsecured and interest free basis, and shall automatically convert into fully paid ordinary shares in the capital of NexGen upon Settlement (and may be converted prior to completion of the Acquisition of NexGen at the election of VTX subject to the ASX Listing Rules and other applicable laws). In the event completion of the Transaction does not occur the loan shall not be repayable unless there is a material breach of the Terms Sheet by either the vendors or NexGen.

The Company has also agreed to issue 29,769,734 unlisted options on the same terms as existing unlisted options (exercisable at $0.025 on or before 31/08/2018) at an issue price of $0.0001 per unlisted option to various advisers as part of the Transaction.

The Transaction is conditional on a number of conditions precedents, including but not limited to the completion of due diligence enquiries, receipt of all necessary approvals (including conditional confirmation from ASX regarding the re-quotation of VTX's shares on the Official List) and the Company undertaking a capital raising in order to re-comply with the ASX Listing Rules.[1]

The Company will seek approval to change its name to NexGen Networks Limited in conjunction with the Transaction.

Re-compliance with Chapters 1 and 2 of the ASX Listing Rules

As the Acquisition of NexGen will constitute a significant change in the nature and scale of the Company's activities, the Company will be required to re-comply with the requirements in Chapters 1 and 2 of the ASX Listing Rules (including preparing a full form prospectus, conducting a capital raising and potentially a consolidation of capital) as a condition to completing the investment.

[1] Full terms of the conditions precedent are set out in the schedule to this Announcement.

Effect on capital structure and financial position

As part of the process for re-complying with Chapters 1 and 2 of the ASX Listing Rules, it is expected the Company will be required to conduct a capital raising. The quantum of the raising and the offer price per share are yet to be determined but a minimum amount is expected to be required and the offer price will be not less than $0.02 per share (subject to the grant of a waiver from ASX). In addition, the Company may be required to complete a consolidation of capital. The Company will update the market when this information is known and further details will be included in the notice of meeting seeking shareholder approval for the investment.

As the final quantum of the capital raising required to be completed to fund the Acquisition of NexGen is not yet determined, an unaudited pro-forma balance sheet showing the impact of the transaction will be included in the notice of meeting seeking shareholder approval for the investment.

Indicative timetable of investment

Activity	Date
Announcement of transaction	16 June 2015
Satisfaction of due diligence	13 July 2015
Dispatch of Notice of Meeting seeking VTX shareholder approval	15 October 2015
Lodgement of Prospectus by VTX	2 November 2015
VTX shareholder meeting	16 November 2015
Closing date of Prospectus offer	30 November 2015
Completion of Acquisition of NexGen	11 December 2015
Expected date for reinstatement to official quotation of VTX on ASX	16 December 2015
End date to satisfy conditions precedent to the transaction	31 December 2015

The above table is an indication only and is subject to change. Shareholders should also note that the Company's securities will be suspended from trading on the day of the VTX general meeting seeking shareholder approval for the transaction, and if such approval is obtained, will remain suspended until such time as the Company has satisfied Chapters 1 and 2 of the ASX Listing Rules.

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Schedule

Conditions Precedent to the Terms Sheet

Defined terms shall have the meaning given to them in the Terms Sheet.

Completion of the Acquisition is conditional upon the satisfaction or waiver of the following conditions precedent:

(a) within 28 days of execution of this Terms Sheet, completion of due diligence by VTX on NexGen's corporate matters, business, assets and operations, with the results of those diligence enquiries being satisfactory to VTX;

(b) within 28 days of execution of this Terms Sheet, completion of due diligence by the Shareholders on VTX's business, assets and operations, financial position and performance and share capital structure, and corporate matters, with the results of those diligence enquiries being satisfactory to the Shareholders in their absolute discretion;

(c) the Shareholders being satisfied, acting reasonably, with the proforma financial position and capital structure of VTX after completion of the Acquisition and the Equity Raising (as defined in clause (l) below) and there being no additional VTX securities (including options) issued beyond those already on issue or contemplated by the Acquisition (including options issued or proposed to be issued to advisers);

(d) if requested by either party, the negotiation, execution and delivery of a mutually acceptable definitive share purchase agreement between VTX and the Shareholders effecting the Acquisition (**Definitive Agreement**);

(e) VTX obtaining at its own cost all necessary shareholder approvals required by the Corporations Act 2001 (Cth) (**Corporations Act**) (and any other applicable law or regulations) and the Listing Rules of ASX Limited (**ASX**) in relation to the Acquisition including any approvals required by VTX to re-comply with the admission and quotation requirements of ASX, including without limitation:

(i) ASX Listing Rule 7.1 approval and, if required, approval for the purpose of Item 7 of Section 611 of the Corporations Act for the issue of the Consideration Shares to the recipients (or their nominees) set out in Annexure A including an independent expert's report acceptable to the Shareholders and VTX which declares the Acquisition to be fair and / or reasonable to the non-associated shareholders of VTX;

(ii) ASX Listing Rule 11 approval authorising a change of activities in relation to the Acquisition and if applicable disposal of VTX's main undertaking where it enters into an agreement to dispose of its existing assets;

(iii) if required, approval and execution of a consolidation of the capital of VTX;

(iv) approval for the change of name of VTX to "NexGen Networks Limited" or such other name as agreed by the parties;

(v) election of directors of VTX as contemplated by the Terms Sheet; and

(vi) such other approvals as may be identified as necessary as a result of due diligence (e.g. potential for new constitution, auditor requirements, director fee pools and the like);

(f) VTX complying with all conditions that may be imposed by ASX relating to the undertaking of the Acquisition, including, if required, re-compliance with Chapters 1 and 2 of the ASX Listing Rules;

(g) there being no material adverse change to NexGen prior to Settlement, as determined by VTX acting reasonably;

(h) there being no material adverse change to VTX prior to Settlement, as determined by NexGen acting reasonably;

(i) receipt of all necessary regulatory and tax consents or approvals for the proposed Acquisition;

(j) any such other conditions imposed by any regulatory authority that are necessary in order for the Acquisition to be properly completed;

(k) VTX receiving a letter from ASX confirming that ASX will grant conditional re-quotation of VTX's shares on the official list of ASX, on terms acceptable to VTX (acting reasonably) and the Shareholders (acting reasonably);

(l) VTX preparing a full form prospectus to complete an equity raising of not less than any amount required by ASX through the issue of shares at an issue price of not less than $0.02 (**Equity Raising**), lodging the prospectus with the Australian Securities and Investments Commission (**ASIC**) to complete the Equity Raising and to re-comply with Chapters 1 and 2 of the ASX Listing Rules and receiving valid acceptances under the prospectus to the value of not less than the amount required by ASX; and

(m) other conditions precedent customary for transactions of this sort or that arise following due diligence, in each case if and as may be agreed by the parties.

Performance Shares Milestones

The Performance Shares shall be issued in four classes in equal proportions and with the following milestones (other than for changes required by ASX):

(a) Class A: VTX (or an entity controlled by VTX) has a consumer based android app based on use of the Technology publicly available in the Google Play store within 3 years from the date of issue of the Class A Performance Shares;

(b) Class B: VTX (or an entity controlled by VTX) has a consumer based iOS app based on use of the Technology publicly available in the Apple App Store within 3 years from the date of issue of the Class B Performance Shares;

(c) Class C: VTX (or an entity controlled by VTX) receives $1,000,000 in cumulative revenue, as confirmed by VTX's auditor or another suitably qualified independent third party mutually agreed by VTX and the Shareholders, pursuant to an agreement to license the Technology within 3 years from the date of issue of the Class C Performance Shares; and

(d) Class D: the volume weighted average price of fully paid ordinary shares in the capital of VTX over a period of 30 consecutive trading days on which

VTX's fully paid ordinary shares have actually traded commencing from the date of issue of the Class D Performance Shares and expiring on that date which is 3 years following the date of issue of the Class D Performance Shares being not less than $0.045.

The parties agree they will otherwise be on terms as required by ASX, including but not limited to no voting rights and no dividend rights.