



readcloud

PROSPECTUS

Initial Public Offer of up to 30,000,000 Shares at an issue price of \$0.20 per Share to raise up to \$6,000,000 (before costs and expenses of the Offer). For every 2 Shares subscribed for and issued there will be 1 free Option issued which is exercisable at \$0.30 per Option on or before 30 November 2020. In addition, the Offer includes 5,000,000 Options to be issued to Pre-Committed Investors with the same terms.

The Offer is subject to a minimum subscription of \$5,000,000.

The Offer is scheduled to close at 5:00pm (AEDT) on 25 January 2018 unless extended or withdrawn.

Note: The Shares offered by this Prospectus should be considered as speculative.

This Prospectus is an important document and requires your attention. You should read it in its entirety. If you do not understand any part of this Prospectus, or you are in doubt as to how to deal with it, you should consult your accountant, stockbroker, solicitor or other professional advisor.

READCLOUD LIMITED
ABN 44 136 815 891

Lead Manager
Patersons Securities Limited

Important Information

Offer

This Prospectus is issued by ReadCloud Limited ACN 136 815 891.

Lodgement and listing

This Prospectus is dated 19 December 2017 and was lodged with ASIC on that date. It is a replacement prospectus which replaces the prospectus dated 13 December 2017 and lodged with ASIC on that date (**Original Prospectus**). This Prospectus differs from the Original Prospectus. The differences between this Prospectus and the Original Prospectus include amendments to correct errors in Table 6, 7, 8 and 9.

The Company has applied to ASX for admission of the Company to the Official List and for quotation of its Securities on ASX.

Neither ASIC nor ASX take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

Expiry Date

No Securities will be issued on the basis of this Prospectus after the date which is 13 months after the Original Prospectus Date.

Note to Applicants

This document is important and should be read in its entirety.

You should read this entire Prospectus carefully before deciding whether to subscribe for Securities. In particular, you should consider the risk factors that could affect the performance of the Company or the value of an investment in the Company, some of which are outlined in Section 5.

The information contained in this Prospectus is not investment advice and does not take into account your investment objectives, financial situation, tax position or particular needs. Before deciding whether to subscribe for Securities, you should consider whether they are a suitable investment for you in light of your personal circumstances (including financial and taxation issues) and seek professional guidance.

Exposure Period

The Corporations Act prohibits the Company from processing Applications in the seven day period after the Original Prospectus Date (**Exposure Period**). The Exposure Period may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with the Corporations Act.

Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period.

During the Exposure Period, this Prospectus will be made generally available to Australian residents without the Application Form, by being posted on the Company's website www.readcloud.com.

Obtaining a copy of this Prospectus

This Prospectus has been placed on the Company's website at www.readcloud.com. Any person accessing the electronic version of this Prospectus must be an Australian resident and must only access the Prospectus from within Australia. If you access the electronic version of this Prospectus you should ensure that you download and read the entire Prospectus.

Any references to documents included on the Company's website www.readcloud.com are provided for convenience only, and none of the documents or other information on that website are incorporated by reference in this Prospectus.

During the Offer Period, a hard copy of this Prospectus will be available free of charge by contacting the Share Registry on 1300 55 66 35 or +61 3 9909 9909.

Restrictions on distribution

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation.

The distribution of this Prospectus (including an electronic copy) outside Australia may be restricted by law. If you are a potential investor outside Australia and you come into possession of this Prospectus, you should observe such restrictions and should seek your own advice on such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Securities or to otherwise permit a public offering of the Securities in any jurisdiction other than in Australia.

In particular, this document may not be released or distributed in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy, Securities in the United States. Any Securities described in this document have not been, and will not be, registered under the US Securities Act and may not be offered or sold in the United States or to or for the account or benefit of, a US person except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

Disclaimer

Investors should not rely on any information which is not contained in this Prospectus in making a decision as to whether to acquire Securities under the Offer. No person is authorised to give any information, or to make any representation, in connection with the issue of Securities that is not contained in this Prospectus. Any information or representation that is not in this Prospectus may not be relied on as having been authorised by the Company, the Directors or any other person in connection with the issue of Securities.

Except as required by law, and only to the extent so required, no person warrants or guarantees the future performance of the Company or any return in relation to a decision made by an Applicant under this Prospectus.

The forward looking statements in this Prospectus are based on the Company's current expectations, estimates, forecasts and projections about the Company's business and the industry in which the Company operates. They are, however, subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and the Directors that could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by the forward looking statements in this Prospectus. This Prospectus details some important factors and risks that could cause the Company's actual results to differ from the forward-looking statements in the Prospectus.

These forward-looking statements speak only as at the Prospectus Date. Unless required by law, the Company does not intend to publicly update or revise any forward-looking statements to reflect new information or future events.

Time references

A reference to time in this Prospectus is to Australian Eastern Daylight Time (AEDT) being the local time in Melbourne, Australia, unless otherwise stated.

Currency

All financial amounts in this Prospectus are expressed in Australian dollars, unless otherwise stated.

Privacy

The information about Applicants included on an Application Form is used for the purposes of processing the Application Form and to administer the Successful Applicant's holding of any of the Securities. By submitting an Application Form, each Applicant agrees that the Company may use the information provided by the Applicant on the form for the purposes set out in this privacy statement and may disclose it for those purposes to the Share Registry and the Company's related bodies corporate, agents and contractors and third party service providers, including mailing houses and professional advisers, and to ASX and other regulatory authorities.

The Corporations Act requires the Company to include information about each holder of Securities in the Company (including name, address and details of the security held) in its public register. The information contained in the Company's public register must remain there even if that person ceases to be a security holder. Information contained in the Company's register is also used to facilitate payments and corporate communications (including the Company's financial results, annual reports and other information that the Company wishes to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

Under the *Privacy Act 1988* (Cth), you may request access to or correction of your personal information held by, or on behalf of, the Company or the Share Registry. A fee may be charged for access. You can request access to your personal information by telephoning or writing to the Share Registry as follows:

Registry Direct Limited

PO Box 18366, Collins Street East
Melbourne, VIC, 8003

Telephone: 1300 55 66 35 or +61 3 9909 9909

Facsimile: +61 3 9111 5652

The Company and the Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers.

Photographs and diagrams

Photographs and diagrams in this Prospectus do not necessarily depict assets or equipment owned or used by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

Definitions

Terms used in this Prospectus are defined in the Glossary.

Questions

If you have any questions about how to apply for Securities, please call your broker. For any other questions about the Offer, please contact the Share Registry on 1300 55 66 35 or +61 3 9909 9909.



Chairman's Letter

Dear Investor

On behalf of the Board, it gives me great pleasure to present this Prospectus and to offer you an opportunity to become a shareholder in ReadCloud Limited, a leading provider of digital eReading solutions to Australian secondary schools.

ReadCloud's proprietary eReading platform delivers Australian school curricula digitally in one App. This App is available across many devices with the ability to present authorised content from any number of publishers. Students and teachers can share notes, questions, videos and weblinks directly within the eReading platform, turning the platform into a place for discussion, collaboration and social learning.

Established in 2009, ReadCloud has experienced strong growth from 3 schools using the eReader platform in 2015 to 50 schools and 21,800 Users licenced to use the Company's eReader platform in 2017. This growth has been achieved in conjunction with the refinement of the Company's online and App offerings. The Directors believe their strategy of further software development and additional sales and marketing staff will position the Company for further growth by targeting the 2,700 secondary schools and 1,600,000 full time secondary school students in Australia. The Company expects to increase the number of Users by more than 100% to 45,000 Users across 75 schools by 30 June 2018, concentrating on the higher margin direct sales to schools. As described in Section 7, ReadCloud has achieved positive earnings over the past two financial years.

Through this Prospectus, the Company is inviting investors to subscribe for up to 30,000,000 Shares, at an Offer Price of \$0.20 per Share to raise up to \$6,000,000, subject to a minimum subscription of \$5,000,000 (before costs and expenses of the Offer). For every 2 Shares subscribed for and issued there will be 1 free Option issued which is exercisable at \$0.30 per Option on or before 30 November 2020. In addition, the Offer includes 5,000,000 Options to be issued to Pre-Committed Investors with the same terms.

The proceeds from the public offer will be used to expand ReadCloud's sales and marketing activities, further develop the eReading platform and pay down existing debt.

Before subscribing for ReadCloud shares, you should consider in full the risks of investing in ReadCloud. The Company is subject to a range of risks including (i) sufficiency of funding risk with the Company's continued reliance (in part) on the Australian Federal Government's R&D incentive program (ii) technology risks (in hacking, disruption / disaster recovery and privacy compliance); and (iii) current reliance on key personnel to achieve the Company's objectives. A summary of the main risk factors associated with an investment in ReadCloud is found in Section 5.

I encourage you to read and understand the Prospectus, and seek independent professional advice as necessary, before making an investment decision. Any investment in ReadCloud should be considered speculative.

On behalf of the Directors, I recommend this Offer to you and look forward to your support and participation as a shareholder.

Yours faithfully

A handwritten signature in black ink, appearing to read "Paul Collins".

Paul Collins
Chairman
ReadCloud Limited

SIGNAL BELL

4:21 PM

100% BATTERY



readcloud

Username

Password

Login

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Key Offer Information

IMPORTANT DATES

Offer open for Applications	20 December 2017
Offer closes for Applications (Closing Date)	25 January 2018
Expected issue and allotment of Securities	31 January 2018
Expected dispatch of holding statements	1 February 2018
Expected date of quotation of Securities on ASX	5 February 2018

Note: The dates shown above are indicative only and may change without notice. The Company reserves the right to close the Offer early or to extend the Closing Date without notice. Investors are encouraged to submit their Applications as soon as possible after the Offer opens.

KEY OFFER STATISTICS	BASED ON MINIMUM SUBSCRIPTION	BASED ON MAXIMUM SUBSCRIPTION
Existing Shares on issue*	50,000,000	50,000,000
Total number of Shares available under the Offer	25,000,000	30,000,000
Total number of Shares on issue on Completion	75,000,000	80,000,000
Offer Price per Share	\$0.20	\$0.20
Gross proceeds from the Offer	\$5,000,000	\$6,000,000
Free float	37.55%	41.45%
Indicative market capitalisation based on Offer Price	\$15,000,000	\$16,000,000
Total number of Options on issue on Completion	17,500,000	20,000,000

* Refer to Section 10.2 for further details regarding the current capital structure of the Company.

How to invest

Applications for Securities can only be made by completing and lodging the Application Form with appropriate Application Monies. Instructions on how to apply for Securities are set out in Section 6 and on the Application Form.

1 Investment Overview

1.1 Business Overview

TOPIC	SUMMARY	MORE INFORMATION
What is ReadCloud?	<p>ReadCloud is an Australian education technology company that provides a leading digital eLearning solution to Australian secondary schools.</p> <p>Students and teachers can share notes, questions, videos and weblinks directly inside the eBooks, turning the eBook into a place for discussion, collaboration and social learning, and substantially improving learning outcomes.</p> <p>The school's curriculum is accessible in one App, across multiple platforms and devices, regardless of the school's choice of publisher.</p> <p>ReadCloud has 50 schools and 21,800 Users using its platform as at 30 June 2017.</p>	Section 2.1
Why is the Offer being conducted?	<p>The primary purposes of the Offer are to raise capital to expand ReadCloud's sales and marketing activities, further develop the Company's digital eReader platform for secondary schools, and to pay down debt.</p>	Section 6.2
How does ReadCloud expect to fund its activities?	<p>ReadCloud expects to fund its activities from existing cash reserves, the net proceeds of the Offer, reinvestment of any profits and through R&D tax incentive payments (dependent on continuation of the R&D tax incentive program by the Federal Government).</p>	Section 6.3, 7
What is the Company's strategy and focus?	<p>ReadCloud generates revenue by selling licences for its software and eBooks. This revenue takes two forms, either via Channel Partners or as direct sales, depending on the distribution channel.</p> <p>Readcloud's key growth drivers are:</p> <ul style="list-style-type: none"> • additional growth through existing and new Channel Partners; • increase the number of year levels within current schools; • expansion of direct sales channel; • expansion into new aligned markets – primary and tertiary education; and • further software development and additional functionality. 	Section 2.8
What is the market opportunity?	<p>ReadCloud has 50 schools and 21,800 Users using its platform as at 30 June 2017. In 2016 there were over 2,700 secondary schools and over 1,600,000 full time secondary school students in Australia to which the Company intends to market its software and services.</p> <p>Based on the contracted customer schools and the Company's advanced sales pipeline, ReadCloud expects to have 75 schools and 45,000 Users on the platform by 30 June 2018.</p>	Section 2.1

How does the Company generate revenue?

ReadCloud generates revenue by selling licences for its software and eBooks. This revenue takes two forms, either via Channel Partners or direct sales to schools, depending on the distribution channel.

Section 2.7.2

ReadCloud generates higher gross profit margins from direct sales (\$42 per User in FY17) than from sales via Channel Partners (\$15 per User in FY17). The Company expects to increase the proportion of direct sales from 12% of Users in FY17 to approximately 24% of Users in FY18.

The key drivers of ReadClouds' revenues are:

- 1) the number of school customers;
- 2) the number of student licences purchased by the schools;
- 3) the amount of content paid per User licence; and
- 4) the mix of higher margin direct sales vs sales via Channel Partners.

What is the Company's statutory historical financial position?

	Statutory historical 30/06/15 \$	Statutory historical 30/06/16 \$	Statutory historical 30/06/17 \$
Total assets	749,464	1,216,591	1,756,460
Total liabilities	584,053	576,577	765,186
Total equity	165,411	640,014	991,274

Section 7

What is the Company's statutory historical financial performance?

	Statutory historical 30/06/15 \$	Statutory historical 30/06/16 \$	Statutory historical 30/06/17 \$
Revenue	175,471	331,967	608,261
Gross margin	122,836	229,682	411,736
Amortisation	(21,503)	(77,244)	(158,029)
Expenses	(358,723)	(283,037)	(335,929)
Other income	160,341	254,062	229,292
Net profit/(Loss)	(97,048)	123,463	147,070

Section 7

What is the Company's intellectual property position?

ReadCloud has been developing and improving its eReading platform since 2011 when it first launched its eReading application.

Section 2.9.1

All features of the Platform such as collaboration, bookmarks, offline reading, virtual classrooms, syncing with the ReadCloud Platform, reading analytics and single sign in to interactive content have all been developed by ReadCloud and are 100% ReadCloud owned.

1.2 Key Strengths

TOPIC	SUMMARY	MORE INFORMATION
What are the key strengths of the ReadCloud Platform?	<p>The benefits of ReadCloud's platform for its customers include:</p> <ul style="list-style-type: none"> • delivers the Australian secondary school curriculum in one App; • operates on all major hardware/operating systems; • facilitates collaboration, social eLearning, new media literacy and adaptive learning; • range of content with over 170,000 eBooks in the ReadCloud digital library; • portability, with no need for students to carry books; and • typically cheaper than physical textbooks. 	Section 2.5

1.3 Board of Directors

TOPIC	SUMMARY	MORE INFORMATION
Who are the Directors of ReadCloud?	<p>Paul Anthony Collins – Independent Non-Executive Chairman</p> <p>Lars Peder Lindstrom – Executive Director and Chief Executive Officer</p> <p>Darren Andrew Hunter – Executive Director and Chief Information Officer</p> <p>The Directors bring to the Board relevant experience and skills, including industry and business knowledge, financial management and corporate governance experience.</p> <p>The Directors intend to appoint another suitably qualified and experienced independent director to the Board following Listing. The Company has agreed with the Thorney Entities, who are expected to be substantial shareholders of the Company on Completion, that if an additional independent director has not been appointed within four months of Completion, the Directors will support the nomination of a suitably qualified and experienced director by the Thorney Entities subject to determination of the nominated director's independence and will appoint such person as a casual appointment.</p>	Section 4

1.4 Summary of Key Risks

The key risks of an investment in ReadCloud are set out in Section 5.

TOPIC	SUMMARY	MORE INFORMATION
Insufficient funding to achieve goals	<p>The Company may need to raise additional funds from time to time to finance the continued enhancement of its eReading platform, to further develop and commercialise its products and services and to achieve its other objectives.</p> <p>The Company's ability to raise additional funds will be subject to, amongst other things, factors beyond the control of the Company and its Directors. There is no assurance that future funds can be raised by the Company on favourable terms, if at all. Further, any capital raising may be dilutive to Shareholders.</p>	Section 5.2 (a)
R&D incentives may change	The Company's sources of funds include anticipated receipts under the Australian Federal Government's R&D tax incentive program. If these receipts were not received, or were materially reduced, the Company's cash position would be adversely affected and it may have to accordingly scale back its expenditure or seek to raise additional capital in order to achieve its goals.	Section 5.2 (h)
Data loss/Privacy breach	The Company's business operations involve the storage of confidential, personal and sensitive information. The Company's business could be materially disrupted by privacy / data breaches through theft, unauthorised access, unauthorised disclosure or loss of information. While the Company undertakes measures to prevent and detect the occurrence of such security breaches, there is a risk that such measures may not be adequate. Any security breach may result in significant disruption to the Company's business.	Section 5.2 (m)
Key person risk	The Company relies on a number of key personnel to conduct its business. If these key personnel were to leave the business or for other reasons not perform their duties, and there was an inability to promptly recruit suitable replacements, ReadCloud's ability to further develop and commercialise its products could be materially adversely affected.	Section 5.2 (d)
Competitors with more scale than the Company	The Company's existing or new competitors may have substantially greater resources and access to more markets than the Company. If the Company cannot compete successfully, its business, operating results and financial position and future prospects could be adversely impacted.	Section 5.2 (c)
Slower take up by schools	The Company's success will depend on its ability to grow its market share and attract clients. The Company cannot guarantee that it will increase its revenue from existing or new clients. Failure to retain existing clients or attract new clients will have an adverse effect on the Company's operating and financial performance.	Section 5.2 (b)
Reseller Relationships	ReadCloud has relationships with key Channel Partners or resellers which enable it to continue to promote and sell ReadCloud products and services. Further, ReadCloud is planning on developing relationships with new Channel Partners and resellers. A failure to maintain or develop new relationships could impact ReadCloud's business with consequent impacts on profits.	Section 5.2 (j)

TOPIC	SUMMARY	MORE INFORMATION
Third party content risk	The Company's business relies on providing third party content to schools through the ReadCloud platform. There is the risk that the use of third party content may be challenged by third parties resulting in copyright breach claims. There is also the risk that inappropriate third party content is made available through the platform, resulting in the Company having to rectify the inappropriate content at the Company's cost.	Section 5.2 (n)
Industry wide risks	There are a range of industry wide risks which may impact on the Company. These may include, but are not limited to, changes in government policy or decisions of educational governing bodies which adversely affect the education market, slow adoption of digital learning technologies by schools and the highly competitive size and scope of the education market.	Section 5.3

1.5 Use of funds raised

TOPIC	SUMMARY	MORE INFORMATION																																	
What is the proposed use of proceeds of the Offer?	<p>The Offer seeks to raise up to \$6,000,000 (before costs of the Offer), subject to a minimum subscription of \$5,000,000 (before costs of the Offer).</p> <p>The table below sets out the proposed use of funds raised from the Offer, inclusive of the existing \$213,000 cash reserves. The amounts and timing of the actual expenditure may vary. The Company reserves the right to re-deploy capital to other uses.</p> <table> <tr> <th></th><th>Minimum Subscription</th><th>Maximum Subscription</th></tr> <tr> <td>Funds raised</td><td>\$5,000,000</td><td>\$6,000,000</td></tr> <tr> <td>Existing cash reserves (as at 11/12/17)</td><td>\$213,000</td><td>\$213,000</td></tr> <tr> <td>Total funds available</td><td>\$5,213,000</td><td>\$6,213,000</td></tr> <tr> <td colspan="3">Proposed use of funds</td></tr> <tr> <td>Sales and marketing</td><td>\$1,955,000</td><td>\$1,955,000</td></tr> <tr> <td>Software development</td><td>\$1,665,667</td><td>\$1,665,667</td></tr> <tr> <td>Working capital</td><td>\$655,379</td><td>\$1,593,586</td></tr> <tr> <td>Repayment of debt</td><td>\$352,366</td><td>\$352,366</td></tr> <tr> <td>Cash expenses of the Offer* (unpaid at Prospectus Date)</td><td>\$584,588</td><td>\$646,381</td></tr> <tr> <td>Total use of funds</td><td>\$5,213,000</td><td>\$6,213,000</td></tr> </table> <p>* \$69,000 of the expenses of the Offer have been settled prior to the Prospectus Date.</p>		Minimum Subscription	Maximum Subscription	Funds raised	\$5,000,000	\$6,000,000	Existing cash reserves (as at 11/12/17)	\$213,000	\$213,000	Total funds available	\$5,213,000	\$6,213,000	Proposed use of funds			Sales and marketing	\$1,955,000	\$1,955,000	Software development	\$1,665,667	\$1,665,667	Working capital	\$655,379	\$1,593,586	Repayment of debt	\$352,366	\$352,366	Cash expenses of the Offer* (unpaid at Prospectus Date)	\$584,588	\$646,381	Total use of funds	\$5,213,000	\$6,213,000	Section 6.3
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Total use of funds	\$5,213,000	\$6,213,000																																	
Is there a minimum subscription?	<p>The minimum subscription under the Offer is 25,000,000 Shares to raise \$5,000,000. The Company will not issue or allot any Securities under the Offer, unless the Minimum Subscription has been received.</p> <p>In the event the Minimum Subscription has not been raised within 4 months of the Prospectus Date, the Company will deal with Applications in accordance with the Corporations Act.</p>	Section 6.8																																	

1.6 Significant interests of key persons and other parties connected with ReadCloud or the Offer

TOPIC	SUMMARY	MORE INFORMATION																																								
Who are the existing Shareholders and what will their interest in the Company be immediately following Completion?	<table><tr><th>Shareholder</th><th>Based on Minimum Subscription Shares</th><th>%</th><th>Based on Maximum Subscription Shares</th><th>%</th></tr><tr><td>Amity Agency Pty Ltd</td><td>14,326,646</td><td>19.10%</td><td>14,326,646</td><td>17.9%</td></tr><tr><td>J&D Pollaers Holdings Pty Ltd atf Pollaers Family Trust</td><td>6,192,295</td><td>8.26%</td><td>6,192,295</td><td>7.74%</td></tr><tr><td>Lars Lindstrom</td><td>5,704,128</td><td>7.61%</td><td>5,704,128</td><td>7.13%</td></tr><tr><td>Kimberley Marshall</td><td>4,775,549</td><td>6.37%</td><td>4,775,549</td><td>5.97%</td></tr><tr><td>Jonathan Isaacs¹</td><td>4,499,628</td><td>6.00%</td><td>4,499,628</td><td>5.62%</td></tr><tr><td>Darren Hunter²</td><td>4,027,379</td><td>5.37%</td><td>4,027,379</td><td>5.03%</td></tr><tr><td>Other existing Shareholders</td><td>10,474,375</td><td>13.97%</td><td>10,474,375</td><td>13.09%</td></tr></table>	Shareholder	Based on Minimum Subscription Shares	%	Based on Maximum Subscription Shares	%	Amity Agency Pty Ltd	14,326,646	19.10%	14,326,646	17.9%	J&D Pollaers Holdings Pty Ltd atf Pollaers Family Trust	6,192,295	8.26%	6,192,295	7.74%	Lars Lindstrom	5,704,128	7.61%	5,704,128	7.13%	Kimberley Marshall	4,775,549	6.37%	4,775,549	5.97%	Jonathan Isaacs ¹	4,499,628	6.00%	4,499,628	5.62%	Darren Hunter ²	4,027,379	5.37%	4,027,379	5.03%	Other existing Shareholders	10,474,375	13.97%	10,474,375	13.09%	Section 10.3
	Shareholder	Based on Minimum Subscription Shares	%	Based on Maximum Subscription Shares	%																																					
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	Other existing Shareholders	10,474,375	13.97%	10,474,375	13.09%																																					
	¹ Jonathan Isaacs interest in Shares is held under his name and through Scaasi Nominees Pty Ltd atf Scassi Superannuation Fund.																																									
² Darren Hunter's interest in Shares is held through Hunmar Holdings Pty Ltd and Darren Hunter and Sandra Margate atf Hunter Margate Superannuation Fund.																																										
Existing Shareholders may participate in the Offer. If any existing Shareholders were to subscribe for Securities under the Offer, their percentage shareholding in the Company may be higher than as set out in the table above.																																										
What significant benefits and interests are payable to Directors and other persons connected with the Company or the Offer?	The interest of each of the Directors in the securities of ReadCloud immediately following Completion (assuming no Directors participate in the Offer) is set out in the table below:		Section 4.4																																							
	<table><tr><th>Director</th><th>Shares</th><th>Performance Rights</th></tr><tr><td>Lars Lindstrom</td><td>5,704,128</td><td>1,375,000 Class A Performance Rights 1,375,000 Class B Performance Rights 1,375,000 Class C Performance Rights 1,375,000 Class D Performance Rights</td></tr><tr><td>Darren Hunter</td><td>4,027,379</td><td>1,375,000 Class A Performance Rights 1,375,000 Class B Performance Rights 1,375,000 Class C Performance Rights 1,375,000 Class D Performance Rights</td></tr><tr><td>Paul Collins</td><td>310,410</td><td>250,000 Class A Performance Rights 250,000 Class B Performance Rights 250,000 Class C Performance Rights 250,000 Class D Performance Rights</td></tr></table>	Director		Shares	Performance Rights	Lars Lindstrom	5,704,128	1,375,000 Class A Performance Rights 1,375,000 Class B Performance Rights 1,375,000 Class C Performance Rights 1,375,000 Class D Performance Rights	Darren Hunter	4,027,379	1,375,000 Class A Performance Rights 1,375,000 Class B Performance Rights 1,375,000 Class C Performance Rights 1,375,000 Class D Performance Rights	Paul Collins	310,410	250,000 Class A Performance Rights 250,000 Class B Performance Rights 250,000 Class C Performance Rights 250,000 Class D Performance Rights																												
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Directors are entitled to remuneration, benefits and fees as described in Section 4.																																										

TOPIC	SUMMARY	MORE INFORMATION																					
Are the Directors or any existing Shareholders selling Securities into this Offer?	No, the Directors and existing Shareholders are not selling Securities in the Offer.																						
Who are the existing substantial Shareholders of the Company?	<table> <tr> <th>Shareholder</th><th>% based on Minimum Subscription</th><th>% based on Maximum Subscription</th></tr> <tr> <td>Amity Agency Pty Ltd</td><td>19.10%</td><td>17.9%</td></tr> <tr> <td>J&D Pollaers Holdings Pty Ltd atf Pollaers Family Trust</td><td>8.26%</td><td>7.74%</td></tr> <tr> <td>Lars Lindstrom</td><td>7.61%</td><td>7.13%</td></tr> <tr> <td>Kimberley Marshall</td><td>6.37%</td><td>5.97%</td></tr> <tr> <td>Jonathan Isaacs¹</td><td>6.00%</td><td>5.62%</td></tr> <tr> <td>Darren Hunter²</td><td>5.37%</td><td>5.03%</td></tr> </table> <p>¹ Jonathan Isaacs interest in Shares is held under his name and through Scaasi Nominees Pty Ltd atf Scaasi Superannuation Fund.</p> <p>² Darren Hunter's interest in Shares is held through Hunmar Holdings Pty Ltd and Darren Hunter and Sandra Margate atf Hunter Margate Superannuation Fund.</p> <p>Existing Shareholders may participate in the Offer. If any existing Shareholders were to subscribe for Securities under the Offer, their percentage shareholding in the Company may be higher than as set out in the table above.</p> <p>Thorney Technologies Ltd (ASX:TEK) and its related body corporate, TIGA Trading Pty Ltd are Pre-Committed Investors. The Thorney Entities have agreed to subscribe for a combined 10,000,000 Shares under the Offer. It is expected that on Completion, the Thorney Entities will together hold 13.33% of the Shares on issue if the Minimum Subscription is achieved, and 12.50% of the Shares on issue if the Maximum Subscription is achieved. The Thorney Entities are also expected to hold a combined 8,333,333 Options on Completion, including 3,333,333 Options issued to them as Pre-Committed Investors.</p>	Shareholder	% based on Minimum Subscription	% based on Maximum Subscription	Amity Agency Pty Ltd	19.10%	17.9%	J&D Pollaers Holdings Pty Ltd atf Pollaers Family Trust	8.26%	7.74%	Lars Lindstrom	7.61%	7.13%	Kimberley Marshall	6.37%	5.97%	Jonathan Isaacs ¹	6.00%	5.62%	Darren Hunter ²	5.37%	5.03%	Section 10.3
Shareholder	% based on Minimum Subscription	% based on Maximum Subscription																					
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J&D Pollaers Holdings Pty Ltd atf Pollaers Family Trust	8.26%	7.74%																					
Lars Lindstrom	7.61%	7.13%																					
Kimberley Marshall	6.37%	5.97%																					
Jonathan Isaacs ¹	6.00%	5.62%																					
Darren Hunter ²	5.37%	5.03%																					

TOPIC	SUMMARY	MORE INFORMATION
Will any Shares be subject to restrictions on disposal following Completion?	<p>As a condition of Admission, ASX will classify certain Shares of existing Shareholders as restricted securities and these will be required to be held in escrow for a period of 24 months from the Listing Date or 12 months from the date of issue of the relevant Shares.</p> <p>The escrow arrangements are expected to result in approximately 36,318,937 Shares compulsorily escrowed, which equates to approximately 45.40% of the Shares immediately following Completion (assuming the Maximum Subscription is achieved pursuant to the Offer) being subject to escrow.</p> <p>3,333,333 Options to be issued to the Thorney Entities on Completion are also expected to be compulsorily escrowed for a period of 24 months from the Listing Date.</p> <p>Existing Shareholders have also entered into voluntary escrow deeds in respect of 80% of their existing Shares, less the number of their Shares which are subject to ASX compulsory escrow. It is expected that 9,210,600 Shares or 11.51% of the Shares immediately following completion (assuming the Maximum Subscription is achieved pursuant to the Offer) will be subject to voluntary escrow, based on the expected result of compulsory ASX escrow. Under the voluntary escrow deed, existing Shareholders have undertaken to the Company, amongst other things, not to dispose of any interest in or grant any security over any of their Shares for a period of 12 months after Listing.</p>	Section 10.6

1.7 Overview of the Offer

TOPIC	SUMMARY	MORE INFORMATION
What is the Offer?	<p>The Offer is an initial public offering of up to 30,000,000 Shares in ReadCloud at an issue price of \$0.20 each to raise up to \$6,000,000 (before costs and expenses of the Offer). For every 2 Shares subscribed for and issued there will be 1 free Option issued which is exercisable at \$0.30 per Option on or before 30 November 2020.</p> <p>In addition, for every 3 Shares subscribed for and issued to a Pre-Committed Investor, there will be 1 additional Option issued to the Pre-Committed Investor, which is exercisable at \$0.30 per Option on or before 30 November 2020.</p> <p>The Offer is subject to a minimum subscription of \$5,000,000.</p> <p>The Shares being offered will represent 37.50% of the total shares in ReadCloud on issue following Listing (assuming the Maximum Subscription under the Offer is achieved).</p>	Section 6.1, 10.3
Who can apply for Securities under the Offer?	<p>The Offer is open to Applicants resident in Australia. All Applicants under the Offer must have an eligible residential or, in the case of a corporate applicant, registered office address in Australia.</p>	Section 6.5

TOPIC	SUMMARY	MORE INFORMATION
Is the Offer underwritten?	The Offer is not underwritten, however the Lead Manager has secured firm commitments from Pre-Committed Investors to subscribe \$3,000,000 to the Offer subject to the terms and conditions of this Prospectus.	Section 6.1
Who is the Lead Manager?	Patersons Securities Limited has been appointed as the Lead Manager to the Offer.	Section 9
Will the Securities be listed?	<p>ReadCloud will apply to ASX within seven days of the Prospectus Date, for its Admission and quotation of the Shares and Options on the ASX (which is expected to be under the codes "RCL" and "RCLO" respectively).</p> <p>Completion is conditional on ASX approving this Application. If ASX does not admit the Securities to quotation within three months of the Prospectus Date the Company will deal with Applications in accordance with the Corporations Act.</p>	Section 6.7
How many Securities will be on issue after Listing?	The Company will have 80,000,000 Shares and 20,000,000 Options on issue after Listing (assuming the Maximum Subscription is achieved pursuant to the Offer).	Section 10.3
What is the allocation policy?	The allocation of Securities under the Offer will be determined by the Lead Manager in consultation with ReadCloud.	Section 6.6
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Securities under the Offer.	Section 6.14
What are the tax implications of investing in the Securities?	<p>The acquisition and disposal of Shares and Options will have tax consequences, which will differ depending on the individual financial affairs of each Security Holder. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Securities pursuant to the Offer, from a tax perspective and generally.</p> <p>To the maximum extent permitted by law, the Company, its officers and each of their respective advisers accept no liability or responsibility with respect to the tax consequences of subscribing for Securities under this Prospectus.</p>	Section 6.13

TOPIC	SUMMARY	MORE INFORMATION
How can I apply?	<p>Applicants may apply for Securities online at www.readcloud.com or by completing a valid Application Form attached to or accompanying this Prospectus in accordance with the instructions set out in the Application Form.</p> <p>Completed Application Forms and accompanying payment must be lodged before 5pm AEDT on the Closing Date.</p> <p>Online at:</p> <p>www.registrydirect.com.au/offering/ReadCloudIPO</p> <p>By mail to:</p> <p>Registry Direct Limited PO Box 18366 Collins Street East Melbourne, VIC, 8003</p> <p>By hand delivery to:</p> <p>Registry Direct Limited Level 6, 2 Russell Street Melbourne, VIC, 3000</p>	Section 6.5
How to pay by cheque	<p>Cheque(s) or bank draft(s) must be:</p> <ul style="list-style-type: none"> • in Australian currency; • drawn on an Australian branch of a financial institution; • crossed "Not Negotiable"; and • made payable to "ReadCloud Limited IPO". 	Section 6.5
How to pay by BPAY	Applicants may pay their Application Monies by BPAY.	Section 6.5
Is there a minimum application size under the Offer?	<p>The minimum application under the Offer is 10,000 Shares. Payment for the Shares must be made in full at the issue price of \$0.20 per Share multiplied by the number of Shares applied for.</p> <p>The Lead Manager and ReadCloud reserve the right to reject any Application or to allocate a lesser number of Shares than applied for.</p> <p>There is no maximum value of Shares that may be applied for under the Offer.</p>	Section 6.5

TOPIC	SUMMARY	MORE INFORMATION
How will the Securities be allotted?	<p>Subject to ASX granting conditional approval for quotation on the ASX, the Securities to be issued pursuant to the Offer will be allotted as soon as practicable after the Closing Date.</p> <p>Pending the allotment and issue of the Securities or payment of refunds pursuant to this Prospectus, all Applicant Monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act.</p>	Section 6.6
When will I receive confirmation that my Application has been successful?	It is expected that the initial holding statements will be dispatched by standard post on or about 1 February 2018.	Section 6.9
When can I sell my Securities on ASX?	<p>It is expected that Shares and Options will commence trading on the ASX on a normal settlement basis on 5 February 2018.</p> <p>It is the responsibility of each Applicant to confirm their holding before trading its Securities. Applicants who sell Securities before they receive an initial holding statement do so at their own risk.</p>	Section 6.10
Can the Offer be withdrawn?	ReadCloud reserves the right not to proceed with the Offer at any time before the issue of Securities to successful Applicants. If the Offer does not proceed, Application Monies will be refunded, without interest, as soon as practicable in accordance with the requirements of the Corporations Act.	Section 6.15
Where can I find out more information about this Prospectus or Offer?	<p>All enquiries in relation to this Prospectus should be directed to the Share Registry, Registry Direct, via telephone on:</p> <p>1300 55 66 35</p> <p>+61 3 9909 9909</p> <p>If you are unclear on any matter in relation to this Prospectus or are uncertain as to whether ReadCloud is a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.</p>	Section 6.16

2 Company Overview

2.1 Introduction

ReadCloud is an Australian education technology company that provides a leading digital eLearning solution to Australian secondary schools. ReadCloud's proprietary eBook reader delivers digital content to students and teachers with extensive functionality, including the ability to make commentary in, and import third party content into eBooks.

Students and teachers can share notes, questions, videos and weblinks directly inside the eBooks, turning the eBook into a place for discussion, collaboration and social learning, which has the potential to substantially improve learning outcomes.

ReadCloud sources content for its solutions from multiple publishers so that together with its Channel Partners, the Company is able to deliver the Australian school curriculum in digital form, in all states, on one platform. The Directors believe the ReadCloud Platform offers compelling benefits to students, teachers and schools in terms of cost, functionality and portability as detailed in Section 2.3.

The success of the ReadCloud Platform in meeting schools' and students' needs is evidenced by the Company's rapid growth of schools and students joining the ReadCloud Platform. Since commencing commercialisation in 2015, ReadCloud has 50 schools and 21,800 Users using its Platform as at 30 June 2017. In 2016 there were over 2,700 secondary schools and over 1,600,000 full time secondary school students in Australia to which the Company intends to market its software and services. The Directors believe the Company is now well positioned to implement its growth strategy to increase User numbers, as detailed in Section 2.8. Based on the contracted customer schools and the Company's advanced sales pipeline, the Company expects to increase the number of Users by more than 100% to 45,000 Users across 75 schools by 30 June 2018.

2.2 History of the Company

ReadCloud was founded in 2009 to introduce a social eReading experience that would enhance the learning experience of students. In the initial years of its establishment the Company identified the requirements of the Platform and commenced development of its technology and engagement of key local and global publishers.

The first version of the ReadCloud eReader was published in 2011 for the iPad. Following further development, the App was deployed in two pilot schools in early 2013.

In late 2014 and early 2015 the current senior executives of the Company joined and refined the commercialisation strategy. Solutions were developed to enable integration with Channel Partners and allow the ReadCloud Platform to operate across multiple operating systems. Management systems were developed for schools and Channel Partners to manage and support their own Users. Commercial sales commenced in 2015, which was assisted by signing the Company's first significant Channel Partner, OfficeMax, in May 2015.



Figure 1:
ReadCloud
Platform
participants

2.3 The ReadCloud Platform

The ReadCloud Platform provides a digital eLearning solution for all key participants in secondary school education.

2.3.1 Digital Platform for Education

The ReadCloud Platform is a solution for digital content and content management for the education market place.

The Platform consists of solutions for participants in the provision and use of educational digital content. These include schools, teachers and students, as well as publishers of content and distribution Channel Partners. The features that comprise the

Platform are described in detail below in Section 2.4.

2.3.2 Proprietary Technology built in Australia

The ReadCloud Platform includes native applications available on Windows, OSX, iOS, Android and ChromeBooks. A native application (native app) is an application program that has been developed for use on a particular operating platform or device. Schools often have a BYOD (Bring Your Own Device) policy so a consistent cross platform experience is essential. The ReadCloud Platform enables a User to access all their digital content and interactions across multiple publishers with a single sign in.

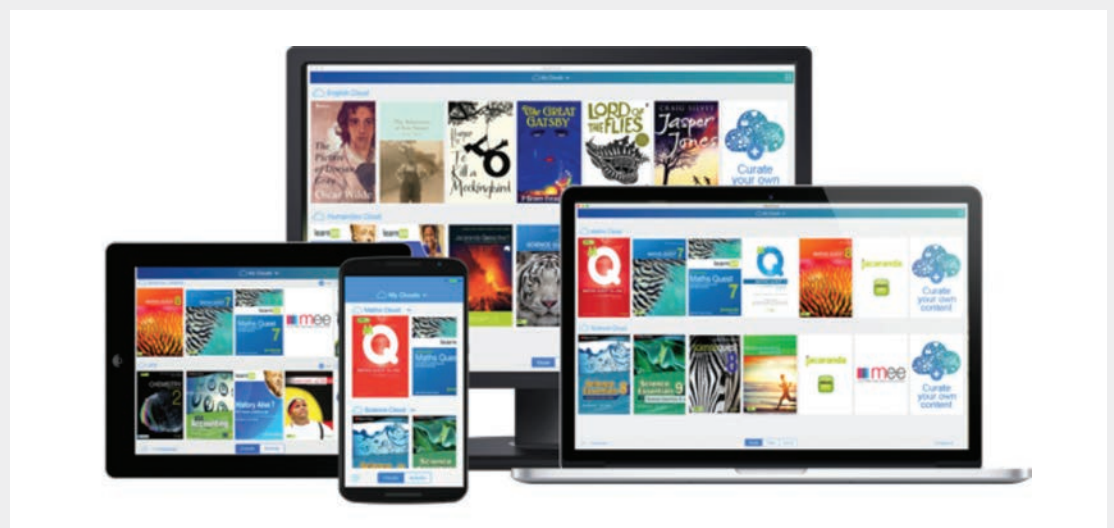


Figure 2: Cross
platform devices

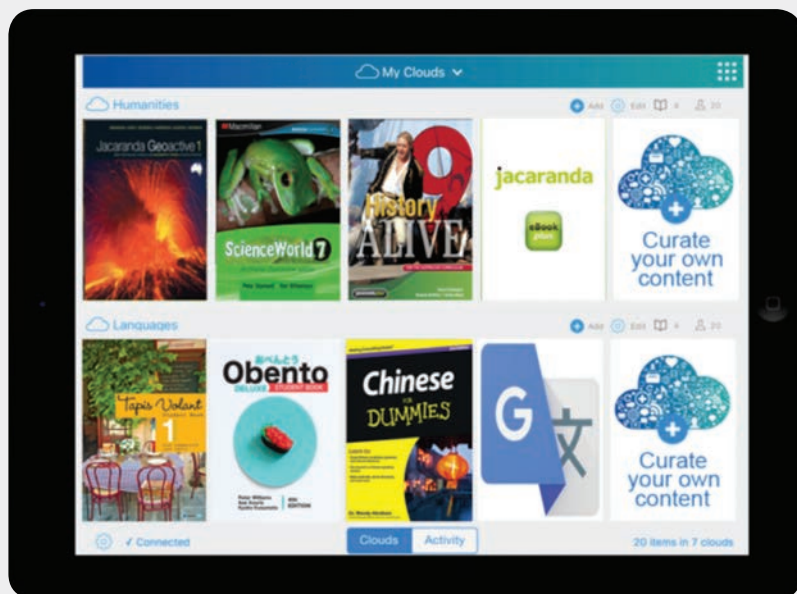


Figure 3:
ReadCloud App
cloud view

2.4 Features of the ReadCloud Platform

2.4.1 ReadCloud Content Server

There are over 170,000 eBooks in the ReadCloud digital library available for sale or licensing to schools across Australia. ReadCloud has direct distribution agreements with many of the world's leading publishers including Penguin Random House, Hachette, Simon & Schuster, Allen & Unwin, and educational publishers such as Jacaranda, Macmillan and Cengage. As

contracted publishers release new eBooks, they are automatically available on the ReadCloud Platform.

These publishers populate ReadCloud's content server with their content via secure data interfaces. The eBooks are protected via encryption and DRM within the ReadCloud Platform. This ensures protection of the publishers' rights and also limits the sharing of resources, which is an industry requirement. Downloaded eBooks can be accessed offline, reducing reliance on internet access.

2.4.2 Social annotations and collaboration

Teachers and students are organised into virtual classrooms (known as 'clouds') and the appropriate content is provisioned into these clouds.

ReadCloud's collaboration features allow students and teachers to share ideas and questions within the App. Discussions can either be shared privately between a teacher and student or at a class or group level. The social collaboration features in the ReadCloud Platform allow students and teachers to interact and collaborate when they are outside the classroom, such as in the library or studying at home.

The ReadCloud Platform also facilitates collaboration between teachers through peer group engagement.

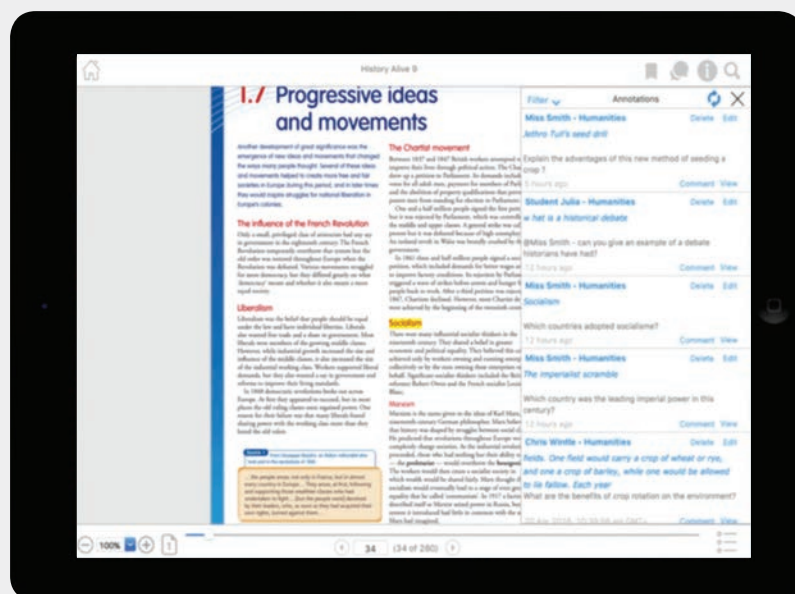


Figure 4:
ReadCloud
annotations

2.4.3 Curate your own content

Comments or annotations within the eBooks can also be enhanced by the students and teachers with third party content (like YouTube videos, TED talks).

Teachers can add or upload additional content into the virtual classrooms. Once added, all the students in that classroom have access to the content and can comment and discuss ideas with classmates or the teacher.

2.4.4 Interactive Content

Many publishers and authors of educational content are now producing content purely in a digital format. These publishers are also taking advantage of the interactive nature of the digital world and producing content to engage students.

By providing a 'single sign in' ability, this content is available on the ReadCloud Platform without the need to go to multiple publisher sites.

ReadCloud also has built in functionality to enable Deep-linking, where the User can directly and seamlessly access the related content from within the publishers' online portals.

2.4.5 Student Analytics

The ReadCloud Platform captures rich analytical data such as when a User opens an eBook, how long they are spending on each page, sections of the eBooks they are commenting on, or words they are looking up via the dictionary function.

The analytics are available to teachers and schools via reports or by integrating with the Platform. A teacher has the ability to determine whether a student opened a particular book or page that night, even how long they may have spent on that page. This can help the teacher in the education process, as well as provide potential additional feedback for parents.

2.4.6 ReadCloud Integrator

ReadCloud has spent the last 5 years refining the method of onboarding a school to ensure a smooth and successful digital experience. ReadCloud interfaces with a school's Learning Management System (LMS) or timetabling software to ensure the school class memberships are synchronised with the virtual classrooms on the ReadCloud Platform. This process can be automated via the ReadCloud Integrator so any class movements or new students are reflected in the ReadCloud Platform.

2.4.7 Management Consoles

The Platform contains a sophisticated management console whereby ReadCloud, Channel Partners and schools themselves can manage and report on Users and their activity. The consoles are browser based so can be used anywhere and also from within the Apps.

2.4.8 White Label Solution

The ReadCloud Platform has been designed so that the entire solution can be white labelled or rebranded by a reseller. ReadCloud currently has a number of Channel Partners that utilise this ability. A real-time API has been developed by ReadCloud to enable the reseller to onboard and manage their schools without any input required by ReadCloud. The associated ReadCloud management consoles enable them and their schools to manage and report on their Users.

2.5 Benefits of the ReadCloud Platform

ReadCloud affords benefits to students, schools and parents.

• Students

ReadCloud enables students to access their digital curriculum on one platform, with one sign in. Users no longer need to remember multiple sign ins and passwords, all with different standards and credentials.

ReadCloud facilitates collaboration, social eLearning, new media literacy and adaptive learning.

No more heavy schoolbags. Studies have shown that carrying heavy textbooks on a daily basis can negatively affect students' health.

• Schools

Schools are able to choose the right content for their learning environments, available to them in a seamless digital platform.

Teachers can now easily upload their supplementary notes and teacher resources alongside the commercial curriculum in ReadCloud to further contextualise the students' learnings.

Teachers are able to communicate with their students in an efficient manner and monitor their reading activity using the analytics reporting.

• Parents

ReadCloud provides reading analytics, which, if used in conjunction with other key learning indicators, affords parents high levels of transparency with regards to their child's learning outcomes.

Parents are financially better off as acquiring digital content is typically cheaper than physical textbooks.

2.6 Market Penetration

ReadCloud has grown significantly in User numbers over the last 3 years and is projecting to more than double its User numbers for the 2018 school year. This has been achieved despite limited sales and marketing resources, and very little advertising expenditure.

This growth has been driven by direct sales to new schools, increasing sales via Channel Partners and expansion of the number of year levels serviced within existing customer schools.

The revenue model is based on a licence fee per student per year, and therefore the Company is focused primarily on achieving additional User numbers rather than school numbers and will be targeting schools with higher student numbers.

Figure 5 below shows the historical and projected growth in Users.

Further plans for increased User growth are discussed in Section 2.8.

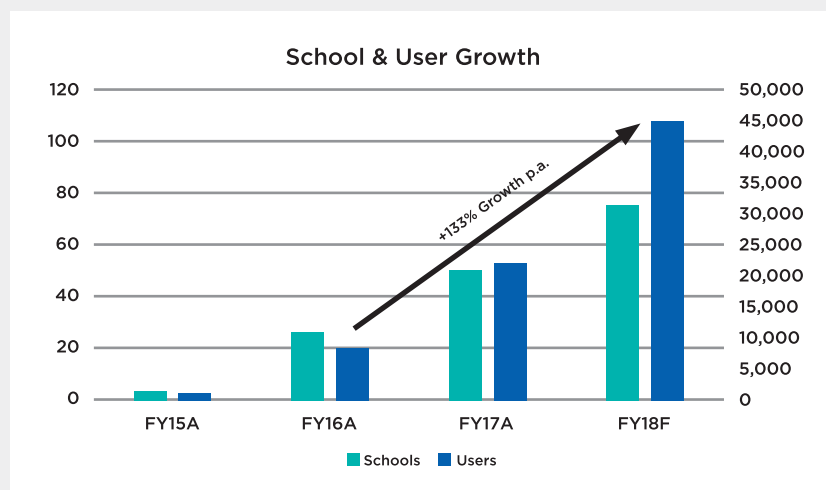


Figure 5: Historic and projected growth in schools and Users

(Source: ReadCloud)

2.7 Business Model

2.7.1 Distribution

ReadCloud has two channels for distribution, direct sales and via its Channel Partner network.

The direct contracts with schools typically have a 12 month term, however 3 year terms have been negotiated with some schools. The bulk of the revenue is received by the Company at the start of the school year when each school's curriculum is purchased by students for the year. Further revenue is received throughout the year through ad hoc take up of the App through trial or pilot implementations at new schools or new class groups in existing schools. There is also minor additional revenue generated during the year through additional eBook content purchases.

The current contractual agreements between ReadCloud and its Channel Partners are for at least 3 years with rolling renewals. Further details for these material contracts are in Section 9.

2.7.1.1 Channel Partners

ReadCloud currently has four reseller contracts.

• OfficeMax Australia

OfficeMax is the Australian and New Zealand education business of Office Depot Inc (NASDAQ: ODP).

OfficeMax sells books and stationery to over 2,000 primary schools in Australia and launched into the secondary market in 2015.

In May 2015, OfficeMax signed the OfficeMax Reseller Agreement with ReadCloud and became a Channel Partner. Under the OfficeMax Reseller Agreement, ReadCloud is OfficeMax's exclusive eReading solution. Extensive work was completed by OfficeMax and ReadCloud to build an interface between the two organisation's platforms. This provides real-time fulfilment of OfficeMax school eBook orders directly into the ReadCloud Platform.

• Jacaranda

In April 2017, Jacaranda signed the Jacaranda Reseller Agreement with ReadCloud and became a Channel Partner. Under the Jacaranda Reseller Agreement, ReadCloud is Jacaranda's exclusive eReading solution.

Jacaranda is the Australian division of John Wiley & Sons (NYSE: JW.A).

Jacaranda is one of the largest secondary textbook publishers in Australia. As stated on Jacaranda's website, their textbooks are currently used in approximately 1,900 schools, and by over 100,000 teachers and over 1 million students, representing over two-thirds of the secondary school market.

Jacaranda has recently completed the integration with ReadCloud's API to enable seamless onboarding of the Jacaranda schools to the ReadCloud Platform.

Since becoming a Channel Partner, Jacaranda has developed the Jacaranda Optimiser product. The Jacaranda Optimiser product provides direct access to the ReadCloud eReading application, which allows Users to securely access the Jacaranda eBook bundle as well as content from other publishers, in any format, on any device, with a single sign in.

• Others

Two other regional school book suppliers became Channel Partners in 2017 to offer the ReadCloud Platform to their school customers.

Strategy with Other Resellers

In the Australian market, there are resellers of national and international publishers' academic materials – both physical textbooks and eBooks – and educational requisites such as stationery.

ReadCloud aims to form additional relationships with a number of these resellers to jointly pitch to supply packages to schools comprising eReaders, published materials in eBook and physical forms and educational requisites on a split revenue basis.

2.7.1.2 Direct Sales

ReadCloud also sells software licences and eBooks to schools directly.

ReadCloud provides an onboarding service, which includes an extensive technology audit, network configuration, student and class membership setup and eBook download which are vital steps to achieve successful uptake of digital products.

An added benefit from the direct business is that ReadCloud receives direct feedback from teachers and students regarding the ReadCloud Platform, which is then used in the product development pipeline.

2.7.2 Revenue

ReadCloud generates revenue by selling licences for its software and eBooks. This revenue arises, either through Channel Partners or direct sales, depending on the distribution channel.

- **Channel Partner:** Channel Partners sell licences for the ReadCloud Platform and eBook content to schools.

ReadCloud receives a percentage of the:

- a) software licence fee; and
- b) margin (after costs) of each eBook sold.

- **Direct sales:** ReadCloud licenses the ReadCloud Platform and eBook content directly to schools.

ReadCloud receives:

- a) the full software licence fee; and
- b) a commission on the retail price of the eBooks sold.

ReadCloud has historically generated higher gross profit margins from direct sales (\$42 per User in FY17) than from sales via Channel Partners (\$15 per User in FY17). The Company expects to increase the proportion of direct sales from 12% of Users in FY17 to approximately 24% of Users in FY18.

The key drivers of ReadCloud's revenues are:

- 1) the number of schools licensed to the ReadCloud Platform;

- 2) the number of User (student and teacher) licences purchased;
- 3) the amount of content paid per User licence as this differs between schools based on curriculum requirements; and
- 4) the mix of higher margin direct sales vs sales via Channel Partners.

Two key pillars underpin the number of school customers, being the retention rate of existing school customers and the number of new schools. ReadCloud regularly monitors these drivers and employs a range of strategies to maximise retention of existing school customers, as well as to identify, target and sell to new schools. In addition, ReadCloud undertakes a range of initiatives to maximise the number of Users via upselling to more classes and grades as well as ensuring ReadCloud has access to as much content as possible to satisfy each school's curriculum requirements.

2.7.3 Key Operating Costs

ReadCloud's primary cost of sales is the cost of eBooks paid to various publishers and the costs of marketing and selling the ReadCloud Platform to schools.

The Company incurs costs for maintaining and hosting its technology platforms.

For more information refer to the Company's financials in Section 7.

2.8 Growth Strategy

The key parameters for the growth strategy of ReadCloud are:

- Additional growth from existing Channel Partners
 - The OfficeMax Reseller Agreement is an established relationship that continues to offer growth in additional schools.
 - Now that Jacaranda has completed the work to integrate the ReadCloud Platform, they are well placed to promote and sell the combined solution in 2018.
- Formation of additional Channel Partner relationships
 - There are a number of other potential resellers in the Australian market and

ReadCloud will continue to explore opportunities with these parties.

- **Increase depth within current schools**
 - Many of ReadCloud's customer schools use the ReadCloud Platform for a restricted number of year levels. There are opportunities to expand the use of the ReadCloud Platform to additional year levels within these schools.
- **Expansion of direct sales channel**
 - The direct sales channel is a higher margin business for ReadCloud and is a marketing and sales focus for the Company.
 - ReadCloud intends to apply additional marketing and sales resources to expand the number of secondary schools directly contracted to the ReadCloud Platform.
- **New aligned markets – Primary and tertiary education**
 - Although the primary and tertiary markets require different content from different publishers, the Directors believe the benefits to the students and teachers by use of the Company's Apps will be just as applicable to these areas of education as it is for the secondary schools.
- **Software development and additional functionality**
 - Ongoing development of the ReadCloud Platform to deliver new features and integrations with content publishers is a priority for the Company. The Company monitors feedback from Users and uses this feedback to prioritise enhancements to the Platform.

2.9 Technology

2.9.1 Software IP

ReadCloud has been developing and improving its eReading Platform since 2011 when it first launched its eReading application.

The initial implementations were written for the iPad. Since then the Apps and Platform have been developed to cover the platforms and devices used in the Australian school marketplace. These include iOS, OSX, Windows, Android and ChromeBooks.

ReadCloud licenses and utilises a toolkit library from Adobe called the RMSDK. This enables a consistent cross platform reading experience and the comfort of using the Industry standard Adobe DRM service called ACS (Adobe Content Services).

All features of the ReadCloud Platform such as collaboration, bookmarks, offline reading, virtual classrooms, syncing with the Platform, reading analytics, and single sign in to interactive content have all been developed by ReadCloud and are 100% ReadCloud owned.

The Directors believe ReadCloud is a leader and innovator in educational technology. The Company's development roadmap, which has been heavily influenced by feedback from our current schools and industry knowledge will assist in driving further uptake of the Company's products.

2.9.2 ReadCloud protects eBooks with DRM

The ReadCloud solution comprises a sophisticated cloud based backend. All required content is imported into our content library using Adobe DRM which protects the rights and licensing of the digital resources. ReadCloud has developed API's and management services to enable ease of use and support for these complex backend services.

2.9.3 Hosting

ReadCloud utilizes cloud hosting services from IBM Bluemix. Dedicated ReadCloud servers are commissioned in the Australian based IBM secure data centres. These servers provide a high redundancy environment to ensure a consistent service to Users with 24 x 7 monitoring and support of this server environment.

3 Market Opportunity/Industry Overview

3.1 Primary and Secondary Schools in Australia

ReadCloud currently targets its applications, content and services to secondary schools in Australia.

Based on the ABS in 2016 there were approximately 3.8 million students enrolled in 9,414 schools across Australia as shown in Table 1.

Table 1: Schools in Australia 2016

School type	Number of schools
Primary	6,234
Secondary	1,404
Combined	1,315
Special	461
Total	9,414

(Source: Australian Bureau of Statistics 2016)

The Company's success to date has stemmed from targeting the secondary school market. However, as outlined in Section 2, the Directors believe the Company's products may have potential applications in the primary school and tertiary education markets.

As shown in Table 1 there were 6,234 primary schools and 2,719 secondary schools in Australia in 2016 allowing scope for the Company to grow further.

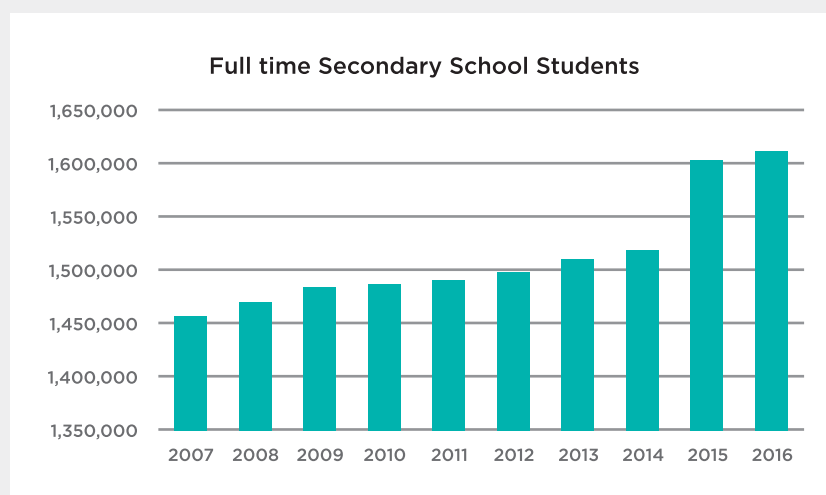
The Company's business model is to sell to schools, as it is the school that drives the student curriculum setting and the decision to move to the use of eBooks. However it is the number of students paying for the Company's offerings that drives the Company's business model. Figure 6 depicts the steady growth of full time equivalent secondary school students in Australia. This reflects overall population growth and growth in the Company's primary market.

3.2 Educational Spend

Australia's total (public and private) expenditure on primary to tertiary education as a percentage of GDP is estimated to be 5.6%, slightly higher than the OECD average of 5.2%.

From 2008 to 2013, average expenditure per student in primary, secondary and non-tertiary educational institutions increased by an average of 11% compared to the OECD average of 8%.

Figure 6: Full time secondary school students in Australia



In 2015, the structure of schooling in Queensland and Western Australia changed, with Year 7 becoming the first year of secondary schooling, whereas previously it was Year 8

(Source: Australian Bureau of Statistics 2016)

3.3 eLearning

With the introduction of eLearning capabilities and resources, there is an upward trend of migration from traditional printed resources to online technology-based resources across kinder to year 12 (K-12) education.

According to a market study released by Technavio in June 2016, the global digital educational publishing market is expected to grow at a CAGR of more than 12% during their forecast period of 2016 to 2020. The K-12 education segment is expected to be the largest contributor to the market during the forecast period as a growing number of institutions, who provide K-12 education worldwide, are transitioning from print textbooks to digital content.

According to research prepared by ORC International in 2017 it is predicted that in just three years' time, 63% of schools in Australia expect to move to a 100% digital learning environment.

3.4 Industry drivers

The Australian Government Digital Education Advisory Group released a report in May 2013 titled 'Beyond the Classroom: A New Digital Education for Young Australians in the 21st Century'.

Articulated in the report are a number of factors that may influence the rate of adoption of eLearning in the secondary school segment. These include:

- the availability and quality of online educational content and services;
- introduction of additional capabilities including interactive content and collaboration tools not available with traditional printed media;
- broadband internet penetration and bandwidth availability in schools and households;
- proliferation of computers, tablets and mobile devices; and
- the availability of funding from governments and parents.

The Directors believe the Company is well positioned and has developed solutions to take advantage of these expectations and the key industry drivers.

3.5 Competitors

The Australian eLearning segment is fragmented with many competitors targeting K-12 students and schools. In addition, there are a range of current or prospective competitors, such as publishing companies, booksellers, large software companies and educational and technology platform providers as outlined below.

• Booksellers to Schools

These companies have established relationships with schools and are generally focused on particular regions. There are two national providers, being Champion Education (Champion) and OfficeMax.

Champion is a competitor to ReadCloud and offers physical bookselling and licences competing eBook software.

OfficeMax has entered into the OfficeMax Reseller Agreement with ReadCloud, and offers the ReadCloud Platform as OfficeMax's exclusive eReading solution.

Other competitors or potential competitors include Learning Field, Box of Books, Ballarat Books, Lilydale Books, Lamont Books and Endeavour. Market share in this sector is not publicly available, however the Directors estimate that the larger participants would be Champion, OfficeMax and Learning Field.

• Publishing companies

The publishers in the secondary education sector include both domestic and global businesses which generally also have online digital offerings of their own publications. These businesses compete with ReadCloud by selling books and eBooks directly to schools. The digital offerings from these companies can range from a combination of physical books and online content to purely online content.

The ReadCloud eReader embeds offerings from multiple publishers, including many of these competing publishers, inside its Apps enabling access to the full secondary school curriculum via a single sign in experience for students.

- **Educational technology and platform providers**

These systems are typically called Learning Management Systems (LMS) or School Management Systems (SMS) and are usually focused on timetabling, student and class management and communications. These platforms can also offer digital content management and as such may be competitive with ReadCloud in the future.

ReadCloud interfaces with the major LMS and SMS providers via the ReadCloud Integrator to enable the synchronisation of students and classes with our clouds. Examples of LMS and SMS systems include: Canvas LMS, Moodle, Edmodo, SchoolBox.

- **Large Software Corporations**

Competition could also come from the large international software companies in the future. These companies are well-resourced and are building software for the educational markets. They have access to large content libraries for novels and general education materials. Examples of potential future competitors include: Apple, Google, Amazon and Microsoft.

3.6 Barriers to Entry

The Company considers there are significant barriers to entry for new entrants including:

- the resources and time required to develop an eReading platform including cross platform applications, content servers with DRM protection and automated ingestion abilities, and a real-time interface for product purchasing from partners;
- establishing the required agreements and relationships with the industry publishers;
- creating a content server containing the required resources to cover the Australian curriculum;
- Channel Partner/reseller agreements tend to result in tight integration of each other's systems. There would need to be a compelling reason to recreate that effort to integrate with an alternate system; and
- the economic scale required to capture sufficient market share.

4 Board and Management

4.1 Board of Directors and Company Secretary

The Directors bring to the Board relevant experience and skills, including industry and business knowledge, financial management and corporate governance experience as further described below.



Paul Anthony Collins

Non Executive Chairman

BSc Applied Science (Computer Science), GAICD

Paul commenced his career with IBM in 1982. After 3 years he started his own consulting business working in a state government agency and large corporations primarily in software development and implementation roles. This included 7 years at IOOF in the Development Manager's role. Over the last 20 years, Paul has been extensively involved in the start-up and subsequent ASX listing of 2 successful FinTech companies. A co-founder of IWL in 1997, Paul was an Executive Director of the company from its inception, through its listing in 1999 before leaving in 2004. Later in 2004, Paul was a co-founder and Executive Director of Managed Accounts Ltd which listed on the ASX in 2014 (ASX:MGP). Paul chaired the Audit and the Risk and Compliance Committees of MGP from 2009 until 2016.



Lars Peder Lindstrom

Managing Director/Chief Executive Officer

Lars co-founded ReadCloud in 2009 and has extensive tech startup experience. Previously a Partner in LundXY Global Ventures (the first investor in Skype) and the CFO/Co-Founder of Nyhedsavisen which within one year became the most read newspaper in Denmark publishing over 500,000 copies daily. Lars spent his first 10 years working in investment banking/M&A working for Deutsche Bank and Rothschild in Melbourne.



Darren Andrew Hunter

Executive Director/Chief Information Officer

Darren commenced his career in IT in 1984. Following a number of varied and senior roles he co-founded IWL, a financial planning and online stockbroking software provider in 1997. IWL was listed on the ASX in 1999 and provided Westpac and National Australia Bank with their online broking capabilities. Darren's role was that of CIO and group strategy. IWL grew into an ASX 300 company with over 500 employees and was eventually acquired by CBA for \$373 million. He commenced with ReadCloud in 2015 in the role of Chief Information Officer.



Melanie Jaye Leydin

Company Secretary

Melanie commenced her career as an auditor in 1991 and worked with a Chartered Accounting firm for 9 years whilst undertaking a degree and CA qualification. She established the firm Leydin Freyer in 2000 which initially specialised in the audit of small ASX listed companies. The audit practice grew and ultimately undertook audits of public (listed and unlisted) companies, private companies, not-for-profits and incorporated associations. The audit practice was sold in January 2015.

In 2005, she commenced the outsourced company secretarial and accounting services company, Leydin Freyer Corporate Pty Ltd.

Melanie has over 25 years' experience in the accounting profession and has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of companies and shareholder relations.

4.2 Management team

Lars Lindstrom (see above) is Chief Executive Officer and is supported by the Company's senior management team below.



Josh Fisher is Chief Operating Officer
MBA (Executive), AGSM

Josh is a marketing practitioner with over fifteen years' experience spanning both the client and agency side (B2B and B2C), together with SME experience, having successfully run an innovative Australian cosmetic company – Rationale Skincare. Josh's experience spans education, financial services, FMCG and consumer goods.

Melaine Leydin (see above) is Chief Financial Officer. The Company intends to appoint a Chief Financial Officer early in the FY19 year to transition the CFO role from an outsourced service to an in-house role.

Darren Hunter (see above) is Chief Information Officer.

The Company has entered into an employment agreement with Lars Lindstrom in respect of his employment as Managing Director/CEO. Lars will be entitled to a total remuneration package of \$200,000 per annum, inclusive of superannuation. Lars may also be eligible to bonus payments at the discretion of the Company.

Lars is a holder of Performance Rights identified in Section 4.4(d) below, further details of which are set out in Section 10.7.

Under the terms of the employment agreement, the Company may terminate Lars' employment by giving 9 months' notice, and may make payment in lieu of all or part of the notice period. Lars may terminate his employment by giving 3 months' notice.

After termination of employment, the employment agreement provides that Lars will be subject to non-solicitation of clients and employees and non-compete restraints within Australia for a period of 12 months.

Executive Director/CIO

The Company has entered into an employment agreement with Darren Hunter in respect of his employment as Executive Director/CIO. Darren will be entitled to a total remuneration package of \$200,000 per annum, inclusive of superannuation. Darren may also be eligible to bonus payments at the discretion of the Company.

Darren is a holder of Performance Rights identified in Section 4.4(d) below, further details of which are set out in Section 10.7.

Under the terms of the employment agreement, the Company may terminate Darren's employment by giving 9 months' notice, and may make payment in lieu of all or part of the notice period. Darren may terminate his employment by giving 3 months' notice.

After termination of employment, the employment agreement provides that Darren will be subject to non-solicitation of clients and employees and non-compete restraints within Australia for a period of 12 months.

(b) Non-Executive Director remuneration

The Company has agreed to pay annual Director's fees of \$40,000 to Paul Collins,

4.3 Director disclosures

No Director has been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the last 10 years which is relevant or material to the performance of their duties as a Director or which is relevant to an investor's decision as to whether to subscribe for Shares.

No Director has been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that they were an officer or within a 12 month period after they ceased to be an officer.

4.4 Directors' interests and remuneration

Set out below are the remuneration arrangements with Directors and details of the interests of Directors in Shares and other securities of the Company at the Prospectus Date.

(a) Executive Director remuneration

Managing Director/CEO

in respect of his positions as Non-Executive Director and Chairman of the Board.

Paul is a holder of Performance Rights identified in Section 4.4(d) below, further details of which are set out in Section 10.7.

No additional fees are payable to Directors for their involvement in Board committees.

(c) Employee Share Option Plan

Directors are entitled to participate in the Company's ESOP (further details of which are set out in Section 10.8), with the approval of Shareholders as required by the ASX Listing Rules (if applicable). No options have been granted to Directors under the ESOP as at the Prospectus Date.

(d) Directors' interests in securities

The Directors and their related entities have the following interests in the securities of the Company at the Prospectus Date.

Table 2: Directors' interests

Director	Shares	Performance Rights
Lars Lindstrom	5,704,128	1,375,000 Class A Performance Rights 1,375,000 Class B Performance Rights 1,375,000 Class C Performance Rights 1,375,000 Class D Performance Rights
Darren Hunter	4,027,379	1,375,000 Class A Performance Rights 1,375,000 Class B Performance Rights 1,375,000 Class C Performance Rights 1,375,000 Class D Performance Rights
Paul Collins	310,410	250,000 Class A Performance Rights 250,000 Class B Performance Rights 250,000 Class C Performance Rights 250,000 Class D Performance Rights

The Directors are entitled to participate in the Offer. Accordingly, the table above does not take into account any interests in Securities the Directors may acquire under the Offer.

Further details of the Performance Rights are set out in Section 10.7.

(e) Directors' indemnity, access and insurance

The Company has entered into a Deed of Access, Indemnity and Insurance with each Director. The deed applies while the Director holds office and for a period of 7 years after (subject to extension in the case of then current proceedings or investigations). In summary, each Deed provides that:

- subject to the Corporations Act, the Company indemnifies the Director against all liabilities incurred by the Director (including reasonable legal costs incurred by the Director) which may arise from their position as a director of the Company or any related body corporate;
- the Company will maintain directors and officers liability insurance for the benefit of the Director; and
- the Director has a limited right of access to the Company's books.

The Company currently has directors' and officers' insurance in place.

4.5 Corporate Governance

The Board is committed to maximising Shareholder value and financial return and sustaining the growth and success of the ReadCloud business and the Company's intellectual property. In conducting business with these objectives, the Board is tasked with ensuring that the Company is properly managed to protect and enhance Shareholder interests, and that the Company, its Directors, officers and employees fulfil their functions effectively and responsibly.

(a) Board

The Board is comprised of two Executive Directors, including the CEO/Managing Director, and one Non-Executive Director, including the Chairman. Detailed biographies of the Directors are provided in Section 4.1.

Each Director has confirmed to the Company that he anticipates being available to perform his duties as a non-executive Director or executive Director as the case may be without constraint from other commitments.

(b) Independence of the Board

The Board considers that a director is an independent director where that director is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his or her capacity to bring an independent judgment to bear on issues before the Board and to act in the best interests of the Company and its Shareholders generally. When determining the independence of a director, the Company also takes into account the factors relevant to assessing the independence of a director listed in Recommendation 2.3 of the ASX Corporate Governance Principles and Recommendations.

The Board considers that Paul Collins is free from any business or other relationship that could materially interfere with, or reasonably be perceived to materially interfere with, the independent exercise of his judgment and is able to fulfill the role of independent director for the purposes of ASX.

The Board currently considers that CEO/ Managing Director, Lars Lindstrom, and Executive Director, Darren Hunter, are not independent for ASX purposes due to their executive roles with the Company.

(c) Board Charter

The responsibilities of the Board are set out in the Company's Board Charter, which has been prepared having regard to the ASX Corporate Governance Principles and Recommendation. A copy of the Company's Board Charter is available on the Company's website at www.readcloud.com.

(d) Board Committees

The Board has established two standing committees to assist the Board in fulfilling its responsibilities as described in Table 3.

Each of these committees has the responsibilities described in the committee charters adopted by the Company (which have been prepared having regard to the ASX Corporate Governance Principles and Recommendations). A copy of the charter for the above committees is available on the Company's website at www.readcloud.com.

The Board may also establish other committees from time to time to assist in the discharge of its responsibilities.

(e) Policies

ReadCloud has adopted various policies, taking into account the recommendations in the ASX Corporate Governance Principles and Recommendations. These policies are available on the Company's website at www.readcloud.com and include:

Table 3: Board committees

BOARD COMMITTEE	KEY RESPONSIBILITIES	INITIAL COMPOSITION
Audit and Risk Committee	Monitoring and advising the Board on the Company's risk management, audit and regulatory compliance policies and procedures.	Darren Hunter (Chair), Paul Collins
Remuneration and Nomination Committee	Establishing the policies and practices of the Company regarding the remuneration of Directors and senior management and reviewing all components of the remuneration framework. Advising the Board on the composition of the Board and its committees.	Paul Collins (Chair), Darren Hunter

Board Performance Evaluation Policy – This policy sets out the Company’s process for evaluating the performance of the Board, its committees, individual directors and senior management;

Code of Conduct – A code of conduct that sets out the standards of conduct and behaviour the Company expects from its Directors, officers, employees and contractors;

Continuous Disclosure Policy – Once listed on ASX, the Company will need to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. This policy describes the procedures in place which are designed to ensure that the Company complies with its continuous disclosure obligations. This policy also describes how the Company will ensure effective communication with its Shareholders;

Risk Management Policy Summary – This is a summary of the internal Risk Management Policy which sets out the Company’s process of risk management and internal compliance and control; and

Securities Trading Policy – This policy outlines when Directors and key management personnel may deal with the Company’s securities, particularly at times when the market may not be fully informed as to the Company’s progress, and explains how insider trading laws affect their dealings in the Company’s securities.

(f) ASX Corporate Governance Principles and Recommendations

The Board has evaluated the Company’s current corporate governance policies and practices in light of the ASX Corporate Governance Principles and Recommendations.

Table 4 below briefly addresses the areas where the Company has departed from the recommendations contained in the ASX Corporate Governance Principles and Recommendations. The Board is of the view that with the exception of the departures set out below, it otherwise expects to comply with all of recommendations in the ASX Corporate Governance Principles and Recommendations.

Table 4: ASX Corporate Governance Principles and Recommendations – Exceptions

RECOMMENDATION	READCLOUD’S CURRENT PRACTICE
<p>1.5 A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity’s progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity’s diversity policy and its progress towards achieving them, and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined “senior executive” for these purposes); or</p> <p>(2) if the entity is a “relevant employer” under the Workplace Gender Equality Act, the entity’s most recent “Gender Equality Indicators”, as defined in and published under that Act.</p>	<p>The Company does not have a diversity policy.</p> <p>The Company is satisfied that the composition of employees and Board members is appropriate for the Company considering its size and environment.</p> <p>The Company will disclose the proportion of men and women on the Board, in senior executive positions and across the whole organisation in its annual reports and will provide further details as to its compliance with these recommendations in its future annual reports.</p>

RECOMMENDATION	READCLOUD'S CURRENT PRACTICE
<p>2.1 The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>The Board has established a Remuneration and Nomination Committee to oversee the selection and appointment practices of the Company.</p> <p>The Remuneration and Nomination Committee is governed by a Remuneration and Nomination Committee Charter.</p> <p>The Remuneration and Nomination Committee consists of two Directors, Paul Collins and Darren Hunter. The majority of the Committee are not independent Directors for ASX purposes.</p> <p>The Committee is chaired by Paul Collins, who is an independent Director for ASX purposes.</p> <p>The Charter is available for review on the Company's website at www.readcloud.com.</p> <p>The Company will provide an update on its compliance with this recommendation, including the number of Committee meetings and Director attendances at these meetings, in its future annual reports.</p>
<p>2.4 A majority of the board of a listed entity should be independent directors</p>	<p>The Board does not have a majority of independent Directors due to the Company's size and the early stage of its development. The Board believes that the Board as a whole is not hindered in its ability to exercise independent view and judgement.</p> <p>The Board is mindful of the recommendation that a majority of the Board should be independent. Accordingly, in the coming year, the Board will re-examine its structure based on its skills matrix.</p>

RECOMMENDATION	READCLOUD'S CURRENT PRACTICE
<p>4.1 The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>The Company has established an Audit and Risk Committee to oversee the management of financial and internal risks. The Audit and Risk Committee is governed by an Audit and Risk Committee Charter, copy of which is available on the Company's website at www.readcloud.com.</p> <p>The Committee consists of two Directors, Darren Hunter and Paul Collins. The majority of the Committee are not independent Directors for ASX purposes and all the members of Committee are not non-executive directors. The Chairman of the Committee is Darren Hunter who is not an independent Director.</p> <p>The Company will provide an update on its compliance with this recommendation, including the relevant qualifications and experience of the members of the Committee, the number of Committee meetings and Director attendances at these meetings, in its future annual reports.</p>
<p>7.1 The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>The Company has adopted a Risk Management Policy which is designed to assist the Company to oversee and approve risk management strategy and policies, internal compliance and internal control.</p> <p>A copy of the Company's Risk Management Policy Summary is available on the Company's website at www.readcloud.com.</p> <p>The Board has delegated responsibility for the day to day management of the Company's risk profile to the Audit and Risk Committee.</p> <p>The Audit and Risk Committee is governed by an Audit and Risk Committee Charter, a copy of which is available on the Company's website at www.readcloud.com.</p> <p>The Committee consists of two Directors, Darren Hunter and Paul Collins. The majority of the Committee are not independent Directors for ASX purposes. The Chairman of the Committee, Darren Hunter, is not an independent Director for ASX purposes.</p>
	<p>The Board is responsible for the overall assessment of the effectiveness of risk management and internal compliance and control.</p> <p>The Company will provide an update on its compliance with this recommendation, including the number of Committee meetings and Director attendances at these meetings, in its future annual reports.</p>

RECOMMENDATION	READCLOUD'S CURRENT PRACTICE
<p>7.3 A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>The Company does not have an internal audit function due to the Company's current size and business circumstances.</p> <p>The Board reviews accounting documentation on a monthly basis.</p> <p>The Company will provide an update on its compliance with this recommendation in its future annual reports.</p>
<p>8.1 The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>The Remuneration and Nomination Committee is governed by a Remuneration and Nomination Committee Charter, a copy of which is available on the Company's website at www.readcloud.com. The Charter describes the role of the Committee and the process for evaluating the performance of the Board, its Committees and individual Directors.</p> <p>The Remuneration and Nomination Committee consists of two Directors, Paul Collins and Darren Hunter. The majority of the Committee are not independent Directors for ASX purposes. The Committee is chaired by, Paul Collins, who is an independent Director for ASX purposes.</p> <p>The Company will provide an update on its compliance with this recommendation, including the number of Committee meetings and Director attendances at these meetings, in its future annual reports.</p>

The Directors intend to appoint another suitably qualified and experienced independent director to the Board following Listing. The Company has agreed with the Thorney Entities, who are expected to be substantial shareholders of the Company on Completion, that if an additional independent director has not been appointed within four months of Completion, the Directors will support the nomination of a suitably qualified and experienced director by the Thorney Entities subject to determination of the nominated director's independence and will appoint such person as a casual appointment.

(g) Company Secretary

The Company Secretary is responsible for ensuring that Board procedures and policies are followed and provides advice to the Board including on matters involving corporate governance and the ASX Listing Rules. All Directors have unfettered access to the advice and services of the Company Secretary.

5 Risk Factors

5.1 Introduction

The Securities offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend that potential investors consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Securities pursuant to this Prospectus.

There are a number of risks that, either individually or in combination, may materially and adversely affect the future operating and financial performance of the Company and the value of the Securities. Some of these risks may be mitigated by the Company's internal controls and processes, but many are outside the control of the Company, the Directors and management.

There can be no assurance that the Company will achieve its stated objectives or that any forward-looking statements will eventuate.

Investors should have regard to their own investment objectives and financial circumstances, and should consider seeking professional guidance from their stockbroker, accountant, financial or other professional adviser before deciding whether to participate in the Offer.

Investors should be aware that the performance of the Company may be affected and the value of its Shares may rise or fall over any given period. Some of the factors which investors should consider before they make a decision whether or not to apply for Securities include, but are not limited to, the risks in this Section 5.

5.2 Company specific risks

(a) Insufficient funding to achieve goals

The Directors believe that the funds raised under this Prospectus will be sufficient for the Company to carry out its stated objectives as detailed in this Prospectus. However, the Company does have limited financial resources and may need to raise additional funds from time to time to finance the continued enhancement of its eReading platform, to further develop and commercialise its products and services and to achieve its other objectives.

The Company's ability to raise additional funds will be subject to, amongst other things, factors beyond the control of the Company and its Directors, including cyclical factors affecting the economy and share markets generally. The Directors can give no assurance that future funds can be raised by the Company on favourable terms, if at all. Further, any capital raising may be dilutive to Shareholders.

(b) Slower take up by schools

The Company's success will depend on its ability to grow its market share and attract clients. This could be impacted by a number of factors including but not limited to:

- cost-effectiveness and pricing of the Company's service offering;
- the entrance or availability of competing products in the market (including new market entrants);
- the Company's reputation, functionality of its software / product capabilities;
- the ability to anticipate and quickly respond to changing technology, opportunities, regulatory requirements, industry standards (i.e. first mover advantage).

The Company cannot guarantee that it will increase its revenue from existing or new clients. Failure to retain existing clients or attract new clients will materially impact the Company's ability to generate revenue which will have an adverse effect on the Company's operating and financial performance.

(c) Competitors with more scale than the Company

The Company's existing or new competitors may have substantially greater resources and access to more markets than the Company. Competitors may be able to apply greater funds to more quickly develop alternative products which are more innovative, easier to use or more cost effective than those that have been or may be developed by the Company. Larger competitors may also have greater distribution networks than the Company.

This may place pricing pressure on the Company's product offering or result in longer and more complex sales cycles with prospective clients, with a potentially negative impact on the ability to retain existing clients as well as attract new clients. If the Company cannot compete successfully, its business, operating results, financial position and future prospects could be adversely impacted.

(d) Key person risk

ReadCloud relies on a number of key personnel to conduct its business. If these key personnel were to leave the business or for other reasons could not perform their duties, and there was an inability to promptly recruit suitable replacements, ReadCloud's ability to further develop and commercialise its products could be materially adversely affected. Further, relationships with schools and resellers would need to be re-established. As a result, the Company's revenues could be adversely impacted, as well as additional costs of recruitment, training and knowledge transfer incurred, all of which may impact the Company's profitability.

(e) Scale up risk

The Company is a small company which is seeking to expand its operations. If the Company cannot build strong internal systems, it is likely that the Company will not be able to adequately respond to opportunities to expand. As a result, the future growth and financial performance of the Company may be adversely impacted.

The Company may also be subject to over investment in its growth strategy. Should the Company successfully expand its internal systems to support the anticipated demand of clients, but not achieve the expected demand, the profitability and financial performance of the Company may be adversely impacted.

(f) Confidence in technology

End user acceptance and confidence in the integrity of the Company's technology and online network is an important factor in the growth of the business. There is a risk that the ReadCloud services may be disrupted as a result of an inability to cope with large increases in the volume of clients and their use of online content.

If end user acceptance or confidence in the ReadCloud Platform is lost for any reason, this could negatively affect the Company's ability to retain existing clients or attract new clients, which would have a material adverse impact on the Company's growth and profitability.

(g) Reputation risk

The Company's ability to protect its reputation could be jeopardised if it fails to maintain quality products and services or if the Company, or the third parties with whom it does business, fail to comply with regulations or accepted business practices (including ethical, social, product, labour and environmental standards, or related political considerations). If damage were to occur to the Company's or the reputation of its third party service providers, the demand for the Company's products and services may be reduced and/ or the Company's products and services may be boycotted. All of these factors would be likely to have an adverse effect on revenue, margins, profitability and the Company's operations.

(h) R&D incentives may change

The Company's sources of funds include anticipated receipts under the Australian Federal Government's R&D tax incentive program. If there was a change in law or application of this program and these receipts were not received or were materially reduced, the Company's cash position would be adversely affected and the Company would have to accordingly scale back its expenditure or seek to raise additional funding in order to achieve its goals.

(i) Seasonality of revenue and impact on finances

The Company's existing revenues have a distinct seasonality pattern. Future operating results may vary significantly from quarter to quarter due to a variety of factors, including semester schedules and budgeting cycles for school customers.

Cash inflows are concentrated in the second and third quarters of the financial year. This can have the potential to lead to cash flow constraints at other times of the year, and vulnerability to external factors occurring at those times. Negative factors could result in the Company having to scale back its expenditure or seek to raise additional funding in order to have sufficient funds to manage through those periods.

(j) Reseller relationships

ReadCloud has relationships with key business Channel Partners or resellers which enable it to continue to promote and sell ReadCloud products and services. Further, ReadCloud is planning on developing relationships with new Channel Partners and resellers.

In addition, Channel Partners and resellers promote a range of products to schools. Failure or reluctance of Channel Partners and resellers to promote the ReadCloud products ahead of other products may result in schools adopting a negative perception of ReadCloud products.

Accordingly a failure to maintain or develop new relationships could impact ReadCloud's business and prospects of increasing its

revenues, and may cause a reduction in revenues, with consequent impact on profits.

(k) Publisher contracts – termination rights

The Company's business relies on providing publisher content to schools through the ReadCloud platform. Publisher standard contracts allow for publishers to terminate on notice as short as 30 days. If a publisher terminates the Company's right to distribute the publisher's content, this may result in existing school clients no longer choosing to use the ReadCloud service and new schools discounting the ReadCloud platform. This could result in an adverse impact on the Company's growth prospects, operating results, reputation and financial performance.

(l) Teacher utilisation

The Directors believe that ReadCloud's success in a school requires the support of teachers utilising as much functionality as possible of the Company's products when teaching their students. If teachers lack ICT skills or commitment to ICT products in their teaching, the usefulness of the Company's products may be questioned and subsequent renewals or further class sales may not eventuate. This could have an adverse impact on the Company's growth prospects and financial performance.

(m) Data loss/Privacy breach

The Company's business operations involve the storage of confidential, personal and sensitive information. The Company's business could be materially disrupted by privacy / data breaches through theft, unauthorised access (e.g. hacking), unauthorised disclosure (including exploitation of data) or loss of information (e.g. system problems). While the Company undertakes measures to prevent and detect the occurrence of such security breaches, there is a risk that such measures may not be adequate. Any security breach may result in significant disruption to the Company's business including rendering such operations unavailable for a period of time until the data is restored. A security breach could also have an adverse impact on the Company's reputation. This in turn would be likely to adversely affect the Company's revenues and in turn profitability.

(n) Third party content risk

The Company's business relies on providing third party content to schools through the ReadCloud platform. There is the risk that the use of third party content may be challenged by third parties. There is also the risk that inappropriate third party content is made available through the ReadCloud platform. This could result in the Company needing to defend a claim for copyright breach or rectify inappropriate content, at the Company's cost, and therefore impacting on the Company's profitability.

(o) Use of third party technology

The Company relies on certain contracts with third party suppliers to maintain and support its IT infrastructure and software, which underpins its core business activities. This decreases the Company's control over the delivery of these services and the quality and reliability of the services provided. ReadCloud is also subject to the risk of any failures in third party provider systems, which may impact service delivery.

Any delay, disruption or deterioration in the level of service by a third party provider could impair ReadCloud's ability to provide services to its clients, or to the service levels ReadCloud and its clients expect. This could cause Users to cease using the Company's products, negatively impacting the Company's revenues and profits.

In addition, if such contracts are terminated for any reason and an alternative source of technology or systems is not found in a timely manner or on similar commercial terms, ReadCloud's operations, earnings and financial condition could be adversely impacted.

(p) OfficeMax change in control clause

Under the OfficeMax Reseller Agreement (further details of which are set out in Section 9), OfficeMax may terminate the agreement if certain 'prohibited entities' or their affiliates hold 35% or more of the issued share capital of the Company. There is a risk that after Listing, a prohibited entity could acquire this level of Shares, with the result that OfficeMax may seek to terminate the agreement, negatively impacting the Company's revenues and profits.

q) Jacaranda change in control clause

Under the Jacaranda Distribution Agreement (see Material Contracts - Section 9), either party may terminate the agreement on one months' notice if there is a material change in the management or ownership control of the other party. It is possible that events may occur after Listing which may result in a material change in the management or ownership control of the Company (and such change could be outside of the Company's control), with the resulting risk that Jacaranda may seek to terminate the Jacaranda Distribution Agreement for that reason, negatively impacting the Company's revenues and profits.

5.3 Industry specific risks

(a) Governing body decisions

The ability of participants supplying the education market to retain contracts or acquire new business may be affected by the decisions of educational governing or coordinating bodies, such as district offices, Catholic education offices and school networks. Decisions of these bodies can define the available markets that the Company operates in, for reasons unrelated to the Company's performance or products. Such decisions could negatively impact the Company's prospects, revenues and profits.

(b) Regulation changes/Changes in Government policy

The education market may be adversely impacted by changes in government policy, regulation or legislation applying to education providers and changes to education expenditure. Such decisions can redefine the available markets that the Company operates in, for reasons unrelated to the Company's performance or products.

Similarly, the imposition of new regulation (such as the introduction of greater restrictions on the use of school or student data) may also adversely affect providers in this market.

Such decisions could negatively impact the Company's prospects, revenues and profits.

(c) Adoption of digital technology by schools

The adoption of digital learning technologies by schools may be slower than expected by the Company and its competitors in this space. As a result, the market for digital elearning products, such as the ReadCloud Platform, may not increase as much as anticipated, or at the pace anticipated. Such factors could have an adverse impact on the Company's growth prospects and financial performance.

(d) Competition – size and scope

The education market is highly competitive with a large number of participants spanning traditional print publishers, online education providers, large software corporations, and cross-curriculum platform and technology providers. As a result, the industry has a rapidly changing landscape with shifting competitive forces. This may place pricing pressure on ReadCloud's product offering and may impact on ReadCloud's ability to retain existing customers as well as its ability to attract new business.

Similarly, there is constant change in the product mix available in this market as participants constantly revise and improve their business models in response to challenges from competing businesses, including ReadCloud. If these or other market participants introduce new or improved ebook reader platforms that ReadCloud cannot match or exceed in a timely or cost-effective manner, ReadCloud's business and profitability may be adversely affected.

(b) Change in accounting standards

The Company's financial reports are subject to compliance with accounting reporting standards. Changes to those standards or recognised treatments under those standards may adversely affect the reported financial performance and position of the Company.

(c) Changes in tax

Change to applicable tax laws or the way they are interpreted, or the rates of tax, in each case as they apply to the Company, will affect the financial performance of the Company and the Securities.

In addition, similar changes as they apply to persons holding Securities may affect the financial return achieved by holding Securities.

(d) Volatile share prices

The price of Shares may rise and fall and be subject to varied and unpredictable influences outside of the control of the Company. Share market conditions can be affected by many factors, such as general economic outlook, interest rates, inflation, currency movements, investor sentiment, political issues and capital flows.

5.4 General risk factors

(a) Illiquid Stock

The ability of a Shareholder to realise value for their investment in the Company depends on the ability to sell their Shares or Options. Sales of Shares or Options may be hampered if the respective market is illiquid.

6 Details Of The Offer

6.1 Description of the Offer

This Prospectus relates to the initial public offering of 25,000,000 Shares in the Company at a price of \$0.20 per Share to raise a minimum of \$5,000,000 (before costs and expenses).

The Directors may accept subscriptions of up to a further 5,000,000 Shares to raise a maximum of \$6,000,000 (before costs and expenses).

For every 2 Shares subscribed for and issued there will be 1 free Option issued which is exercisable at \$0.30 per Option on or before 30 November 2020.

In addition, for every 3 Shares subscribed for and issued to a Pre-Committed Investor, there will be 1 additional Option issued to the Pre-Committed Investor, which is exercisable at \$0.30 per Option on or before 30 November 2020.

The Offer is not underwritten, however the Lead Manager has secured firm commitments from Pre-Committed Investors to subscribe \$3,000,000 to the Offer subject to the terms and conditions of this Prospectus.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

6.2 Purpose of the Offer

The purpose of this Offer is to raise capital to expand ReadCloud's sales and marketing

activities, further develop the Company's digital eReader platform for secondary schools, and to pay down debt.

6.3 Use of funds

The Company intends to apply funds raised from the Offer, together with the existing \$213,000 cash reserves, within 12 to 24 months following Admission as set out in Table 5.

6.4 When to apply for Securities

The Opening Date for the Offer is 20 December 2017 and the Closing Date for the Offer is 5.00pm AEDT on 25 January 2018, or such other date as the Directors, in their absolute discretion, may determine.

6.5 How to apply for Securities

Applications for Securities under the Offer must be made online at www.readcloud.com or using the Application Form accompanying this Prospectus.

Applications for Securities must be for a minimum of 10,000 Shares. Payment must be made in full at the issue price of \$0.20 per Share multiplied by the number of Shares applied for.

Table 5: Use of funds

	Based on Minimum Subscription being raised		Based on Maximum Subscription being raised	
	\$	%	\$	%
Funds raised	\$5,000,000	96%	\$6,000,000	97%
Existing cash reserves (as at 11/12/17)	\$213,000	4%	\$213,000	3%
TOTAL FUNDS AVAILABLE	\$5,213,000	100%	\$6,213,000	100%
Proposed use of funds				
Sales and marketing	\$1,955,000	38%	\$1,955,000	31%
Software development	\$1,665,667	32%	\$1,665,667	27%
Working capital	\$655,379	13%	\$1,593,586	26%
Repayment of debt	\$352,366	7%	\$352,366	6%
Cash expenses of the Offer* (unpaid at Prospectus Date)	\$584,588	11%	\$646,381	10%
TOTAL USE OF FUNDS	\$5,213,000	100%	\$6,213,000	100%

* \$69,000 of the expenses of the Offer have been settled prior to the Prospectus Date.

There is no maximum value of Shares that may be applied for under the Offer.

The Offer is open to Applicants resident in Australia. All Applicants under the Offer must have an eligible residential or, in the case of a corporate applicant, registered office address in Australia.

If paying by cheque(s) or bank draft(s):

Once your Application Form is completed, please send your Application Form and cheque or bank draft for the Application Monies to the Share Registry at the address set out below. Completed Application Forms and accompanying cheque or bank draft must be lodged by 5pm AEDT on the Closing Date.

By mail to:

ReadCloud Limited
C/- Registry Direct Limited
PO BOX 18366, Collins Street East
Melbourne, VIC, 8003

By hand delivery to:

ReadCloud Limited
C/- Registry Direct Limited
Level 6, 2 Russell Street
Melbourne, VIC, 3000

Cheque(s) or bank draft(s) must be:

- in Australian currency;
- drawn on an Australian branch of a financial institution;
- crossed "Not Negotiable"; and
- made payable to "ReadCloud Limited IPO".

Applicants should ensure that sufficient funds are held in the relevant account(s) to cover your cheque(s). If the amount of your cheque(s) or bank draft(s) for Application Monies (or the amount for which those cheques clear in time for the allocation) is insufficient to pay for the amount you have applied for in your Application Form, you may be taken to have applied for such lower amount as your cleared Application Monies will pay for (and to have specified that amount in your Application Form) or your Application may be rejected.

If making an online application:

Please lodge your online application by visiting www.readcloud.com. You must make your Application payment by BPAY before 5:00pm on the Closing Date.

Applicants making an online payment must use the specific biller code and the unique customer reference number (CRN) generated by the online Application.

Online Application Forms not accompanied by a BPAY payment will be rejected.

Neither the Share Registry or ReadCloud accepts any responsibility if you lodge the Application Form at any other address or by any other means.

6.6 Allotment of Securities

Subject to the Minimum Subscription being raised and Admission occurring, allotment of the Securities offered by this Prospectus will take place as soon as practicable after the Closing Date.

The Directors, in consultation with the Lead Manager, reserve the right to allot the Securities in full for any Application or to allot any lesser number or to decline any Application if they believe the Application does not comply with applicable laws or regulations.

If an Application Form is not completed correctly, or if the accompanying payment of the Application Monies is for the wrong amount, it may still be treated as a valid Application. The Directors' decision whether to treat the Application as valid and how to construe, amend or complete the Application Form is final. However, an Applicant will not be treated as having applied for more Shares than is indicated by the amount of Application Monies paid by the Applicant.

If you are not issued all of the Shares you apply for, you will receive a refund, as set out in Section 6.11.

6.7 ASX listing

The Company will apply to ASX for the Admission and for official quotation of the Shares and Options offered under the Offer as soon as practicable following the lodgement of this Prospectus, and in any event within seven days after the date of lodgement of this Prospectus. ASX has reserved the code RCL for the Company.

On Admission, quotation of the Securities will commence as soon as practicable following the dispatch of Clearing House Electronic Sub-register System (CHES) statements.

If ASX does not admit the Securities to quotation within 3 months of the Prospectus Date the Company will deal with Applications in accordance with the Corporations Act.

ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may quote the Securities should not be taken as an indication of the merits of the Company or the Securities offered for subscription.

ReadCloud will be required to comply with the ASX Listing Rules, subject to any waivers obtained by ReadCloud from time to time.

6.8 Minimum subscription

The minimum subscription under the Offer is 25,000,000 Shares to raise \$5,000,000 (before costs and expenses).

The maximum subscription includes up to a further 5,000,000 Shares to raise a maximum of \$6,000,000 (before costs and expenses).

In the event the Minimum Subscription has not been raised within 4 months of the Prospectus Date, the Company will deal with Applications in accordance with the Corporations Act.

6.9 ASX Clearing House Electronic Sub-register system

ReadCloud will apply to participate in the ASX's Clearing House Electronic Sub-register System (CHES), in accordance with the ASX Listing Rules and the ASX Settlement Rules. CHES is an automated transfer and settlement system for transactions in securities quoted on ASX under which transfers are affected in an electronic form.

When the Securities become CHES approved securities, holdings will be registered in one of two sub-registers, an electronic CHES sub-register or an issuer sponsored sub-register. A CHES participant, or a person sponsored by a CHES participant, will have their Securities registered on the CHES sub-register. All other Securities will be registered on the issuer sponsored sub-register.

Following allotment, Successful Applicants will be sent a holding statement that sets out the number of Shares and Options that have been issued to them under the Offer. This holding statement will also provide details of a Holder Identification Number (HIN) or, where applicable, the Security Holder Reference Number (SRN) of issuer sponsored holders. Certificates will not be issued. It is expected that the initial holding statements will be dispatched by standard post on or about 1 February 2018.

6.10 Commencement of Trading

It is the responsibility of Applicants to determine their allocation prior to trading in Securities. Applicants trading in Securities prior to receiving a holding statement do so at their own risk. ReadCloud, the Share Registry, and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Securities before receiving their holding statement, whether on the basis of a confirmation of allocation provided by any of them, by a broker or otherwise.

The Shares and Options are expected to commence trading on ASX on a normal settlement basis on or about 5 February 2018.

6.11 Refunds

Application Monies will be refunded (in full or in part, as applicable) in Australian dollars where an Application is rejected, an Application is subject to a scale-back or if the Offer is withdrawn or cancelled.

No interest will be paid on any refunded amounts. The Company, irrespective of whether the allotment of the Securities takes place, will retain any interest earned on the Application Monies.

Refund cheques will be sent as soon as practicable following the close or termination of the Offer.

6.12 Overseas Applicants

No action has been taken to register or qualify the Prospectus or otherwise to permit a public offering of the Securities in any jurisdiction outside of Australia.

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law. Persons who come into possession of this Prospectus who are not in Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law.

In particular, the Prospectus has not been and will not be registered under the US Securities Act or the laws of any State of the United States and Securities may not be offered or sold within the United States or to, or for the account or benefit of a US Person except in a transaction exempt from the registration requirements of the Securities Act or applicable US State securities laws.

6.13 Tax Implications

The acquisition and disposal of Shares and Options will have tax consequences, which will differ depending on the individual

financial affairs of each Security Holder. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Securities pursuant to the Offer, from a tax perspective and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisers accept no liability or responsibility with respect to the tax consequences of subscribing for Securities under this Prospectus.

6.14 No brokerage or duties

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

6.15 Discretion to withdraw Offer

The Directors reserve the right not to proceed with the Offer at any time before the issue of Securities to Successful Applicants. If the Offer does not proceed, Application Monies will be refunded as set out in Section 6.11.

6.16 Enquiries

This Prospectus and information about the Offer is available in electronic form at www.readcloud.com.

All enquiries in relation to this Prospectus should be directed to your broker, the Lead Manager on +61 3 9242 4000 or the Share Registry on 1300 55 66 35 or +61 3 9909 9909 from 9:00am to 5:00pm AEDT, Monday to Friday during the Offer Period.

If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should seek professional advice from your stockbroker, solicitor, accountant or other independent professional adviser before deciding whether to invest.

7 Financial Information

7.1 Introduction

The financial information for the Company (**Financial Information**) contained in this Section 7 includes:

FINANCIAL INFORMATION	SECTION
Statutory Historical Income Statements for FY2015, FY2016 and FY2017 (Statutory Historical Income Statements)	Section 7.3.1
Pro Forma Historical Income Statements for FY2015, FY2016 and FY2017 (Pro Forma Historical Income Statements)	Section 7.3.2
A reconciliation of the Statutory Historical Income Statements to the Pro Forma Historical Income Statements	Section 7.3.3
Pro Forma and Statutory Historical Balance Sheet as at 30 June 2017 (Pro Forma and Statutory Historical Balance Sheet)	Section 7.4
Statutory Historical Cash Flow Statements for FY2015, FY2016 and FY2017 (Statutory Historical Cash Flow Statements)	Section 7.5.1
Pro Forma Historical Cash Flow Statements for FY2015, FY2016 and FY2017 (Pro Forma Historical Cash Flow Statements)	Section 7.5.2
A reconciliation of the Statutory Historical Cash Flow Statements to the Pro Forma Historical Income Statements	Section 7.5.3
Summary of Significant Accounting Policies	Section 7.6
Critical Accounting Judgements, Estimates and Assumptions	Section 7.7

7.2 Basis of preparation and presentation of Financial Information

The Financial Information was prepared by management and was adopted by the Directors. The Directors are responsible for the inclusion of all Financial Information in this Prospectus. The Financial Information has been reviewed and reported on by PKF as set out in the Investigating Accountant's Report (IAR) in Section 8. Investors should note the scope and limitations of the IAR.

The Financial Information included in this Section 7 has been prepared in accordance with the measurement and recognition criteria (but not the disclosure requirements) of Australian Accounting Standards and the significant accounting policies detailed in Section 7.6. The Financial Information is presented in an abbreviated form insofar as it does not include all the disclosures

and notes required in an annual financial report prepared in accordance with the Australian Accounting Standards and the Corporations Act.

7.2.1 Basis of Historical Financial Information

The Pro Forma and Statutory Historical Income Statements have been derived from the audited financial statements of ReadCloud for the years ended 30 June 2015 (FY2015), 30 June 2016 (FY2016) and 30 June 2017 (FY2017). The financial statements were audited by PKF Melbourne Audit & Assurance Pty Ltd.

The Audited Historical financial Statements included an Emphasis of Matter on Going concern in each of FY2015, FY2016 and FY2017 stated as follows:

"Note 2 Going concern also provides details evidencing events or conditions indicating the existence of a material uncertainty that may cast significant doubt on the Company's ability

to continue as a going concern and which may impact its ability to realise its assets and discharge its liabilities in the normal course of business”.

The Company believes that the completion of the Offer will provide the Company with sufficient working capital to resolve this emphasis of matter raised by PKF Melbourne Audit & Assurance Pty Ltd.

The Statutory Historical Income Statements for FY2015, FY2016 and FY2017 show the actual financial performance of the Company. The Pro Forma Historical Income Statements for FY2015, FY2016 and FY2017 illustrate the financial performance of the Company had

the Company operated as an ASX listed entity since 1 July 2014.

The Statutory Historical Income Statements do not take into account one-off expenses related to the Offer and IPO, such costs have been taken up in the Pro Forma Historical Income Statement and Balance Sheet for FY2017.

The Pro Forma Historical Balance Sheet as at 30 June 2017 has been adjusted to take into account the following:

- (a) Repayment of Shareholder loans;
- (b) Receipt of Research & Development Grants; and
- (c) the impact of the Offer.

7.3 Income Statements

7.3.1 Statutory Historical Income Statements

The table below sets out the Statutory Historical Income Statements for FY2015, FY2016 and FY2017.

	Audited Historical 30/06/15 \$	Audited Historical 30/06/16 \$	Audited Historical 30/06/17 \$
Income			
Sales revenue	175,471	331,967	608,261
Interest Income	1,083	1,148	998
Other revenue and R&D	159,258	252,914	228,294
Expenditure			
Cost of sales	(52,634)	(102,285)	(196,525)
Amortisation of Software Development	(21,503)	(77,244)	(158,029)
Admin, employment & corporate costs	(358,723)	(283,037)	(335,929)
Net Profit/(Loss) Before Tax	(97,048)	123,463	147,070
Income Tax Expense	-	-	-
Net Profit/(Loss) After Tax	(97,048)	123,463	147,070

Note 1: Income Tax Expense: The Company has sufficient income tax losses carried forward to be applied against income tax expenses in 2016 and 2017.

7.3.2 Pro Forma Historical Income Statements

The table below sets out the Proforma Historical Income Statements for FY2015, FY2016 and FY2017 illustrating the financial performance of the Company had the Company operated as an ASX listed entity since 1 July 2014.

	Pro Forma Historical 30/06/15 \$	Pro Forma Historical 30/06/16 \$	Pro Forma Historical 30/06/17 \$	MINIMUM Pro Forma 30/06/17 \$	MAXIMUM Pro Forma 30/06/17 \$
Income					
Sales revenue	175,471	331,967	608,261	608,261	608,261
Interest Income	1,083	1,148	998	998	998
Other revenue and R&D	159,258	252,914	228,294	228,294	228,294
Expenditure					
Cost of sales	(52,634)	(102,285)	(196,525)	(196,525)	(196,525)
Amortisation of Software Development	(21,503)	(77,244)	(158,029)	(158,029)	(158,029)
Admin, employment & corporate costs	(611,399)	(542,192)	(584,729)	(584,729)	(584,729)
Costs of the offer	-	-	-	(263,229)	(253,728)
Net Profit/(Loss) Before Tax	(349,724)	(135,692)	(101,730)	(364,959)	(355,458)
Income Tax Expense	-	-	-	-	-
Net Profit/(Loss) After Tax	(349,724)	(135,692)	(101,730)	(364,959)	(355,458)

Note 1: The Pro Forma Historical Income Statements are reconciled to the Statutory Historical Income Statements in Section 7.3.3 below.

7.3.3 Adjustments to the Historical Income Statements

The table below sets out the adjustments that have been made to the Statutory Historical Income Statements to reflect the cost of the offer and the costs of being an ASX listed company:

	Notes	Historical 30/06/15 \$	Historical 30/06/16 \$	Historical 30/06/17 \$	MINIMUM Pro Forma 30/06/17 \$	MAXIMUM Pro Forma 30/06/17 \$
Statutory Historical Income Statements:						
Net Profit/(Loss) After Tax		(97,048)	123,463	147,070	147,070	147,070
Adjustments:						
Costs of the offer taken to Profit and Loss	1	-	-	-	(263,229)	(253,728)
Corporate Expenses - Recurring	2	(252,676)	(259,155)	(265,800)	(265,800)	(265,800)
Corporate Expenses - Non-Recurring	3	-	-	17,000	17,000	17,000
Proforma Net Profit/(Loss) After Tax		(349,724)	(135,692)	(101,730)	(364,959)	(355,458)

Note 1: This pro-forma adjustment relates to non-recurring costs relating directly to the Offer and IPO which have not been taken up against equity.

Note 2: Pro-forma adjustments have been taken up to reflect costs as if the Company had been listed on the ASX since 1 July 2014 and predominately relate to the following:

- Non-executive Director fee;
- Australian audit and review fees; and
- ASX listing related costs including annual ASX listing fees, share registry fees and legal/company secretarial costs.

Note 3: Non-recurring corporate costs predominately relate to audit and other related fees with respect to FY2015, FY2016 and FY2017 which are accounted for in FY2017.

7.4 Pro Forma and Statutory Historical Balance Sheet

The following table sets out the Pro Forma and Statutory Historical Balance Sheet as at 30 June 2017 under the Minimum and Maximum Subscription scenarios.

	Notes	Audited as at 30-Jun-17 \$	Subsequent events \$	MINIMUM Pro Forma adjustments \$	MAXIMUM Pro Forma adjustments \$	MINIMUM Pro Forma \$	MAXIMUM Pro Forma \$
Current Assets			Note 1	Note 2	Note 2		
Cash and cash equivalents	3	254,230	187,360	3,994,046	4,932,253	4,435,637	5,373,843
Deposits		7,384	-	-	-	7,384	7,384
Trade and other receivables		234,036	(234,036)	-	-	-	-
TOTAL CURRENT ASSETS		495,650	(46,676)	3,994,046	4,932,253	4,443,020	5,381,227
NON-CURRENT ASSETS							
Software development		1,260,810	-	-	-	1,260,810	1,260,810
TOTAL NON-CURRENT ASSETS		1,260,810	-	-	-	1,260,810	1,260,810
TOTAL ASSETS		1,756,460	(46,676)	3,994,046	4,932,253	5,703,830	6,642,037
CURRENT LIABILITIES							
Trade and other payables		258,850	-	-	-	258,850	258,850
Unearned revenue		107,294	-	-	-	107,294	107,294
TOTAL CURRENT LIABILITIES		366,144	-	-	-	366,144	366,144
NON-CURRENT LIABILITIES							
Borrowings		399,042	(46,676)	(352,366)	(352,366)	-	-
TOTAL NON-CURRENT LIABILITIES		399,042	(46,676)	(352,366)	(352,366)	-	-
TOTAL LIABILITIES		765,186	(46,676)	(352,366)	(352,366)	366,144	366,144
NET ASSETS		991,274	-	4,346,412	5,284,619	5,337,686	6,275,893
EQUITY							
Issued Capital	4	1,255,914	-	4,459,642	5,388,347	5,715,556	6,644,261
Reserves	5	-	-	150,000	150,000	150,000	150,000
Retained Earnings		(264,640)	-	(263,230)	(253,728)	(527,870)	(518,368)
TOTAL EQUITY		991,274	-	4,346,412	5,284,619	5,337,686	6,275,893

Note 1: Subsequent Events

- Repayment of Shareholder loans – The Company settled \$46,676 in shareholder loans in September 2017.
- Research and Development Grants received – Subsequent to 30 June 2017 the Company received \$228,295 in relation to the 2017 Research and Development Incentive Grant.

Note 2: Impact of the Offer

The following pro-forma adjustments have been taken up to reflect the impact of the Offer:

- the issue of between 25 million Shares (“Minimum Subscription”) and 30 million Shares (“Maximum Subscription”) at an issue price of \$0.20 per Share.
- Cash costs of the Offer estimated to be between \$653,588 (under a Minimum Subscription scenario) and \$715,381 (under a Maximum Subscription scenario) which have been taken up against equity (67% under Minimum Subscription scenario and 62% under Maximum Subscription scenario) and retained earnings (33% under Minimum Subscription scenario and 38% under Maximum Subscription scenario).
- Issue of Options to Pre-Committed Investors valued at \$150,000.
- Repayment of Shareholder loans of \$352,366 upon successful listing on the ASX.

Note 3: Movements in Cash & Cash Equivalents

The following table provides a reconciliation between actual and pro-forma cash as at 30 June 2017:

	MINIMUM Pro Forma 30/06/17 \$	MAXIMUM Pro Forma 30/06/17 \$
Cash and Cash Equivalents		
ReadCloud audited as at 30 June 2017	254,230	254,230
Subsequent Events:		
Repayment of loans	(46,676)	(46,676)
Receipt of R&D Receivable	234,036	234,036
Cash and Cash Equivalents after subsequent events	187,360	187,360
Pro Forma Transactions:		
Proceeds from Capital Raising	5,000,000	6,000,000
Capital raising costs of offer	(653,588)	(715,381)
Repayment of loans	(352,366)	(352,366)
Cash and Cash Equivalents Pro Forma Balance	4,435,636	5,373,843

Note 4: Issued Capital

The following table provides a reconciliation between actual and pro-forma share capital as at 30 June 2017:

	Proforma Minimum No.	Proforma Maximum No.	Proforma Minimum \$	Proforma Maximum \$
Issued Capital				
ReadCloud audited as at 30 June 2017	50,000,000	50,000,000	1,255,914	1,255,914
Pro Forma Transactions:				
Issue of New Shares	25,000,000	30,000,000	5,000,000	6,000,000
Less: Expenses of Offer attributable to New Shares			(540,358)	(611,653)
Issued Capital Pro Forma Balance	75,000,000	80,000,000	5,715,556	6,644,261

Note 5: Reserves

The following table provides a reconciliation between actual and pro-forma reserves as at 30 June 2017.

	MINIMUM Pro Forma 30/06/17 \$	MAXIMUM Pro Forma 30/06/17 \$
Reserves		
ReadCloud audited as at 30 June 2017	-	-
Pro Forma Transactions		
Issue of Options to Pre-Committed Investors	150,000	150,000
Reserves Pro Forma Balance	150,000	150,000

7.5 Cash Flow Statements

7.5.1 Historical Cash Flow Statements

The table below sets out the Statutory Historical Cash Flow Statements for FY2015, FY2016 and FY2017:

	Audited Historical 30/06/15 \$	Audited Historical 30/06/16 \$	Audited Historical 30/06/17 \$
Cash flows from operating activities			
Receipts from customers	270,928	372,082	610,240
Payments to Suppliers	(336,293)	(355,345)	(352,515)
Interest received	-	1,148	998
Research and Development funds received	206,924	159,257	223,739
Net cash provided by operating activities	141,559	177,142	482,462
Cash flows from investing activities			
Payment for Software Development	(342,376)	(465,484)	(494,695)
Payment for Security Deposits	(2,750)	(4,633)	-
Net cash used in investing activities	(345,126)	(470,117)	(494,695)
Cash flows from financing activities			
Proceeds from issue of shares	250,485	302,317	204,189
Repayment of Borrowings	-	-	-
Net cash from financing activities	250,485	302,317	204,189
Net decrease in cash	46,918	9,342	191,956
Cash at the beginning of the financial year	6,014	52,932	62,274
Cash at the end of the financial year	52,932	62,274	254,230

Note 1: The Pro Forma Historical Cash Flow Statements are reconciled to the Statutory Historical Cash Flow Statements in Section 7.5.3 below.

7.5.2 Proforma Historical Cash Flow Statements

The table below sets out the Proforma Historical Cash Flow Statements for FY2015, FY2016 and FY2017 illustrating the Cash Flow of the Company had the Company operated as an ASX listed entity since 1 July 2014.

	Pro Forma Historical 30/06/15 \$	Pro Forma Historical 30/06/16 \$	Pro Forma Historical 30/06/17 \$
Cash flows from operating activities			
Receipts from customers	270,928	372,082	610,240
Payments to Suppliers	(588,969)	(614,500)	(618,315)
Interest received	-	1,148	998
Research and Development funds received	206,924	159,257	223,739
Net cash provided by operating activities	(111,117)	(82,013)	216,662
Cash flows from investing activities			
Payment for Software Development	(342,376)	(465,484)	(494,695)
Payment for Security Deposits	(2,750)	(4,633)	-
Net cash used in investing activities	(345,126)	(470,117)	(494,695)
Cash flows from financing activities			
Proceeds from issue of shares	250,485	302,317	204,189
Repayment of Borrowings	-	-	-
Net cash from financing activities	250,485	302,317	204,189
Net decrease in cash	(205,758)	(249,813)	(73,844)
Cash at the beginning of the financial year	6,014	(199,744)	(449,557)
Cash at the end of the financial year	(199,744)	(449,557)	(523,401)

7.5.3 Adjustments to the Statutory Historical and Pro Forma Cash Flow Statements Income Statements

The table below sets out the adjustments that have been made to the Statutory and Pro Forma Historical Cash Flow Statements:

	Notes	Historical 30/06/15 \$	Historical 30/06/16 \$	Historical 30/06/17 \$
Statutory Historical Cash Flow Statements:				
Net Cash Provided by Operating Activities		141,559	177,142	482,462
Adjustments				
Corporate Cash outflows - Recurring	1	(252,676)	(259,155)	(265,800)
Proforma Net Cash Provided by Operating Activities		(111,117)	(82,013)	216,662

Note1: Pro-forma adjustments have been taken up to reflect costs as if the Company had been listed on the ASX since 1 July 2014 and predominately relate to the following:

- Non-executive Director fee;
- Australian audit and review fees; and
- ASX listing related costs including annual ASX listing fees, share registry fees and legal/company secretarial costs

7.6 Summary of Significant Accounting Policies

The Financial Information has been prepared in accordance with the measurement and recognition (but not all disclosure) requirements of applicable Australian Accounting Standards. The Financial Information is presented in abbreviated form insofar as it does not comply with all disclosure requirements set out in the Australian Accounting Standards and Interpretations and the Corporations Act. Australian Accounting Standards include AIFRS.

The Financial Information has been prepared on the basis of historical cost and on a going concern basis. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise stated. In the view of the Directors, the omitted disclosures provide limited relevant information to potential investors.

The following significant accounting policies have been adopted in the preparation and presentation of the Financial Information.

The Financial Information has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Going Concern

It is noted that for the 2017 financial year, the Company incurred a profit from continuing operations after income tax of \$147,070 (2016: \$123,463) and had net cash inflows of \$482,462 (2016: \$177,142). At present, the Company is reliant upon the securing of contracts with schools, its continued investment from the community and its success in its initial public offering. These conditions indicate a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Should the Company not be able to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Company not continue as a going concern.

Revenue Recognition

Revenue from contracts with customers

The Company elected to early adopt the provisions of AASB15 Revenue from contracts with customers. Revenue is recognised to depict the transfer of eBooks and licencing services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. All contracts (either written, verbal or implied) are identified, together with the separate performance obligations within the contract and the transaction price is determined. Adjustments are made for the time value of money excluding credit risk and the transaction price is allocated to the separate performance obligations on a basis of relative stand-alone selling price of each distinct service/good. The estimation approach is taken if no distinct observable prices exist and revenue is recognised when each performance obligation is satisfied.

Credit risk is presented separately as an expense, rather than adjusted to revenue. For goods, the performance obligation is satisfied when the customer takes control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, the Company selects an appropriate measure of progress to determine how much revenue is recognised as the performance obligation is satisfied. Contracts with customers are presented in the Company's balance sheet as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment.

Interest

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

Software licence fee revenue

The Company receives revenue for acquisition and use of software applications associated with eBook sales. The software revenue is recognised at the time of sale and the maintenance component is recognised as revenue over the period of the licence.

eBook sales revenue

Revenue from eBook sales is recognised at the time of the eBook purchase.

Government Grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset. The Research and Development Tax Offset is recognised as a government grant.

Income Tax

The income tax expense/(benefit) for the period is the tax payable on the current period's taxable income based on the current income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and for unused tax losses. Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the

assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit. Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Current and deferred tax balances relating to amounts recognised directly in other comprehensive income and equity are also recognised directly in other comprehensive income and equity, respectively. The Research and Development Tax Offset is recognised as a government grant in profit before tax to match the expense/(benefit) with the costs for which it is intended to compensate. It is recognised in the period when there is a reasonable expectation that the Company will be able to realise the expense/(benefit). The carrying value of recognised deferred tax assets is reviewed at each reporting date.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities in the balance sheet.

Trade and other receivables

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

The recoverability of trade receivables is reviewed on an ongoing basis. Amounts which are determined not to be recoverable are written off by reducing the carrying amount to its recoverable amount, and the difference is charged to the income statement

in that period. A provision for impairment of trade receivables is recognised where there is objective evidence that the Company is unable to collect part or all of the amounts due. Factors such as previous trading relationship, financial position, and probability of recoverability are considered when determining the extent the debtor is impaired.

Goods and services tax

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the balance sheet.

Internally Developed Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in the income statement in the period in which the expenditure is incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Company can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the development; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Expenditure so capitalised is amortised when the asset is available for use over the period of expected benefit from the related project. The useful life of the capitalised development costs is estimated to be 5 years.

During and subsequent to the period of development, the asset is tested for impairment annually.

Issued capital

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

7.7 Critical Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimation of useful lives of assets

The Company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Company assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax

The Company is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on the Company's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

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

8 Investigating Accountant's Report



19 December 2017

The Directors
ReadCloud Limited
1/426 Glen Huntly Road
Elsternwick VIC 3185

Dear Directors

INDEPENDENT LIMITED ASSURANCE REPORT ON FINANCIAL INFORMATION

1. Introduction

The directors of ReadCloud Limited ('ReadCloud' or 'Company') have requested PKF Melbourne Corporate Pty Ltd ('PKF Corporate') to prepare this Independent Limited Assurance Report ('Report') for inclusion in the Prospectus to be dated on or about 19 December 2017 relating to the issue of 25 to 30 million ordinary shares at \$0.20 each to raise a minimum subscription of \$5 million and a maximum subscription of \$6 million (the 'Offer'). The Offer includes one free option (exercisable at \$0.30 per share and expiring on 30 November 2020) for every two shares subscribed for.

Expressions and terms defined in the Prospectus have the same meaning in this report, unless otherwise specified.

2. Scope

You have requested PKF Corporate to perform a limited assurance engagement in relation to the Financial Information included in Section 7 of the Prospectus ('Financial Information').

Financial Information

The Financial Information comprises of:

- (a) the Historical Financial Information derived from:
 - the audited Income Statements of ReadCloud for the financial years ended 30 June 2015, 30 June 2016 and 30 June 2017;
 - the audited Cash Flow Statements of ReadCloud for the financial years ended 30 June 2015, 30 June 2016 and 30 June 2017; and
 - the audited Balance Sheet of ReadCloud as at 30 June 2017.
- (b) the Pro Forma Financial Information setting out:
 - the Income Statements of ReadCloud for the financial years ended 30 June 2015, 30 June 2016 and 30 June 2017;
 - the Cash Flow Statements of ReadCloud for the financial years ended 30 June 2015, 30 June 2016 and 30 June 2017; and
 - the Balance Sheet of ReadCloud as at 30 June 2017.

The Pro Forma Financial Information reflects the effects of the pro forma adjustments described in Section 7.2.1 of the Prospectus.

- (c) the key accounting policies of the Company relevant to the Financial Information.

PKF Melbourne Corporate Pty Ltd
(formerly DMR Corporate Pty Ltd)
ACN 063 564 045
AFSL No. 222050

Melbourne
Level 12, 440 Collins Street
Melbourne VIC 3000 Australia
p +61 3 9679 2350

PKF Melbourne Corporate Pty Ltd is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member of correspondent firm or firms.

For office locations visit www.pkf.com.au

The 30 June 2015, 30 June 2016 and 30 June 2017 financial statements of ReadCloud have been audited by PKF Melbourne Audit & Assurance Pty Ltd. Each of the audit reports contained an emphasis of matter in respect of going concern.

The Historical Financial Information is presented in an abbreviated form insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

However, the Historical Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards and other mandatory professional reporting requirements, and the significant accounting policies summarised in Section 7.6 of the Prospectus.

The stated basis of preparation of the Pro Forma Historical Financial Information are the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the event(s) and/or transaction(s) to which the Pro Forma Adjustments relate, as described in Section 7 of the Prospectus, as if the event(s) or transaction(s) had occurred as at the date of the historical financial information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial performance and position.

3. Directors' Responsibility

The Directors of the Company are responsible for the preparation of the Financial Information, including the selection and determination of pro forma adjustments made to the historical financial information and included in the Financial Information.

This includes responsibility for such internal controls as the Directors determine are necessary to enable the preparation of Financial Information that is free from material misstatement, whether due to fraud or error.

4. Our Responsibility

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

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

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

5. Review of Financial Information

PKF Corporate has conducted a review of the Financial Information included in Section 7 of the Prospectus in order to state whether on the basis of the procedures described, anything has come to our attention that would indicate that the Financial Information is not presented fairly in accordance with the Pro Forma Adjustments and recognition and measurement requirements (but not all of the disclosure requirements) of applicable Accounting Standards in Australia and the accounting policies adopted by the Company as referred to in Section 7 of the Prospectus.

Our procedures included such inquiries and procedures as we, in our professional judgement, considered reasonable in the circumstances and consisted primarily of:

- enquiry of and discussions with Company Directors, management, personnel and advisors;
- review of the auditor's working papers and records in respect of the Historical Income Statements and Cash Flow Statements for the financial years ended 30 June 2015, 30 June 2016 and 30 June 2017 and the Historical Balance Sheet as at 30 June 2017;
- review of relevant documents and information of the Company in support of the Pro Forma Adjustments;
- consideration of the reasonableness and appropriateness of the subsequent events and Pro Forma Adjustments as a basis for compiling the Financial Information; and
- performing analytical procedures applied to the Financial Information.

6. Subsequent Events

Apart from the matters dealt with in this Report and elsewhere in the Prospectus, and having regard to the scope of our engagement, nothing has come to our attention that would cause us to believe that matters arising after 30 June 2017, other than matters dealt with in this Report, would require comment on, or adjustments to, the Financial Information contained in Section 7 of the Prospectus, or would cause that information to be misleading or deceptive.

7. Conclusions

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention which causes us to believe that the Financial Information of ReadCloud as described in Section 7 of the Prospectus is not presented fairly, in all material respects, in accordance with the stated basis of preparation as described in Section 7.6 of the Prospectus.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in the Company, which are detailed in the Prospectus. Accordingly, prospective investors should have regard to the investment risks as described in Section 5 of the Prospectus. We express no opinion as to the future financial performance of the Company.

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

8. Emphasis of Matter

Without qualification to the opinion expressed above, we draw attention to Section 7.2.1 in the Prospectus which discloses that the audited financial statements of ReadCloud include an Emphasis of Matter on Going concern in each of FY2015, FY2016 and FY2017. The Emphasis of Matter in the audited financial statements states:

"Note 2 Going concern also provides details evidencing events or conditions indicating the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and which may impact its ability to realise its assets and discharge its liabilities in the normal course of business".

This statement indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

9. Restrictions on Use

Without modifying our conclusions, we draw attention to Section 7 of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Financial Information may not be suitable for use for another purpose.

This Report relates only to the Financial Information and does not extend to any other financial information included in the Prospectus.

10. Notice to investors outside Australia

Under the terms of our engagement this report has been prepared solely to comply with the Standard on Assurance Engagements applicable to Corporate Fundraisings and/or Prospective Financial Information.

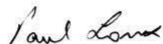
This report does not constitute an offer to sell, or a solicitation of an offer to buy, any securities. We do not hold any financial services licence or other licence outside of Australia. We are not recommending or making any representation as to the suitability of any investment to any person.

11. Consent

PKF Corporate has consented to the inclusion of this Independent Limited Assurance Report in the Prospectus in the form and context in which it is included, but has not authorized the issue of the Prospectus. Accordingly, PKF Corporate makes no representations regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

Yours faithfully

PKF Melbourne Corporate Pty Ltd



Paul Lom
Director



Steven Perri
Director

Financial Services Guide

This Financial Services Guide provides information to assist retail and wholesale investors in making a decision as to their use of the general financial product advice included in the above report.

PKF Corporate

PKF Corporate holds Australian Financial Services Licence No. 222050, authorizing it to provide general financial product advice in respect of securities to retail and wholesale investors.

Financial Services Offered by PKF Corporate

PKF Corporate prepares reports commissioned by a company or other entity ("Entity"). The reports prepared by PKF Corporate are provided by the Entity to its members.

All reports prepared by PKF Corporate include a description of the circumstances of the engagement and of PKF Corporate's independence of the Entity commissioning the report and other parties to the transactions.

PKF Corporate does not accept instructions from retail investors. PKF Corporate provides no financial services directly to retail investors and receives no remuneration from retail investors for financial services. PKF Corporate does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice to retail investors.

General Financial Product Advice

In this report, PKF Corporate provides general financial product advice. This advice does not take into account the personal objectives, financial situation or needs of individual retail investors.

Investors should consider the appropriateness of a report having regard to their own objectives, financial situation and needs before acting on the advice in a report. Where the advice relates to the acquisition or possible acquisition of a financial product, an investor should also obtain a product disclosure statement relating to the financial product and consider that statement before making any decision about whether to acquire the financial product.

Independence

At the date of this report, none of PKF Corporate, Mr Paul Lom nor Mr Steven Perri have any interest in the outcome of the capital raising, nor any relationship with ReadCloud or any of its Directors that may impact on our independence.

Drafts of this report were provided to and discussed with the Directors and management of ReadCloud and its advisers. Certain changes were made to factual statements in this report as a result of the reviews of the draft reports. There were no alterations to the methodology or conclusions that have been formed by PKF Corporate.

PKF Corporate and its related entities do not have any shareholding in or other relationship with ReadCloud that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to this independent report on the Financial Information.

PKF Corporate had no part in the formulation of the Historical Financial Information, the Pro Forma Historical Financial Information, the Proposed Capital Raising and ASX Listing. Its only role has been the preparation of this report.

Remuneration

PKF Corporate is entitled to receive a fee of approximately \$60,000 for the preparation of this report. With the exception of the above, PKF Corporate will not receive any other benefits, whether directly or indirectly, for or in connection with the making of this report.

Complaints Process

As the holder of an Australian Financial Services Licence, PKF Corporate is required to have suitable compensation arrangements in place. In order to satisfy this requirement PKF Corporate holds a professional indemnity insurance policy that is compliant with the requirements of Section 912B of the Act.

PKF Corporate is also required to have a system for handling complaints from persons to whom PKF Corporate provides financial services. All complaints must be in writing and sent to PKF Corporate at the above address.

PKF Corporate will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited – GPO Box 3, Melbourne Vic 3000.

9 Material Contracts

The Directors consider that certain contracts are significant or material to ReadCloud, or are of such a nature that an investor may wish to have more details of them when deciding whether to subscribe for Securities under this Prospectus (**Material Contracts**).

The main provisions of the Material Contracts are summarised below. As this section only contains a summary, the provisions of each contract are not fully described.

Agreement with Lead Manager

ReadCloud entered into a mandate agreement with the Lead Manager on 10 July 2017 under which it engaged the Lead Manager to undertake a range of services including management of the Offer.

For the services the Company must pay the Lead Manager a fee of 6% of the total amount raised under the Offer. The Company is also required to pay a success fee of \$60,000 to the Lead Manager on Completion.

The Company has agreed to reimburse the Lead Manager for reasonable out of pocket expenses incurred in the conduct of its engagement.

Subject to certain exclusions, the Company has agreed to indemnify the Lead Manager and affiliated parties in connection with the Offer.

The mandate may be terminated with or without cause by the Company by written notice at any time before the Lead Manager has extended any “firm commitment” offer to any investor to participate in the Offer. The Lead Manager may terminate the mandate at any time on the occurrence of certain standard termination events, including if ASX gives notice that the Shares will not be admitted to the Official List.

In the event that the Company terminates the mandate, or the Lead Manager terminates the mandate for cause, the Lead Manager will be entitled to receive the success fee of \$60,000 and any reasonable expenses incurred up to the date of termination.

OfficeMax Reseller Agreement

ReadCloud entered into a strategic distribution agreement with OfficeMax on 21 May 2015 (**OfficeMax Reseller Agreement**). Under the OfficeMax Reseller Agreement, ReadCloud grants OfficeMax the right to promote, market and resell licences for ReadCloud’s services to certain secondary schools and end users in Australia and ReadCloud also agrees to provide certain technology integration and support services to OfficeMax and, subject to certain conditions, procure digital content for OfficeMax to resell.

Under the OfficeMax Reseller Agreement, OfficeMax must pay ReadCloud certain annual minimum guarantee payments each year and an endorsement fee per student to the extent the aggregate of the student endorsement fees exceeds the relevant annual minimum guarantee payment. OfficeMax must also pay ReadCloud: (i) the cost price and a margin on various digital sales and a margin on stationery and physical textbook sales referred by ReadCloud; (ii) a share of any OfficeMax charge to purchasers using ReadCloud’s services; and (iii) a fee each year for maintenance of the co-branded software application.

ReadCloud will reimburse OfficeMax for part of the cost of commissions paid by OfficeMax to schools on eBook sales and will pay OfficeMax a share of the annual fee payable for the sale of a learning management system to certain schools.

Subject to exclusions, ReadCloud’s liability to OfficeMax is limited to the fees paid by OfficeMax for the 6 months prior to the relevant claim, except for claims for breach of certain intellectual property warranties which are limited to \$2,000,000.

The OfficeMax Reseller Agreement will expire on 20 May 2020 and after that date it will continue for successive periods of 2 years unless either party opts not to continue beyond the end of the then current term by providing at least 12 months’ notice. Either party may terminate the OfficeMax Reseller Agreement on 30 days’ notice for un-remedied breach, or immediately if an insolvency event occurs or if a force majeure event prevents the other party performing its obligations for more than one month.

OfficeMax may terminate the OfficeMax Reseller Agreement on 3 months' notice, if ReadCloud: (i) assigns the OfficeMax Reseller Agreement to a prohibited entity (as defined in the agreement) or (ii) there is a change in ownership in ReadCloud such that a prohibited entity holds or holds the right to acquire 35% of the issued capital of ReadCloud, in each case without prior consent of OfficeMax.

eBook Distribution Agreement with Jacaranda

ReadCloud entered into an eBook Distribution Agreement with Jacaranda in April 2017 (**Jacaranda Distribution Agreement**). Under the Jacaranda Distribution Agreement, Jacaranda agrees to provide ReadCloud with eBooks to promote and resell to end users in Australia and New Zealand and, subject to conditions, allows ReadCloud to activate streamed / cloud based reading group functional annotations in those eBooks. ReadCloud will act as non-exclusive distributor of those eBooks.

Under the Jacaranda Distribution Agreement, ReadCloud must pay Jacaranda an agreed percentage of the recommended retail price for the relevant eBook sold.

Each party is required to indemnify the other party and its affiliates against all claims arising in connection with the breach or alleged breach of any representation or warranty made by the indemnifying party or the default in the performance of any term to be performed by the indemnifying party.

The initial term of the Jacaranda Distribution Agreement will expire in April 2018 and after which the agreement will continue unless terminated on 12 months' notice. Either party may terminate future eBook supply obligations on 1 months' notice at any time or with immediate effect if: (i) the other party becomes insolvent or is in breach (and if the breach can be remedied it is not remedied within 14 days of written notice); or (ii) there is a material change in the management or ownership control of the other party not previously approved by the party serving notice.

Jacaranda may also terminate the Jacaranda Distribution Agreement if the Jacaranda Reseller Agreement entered into between the parties is terminated in accordance with its terms.

Jacaranda Reseller Agreement

ReadCloud entered into a reseller agreement with Jacaranda on 24 April 2017 (**Jacaranda Reseller Agreement**). Under the Jacaranda Reseller Agreement, ReadCloud grants Jacaranda the non-exclusive right to promote, market and resell licences for ReadCloud's services to end users.

Under the Jacaranda Reseller Agreement, the parties will share annual per student end user licence fees and the commission received by ReadCloud for non-Jacaranda eBook sales sold to Jacaranda end users. ReadCloud is entitled to varying shares of revenues received by Jacaranda from schools and end users on Jacaranda eBook sales.

Subject to certain conditions and exclusions, ReadCloud will indemnify Jacaranda against third party claims that certain ReadCloud content contains libelous or harmful material or that it infringes third party IP.

Subject to certain exclusions, each party's liability to the other for claims under the Jacaranda Reseller Agreement is limited to \$10,000 with consequential loss exclusions.

The initial term of the Jacaranda Reseller Agreement will expire on 23 April 2020 and after that date it will continue for successive periods of 2 years unless either party opts, after the initial term, to terminate it at least 6 months before the end of the current term in which case it will end on the next 31 December. Either party may terminate the Jacaranda Reseller Agreement on 14 days' notice for un-remedied material breach.

Software Licence Agreement with Trinity Bay State High School

ReadCloud entered into a software licence agreement with Trinity Bay State High School (**TBSHS**) on 9 June 2017 (**TBSLA**). Under the TBSLA, ReadCloud agrees to provide TBSHS with: (i) access to the ReadCloud software application and supporting content; (ii) access to the ReadCloud eBookstore; (iii) onsite staff training; (iv) support services for students and teachers; and (v) a secure hosting and back-up facility for the storage of eBooks. TBSHS has agreed to make ReadCloud its exclusive eBook provider until the 2021 school year.

For the 2017 school year, ReadCloud will upload and make available content TBSHS has already purchased. For each subsequent school year: (i) TBSHS must pay ReadCloud an agreed amount per student per annum for access to the ReadCloud software application; and (ii) ReadCloud will make other publisher content for students available on agreed terms and will make complimentary content for teachers available where such content is made available by individual publishers.

Each party's aggregate liability in connection with the TBSLA is limited to the licence amounts paid under the TBSLA for access to the ReadCloud software application and supporting content.

The initial term of the TBSLA will expire on 8 June 2021. At the end of the initial term, the TBSLA will automatically renew for a further term of two years and then renew for further terms yearly after that. The TBSLA may not be terminated without cause during the initial term. Either party may terminate the TBSLA at the end of a calendar year during a further term by providing at least 6 months' notice prior to the end of the relevant calendar year.

Software Licence Agreement with Caloundra State High School

ReadCloud entered into a software licence agreement with Caloundra State High School (**Caloundra**) on or about 1 September 2017 (**Caloundra SLA**). Under the Caloundra SLA, ReadCloud agrees to provide Caloundra with: (i) access to the ReadCloud software application and supporting content; (ii) access to the ReadCloud eBookstore; (iii) onsite staff training; (iv) support services for students and teachers; and (v) a secure hosting and back-up facility for the storage of eBooks. Caloundra agrees to purchase the Jacaranda bundle of content from ReadCloud for the 2018 – 2020 school years and make ReadCloud its preferred eReading platform.

For the 2017 school year, Caloundra must pay ReadCloud an agreed amount for access to the ReadCloud software application. For each subsequent school year: (i) Caloundra must pay ReadCloud an agreed amount per student per annum for access to the ReadCloud software application and an agreed amount per student per annum for certain students to access the Jacaranda bundle of content; and (ii) ReadCloud will make other publisher content for students available on terms to be agreed and will make complimentary content for teachers available where such content is made available by individual publishers.

Each party's aggregate liability in connection with the Caloundra SLA is limited to the licence amounts paid under the Caloundra SLA for access to the ReadCloud software application and supporting content.

The initial term of the Caloundra SLA will expire on or about 31 August 2020 and the parties have agreed to renegotiate the terms of a further term at the end of the initial term. The Caloundra SLA may not be terminated without cause during the initial term. Either party may terminate the Caloundra SLA at the end of a calendar year during the further term by providing at least 6 months' notice prior to the end of the relevant calendar year.

Software Licence Agreement with Corinda State High School

ReadCloud entered into a software licence agreement with Corinda State High School (**Corinda**) on 20 November 2017 (**Corinda SLA**). Under the Corinda SLA, ReadCloud agrees to provide Corinda with: (i) access to the ReadCloud software application and supporting content; (ii) access to the ReadCloud eBookstore; (iii) onsite staff training; (iv) support services for students and teachers; and (v) a secure hosting and back-up facility for the storage of eBooks. Corinda has agreed to make ReadCloud its exclusive eBook provider for one year.

For the 2017 school year, ReadCloud will upload and make available Jacaranda content and/or content Corinda has already purchased. For each subsequent school year: (i) Corinda must pay ReadCloud an agreed amount per student per annum for access to the ReadCloud software application; and (ii) ReadCloud will make other publisher content for students available on agreed terms and will make complimentary content for teachers available where such content is made available by individual publishers.

Each party's aggregate liability in connection with the Corinda SLA is limited to the licence amounts paid under the Corinda SLA for access to the ReadCloud software application and supporting content.

The initial term of the Corinda SLA will expire on 20 November 2019. The Corinda SLA may not be terminated during the initial term. Either party may terminate the Corinda SLA at the end of a calendar year during a further term by providing at least 6 months' notice prior to the end of the relevant calendar year.



readcloud

Username

Password

Login

10 Additional Information

10.1 Company Information

ReadCloud was incorporated in Victoria, Australia as a proprietary company limited by shares on 28 April 2009 and was converted into a public company limited by shares on 5 October 2017.

10.2 Capital structure

As of the Prospectus Date, the Company has no subsidiaries or interests in other entities.

The Company has 50,000,000 Shares and 15,000,000 Performance Rights on issue as at the Prospectus Date.

10.3 Shareholders

The expected ownership of Shares at Completion are shown in Table 6 below:

Table 6: Expected shareholdings at Completion

Shareholder	Based on Minimum Subscription		Based on Maximum Subscription	
	Shares	%	Shares	%
Amity Agency Pty Ltd	14,326,646	19.10%	14,326,646	17.9%
J&D Pollaers Holdings Pty Ltd atf Pollaers Family Trust	6,192,295	8.26%	6,192,295	7.74%
Lars Lindstrom	5,704,128	7.61%	5,704,128	7.13%
Kimberley Marshall	4,775,549	6.37%	4,775,549	5.97%
Jonathan Isaacs ¹	4,499,628	6.00%	4,499,628	5.62%
Darren Hunter ²	4,027,379	5.37%	4,027,379	5.03%
Other existing Shareholders	10,474,375	13.97%	10,474,375	13.09%
New Shares to be issued under the Offer	25,000,000	33.33%	30,000,000	37.50%
Total	75,000,000	100%	80,000,000	100%

¹ Jonathan Isaacs' interest in Shares is held under his name and through Scaasi Nominees Pty Ltd atf Scaasi Superannuation Fund.

² Darren Hunter's interest in Shares is held through Hunmar Holdings Pty Ltd and Darren Hunter and Sandra Margate atf Hunter Margate Superannuation Fund.

Existing Shareholders may participate in the Offer. If any existing Shareholders were to subscribe for additional Shares under the Offer, the existing Shareholder's percentage shareholding in the Company may be higher than as set out in Table 6 above.

With the exception of: the Shareholders specifically noted in Table 6 above, none of the existing Shareholders are expected to hold or have voting power of 5% or more of the Shares on Completion.

Thorney Technologies Ltd (ASX:TEK) and its related body corporate, TIGA Trading Pty Ltd are Pre-Committed Investors. The Thorney Entities have agreed to subscribe for a combined 10,000,000 Shares under the Offer. It is expected that on Completion, the Thorney Entities will together hold 13.33% of the Shares on issue if the Minimum Subscription is achieved, and 12.50% of the Shares on issue if the Maximum Subscription is achieved. The Thorney Entities are also expected to hold a combined 8,333,333 Options on Completion, including 3,333,333 Options issued to them as Pre-Committed Investors.

10.4 Rights attaching to Shares

A shareholding in ReadCloud is held subject to its Constitution. Shares to be issued under this Prospectus will rank equally with Existing Shares. The Constitution may be inspected at the registered office during ordinary business hours by prior appointment. It will also be released to ASX on Listing.

The following is a summary of the principal rights of Shareholders under the Constitution. It is not intended to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders, which can involve complex questions of law arising from an interaction of the Constitution with statutory and common law requirements. Applicants who wish to obtain a definitive assessment of the rights and liabilities that attach to Shares in any specific circumstance should seek their own advice.

(a) Issue of Shares

The power to issue Shares and other securities in the capital of ReadCloud lies with the Board, subject to the restrictions contained otherwise in the Constitution, the ASX Listing Rules and the Corporations Act.

(b) Voting

Every Shareholder who is present in person or by proxy, representative or attorney and entitled to vote, has one vote for each Share held.

(c) Dividends

Dividends are payable upon the determination of the Directors, who may fix the amount, time for payment and method of payment of dividends.

(d) Transfer of Shares

Subject to the Constitution, Corporations Act, ASX Listing Rules and ASX Settlement Rules, Shares are freely transferable. Except as otherwise provided for in the ASX Listing Rules or the ASX Settlement Rules, the Directors may in certain circumstances refuse to register any transfer of Shares, or request ASTC or the share registry to apply a holding lock to prevent a transfer of Shares.

(e) Meetings and notice

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

(f) Rights on winding up

All Shares rank equally in the event of a winding up, subject to any amount remaining unpaid on any Shares. Once all the liabilities of ReadCloud are met, the liquidator may, with the sanction of a special resolution of the members, divide amongst the members all or any of ReadCloud's assets and for that purpose determine how the liquidator will carry out the division between the different classes of members.

(g) Variation of rights

The rights attached to Shares may be varied or cancelled by a special resolution passed at a general meeting of the holders of Shares or with the written consent of three quarters of the holders of Shares.

(h) Unmarketable parcels

If a Shareholder holds a number of Shares that is less than a marketable parcel (as defined in the ASX Listing Rules), ReadCloud has the power to sell or dispose of such Shares unless otherwise instructed by the Shareholder. The net proceeds from the sale will be paid to the Shareholder.

(i) Proportional takeover bid

Registration of a transfer giving effect to a contract resulting from acceptance of an offer made under a proportional takeover bid is prohibited unless a Shareholder resolution approving the proportional takeover bid is passed (**Approving Resolution**). Where offers have been made under a proportional takeover bid, the Directors must ensure that an Approving Resolution is voted on at a meeting of the Shareholders before the day which is 14 days before the last day of the relevant bid period (**Approving Resolution Deadline**). If no resolution has been voted on as at the end of the day before the Approving Resolution Deadline, a resolution to approve

the takeover bid is taken to have been passed. This clause expires three years after its adoption (5 October 2020).

(j) Plans

The Directors may establish one or more plans under which a participating Shareholders may elect, as provided in the plan, that dividends to be paid may be satisfied by the issue of Shares, or that dividends are not to be determined but that the Shareholder is to receive Shares or some other form of distribution, or such other options as the Directors consider appropriate.

The Directors may also establish share incentive plans, on terms that they decide, under which securities of the Company or of a related body corporate are issued to, or held for the benefit of, any Directors (including non-executive Directors) or senior executives of the Company, or any employees or contractors of the Company or of a related body corporate.

10.5 Rights attaching to Options

For every 2 Shares subscribed for and issued under the Offer there will be 1 free Option issued.

In addition, for every 3 Shares subscribed for and issued to a Pre-Committed Investor under the Offer, there will be 1 additional free Option issued to the Pre-Committed Investor.

The following is a summary of the terms of the Options.

(a) Entitlement

Each Option entitles the Option Holder to subscribe for 1 Share in the capital of the Company, subject to adjustment referred to in paragraph (g) below.

(b) Exercise period

The exercise period for an Option commences on the Listing Date and expires at 5:00pm AEDT on the Expiry Date.

Options not exercised before 5:00pm AEDT on the Expiry Date will automatically lapse.

(c) Issue price

No amount is payable on issue of the Options.

(d) Exercise price

The exercise price of each Option is \$0.30, subject to adjustment referred to in paragraph (g) below.

(e) Method of exercise of Options

Options are exercisable by notice in writing to the Company, delivered to the registered address of the Company and accompanied by the full payment of the exercise price in cleared funds.

Each Option is exercisable in whole or in part at any time before 5:00pm AEDT on the Expiry Date.

(f) Issue of Shares

Shares issued pursuant to the exercise of any of the Options will rank in all respects on equal terms with existing Shares.

(g) Participation rights, Rights issues, Bonus issues and Reorganisations

Options will not entitle the Option Holder to participate in any new issue of securities by the Company unless the Option has been duly exercised prior to the relevant record date.

If the Company makes a rights issue (other than a bonus issue) to existing Shareholders, the exercise price of Options on issue will be reduced in accordance with the ASX Listing Rules.

If there is a bonus issue to the holders of Shares the number of Shares over which the Option is exercisable will be increased by the number of Shares which the Option Holder would have received if the Option had been exercised before the record date for the bonus issue.

If, prior to the Expiry Date the issued capital of the Company is reorganised, the rights of the Option Holder shall be varied to comply with the Corporations Act and ASX Listing Rules which apply at the time of the reorganisation.

(h) Quotation

The Company will apply to ASX for official quotation of the Options and the Shares issued on exercise of the Options.

10.6 Restricted Shares and escrow arrangements

It is expected that Shares held by Directors and certain existing Shareholders as at the Prospectus Date will be subject to compulsory escrow arrangements under the ASX Listing Rules for a period of either 24 months from the Listing Date or 12 months from the date of issue of the relevant Shares.

3,333,333 Options to be issued to the Thorney Entities on Completion are also expected to be compulsorily escrowed for a period of 24 months from the Listing Date.

Table 7 below details the Shareholders and their expected compulsorily escrowed Shares on Completion. The number of Shares to be restricted shown in Table 7 below is based on the Company's estimations only and is subject to final determination by ASX.

Table 7: ASX compulsory escrow

Shareholder	Expected number of Shares to be escrowed by ASX	Expected period of restriction	Percentage of Shares escrowed based on Minimum Subscription being raised	Expected percentage of Shares escrowed based on Maximum Subscription being accepted
Amity Agency Pty Ltd	14,326,346 Shares*	24 months from Listing	19.10%	17.91%
Lars Lindstrom	5,204,028 Shares*	24 months from Listing	6.94%	6.51%
J&D Pollaers Holdings Pty Ltd atf Pollaers Family Trust	5,193,739 Shares*	24 months from Listing	6.92%	6.49%
Kimberley Marshall	4,775,549 Shares*	24 months from Listing	6.37*	5.97%
Darren Hunter ¹	3,589,753 Shares*	24 months from Listing	4.79%	4.49%
Joshua Fisher ²	2,706,676 Shares*	24 months from Listing	3.61%	3.38%
Raymond Jowett and Claudia Gardiner atf Jowett Superannuation Fund	181,460 Shares*	12 months from the date of issue of the relevant Shares	0.24%	0.23%
Joshriel Pty Ltd	166,942 Shares*	24 months from Listing	0.22%	0.21%
Parmms Enterprises Pty Ltd atf Collins Family Superannuation Fund	111,365 Shares*	24 months from Listing	0.15%	0.14%
Guy Mendelson	27,523 Shares*	12 months from the date of issue of the relevant Shares	0.04%	0.03%
Peter Eichhorn	18,546 Shares*	12 months from the date of issue of the relevant Shares	0.02%	0.02%
Nicole Sharp	17,010 Shares*	12 months from the date of issue of the relevant Shares	0.02%	0.02%
TOTAL	36,318,937 Shares*		48.43%	45.40%

¹ Darren Hunter's interest in Shares is held under Hunmar Holdings Pty Ltd and Darren Hunter and Sandra Margate atf Hunter Margate Superannuation Fund

² Joshua Fisher's interest in Shares is held under Natanya Peshia Fisher and Joshua Luke Fisher atf N & J Fisher Superannuation Fund and Natanya Peshia Fisher

* Subject to final determination by ASX

Voluntary Escrow

Existing Shareholders have also entered into voluntary escrow deeds in respect of 80% of their existing Shares, less the number of their Shares which are subject to ASX compulsory escrow. It is expected that 9,210,600 Shares or 11.51% of the Shares immediately following completion (assuming the Maximum Subscription is achieved pursuant to the Offer) will be subject to voluntary escrow, based on the expected result of compulsory ASX escrow. The undertaking is for a period of 12 months after Listing, with the customary exceptions.

Table 8 below details the Shareholders and their expected voluntarily escrowed Shares on Completion. The number of Shares to be voluntarily escrowed shown in Table 8 below is based on the Company's estimations only and is subject to final determination of ASX compulsory escrow.

Table 8: Voluntary escrow

Shareholder	Expected number of Shares to be voluntarily escrowed	Percentage of Shares escrowed based on Minimum Subscription being raised	Percentage of Shares escrowed based on Maximum Subscription being raised
Jonathan Isaacs ¹	3,599,703 Shares*	4.80%	4.50%
Guy Mendelson	1,118,608 Shares*	1.49%	1.40%
Nicole Sharp	755,568 Shares*	1.01%	0.95%
Peter Eichhorn	671,255 Shares*	0.90%	0.84%
Katrina Claire Andrew and Christian Thomas Andrew atf C.T. Andrew Superannuation Fund	647,352 Shares*	0.86%	0.81%
Raymond Jowett and Claudia Gardiner atf Jowett Superannuation Fund	646,310 Shares*	0.86%	0.81%
Natanya Pesha Fisher and Joshua Luke Fisher atf N & J Fisher Superannuation Fund	404,821 Shares*	0.54%	0.51%
Steve Dew and Jennifer Dew	322,614 Shares*	0.43%	0.40%
Stephen Jolson	322,614 Shares*	0.43%	0.40%
Andrew Isaacs	322,614 Shares*	0.43%	0.40%
Joshriel Pty Ltd	206,612 Shares*	0.28%	0.26%
Parmms Enterprises Pty Ltd atf Collins Family Super Fund	136,963 Shares*	0.18%	0.17%
Darren Hunter and Sandra Margate atf Hunter Margate Superannuation Fund	55,566 Shares*	0.07%	0.07%
TOTAL	9,210,600	12.28%	11.51%

¹ Jonathan Isaacs interest is held under his name and through Scaasi Nominees Pty Ltd atf Scassi Superannuation Fund

* Or such number of Shares which equals 80% of the relevant Shareholder's holding less the number of Shares that are determined to be subject to ASX compulsory escrow in respect of that Shareholder

10.7 Performance Rights

The Company has issued a total of 15,000,000 Performance Rights (comprising of Class A, Class B, Class C and Class D Performance Rights) to members of management as set out in Table 9 below.

Table 9: Performance Rights

Class/Number	Holders	Performance condition(s)	Condition expiry date
3,750,000 Class A Performance Rights	Lars Lindstrom – 1,375,000 Darren Hunter – 1,375,000 Joshua Fisher – 750,000 Paul Collins – 250,000	50% of the Class A Performance Rights will convert to Shares if the Company has in excess of 45,000 Users	31 December 2018
		50% of the Class A Performance Rights will convert to Shares if the Company has in excess of 100,000 Users	31 December 2019
3,750,000 Class B Performance Rights	Lars Lindstrom – 1,375,000 Darren Hunter – 1,375,000 Joshua Fisher – 750,000 Paul Collins – 250,000	50% of the Class B Performance Rights will convert to Shares if the Company achieves revenue of \$2 million or greater for FY18	10 Business Days after the release to ASX of the Company's audited FY18 financial statements
		50% of the Class B Performance Rights will convert to Shares if the Company achieves revenue of \$7.5 million or greater for FY19	10 Business Days after the release to ASX of the Company's audited FY19 financial statements
3,750,000 Class C Performance Rights	Lars Lindstrom – 1,375,000 Darren Hunter – 1,375,000 Joshua Fisher – 750,000 Paul Collins – 250,000	50% of the Class C Performance Rights will convert to Shares if the Company achieves EBITDA of \$500,000 or greater for FY18	10 Business Days after the release to ASX of the Company's audited FY18 financial statements
		50% of the Class C Performance Rights will convert to Shares if the Company achieves EBITDA of \$2 million or greater for FY19	10 Business Days after the release to ASX of the Company's audited FY19 financial statements
3,750,000 Class D Performance Rights	Lars Lindstrom – 1,375,000 Darren Hunter – 1,375,000 Joshua Fisher – 750,000 Paul Collins – 250,000	50% of the Class D Performance Rights will convert to Shares if the VWAP of the Shares exceeds \$0.30 per Share over a period of 30 consecutive days	31 December 2018
		50% of the Class D Performance Rights will convert to Shares if the VWAP of the Shares exceeds \$0.40 per Share over a period of 30 consecutive days	31 December 2019

Each Performance Right entitles the holder to receive one Share upon satisfaction of the relevant performance condition(s) prior to the relevant condition expiry date.

In the event of any reorganisation on or prior to the relevant expiry date of any Performance Rights, the rights of the holder of the Performance Rights will be changed to the extent necessary to comply with the applicable ASX Listing Rules. A holder of Performance Rights may not participate in a rights or similar issue prior to the conversion of the relevant Performance Rights to Shares.

In the event of a change of control of the Company, all performance conditions relating to Performance Rights are waived and the Performance Rights shall convert to Shares, subject to the relevant change of control occurring.

Shares allotted on conversion of Performance Rights will rank equally in all respects with all other issued Shares from the date of allotment and will be held subject to the Constitution.

If the conversion of the Performance Rights would cause the Company to break any law, the ASX Listing Rules or the Constitution or cause the Company any unreasonable compliance burden, the Company may pay a cash amount in lieu of conversion.

Rights may lapse in certain circumstances, including if the holder has been dismissed without notice, becomes bankrupt or does any act bringing the Company into disrepute.

10.8 Employee Share Option Plan

The Company currently has in place an ESOP to assist in the reward, retention and motivation of certain Directors, consultants and senior management of the Company (**Participants**).

The Company may grant options to eligible Participants under the ESOP. As at the Prospectus Date, the Company has nil options on issue under the ESOP.

In accordance with the rules of the ESOP, the Board will determine in its sole and

absolute discretion the terms and conditions of options which are granted under the ESOP including, but not limited to, the following:

- which individuals will be invited to participate in the ESOP;
- the number of options to be granted to each Participant;
- the exercise price of each option granted to Participants;
- the expiry date of the options granted to Participants; and
- the terms on which the options will vest and become exercisable, including any vesting conditions or performance hurdles which must be met.

The Board has resolved to limit the number of options issued, and which have not yet vested or been exercised, under the ESOP at any time to less than 2.5% of the Company's issued capital on a fully diluted basis.

If Shares are quoted on ASX at the time the options are exercised, the Company will apply to the ASX for quotation of the Shares issued on exercise of the options in accordance with the ASX Listing Rules.

In the event of any reorganisation on or prior to the relevant expiry date of any option, the rights of the holder of the options will be changed to the extent necessary to comply with the applicable ASX Listing Rules. A holder of options may not participate in a rights or similar issue unless the options are exercised prior to the relevant record date.

In the event of a change of control of the Company, all options vest and exercise conditions are waived, to allow the holder to exercise the options prior, and subject to, the relevant change of control.

Shares allotted on exercise of options will rank equally in all respects with all other issued Shares from the date of allotment and will be held subject to the Constitution of the Company.

The ESOP will operate subject to the ASX Listing Rules.

10.9 Pro Forma and Statutory Historical Income Statements, Balance Sheets and Cash Flow Statements

The Company's Pro Forma and Statutory Historical Income Statements are set out in Sections 7.3.1 – 7.3.3. The Company's Pro Forma and Statutory Historical Balance Sheet is set out in Section 7.4. The Company's Pro Forma and Statutory Historical Cash Flow Statements are set out in Sections 7.5.1 – 7.5.3.

10.10 Control implications of the Offer

The Directors do not expect any Shareholder to control the Company on Completion.

10.11 Working capital statement

The Company's business plan includes growing its sales channels by expanding its sales and marketing activities and further developing ReadCloud's digital eReader platform.

The proceeds of the Offer will provide funds to meet the costs of sales and marketing activities and software development, as well as working capital to fund the items of expenditure associated with integration of new sales channels. These expenses would otherwise need to be funded from the normal revenues of the business.

The Directors believe that on Completion, the Company will have sufficient working capital available from the proceeds of the Offer and its operations to fulfil the purposes of the Offer and meet the Company's business objectives as set out in Section 6.2.

Table 11: Working capital statement

	Audited as at 30-Jun-17	Subsequent events	Impact of listing Minimum Subscription	Total
	\$	\$	\$	\$
Pro forma current assets	495,650	(46,676)	5,000,000	5,448,974
Pro forma current liabilities	(366,144)	-	-	(366,144)
Pro forma net current assets	129,506	(46,676)	5,000,000	5,082,830
Less:				
Cash IPO costs - Minimum	-	-	(653,588)	(653,588)
Administration costs	-	-	(2,334,673)	(2,334,673)
Repayment of debt	-	-	(352,366)	(352,366)
Working Capital – Minimum Subscription	129,506	(46,676)	1,659,373	1,742,203

	Audited as at 30-Jun-17	Subsequent events	Impact of listing Maximum Subscription	Total
	\$	\$	\$	\$
Pro forma current assets	495,650	(46,676)	6,000,000	6,448,974
Pro forma current liabilities	(366,144)	-	-	(366,144)
Pro forma net current assets	129,506	(46,676)	6,000,000	6,082,830
Less:				
Cash IPO costs - Maximum	-	-	(715,381)	(715,381)
Administration	-	-	(2,334,673)	(2,334,673)
Repayment of debt	-	-	(352,366)	(352,366)
Working Capital – Maximum Subscription	129,506	(46,676)	2,597,580	2,680,410

Note: The working capital calculation does not take into account any anticipated net incomes of the Company.

10.12 Consents

Written consents to the issue of this Prospectus have been given and, at the Prospectus Date, had not been withdrawn by the following parties:

Patersons Securities Limited

Patersons Securities Limited has given, and at the time of lodgement of this Prospectus, has not withdrawn its consent to be named as Lead Manager to the Offer, in the form and context in which it is named.

Patersons Securities Limited was not involved in the preparation of any part of this Prospectus and did not authorise or cause the issue of this Prospectus. Patersons Securities Limited makes no express or implied representation or warranty in relation to the ReadCloud Limited Prospectus or the Offer and does not make any statement in this Prospectus, nor is any statement in it based on any statement made by Patersons Securities Limited. To the maximum extent permitted by law, Patersons Securities Limited expressly disclaims and takes no responsibility for any material in, or omission from, this Prospectus other than the reference to its name.

Hive Legal Pty Ltd

Hive Legal Pty Ltd has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as legal adviser (other than in relation to taxation matters) to the Company in relation to the Offer in the form and context in which it is named.

PKF Melbourne Corporate Pty Ltd

PKF Melbourne Corporate Pty Ltd has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Independent Accountant in relation to the Offer and to the inclusion of the Investigating Accountant's Report in the form and context in which it is named and which that report is included.

PKF Melbourne Audit & Assurance Pty Ltd

PKF Melbourne Audit & Assurance Pty Ltd has given, and has not withdrawn prior to the lodgement of this Prospectus with

ASIC, its written consent to be named in this Prospectus as auditor to the Company in the form and context in which it is named.

Registry Direct Limited

Registry Direct Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Share Registry in the form and context in which it is named.

10.13 Interests of experts

Other than as set out below or elsewhere in this Prospectus, no

- Director;
- person named in the Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; or
- promoter of the Company;

holds at the Prospectus Date, or has held in the two years before the Prospectus Date, an interest in:

- the formation or promotion of the Company;
- any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Offer; or
- the Offer;

and no amount (whether in cash, Shares or otherwise), has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to:

- any such persons for services in connection with the formation or promotion of the Company or the Offer; or
- any Director to induce them to become, or qualify as, a Director of the Company.

Patersons Securities Limited has acted as Lead Manager to the Offer. The Company has paid, or agreed to pay, the Lead Manager the fees described in Section 10.14 for these services.

Hive Legal Pty Ltd has acted as legal adviser (other than in respect of taxation matters) to the Company in relation to the Offer. The Company has paid, or agreed to pay, Hive Legal the fees described in Section 10.14 (excluding GST) for these services.

PKF has acted as Independent Accountant in relation to the Offer and has prepared the Investigating Accountant's Report. The Company has paid, or agreed to pay, PKF \$50,000 (excluding GST) for these services.

These amounts, and other expenses of the Offer, will be paid by the Company out of funds raised under the Offer or available cash. Further information on the use of funds and payment of expenses of the Offer is set out in Section 6.3.

10.14 Cost of the Offer

If the Offer proceeds, the total estimated costs of the Offer, including legal fees incurred, registration fees, fees for other advisors, prospectus design, printing and advertising expenses and other miscellaneous expenses will be approximately \$627,875 if the Minimum Subscription is raised under the Offer. The costs of the Offer will be approximately \$688,900 if the Maximum Subscription is raised under the Offer. These costs are detailed in Table 10 below.

Table 10: Costs of offer

	Cost of the Offer based on the Minimum Subscription being raised	Cost of the Offer based on the Maximum Subscription being raised
Cash costs		
Patersons Securities	\$360,000	\$420,000
ASX Listing Fee	\$82,513	\$84,306
Hive Legal Pty Ltd	\$104,775	\$104,775
Other	\$106,300	\$106,300
Total cash costs	\$653,588	\$715,381
Non-cash costs		
Options issued to Pre-Committed Investors	150,000	150,000
TOTAL COSTS	803,588	865,381

10.15 ASX confirmations and waivers

ASX has provided preliminary confirmation that the Company will be admitted to the Official List under the 'asset test' in ASX Listing Rule 1.2.

The Company will apply for a waiver of Condition 12 of ASX Listing Rule 1.1 to enable the Performance Rights to be issued with a nil conversion price.

10.16 Insurance

The Company has a range of insurance policies in place to manage the risks of its day-to-day business activities. These policies include professional indemnity insurance, public and products liability insurance and Worksafe insurance.

10.17 Legal Proceedings

So far as the Directors are aware, at the Prospectus Date, there is no litigation of a material nature, existing or threatened, which may significantly affect the Company or its activities.

10.18 Governing Law

This Prospectus and the contracts that arise from the acceptance of Applications and bids are governed by the laws applicable in Victoria, Australia and each Applicant or bidder submits to the exclusive jurisdiction of the courts of Victoria, Australia.

10.19 Authorisation

Each Director has authorised and consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent before its lodgement with ASIC.

Glossary

In this Prospectus, unless the context otherwise requires:

\$ or AU\$	Australian dollars
Admission	admission of the Company to the Official List
AEDT	Australian Eastern Daylight Time
AIFRS	Australian International Financial Reporting Standards
Allotment Date	the date Securities are allotted under the Offer
API	Application Programming Interface
App	a ReadCloud application program that has been developed for use on a particular operating platform or device
Applicant(s)	a person(s) who submits a valid Application
Application	an application to subscribe for Shares under this Prospectus
Application Form	the application form attached to or accompanying this Prospectus (including the electronic form provided by an online application facility), by which an Applicant may apply for Shares
Application Monies	the aggregate amount of money accompanying an Application Form submitted by an Applicant
ASIC	the Australian Securities and Investments Commission
ASTC	the ASX Settlement and Transfer Corporation Pty Ltd ACN 008 504 532
ASX	ASX Limited ACN 008 624 691 or the Australian Securities Exchange, as the context requires
ASX Corporate Governance Principles and Recommendations	the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council as at the Prospectus Date
ASX Listing Rules	the official listing rules of the ASX, as amended from time to time
ASX Settlement Rules	the operating rules of the settlement facility provided by ASTC
Board or Board of Directors	the board of Directors of the Company
Business Day	has the meaning given in the ASX Listing Rules
CAGR	compound annual growth rate
Chairman	the chairman of the Board
Channel Partner	a reseller of the ReadCloud Platform
Closing Date	the date by which Applications must be lodged for the Offer, expected to be 25 January 2018 for the Offer
Company or ReadCloud	ReadCloud Limited ACN 136 815 891
Completion	the completion of the Offer, being the date on which Securities are issued to successful Applicants in accordance with the terms of the Offer
Constitution	the constitution of the Company
Corporations Act	the <i>Corporations Act 2001</i> (Cth)
Deep-linking	In the context of the world wide web, deep-linking is the use of a hyperlink that links to a specific, generally searchable or indexed, piece of web content on a website (e.g., "http://example.com/path/page"), rather than the website's home page (e.g., "http://example.com/")
Director	a director of the Company
DRM	Digital Rights Management
ESOP	the Company's Employee Share Option Plan adopted on 24 October 2017
Existing Shares	the issued Shares immediately prior to Completion
Expiry Date	30 November 2020
Exposure Period	the period of 7 days (or 14 days if extended by ASIC) after the Prospectus Date during which the Company may not accept Applications
Financial Information	as defined in Section 7.1
GST	goods and services tax
IPO	Initial Public Offering

Jacaranda	John Wiley & Sons Australia Ltd (trading as Jacaranda)
Jacaranda Distribution Agreement	the eBook distribution agreement between Jacaranda and ReadCloud dated on or around 19 April 2017, further details of which are set out in Section 9
Jacaranda Reseller Agreement	the reseller agreement between Jacaranda and ReadCloud, dated on or about 24 April 2017, further details of which are set out in Section 9
Lead Manager	Patersons Securities Limited, AFSL No. 239 052
Listing or Listed	the admission of the Shares to quotation on the ASX in accordance with ASX Listing Rules
Listing Date	the date Listing occurs
Maximum Subscription	the issue of 30,000,000 Shares at \$0.20 per Share to raise \$6,000,000
Minimum Subscription	the issue of 25,000,000 Shares at \$0.20 per Share to raise \$5,000,000
Non-Executive Director	a Director who is not a member of the Company's management
Offer	the offer of up to 30,000,000 Shares to be issued by the Company at the Offer Price on the terms set out in this Prospectus
Offer Period	the period during which investors may subscribe for Securities under the Offer
Offer Price	\$0.20 per Share, being the price Successful Applicants will pay for Shares
OfficeMax	OfficeMax Australia Limited
OfficeMax Reseller Agreement	the reseller agreement between OfficeMax and ReadCloud, dated on or about 12 May 2015, further details of which are set out in Section 9
Official List	the official list of entities that ASX has admitted and not removed from listing
Option	an option to acquire a Share
Option Holder	a holder of Options
Original Prospectus	the prospectus issued by the Company dated 13 December 2017 which lodged with ASIC on that date and is replaced by this Prospectus
Original Prospectus Date	the date on which a copy of the Original Prospectus was lodged with ASIC, being 13 December 2017
Performance Right	a right which entitles the holder to be issued with a Share subject to satisfaction of any relevant performance conditions
PKF	PKF Melbourne Corporate Pty Limited ACN 063 564 045
Pre-Committed Investors	institutional and professional investors who have agreed to acquire Shares under the Offer by signing a firm commitment letter prior to the Prospectus Date
Prospectus	this document dated the Prospectus Date and any replacement or supplementary prospectus in relation to this document
Prospectus Date	the date on which a copy of this Prospectus was lodged with ASIC, being 19 December 2017
ReadCloud Platform or Platform	a solution developed and sold by ReadCloud for all participants in the provision and use of educational digital content
Securities	Shares and Options
Security Holder	a holder of Securities
Share	a fully paid ordinary share in the capital of the Company
Share Registry	Registry Direct Limited or any other share registry that the Company appoints to maintain the registers of Shares and Options
Shareholder	a holder of Shares
Successful Applicants	an applicant who is (or will be) allotted Securities under the Offer
Thorney Entities	Thorney Technologies Ltd (ASX:TEK) and its related body corporate, TIGA Trading Pty Ltd
US or United States	the United States of America, its territories and possessions, any State of the United States of America and the District of Columbia
US Person	has the meaning given to it under Regulation S of the US Securities Act.
US Securities Act	the Securities Act of 1933, as amended
User	a contracted user of the ReadCloud Platform
VWAP	the volume weighted average market price as defined in the ASX Listing Rules



Corporate Directory

Company

ReadCloud Limited
1/426 Glen Huntly Road
Elsternwick VIC 3185
www.readcloud.com

Directors

Paul Anthony Collins (Non-Executive Chairman)
Lars Peder Lindstrom (Chief Executive Officer/Managing Director)
Darren Andrew Hunter (Executive Director and Chief Information Officer)

Company Secretary

Melanie Jaye Leydin

Share Registry

Registry Direct Limited
Level 6, 2 Russell Street
Melbourne VIC 3000
www.registrydirect.com.au

Lead Manager

Patersons Securities Limited AFSL No. 239 052
Level 15, 333 Collins Street
Melbourne VIC 3000
www.psl.com.au

Legal Adviser to the Offer (except in relation to taxation matters)

Hive Legal Pty Ltd
Level 4, 50 Market Street Melbourne VIC 3000
www.hivelegal.com.au

Independent Accountant

PKF Melbourne Corporate Pty Ltd
Level 12, 440 Collins Street
Melbourne VIC 3000

Auditor

PKF Melbourne Audit & Assurance Pty Ltd
Level 12, 440 Collins Street
Melbourne VIC 3000



readcloud