

ASX AND MEDIA RELEASE

20 March 2020

ZipTel To Acquire Emerging Consumer Neobank Dough

Highlights

- ZipTel Ltd (ASX:ZIP) has signed a binding agreement to acquire all of the issued share capital of Dough Ltd.
- The transaction constitutes a significant change in activities under the ASX Listing Rules, ZIP will seek re-admission to the Official List of the ASX to be renamed Dough Ltd (Proposed ASX Code:DOU).
- Canaccord Genuity (Australia) Ltd has been appointed as Lead Manager to ZIP's capital raising to raise a minimum of \$3.5 million.
- Dough is a capital lite, purpose driven consumer fintech and neobank, operating in the U.S market.
- Developing a proprietary, AI-powered transactional banking and wealth management app with a financial health focus for customers.
- Highly experienced board and management team.
- Software-as-a-service (**SaaS**) based business model, leveraging open banking.
- Mastercard innovation, marketing and issuing partnership.
- Wholesale (BaaS) partnership agreements with Choice Bank (U.S) & Regional Australia Bank (AU).
- Global wholesale brokerage and custodian partnership with DriveWealth.

The Board of ZipTel Limited (ASX: ZIP) (**the Company** or **ZIP**) is pleased to announce that the Company has entered into a binding, conditional agreement to acquire 100% of the issued capital of Dough Limited (**Dough** or **DOU**) (**Transaction**). Dough is a purpose-based fintech company, taking a proprietary artificial intelligence (**AI**) first approach to disrupting the business model of banking, helping customers live financially healthier.

The rise of Neobanks

Neobanks are defined as being mobile lead, digital only banks. Over the last 3 years there has been an emergence of neobanks originating out of Europe (Monzo, N26, Revolut), the U.S (Chime, Simple, Varo) and now Australia (Xinja, Volt, 86400).

Many of these neobanks have taken on the high cost structure and risks associated with becoming a licenced bank, abstaining from looking to disrupt the actual business model of banking. Instead, continuing to rely on making money from declining net interest margin (**NIM**), through the offering of traditional banking products.

About Dough

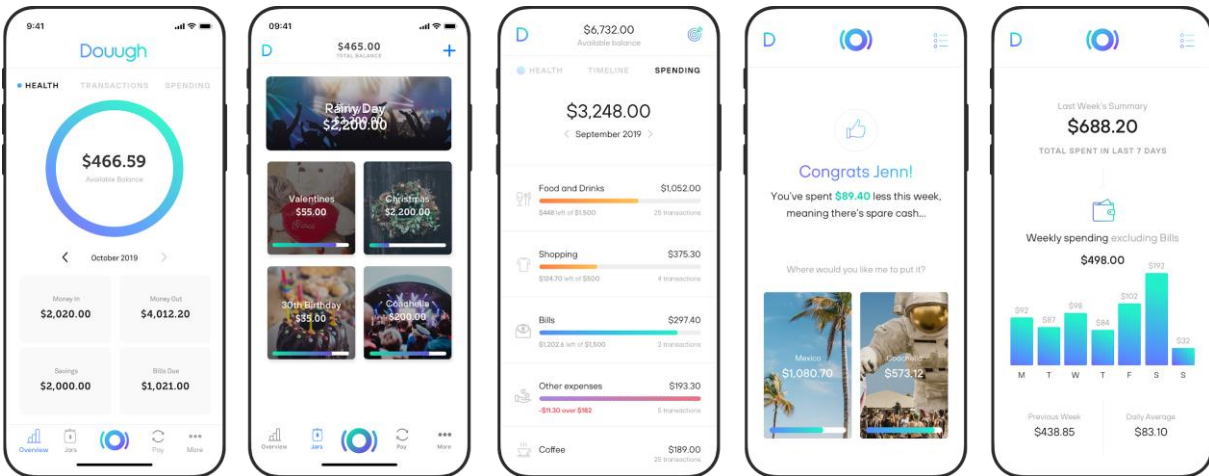
Dough is different. It is a purpose based fintech company, taking a proprietary artificial intelligence (**AI**) first approach to disrupting the business model of banking, helping customers live financially healthier. A subscription based financial wellness platform - autonomously helping customers spend wisely, pay off debt, save more and build wealth via a smart bank account and debit card.

Having now integrated and deployed its proprietary technology stack with its U.S. banking partner Choice Bank, Dough has launched its smart bank and Mastercard debit card offering in the App Store, directly to consumers.

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With its focus now on scaling its U.S customer base and growing monthly recurring revenue (MRR), Dough has also secured a further banking agreement with Regional Australia Bank and a strategic investment from Monex Group, a Tokyo listed financial services company (TYO:8698) - to launch Dough into Japan to circa 3 million of their existing customers.

Dough was recently recognised and nominated for the **2019 Emerging Fintech of the Year Award** by Fintech Australia. The business has a healthy pipeline of potential partners across Asia and Europe, which will establish Dough as a global fintech brand and SaaS platform over time. A global partnership agreement with Mastercard for innovation, issuing and marketing support further strengthens this ambition.



Value to consumers

Millennials want control of their finances but lack the fundamental education around money management and access to integrated/automated tools to enable it. All want to do better, but struggle to maintain a plan and change their spending and savings behaviour - living paycheck to paycheck, often prioritising instant gratification and experiences over longer term wealth creation.

Banking apps today are extensions of internet banking capabilities - self-service and historical transaction based. They possess no smarts, content engagement or gamification, forecasting or proactive education to encourage better behaviour.

Dough is taking an AI-first approach to building a fully autonomous financial assistant that helps people live financially healthier. Dough's technology strives to enable users to make the best financial decisions and help them reach their goals. Being purpose driven, technologically capable and innovation led for this new emerging millennial cohort is fundamental to building trust and credibility.

Value to banking partners

Dough allows tier 2 banks and financial services organisations with high growth appetite, the ability to extend their assets and capabilities outside of their typical reach. These organisations that hold national banking licenses have traditionally been regional/state focussed through a physical, branch based network.

Dough brings a mobile challenger brand, customer offering and ability to profitably acquire, onboard and service emerging affluent millennial consumers 100% digitally at low cost. Our ability to attract and deepen relationships with this audience is attractive to banking partners, who themselves do not have the brand, internal capabilities or product offering to do so.

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The banking partner leverages their banking licence, balance sheet, underwriting and core banking system in the partnership. Unlike the typical neobank model, the Dough (SaaS) solution is capital light - no capital holding requirements or restrictions on deposit or lending volumes.

Future Vision

In the short-term, Dough is working on launching a variety of features including enhanced AI-automation, wealth management, cash rewards and instalment loans.

In the long-term, Dough plans to become a financial identity and payments platform for its users, fostering a vast ecosystem of best of breed partners who can harness the power of Dough and offer complementary services connected into Dough's smart bank account. Some of these will be integrated within the Dough application itself, others through an API product, which will facilitate secure data exchange and payments (next gen open banking). This will enhance Dough's ability to coach, manage and execute in a more cohesive and intuitive way for the benefit of customers.

Growth Story

Dough is initially focused on scaling up in the U.S. But due to the nature of its capital lightness, only requiring to partner with one bank in each country and a global marketing and issuing partnership with Mastercard in place, it plans to rapidly expand into key international markets. Starting in Australia and the UK, before expanding into Asia and Europe.

The Transaction

The Company and Dough have executed a binding, conditional agreement in relation to the Transaction, the key terms of which are as follows:

1. ZIP will acquire all of the legal and beneficial interest in the entire issued share capital of Dough via the issue of 500,000,000 fully paid ordinary shares in ZIP (**Shares**) at a deemed issue price of \$0.02 per Share to the shareholders of Dough (**Vendors**) (**Consideration Shares**);
2. ZIP will also issue the Vendors with 500,000,000 performance shares in ZIP (**Performance Shares**) which will convert into a Share on a one-for-one basis on achievement of the following milestones (and subject to such other terms and conditions required by ASX or the ASX Listing Rules);
 - i. 166,666,666 on the achievement of timed performance milestones*.
 - ii. 166,666,667 on the achievement of timed performance milestones*.
 - iii. 166,666,667 on the achievement of timed performance milestones*.
3. ZIP will seek to raise a minimum of \$3.5 million through the issue of 175,000,000 Shares (and a maximum of \$5.0 million through the issue of 250,000,000 Shares) at a price of \$0.02 per Share under a prospectus (**Capital Raising**) and seek re-admission to the Official List of the ASX. Canaccord Genuity (Australia) Ltd has been appointed as Lead Manager.

4. On completion of the Transaction, ZIP will change its name to Dough Limited.
5. Additionally, the current Board of ZIP will resign and be replaced by new Board members as set out in this Announcement, with the exception of Bert Mondello who will stay on as Non-Executive Director following completion of the Transaction.

*The Company is in discussions with ASX to gain approval on the structure of the milestones.

The Transaction will result in a change in nature and scale of the Company's activities from a telecommunications software company to a financial software and services business. It will require the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules including ASX agreeing to and approving the re-admission of the Company to the Official List of ASX.

ZIP has undertaken appropriate enquiries into the assets and liabilities, financial position and performance, profits and losses, and prospects of Dough. The current board of ZIP is satisfied that the Transaction is in the interests of ZIP and its security holders.

Proposed Board

- **Andy Taylor (Founder & CEO)**

Co-founder of SocietyOne - Australia's leading P2P Lending platform now valued at over \$300m, having originated over \$800m in loans to date. A veteran in consumer marketing and technology, having previously also founded and exited a leading Australasian digital marketing agency.

- **Steve Bellotti (Non-Exec Chairman)**

Highly experienced international banker, investor and blockchain expert. Previously MD of Global Markets and Loans at ANZ, MD of Capital Markets at Dresdner Kleinwort Wasserstein and MD of Capital Markets at Merrill Lynch.

- **Patrick Tuttle (Non-Exec Director)**

Ex MD and Co-Group CEO of ASX-listed Pepper Group Limited, from early 2008 until March 2017 when he left the business. Since leaving Pepper, Patrick has taken on a range of corporate advisory and Board roles with a number of emerging financial services businesses in both Australia and the United States.

- **Bert Mondello (Non-Exec Director)**

Experienced Public Company Director and Corporate Advisor with 20 years experience across both the private and public sectors. He is currently the Chairman for Vection Technologies Ltd (ASX: VR1), Emerge Gaming Ltd (ASX: EM1), SineTech Ltd (ASX: STC) and a Non-Executive Director of WestStar Industrial Ltd (ASX: WSI) and ZipTel Ltd. He holds a Bachelor of Laws from the University of Notre Dame, Australia.

The Company will undertake the appropriate background checks on the proposed directors and other individuals prior to their appointment as directors in accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

Conditions Precedent

Completion of the Transaction is subject to and conditional upon satisfaction of a number of conditions including, but not limited to:

1. completion of due diligence investigations by both parties;
2. approval by the ZIP shareholders of the resolutions as per the proposed Shareholder Meeting (outlined below);
3. completion of the Capital Raising;
4. the parties obtaining all relevant approvals, including shareholder approval, board approval, regulatory approvals and any third party consents necessary to implement the Transaction;
5. Mandatory 24 month escrow to be imposed on founders and management. DOU to procure that the balance of the current shareholders of DOU agree to a

- voluntary 12 month escrow period, this provision is able to be waived by ZIP at its discretion;
6. ZIP receiving conditional approval for re-admission to the Official List of ASX; and
 7. no government or regulatory intervention that would prevent completion of the Transaction.

Public Offer and Re-admission to Official List

Conditional upon approval of the Transaction by shareholders, ZIP will issue a prospectus for the Capital Raising and apply for re-admission to the Official List of ASX.

If the Transaction is approved by shareholders the securities will remain suspended until such time as the Company meets the requirements of Chapters 1 and 2 of the Listing Rules and is re-admitted to the ASX.

Further information regarding the Transaction and the change of activities will be provided in the Notice of Meeting and the Prospectus to be dispatched in due course.

Canaccord Genuity has been appointed to be the sole lead manager on the Transaction, Capital Raising and re-listing. In consideration for acting as lead manager, Canaccord Genuity will receive 6% of the funds raised as a Lead Manager fee and 8 million unlisted options exercisable at 2.5 cents each with an expiry date of 4 years from the date of issue for every \$1 million raised by Canaccord Genuity (**Canaccord Options**). The maximum amount of Canaccord Options that can be issued is 40 million.

As part of the transaction, ZIP will issue a total of 25,000,000 ZIP Shares to advisors and current ZIP directors, subject to Shareholder approval.

The Company notes that Listing Rule 11.1.2 applies to this Transaction, and the Transaction requires security holder approval under the Listing Rules and therefore may not proceed if that approval is not forthcoming. ZIP will be required to re-comply with ASX's requirements for admission and quotation and therefore the Transaction may not proceed if those requirements are not met. ASX has an absolute discretion in deciding whether or not to re-admit the entity to the official list and to quote its securities. Therefore, the Transaction may not proceed if ASX exercises that discretion. Investors should take account of these uncertainties in deciding whether or not to buy or sell ZIP's securities.

Shareholder Meeting

To implement the Transaction, ZIP will prepare a notice of meeting seeking shareholder approval for, among other things, the acquisition of Dough.

ZIP will dispatch to shareholders a notice of meeting setting out various resolutions and further information relating to the proposed Transaction (**Notice of Meeting**). A detailed explanatory statement will accompany the Notice of Meeting and will be distributed to all Shareholders prior to the meeting in accordance with the Corporations Act 2001 (Cth) and the ASX Listing Rules.

ZIP presently envisages that the resolutions to be put to shareholders will include (but not be limited to):

1. Change of nature and scale of the activities of ZIP;
2. The acquisition of Dough;
3. Approvals under Listing Rule 7.1 to issue the Consideration Shares and Performance Shares to the Vendors of Dough (being the existing Dough shareholders);
4. Approval for the issue of Shares under the Capital Raising;
5. A change in name of ZIP to Dough Limited;
6. Approval of a securities incentive ESOP plan;
7. Appointment of new Directors.

ZIP expects to dispatch the Notice of Meeting to shareholders during March or April 2020.

Regulatory Approvals or Waivers

At the current time ZIP envisages that ZIP will need to seek a 2 cent waiver to the '20 cent rule' under Listing Rule 2.1, Condition 2 and will also seek approval from ASX as to the terms of the Performance Shares that are proposed to be issued.

Effect of the Transaction

The Company's indicative capital structure at minimum and maximum capital raise after the completion of the Transaction are detailed below:

Holder	Min. Raise			Max. Raise		
	Shares	%	\$A Value ¹	Shares	%	\$A Value ¹
ZIP Shareholders	189,133,899	13.5%	\$3,782,677	189,133,899	12.8%	\$3,782,677
DOU Shareholders (Ordinary Shares)	500,000,000	35.7%	\$10,000,000	500,000,000	33.9%	\$10,000,000
DOU Shareholders (Performance Shares)	500,000,000	35.7%	\$10,000,000	500,000,000	33.9%	\$10,000,000
DOU Convertible Note	12,500,000	0.9%	\$250,000	12,500,000	0.8%	\$250,000
IPO Raise	175,000,000	12.4%	\$3,500,000	250,000,000	16.9%	\$5,000,000
Advisory & Directors	25,000,000	1.8%	\$500,000	25,000,000	1.7%	\$500,000
TOTAL	1,401,633,899	100.0%	\$28,032,677	1,476,633,899	100.0%	\$29,532,677

¹ at \$0.02 per share.

Information about the likely effect of the Transaction on the Company's balance sheet is provided in the below table:

	ZIP ¹	DOU ¹	Min. Raise	Max. Raise
Total assets	1,476,673	828,076	15,608,174	17,018,174
Net assets (liabilities)	1,362,828	-1,146,074	14,552,828	15,962,828
Annual revenue	89,948	1,196,050	NA	NA
Annual Expenditure	536,608	2,921,402	NA	NA
Annual Profit pre. tax	(446,660)	(1,725,352)	NA	NA

² Annualised half year period.

An indicative pro-forma balance sheet showing the effect on the Company of the acquisition of DOU and associated Capital Raising is set out in the schedule to this announcement and is prepared on the basis of reviewed accounts of ZIP and reviewed accounts of DOU as at 31 December 2019.

The Digital Bakery Ltd, an entity controlled by Andy Taylor (proposed CEO) will acquire control of, or voting power of, approximately 36% at minimum subscription and 34% at maximum subscription in, ZIP at completion of the Transaction (excluding Performance Shares).

Advantages of the Transaction

Completion of the Transaction will restructure the Company's issued capital and net asset base, providing working capital, a new board and business direction. The Directors are of the view that the change in nature of the Company to a financial software and services business will deliver value to existing and new shareholders.

Risks of the Transaction

As disclosed above, the Transaction will result in dilution to existing shareholders. While the directors are of the view that the Transaction will be beneficial, financial software and services businesses carry with them inherent risks, including:

- **Competition risk** – Dough is subject to risk from competitors, including the introduction of new emerging technologies, improvements in existing product offerings and price reductions from existing comparative technologies;
- **Regulatory risk** - Dough may be exposed to the evolving regulations governing banks and the financial services sector and will have to navigate any differences in regulatory regimes that will occur from operating in multiple jurisdictions;
- **Execution risk** - notwithstanding the number of existing partnerships held by Dough, there may be a risk in the future that Dough is unable to find local banks to partner with in new jurisdictions, or that they will need to agree to onerous contractual terms, or that an established banking relationship may be lost.
- **Marketing risk** - Dough may experience higher than predicted marketing costs to acquire and retain customers.
- **Fraud risk** - In it's normal course of business, Dough will experience fraud within it's tolling customer base.
- **Financing risk** - in addition to the funds raised through the Capital Raising, Dough will require additional capital to implement its strategic objectives and growth plans. Should capital not be available, the growth of the Company may suffer.
- **Loss of key management personnel** - the Company's performance is substantially dependent on the performance of its board of directors and management. The loss of the services of any of these individuals could have a material adverse effect on the performance of the Company. The Company will seek to rapidly develop a strong management team that will be able to step up if and when required.

Detailed statements on the risks associated with the Transaction will be provided in the Notice of Meeting and Prospectus to be issued by the Company.

Use of Funds

The proceeds of the Capital Raising, together with existing cash reserves, will be used to provide the company with sufficient working capital to finance the growth of its operations, research and development and customer acquisition activities. The Company expects that proceeds of the Capital Raising will be used in accordance with the below use of funds table:

Use of proceeds	Minimum Raise		Maximum Raise	
	%	\$(AUD)	%	\$(AUD)
Working capital	20%	\$700,000	20%	\$1,000,000
Research and development	18.3%	\$640,000	20%	\$1,000,000
Marketing/growth hacking	45.7%	\$1,600,000	44%	\$2,200,000
Capital raising (6%)	6%	\$210,000	6%	\$300,000
Transaction expenses	10%	\$350,000	10%	\$500,000
Total	100%	\$3,500,000	100%	\$5,000,000

Issues of Securities prior to the Transaction

ZIP issued 4 million shares at a deemed issue price of 1.3 cents in lieu of director fees on 29 November 2019. These shares were approved by shareholders at ZIP's 2019 AGM. Aside from this, ZIP has not issued any securities in the preceding 6 months.

Dough has issued securities in the preceding 6 months and has raised \$1 million in pre-ASX listing funding. Shares were issued via a placement to institutional and sophisticated investors. The issue was not underwritten.

Funds raised were used to continue to build out and mature Dough's underlying product and technology and update its brand and marketing material.

Dough also proposes to enter into a converting loan agreement for the amount of \$250,000. The funds raised will be used towards scaling the Dough business in preparation for ASX Listing including ensuring that upon Listing Dough can go fully live to the wider US public. ZIP will satisfy repayment of the loan the subject of the agreement at completion of the Transaction via the issue of Shares at a deemed issue price of \$0.02 per share and payment of a 20% coupon.

Other than above neither ZIP nor Dough intend to issue any securities prior to the completion of the Transaction and the Company's proposed re-admission to the ASX official list.

Indicative Timetable

Activity	Date
Dispatch of notice of meeting seeking ZIP shareholder approval	20 April 2020
Lodgement of Prospectus by ZIP	1 May 2020
Opening date of Prospectus Offer	8 May 2020
ZIP shareholder meeting to approve Transaction	22 May 2020
Closing date of Prospectus Offer	25 May 2020
Issue of Securities under the Prospectus	27 May 2020
Completion of Transaction	28 May 2020
Expected date for reinstatement to official quotation of ZIP on ASX	3 June 2020

The above table is an indication only and is subject to change. Shareholders should also note that the Company's securities will be suspended from the date of the general meeting of shareholders until such time as the Company has satisfied Chapters 1 and 2 of the ASX Listing Rules.

ZipTel is in compliance with its continuous disclosure obligations under Listing Rule 3.1 and the Board of ZIP will continue to provide shareholders with updates regarding the Transaction in accordance with the Listing Rules. ASX takes no responsibility for the contents of this announcement.

ASX release authorised by the Board of Directors of ZipTel Limited

-Ends-

For more information please contact:

ZipTel Limited

T: +61 8 6380 2555

W: www.ziptel.com.au

About ZipTel

ZipTel is an Australian owned and operated telecommunications business focused on providing international roaming and calling solutions to consumers and businesses, using state of the art technologies developed and wholly owned by ZipTel Limited.

Forward-looking Statements

This Announcement has been made by the authority of the Board of the Company and may contain forward-looking statements. Any forward-looking statements contained in this document are not guarantees of future performance. Such statements involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Company. Readers should not place undue reliance upon any forward-looking statements and the Company disclaims any responsibility for any reader who does so.

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Annexure – Proforma Balance Sheet

	31/12/2019	31/12/2019	Minimum Subscription		Maximum Subscription	
	ZIP	Dough	Pro forma adjustments	Pro forma post capital raise	Pro forma adjustments	Pro forma post capital raise
Current assets						
Cash and cash equivalents	1,457,171	369,846	3,440,000	5,267,017	4,850,000	6,677,017
Other Receivables	19,502	538,998	-	558,500	-	558,500
Total current assets	1,476,673	908,844	3,440,000	5,825,517	4,850,000	7,235,517
Non-current assets						
Total non-current assets	-	-	-	-	-	-
Total assets	1,476,673	908,844	3,440,000	5,825,517	4,850,000	7,235,517
Current liabilities						
Payables	113,845	540,903	-	654,748	-	654,748
Other liabilities	-	846,378	-	846,378	-	846,378
Provisions	-	29,085	-	29,085	-	29,085
Total current liabilities	113,845	1,416,366	-	1,530,211	-	1,530,211
Non-current liabilities						
Total non-current liabilities	-	-	-	-	-	-
Total liabilities	113,845	1,416,366	-	1,530,211	-	1,530,211
Net assets (liabilities)	1,362,828	-507,522	3,440,000	4,295,306	4,850,000	5,705,306
Equity						
Share capital	14,423,876	2,922,934	516,124	17,862,934	1,926,124	19,272,934
Reserves	8,000	-15,697	-8,000	-15,697	-8,000	-15,697
Accumulated losses	-13,069,048	-3,414,759	2,931,876	-13,551,931	2,931,876	-13,551,931
Total equity	1,362,828	-507,522	3,440,000	4,295,306	4,850,000	5,705,306

Pro forma adjustments include:

- Placement shares to the value of minimum \$3,500,000 and maximum \$5,000,000
- Share issue costs, Advisory and director fee
- Convertible note issuance and conversion
- The issue of the 500,000,000 shares to the vendors of Dough (valued at \$10,000,000)
- The recognition of an intangible asset with respect to the acquisition of Dough

20 March 2020

ASX Compliance Pty Ltd
Level 40, Central Park
152-158 St George's Terrace
PERTH WA 6000

Dear Sir or Madam:

REQUEST FOR EXTENSION OF VOLUNTARY SUSPENSION

ZipTel Limited (ASX: ZIP, "the Company") refers to its voluntary suspension request of 12 March 2020.

In accordance with ASX Listing Rule 17.2, the Company requests a further extension of the voluntary suspension.

The voluntary suspension is requested pending re-compliance with Chapters 1 and 2 under the ASX Listing Rules pursuant to the acquisition of Douugh Limited, as announced on 20 March 2020.

The Company requests that the voluntary suspension remain in place until the earlier of it making an announcement regarding the re-compliance or the commencement of trading on Wednesday, 3 June 2020.

The Company is not aware of any reason as to why the voluntary suspension should not be granted.

The Company confirms that it is not aware of any further information necessary to inform the market about the voluntary suspension.

By the order of the Board.

ZipTel Limited

About ZipTel

ZipTel is an Australian owned and operated telecommunications business focused on providing international roaming and calling solutions to consumers and businesses, using state of the art technologies developed and wholly owned by ZipTel Limited.

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