7 August 2018

Re: Notice of General Meeting

Quantum Energy Limited confirms that the Shareholders' Meeting referred to in our announcement of 2 July 2018 will be held at 2pm on 7 September 2018 at the Company's offices 56 - 60 Bourke Road Alexandria NSW 2015.

Enclosed is the Notice of Meeting, Explanatory Statement, Proxy Form and Independent Expert's Report being sent to shareholders and these meeting materials are also available on the Company's website www.qhealthcare.com.au/egm

Yours faithfully

John Walstab
Managing Director

Quantum ENERGY LIMITED

All Correspondence to:

By Mail Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia

By Fax: +61 2 9290 9655

Online: www.boardroomlimited.com.au

By Phone: (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 2.00pm Sydney time on Wednesday 5 September 2018.**

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.
If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy
You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:
(a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
(b) return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate
Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:
Individual: This form is to be signed by the securityholder.
Joint Holding: where the holding is in more than one name, all the securityholders should sign.
Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **2.00pm Sydney time on Wednesday, 5 September 2018.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

By Fax	+ 61 2 9290 9655
By Mail	Boardroom Pty Limited GPO Box 3993, Sydney NSW 2001 Australia
In Person	Boardroom Pty Limited Level 12, 225 George Street, Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

Quantum Energy Limited
ABN 19 003 677 245

☐ **Your Address**
This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes.
Please note, you cannot change ownership of your securities using this form.

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of **Quantum Energy Limited** (Company) and entitled to attend and vote hereby appoint:

☐ the **Chair of the Meeting (mark box)**

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the General Meeting of the Company to be held at the Quantum Boardroom **56 – 60 Bourke Road, Alexandria, NSW, 2015 on Friday, 7 Sepetmber, 2018 at 2.00pm Sydney Time** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

The Chair of the Meeting intends to vote undirected proxies in favour of Resolution 1 set out in the Notice of General Meeting.

Votes will not be disregarded if they are cast as proxy for a person entitled to vote on Resolution 1:
- in accordance with a direction as specified on the proxy form as to how to vote; or
- by the Chairman of the meeting pursuant to an express authorisation to exercise the proxy as the Chairman sees fit (even though the Resolution relates to the Share Acquisition).

STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		For	Against	Abstain*
Resolution 1	To approve the Share Acquistion by Mr John Walstab	☐	☐	☐

STEP 3 SIGNATURE OF SECURITYHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director / Company Secretary

Contact Name…….. Contact Daytime Telephone…….. Date / / 2018

QUANTUM ENERGY LIMITED ABN 19 003 677 245

NOTICE OF GENERAL MEETING TO BE HELD ON 7 SEPTEMBER 2018 AND

EXPLANATORY STATEMENT FOR THE NOTICE OF GENERAL MEETING AND

INDEPENDENT EXPERT'S REPORT

DATE OF MEETING: 7 SEPTEMBER 2018
TIME OF MEETING: 2.00 PM SYDNEY TIME
LOCATION: 56 - 60 BOURKE ROAD, ALEXANDRIA, NSW, 2015

THE INDEPENDENT EXPERT'S REPORT PREPARED BY LEADENHALL CORPORATE ADVISORY PTY LTD ACN 114 534 619 AFSL 293586 AND SET OUT IN SECTION E OF THIS MEETING DOCUMENTATION CONCLUDES THAT THE ADVANTAGES OF THE SHARE ACQUISITION OUTWEIGH THE DISADVANTAGES OF THE SHARE ACQUISITION AND THAT THE SHARE ACQUISITION IS FAIR AND REASONABLE TO THE NON-ASSOCIATED SHAREHOLDERS

THE NOTICE OF GENERAL MEETING, EXPLANATORY STATEMENT AND INDEPENDENT EXPERT'S REPORT ARE IMPORTANT DOCUMENTS AND REQUIRE YOUR IMMEDIATE ATTENTION. THE DOCUMENTS SHOULD BE READ IN THEIR ENTIRETY. IF YOU ARE IN DOUBT ABOUT WHAT TO DO YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER WITHOUT DELAY

IMPORTANT DATES
LATEST TIME FOR RECEIPT OF PROXIES: 2.00PM 5 SEPTEMBER 2018
TIME FOR DETERMINING ELIGIBILITY TO VOTE AT THE MEETING: 7.00PM 5 SEPTEMBER 2018

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SECTION A – CHAIRMAN'S LETTER

7 August 2018

Dear Shareholder,

I refer to the Company's Announcement on 2 July 2018, in which the Company indicated the Board would be convening a General Meeting of Shareholders for the purposes of submitting to Shareholders a resolution to approve under section 611 item 7 of the Corporations Act 2001 a proposed Share Acquisition by Mr John Walstab.

The General Meeting of Shareholders has been convened for 2.00 pm Sydney time on 7 September 2018 at the Company's Boardroom, 56-60 Bourke Road, Alexandria, NSW, 2015.

Notice of General Meeting and Accompanying Documents

Attached to this letter is documentation in relation to the General Meeting, which includes the Notice of General Meeting (Section C); Explanatory Statement (Section D); and an Independent Expert's Report (Section E).

You will note from the Notice of General Meeting that there is one Resolution being submitted for Shareholder approval. The Resolution addresses the proposed Share Acquisition by Mr John Walstab of a parcel of shares which would result in the percentage of voting shares held by Mr Walstab increasing to 47.82%. The Share Acquisition, in order to be permitted to proceed under the Corporations Act, 2001 is being submitted for Shareholder approval in accordance with section 611 item 7 of the Corporations Act 2001.

The Notice of General Meeting sets out the terms of Resolution 1 and the Explanatory Statement explains in greater detail the background to Resolution 1.

Leadenhall Corporate Advisory Pty Ltd ACN 114 534 619 AFSL 293586 has been appointed as the Independent Expert to report on the fairness and reasonableness of the proposed Share Acquisition to the Non-associated Shareholders of the Company. The Independent Expert has concluded that the advantages of the Share Acquisition outweigh the disadvantages of the Share Acquisition and that the Share Acquisition is fair and reasonable to the Non-associated Shareholders. The Independent Expert's Report is contained in Section E of the Accompanying Documents.

As each of Mr Walstab and myself have an interest in the Share Acquisition each of us has abstained from making a Recommendation to Shareholders in relation to Resolution 1. For the reasons set out in the Explanatory Statement and having regard to the analysis and conclusions set out in the Independent Expert's Report, Mr McCarthy, an independent Director on the Board recommends that Shareholders vote in favour of Resolution 1.

On behalf of the Company, I strongly encourage you to read the enclosed Notice of General Meeting and Accompanying Documents carefully and in their entirety and to attend the General Meeting at 2.00pm on 7 September 2018 and vote on Resolution 1. If you are unable to attend the General Meeting, you should complete the enclosed Proxy Form and return it (see Proxy Form for details) as soon as possible and in any case so that it is received no later than 5 September 2018.

I look forward to meeting with you at the General Meeting on 7 September 2018.

Yours faithfully,

Mr Drew Townsend

Chairman

Quantum Energy Limited

SECTION B – WHAT DO YOU NEED TO DO?

You should take the following steps in considering Resolution 1 set out in the Notice of General Meeting:

Step 1: Carefully read the Notice of General Meeting and each of the Accompanying Documents in their entirety;

Step 2: Vote on Resolution 1 –

You can either vote in person or by proxy:

- to vote in person: you should attend the General Meeting at 56-60 Bourke Road Alexandria, NSW, 2015 at 2.00pm on 7 September 2018;
- to appoint a proxy to vote on your behalf: complete the enclosed Proxy Form and return it so that it is received no later than 2.00pm on 5 September 2018. You may return the proxy form by:

* Post, using the enclosed reply paid envelope, or by posting to the Company's Share Registry, Boardroom Pty Limited:
- Level 12, 225 George Street, Sydney, NSW, 2000 or
- GPO Box 3993, NSW, 2001

Or

*By facsimile to Boardroom Pty Limited on facsimile number: +61 2 9290 9655

SECTION C

NOTICE OF GENERAL MEETING

QUANTUM ENERGY LIMITED

ABN 19 003 677 245

Notice is hereby given that a General Meeting of the members of Quantum Energy Limited (**Company**) will be held at Quantum Boardroom, 56-60 Bourke Road, Alexandria, NSW, 2015 on 7 September 2018 at 2.00 pm.

AGENDA

ADDITIONAL INFORMATION CONCERNING THE RESOLUTION BELOW IS CONTAINED IN THE EXPLANATORY STATEMENT SET OUT IN SECTION D AND THE INDEPENDENT EXPERT'S REPORT SET OUT IN SECTION E

BUSINESS

1. APPROVAL OF SHARE ACQUISITION

To consider and, if thought fit, to pass the following ordinary Resolution:

"That, in accordance with and for the purposes of section 611, item 7 of the Corporations Act, 2001 and for all other purposes, approval be given for John Andrew Walstab to acquire a total of 430,693,959 Shares in Quantum Energy Limited from Crisp Holdings Pty Limited at 1.038 cents per share and otherwise on the terms and conditions set out in the Explanatory Statement (Section D) which acquisition results in John Andrew Walstab's shareholding in Quantum Energy Limited increasing to 47.82%".

NOTE: Shareholders should carefully consider the Independent Expert's Report prepared by Leadenhall Corporate Advisory Pty Ltd ACN 114 534 619 AFSL 293586 and included in Section E for the purposes of the Shareholder approval required under section 611 item 7 of the Corporations Act, 2001. The Independent Expert's Report comments on the fairness and reasonableness of the Share Acquisition to the Non-associated Shareholders. The Independent Expert has determined that the advantages of the Share Acquisition outweigh the disadvantages of the Share Acquisition and that the Share Acquisition is fair and reasonable to the Non-associated Shareholders.

VOTING EXCLUSION STATEMENT IN RELATION TO RESOLUTION 1

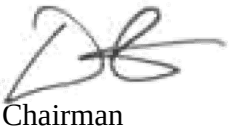
In accordance with the voting restrictions of item 7 section 611 of the Corporations Act, 2001, no votes may be cast in favour of Resolution 1 by:

(a) the person proposing to make the Share Acquisition (namely John Andrew Walstab) and his Associates; or

(b) the person from whom the acquisition is to be made (Crisp Holdings Pty Limited) and its Associates.

Further information in relation to the above Resolution 1 is set out in the Explanatory Statement to this Notice of General Meeting (refer Section D).

By Order of the Board.



Chairman

7 August 2018

Voting by Proxy

A member entitled to attend and vote is entitled to appoint not more than two proxies.

Where a member appoints two proxies and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half of the votes.

A proxy need not be a Shareholder.

Those wishing to do so should sign the proxy form which accompanies this notice and ensure that it is received by 2.00 p.m. Sydney time on 5 September 2018 at the Company's Share Registry:

Boardroom Pty Limited
Level 12, 225 George Street
Sydney, NSW, 2000
(**Postal address:** GPO Box 3993, NSW, 2001)
(**Facsimile number:** +61 2 920 9655)

Entitlement to Vote

In accordance with Regulation 7.11.37 of the Corporations Regulations, the Company has determined that for the purposes of the meeting, all Shares in the Company shall be taken to be held by the persons who held them as registered shareholders at 7.00 pm Sydney time on 5 September 2018 (**Entitlement Time**).

Subject to the Voting Exclusion Statement noted above, all holders of Shares in the Company as at the Entitlement Time are entitled to attend and vote at the meeting.

SECTION D – EXPLANATORY STATEMENT

QUANTUM ENERGY LIMITED ABN 19 003 677 245

EXPLANATORY STATEMENT TO NOTICE OF GENERAL MEETING

This Explanatory Statement has been prepared to provide information to Shareholders of Quantum Energy Limited (the **Company**) in connection with the General Meeting of Shareholders to be held at 2.00pm on 7 September 2018. In addition, the Independent Expert's Report is provided and contains an analysis as to whether the Share Acquisition referred to in Resolution 1 is fair and reasonable to the Non-associated Shareholders. The Independent Expert has concluded that the advantages of the Share Acquisition outweigh the disadvantages of the Share Acquisition and that the Share Acquisition is fair and reasonable to Non-associated Shareholders. A full copy of the Independent Expert's Report is contained in Section E. As noted previously, Shareholders should read each of the Notice of General Meeting (Section C), this Explanatory Statement (Section D) and the Independent Expert's Report (Section E) carefully and in their entirety.

Resolution 1: Approval for the Share Acquisition by John Andrew Walstab

1. On 2 July 2018 the Company announced that the Company had been advised that Crisp Holdings Pty Limited had entered into a conditional agreement with Mr John Andrew Walstab (Mr Walstab) to sell to Mr Walstab 430,693,959 of the Shares in the Company held by Crisp Holdings Pty Limited (representing 39.94% of the Shares in the Company) at a price of 1.038 cents per Share (representing an aggregate sale consideration payable by Mr Walstab to Crisp Holdings Pty Limited of $4.471 million). The Share Acquisition would result in Mr Walstab increasing his Shareholding in the Company to 47.82% of the Shares in the Company, with Crisp Holdings Pty Limited's Shareholding being reduced to 29.96% of the Shares in the Company.

Under Resolution 1 Shareholders approval is sought pursuant to and for the purposes of section 611 item 7 of the Corporations Act 2001 for the Share Acquisition by Mr Walstab from Crisp Holdings Pty Limited.

2. Background to section 611 item 7 of the Corporations Act 2001

(a) Relevant Interests

Pursuant to section 606(1) of the Corporations Act 2001, a person must not acquire a relevant interest in issued voting shares in a company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

(i) from 20% or below to more than 20%; or

(ii) from a starting point that is above 20% to below 90%.

The voting power of a person in a company is determined in accordance with section 610 of the Corporations Act 2001. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's Associates have a relevant interest.

A person has a relevant interest in securities if they:

(i) are the holder of the securities;

(ii) have the power to exercise, or control the exercise of a right to vote attached to the securities; or

(iii) have the power to dispose of, or control the exercise of a power to dispose of, the securities.

(b) Item 7 of section 611 – an Exception to the section 606 Prohibition

Item 7 of section 611 of the Corporations Act 2001 provides an exception to the prohibition under section 606 of the Corporations Act 2001. The exception provides that a person may acquire a relevant interest in a company's voting shares with shareholder approval.

In order for the exception of item 7 of section 611 of the Corporations Act 2001 to apply, all information known to the person making the acquisition and their Associates or the company that is material to the decision on how to vote on the approval resolution must be provided to the shareholders. Such information includes:

(i) the identity of the person proposing to make the acquisition and their Associates;

(ii) the maximum extent of the increase in that person's voting power in the company that would result from the acquisition;

(iii) the voting power that person would have as a result of the acquisition;

(iv) the maximum extent of the increase in the voting power of each of that person's Associates that would result from the acquisition; and

(v) the voting power that each of that person's Associates would have as a result of the acquisition.

(c) Resolution 1: Shareholder approval sought for Mr Walstab's proposed acquisition of Shares

As at the date of this Explanatory Statement, the total number of issued Shares in the Company is 1,078,308,291. If Shareholder approval is given for the Share Acquisition referred to in Resolution 1, Mr Walstab would have a relevant interest in 47.82% of the issued Shares (assuming no further share issues take place). Mr Walstab's relevant interest in the Company of more than 20% as a result of the Share Acquisition would fall under the section 606 of the Corporations Act 2001 prohibition, however such Share Acquisition is permitted if prior Shareholder approval to the Share Acquisition is granted under item 7 of section 611 of the Corporations Act 2001 and Resolution 1 sets forth this approval resolution for consideration of Shareholders.

3. Information for Shareholders under paragraphs (b)(i)–(v) of item 7 of section 611 of the Corporations Act 2001

The following information is provided to Shareholders for the purposes of the requirements under the Corporations Act 2001 in respect of obtaining Shareholder approval under item 7 of section 611 of the Corporations Act, 2001:

(a) paragraph (b)(i) : John Andrew Walstab is the person proposing to make the Share Acquisition and to be transferred the 430,693,959 Shares in the Company. Mr Walstab has no Associates;

(b) paragraph (b)(ii) : the maximum extent of the increase in voting power of John Andrew Walstab under the Share Acquisition is 39.94%;

(c) paragraph (b)(iii) : the voting power John Andrew Walstab would have as a result of the Share Acquisition is 47.82%. Mr Walstab's existing voting power prior to the Share Acquisition is 85,018,434 Shares, representing 7.88% of the Shares in the Company;

(d) paragraphs (b) (iv)-(v) : the extent of increase and voting power of Mr Walstab's Associates – Mr Walstab has no Associates so accordingly the Share Acquisition does not result in any increase in the voting power of any other person (other than Mr Walstab himself personally) – and the details of those increases are set out in (a),(b) and (c) above.

4. Effect on respective Shareholdings and Capital Structure as a result of Resolution 1; and Terms of the Share Acquisition

The Share Acquisition does not affect the number of Shares on issue in the Company which remains at 1,078,308,291.

The effect of the Share Acquisition on Shareholdings of key parties is set out in the Table below:

TABLE OF SHAREHOLDINGS AFFECTED BY THE PROPOSED SHARE ACQUISITION (BEING PROPOSED SALE BY CRISP HOLDINGS PTY LIMITED TO MR WALSTAB OF 430,693,959 SHARES IN THE COMPANY)

	CRISP HOLDINGS PTY LIMITED		MR WALSTAB	
	No of Shares	%	No of Shares	%
EXISTING POSITION AS AT THE DATE OF THIS MEETING DOCUMENTATION	753,736,667	69.9%	85,018,434	7.88%
POSITION IF SHARE ACQUISITION IS APPROVED	323,042,708	29.96%	515,712,393	47.82%

Note:

1. Existing number of issued Shares in the Company is 1,078,308,291
2. Mr Walstab's holding is held personally in his own name with the exception of 863,550 currently held jointly with Mr Townsend and Mr Sidney and 1,800 held by Walstab Pty Limited atf Walstab Superannuation Fund

The key terms of the proposed Share Acquisition, as contained in an agreement between the parties entered into on 29 June 2018 are as follows:

(a) The Seller is Crisp Holdings Pty Limited and the Buyer is John Andrew Walstab.

(b) The number of Shares agreed to be sold and transferred is 430,693,959, representing 39.94% of the Company's existing issued Shares.

(c) The sale price per sale Share is 1.038 cents, representing an aggregate consideration of $4.471 million. The aggregate sale consideration is payable as to $2.0 million at settlement of the share transfer (to occur on 7 September 2018), with the balance payable in 5 equal consecutive annual instalments of $494,200.00 commencing on 1 July 2019. Pending the aggregate sale consideration having been paid in full, the reducing balance payable will bear interest at 10% p.a. to be paid by Mr Walstab annually.

(d) Warranties: the parties have agreed to provide warranties as to capacity and title and which are customary in an agreement of this nature.

(e) Conditions Precedent: the share sale agreement and Share Acquisition are conditional upon all consents and approvals required for the share transfer to proceed without breach of any law or contract being obtained, including approval of the Company's Shareholders to the Share Acquisition being obtained under item 7 of section 611 of the Corporations Act 2001.

(f) Governing Law: the agreement between the parties is governed by the laws of New South Wales.

Other Arrangements: Acknowledgements made to the Company

Crisp Holdings Pty Limited has acknowledged to the Company that the sale proceeds from the Share Acquisition transaction will be applied by it to ensure that indebtedness owed by Crisp Holdings Pty Limited and/or Mr Sidney to the Company (Crisp/Sidney Indebtedness) is fully satisfied. Mr Walstab has acknowledged to the Company that loan monies owed by the Company to Mr Walstab be applied to the Share Acquisition sale consideration and in turn to satisfy the Crisp/Sidney Indebtedness; and that in addition, pending the annual purchase price instalments of the sale consideration being paid by him in full, Mr Walstab personally guarantees to the Company any balance of the Crisp/Sidney Indebtedness (up to the amount of unpaid purchase price instalments and interest remaining payable by Mr Walstab under the Share Acquisition agreement).

As set out in paragraph 4(c) above, the $4.471 million purchase price is payable by Mr Walstab to Crisp Holdings Pty Limited in the following agreed instalments, and under the agreed arrangements, these payments result in the progressive reduction of each of the Sydney Loan and the Walstab Loan on the respective dates and in the respective amounts as set out in the following Schedule:

Purchase Price Instalments and Loans Reductions Schedule:

Purchase Price Instalment Payment Date	Purchase Price Instalment Amount and Amount by which each of the respective Sidney Loan and Walstab Loan are reduced on the respective Payment Date $
7 September 2018	2,000,000
1 July 2019	494,200
1 July 2020	494,200
1 July 2021	494,200
1 July 2022	494,200
1 July 2023	494,200
Total	**4,471,000**

At the conclusion of the agreed instalments per the above, Mr Walstab's obligation to pay the purchase price for the sale shares of $4.471 million will be satisfied in full; the $4.5 million Sidney Loan owing to the Company will be repaid in full; the $6.2 million Walstab Loan owing by the Company will be reduced to $1.7 million; and a net reduction of $500,000 in interest otherwise payable by the Company will be achieved (compared to if the respective loans continued unchanged for the above 5 year period).

Accordingly, the Share Acquisition facilitates the Crisp/Sidney Indebtedness being satisfied in full, while similarly also having the Company's loan obligations to Mr Walstab being substantially addressed such that the Company considers the Company ought not need to re-finance or obtain alternative funding to fully satisfy that loan obligation. The dual impact of this simplifies the Company's Balance Sheet and is beneficial for the Company. Further details in relation to these aspects are set out in the Independent Expert's Report, particularly pages 7 and 15 of that Report.

5. ASIC Regulatory Guide 74 – Information in relation to the Share Acquisition required to be provided to Shareholders under ASIC Regulatory Guide 74 (RG 74)

The following is further information required to be provided for Shareholders under ASIC RG 74:

(a) *an explanation of the reasons for the proposed acquisition*

The proposed Share Acquisition has arisen in the circumstances of the Company's founding and long-term Managing Director, Mr Sidney, having previously retired from the Company last year and wishing to sell down a portion of the Shares held by his associated company, Crisp Holdings Pty Limited. Mr Walstab has since Mr Sidney's retirement served the Company as its current Managing Director and has taken the decision to acquire the additional Shares to ensure ongoing stability for the Company is maintained and to demonstrate his belief in and commitment to the Company's future.

(b) *when the proposed acquisition is to occur*

Completion of the Share Acquisition is proposed to occur within 7 days following the date that Shareholder approval is obtained for the Share Acquisition under Resolution 1 and is currently scheduled for 7 September 2018.

(c) *the material terms of the proposed acquisition*

Detailed information as to the terms of the proposed Share Acquisition is set out in Section 4 above.

(d) *details of the terms of any other relevant agreement between the acquirer and the target entity or vendor (or any of their associates) that is conditional on (or directly or indirectly depends on) members' approval of the proposed acquisition*

This information is addressed in Section 4 above, and other than set out therein, there is no other contract or proposed contract between Crisp Holdings Pty Limited and Mr Walstab or any of their Associates and the Company which is conditional upon, or directly or indirectly dependent on Shareholders' approval of the Share Acquisition.

(e) a statement of the acquirer's intentions regarding the future of the target entity if members approve the acquisition and, in particular:

(i) any intention to change the business of the entity

Mr Walstab does not have any present intention to change the business of the Company. He is committed to the Company taking further advantage of all opportunities in all sectors of the Company's business so the Company can maximise its overall performance. Since his appointment as Managing Director last year, Mr Walstab has undertaken a review of the Company's business to ensure the Company refines and updates its strategies across its key business sectors to maximise its overall performance. Certain changes in the Company's administrative functions, internal procedures, staff and core services have been implemented in order to continue and improve efficiencies across the Company's divisions. Consistent with the strategic outlook the Company has always adopted, Mr Walstab supports the Company continuing to explore further opportunities through strategic alliances and/or complementary acquisitions. In this regard, the Company has commenced collaborating with third party companies for the design, manufacture and distribution of energy efficient heating, IT communication and water sterilising systems used predominately in Healthcare industries and this will allow further synergies and integration of the Energy and Health divisions within the Quantum Group.

(ii) any intention to inject further capital into the entity

Mr Walstab does not have any present intention to inject further capital into the Company.

(iii) the future employment of present employees of the entity

Mr Walstab does not have any present intention to make any changes to the employment arrangements of the present employees of the Company.

(iv) any proposal where assets will be transferred between the entity and the acquirer or vendor or their associates

Mr Walstab does not have any present intention to transfer any assets between the Company and Mr Walstab or any person associated with Mr Walstab.

(v) any intention to otherwise redeploy the fixed assets of the entity

Mr Walstab does not have any present intention to redeploy the fixed assets of the Company.

(f) any intention of the acquirer to significantly change the financial or dividend distribution policies of the entity

Mr Walstab does not have any present intention to significantly change the financial or dividend distribution policies of the Company.

(g) the interests that any director has in the acquisition or any relevant agreement disclosed under RG 74.25(d)

Two of the Company's Directors, namely Mr Walstab and Mr Townsend have an interest in the Share Acquisition. Mr Townsend is associated with Crisp Holdings Pty Limited, though as is set out in Item 4 above, as the proceeds from the Share Acquisition are being applied to satisfy the Crisp/Sidney Indebtedness, Mr Townsend will not receive any amount of the Share Acquisition consideration proceeds. Mr Walstab has an interest in the Share Acquisition as the buyer and full details of Mr Walstab's interest in relation to the Share Acquisition are set out in this Explanatory Statement and are also addressed in the Independent Expert's Report.

In view of Mr Townsend's and Mr Walstab's respective interests in the Share Acquisition, the Company's preparation and despatch of the Meeting documentation has been overseen by Mr McCarthy, an independent Director on the Board who has no personal interest in the Share Acquisition.

(h) details about any person who is intended to become a director if members approve the acquisition

Mr Walstab does not have any present intention to support the appointment of any particular person to become a director of the Company.

Mr Walstab does believe that it will likely be in the Company's interest to expand the Board at an appropriate future time and is supportive of the Board keeping this under review and considering appropriate persons who can contribute at Board level to the ongoing growth and profitability of the Company's business.

6. Independent Expert's Report

In accordance with the requirements of RG 74, Leadenhall Corporate Advisory Pty Ltd ACN 114 534 619 AFSL 293586 has been appointed as an Independent Expert to prepare and provide an Independent Expert's Report which contains an analysis of whether the proposed Share Acquisition by Mr Walstab is fair and reasonable for Non-associated Shareholders.

The Independent Expert has concluded that the advantages of the Share Acquisition outweigh the disadvantages of the Share Acquisition and that the Share Acquisition is fair and reasonable to the Non-associated Shareholders. For a summary of the Independent Expert's findings please refer to page 3 of the Independent Expert's Report.

The Independent Expert has given, and not before the date of this Notice of General Meeting Documentation withdrawn, its consent to the inclusion of the Independent Expert's Report in Section E of this Meeting Documentation and to the references to the Independent Expert in this Meeting Documentation being made in the form and context in which each such reference is included.

7. Advantages and Disadvantages of the Share Acquisition

A Summary of the Independent Expert's assessment of the Advantages and Disadvantages of the Share Acquisition is set out on pages 3 and 15-16 of the Independent Expert's Report (refer Section E).

The Company considers the advantages of the Share Acquisition are:

(a) Mr Walstab has extensive experience and expertise in and understanding of all sectors of the Company's business and his decision to increase his Shareholding through the Share Acquisition is a welcome demonstration of his commitment to the Company and its future;

(b) As indicated above, the Share Acquisition facilitates the Crisp/Sidney Indebtedness being satisfied in full, while similarly also having the Company's loan obligations to Mr Walstab being substantially addressed such that the Company considers the Company ought not need to re-finance or obtain alternative funding to fully satisfy that loan obligation. The dual impact of this simplifies the Company's Balance Sheet and is beneficial for the Company; and

(c) As a result of the Share Acquisition, there will cease to be any individual shareholder holding a greater than 50% shareholding in the Company (with Crisp Holdings Pty Limited's shareholding reducing from 69.9% to 29.96% as a result of the Acquisition proceeding).

8. Recommendation of the Directors and Voting Intentions at the Shareholders Meeting in relation to Resolution 1

As each of Mr Walstab and Mr Townsend has an interest in the Share Acquisition each has abstained from making a Recommendation to Shareholders in relation to Resolution 1. For the reasons set out in Section 7 above, and having regard to the analysis and conclusions set out in the Independent Expert's Report, Mr McCarthy, an independent Director on the Board recommends that Shareholders vote in favour of Resolution 1.

Under the prescribed Voting Exclusion provisions referred to above, each of Mr Walstab and Crisp Holding Pty Limited and the respective Associates of each (including Mr Townsend in relation to Crisp Holdings Pty Limited) are excluded from voting as Shareholders at the Shareholders Meeting in relation to Resolution 1.

In relation to Mr McCarthy, neither he, nor any Associate of his holds Shares in the Company, and will not be voting at the Shareholders Meeting in relation to Resolution 1.

9. Defined terms used in the Notice of General Meeting (Section C) and this Explanatory Statement (Section D)

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given to that term in sections 10 to 17 of the Corporations Act 2001 (Cth), in particular section 12.

Company means Quantum Energy Limited ABN 19 003 677 245.

Corporations Act means the Corporations Act 2001 (Cth).

Independent Expert means Leadenhall Corporate Advisory Pty Ltd ACN 114 534 619 AFSL 293586.

Independent Expert's Report means the report prepared by the Independent Expert as set out in Section E.

Non-associated Shareholders are Shareholders who are not associated with the Share Acquisition and not Associates of Crisp Holdings Pty Limited and its Associates and/or Mr Walstab and his Associates.

Share means a fully paid ordinary share in the issued capital of the Company and Shares means any 2 or more of them.

Shareholder or member means a holder of a Share.

Share Acquisition means the proposed acquisition by Mr John Andrew Walstab of 430,693,959 Shares from Crisp Holdings Pty Limited at 1.038 cents per Share (being an aggregate consideration of $4.471 million) and on the other terms summarised in Item 4 of this Explanatory Statement.

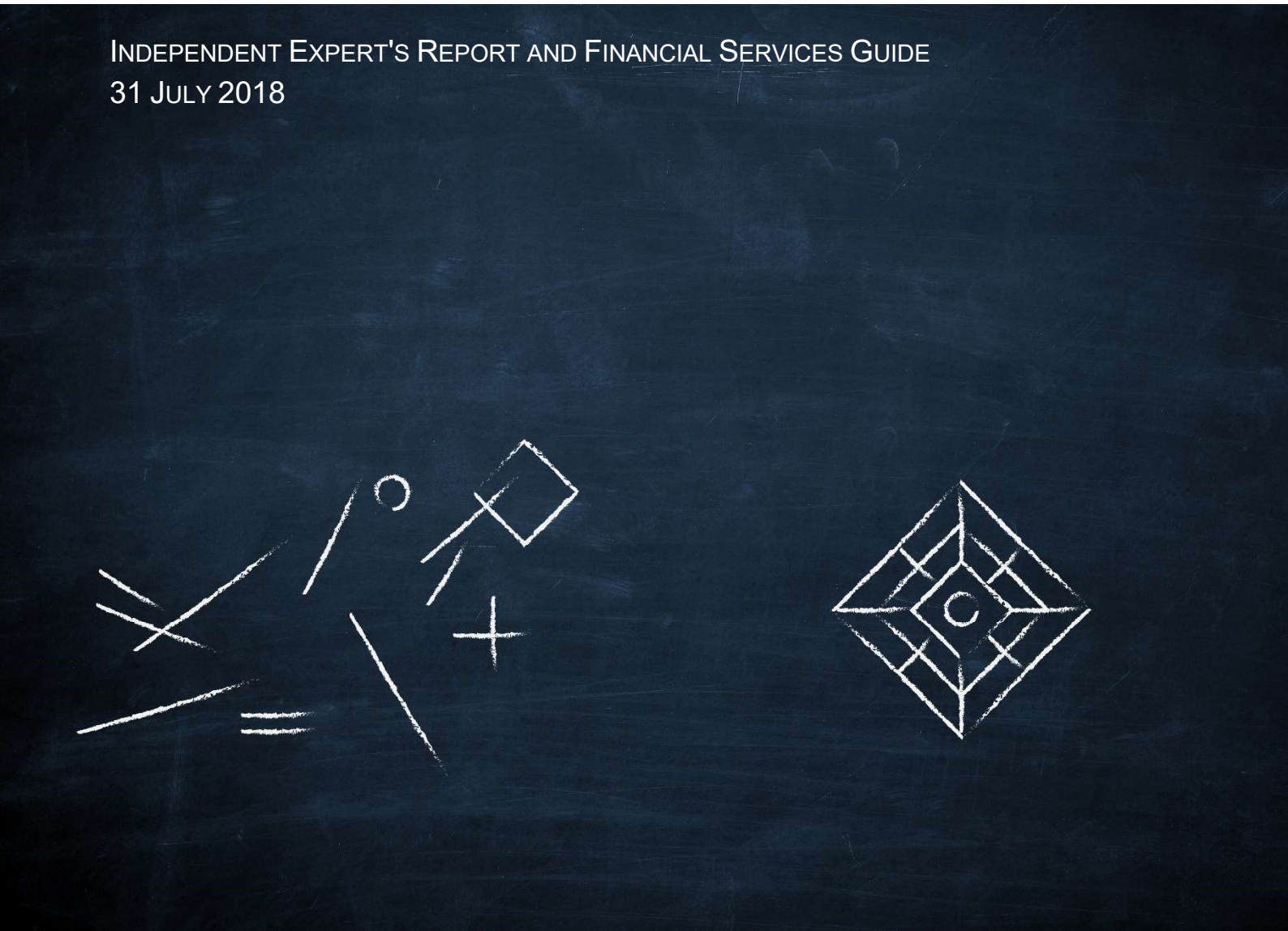
SECTION E: INDEPENDENT EXPERT'S REPORT

Now you know
LEADENHALL

QUANTUM ENERGY LIMITED

PROPOSED ACQUISITION OF SHARES BY JOHN WALSTAB

INDEPENDENT EXPERT'S REPORT AND FINANCIAL SERVICES GUIDE
31 JULY 2018



31 July 2018

Alan McCarthy
Independent Director
Quantum Energy Limited
50-60 Bourke Road
Alexandria NSW 2015

Dear Alan,

Independent Expert's Report for Quantum Energy Limited

Introduction

Quantum Energy Limited ("**Quantum**") is an ASX listed company that engages in the manufacture and distribution of energy saving hot water systems for residential and commercial markets in Australia and internationally. Quantum also distributes high-end medical products particularly in the field of nuclear medicine, radiology and oncology.

Quantum's major shareholder is Crisp Holdings Pty Ltd ("**Crisp**"), a company controlled by Phillip Sidney ("**Mr Sidney**") and Drew Townsend ("**Mr Townsend**"). Mr Sidney is Quantum's former CEO and Mr Townsend is its Chairman. Crisp currently holds 69.9% of the shares outstanding in Quantum.

On 29 June 2018 Quantum's current CEO, John Walstab ("**Mr Walstab**"), and Crisp entered into a conditional agreement for Mr Walstab to acquire a parcel of shares representing 39.94% of the issued share capital of Quantum from Crisp ("**Proposed Transaction**"). The consideration for the Proposed Transaction is $4.5 million (or 1.038 cents per share) ("**Consideration**").

As at 30 June 2018 (latest balances available) Mr Sidney owed Quantum $4.5 million ("**Sidney Loan**"). On the same date Quantum owed Mr Walstab a total of $6.2 million ("**Walstab Loan**"). As part of the Proposed Transaction, Mr Sidney and Mr Walstab have agreed that the Consideration will effectively be used to offset their respective loan accounts with Quantum, thereby extinguishing the Sidney Loan and substantially reducing the Walstab Loan.

Further information regarding the Proposed Transaction is set out in Section 1 of this report.

Purpose of the report

As Mr Walstab would acquire a greater than 20% interest in Quantum should the Proposed Transaction proceed, the transaction is subject to approval by Quantum shareholders not associated with Mr Walstab and Crisp ("**Shareholders**"). In order to assist Shareholders evaluate the Proposed Transaction, Alan McCarthy, the independent director of Quantum, has requested Leadenhall Corporate Advisory Pty Limited ("**Leadenhall**") to prepare an independent expert's report assessing whether the Proposed Transaction is fair and reasonable to Shareholders.

This report is to be included in the notice of meeting that will be sent to Quantum's shareholders regarding the Proposed Transaction ("**Notice of Meeting**").

Further information regarding the purpose of this report is provided in Section 1 of this report.

Basis of evaluation

In order to assess whether the Proposed Transaction is fair and reasonable we have considered the advantages and disadvantages to Shareholders of the Proposed Transaction. In particular, we have:

- Assessed the Proposed Transaction as fair and reasonable if the advantages to Shareholders outweigh the disadvantages
- Assessed the Proposed Transaction as neither fair nor reasonable if the disadvantages to Shareholders outweigh the advantages

Further details of the basis of evaluation are provided in Section 2 of this report.

Advantages

The main advantages of the Proposed Transaction are:

- Reduces net interest payable by Quantum
- Provides certainty over repayment of the Sidney Loan
- Further aligns interests of Shareholders and CEO
- Facilitates orderly sale of a large shareholding block which may otherwise depress the share price if sold on-market
- Reduced control for majority shareholder
- Crisp does not appear to be receiving a control premium

Further details of the above advantages are set out in Section 4.2 of this report.

Disadvantages

The main disadvantages of the Proposed Transaction are:

- May preclude a takeover offer in the near term
- Provides a benefit to Mr Walstab not offered to Shareholders

Further details of the above disadvantages are set out in Section 4.3 of this report.

Opinion

Having regard to the above, we consider that the advantages outweigh the disadvantages. In particular, we consider the reduced interest payable, increased visibility in respect of the repayment of the Sidney Loan and the reduction in the liability to Mr Walstab outweigh the limited disadvantages. As we have concluded that the advantages of the Proposed Transaction outweigh the disadvantages, in our opinion, the Proposed Transaction is fair and reasonable to Shareholders.

This opinion should be read in conjunction with our detailed report which sets out our scope, analysis and findings in more detail.

Yours faithfully

Richard Norris
Director

Dave Pearson
Director

Note: All amounts stated in this report are in Australian dollars unless otherwise stated.

Tables in this report may not add due to rounding.

LEADENHALL CORPORATE ADVISORY PTY LTD

ABN 11 114 534 619

Australian Financial Services Licence No: 293586

FINANCIAL SERVICES GUIDE

Leadenhall Corporate Advisory Pty Ltd ("**Leadenhall**" or "**we**" or "**us**" or "**our**" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

Financial Services Guide

In providing this report, we are required to issue this Financial Services Guide ("**FSG**") to retail clients. This FSG is designed to help you to make a decision as to how you might use this general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

Financial Services We are Licensed to Provide

We hold Australian Financial Services Licence 293586 which authorises us to provide financial product advice in relation to securities (such as shares and debentures), managed investment schemes and derivatives.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product. Our report will include a description of the circumstances of our engagement and the party who has engaged us. You will not have engaged us directly but will be provided with a copy of the report because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial service licensee authorised to provide the financial product advice contained in that report.

General Financial Product Advice

The advice produced in our report is general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that We May Receive

We charge fees for providing reports. These fees will be agreed with the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis. Leadenhall is entitled to receive a fixed fee of $10,000 (excl. GST) for preparing this report. This fee is not contingent upon the outcome of the Proposed Transaction.

Except for the fees referred to above, neither Leadenhall, nor any of its directors, consultants, employees or related entities, receive any pecuniary or other benefit, directly or indirectly, for or in connection with the provision of this report.

Remuneration or Other Benefits Received by our Employees, Directors and Consultants

All our employees receive a salary. Our employees are eligible for bonuses which are not based on the outcomes of any specific engagement or directly linked to the provision of this report. Our directors and consultants receive remuneration based on time spent on matters.

Referrals

We do not pay commissions or provide any other benefits to any person for referring clients to us in connection with the reports that we are licensed to provide.

Complaints Resolution

As the holder of an Australian Financial Services Licence, we are required to have a system in place for handling complaints from persons to whom we have provided reports. All complaints must be in writing, to the following address:

Leadenhall Corporate Advisory Pty Ltd
GPO Box 1572
Adelaide SA 5001

Email: office@leadenhall.com.au

We will try to resolve your complaint quickly and fairly and will endeavour to settle the matter within 14 days from the time the matter is brought to our attention.

If you do not get a satisfactory outcome, you have the option of contacting the Financial Ombudsman Service ("**FOS**"). The FOS will then be able to advise you as to whether or not they can assist in this matter. The FOS can be contacted at the following address:

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001

Telephone: 1300 780 808
Email: info@fos.org.au

Compensation Arrangements

Leadenhall holds professional indemnity insurance in relation to the services we provide. The insurance cover satisfies the compensation requirements of the Corporations Act 2001.

31 July 2018

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1 OVERVIEW OF THE PROPOSED TRANSACTION

1.1 Background

On 7 February 2017, Quantum announced the retirement of Mr Sidney as Managing Director of Quantum and the appointment of Mr Walstab as the new Managing Director.

In conjunction with the transition, Mr Sidney and Crisp entered into a Heads of Agreement for Mr Walstab to acquire a parcel of shares representing 45.7% of the issued shares in Quantum. This transaction was rejected by shareholders at an Extraordinary General Meeting held on 30 May 2017.

1.2 Share sale

On 29 June 2018 Mr Walstab and Crisp entered into a conditional agreement for Mr Walstab to acquire 430,693,959 Quantum shares (representing 39.94% of the issued share capital of Quantum) from Crisp for total consideration of $4.5 million (or 1.038 cents per share), subject to Shareholder approval. The Consideration is payable in stages with $2.0 million payable at settlement of the share transfer and the balance payable in five equal annual instalments commencing 1 July 2019. The deferred portion of the Consideration will attract interest at a rate of 10.0% per annum.

The impact of the Proposed Transaction on the shareholding structure of Quantum is summarised in the table below:

Table 1: Impact of Proposed Transaction on shareholding structure

	Before Proposed Transaction		After Proposed Transaction	
	No Shares	%	No Shares	%
Crisp	753,736,667	69.9%	323,042,708	30.0%
Walstab	85,018,434	7.9%	515,712,393	47.8%
Other shareholders	239,553,190	22.2%	239,553,190	22.2%

Source: Quantum

1.3 Loan repayments

As at 30 June 2018 Quantum:

- was owed approximately $4.5 million (including accrued interest) by Mr Sidney under the Sidney Loan, which bears interest at 10% per annum and is payable on demand. Repayment of the Sidney Loan has been guaranteed by Crisp.
- owed Mr Walstab approximately $6.2 million (including accrued interest) under the Walstab Loan which bears interest at 15% per annum on principal and 10% per annum for interest compounding on accrued interest. Interest is payable on demand and repayment of principal is as determined by the borrower (Quantum).

Mr Sidney has agreed that the proceeds the Proposed Transaction will be applied by it to ensure that the Sidney Loan is fully repaid. Mr Walstab has also agreed that the Walstab Loan be applied to the share sale consideration and in turn to satisfy the Sidney Loan. In addition, pending the annual purchase price instalments of the sale consideration being paid by him in full, Mr Walstab will personally guarantee to the company any balance of the Sidney Loan (up to the amount of unpaid purchase price instalments and interest remaining payable by Mr Walstab under the terms of the transaction).

The overall impact of the offsetting of the Sidney and Walstab loans is a reduction in net interest payable by Quantum due to the interest differential and a reduction in total receivable and payables. There is no impact on the net asset position of Quantum (other than the future impact of the reduction in net interest payable).

2 SCOPE

2.1 Purpose of the report

An acquisition of securities that enables a shareholder to increase its relevant interest in a public company from below 20% to above 20% is prohibited under Section 606 of the Corporations Act 2001 ("**Section 606**"), except in certain circumstances. One of the exceptions to Section 606 is where the acquisition is approved at a general meeting of the target company in accordance with Item 7 of Section 611 of the Corporations Act 2001 ("**Item 7**").

Item 7 requires shareholders to be provided with all the information known to the company and to the potential acquirer that is material to the shareholders' decision. *Regulatory Guide 74: Acquisitions Approved by Members* ("**RG74**") issued by the Australian Securities and Investment Commission ("**ASIC**") provides additional guidance on the information to be provided to shareholders in relation to transactions approved under Item 7. RG 74 states that the directors of the target company should provide members with an independent expert's report or a detailed directors' report on such a transaction.

If the Proposed Transaction is approved, Mr Walstab's interest in Quantum would increase from 7.9% to 47.8%. Approval for the Proposed Transaction is therefore being sought at a general meeting of Quantum's shareholders. The independent director of Quantum has therefore requested Leadenhall to prepare an independent expert's report assessing whether the Proposed Transaction is fair and reasonable to Shareholders. This report is to be included in the Notice of Meeting and has been prepared for the exclusive purpose of assisting Shareholders in their consideration of the Proposed Transaction.

2.2 Basis of evaluation

The Corporations Act 2001 does not define the term '*fair and reasonable*' nor does it contain any guidance on what should be considered when assessing whether a proposed transaction is fair and reasonable. However, guidance on what an independent expert should consider and how '*fair and reasonable*' should be defined is contained in *Regulatory Guide 111: Content of Expert Reports* ("**RG 111**") issued by the ASIC.

RG 111.42, which relates to the approval for sale of securities under Item 7, states that an expert should identify the advantages and disadvantages of a transaction involving the sale of securities such as the Proposed Transaction. We have therefore considered the advantages and disadvantages of the Proposed Transactions to Shareholders and assessed the transaction as:

- Fair and reasonable if the advantages outweigh the disadvantages to Shareholders
- Neither fair nor reasonable if the disadvantages outweigh the advantages to Shareholders

In assessing the Proposed Transaction, we have considered the following significant factors recommended by RG 111:

- Whether Crisp is receiving a premium for control
- Whether the Proposed Transaction might deter a future takeover offer for Quantum

We have also considered the other significant advantages and disadvantages to Shareholders of the Proposed Transaction.

2.3 Individual circumstances

We have evaluated the Proposed Transaction for Shareholders as a whole. We have not considered its effect on the particular circumstances of individual investors. Due to their personal circumstances, individual investors may place a different emphasis on various aspects of the Proposed Transaction from the one adopted in this report. Accordingly, individuals may reach a different conclusion to ours on whether the Proposed Transaction is fair and reasonable. If in doubt investors should consult an independent financial adviser about the impact of this Proposed Transaction on their specific financial circumstances.

3 QUANTUM

3.1 History

A brief history of Quantum is set out in the table below:

Table 2: History of Quantum

Year	Event
1975	♦ Founded under the name of *Wilworth Ltd*
1993	♦ Formally listed on the Australian Securities Exchange
1993	♦ Name change to *Wellworth International Holdings Company Ltd*
1994	♦ Name change to *Wellworth China Investments Ltd*
2002	♦ Merger with *Quantum Energy Ltd* ♦ Name change to *Quantum Energy Ltd*
2006	♦ Acquires *Insight Oceania Pty Ltd*
2014	♦ Acquires Oncology Imaging Systems Korea Co. Ltd ♦ Acquires Quantum Healthcare Thailand Co. Ltd
2015	♦ Acquires a majority stake in D&D Hunex Co. Ltd
2018	♦ Acquires remaining minority interest in Quantum Healthcare Pty Ltd

Source: Quantum

3.2 Operations

Quantum engages in the manufacture and distribution of energy saving hot water systems for residential and commercial markets in Australia and internationally. Quantum also distributes high-end medical products particularly in the field of nuclear medicine, radiology and oncology. Quantum primarily operates in four geographical segments, with manufacturing operations in China and distribution in Australia, Korea and Thailand. The company operates in two segments, Environmental Services and Medical Services, as described further below.

Environmental Services

Environmental Services' main operational activity is the manufacture and distribution of energy saving heat pump technology for hot water and heat/cooling systems. These are predominantly sold in Australia, with a small proportion sold internationally, targeting both the residential, commercial and healthcare markets.

In 2017, Quantum embarked on a restructuring of its Environmental Services division, reaching an agreement to enter an exclusive distribution arrangement with Tasman Sinkware Pty Ltd which is expected to provide cost savings across both divisions.

Medical Services (Quantum Healthcare)

Medical Services is the other primary segment in which Quantum operates, via its various subsidiaries in Australia, Thailand, Korea and China. Its main operational activity is the sale, service and clinical support of high technology medical equipment, representing leading global healthcare manufacturers such as Samsung, Phillips, Accuray and IBA PET cyclotrons for their medical imaging system, cancer treatment equipment and Medical IT solutions.

Quantum has more recently invested in the expanding market of Medical Services and new equipment funding models. Quantum's recent acquisitions include D&D Hunex Co. Ltd, Oncology Imaging Systems Korea Co Ltd and MediThai Korea (Thailand) Co. Ltd which have subsequently been renamed with the Quantum brand. As of May 2018, Quantum Healthcare is now wholly owned by Quantum Energy following the acquisition of the remaining 20% interest in the division.

This segment has a strong presence in Australia, Korea and Thailand, targeting the radiology, oncology, nuclear medicine and women's healthcare markets.

3.3 Key Personnel

The Board of Directors of Quantum comprises:

Table 3: Directors of Quantum

Directors	Experience
Drew Anthony Townsend Chairman and Non-Executive Director	Drew Anthony Townsend is the Chairman of Quantum with over 22 years' experience in Australian and International accounting and finance. He is a Member of Australian Institute of Company Directors, a Member of Chartered Accountants Australia and New Zealand, a Member of The Institute of Internal Auditors (Australia), and a Senior Partner at Hall Chadwick. He is also on the Board of Directors at Medlab Clinical Ltd.
John Walstab Managing and Executive Director	John Walstab has been the Managing Director of Quantum since 7 February 2017. He was previously the Company Secretary and Executive Director of Quantum and has been a Board member since 2003, with a wide range of experience in technology organisations and developing overseas markets.
Alan McCarthy Non-Executive Director	Alan McCarthy is a recently appointed Non-Executive Director at Quantum, effective from 20 September 2017. He has over 28 years' experience in Public Health and Private Health Services across Australia, New Zealand and the Asia Pacific. Alan was previously the Vice President of CareFusion, the Managing Director of Phillips ANZ, and the CEO and Co-Founder of Alpenglow Australia and SRG NZ.

Source: Quantum

3.4 Financial performance

A summary of the audited statements of financial performance for the periods ended 30 June 2016 ("**FY16**"), 30 June 2017 ("**FY17**") and the unaudited results for the six months to 31 December 2017 are set out in the table below.

Table 4: Quantum's financial performance

$'000	FY16	FY17	Dec-17 (6 months)
Revenue from continuing activity	**58,797**	**58,676**	**30,112**
Cost of Sales	(36,761)	(33,606)	(17,762)
Gross profit	**22,036**	**25,070**	**12,350**
Other income	1,920	193	92
Expenses			
Employee benefits expense	(13,074)	(12,040)	(5,379)
Advertising and promotion expenses	(385)	(394)	(277)
Research and development expenditure	(524)	(515)	(130)
Travel expenses	(1,206)	(1,198)	(704)
Occupancy (rent) expenses	(1,450)	(1,463)	(496)
Sundry expenses	(2,353)	(2,370)	(495)
Other expenses	(3,823)	(5,850)	(2,481)
Total expenses	**(22,815)**	**(23,830)**	**(9,962)**
EBITDA	**1,141**	**1,433**	**2,480**
Depreciation and amortisation - non-manufacturing	(438)	(405)	(210)
Interest expense	(1,592)	(1,277)	(612)
Profit from Continuing Operations before income tax	**(889)**	**(249)**	**1,658**
Income tax (expense)/credit	100	(498)	(565)
Net profit/(loss) from Continuing Operations	**(789)**	**(747)**	**1,093**
Loss from Discontinued Operations	-	-	(1)
Net profit/(loss) after tax	**(789)**	**(747)**	**1,092**
Other financial information			
Gross margin	*37%*	*43%*	*41%*
EBITDA margin	*2%*	*2%*	*8%*

Source: Quantum

In relation to the historical financial performance of Quantum set out above, we note the following:

- Cost of sales decreased 8% in FY17, driven by Quantum's restructuring of its Environmental Services division, resulting in an exclusive distribution arrangement signed with Tasman Sinkware Pty Ltd that provides significant cost benefits across both Healthcare and Environmental Services divisions.
- Other expenses increased 78% in FY17 due to one-time impairment and restructuring costs of $2.1 million recognised for the restructure of Quantum's domestic energy distribution business.
- Quantum's EBITDA margin has expanded to 6% in 1HFY18 and is expected to grow in FY18 due to increased sales in the Medical Services business driven by new partnerships in South-East Asia, and reduced expenses in the Environmental Services division post-restructure.

3.5 Financial position

A summary of the audited statements of financial position as at 30 June 2016 and 30 June 2017 and the unaudited position as at 31 December 2017 are set out in the table below.

Table 5: Quantum's financial position

$'000	Jun-16	Jun-17	Dec-17
Cash and cash equivalents	2,980	2,119	3,729
Trade and other receivables	9,120	14,219	15,185
Inventories	16,588	11,969	12,882
Financial assets	2,964	909	273
Other current assets	2,982	2,425	5,885
Total current assets	**34,634**	**31,641**	**37,954**
Investment accounted for using equity method	-	-	-
Trade and other receivables	114	111	-
Property, plant and equipment	4,242	3,760	3,638
Deferred tax assets	1,876	2,278	2,175
Intangible assets	20,127	20,127	20,127
Financial assets	5,398	6,032	6,274
Other	774	535	915
Total non-current assets	**32,531**	**32,843**	**33,129**
Total assets	**67,165**	**64,484**	**71,083**
Trade and other payables	17,505	16,838	22,674
Borrowings	13,738	10,659	11,350
Current tax liabilities	157	846	506
Short term provisions	1,986	1,006	1,037
Total current liabilities	**33,386**	**29,349**	**35,567**
Trade and other payables	2,244	1,688	1,331
Borrowings	4,015	6,400	6,117
Employee benefits	1,266	1,540	1,469
Total non-current liabilities	**7,525**	**9,628**	**8,917**
Total liabilities	**40,911**	**38,977**	**44,484**
Net assets	**26,254**	**25,507**	**26,599**
Net assets per share (book value in cents)	*2.58*	*2.50*	*2.47*
Gearing ratio (net debt /net debt + equity)	*36%*	*37%*	*34%*

Source: Quantum

In relation to the historical financial position of Quantum set out above, we note the following:

- Total trade and other receivables have increased significantly by $5.1 million due to delayed payments and sell-downs in inventories over FY17.
- Current trade and other payables increased by $5.8 million at 31 December 2017 compared to the balance at 30 June 2017 as a result of the high cost of medical equipment and long delivery times.
- Non-current financial assets primarily relate to deposits and the Sidney Loan ($4.5 million as at 31 December 2017).
- Intangible assets relate to goodwill recognised upon the acquisition of various entities, with the bulk arising from the acquisitions of both Quantum Healthcare Co. Ltd and Insight Oceania Pty Ltd.
- Non-current borrowings increased significantly in FY17 primarily due to increased debt in Quantum Healthcare Korea's operations.
- The $6.2 million Walstab Loan is included within current borrowings ($4.1 million) and non-current borrowings ($2.1 million).

3.6 Capital structure and shareholders

As at 5 July 2018 Quantum had a total of 1,078,308,291 ordinary shares on issue. The following table sets out details of Quantum's substantial shareholders as at that date:

Table 6: Quantum's top ten shareholders

Shareholder	Number held	%
Crisp Holdings Ltd	753,736,667	69.9%
Mr John Walstab	85,018,434	7.9%
Mr Andrew McDonald	62,622,896	5.8%
Sub-total	**901,377,997**	**83.6%**
Other shareholders	176,930,294	16.4%
Total	**1,078,308,291**	

Source: Quantum

3.7 Share trading

We have analysed recent share trading in Quantum shares as set out in the figure below.

Figure 1: Quantum's share price performance

Source: S&P Capital IQ, Leadenhall analysis

We make the following observations in respect of the figure above:

- There has been limited liquidity in Quantum's shares, as reflected by the limited trading volumes over the period. Apart from the volume spikes from November 2017 to February 2018, the average volume of shares traded was approximately 66,000 per day, with long periods of no trading.
- Quantum's share prices fluctuated between $0.010 per share to $0.030 per share, with sharp movements in prices during periods of relatively higher trading activity.
- The VWAP over the past twelve months was $0.019, which is broadly in line with the current share price. The range of prices and VWAPs observed over the period are summarised below:

Table 7: Quantum's share prices and VWAP

	Over the previous:		
	3 months	6 months	12 months
Low	$0.015	$0.014	$0.010
High	$0.024	$0.030	$0.030
VWAP	$0.018	$0.022	$0.019

Source: S&P Capital IQ

- There was a significant volume traded on 19 December 2017 as a result of the sale of a significant volume of shares by a receiver appointed to a former shareholder.

4 EVALUATION

4.1 Introduction

In order to assess whether the Proposed Transaction is fair and reasonable to Shareholders we have evaluated whether the advantages of the transaction outweigh the disadvantages. We have therefore considered the principal advantages and disadvantages of the Proposed Transaction as set out below.

4.2 Advantages

Reduced net interest payable

The interest payable by Quantum to Mr Walstab is 15% per annum, whereas the interest receivable from Mr Sidney is 10%. Thus, by facilitating the offsetting the loan amounts, the Proposed Transaction will result in a lower net interest expense for Quantum.

Provides certainty over repayment of shareholder loans

As part of the Proposed Transaction, Mr Sidney has agreed that the proceeds from the share sale will be applied by it to ensure that the $4.5 million Sidney Loan to the company is fully satisfied. Also, Mr Walstab will personally guarantee to the company any balance of the Sidney Loan (up to the amount of unpaid purchase price instalments and interest remaining payable by Mr Walstab under the Share Acquisition Agreement).

In the absence of the Proposed Transaction, the timing of repayment of the Sidney Loan would be uncertain and subject to the credit risk of Mr Sidney and Crisp. Furthermore, the company would need to fund the full repayment of the Walstab Loan.

The Proposed Transaction therefore provides increased certainty in respect of the settlement of the loan to Mr Sidney and the funding of the repayment of the Walstab Loan without any dilution or other costs to existing Shareholders.

Further aligns interests of Shareholders and Managing Director

The Proposed Transaction has arisen as a consequence of the founder, and long-term Managing Director, of Quantum, Mr Sidney, retiring from the company after 13 years and wishing to sell down a portion of the Shares held by his associated company, Crisp.

Mr Walstab has had extensive experience across Quantum's businesses, in particular leading the medical services aspect of the business as well as having been a member of the board and management team for 13 years. This expertise resulted in the Board appointing Mr Walstab as its Managing Director in February 2017.

The Proposed Transaction further aligns the interests of the Managing Director and other shareholders.

Facilitates orderly sale of a large shareholding block

The Proposed Transaction facilitates an orderly sale of a large shareholding block to an existing shareholder with no significant consequences to minority shareholders.

In the absence of the Proposed Transaction, it is likely that all or a portion of the Crisp stake would be offered for sale to a third party. Depending on the approach to the sale, this may put downward pressure on the share price.

Reduced control for majority shareholder

At present Crisp has a controlling 69.9% stake in Quantum. If the Proposed Transaction is approved there will be no individual shareholder with a greater than 50% holding, thus there will be no individual shareholder with control of Quantum.

Crisp does not appear to be receiving a control premium

We have compared the price to be paid to Crisp to other relevant valuation benchmarks, in particular recent share trading and the net assets per share. We have considered recent share trading in terms of the VWAP over a period of three, six and 12 months as we consider this represents a reasonable proxy for the value of a minority parcel of shares reflecting the limited liquidity in the shares. We have also considered the net assets per share based on the most recently audited net assets of Quantum.

As set out below, the price to be paid to Crisp is below the prices observed in recent trading of Quantum shares (on a minority basis) as well as the net assets per share (which is on a control basis) and therefore it does not appear as though Crisp will receive a control premium if the Proposed Transaction proceeds.

Table 8: Summary of valuation metrics per share

	Price (cents)	Discount implied by Consideration
Acquisition price per share	1.0	n/a
Valuation metrics		
VWAP (3 Months)	1.8	44%
VWAP (6 Months)	2.2	55%
VWAP (12 Months)	1.9	47%
Net assets per share as at 31 December 2017	2.5	60%

Source: Leadenhall analysis

4.3 Disadvantages

May preclude a takeover offer in the near term

In the absence of the Proposed Transaction, it is likely that Crisp would seek alternate means to divest all or a portion of its interest in Quantum. Given the size of the stake, it is possible that an alternate acquirer may consider a takeover offer for all of the shares to obtain complete control. This could result in Shareholders realising a control premium as part of the exit by Crisp.

Benefit to Mr Walstab

The Proposed Transaction will allow Mr Walstab to acquire Quantum shares below the prevailing market price. Shareholders will not participate in this benefit. An alternative transaction, such as a selective share buy-back, would benefit all shareholders equally.

4.4 Opinion

Having regard to the above, we consider that the advantages outweigh the disadvantages. In particular, we consider the reduced interest payable, increased visibility in respect of the repayment of the Sidney Loan and the reduction in the liability to Mr Walstab outweigh the limited disadvantages. We therefore consider the Proposed Transaction to be fair and reasonable to Shareholders.

An individual shareholder's decision in relation to the Proposed Transaction may be influenced by their own particular circumstances. If in doubt, the shareholder should consult an independent financial adviser.

APPENDIX 1: GLOSSARY

Term	Meaning
ASIC	Australian Securities and Investments Commission
Consideration	$4.5 million
Crisp	Crisp Holdings Pty Ltd
EBITDA	Earnings before interest, tax, depreciation and amortisation
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
FY	Financial year
Item 7	Item 7 of Section 611 of the Corporations Act
Leadenhall	Leadenhall Corporate Advisory Pty Ltd
Mr Sidney	Phillip Sidney
Mr Townsend	Drew Townsend
Notice of Meeting	The Notice of Meeting in relation to the Proposed Transaction
Proposed Transaction	The potential acquisition of the issued equity in Quantum
Quantum	Quantum Energy Limited
RG111	Regulatory Guide 111: Content of Expert Reports
RG74	Regulatory Guide 74: Acquisitions Approved by Members
Section 606	Section 606 of the Corporations Act 2001
Shareholders	Current shareholders of Quantum not associated with the Proposed Transaction
Sidney Loan	The loan payable by Mr Sidney to Quantum
Walstab Loan	The loan payable by Quantum to Mr Walstab

APPENDIX 2: QUALIFICATIONS, DECLARATIONS AND CONSENTS

Responsibility and purpose

This report has been prepared for Quantum's shareholders for the purpose of assessing the fairness and reasonableness of the Proposed Transaction. Leadenhall expressly disclaims any liability to any shareholder, or anyone else, whether for our negligence or otherwise, if the report is used for any other purpose or by any other person.

Reliance on information

In preparing this report we relied on the information provided to us by Quantum being complete and accurate and we have assumed it has been prepared in accordance with applicable Accounting Standards and relevant national and state legislation. We have not performed an audit, review or financial due diligence on the information provided. Drafts of our report were issued to Quantum's management for confirmation of factual accuracy.

Market conditions

Leadenhall's opinion is based on prevailing market, economic and other conditions as at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon the conclusion reached in this report.

As a valuation is based upon expectations of future results it involves significant judgement. Although we consider the assumptions used and the conclusions reached in this report are reasonable, other parties may have alternative expectations of the future, which may result in different valuation conclusions. The conclusions reached by other parties may be outside Leadenhall's preferred range.

Indemnities

In recognition that Leadenhall may rely on information provided by Quantum and their officers, employees, agents or advisors, Quantum has agreed that it will not make any claim against Leadenhall to recover any loss or damage which it may suffer as a result of that reliance and that it will indemnify Leadenhall against any liability that arises out of Leadenhall's reliance on the information provided by Quantum and their officers, employees, agents or advisors or the failure by Quantum and their officers, employees, agents or advisors to provide Leadenhall with any material information relating to this report.

Qualifications

The personnel of Leadenhall principally involved in the preparation of this report were Richard Norris, BA (Hons), FCA, M.App.Fin and Dave Pearson, CA, CPA, CFA, CBV, MAppFin, Bcomm.

Independence

Leadenhall has acted independently of Quantum. Compensation payable to Leadenhall is not contingent on the conclusion, content or future use of this report.