



## PROSPECTUS

For an underwritten renounceable rights issue on the basis of 1 Quickflix Share for every 2 Quickflix Shares held by Quickflix Shareholders at an application price of 1 cent per Share to raise up to \$3,421,387 and an offer of any rights issue shortfall.

Lead Manager and Underwriter



Quickflix Limited ABN 62 102 459 352

## CORPORATE DIRECTORY

### Directors

Mr Stephen Langsford  
(Executive Chairman and Chief Executive Officer)

Mr Simon Hodge  
(Executive Director and Chief Financial Officer)

Mr David Sanders  
(Non-Executive Director)

### Company Secretary

Susan Hunter

### Registered Office

Suite 40  
460 Stirling Highway  
Cottesloe WA 6011  
Website: <http://www.quickflix.com.au>  
Telephone: (08) 9347 4900

### Legal Adviser to the Offers

Bennett + Co  
Level 10, BGC Centre  
28 The Esplanade  
Perth WA 6000

### Share Registry

Computershare Investor Services Pty Ltd  
Level 2  
45 St Georges Terrace  
Perth WA 6000  
Telephone: 1300 55 70 10  
Facsimile: (08) 9323 2033

### Lead Manager and Underwriter

Patersons Securities Limited  
Level 23, Exchange Plaza  
2 The Esplanade  
PERTH WA 6000

### Key Dates

Announcement of Rights Issue	10 September 2013
Lodgement of Prospectus with ASIC	17 September 2013
Quotation of shares on "ex" basis	20 September 2013
Rights trading starts	20 September 2013
Record Date to determine entitlements	26 September 2013
Dispatch of Prospectus	2 October 2013
Rights trading ends	10 October 2013
Acceptances close	17 October 2013
Notice to ASX of under-subscriptions	22 October 2013
Allotment of shares	25 October 2013
Despatch of Holding Statements	25 October 2013
Last date for placement of shortfall	24 January 2014

*This timetable is indicative only. Investors are encouraged to submit their applications as early as possible.*

# Contents

---

<b>TABLE OF CONTENTS</b>	<b>1</b>
<b>CHAIRMAN'S LETTER</b>	<b>2</b>
<b>OFFER HIGHLIGHTS AND KEY INVESTMENT RISKS</b>	<b>3</b>
<b>DETAILS OF THE OFFERS</b>	<b>4</b>
<b>FINANCIAL INFORMATION</b>	<b>8</b>
<b>BUSINESS AND INVESTMENT RISKS</b>	<b>10</b>
<b>RIGHTS AND LIABILITIES ATTACHING TO QUICKFLIX SHARES</b>	<b>13</b>
<b>ADDITIONAL INFORMATION</b>	<b>14</b>
<b>GLOSSARY</b>	<b>21</b>

---

## **Important Information**

This Prospectus is dated 17 September 2013 and a copy was lodged with ASIC on 17 September 2013. The expiry date of the Prospectus is 16 October 2014 and no securities will be allotted, issued or sold on the basis of this Prospectus after this expiry date.

This Prospectus is for an offer of continuously quoted securities and accordingly is not required by the Corporations Act to contain all the information which is normally required to be set out in a document of this type.

The Prospectus incorporates by reference information contained in documents that have been lodged with ASIC. A document incorporated into the Prospectus in this manner may be obtained free of charge from the Company during the application period.

ASIC does not take any responsibility for the contents of this Prospectus. Neither ASIC, ASX, the Company and its directors nor the Underwriter guarantee any particular rate of return or the performance of the Company.

No person is authorised to give any information or to make any representation in connection with this Prospectus that is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offers.

It is important that you read this Prospectus carefully before deciding whether or not to accept the Offers described in the Prospectus and in particular, you should consider the risk factors that could affect the financial performance of the Company. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues) and seek professional investment advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether or not to accept the Offers.

The Rights Issue Offer to which this Prospectus relates is only available to holders of Quickflix Shares with registered addresses in Australia, New Zealand, the United States of America and Guernsey. This Prospectus does not constitute an invitation or offer to persons with registered addresses outside Australia, New Zealand, the United States of America and Guernsey.

The distribution of this Prospectus in jurisdictions outside of Australia and New Zealand may be restricted by law and therefore shareholders to whom the Offers is made in such jurisdictions should seek advice on and observe any such restrictions.

A number of words used in this Prospectus have defined meanings. Those terms are capitalised and are explained in the Glossary at the back of the Prospectus.

# 1. Chairman's Letter

Dear Shareholder,

We are very pleased to offer you an opportunity to participate in Quickflix's next phase of growth through our underwritten Rights Issue Offer. Quickflix as an Australian and New Zealand market leader in streaming of movies and TV, is operating in one of the most exciting growth sectors in media and entertainment globally. Streaming to a whole new world of connected devices is not only opening up access to quality movie and TV content, until now not readily available to most Australian and New Zealand households, but in a way that doesn't tie the consumer to a set top box or expensive long term payTV contracts.

Streaming has already taken off in US, UK and other markets. Australia and New Zealand are now set to experience a rapid increase in demand. High speed broadband enabling streaming is already accessible in most Australian capital cities. This will improve dramatically with the National Broadband Network (NBN) and open up rural and regional Australia. Similarly the rollout of ultra-fast fibre broadband (UFB) is underway in New Zealand. Broadband access charges are reducing whilst usage limits, previously an inhibitor to the take-up of a range of internet services, have lifted. Add to that the introduction of new internet connected consumer devices, everything from SmartTVs to mobile tablets, the market is ready and so is Quickflix.

Quickflix is uniquely positioned as a provider of Australia's largest range of movies and TV with its subscription online DVD rental subscription service combined with "all you can view" streaming plus pay-per-view of the latest movies from major Hollywood studios as well as pay-per-episode and season's pass to current and recent season's TV series from premium US networks like HBO.

Quickflix is approaching new milestones. In the 6 months to June, Quickflix achieved a breakeven result at the Earnings Before Interest, Depreciation and Amortisation (EBITDA) level for the first time and is now seeking to transition to profitability. Funds from this capital raising will enable Quickflix to increase content and drive profitable customer growth.

Quickflix is participating in a large market opportunity. The Australian and New Zealand home entertainment market including DVD, Blu-ray and payTV is worth over five billion dollars per annum. An increase in household penetration of Quickflix from 1.5 percent to 5 percent would have a dramatic effect on profitability.

We invite you to participate in this exciting opportunity.

Yours sincerely



Stephen Langsford  
Founder, Chairman & CEO

## 2. Offer Highlights and Key Investment Risks

### 2.1 OFFER HIGHLIGHTS

This section is not intended to provide full information for investors intending on participating in the Offers. This Prospectus should be read and considered in its entirety including the details of the Offers in Section 3.

- Quickflix Shareholders have the opportunity to participate in the Rights Issue Offer to acquire Quickflix Shares on the basis of 1 Quickflix Share for every 2 Quickflix Shares held at an application price of 1 cent per Share.
- The Offer price represents a 33% discount to the volume weighted average trading price of Quickflix Shares on ASX over the 20 trading days prior to the date of this Prospectus.
- Capital raised from the Offers (after meeting the costs of the Offers) will supplement operating revenues and be applied to funding Quickflix's growth and working capital requirements.
- Quickflix today is positioned as a one of the leading emerging online home entertainment brands in Australia and New Zealand offering a large range of latest release movies and TV content. It is a first-mover in the high-growth IPTV streaming of feature Hollywood movies and major network TV series providing consumers a compelling alternative to payTV, free-to-air and traditional DVD stores.
- In Australia Quickflix operates an online DVD by mail subscription service and streams to a wide range of internet connected devices including SmartTVs, game consoles, mobiles and desktop, laptop and tablet computers. Streaming includes "all you view" subscription in which there is virtually unlimited access to content, pay-per-view for latest release movies and pay-per-episode or season pass for current and recent season TV from premium networks like HBO. In New Zealand Quickflix operates a streaming only service which could potentially be extended into other markets in the region, particularly South East Asia.
- Quickflix has already delivered almost 20 million DVDs and streamed over 4 million movie and TV shows since commencement. Customer learnings and technical expertise built up over a number of years are being applied to further enhance its service and maintain its edge over competitors.
- Quickflix offers unparalleled access to movie and TV content. Over 60,000 latest release and classic movie and hit TV series in DVD and Blu-ray format, Australia's largest range as well as many more streaming titles. It has licensed streaming content from Hollywood studio's biggest names such as Warner Bros, NBC Universal, Sony Pictures, MGM, and Disney and television series from BBC, ITV and HBO. It has recently upgraded its access to HBO award-winning TV series to include current and recent seasons of Game of Thrones, Newsroom, Boardwalk Empire, True Blood and more.
- Over the past two years Quickflix has made considerable investment to build out its streaming technology platform and distribution network which now includes smart TVs models of the globe's leading consumer electronics brands including Samsung, Sony and Panasonic, the leading game consoles of Microsoft Xbox and Sony PS3 and mobile and tablets of Samsung and Nokia and Windows 8 supported laptops, desktops and tablets as well Apple iPad and iPhones.
- To address the high cash burn and increased operating expenditure as a result of its expansion into streaming, in 2013 the Company embarked on restructuring and streamlining its business to reduce expenditure. As a result it has outsourced its call

centre, commenced consolidation of its DVD fulfilment centres to capture economies of scale, reduced headcount and implemented other cost-saving initiatives which have resulted in cash outflow reducing by \$1 million per month from its peak. During this period of restructuring, customer numbers have declined, however since June the rate of decline has arrested and new customer acquisition volumes have increased with total active customer numbers currently above 105,000. Having relaunched new subscription plans and affordable price points and overhauled its marketing function to focus on cost-effective performance-based media and "below the line" promotional activity with partners, Quickflix is now positioned to return to growing its customer base.

- Funds from this capital raising are intended to assist the Company to reach cash flow breakeven and move towards a phase of self-funded growth and profitability.

### 2.2 KEY INVESTMENT RISKS

The risks associated with an investment in the Company are set out in section 6 of this Prospectus. You should consider these risks before deciding on whether to participate in the Offers under this Prospectus. Key investment risks include the following:

- Requirements for capital. Depending on the Company's ability to generate income from operations it may require further financing in addition to amounts raised by the Offers and associated placements. Any additional equity financing will dilute shareholdings, and debt financing, may involve restrictions on business strategy and financing and operating activities.
- Future profitability. Future profitability is dependent upon many factors. The Company has yet to achieve profitability having invested in its operating and distributing network, content and in building a customer base. To achieve profitability the Company needs to increase revenues by attracting more customers to its service whilst containing its operating costs.
- Acquisition and retention of customers. Future revenue and profitability is dependent on Quickflix's ability to retain customers and attract new customers. The Company must continue to develop and price its content and service to ensure that it remains competitive with other services.
- Access to content. The Company sources content in both physical (DVD and Blu-ray) and digital (internet delivered) formats from studios and distributors. The competitiveness and profitability of its services are dependent on the range and pricing of content under the supply arrangements it has with the content distributors. If the Company is unable to licence in-demand content on acceptable terms the quality and, or profitability of its service could be adversely impacted.
- Adapting to rapid change in the entertainment market. The market for movie and TV entertainment services is changing at a rapid rate. The introduction and adoption of new technologies is changing the ways consumers can receive and interact with movie and TV content. If Quickflix is unable to adapt to the changing market it may not be competitive which would adversely affect future growth and profitability.
- Competition. The Company's current and future potential competitors include those which are large well-funded and established businesses. These competitors may seek to develop and offer similar services in direct competition thereby limiting the market opportunity for Quickflix.

## 3. Details of the Offers

### 3.1 THE RIGHTS ISSUE OFFER

The Rights Issue Offer is being made by Quickflix to Quickflix Shareholders. The Rights Issue Offer is one Quickflix Share for every two Quickflix Shares held on the Record Date at a price of 1 cent each. The Rights Issue Offer can be accepted at any time up to the Closing Date.

Based on the capital structure of the Company at the date of the Prospectus approximately 342,138,734 Quickflix Shares will be offered to Quickflix Shareholders to raise approximately \$3,421,387.

The number of Quickflix Shares to which you are entitled is shown on the accompanying Entitlement and Acceptance Form.

You may accept all or only part of your entitlement.

The Offer is renounceable. This means that if you do not wish to subscribe for your Rights you can sell all or part of your Rights, subject to market demand. Your Rights may have value. You should carefully consider how to deal with your Rights and then take action in accordance with the alternatives set out below.

Your Choices	Specific Action Required	By When
1. Subscribe for all of your Rights	Complete the accompanying Entitlement and Acceptance Form and send it to the Share Registry.	5.00 pm (AEST) on 17 October 2013
2. Sell all or part of your Rights on ASX	Contact your stockbroker and provide details as requested which appear on the accompanying Entitlement and Acceptance Form.	On or before 4.00 pm (AEST) on 10 October 2013
3. Subscribe for part of your Rights and sell the balance on ASX	Complete the accompanying Entitlement and Acceptance Form in relation to the amount you want to subscribe for and send it to the Share Registry. And Contact your stockbroker and provide details as requested which appear on the accompanying Entitlement and Acceptance Form.	5.00 pm (AEST) on 17 October 2013 to subscribe for part of your Rights On or before 4.00pm (AEST) on 10 October 2013 to trade your rights
4. Subscribe for part of your Rights and allow the balance to lapse	Complete the accompanying Entitlement and Acceptance Form in relation to the amount you want to subscribe for and send it to the Share Registry.	5.00 pm (AEST) on 17 October 2013
5. Transfer all or part of your Rights to another person by way of an off-market transfer	Complete a standard renunciation form (which can be requested from your stockbroker or the Share Registry) and return it together with the Entitlement and Acceptance Form (completed by the transferee) and the transferee's cheque to the Share Registry.	5.00 pm (AEST) on 17 October 2013
6. Not subscribe for any of your Rights and allow them to lapse	Do nothing.	Not applicable.

The Company will also allow Quickflix Shareholders (other than the directors or their controlled entities) to apply for additional shares if they wish to do so, although there is no guarantee that any application for additional shares will be accepted. If all Quickflix Shareholders do not take up their entitlement in full the Shortfall will be allocated at the discretion of the Underwriter in consultation with the Company.

The Entitlement and Acceptance Form is required to be completed in accordance with the instructions on the reverse of the Entitlement and Acceptance Form unless payment is made by BPAY® in which case it need not be completed.

Entitlement and Acceptance Forms must be either accompanied by a cheque or bank draft, in Australian dollars, for the application monies or payment can be made by BPAY®. Cheques must be made payable to “Quickflix Limited Rights Issue Account” and crossed “Not Negotiable”. Cash will not be accepted and receipts will not be issued.

Please note that the Rights Issue Offer closes at 5:00pm AEST on 17 October 2013. It is important that the Entitlement and Acceptance Form is received by the Share Registry no later than that date. Your Entitlement and Acceptance Form can be sent to:

**Computershare Investor Services Pty Limited**

GPO Box 505

MELBOURNE, VICTORIA, 3001, AUSTRALIA

If an Entitlement and Acceptance Form is not completed correctly it may still be accepted by the Company. The Company’s decision as to whether to accept the application or how to construe, amend or complete it, shall be final.

If you are paying by BPAY® it is your responsibility to ensure that your BPAY® payment is received by the Share Registry by no later than 5.00pm (AEST) on the Rights Issue Closing Date. You should be aware that your financial institution may implement either cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment.

Acceptance of a completed Entitlement and Acceptance Form or receipt of payment via BPAY® by the Company creates a legally binding contract between the applicant and the Company for the number of shares accepted or deemed to be accepted by the applicant.

If you have any queries regarding your entitlement, please contact the Share Registry by telephone on 1300 724 102 (within Australia) or +61 3 9415 400 (outside Australia) or your stockbroker or professional adviser.

**3.2 SHORTFALL**

Any Shortfall from the Rights Issue Offer may be applied at the discretion of the Underwriter to issue Shortfall Shares to Quickflix Shareholders who have applied for additional shares or to the Underwriters or sub-underwriters of the Rights Issue Offer.

The Directors also reserve the right to issue any remaining Shortfall in the three months after the Rights Issue Closing Date at an issue price not less than the Rights Issue Offer price to parties other than related parties of the Company.

**3.3 PURPOSE OF OFFERS**

The purpose of the Offers is to raise capital for working capital and to enable the Company to grow its customer base and revenues through additional cost-effective marketing and investment in content. Having restructured its operations and lowered its costs, increasing revenues will enable the Company to move towards cash flow breakeven and thereafter growth funded out of its cashflows. This would represent a critical milestone in the Company’s progress to sustainability and profitability.

**3.4 USE OF FUNDS**

The proposed application of funds raised from the share placement completed on 17 September 2013, the further proposed share placement subject to shareholder approval which includes the conversion of existing debt into shares and the Offers (assuming full subscription) is summarised below:

Marketing and content acquisition	\$3,900,000
Conversion of debt and associated costs	\$1,060,000
Working capital and other expenses	\$211,387
Capital raising costs	\$350,000
<b>Total funds raised</b>	<b>\$5,521,387</b>

### 3.5 PROPOSED CAPITAL STRUCTURE

The following table sets out details of the capital structure of the Company upon the issue of the Quickflix Shares pursuant to the Offers, assuming the Offers are fully subscribed and no Options are exercised.

Ordinary Shares	Amount
Currently On Issue	596,669,605
Quickflix Shares To Be Issued Pursuant To Offers	342,138,734
Quickflix Shares To Be Issued Pursuant To Placement <sup>1</sup>	140,000,000
Quickflix Shares On Issue After The Offers And Placement	1,078,808,339

<sup>1</sup> The Placement is subject to Quickflix Shareholder approval of the Company's AGM proposed to be held in October 2013.

Preference Shares	Amount
Total currently on issue	87,607,863 <sup>1</sup>

<sup>1</sup> Quickflix Shareholders who hold Quickflix Preference Shares are entitled to participate in the Rights Issue Offer.

Options	Amount
Options exercisable at \$0.085 on or before 9 December 2015	2,500,000
Options exercisable at \$0.023 on or before 3 June 2016 <sup>1</sup>	36,500,000
Options exercisable at \$0.0312 on or before 8 March 2018 <sup>1</sup>	42,215,251
Total Options currently on issue	81,215,251

<sup>1</sup> Under the terms of the Options the exercise price will change as a consequence of the Rights Issue Offer in accordance with the formula in the ASX Listing Rules.

Performance Rights	Amount
Total currently on issue	15,268,750

### 3.6 LEAD MANAGER AND UNDERWRITING

Patersons Securities Limited has been appointed to act as Lead Manager for the Rights Issue Offer and have also agreed to underwrite the Rights Issue Offer. Details of the underwriting are set out in section 7.6 and details of the fees payable to Patersons Securities Limited are set out in section 7.2 of this Prospectus.

Various parties including the Directors have agreed to sub-underwrite the Rights Issue Offer. Details of the sub-underwriting by Directors are set out in section 7.6.

### 3.7 RIGHTS TRADING

Rights will be quoted for trading on the ASX with the code QFXR. Trading of Rights will commence on the ASX on 20 September 2013 and cease on 10 October 2013. Your Rights may be offered for sale on the ASX during ASX trading hours between these dates should you choose not to subscribe for your full entitlement of Quickflix Shares.

### 3.8 ROUNDING OF ENTITLEMENTS

All entitlements will be rounded up to the nearest whole number of Quickflix Shares.

### 3.9 MINIMUM SUBSCRIPTION

There is no level of minimum subscription for the Offers.

### 3.10 BROKERAGE AND DUTY

No brokerage or stamp duty will be payable by Quickflix Shareholders who subscribe to the Rights Issue Offer.

### 3.11 ASX LISTING

Application for quotation by ASX of the Quickflix Shares offered pursuant to the Rights Issue Offer was made 17 September 2013. If any Quickflix Shares offered by this Prospectus are not admitted for quotation by ASX before the expiration of three months after the date of the Prospectus (or such longer period as is approved by ASIC), the Company will give all accepting applicants one month to withdraw their application and be repaid their subscription moneys.

The fact that ASX may grant quotation for the Quickflix Shares the subject of this Prospectus is not to be taken in any way as an indication of the merits of the Company, or the Quickflix Shares.

### 3.12 NO OFFER OF SHARES AFTER 13 MONTHS

No Quickflix Shares will be granted on the basis of this Prospectus later than 13 months after the date of this Prospectus.

### 3.13 OVERSEAS INVESTORS

Having regard to the number of holders of Quickflix Shares outside Australia, New Zealand, the United States of America and Guernsey, the number and value of Quickflix Shares that would be offered and the cost of complying with the legal requirements and the requirements of the regulatory authorities in the relevant foreign countries, the Company has decided it is unreasonable to make the Offers to holders of Quickflix Shares whose registered address is outside Australia, New Zealand, the United States of America and Guernsey.

Accordingly, this Prospectus does not constitute an Offer to holders of Quickflix Shares whose registered address is outside Australia, New Zealand, the United States of America and Guernsey.

Pursuant to ASX Listing Rule 7.7, the Company has appointed the Lead Manager as nominee to arrange for the sale of the Rights of holders of Quickflix shares in countries where the Rights Issue Offer is not being made. The nominee will sell the rights if there is a viable market for the Rights and the net proceeds of the sale will then be forwarded as soon as practicable to the relevant shareholders.

### 3.14 ISSUE AND ALLOTMENT

The Quickflix Shares the subject of the Rights Issue Offer are expected to be issued and allotted by 25 October 2013. Until the issue of the Quickflix Shares under this Prospectus, the acceptance money will be held in trust.

### 3.15 TAXATION IMPLICATIONS

The Company does not consider that it is appropriate to give potential applicants advice regarding the taxation consequences of applying for Quickflix Shares under this Prospectus as it is not possible to provide a comprehensive summary of the possible taxation positions of potential applicants. The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences to potential applicants as a result of accepting the Offers. Potential applicants should, therefore, consult their own tax adviser in connection with the taxation implications of the Offers.

### 3.16 PRIVACY ACT

If you complete an application for Quickflix Shares you will be providing personal information to the Company (directly or to the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a shareholder, facilitate distribution payments and corporate communications to you as a shareholder and carry out administration. The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the *Corporations Act* and certain rules such as the ASTC Settlement Rules.

You should note that if you do not provide the information required on the application for Quickflix Shares, the Company may not be able to accept or process your application.

## 4. Financial Information

### 4.1 PRO-FORMA BALANCE SHEET

The Balance Sheet for Quickflix as at 30 June 2013 as contained in the Appendix 4E released to ASX is set out below. In addition, Quickflix has included a pro-forma Balance Sheet as at 30 June 2013 that assumes the Offers were complete as at 30 June 2013 and adjusted to reflect the financial effect of the Offers, the share placement completed on 16 September 2013 and the proposed share placement to be completed subject to shareholder approval.

	Actual 2013	Proforma 2013
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	2,319,831	6,431,218
Trade and other receivables	349,983	349,983
Inventories	308,813	308,813
Other current assets	391,683	391,683
<b>TOTAL CURRENT ASSETS</b>	<b>3,370,310</b>	<b>7,481,697</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	3,212,441	3,212,441
Intangible assets	3,624,877	3,624,877
Other financial assets	386,073	386,073
<b>TOTAL NON-CURRENT ASSETS</b>	<b>7,223,391</b>	<b>7,223,391</b>
<b>TOTAL ASSETS</b>	<b>10,593,701</b>	<b>14,705,088</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	4,401,126	4,255,970
Unearned revenue	994,178	994,178
Redeemable preference shares	10,514,655	10,514,655
Provisions	228,211	228,211
<b>TOTAL CURRENT LIABILITIES</b>	<b>16,138,170</b>	<b>15,993,014</b>
<b>NON-CURRENT LIABILITIES</b>		
Borrowings	914,844	0
Provisions	66,944	66,944
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>981,788</b>	<b>66,944</b>
<b>TOTAL LIABILITIES</b>	<b>17,119,958</b>	<b>16,059,958</b>
<b>NET ASSETS</b>	<b>-6,526,257</b>	<b>- 1,354,870</b>
<b>EQUITY</b>		
Issued capital	34,271,571	39,442,958
Reserves	1,212,303	1,212,303
Accumulated losses	-42,010,131	-42,010,131
<b>TOTAL EQUITY</b>	<b>-6,526,257</b>	<b>- 1,354,870</b>

## 4.2 NOTES CONCERNING THE BALANCE SHEETS

The pro-forma Balance Sheet has been prepared based on the Balance Sheet as at 30 June 2013 adjusted for financial effects of the Offers on the assumption that the following transactions had occurred as at 30 June 2013:

- (a) The issue of 70,000,000 Quickflix ordinary shares at an issue price of 1 cent per share pursuant to a placement on 17 September 2013 to raise a total of \$700,000.
- (b) The issue of 342,138,734 Quickflix ordinary shares at an issue price of 1 cent per share pursuant to the Offers to raise a total of approximately \$3,421,387 before expenses. The number of shares issued is based on the offer of one new Quickflix Share for every two existing Quickflix Shares and Quickflix Preference Share held by Quickflix Shareholders.
- (c) The issue of 140,000,000 Quickflix ordinary shares at an issue price of 1 cent per share pursuant to a placement subject to approval at the Company's AGM which is planned to raise a total of \$1,400,000 (inclusive of the conversion of the Company's existing debt to equity).
- (d) The costs to the Offers of \$350,000 is recognised as a reduction in equity, detailed as follows:

Contributed capital	\$5,521,387
Capital raising costs	\$350,000
<b>Net proceeds from Offers</b>	<b>\$5,171,387</b>
Broker fees	\$280,000
Legal fees	\$25,000
Other issue cost	\$45,000
<b>Total capital raising costs</b>	<b>\$350,000</b>

# 5. Business and Investment Risks

## 5.1 OVERVIEW

The Shares offered under this Prospectus are considered speculative. Activities of Quickflix are subject to a number of risks and other factors which may impact its future performance. Some of these risks can be mitigated by the use of safeguards and appropriate controls, however, many are outside the control of Quickflix and cannot be mitigated. There are also general risks associated with any investment in shares. Hence, investors should be aware that the performance of Quickflix may be affected and the value of its Shares may rise or fall over any given period. The Directors recommend that investors speak to their financial, legal or other advisor about these risks before making a decision to invest in the Shares.

The following summary, whilst not exhaustive, represents some of the major risk factors of which potential investors need to be aware.

## 5.2 GENERAL RISKS

An investment in the Company involves general risks associated with any investment in shares of companies that are listed on a stock exchange. Many factors affect the financial performance of Quickflix and/or the price of its Shares and options. General risk factors include:

### **Movement in Australian and overseas share markets and financial markets generally**

A number of factors affect the performance of stockmarket investments that could also affect the price at which shares trade on the ASX. Movements on international stock-markets, local interest rates and exchange rates, domestic and international economic conditions, as well as government taxation and other policy changes may affect the stock-market.

### **Changes in legislation and government regulation**

Government legislation, including changes to the taxation system, may affect future earnings and the relative attractiveness of investing in the Company. Changes in government policy (such as in relation to taxation or media and entertainment) or statutory changes may affect the Company and the attractiveness of an investment in it.

### **Economic conditions**

Economic conditions, both domestic and global, may affect the performance of the Company. The Company's future possible revenue and share price can be affected by these conditions all of which are beyond the control of the Company and the Directors. In addition, the Company's ability to raise additional capital, should it be required, may be affected.

### **Acts of terrorism and outbreak of international hostilities**

An act of terrorism or an outbreak of international hostilities may occur, adversely affecting consumer confidence, customer spending and share market performance. This may have an adverse impact on Quickflix's operating, financial and share price performance.

## 5.3 SPECIFIC RISKS

### **Future profitability**

Future growth is dependent upon many factors including those that are set out in this Prospectus. To date the Company has yet to achieve profitability as it has invested in rolling out its services and building a customer base. To achieve profitability the Company needs to increase revenues by attracting more customers and/or reduce its operating costs. There is no assurance that revenue will increase in response to marketing and promotional activities proposed to be undertaken by the Company or that the Company's services will be readily taken up by the market. The Company utilises services provided by other suppliers for the provision of its services. The cost of these services may change over time impacting the Company's operating costs. While the Company expects that certain unit costs will decline with scale, if operating costs grow faster than revenue in the near to medium term future profitability for the Company may be delayed.

There is also no assurance as to future profitability or that dividends can be paid as they are dependent upon future earnings and the working capital requirements of the Company.

### **Acquisition and retention of customers**

Future revenue and profitability is dependent on Quickflix's ability to attract and retain new and existing customers. The Company has experienced significant customer growth over a number of years. To attract and retain customers the Company must provide a high quality and valuable entertainment service offering attractive content at pricing which is competitive with alternative choices for the consumer. Quickflix must attract new customers to replace existing customers who cancel and to grow its total customer base. If the Company does not provide a service which is perceived as being valuable by consumers, or new services introduced by other providers are more attractive, then customer growth will slow or possibly decline.

Quickflix holds a unique position in the Australian market as other only player offering both a physical DVD by post ("Post") and digital streaming ("Play") subscription service. The Company believes that the combination of the subscription Post and Play and pay per view streaming service is a compelling consumer offering. The integration across a broad range of internet connectable entertainment devices including smart TV's, game consoles, Blu-ray players, tablets and smart phones makes the streaming service accessible to a large and growing consumer base.

The Company must continue to develop its content offering, device partnerships and pricing model to ensure its service remains competitive with existing and emerging competing services.

### **Access to content**

The Company sources content in both physical (DVD, Blu-ray) and digital (internet delivered) formats from studios and distributors for its services. The competitiveness and profitability of its services are dependent on the range and pricing of content under the supply arrangements it has with the content distributors.

Larger competitors of the Company may be in a position to negotiate more favourable supply arrangements for DVD and streaming content as well as influence the trading terms affecting the Company. If competitors are able to secure exclusive access to particular content, the Company may not be able to provide particular titles to its customers. If the Company is unable to licence on acceptable terms particular content which is in demand by consumers the quality and/or profitability of its service could be adversely impacted.

The commercial terms on digital streaming content rights are different from the usual terms on physical product. Under streaming supply arrangements the Company may be committed to minimum amounts for multiple years with some minimums increasing over time. If the Company is unable to achieve customer growth its streaming content cost is likely to increase on a per customer basis which may adversely affect the Company's overall profitability.

#### **Distribution across devices**

Quickflix's streaming service is accessible across a range of connectable devices including PCs, Mac's, smart TVs, game consoles, tablets and smart phones. The Company continues to expand the range of devices and platforms from which consumers can access the service. If Quickflix is unable to maintain its integration with these devices or negotiate on acceptable terms access to new devices which become popular with consumers then its future growth and profitability could be adversely affected.

The quality of the Quickflix streaming service is dependent on the performance of third party devices and the technology platforms developed and maintained by the device manufactures. In certain circumstances Quickflix may not be able to influence the underlying device performance which in turn affects the performance of the Quickflix service.

#### **Adapting to rapid change in the entertainment market**

The market for movie entertainment services is changing at a rapid rate. The introduction and adoption of new technologies is changing the ways consumers can receive and interact with movie and TV content. Quickflix's service model is built on the consumers continued use of physical media (DVD and Blu-ray) and their take-up of digital delivery over the internet to a growing range of connected devices. New competitors may emerge with business models geared to the changing environment or enter partnerships and alliances that allow them to compete aggressively in this market. If Quickflix is unable to adapt to the changing market it may not be competitive which would adversely affect future growth and profitability.

#### **Competition**

The Company's current and future potential competitors include established companies that are large and well-funded. There is no assurance that competitors will not succeed in developing and offering similar services in direct competition that are more effective or economic than those being developed by the Company or which would render the services obsolete and/or otherwise uncompetitive thereby limiting the market opportunity for Quickflix. In addition, the Company may not be able to compete successfully against current or future competitors where aggressive pricing policies are employed to capture market share.

Such price competition could result in price reductions, reduced

gross margins, increased subscriber churn and loss of market share any of which could materially adversely affect the Company's future business, operating results and financial position.

#### **Cost of customer acquisition**

Quickflix attracts new customers utilising a wide range of marketing activity. The Company will target the lower cost, highest quality acquisition channels to drive growth and contain marketing expenses. The launch of the streaming service and development of the device network is expected to provide a significant new channel for acquiring customers at relatively low incremental cost. If the company is unable to leverage these channels to deliver target sign-up volumes and contain marketing cost per subscriber, or alternative low cost customer acquisition channels cannot be developed, growth will slow and/or marketing costs would need to increase to deliver growth.

#### **Reliance on key personnel**

The Company's performance is substantially dependent on its senior management and key technical personnel to continue to develop and manage the Company's services. The loss of key management could have a material adverse effect on the business and consequently its financial performance.

The future success of the Company is also dependent on its ability to attract and retain competent management and personnel. The inability to attract such personnel may adversely affect the business of the Company.

#### **Operating on the internet**

The Company's Post and Play services are dependent upon the development and maintenance of infrastructure to support the internet. The internet has experienced and is expected to continue to experience significant growth in the number of users and the amount of traffic. There can be no assurance that the internet's infrastructure will continue to be able to support the demands placed upon it by this continued growth or that the performance or reliability of the internet will not be adversely affected. Similarly, the reliability and performance of the internet may be affected by computer viruses and/or other deliberate acts of terrorism and sabotage.

The Company's public website is hosted on multiple web servers to enhance its performance and provide a level of redundancy should a single web server fail. The application code base and database of customer, title and inventory information is backed-up regularly to a separate secure server.

#### **Intellectual property rights and brand names**

The Company regards brand names, trademarks, domain names, trade secrets and similar intellectual property as important to its success. The Company's business will be developed using one or more brand names. Should the brand or brand names be damaged in any way or lose market appeal, the Company's business could be adversely impacted.

The Company relies on copyright law, trade secret protection and duties of confidence and licence agreements with its employees, customers, contractors and others to protect its intellectual property rights.

While the Company will use all reasonable endeavours to protect these rights, unauthorised use or disclosure of its proprietary technology may have an adverse effect on the operating, marketing and financial performance of the Company.

#### **Dependence on Australia Post**

The Company depends on Australia Post to deliver DVDs from its fulfilment centres to subscribers and for their return. Quickflix is subject to risks associated with using the public postal service to meet its delivery requirements including delays caused by factors outside of its control.

Quickflix's envelopes are designed to meet the requirements of Australia Post's ordinary letter service and applicable postage charges and delivery timetable. Changes in the ordinary letter requirements and increases in postage charges and delivery timetable could result in higher delivery costs for Quickflix and slower turnaround of DVDs to subscribers.

#### **Dependence on content delivery networks**

The Company depends on third party content delivery networks to deliver its streaming service. Changes to the quality or pricing of such delivery services could have an adverse impact on the quality and profitability of the Quickflix service. Ongoing improvements in technology and competitiveness in content delivery services has seen the quality and pricing of such services improve in recent years and the Company sees no reason for this trend to change in future.

#### **Dependence on internet service providers**

Quickflix customers require internet access to receive the Quickflix service to their devices. Consumers rely on Internet Service Providers to provide internet access of a minimum speed and quality at an acceptable price. Video streaming services are relatively heavy users of bandwidth. Any deterioration in the quality or increase in the pricing of internet access could have a detrimental impact on the quality, cost and value to the consumer of the Quickflix service

#### **Consolidation of the DVD segment**

Quickflix derives significant revenue from its Post business mailing DVDs and Blu-ray discs to subscribers and is positioned to capture market share in this segment with consolidation in the traditional physical rental and retail services. If the take-up of digital streaming and download services is faster than expected, this may have an adverse impact on the DVD segment and growth in the Quickflix Post service. This risk may be mitigated if Quickflix can adapt and develop its streaming service to benefit from the faster transition.

#### **Disruptions to the technology platform**

The Quickflix service is accessed via the internet and its website, streaming service, DVD fulfilment and back-end infrastructure are hosted on technology platforms across range of software, hardware, communication network and suppliers. Disruptions to the service across any part of the technology platform could have an adverse impact on the service received by Quickflix customers which in-turn could impact growth and the cost of providing the service.

#### **International operations**

Quickflix has launched its Play service in New Zealand. Operating in a different country introduces additional political, regulatory and market risks to be managed. Quickflix may expand into other countries which could add further complexity. If these risks are not managed well these operations could adversely impact the performance of the group as a whole.

#### **Additional requirements for capital**

Depending on the Company's ability to generate income from operations, the Company may require further financing in addition to amounts raised in the Offers and the associated placements. Any additional equity financing will dilute shareholdings, and debt financing, may involve restrictions on business strategy and financing and operating activities.

#### **Potential acquisitions**

As part of its business strategy, the Company may make acquisitions of or significant investments in complementary companies, services, products or technologies, although no such acquisitions or investments are currently planned. Any such future transactions would be accompanied by the risks commonly encountered in making acquisitions of companies, products and technologies.

## 6. Rights and Liabilities Attaching to Quickflix Shares

The rights attaching to ownership of the Quickflix Shares to be issued pursuant to this Prospectus are detailed in the Constitution of the Company, which may be inspected during normal business hours at the Company's registered office. Set out below is a summary of the rights, liabilities, privileges and restrictions that will attach to the Quickflix Shares.

### Voting

At a general meeting, every holder of Quickflix Shares present in person or by proxy, attorney or representative will have one vote on a show of hands and on a poll, one vote for each Quickflix Share held.

### General Meeting

Each holder of Quickflix Shares is entitled to receive notice of, and to attend and vote at general meetings of the Company and receive all financial statements, notices and other documents required to be sent to members under the Constitution or the Corporations Act.

### Dividends

The profits of the Company which the directors from time to time may determine by way of dividend are divisible amongst the members in proportion to the amounts paid up on the shares held by them.

### Issue of further Quickflix Shares

The directors may (subject to the restrictions on the allotment of shares imposed by the Constitution, ASX listing rules and the Corporations Act) allot further Quickflix Shares on such terms and conditions as they see fit and issue preference shares on the terms set out in the Constitution.

### Transfers of Quickflix Shares

Holders of Quickflix Shares may transfer them by a proper transfer effected in accordance with the ASTC Settlement Rules and the ASX and as otherwise permitted by the Corporations Act.

The directors may decline to register a transfer of Quickflix Shares where the transfer is not in registrable form or where the refusal to register the transfer is permitted under the ASX Listing Rules. If the directors decline to register a transfer the Company must give the party lodging the transfer written notice of the refusal and the reason for refusal.

### Winding Up

Holder of Quickflix Shares will be entitled, in a winding up of the Company to share in any surplus assets of the Company in proportion to the Quickflix Shares held by them.

# 7. Additional Information

## 7.1 INTERESTS OF DIRECTORS

Other than set out below or elsewhere in this Prospectus:

- (a) No director of the Company has, or has had in the 2 years before lodgement of this Prospectus, any interest in:
  - (i) the formation or promotion of the Company; or
  - (ii) in any property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or the Offers; or
  - (iii) the Offers.
- (b) No amount, has been paid or agreed to be paid to any director of the Company either to induce him to become, or to qualify as a director, or otherwise for services rendered by him in connection with:
  - (i) the promotion or formation of the Company; or
  - (ii) the Offers.

### Interests of Directors in Shares and Options

Directors are not required under the Constitution to hold any shares in the Company.

At the date of this Prospectus, directors of the Company have relevant interests in the following securities in the Company:

Directors	Shares	Options <sup>1</sup>
David Sanders	500,000	1,500,000
Stephen Langsford	58,150,885	20,000,000
Simon Hodge	7,802,599	15,000,000

<sup>1</sup> Unlisted options exercisable at \$0.023 each and expiring on 3 June 2016 subject to amendment of exercise price pursuant to formula in ASX Listing Rules as a consequence of the Rights Issue Offer.

### Directors' Fees

The Constitution of the Company provides that the directors are entitled to such remuneration as the directors determine, but the remuneration of non-executive directors must not exceed in aggregate a maximum amount fixed by the Company in general meeting for that purpose. The current maximum is \$200,000.

Mr Sanders is currently entitled to non-executive director fees of \$50,000 per annum.

### Executive Director Remuneration

The executive directors of the Company are remunerated on commercial terms appropriate to their experience and role in the Company. Their current remuneration is detailed in the Notice of General Meeting dated 19 April 2013 sent to Quickflix Shareholders and incorporated by reference in this Prospectus pursuant to section 7.8.

### Participation in Offers and Remuneration from Offers

Under the terms of their employment with the Company Mr Langsford and Mr Hodge are each entitled to a short term incentive payment equal to 1% of all monies raised by the Company pursuant to the Offers.

Mr Langsford will subscribe pursuant to his entitlement under the Rights Issue for an amount of not less than the amount of his short term incentive. Mr Langsford has also agreed to sub-underwrite the Rights Issue Offer to the amount of \$100,000. Mr Langsford will be entitled to a sub-underwriting fee of \$1,500.

Mr Sanders has agreed to underwrite the Rights Issue Offer to the amount of \$25,000. Mr Sanders will be entitled to a sub-underwriting fee of \$375.

Details in relation to the underwriting arrangements are set out in section 7.6.

## 7.2 INTERESTS OF NAMED PARTIES

Other than as set out below or elsewhere in this Prospectus:

- (a) No person named in the Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus or as underwriter has, or has had in the 2 years before lodgement of this Prospectus, any interest in the:
  - (i) formation or promotion of the Company; or
  - (ii) in any property proposed to be acquired by the Company in connection with its formation or promotion; or
  - (iii) the Offers.
- (b) no amount has been paid or agreed to be paid to any such person for services rendered by them in connection with:
  - (i) the promotion or formation of the Company; or
  - (ii) the Offers.

### Bennett + Co

Bennett + Co has acted as legal advisor to the Offers and in that capacity has been involved in providing legal advice to the Company in relation to the Offers. The Company will pay Bennett + Co approximately \$25,000 for these services.

Mr Sanders is a principal of Bennett + Co.

### Patersons Securities Limited

Patersons Securities Limited has agreed to act as Lead Manager and Underwriter in relation to the Rights Issue Offer.

The Company has agreed to pay Patersons Securities Limited the following fees in relation to the Rights Issue Offer:

- (a) Corporate advisory fee of \$60,000 upon completion of the Rights Issue Offer.
- (b) Underwriting fee of 6.5% of the total amount underwritten under the Rights Issue Offer. All sub underwriting fees will be paid by Patersons Securities Limited from this underwriting fee.

Patersons Securities Limited have also received a fee of \$42,000 for arranging the placement completed on 17 September 2013 and are entitled to a further fee of \$20,400 upon completion of the proposed placement to be made subject to shareholder approval.

### Computershare Investor Services Pty Limited

Computershare Investor Services Pty Limited will assist the Company in the administration of the Offers. The Company will pay Computershare Investor Services Pty Limited approximately \$14,000 for these services.

## 7.3 CONSENTS

Each of the directors has given and has not withdrawn their consent to the issue of the Prospectus.

Patersons Securities Limited has given and has not withdrawn its consent to be named as Lead Manager and Underwriter to the

Rights Issue Offer. Patersons Securities Limited has not authorised or caused the issue of this Prospectus and therefore they take no responsibility for any part of the Prospectus other than references to their name.

Bennett + Co has given and has not withdrawn its consent to be named as legal advisers to the Offers. Bennett + Co has not authorised or caused the issue of this Prospectus and therefore they take no responsibility for any part of the Prospectus other than references to their name.

Computershare Investor Services Pty Limited has given and, as at the date hereof, has not withdrawn, its written consent to be named as Share Registrar in the form and context in which it is named. Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registrar to the Company. Computershare Investor Services Pty Limited has not authorised or caused the issue of this Prospectus and therefore they take no responsibility for any part of the Prospectus other than references to their name.

## 7.4 SHARE TRADING HISTORY

The highest and lowest market price of the Company's quoted Quickflix Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with ASIC and the respective dates of those sales and the last sale on the Business Day immediately preceding the date of lodgement of this Prospectus with ASIC, were:

	Shares	
	Price	Date
Highest	\$0.020	2 July 2013
Lowest	\$0.011	11 September 2013
Latest	\$0.014	16 September 2013

The closing price on the ASX prior to the announcement of the Rights Issue Offer was \$0.017.

## 7.5 LITIGATION

Quickflix is not a party to any material litigation, nor are the directors aware of any potential or threatened litigation that is likely to have a material effect on the Company.

## 7.6 UNDERWRITING AND SUB-UNDERWRITING ARRANGEMENTS

The Underwriter has agreed to underwrite the Rights Issue Offer pursuant to the Underwriting Agreement.

The Underwriter has also procured sub-underwriting commitments for the Rights Issue Offer from a number of parties. Accordingly the underwriting arrangements will not affect the control of the Company as neither the Underwriter nor any sub-underwriter will be entitled to more than 20% voting power in the Company after the Offers.

A summary of the key terms and conditions of the Underwriting Agreement are set out below.

### (a) Allocation of Shortfall Shares

If, as at the Rights Issue Closing Date, the Company has not received valid applications pursuant to the Rights Issue Offer and the Shortfall offer for all of the underwritten shares and the Company gives notice to the Underwriter within 3 Business Days stating the number of underwritten shares that valid applications have not been received for, the Underwriter must subscribe or cause its nominees to subscribe for the remainder of the underwritten shares within 3 Business Days of receiving the notice from the Company.

### (b) Fees

Details of the fees payable to Paterson Securities Limited as set out in Section 7.2 of this Prospectus.

### (c) Termination events

The Underwriter may, without cost or liability to itself and without prejudice to any rights under the Underwriting Agreement on the happening of any of the following events by notice in writing to the Company at any time prior to the issue of Quickflix Shares to the Underwriter:

- (i) (Indices fall): any of the S&P/ASX 200 Index or the S&P/ASX 200 Consumer Discretionary Index as published by ASX is at any time after the date of the Underwriting Agreement 10% or more below its respective level as at the close of business on the Business Day prior to the date of the Underwriting Agreement; or
- (ii) (Share Price): the closing price of the Quickflix Shares on the ASX on the Closing Date or any trading day thereafter is less than the Price; or
- (iii) (Loan Conversion Agreement): The agreement to convert the Company's existing debt to shares is breached by any party to that agreement, or it is revoked, rescinded, avoided, amended, varied, superseded or replaced in any way, or if the underlying loan and bond subscription agreement is breached, revoked, rescinded, avoided, amended, varied, or replaced in any way or if the lender(s) seeks to enforce any security granted; or
- (iv) (Prospectus): the Company does not lodge the Prospectus on the lodgement date or the Prospectus or

the Rights Issue Offer is withdrawn by the Company; or

- (v) (No Official Quotation): Official Quotation has not been granted by the shortfall notice deadline date or, having been granted, is subsequently withdrawn, withheld or qualified; or
- (vi) (Supplementary prospectus):
  - A. the Underwriter, having elected not to exercise its right to terminate its obligations under the Underwriting Agreement as a result of an occurrence as described in section 7.6 (c) (xvi) (F) of this Prospectus, forms the view on reasonable grounds that a supplementary or replacement prospectus should be lodged with ASIC for any of the reasons referred to in section 719 of the Corporations Act and the Company fails to lodge a supplementary or replacement prospectus in such form and content and within such time as the Underwriter may reasonably require; or
  - B. the Company lodges a supplementary or replacement prospectus without the prior written agreement of the Underwriter; or
- (vii) (Non compliance with disclosure requirements): it transpires that the Prospectus does not contain all the information that investors and their professional advisers would reasonably require to make an informed assessment of:
  - A. the effect of the Rights Issue Offer on the Company; and
  - B. the rights and liabilities attaching to the Quickflix Shares offered under the Rights Issue Offer; or
- (viii) (Misleading Prospectus): it transpires that there is a statement in the Prospectus that is misleading or deceptive or likely to mislead or deceive, or that there is an omission from the Prospectus (having regard to the provisions of sections 711, 713 and 716 of the Corporations Act) or if any statement in the Prospectus becomes or misleading or deceptive or likely to mislead or deceive or if the issue of the Prospectus is or becomes misleading or deceptive or likely to mislead or deceive; or
- (ix) (Restriction on allotment): the Company is prevented from allotting the Quickflix Shares offered under the Rights Issue Offer within the time required by the Underwriting Agreement, the Corporations Act, the ASX Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi governmental agency or authority; or
- (x) (Withdrawal of consent to Prospectus): any person (other than the Underwriter) who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the Prospectus, withdraws that consent; or
- (xi) (ASIC application): an application is made by ASIC for an order under section 1324B or any other provision of the Corporations Act in relation to the Prospectus, the shortfall notice deadline date has arrived, and that application has not been dismissed or withdrawn; or

- (xii) (ASIC hearing): ASIC gives notice of its intention to hold a hearing under section 739 of the Corporations Act in relation to the Prospectus to determine if it should make a stop order in relation to the Prospectus or the ASIC makes an interim or final stop order in relation to the Prospectus under section 739 of the Corporations Act; or
- (xiii) (Takeovers Panel): the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act, or an application for such a declaration is made to the Takeovers Panel; or
- (xiv) (Authorisation): any authorisation which is material to anything referred to in the Prospectus is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter; or
- (xv) (Indictable offence): a director or senior manager of a Relevant Company is charged with an indictable offence; or
- (xvi) (Termination Events): any of the following events occurs and in the reasonable opinion of the Underwriter reached in good faith it has or is likely to have a Material Adverse Effect or could give rise to a liability of the Underwriter:
  - A. (Default): default or breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking; or
  - B. (Incorrect or untrue representation): any representation, warranty or undertaking given by the Company in the Underwriting Agreement is or becomes untrue or incorrect; or
  - C. (Contravention of constitution or Act): a contravention by a Relevant Company of any provision of its constitution, the Corporations Act, the ASX Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX; or
  - D. (Adverse change): an event occurs which gives rise to a Material Adverse Effect or any adverse change or any development including a prospective adverse change after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of any Relevant Company including, without limitation, if any forecast in the Prospectus becomes incapable of being met or in the Underwriter's reasonable opinion, unlikely to be met in the projected time; or
  - E. (Error in Due Diligence Results): it transpires that any of the due diligence results or any part of the verification material was false, misleading or deceptive or that there was an omission from them; or
  - F. (Significant change): a "new circumstance" as referred to in section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor; or
  - G. (Public Statements): without the prior approval of the Underwriter a public statement is made by the Company in relation to the Rights Issue Offer, the issue of Quickflix Shares offered under the Rights issue Offer or the Prospectus except as required by law or the Listing Rules; or
  - H. (Misleading information): any information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Rights Issue Offer or the issue of Quickflix Shares offered under the Rights Issue Offer or the affairs of any Relevant Company is or becomes misleading or deceptive or likely to mislead or deceive; or
  - I. (Official Quotation qualified): the Official Quotation is qualified or conditional other than as set out in the definition of "Official Quotation"; or
  - J. (Change in Act or policy): there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories any Act or prospective Act or budget or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy; or
  - K. (Prescribed Occurrence): a prescribed occurrence occurs being any one of the events listed in sections 652C(1)(a) – (h) and 652C(2)(a) – (e) of the Corporations Act, other than as disclosed in the Prospectus; or
  - L. (Suspension of debt payments): the Company suspends payment of its debts generally; or
  - M. (Event of Insolvency): an event of insolvency occurs in respect of a Relevant Company; or
  - N. (Judgment against a Relevant Company): a judgment in an amount exceeding \$50,000 is obtained against a Relevant Company and is not set aside or satisfied within 7 days; or
  - O. (Litigation): litigation, arbitration, administrative or industrial proceedings are after the date of the Underwriting Agreement commenced or threatened against any Relevant Company, other than any claims foreshadowed in the Prospectus; or
  - P. (Board and Senior Management composition): there is a change in the composition of the Board or a change in the senior management of the Company before completion of the Rights Issue Offer without the prior written consent of the Underwriter which consent is not be unreasonably withheld; or
  - Q. (Change in shareholdings): there is a material change in the major or controlling shareholdings of a Relevant Company or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to a Relevant Company; or
  - R. (Indicative Timetable): there is a delay in any specified date in the indicative timetable at the front of this Prospectus which is greater than 7 Business Days and the Underwriter has not given its prior written consent agreeing to a delay exceeding 7 Business Days; or
  - S. (Force Majeure): a force majeure affecting the Company's business or any obligation under the

Underwriting Agreement lasting in excess of 7 days occurs; or

- T. (Certain resolutions passed): a Relevant Company passes or takes any steps to pass a resolution under section 254N, section 257A or section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Underwriter; or
- U. (Capital Structure): any Relevant Company alters its capital structure in any manner not contemplated by the Prospectus; or
- V. (Breach of Material Contracts): any of the material contracts is terminated or substantially modified; or
- W. (Investigation): any person is appointed under any legislation in respect of companies to investigate the affairs of a Relevant Company; or
- X. (Market Conditions): a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or other international financial markets; or
- Y. (Hostilities): there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of the Underwriting Agreement involving one or more of Australia, New Zealand, Indonesia, Japan, Russia, the United Kingdom, the United States of America, India, Pakistan, or the Peoples Republic of China, Israel or any member of the European Union, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world.

of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the *Corporations Act* states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
  - (i) the Annual Financial Report for the Company for the financial year ended 30 June 2012, (being the last annual financial report to be lodged with ASIC in relation to the Company before the issue of this Prospectus);
  - (ii) the Half Year Financial Report for the period ending 31 December 2012 (being a half year financial report lodged with ASIC after the lodgement of the Annual Financial Report and before the issue of this Prospectus); and
  - (iii) all documents used to notify the ASX of information relating to the Company under the provisions of the ASX listing rules in the period since lodgement of the Annual Financial Report for the financial year ended 30 June 2012 and ending before the issue of this Prospectus.

## 7.7 CONTINUOUS DISCLOSURE AND DOCUMENTS AVAILABLE FOR INSPECTION

The Company is a "disclosing entity" for the purposes of section 111AC and section 713 of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations which require it to disclose to the ASX any information of which it is, or becomes, aware concerning the Company and which a reasonable person would expect to have a material effect on the price or value of securities of the Company.

The Quickflix Shares to be issued pursuant to this Prospectus are continuously quoted securities.

In general terms, prospectuses in relation to continuously quoted securities are only required to contain information in relation to the effect of the issue of securities on the Company and the rights and liabilities attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position and performance, profits and losses or prospects of the issuing company.

Having taken such precautions and having made such enquiries as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the issue

## 7.8 DOCUMENTS INCORPORATED IN PROSPECTUS

Pursuant to Section 712 of the Corporations Act the following documents have been released to ASX and lodged with ASIC since the 2012 Annual Report was lodged, and are incorporated in this Prospectus. A copy of these documents can be obtained free of charge from the ASX website or from the Company by telephoning Quickflix on (08) 9347 4900 or emailing Quickflix at investors@quickflix.com.au during the application period for the Prospectus:

Lodgement Date	Description of Document
17/09/2013	Appendix 3B
10/09/2013	Capital Raising
10/09/2013	Reinstatement to Official Quotation
10/09/2013	Company Presentation
05/09/2013	Suspension from Official Quotation
02/09/2013	Trading Halt
27/08/2013	Appendix 4E Preliminary Financial Report
27/08/2013	Presentation - Update
26/08/2013	Quickflix Update on Freeview New Zealand
26/07/2013	Returning to Growth as Costs Reduced
26/07/2013	Quarterly Update and Appendix 4C June 2013
10/07/2013	Appendix 3B
27/06/2013	Quickflix Partners with AAPT for Fast Content Delivery
07/06/2013	Change of Director's Interest Notice x 3
04/06/2013	Appendix 3B
31/05/2013	Company Presentation
21/05/2013	Results of Meeting
30/04/2013	Costs Down Ahead of Subscriber Growth
30/04/2013	Quarterly Update and Appendix 4C March 2013
29/4/2013	Notice of General Meeting/Proxy Form
16/04/2013	HBO Agreement for Current Season TV
11/04/2013	Quickflix Launches on Microsoft Windows 8 Devices
08/04/2013	Funding and Operations Update
27/03/2013	Change in Substantial Holder
08/03/2013	Appendix 3B
06/03/2013	Quickflix Executes Placement Agreement and Lodges Prospectus
28/02/2013	Appendix 3B
28/02/2013	Appendix 4D and 31 December 2013 Half Year Financial Report
27/02/2013	Change of Registered Office
12/02/2013	Appendix 3B
08/02/2013	Change in substantial holding
31/01/2013	Quickflix Delivers Steady Performance in Challenging Quarter
31/01/2013	Quarterly Update with Appendix 4C December 2012
29/01/2013	Quickflix Announces Partnership with LG
14/01/2013	Appendix 3B
28/12/2012	Appendix 3B
28/12/2012	Change in substantial holding

<b>Lodgement Date</b>	<b>Description of Document</b>
24/12/2012	Quickflix Secures Funding
14/12/2012	Quickflix and Blackberry Partnership
13/12/2012	Quickflix to Stream to Kobo eReader
12/12/2012	Quickflix to Stream to Humax PVRs
07/12/2012	Change in substantial holding
05/12/2012	Quickflix Corrects Misleading Media Article
04/12/2012	Addendum to 2012 Annual Report
04/12/2012	Major Distribution Deal in NZ
03/12/2012	Constitution
03/12/2012	Quickflix Corrects Media Article
30/11/2012	Initial Director's Interest Notice
30/11/2012	Reinstatement to Official Quotation
30/11/2012	Quickflix Announces Board Appointment & Requests Requotation
30/11/2012	Results of Annual General Meeting
29/11/2012	Quickflix Update
23/11/2012	Final Director's Interest Notice x 2
20/11/2012	Quickflix Announces Board and Management Changes
19/11/2012	Final Director's Interest Notice
16/11/2012	Quickflix Announces Change to Board
15/11/2012	Voluntary Suspension
13/11/2012	Trading halt
12/11/2012	Change of Director's Interest Notice
12/11/2012	Appendix 3B
12/11/2012	Quickflix Streaming Set for Launch on Xbox 360
31/10/2012	Return to Subscriber Growth in Quarter
31/10/2012	Quarterly Update and Appendix 4C September 2012
29/10/2012	Notice of Annual General Meeting/Proxy Form

*If potential applicants require any further information in relation to the Company or the Offers, the directors recommend that potential subscribers take advantage of the ability to inspect or obtain copies of documents referred to above.*

## 8. Glossary

Abbreviation	Description
Application Monies	means payment for application of the Quickflix Shares
AEST	means Australian Eastern Standard Time
ASIC	means Australian Securities and Investments Commission
ASTC	means the ASX Settlement and Transfer Corporation Pty Ltd ABN 49 008 504 532
ASTC Settlement Rules	means the settlement rules of ASTC
ASX	means ASX Limited ABN 98 008 624 691
ASX Listing Rules	means the listing rules of ASX
Business Day	means Monday to Friday inclusive except for public holidays and any other day that the ASX declares is not a business day
Company	means Quickflix Limited ABN 62 102 459 352
Corporations Act	means Corporations Act 2001 as amended from time to time
Entitlement and Acceptance Form	means the entitlement and acceptance form accompanying this Prospectus for the Rights Issue Offer
Lead Manager	means Patersons Securities Limited ABN 69 008 896 311
Material Adverse Effect	means a material adverse effect on the outcome of the Rights Issue Offer or on the subsequent market for the Quickflix Shares offered under the Rights Issue Offer or a material adverse effect on the condition, trading or financial position and performance, profit and losses, results, prospects, business or operations of the Company and its subsidiaries either individually or taken as a whole.
Offers	means the Rights Issue Offer and the offer of any Shortfall
Option	means an option to subscribe for a Quickflix Share
Prospectus	means this Prospectus
Quickflix	means Quickflix Limited ABN 62 102 459 352
Quickflix Preference Shares	means a preference share in the capital of Quickflix
Quickflix Share	means a fully paid ordinary share in the capital of Quickflix
Quickflix Shareholder	means the holder of Quickflix Shares or Quickflix Preference Shares on the Record Date
Quickflix Subscriber	means a subscriber to Quickflix's online movie rental services
Quotation and Official Quotation	means official quotation on a ASX
Record Date	means 26 September 2013
Relevant Company	means the Company and each subsidiary of the Company
Rights	means the rights of Quickflix Shareholders to subscribe for Quickflix Shares under the Rights Issue Offer
Rights Issue Closing Date	17 October 2013 or such other date as specified by the Company
Rights Issue Offer	means the offer of Quickflix Shares and Attaching Options to Quickflix Shareholders made pursuant to this Prospectus
Share Registry	means Computershare Investor Services Pty Limited
Shortfall	means Quickflix Shares not subscribed for by Quickflix Shareholders pursuant to the Rights Issue Offer
Underwriter	means Patersons Securities Limited ABN 69 008 896 311
Underwriting Agreement	means the underwriting agreement between the Underwriter and the Company dated 17 September 2013

# Quickflix™

