

DISCLOSURE STATEMENT

Warning Statement About Crowdfunding

Equity crowd funding is risky.

Issuers using this facility include new or rapidly growing ventures. Investment in these types of businesses is very speculative and carries high risks.

You may lose your entire investment, and must be in a position to bear this risk without undue hardship.

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This requires those offering financial products to have disclosed information that is important for investors to make an informed decision.

The usual rules do not apply to offers by issuers using this facility. As a result, you may not be given all the information usually required. You will also have fewer other legal protections for this investment.

Ask questions, read all information given carefully, and seek independent financial advice before committing yourself.

In accordance with Clause 423 of the Financial Markets Conduct Act 2013 and Clause 36 of the Financial Markets Conduct (Phase 1) Regulations 2014 this Disclosure Statement provides you with information about Crowdsphere Limited (trading as Crowdsphere).

Date of preparation of disclosure statement

This disclosure statement was prepared on 1 September 2016.

Company and contact details

Crowdsphere Limited (trading as Crowdsphere)

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Nature of Service

Crowdsphere is a Crowd Funding Service provider licensed and regulated by the Financial Markets Authority (the "**FMA**"), under the Act. Its Financial Service Provider number is FSP360186.

Crowdsphere is managed by, and is an associate of Armillary Private Capital.

Crowdsphere is focused on providing equity Crowd Funding services to a range of companies (referred to hereinafter as an "Investee") looking to raise equity up to the limit of \$2m.

Equity Crowd Funding is the process of an Investee raising small amounts of equity capital from many investors (referred to hereinafter as "Investors"). In return for their investment the Investor becomes a shareholder in the Investee and the shares are subject to the terms of offer and the Investee's Constitution.

Crowdsphere undertakes certain due diligence of Investees prior to the Investee's pitch documents ("Pitch") being activated on the Crowdsphere platform and web site and circulated to Registered Investors. Further detail about the due diligence undertaken is set out in the Investee Review section on page 3 of this Disclosure Statement.

To become a Registered Investor on the Crowdsphere platform, an Investor must complete the registration process on the Crowdsphere website as set out in Crowdsphere's Investor Terms and provide all of the details requested. You must be a New Zealand resident and over 18 years of age.

Once registered an Investor will receive regular alerts to Pitches activated on the Crowdsphere website and can review these Pitches. This review process includes being able to download the Investee's information memorandum, financial forecasts and other relevant information which will often include a short video presentation by the Investee management. You can also participate in a question and answer forum on the Crowdsphere website prior to making your investment decision.

If you wish to invest in an Investee you can do so by completing the investment process as set out in Crowdsphere's Investor Terms through which you enter the amount you wish to invest and confirm you wish to pay for your investment by bank debit.

An Investor is entitled to place an irrevocable order to subscribe for shares in an Investee in any Pitch on the Website for a period (the "Offer Period") ending on the earlier of:

- the Investee reaching its target level of investment as set out in its Pitch;
- the end of the offer period (beginning with the date on which the Investee's Pitch becomes live on the Website and closing on the Close date); or
- the date upon which the Investee terminates its Pitch in accordance with its agreement with Crowdsphere.

If the Pitch is unsuccessful (the stated desired target level of investment is not achieved) the Pitch will close and all orders will be cancelled and investors notified.

If a Pitch is successful, the Investee will instruct Crowdsphere to circulate a copy of the Investee's proposed Constitution to each Investor by email, and to request that each Investor inform Crowdsphere by email within 7 working days if they no longer wish to proceed with the Investment. If Crowdsphere receives no response from the Investor within the 7 working day period, the Investor will be deemed to have confirmed their order and the order will become an irrevocable firm order.

At the expiry of the 7 working day period and if less than 10% of Investors withdraw their commitment Crowdsphere will arrange for the subscription price for the shares ordered will be debited from the Investors bank account. Thereafter the shares in the Investee will be issued to the Investor.

The Investee shall set out in its pitch its plans for managing its share registry and whether its shares will be listed on any market.

Investor money handling

Crowdsphere does not handle your subscription money nor the processing of bank debit payments.

Crowdsphere uses Link Market Services Limited (Link) to process your subscription and debit your bank account.

In summary Crowdsphere provides Link with an electronic list of investor names, bank account numbers and the amount to be debited. Link then processes the debits for the subscriptions to the investor's bank accounts at the end of a nominated day. Link consolidates all Investor subscription money and holds these funds as bare trustee for the Investors in a bank account specifically established for Crowdsphere Investees. The following day Link then provides Crowdsphere, the Investee and the Investee's solicitor with a reconciliation of subscription monies captured and whether any debits have failed.

Crowdsphere will follow up directly with investors whose debits have failed so they still have an opportunity to pay their subscription.

On instruction from Crowdsphere and the Investee's solicitor the Investee shall issue the shares to the Investors and then the investment funds (after deduction of all fees) are passed to the Investee.

Should an Investee not ultimately attain the stated desired target level of investment as set out in its Pitch, (i.e. if there is a failure by other Investors to transfer the Subscription Price to the Investee and the level of investment received by the Investee is less than 90% of the desired target level of investment as set out in its Pitch), Crowdsphere will arrange for the Investee to cancel the Investment made by the Investor and return any subscription monies to the

Investor. The Investor may be charged bank fees by their bank in respect of the repayment of their subscription monies.

Investee review

Crowdsphere undertakes has a screening process on all Investees prior the Investee Pitch being activated on the Crowdsphere platform.

This screening process includes the following review steps:

- Check to see if the Investee has raised funds via Crowdsphere in the previous 12 month period;
- Procure from the Company identification from each director and senior officer for AML/CFT purposes. Such identification must be a copy of a passport and utility invoice;
- Check both the company name and the names of its directors and CEO on the Companies Office website to ascertain whether the company is properly incorporated and whether any of its directors or its senior officers have been associated with any other companies that have had insolvency issues or to confirm any associated entities;
- Check both the company name and the names of its directors and CEO in the NZ Financial Markets Authority (FMA) website to ascertain whether the company or any of its directors or its senior officers have been associated with any publicised and potentially adverse events;
- Check both the company name and the names of its directors and CEO in the Australian ASIC website to ascertain whether the company or any of its directors or its senior officers have been associated with any publicised and potentially adverse events;
- Check the same details on the internet to gather relevant information to support Crowdsphere's decision to accept or not; and
- Review the Investee pitch document and other information provided to determine, to the extent reasonable:
 - the bona fides of the company's operations;
 - Review any statements and ensure that those statements are supported by external references and check the references for validity;
 - Review the financial forecasts (if any) and ensure that they are fair and reasonable;
 - Review the historical financial reports (if any) and ensure that they are fair and reasonable and complete;
 - Review for exaggeration and hyperbole;
 - Review the offer and ensure that it is realistic and not over priced; and
 - the risks identified.

Risk of investing

Investing in shares is risky and there is a probability that an Investor will lose some or all of their investment.

Investee Pitch documents usually include a section on risks associated with the Investee. While these risks relate specifically to the Investee and its business plans it is not possible to

fully identify and articulate every single risk that may impact on the Investee. Therefore Investors need to understand that some risks may not be identified.

Crowdsphere accepts no liability to the Investor for any loss suffered by the Investor through an investment in an Investee Pitch offered through Crowdsphere.

Fees

Crowdsphere does not charge the Investor any fees for the services provided to the Investor in accordance with these terms.

Crowdsphere charges Investee's a \$5,000 activation fee and a completion fee of 6% of the amount raised through the Crowdsphere platform.

Link charges the Investee: a fixed fee of \$75; plus transaction fees of \$1.75 per bank debit and \$2.80 per credit card debit; plus \$85 per hour for reconciliation services for processing investor subscription debits. This fee is payable by the Investee. On successful collection of subscription monies, Link may deduct its fees from the investment monies prior to passing those funds to the investee.

However, if the collection of subscription monies is not successful, (i.e. if there is a failure by other Investors to transfer the Subscription Price to the Investee and the level of investment received by the Investee is less than 90% of the desired target level of investment as set out in its Pitch), Link will not deduct its fees from monies held on trust for investors. The payment of such fees shall remain the responsibility of the investee. Crowdsphere shall ensure that such fees are not deducted from the Investor Subscription Price.

Crowdsphere retains the right to amend its fees by giving Investors or Investees one months' notice of such change.

The Investor may be required to pay ancillary charges or fees to third parties in connection with the Investment. If such charges or fees are to be paid by an investor this will be disclosed in an Investee Pitch.

Should an Investee not ultimately attain the stated desired target level of investment as set out in its Pitch, through failure by other Investors to transfer the Subscription Price to the Investee and if the level of investment received by the Investee is less than 90% of the desired target level of investment as set out in its Pitch, Crowdsphere will arrange for the Investee to cancel the Investment made by the Investor and return any subscription monies to the Investor. In such a case Crowdsphere will not charge the Investee for the completion fee. The Investor may be charged bank fees by their bank in respect of the repayment of their subscription monies.

Crowdsphere Interests

If Crowdsphere or any of its managers, directors or related parties have an interest in an Investee or have undertaken any fee based work for an Investee, this interest will be disclosed in the Investee Pitch.

Armillary Limited (trading as Armillary Private Capital), which is contracted to provide day-to-day management of Crowdsphere, has the same shareholders as Quadriga Acquisitions Limited which is a shareholder in Crowdsphere Limited which trades as Crowdsphere. There are no interests in Crowdsphere that may materially adversely impact on its ability to have fair, orderly, and transparent systems and procedures for providing the service. Crowdsphere has a compliance officer whose role is to monitor Crowdsphere's compliance with its Licence and internal policies and procedures to ensure that Crowdsphere provides its service in a fair and orderly manner and complies with the terms of its Licence.

If an Investee is a client of Armillary Private Capital, the Investee Pitch will disclose that Armillary Private Capital has provided and/or continues to provide certain services to it. Additionally, the Investee Pitch will disclose that Armillary Private Capital has received fees from the Company for the services provided and will receive some of the fees to be paid by the Company to Crowdsphere upon successful completion of this capital raising. Armillary Private Capital is the manager of Crowdsphere and related parties hold a 50% shareholding in Crowdsphere.

If an Investee plans to have its shares quoted on the Unlisted Securities Exchange financial product market the Investee Pitch will disclose that Armillary Private Capital, which is the manager of Crowdsphere, is also the manager of Efficient Market Services Limited which trades as USX. Parties which are the shareholders of Armillary Private Capital hold a significant shareholding in Crowdsphere. Armillary Private Capital has an ownership interest in Efficient Markets Services Limited.

Crowdsphere will not subscribe for shares in an Investee. From time-to-time Crowdsphere's affiliates, and/or the proprietors, officers or employees of Crowdsphere and/or such affiliates may consider expressing interest or subscribing for shares in an Investee. If an Investor becomes aware of this, they should not to rely upon the same in making a decision whether to invest in an Investee, and any decision by them to invest in an Investee should not be based upon any representation, information, action, omission or otherwise of Crowdsphere, its subsidiaries or affiliates or the proprietors or employees of Crowdsphere, its subsidiaries or its affiliates.

Complaints and queries

While Crowdsphere will make every effort to get things right, problems may sometimes occur. We have in place a complaints procedure that is intended to resolve any problem quickly and fairly with the objective of solving the problem to the client's satisfaction, as set out in the steps listed below

Should an Investor have any complaints or queries about the services provided by Crowdsphere or this agreement, he/she should contact Crowdsphere's Compliance Officer on 04 974 9269 or by writing to Crowdsphere Limited, PO Box 3156, Wellington 6140. If the Compliance Officer is unable to resolve the problem you can contact the directors.

You may address complaints to Crowdsphere's disputes resolution service, Financial Services Complaints Limited on 0800 347 257 or by email to info@fscl.org.nz.

Communications with, to or from Crowdsphere shall be in the English language.

Any Investor requests for information about the service including but not limited to Investor and Investee terms, policies, risk warnings or about themselves may be made by email to support@crowdsphere.co.nz. Such information will be provided at no charge.