



Diversa Group

Investor Presentation

September 2013

DIVERSA
GROUP

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Table of Contents

1. Overview
2. The Business
3. Financing and Acquisition History
4. Capital Structure
5. Pro-forma Balance Sheet
6. People
7. Capital Raising
8. Appendix

Diversa's Vision

To be a leading diversified financial services business that, through collaboration, offers increasingly innovative and valuable superannuation, insurance, advice and investment services to its niche customers and partners

Overview

- Diversa has established a product manufacturing capability for the superannuation sector via acquisition and subsequent enhancement and integration of these acquired businesses
- Product manufacturing enables Diversa to offer its own branded superannuation and insurance products to its retail customers directly (Direct) or through employers (Retail) and to provide superannuation trustee, promotion, administration, insurance and investment management services to distributors of superannuation products (Wholesale)
- Latest acquisition was the Law Employees Super Fund which completed in August 2013, indicating endorsement of Diversa's capabilities
- Financial results for the last 2 years have progressively improved, driven by realisation of integration synergies and organic growth
- Remaining integration synergies will be completely realised by the end of FY14 which will make a further positive contribution to Diversa's financial turnaround goal
- Recent approval for conversion of convertible notes to equity will extinguish a \$6 million liability better positioning Diversa's ability to grow both organically and by acquisition
- Diversa has raised \$1.25 million by way of a placement to complete its integration activities, drive growth initiatives and provide working capital

The Business: Customers

Direct	Individual customers who use our superannuation and insurance products come directly to Diversa via employer sponsored arrangements
Retail	Advisor groups, investment platforms and accountants seeking to offer their customers their own private label superannuation and group life offerings
Wholesale	Smaller industry funds and master trusts seeking to improve their product offering by “contract manufacturing” versus “internal manufacturing” part or all of the Diversa superannuation or insurance capabilities of manufacturing, promotion, administration, trustee services, life product, or investment management components

The Business: Current Status

Diversa	Superannuation Trustee Services	Superannuation Promotion & Administration	Insurance Product Provider & Administrator	Investment Services & Funds Management Incubation	Corporate
Licences - Registrable Superannuation Entity (RSE) and AFSL	CCSL Limited AFSL 287084 RSE L0000758	Diversa Superannuation Services Limited AFSL 273321		Centec Securities Pty Ltd AFSL 240877	n/a
Employees (FTEs)	7	12	1	1	3
Current no. of Customers	20	5	~10,000 lives	1	n/a
FY13 Revenue	\$2.0m	\$1.5m	\$0.8m	\$0.2m	-

The Business: Products & Services

Products & Services	Superannuation Corporate Trustee (RSE)	Superannuation Promotion & Administration	Insurance Product Provider and Administrator	Investment Services
Target Market (Total size)	<ol style="list-style-type: none"> 1. Smaller funds < \$500m Industry Funds market opportunity (\$20Bn) 2. Advisor led private label (\$55Bn) 	<ol style="list-style-type: none"> 1. < \$500m Industry Funds (\$20Bn) 2. Advisor led private label (\$55Bn) 	<ol style="list-style-type: none"> 1. <\$500m Industry Funds (~400,000 members) 2. SMSF's (~500,000 members) 	Diversa RSE & Promotion & Administration Customers (<\$10Bn)
Diversa's Current Client Base	\$1.25bn	\$280m	~10,000 lives insured ~\$3.5m gross written premium	\$42m

The Business: Drivers

Industry Driver	Client
FoFA (Future of Financial Advice) <ul style="list-style-type: none"> Driving non-aligned Advisers to re-engineer revenue streams as conflicted and opaque intermediary payments are being eliminated 	Intermediaries <ol style="list-style-type: none"> 1. Re-focus on insurance sales & fee for service advice; or 2. Vertical integration: <ul style="list-style-type: none"> Own or partner with product manufacturer to transition business to Private Label products Rationalise multiple platforms into Private Labels
Stronger Super Reforms <ul style="list-style-type: none"> Increasing pressure on smaller super funds to deliver better quality superannuation products and services to members 	Fund Promoters <ol style="list-style-type: none"> 1. Merge/Exit; or 2. Alter business model to address Stronger Super requirements
Strong Industry Growth <p>Strong demand for super products</p> <ul style="list-style-type: none"> Non-super product providers (UMA, Wrap and SMA) driven by clients to provide a superannuation equivalent Segments of the industry are not well catered for, creating demand for better / different products 	Intermediaries and Fund Promoters <ol style="list-style-type: none"> 1. Build and deploy resources to deliver competitive super products and services to fund members; or 2. Access product manufacturing capability (Trustee, Admin, Investment Management, Insurance) to provide superannuation product to their clients

The Business: Value Proposition

Targeted business strategy	<p>Aggregate and manage the components of a superannuation fund and use this capability to:</p> <ul style="list-style-type: none"> • Support intermediaries to transform their business models during period of industry reform • Deliver improved product and services to Super Fund members in smaller superannuation funds • Develop a universe of Funds Under Management and Administration (FUMA) and members that can underpin the growth of other components in the wealth management value chain, e.g. funds management
Compelling customer proposition	<p>Shared products/services business model enables clients to reduce establishment costs and gain immediate access to new products and services on a repeatable basis:</p> <ul style="list-style-type: none"> • Intermediaries can then focus on core services (i.e. advice) whilst replacing lost revenues due to Future of Financial Advice (FOFA) reform by owning part of the value chain (i.e. promoter) • Super funds can offer members upgraded product benefits at competitive prices - Stronger Super
Diversified recurring revenues	<p>Diversa services multiple segments of the wealth management value chain</p> <ul style="list-style-type: none"> • Addressing the changing regulatory environment by providing efficient, cost effective services that enable intermediaries and super funds to deal proactively with regulatory reform • Superannuation and funds management business offerings leverage each other
Business model reduces cost of manufacture increases expertise	<p>Scalable business - relatively fixed overhead enables significant growth in FUMA with minimal increase in outlays</p> <ul style="list-style-type: none"> • Administration and Trustee services are reproducible • Will benefit both external and internal product
Contract manufacturing underpins own brands	<p>In addition to providing services to third parties Diversa is developing its own branded business:</p> <ul style="list-style-type: none"> • Acquired promotion and administration rights for two super funds • Investment management capability • RE/Issuer of Group Life and Salary Continuance Risk Products

The Business: Key Reasons for Success

Industry Reform	<p>Financial Services Industry reform creating significant opportunity</p> <ul style="list-style-type: none">▪ Diversa positioned to ride the wave of industry reform▪ Product manufacturing capability attractive to advice businesses and sub scale superannuation fund managers needing to amend their business models▪ Underpinned by contracts with customers of significant scale with imminent need and financial incentive to execute
Team & Model	<p>Demonstrated skill and capability to deliver</p> <ul style="list-style-type: none">▪ Superannuation, Insurance and Funds Management product manufacturing▪ A unique offer to non-aligned advisers:-<ul style="list-style-type: none">• Private Label strategy enabler to counter income loss from FoFA• Validated by non-aligned adviser actions
Competition	<p>Lack of current direct competition at the sub \$250m fund level</p> <ul style="list-style-type: none">▪ Increasing regulatory barriers to entry limits new competitors▪ No current competitor builds total product offering

The Business: Business Development Pipeline

1. Advisor Groups, Accountants and Investment Platform providers
 - Superannuation product manufacture services to enable private label strategy
 - Insurance - for both SMSF trustees and super fund members
2. SMSFs (Direct and via Administrators)
 - Insurance
3. Small Financial Institutions
 - Superannuation product manufacture - white label solution
4. Employers
 - Superannuation for their employees that pay NO commission to advisers
 - Insurance
5. Industry Funds/Small Retail Master Trusts
 - Merger/Acquisition
 - Superannuation product manufacture services to access scale benefits/grow

The Business: Progressive Financial Improvements

	June 2013 (6 mths)	Dec 2012 (6 mths)	June 2012 (6 mths)	Dec 2011 ⁽³⁾ (6 mths)
	\$'000	\$'000	\$'000	\$'000
Revenue	2,354	2,223	2,034	1,996
Result from operating activities	(632)	(998)	(4,135)	(1,802)
Add back:				
Non cash items ⁽¹⁾	216	231	3,194	581
Underlying loss from operations ⁽²⁾	(416)	(767)	(941)	(1,221)
<i>Improvement over prior period</i>	<i>45%</i>	<i>18%</i>	<i>23%</i>	
Number of fund clients	21	20	21	18
Number of employees	24	25	26	25

(1) Non cash items include: amortisation and depreciation, share based payments expense and impairment losses

(2) Used as a proxy for 'cash' operating result although timing of actual cash flows may differ

(3) December 2011 was the first full 6 months of ownership of the trustee services business

The Business: Summary Financial Metrics

Indicator	Comments	June 2013	3+ year targets
Institutional Clients	Client Categories - IFAs, Super Funds, Promoters, Employers, SMSF's	21	35
Services per Client	Consulting/Solution led approach	1	1-3
Revenue p.a.	Multiple revenue streams per client/fund	\$4.6m	\$9m to \$12m
Overhead p.a.	Overheads based on increase in FTEs to meet client growth	\$6.0m	\$6.5 to \$7.5m
FUMA	Comprised of administration/promotion and trustee services	\$1.3bn	\$3bn to \$5bn
Risk Premium (Gross Written)	Group Life Pools targeted to Diversa administration clients and SMSF trustees	\$3.5m / 7,000 Lives	\$9m to \$11m / 20,000+ lives

Financing and Acquisition History

Funds raised	March 2009	\$4.4m
	March 2011	\$5.1m
	April 2012	\$2.0m
	February 2013	\$1.0m
	September 2013	\$1.25m
Acquisitions	March 2009	Superannuation administration and promotion business providing services to Bookmakers Superannuation Fund (renamed to Progress Superannuation Fund)
	September 2009	Superannuation administration and promotion business providing services to Managed Australia Retirement Fund
	May 2010	Interests in two fund managers and investment management infrastructure
	November 2010	Group risk products business
	April 2011	Superannuation trustee services business
	September 2011	Superannuation administration business providing services to Transport Industry Superannuation fund
	August 2013	Trustee of the Queensland Law Employees Super Fund
Carried Forward Tax Losses	Ongoing	Maintaining carried forward tax losses > \$30m

Capital Structure - as at 19 September 2013

Ordinary Shares	Fully diluted Share Capital ⁽³⁾ (m)	Fully Diluted %
BCP & Associates ⁽¹⁾	89.2	20%
Empshore Pty Ltd	34.9	8%
Other directors + executive team	28.9	6%
CPS Investments ⁽²⁾	17.8	4%
Other shareholders	236.7	53%
Placement shareholders ⁽⁴⁾	41.7	9%
Total	449.2	100%

Notes to table:

(1) Entities associated with director Stephen Bizzell

(2) Entities associated with former director Dr Ian Campbell

(3) Fully diluted share capital includes:

(a) the conversion of convertible notes on 30 September 2013 on the ratio of 3.67 shares per note, into approximately 203.6m shares; and

(b) an estimate of shares to be issued for the interest payment on the notes for 6 months to 30 September 2013 totalling approx. 12.4m shares (11% pa on face value of \$0.11)

(4) Some existing shareholders and/or noteholders may participate in the placement. In addition directors may also participate in the placement subject to the necessary approvals.

Pro-forma Balance Sheet: post capital raising and note conversion

Balance Sheet	June 2013 (\$'000)	Adjustments	Pro-forma June 2013 (\$'000)
Cash	1,140	1,250 ⁽¹⁾	2,390
Trade and other receivables	816		816
Total current assets	1,956		3,209
Total non-current assets	5,568		5,568
Total assets	7,524		8,777
Total current liabilities	2,166		2,166
Loans and borrowings	5,607	(5,607) ⁽²⁾	-
Other non-current liabilities	24		24
Total non-current liabilities	5,631		24
Total liabilities	7,797		2,190
Net assets	(273)	6,857	6,587
Total equity	(273)	6,857	6,587

Pro-forma adjustments:

(1) Cash raised before costs of \$1.25m by the issue of 41.7m shares at \$0.03 per share

(2) Conversion of all convertible notes on issue into ordinary shares on the basis announced on 13 September 2013

No other adjustments have been included, nor any adjustments for trading since 30 June 2013

People: Directors

Stuart Korchinski – Chairman

Significant experience in multiple sectors of the financial services industry, including superannuation, financial advice, general/life insurance and IT services. Most recently the MD of CitiStreet, a superannuation services joint venture between Citi and State Street. Previously MD of KAZ Business Services, including AAS, a leading superannuation administrator, and Chief General Manager of Allianz's personal insurance business.

Matthew Morgan – Non-executive Director

Co founder of Diversa. Operates as an advisor to emerging companies in an executive or non executive capacity. Most recently engaged in the turnaround of Integria Healthcare a private equity funded aggregation and formerly a Senior Investment Manager with QIC's Bioventures funds.

Stephen Bizzell – Non-executive Director

Experienced finance executive and public company director. Chairman of boutique corporate advisory firm Bizzell Capital Partners. Director of Queensland Treasury Corporation and a number of ASX listed companies. Former executive director and co-founder of Arrow Energy.

Garry Crole – Non-executive Director

Experienced financial services executive. Managing Director of Interprac Limited, NTAA Corporate and InterPrac Financial Planning. Prior to this role was the founder and Managing Director of the financial services distribution business The Money Planners and the ASX listed company Deakin Financial Services (DKN). Has also held senior positions in superannuation distribution with Colonial Mutual and operated a general insurance brokerage business.

People: Executive Team

Vincent Parrott - Chief Executive Officer

Worked in leadership and investment roles within the institutional funds management sector for AMP, SBC (now UBS Global Asset Management), BT Funds Management and Aberdeen Asset Management. Co-founded boutique asset manager Souls Funds Management in 2001 (served as MD from 2001 to 2008), during which time funds under management and advice grew to \$1bn. He has been involved in all aspects of investment management covering research and analysis and portfolio management across numerous asset sectors.

Andrew de Vries - Head of Superannuation Services

Seasoned financial services professional with significant experience in financial services covering financial advisory, managed fund research and funds management as well as product management and marketing roles. Also has experience in providing strategic financial planning and investment advice to retail clients. Previously served as the General Manager of DIY Super for Perpetual Ltd and prior to that served as the Head of Investments for Citibank's retail bank.

Angus Craig - CFO and Company Secretary

Experienced corporate and finance executive, significant exposure to smaller public companies. 12 years in company secretarial and finance roles with ASX and AIM listed companies, also a former ASX Senior Companies Advisor for 6 years.

Capital Raising

Offer Structure and Size	<p>A placement of 41,666,667 shares to raise \$1.25 million (before costs) consisting of:</p> <ul style="list-style-type: none"> - Unconditional placement of \$0.99m - Conditional placement of \$0.26m to directors subject to shareholder approval in November 2013
Offer Price	<ul style="list-style-type: none"> • \$0.03 per new share • Same price as effective conversion price of convertible notes - conversion date is 30 September 2013
Commitments of Major Shareholders and Board	The board and executive team have committed to subscribe for amounts equivalent to approximately \$0.28m (22% of the Offer)
Advisors	Bizzell Capital Partners acted as Lead Manager
Uses of Funds	To complete its integration activities, drive growth initiatives and provide working capital
Capital Structure Post Offer and Note Conversion	Approximately 449m Shares

Appendix

1. Summary of financial results for FY12 and FY13
2. Key risks

Financial Results

Year ended 30 June	2013 (\$'000)	2012 (\$'000)	change
Revenue	4,576	4,029	Increased by 14%
Occupancy expenses	(255)	(243)	
Administrative expenses	(1,525)	(1,847)	
Amortisation and depreciation	(191)	(404)	
Personnel expenses	(4,122)	(4,307)	
Impairment losses	(2)	(3,152)	
Other expenses	(111)	(13)	
Results from operating activities	(1,630)	(5,937)	Improved by 73%
Net finance expenses	(1,178)	(771)	
Profit/loss of associates	(9)	(16)	
Loss before income tax	(2,817)	(6,725)	Improved by 58%

Results as reported to ASX on 30 August 2013

Key Risks

Factors influencing success and risk

This section identifies the areas the Directors believe to be the major risks associated with an investment in Diversa.

The Diversa business is subject to risk factors, both specific to its business activities, and risks of a general nature. Individually, or in combination, these might affect the future operating performance of Diversa and the value of an investment in the Company. There can be no guarantee that Diversa will achieve its stated objectives or that any forwarding-looking statements or forecasts will eventuate. An investment in the Company should be considered in light of relevant risks, both general and specific.

Each of the risks set out below could, if it eventuates, have a material adverse impact on Diversa's operating performance and profits, and the market price of the Shares and the Convertible Notes.

Before deciding to invest in the Company, potential investors should:

- read all of the Company's disclosures released to ASX
- review these factors in light of their personal circumstances; and
- seek professional advice from their accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

Specific investment risks

FUM and FUA risks in current market

- The most significant near term risk is a reduction in FUM and FUA and the associated decrease in revenues impacting on the profitability of the Company. The amount of FUM and FUA is influenced by a variety of general economic and specific business conditions including the level of inflation, interest rates and government fiscal, monetary and regulatory policies, investment performance, product and service costs and service delivery. Prolonged deterioration in general economic and financial market conditions could be expected to have a corresponding adverse impact on FUM and FUA and therefore Diversa.

Reduction in FUM and FUA

- There is also a risk that members of client funds could transfer their interests to competing funds, that they could reduce their investments or cease to contribute altogether. This would have a negative impact on FUM and FUA, and therefore fees received by Diversa.

Regulation and industry reform

- The conduct by Diversa of its business is regulated by a significant number of laws, rules and regulations and in particular, the Corporations Act. Certain licences must be held by the Company or its Related Bodies Corporate. In order to continue its businesses, Diversa (or its Related Bodies Corporate) must maintain various licences and must meet the conditions of those licences, ASIC and other regulatory bodies.
- If Diversa or its Related Bodies Corporate were to breach the requirements of those licences or relevant legislation, then those licences may be withdrawn, modified or cancelled, Diversa (or its Related Bodies Corporate) may be fined, prohibited from engaging in some business activities or subject to limitations or conditions on business activities.
- Further, there is a risk that there will be changes to the Corporations Act or other legislation and how they regulate superannuation managers and superannuation funds which will be adverse to Diversa's businesses.

Key Risks

Professional negligence and insurance

- A significant risk for Diversa, as for all professional service providers, is that claims of professional negligence may be made against Diversa.
- Diversa maintains professional indemnity insurance to cover liabilities in the event of a claim of negligence.
- In the event of a successful claim for professional negligence being made against Diversa, this may impact the Company by:
 - adversely affecting the reputation of Diversa;
 - costs incurred in defending claims;
 - the payment of any amount of liability that exceeds available insurance coverage; and
 - increasing future insurance premiums or making professional indemnity insurance unavailable.

Dependence upon key personnel

- Diversa depends on the talent and experience of its personnel as its primary asset. Should any of its key personnel leave Diversa, this may have a negative impact on Diversa. It may be difficult to replace them, or to do so in a timely manner or at comparable expense. Loss of key personnel may also impact on Diversa's ability to hold and maintain its licences. Additionally, any key personnel of the Company who leave to work for a competitor may adversely impact Diversa.
- In summary, Diversa's ability to attract and retain personnel will have a direct correlation upon its ability to deliver its stated objectives. Additionally, increases in recruitment, wages and contractor costs in order to attract and retain key personnel may adversely impact upon the financial performance of Diversa.

Technology and information systems

- As with other professional service providers in the financial services sector, important information regarding clients, operations and other important data is stored electronically by the Company. These information systems may fail, or not operate effectively. Diversa may fail to sufficiently update its technology and this may result in a loss of business.

International hostilities and disasters

- Diversa's performance may be impacted by political tensions or natural disasters. In addition, the risk of terrorist activity may have an impact on local or global economic conditions. The occurrence of natural disasters can also prevent operations from continuing.

Growth strategy risks

- There are risks associated with any growth strategy, including:
 - » business integration of any new business may not be successful;
 - » management time may be diverted;
 - » the acquired entities may give rise to unanticipated liabilities; and
 - » Diversa may need to raise additional debt or equity funding and may not be able to obtain such funding on favourable terms.

Key Risks

Mergers and acquisitions

- Diversa's growth strategy may be impacted if it is unable to find suitable mergers and acquisitions. Diversa's due diligence processes may not be successful and a merger or acquisition may not perform to the level expected.

Access to funding

- Diversa is pursuing a growth strategy which may require additional funding to be obtained by the Company. In addition, the growth strategy will influence the profitability due to scale of operations and the ability to achieve economies of scale, and synergies from complementary operations. There is no assurance that Diversa will be successful in its efforts to arrange additional financing, if adequate financing it is not available, Diversa may be required to delay, or cease its growth strategy, and reduce its operating expenditure.

General investment risks

Share market investments

- It is important to recognise that Diversa's shares are quoted on ASX and the market price might rise or fall. There can also be no assurance that an active trading market will develop for those shares.
- Factors affecting the price at which the shares are traded on ASX could include domestic and international economic conditions. In addition, the prices of many listed entities' securities are affected by factors that might be unrelated to the operating performance of the relevant company.
- Such fluctuations might adversely affect the price of the shares.

General economic conditions

- Diversa's operating and financial performance is influenced by a variety of general economic and business conditions including the level of inflation, interest rates and government fiscal policy, the impact of natural disasters, monetary and regulatory policies. Prolonged deterioration in general economic conditions, including an increase in interest rates, could be expected to have a corresponding adverse impact on Diversa's operating and financial performance.

Macro economic risks

- While Diversa's business is not considered to be cyclical, the general state of the Australian and international economies as well as changes in monetary policy, interest rates, statutory requirements and currency exchange rates may all affect the performance of Diversa.

Accounting Standards

- Australian accounting standards are set by the Australian Accounting Standards Board (AASB) and are outside the Directors' and Diversa's control. Changes to accounting standards issued by AASB could materially adversely affect the financial performance and position reported in Diversa's financial statements.

Taxation risks

- A change to the current taxation regime in Australia or overseas may affect Diversa and its security holders. Personal tax liabilities are the responsibility of each individual investor. Diversa is not responsible either for taxation or penalties incurred by investors.



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