THE AGENCY GROUP AUSTRALIA LTD
ACN 118 913 232
NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 9.00am AWST

DATE: 23rd December 2020

PLACE: 68 Milligan Street
Perth WA 6000

The business of the Meeting affects your shareholding and your vote is important.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5.00PM AWST on 21 December 2020.

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared for the purpose of the Shareholder approval under section 611 item 7 of the Corporations Act (refer to Resolution 6). The Independent Expert's Report comments on the fairness and reasonableness of the transactions the subject of Resolution 6 to the non-associated Shareholders. The Independent Expert has determined the Share issues the subject of Resolution 6 are not fair but reasonable to the non-associated Shareholders.

BUSINESS OF THE MEETING

AGENDA

1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2020 together with the declaration of the Directors, the Director's report, the Remuneration Report and the auditor's report.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

> *"That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2020."*

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

A voting prohibition statement applies to this Resolution. Please see below.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MATTHEW LAHOOD

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, for the purpose of clause 14.2 of the Constitution, Listing Rule 14.5 and for all other purposes, Matthew Lahood, a Director, retires by rotation, and being eligible, is re-elected as a Director."*

4. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE OF OPTIONS TO PETERS INVESTMENTS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 2,000,000 Options to Peters Investments on the terms and conditions set out in the Explanatory Statement."*

A voting exclusion statement applies to this Resolution. Please see below.

5. RESOLUTION 4 – RATIFICATION OF PRIOR ISSUE OF OPTIONS TO PETERS INVESTMENTS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 8,829,559 Options to Peters Investments on the terms and conditions set out in the Explanatory Statement."*

A voting exclusion statement applies to this Resolution. Please see below.

6. RESOLUTION 5 – AMENDMENT OF EXISTING CONVERTIBLE NOTES ON ISSUE

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That for the purposes of ASX Listing Rule 6.23.4 and for all other purposes, approval is given for the Company to amend the terms of the 1,000,000 Existing Convertible Notes on the terms and conditions set out in the Explanatory Statement."*

A voting exclusion statement applies to this Resolution. Please see below.

7. RESOLUTION 6 – APPROVAL FOR ISSUE OF CONVERTIBLE NOTES, OPTIONS AND MAXIMUM VOTING POWER TO PETERS INVESTMENTS PTY LTD

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, for the purpose of section 611 (item 7) of the Corporations Act and for all other purposes, authorisation and approval is given for the Company to issue:*
>
> *(a) 5,000,000 Convertible Notes; and*
>
> *(b) the Remainder Options,*
>
> *to Peters Investments Pty Ltd which if converted or exercised (in conjunction with the Existing Convertible Notes and the Existing Options) will result in Peters Investments Pty Ltd's being issued Shares such that Peters Investments Pty Ltd's voting power in the Company may increase beyond 20% and otherwise on the terms and conditions set out in the Explanatory Statement."*

A voting exclusion statement applies to this Resolution. Please see below.

Expert's Report: Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval required for Resolution 6 under Section 611 Item 7 of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the transactions the subject of this resolution to the non-associated Shareholders in the Company.

8. RESOLUTION 7 – APPROVAL OF 7.1A MANDATE

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

> *"That, for the purposes of Listing Rule 7.1A and for all other purposes, approval is given for the Company to issue up to that number of Equity Securities equal to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and otherwise on the terms and conditions set out in the Explanatory Statement."*

Dated: 23 November 2020
By order of the Board

Stuart Usher
Company Secretary

Voting Prohibition Statements

Resolution 1 – Adoption of Remuneration Report	A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons: (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or (b) a Closely Related Party of such a member. However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either: (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or (b) the voter is the Chair and the appointment of the Chair as proxy: (i) does not specify the way the proxy is to vote on this Resolution; and expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

Voting Exclusion Statements – ASX

In accordance with Listing Rule 14.11, the Company will disregard any votes cast in favour of the resolution set out below by or on behalf of the following persons:

Resolution 3 – Ratification of prior issue of Options	A person who participated in the issue or is a counterparty to the agreement being approved (namely Peters Investments) or an associate of that person or those persons.
Resolution 4 – Ratification of prior issue of Options	A person who participated in the issue or is a counterparty to the agreement being approved (namely Peters Investments) or an associate of that person or those persons.
Resolution 5 – Amendment of Convertible Notes on issue	A person who participated in the issue or is a counterparty to the agreement approved (namely holders of the Convertible Notes) or an associate of that person or those persons.

However, this does not apply to a vote cast in favour of the Resolution by:

(a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or

(b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

(c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

  (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and

  (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting Exclusion Statement – Corporations Act

Resolution 6 – Approval for Issue of Convertible Notes, Options and Maximum Voting Power to Peters Investments Pty Ltd	No votes may be cast in favour of this Resolution by: (a) the person proposing to make the acquisition and their associates; or (b) the persons (if any) from whom the acquisition is to be made and their associates. Accordingly, the Company will disregard any votes cast on this Resolution by Peters Investments Pty Ltd and any of its associates.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Form and return by the time and in accordance with the instructions set out on the Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast two (2) or more votes may appoint two (2) proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints two (2) proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 (0) 499 900 044.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Corporations Act, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2020 together with the declaration of the Directors, the Directors' report, the Remuneration Report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at theagencygroup.com.au.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the directors of the company.

The remuneration report sets out the company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of the company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

2.2 Voting consequences

A company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

2.3 Previous voting results

At the Company's previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MATTHEW LAHOOD

3.1 General

Listing Rule 14.5 provides that an entity which has directors must hold an election of directors at each annual general meeting.

The Constitution sets out the requirements for determining which Directors are to retire by rotation at an annual general meeting.

Matthew Lahood, whose election as a Director was approved at the general meeting of the Company on 15 November 2018 and has subsequently served as a Director since 17 January 2019, retires by rotation and seeks re-election.

3.2 Qualifications and other material directorships

Mr Lahood is synonymous with Australian real estate, during more than two decades at the forefront of the industry, he has honed his expertise in everything from property sales to auctioneering. Having personally coached and mentored many of the industry's finest sales agents to become million-dollar writers, Mr Lahood knows what it takes to significantly grow their businesses. He is also well known around Australia for his outstanding leadership skills and for building super sales and operational teams. He has been recognised with countless performance awards and is considered a thought leader within the Australian real estate space.

Mr Lahood provides media commentary on a national level and is a regular keynote speaker at real estate and financial events. Mr Lahood's love of real estate is only outshone by his passion for helping people grow personally and professionally. For over 28 years, he has stood firmly by his values of humility, transparency and integrity, values that he has passed onto many who have been lucky enough to work alongside him.

3.3 Independence

If re-elected the Board does not consider Mr Lahood will be an independent Director.

3.4 Board recommendation

The Board has reviewed Mr Lahood's performance since his appointment to the Board and considers that Mr Lahood's skills and experience will continue to enhance the Board's ability to perform its role. Accordingly, the Board supports the re-election of Mr Lahood and recommends that Shareholders vote in favour of Resolution 2.

4. BACKGROUND TO RESOLUTIONS 3 TO 6 – CONVERTIBLE NOTE AGREEMENTS WITH PETERS INVESTMENTS

4.1 May 2020 Note Agreement

On 15 May 2020, the Company announced that it had entered into a convertible note agreement with Peters Investments Pty Ltd (**Peters Investments**) to raise $1 million through the issue of 1,000,000 convertible notes each with a face value of $1.00, together with 2,000,000 free attaching Options (**May 2020 Note Agreement**). Resolution 3 seeks ratification for the 2,000,000 free attaching Options issued pursuant to the May 2020 Note Agreement.

The May 2020 Note Agreement included the following material terms:

(a) **Quantum**: Provision of an advance and the issue of convertible securities for an aggregate amount $1,000,000.

(b) **Face Value**: $1.00 per convertible notes,

(c) **Conditions precedent**: Peters Investments' subscription for the convertible notes was subject to:

   (i) the Company receiving the prior written consent of Macquarie Bank Limited to the issue of the convertible notes; and

   (ii) the Company receiving Macquarie Bank Limited's prior written consent to the Company granting the security contemplated below.

(d) **Options:** The Company issued 2,000,000 Options to Peters Investments on the terms and conditions set out in Schedule 1.

(e) **Security:** The Company's obligations in relation to the convertible notes shall be secured by a charge over all of the assets of the Company subordinate to Macquarie Bank Limited's security over all of the assets of the Company and subject to an intercreditor deed between Top Level Real Estate Pty Ltd, Peters Investments and <Macquarie Bank Limited.

(f) **Convertible note terms:** The current terms of the convertible notes issued under the May 2020 Note Agreement are set out in Schedule 4 in the column entitled "Current Terms under May 2020 Note Agreement".

The Company subsequently sought ASX approval for the amendment of the terms of the convertible notes issued pursuant to the May 2020 Note Agreement to be the same terms and conditions as the Convertible Notes the subject of the October 2020 Note Agreement (detailed at Section 4.2 below) (**Revised Convertible Notes**). Resolution 6 seeks the approval of Shareholders to amend the terms.

4.2 October 2020 Note Agreement

The Company has entered into a subsequent convertible note agreement with Peters Investments to raise $5 million (**October 2020 Note Agreement**) through the issue of 5,000,000 convertible notes each with a face value of $1.00 (**Convertible Notes**). The Convertible Notes have a maturity date of 31 March 2023.

The obligation of Peters Investments to subscribe for the Convertible Notes is subject to satisfaction of the following outstanding conditions precedent:

(a) completion of due diligence by Peters Investments, including review and agreement with the terms and conditions imposed by Macquarie Bank in respect to the amendment to the terms of Macquarie Bank's Senior Debt and Deed of Forbearance;

(b) the satisfaction of all other conditions imposed by Macquarie Bank to amend the terms of its Senior Debt and Deed of Forbearance to satisfy the matters contemplated by the October 2020 Note Agreement;

(c) to the extent that the convertible notes issued under the May 2020 Note Agreement are not converted:

    (i) the terms and conditions of the convertible notes issued under the May 2020 Note Agreement are amended so that they are the same terms and conditions as the Convertible Notes: and

    (ii) the amended terms and conditions of the convertible notes issued under the May 2020 Note Agreement have been approved by the ASX and Shareholders (to this end, the Company is seeking Shareholder approval to amend the terms of the Existing Convertible Notes pursuant to Resolution 5);

(d) entry into the financing documents required to complete the matters contemplated by the October 2020 Note Agreement (**Financing Documents**);

(e) Shareholders approving the issue of the Convertible Notes; and

The conditions set out above must be satisfied as soon as practicable after the date of the October 2020 Note Agreement and in any event by 23 January 2021.

Under the October 2020 Note Agreement, the Company will pay a facilitation fee of 3.0% of the amount of the Convertible Notes issued pursuant to the October 2020 Note Agreement, being an amount of $150,000. The facilitation fee will be capitalised and added to the face value of the $5 million advanced for the 5,000,000 convertible notes.

The Company also agreed to issue 12,000,000 Options to Peters Investments on the following terms:

(a) 8,829,559 Options were issued on 4 November 2020 (**Upfront Options**); and

(b) the issue of the balance of the Options, being 3,170,441 Remainder Options, is subject to receipt of Shareholder approval; and

Resolution 4 seeks ratification of the issue of 8,829,559 Upfront Options. The issue of the 3,170,441 Remainder Options is part of the approvals being sought under Resolution 6. In the event that the Company does not receive Shareholder approval for the issue of the Remainder Options, the October 2020 Note Agreement requires that the Company pay to Peters Investments an amount equal to the Black & Scholes valuation of the Remainder Options at the time of the Shareholder meeting where the approval for issue is not obtained.

4.3 Item 7 Section 611 of Corporations Act

Pursuant to the October 2020 Note Agreement, the Company has agreed to seek Shareholder approval for the issue of the Convertible Notes and the Remainder Options and for Peters Investments' voting power in the Company to increase beyond 20% pursuant to item 7 of section 611 of the Corporations Act. Resolution 6 seeks Shareholder approval for the issue of 5,000,000 Convertible Notes and 3,170,441 Remainder Options for the purpose of item 7 of section 611, and (in conjunction with the Existing Options and Existing Convertible Notes and the issue of Shares from conversion of interest accrued on the Existing Convertible Notes and Convertible Notes) for the increase in Peters Investments' voting power in the Company as a result of the conversion of the Existing Convertible and 5,000,000 Convertible Notes pursuant to the October 2020 Agreement, exercise of the Existing Options and the Remainder Options and issue of Shares in lieu of payment of cash for interest accrued.

4.4 Terms of the Convertible Notes

The material terms of the Convertible Notes proposed to be issued under Resolution 6 (and which the Existing Convertible Notes are proposed to be amended to reflect) are set out below:

(c) **Face Value**

Each Convertible Note will have a face value of $1.00.

(d) **Maturity Date**

31 March 2023

(e) **Interest**

The interest rate is the higher of:

(i) 8% per annum; and

(ii) the interest rate of the remaining Senior Debt.

The interest will be calculated at the interest rate from 1 October 2020 to the Maturity Date, payable on the Interest Payment Date and may be satisfied in cash or Shares upon agreement of the Company and Peters Investments.

(f) **Conversion Price**

The conversion price of the Convertible Notes is the lower of:

(i) $0.027; and

(i) the issue price of Shares offered under any subsequent capital raising completed by the Company to raise over $1,000,000 on or before the Maturity Date.

(g) **Conversion Right**

(i) Subject to paragraph (ii) below, Peters Investments may elect to convert some or all of the Convertible Notes (including accrued interest) to Shares by delivering to the Company:

(A) an executed Conversion Notice specifying the number of Convertible Notes to be redeemed and converted;

(B) the Note Certificate(s) in respect of the number of Convertible Notes to be redeemed and converted; and

(C) advising the Company in writing if the Noteholder wishes for the interest on the Convertible Notes to be paid in cash (**Cash Election**).

(ii) Upon the announcement of a trade sale, scheme of arrangement or takeover (each, a **Takeover Event**) by the Company, to the extent required by the ASX Listing Rules and/or the Corporations Act the Noteholder's right to convert the Convertible Note will be suspended until the earlier of:

(A) completion of the Takeover Event; and

(B) termination of the Takeover Event.

(h) **Repayment and redemption**

(i) If the Convertible Notes have not been redeemed or converted prior to the Maturity Date, the Company must repay the outstanding amount to Peters Investments in cash on the Maturity Date and the Convertible Notes will be deemed to have been redeemed by the Company on that date.

(ii) No later than six (6) months prior to the Maturity Date Peters Investments must advise the Company in writing of the number of Convertible Notes that will be outstanding (and will therefore need to be redeemed by the Company) on the Maturity Date.

A full summary of the terms and conditions of the Convertible Notes is set out in Schedule 3.

4.5 Intention of Directors if Resolution 6 is not approved

If Resolution 6 is not approved by Shareholders, the 5,000,000 Convertible Notes and the Remainder Options will not be issued. Peters Investments will also be unable to exercise any Options and/or Convertible Notes it already holds if such exercise or conversion will result in Peters Investments' voting power increasing beyond 20% in the Company without Shareholder approval being obtained.

Consequently, the conditions under the October 2020 Note Agreement will not have been met. In such situation, the Company will not receive the $5,000,000 Investment Amount the subject of the October 2020 Note Agreement.

5. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE OF OPTIONS

5.1 General

As detailed in Section 4.1, on or around 15 May 2020, the Company issued 2,000,000 free attaching Options pursuant to the May 2020 Note Agreement (**Free Attaching Options**).

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that 12 month period.

The issue of the Free Attaching Options does not fit within any of the exceptions set out in Listing Rule 7.2 and, as it has not yet been approved by Shareholders, it effectively uses up part of the 15% limit in Listing Rule 7.1, reducing the Company's capacity to issue further equity securities without Shareholder approval under Listing Rule 7.1 for the 12 month period following the date of issue of the Free Attaching Options.

Listing Rule 7.4 allows the shareholders of a listed company to approve an issue of equity securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1 and so does not reduce the company's capacity to issue further equity securities without shareholder approval under that rule.

The Company wishes to retain as much flexibility as possible to issue additional equity securities in the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1. Accordingly, the Company is seeking Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Free Attaching Options.

Resolution 3 seeks Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Free Attaching Options.

5.2 Technical information required by Listing Rule 14.1A

If Resolution 3 is passed, the Free Attaching Options will be excluded in calculating the Company's 15% limit in Listing Rule 7.1, effectively increasing the number of equity securities the Company can issue without Shareholder approval over the 12 month period following the date of issue of the Free Attaching Options.

If Resolution 3 is not passed, the Free Attaching Options will be included in calculating the Company's 15% limit in Listing Rule 7.1, effectively decreasing the number of equity securities that the Company can issue without Shareholder approval over the 12 month period following the date of issue of the Free Attaching Options.

5.3 Technical information required by Listing Rule 7.5

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to Resolution 3:

(a) the Free Attaching Options were issued to Peters Investments;

(b) in accordance with paragraph 7.4 of ASX Guidance Note 21, the Company confirms that none of the recipients were:

  (i) related parties of the Company, members of the Company's Key Management Personnel, substantial holders of the Company, advisers of the Company or an associate of any of these parties; and

  (ii) issued more than 1% of the issued capital of the Company;

(c) 2,000,000 Free Attaching Options were issued and the Free Attaching Options were issued on the terms and conditions set out in Schedule 1;

(d) the Free Attaching Options were issued on or around 15 May 2020;

(e) the Free Attaching Options were issued at a nil issue price, as they were free attaching with the Convertible Notes issued pursuant to the May 2020 Note Agreement. The Company has not and will not receive any other consideration for the issue of the Free Attaching Options (other than in respect of funds received on exercise of the Free Attaching Options);

(f) the purpose of the issue of the Free Attaching Options was to satisfy the Company's obligations under the May 2020 Note Agreement; and

(g) the Free Attaching Options were issued to Peters Investments under the May 2020 Note Agreement. A summary of the material terms of the May 2020 Note Agreement is set out in Section 4.1.

6. RESOLUTION 4 – RATIFICATION OF PRIOR ISSUE OF OPTIONS

6.1 General

On 4 November 2020, the Company issued 8,829,559 Upfront Options pursuant to the October 2020 Note Agreement as detailed in Section 4.2.

Listing Rule 7.1 is summarised in Section 5.1 above.

The issue of the Upfront Options does not fit within any of the exceptions set out in Listing Rule 7.2 and, as it has not yet been approved by Shareholders, it effectively uses up part of the 15% limit in Listing Rule 7.1, reducing the Company's capacity to issue further equity securities without Shareholder approval under Listing Rule 7.1 for the 12 month period following the date of issue of the Upfront Options.

Listing Rule 7.4 allows the shareholders of a listed company to approve an issue of equity securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1 and so does not reduce the company's capacity to issue further equity securities without shareholder approval under that rule.

The Company wishes to retain as much flexibility as possible to issue additional equity securities in the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1. Accordingly, the Company is seeking Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Upfront Options.

Resolution 4 seeks Shareholder ratification pursuant to Listing Rule 7.4 for the issue of the Upfront Options.

6.2 Technical information required by Listing Rule 14.1A

If Resolution 4 is passed, the Upfront Options will be excluded in calculating the Company's 15% limit in Listing Rule 7.1, effectively increasing the number of equity securities the Company can issue without Shareholder approval over the 12 month period following the date of issue of the Upfront Options.

If Resolution 4 is not passed, the Upfront Options will be included in calculating the Company's 15% limit in Listing Rule 7.1, effectively decreasing the number of equity securities that the Company can issue without Shareholder approval over the 12 month period following the date of issue of the Upfront Options.

6.3 Technical information required by Listing Rule 7.5

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to Resolution 4:

(a) the Upfront Options were issued to Peters Investments;

(b) in accordance with paragraph 7.4 of ASX Guidance Note 21, the Company confirms that none of the recipients were:

(i) related parties of the Company, members of the Company's Key Management Personnel, substantial holders of the Company, advisers of the Company or an associate of any of these parties; and

(ii) issued more than 1% of the issued capital of the Company;

(c) 8,829,559 Upfront Options were issued and the Upfront Options were issued on the terms and conditions set out in Schedule 2;

(d) the Upfront Options were issued on 4 November 2020;

(e) the Upfront Options were issued at a nil issue price pursuant to the October 2020 Note Agreement. The Company has not and will not receive any other consideration for the issue of the Upfront Options (other than in respect of funds received on exercise of the Upfront Options);

(f) the purpose of the issue of the Upfront Options was to satisfy the Company's obligations under the October 2020 Note Agreement; and

(g) the Upfront Options were issued to Peters Investments under the October 2020 Note Agreement. A summary of the material terms of the October 2020 Note Agreement is set out in Schedule 3.

7. RESOLUTION 5 – AMENDMENT OF EXISTING CONVERTIBLE NOTES ON ISSUE

7.1 General

On 15 May 2020, the Company issued 1,000,000 convertible notes to Peters Investments (**Existing Convertible Notes**). The Existing Convertible Notes were issued pursuant to the May 2020 Note Agreement, a summary of which is set out in Section 4.1 above.

None of the Existing Convertible Notes have been converted.

The Company has since entered into the October 2020 Note Agreement with Peters Investments (a summary of which is set out in Section 4.2 above). It is a condition to the $5 million investment, and issue of 5,000,0000 Convertible Notes, the subject of the October 2020 Note Agreement that:

(a) the terms and conditions of the Existing Convertible Notes are amended so that they are the same terms and conditions as the Convertible Notes to be issued under the October 2020 Note Agreement;

(b) the amended terms of the amended Existing Convertible Notes have been approved by the ASX and Shareholders; and

(c) ASX confirms that the terms of the amended Existing Convertible Notes and 5,000,000 Convertible Notes to be issued under the October 2020 Note Agreement comply with ASX Listing Rule 6.1.

7.2 Purpose of Resolution 5

Resolution 5 seeks the approval of Shareholders to amend the terms of the Existing Convertible Notes so that they are consistent with the terms of the 5,000,000 Convertible Notes to be issued under the October 2020 Note Agreement.

The proposed amendments to the Existing Convertible Notes are set out in Schedule 4 (**Proposed Amendments**). Other than the Proposed Amendments, the terms of the Existing Convertible Notes will remain unchanged.

7.3 ASX approval – Listing Rule 6.1

On 3 November 2020, ASX confirmed that:

(a) the terms of the Convertible Notes with a face value of $5,000,000 proposed to be issued by the Company to Peters Investments are appropriate and equitable pursuant to Listing Rule 6.1; and

(b) the amendments to the terms of the Existing Convertible Notes with a face value of $1,000,000 that were issued by the Company to Peters Investments in May 2020 are appropriate and equitable pursuant to Listing Rule 6.1.

8. RESOLUTION 6 – APPROVAL FOR ISSUE OF CONVERTIBLE NOTES, OPTIONS AND MAXIMUM VOTING POWER TO PETERS INVESTMENTS PTY LTD

8.1 General

As detailed at Section 4.3 above, Resolution 6 seeks Shareholder approval for the purpose of item 7 of section 611 of the Corporations Act to allow the Company to issue 5,000,000 Convertible Notes and 3,170,441 Remainder Options (on the terms outlined in Schedule 2) to Peters Investments which, in conjunction with the Existing Convertible Notes and Existing Options and issue of any Shares in repayment of interests accrued on the Existing Convertible Notes and Convertible Notes, may result in Peters Investments' voting power in the Company increasing beyond 20%.

As at the date of this Notice of Meeting, Peters Investments does not have a relevant interest in any Shares in the Company.

As a result of:

(a) exercise of the Existing Options and the Remainder Options;

(b) conversion of the Existing Convertible Notes and 5,000,000 Convertible Notes to be issued pursuant to this Resolution (assuming a conversion price of $0.027 per Convertible Note); and

(c) the issue of Shares in repayment of interest accrued on the Existing Convertible Notes and Convertible Notes,

Peters Investments would have a relevant interest in 293,406,258 Shares in the Company, representing an increase from 0% to up to 49.53% in the voting power of the Company, assuming no other Shares are issued and no other Options are exercised.

Resolution 6 seeks Shareholder approval for the purposes of item 7 of section 611 to issue and for all other purposes, authorisation and approval is given for the Company to issue 5,000,000 Convertible Notes and the Remainder Options to Peters Investments Pty Ltd which (in conjunction with the Existing Convertible Notes and the Existing Options and the issue of Shares from conversion of interest accrued on the Existing Convertible Notes and Convertible Notes) may result in Peters Investments Pty Ltd having a voting power which is otherwise prohibited by section 606(1) of the Corporations Act.

(a) **Section 606 of the Corporations Act – Statutory Prohibition**

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

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

(ii) from a starting point that is above 20% and below 90%,

(**Prohibition**).

(b) **Voting Power**

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

(c) **Associates**

For the purposes of determining voting power under the Corporations Act, a person (**second person**) is an "associate" of the other person (**first person**) if:

(i) (pursuant to Section 12(2) of the Corporations Act) the first person is a body corporate and the second person is:

(A) a body corporate the first person controls;

(B) a body corporate that controls the first person; or

(C) a body corporate that is controlled by an entity that controls the person;

(ii) the second person has entered or proposes to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; or

(iii) the second person is a person with whom the first person is acting or proposes to act, in concert in relation to the company's affairs.

Associates are, therefore, determined as a matter of fact. For example where a person controls or influences the board or the conduct of a company's business affairs, or acts in concert with a person in relation to the entity's business affairs.

(d) **Relevant Interests**

Section 608(1) of the Corporations Act provides that a person has a relevant interest in securities if they:

(i) are the holder of the securities;

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

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

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

In addition, section 608(3) of the Corporations Act provides that a person has a relevant interest in securities that any of the following has:

(i) a body corporate in which the person's voting power is above 20%; or

(ii) a body corporate that the person controls.

8.2 Reason Section 611 Approval is Required

Item 7 of Section 611 of the Corporations Act provides an exception to the Prohibition, whereby a person may acquire a relevant interest in a company's voting shares with shareholder approval. Peters Investments does not currently have a relevant interest in any Shares in the Company, reflecting a voting power in the Company of 0% as at the date of this Notice of Meeting.

Following the issue of the 5,000,000 Convertible Notes and Remainder Options and exercise of the Existing Options and the Remainder Options and conversion of the Existing Convertible Notes and 5,000,000 Convertible Notes (assuming a conversion price of $0.027 per Convertible Note) , Peters Investments will have a relevant interest in up to 293,406,258 Shares in the Company, representing 49.53% in the voting power in the Company (**Proposed Issue**).

Accordingly, Resolution 6 seeks Shareholder approval for the purpose of section 611 Item 7 to enable Peters Investments to increase its voting power beyond 20%.

Section 8.3(b) below details the potential maximum increase in voting power of Peters Investments as a result of the issue of the 5,000,000 Convertible Notes and Remainder Options and subsequent exercise of Options and conversion of Convertible Notes held by Peters Investments.

8.3 Specific Information required by Section 611 Item 7 of the Corporations Act and ASIC Regulatory Guide 74

The following information is required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval for item 7 of section 611 of the Corporations Act. Shareholders are also referred to the Independent Expert's Report prepared by the Independent Expert, annexed to this Explanatory Statement.

(a) **Identity of Peters Investments and its associates**

Peters Investments is an Australian proprietary limited company and investment entity owned by prominent Australian horse-owner breeder, Bob Peters.

The Company understands that there are no associates of Peters Investments which have a relevant interest in the Shares of the Company or will have a relevant interest in the Shares of the Company prior to or upon completion of the Placement.

(b) **Voting Power and Relevant Interest**

The relevant interest of Peters Investments and the voting power of Peters Investments in the Company (both current, and following the Proposed Issue) are set out in the table below:

	All Shareholders	Non-associated Shareholders	Peters Investments
Current shareholding	298,954,431	298,954,431	0
Current Voting Power	**100%**	**100%**	**0%**
Conversion of 5,000,000 Convertible Notes and Existing Convertible Notes and interest accrued	578,360,689	298,954,431	279,406,258
Post-Conversion Voting Power	**100%**	**51.69**	**48.31%**
Exercise of Remainder Options and Existing Options	592,360,689	298,954,431	293,406,258
Post-Conversion and Post-Exercise Voting Power	**100%**	**50.47%**	**49.53%**

(e) **Summary of increases**

Following the matters contemplated in Section 8.3, Peters Investments will have a relevant interest in 293,406,258 Shares in the Company, representing an increase from 0% to up to 49.53% in the voting power of the Company.

(f) **Assumptions**

Note that the following assumptions have been made in calculating the above:

(i) the Company has 298,954,431 Shares on issue as at the date of this Notice of Meeting;

(ii) no additional Shares are issued by the Company; and

(iii) Peters Investments does not acquire a relevant interest in any additional Shares in the Company.

Further details on the voting power of Peters Investments is set out in the Independent Expert's Report prepared by the Independent Expert.

(c) **Reasons for the proposed issue of securities**

The issue of the Shares will occur on the potential future conversion of the Convertible Notes (together with accrued interest) and exercise of the Remainder Options, in accordance with the terms of the October 2020 Note Agreement. The funds raised by the Company under the October 2020 Note Agreement will further secure the Company's position to accelerate its growth strategy and have and will continue to be specifically applied to:

(i) reducing existing debts owed to Macquarie Bank Limited;

(ii) facilitating fundraising and re-financing costs; and

(iii) improving the Company's working capital position.

(d) **Date of proposed issue of securities**

If Shareholder approval is obtained, the Shares will be issued on a date after the Meeting to be determined by the Company and Peters Investments.

(e) **Material terms of proposed issue of securities**

All Shares issued as a result of the Conversion Issues will rank *pari passu* with the other Shares of the Company.

(f) **Peters Investments' Intentions**

Other than as disclosed elsewhere in this Explanatory Statement, the Company understands that Peters Investments:

(i) has no present intention of making any significant changes to the business of the Company;

(ii) has no present intention to inject further capital into the Company;

(iii) has no present intention of making changes regarding the future employment of the present employees of the Company;

(iv) has no present intention to redeploy any fixed assets of the Company;

(v) has no present intention to transfer any property between the Company and themselves;

(vi) has no present intention to change the Company's existing policies in relation to financial matters or dividends; and

(vii) has no present intention to change the Board.

These present intentions may change as new information becomes available, as circumstances change or in the light of all material information, facts and circumstances necessary to assess the operational, commercial, taxation and financial implications of those decisions at the relevant time.

(g) **Interests and Recommendations of Directors**

Other than as set out in this section, none of the current Directors have an interest in the proposed acquisition the subject of Resolution 6 or any relevant agreement between Peters Investments and the Company (or any of their associates) that is conditional on (or directly or indirectly depends on) Shareholders' approval al of the proposed acquisition.

Teldar Real Estate Pty Ltd <MJ Lahood Family A/C>, an entity controlled by Director, Matthew Lahood and four other Shareholders (**Guarantee Shareholders**) have each provided a joint and several guarantee to Macquarie Bank Limited in relation to the entirety of the Senior Debt.

On the basis that funds received from Peters Investments under the October 2020 Note Agreement are intended to be applied towards reducing existing debts owed by to Macquarie Bank Limited, there will ultimately be a corresponding reduction in their guarantees provided by the Guarantee Shareholders.

The details of these Shareholders, their current shareholdings, current guaranteed amount and remaining guaranteed amount on the basis that all $5,000,000 of the Convertible Note funds are applied towards the Senior Debt are set out in the table below.

	Current Share holding	Current guaranteed amount	Guaranteed amount following $5,000,000 being applied to Macquarie Bank Senior Debt
Teldar Real Estate Pty Ltd <MJ Lahood Family A/C>	24,679,595	$8,716,071	$3,716,071
MAC Property Group Pty Ltd <MAC A/C>	25,690,547	$8,716,071	$3,716,071
SEMC 2 Pty Ltd <The Chen Asset A/C>	25,603,532	$8,716,071	$3,716,071
Ben Collier Investments Pty Ltd	27,060,515	$8,716,071	$3,716,071
Daring Investments Pty Ltd	24,749,544	$8,716,071	$3,716,071

Based on the information available, including that contained in this Explanatory Memorandum and the Independent Expert's Report, each of the Directors recommends that Shareholders vote in favour of Resolution 6.

The Directors are not aware of any other information other than as set out in this Notice of Meeting that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 6.

(h) **Capital Structure**

Details of the effects to the Company's capital structure resulting from the Proposed Issue is set out in Section 8.3(b) above.

8.4 Advantages of the Issue

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on proposed Resolution 6:

(a) Peters Investments' investment under the May 2020 Note Agreement and October 2020 Note Agreement represents a cash advance of $6,000,000 which sum will be pivotal to assist the Company with its stated objectives including paying down its current debt to Macquarie Bank Limited to $5,000,000;

(b) Peters Investments is a strong institutional Shareholder partner who will continue to add value to the Company's strategic goals;

(c) if the Remainder Options and the Existing Options are issued to and exercised by Peters Investments, additional funds of approximately $391,656 will be raised from the exercise price of the Remainder Options and the Existing Options; and

(d) in addition, the Independent Expert has noted the following advantages:

(i) the proposed transaction will significantly reduce the risk of the Company defaulting on its loan from Macquarie Bank;

(ii) the proposed transaction may be the Company's only option for funding in the near future;

(iii) the terms of the Convertible Notes allow the Company to reserve its cash balances in the short-term;

(iv) the proposed transaction will allow the Company; to continue to operate and achieve its strategic goals and business objectives;

(v) the conversion of the Convertible Notes will improve the Company's solvency in the long-term.

8.5 Disadvantages of the Issue

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on proposed Resolution 6:

(a) the Proposed Issue will increase the voting power of Peters Investments from 0% up to 49.53%, reducing the voting power of non-associated Shareholders in aggregate from 100% to approximately 50.47%;

(b) the increased shareholding of Peters Investments may reduce the liquidity of the Company's Shares and impact the ability for a Shareholder to liquidate their investment;

(c) there is no guarantee that the Company's Shares will not fall in value as a result of the issue; and

(d) in addition the Independent Expert has specifically noted the following disadvantages:

    (i) Peter's Investments will hold a significant interest in the Company (up to 49.53%) which could result in a change of control, and severely dilute existing shareholders' collective interest in the Company; and

    (ii) The proposed transaction could reduce the liquidity of Shares.

8.6 Independent Expert's Report - Resolution 6

The Independent Expert's Report prepared by the Independent Expert (a copy of which is attached as Annexure A to this Explanatory Statement) assesses whether the transaction contemplated by Resolution 4 is fair and reasonable to the non-associated Shareholders of the Company.

The Independent Expert's Report concludes that the transaction contemplated by Resolution 6 is not fair but reasonable.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

8.7 ASX Listing Rule 7.1

Approval pursuant to ASX Listing Rule 7.1 is not required for the issue of the Convertible Notes and Remainder Options the subject of Resolution 6 as approval is being obtained for the purposes of Item 7 of Section 611 of the Corporations Act, which is an exception to ASX Listing Rule 7.1. Accordingly, the issue of Convertible Notes and the Remainder Options to Peters Investments (or its nominees) the subject of Resolution 6 will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

9. RESOLUTION 7 – APPROVAL OF 7.1A MANDATE

9.1 General

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of Equity Securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

However, under Listing Rule 7.1A, an eligible entity may seek shareholder approval by way of a special resolution passed at its annual general meeting to increase this 15% limit by an extra 10% to 25% (**7.1A Mandate**).

An 'eligible entity' means an entity which is not included in the S&P/ASX 300 Index and has a market capitalisation of $300,000,000 or less. The Company is an eligible entity for these purposes.

Resolution 7 seeks Shareholder approval by way of special resolution for the Company to have the additional 10% placement capacity provided for in Listing Rule 7.1A to issue Equity Securities without Shareholder approval.

If Resolution 7 is passed, the Company will be able to issue Equity Securities up to the combined 25% limit in Listing Rules 7.1 and 7.1A without any further Shareholder approval.

If Resolution 7 is not passed, the Company will not be able to access the additional 10% capacity to issue Equity Securities without Shareholder approval under Listing Rule 7.1A, and will remain subject to the 15% limit on issuing Equity Securities without Shareholder approval set out in Listing Rule 7.1.

9.2 Technical information required by Listing Rule 7.1A

Pursuant to and in accordance with Listing Rule 7.3A, the information below is provided in relation to Resolution 7:

(a) **Period for which the 7.1A Mandate is valid**

The 7.1A Mandate will commence on the date of the Meeting and expire on the first to occur of the following:

(i) the date that is 12 months after the date of this Meeting;

(ii) the time and date of the Company's next annual general meeting; and

(iii) the time and date of approval by Shareholders of any transaction under Listing Rule 11.1.2 (a significant change in the nature or scale of activities) or Listing Rule 11.2 (disposal of the main undertaking).

(b) **Minimum Price**

Any Equity Securities issued under the 7.1A Mandate must be in an existing quoted class of Equity Securities and be issued at a minimum price of 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 trading days on which trades in that class were recorded immediately before:

(i) the date on which the price at which the Equity Securities are to be issued is agreed by the entity and the recipient of the Equity Securities; or

(ii) if the Equity Securities are not issued within 10 trading days of the date in Section 9.2(b)(i), the date on which the Equity Securities are issued.

(c) **Use of funds raised under the 7.1A Mandate**

The Company intends to use funds raised from issues of Equity Securities under the 7.1A Mandate for acquisition of new assets and investments (including expenses associated with such an acquisition), the development of the Company's current business and/or general working capital.

(d) **Risk of Economic and Voting Dilution**

Any issue of Equity Securities under the 7.1A Mandate will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 7 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 7.1A Mandate, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in Listing Rule 7.1A.2, on the basis of the closing market price of Shares and the number of Equity Securities on issue as at 15 October 2020.

The table also shows the voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 7.1A Mandate.

<table>
<tr><th colspan="2"></th><th colspan="4">Dilution</th></tr>
<tr><th colspan="2" rowspan="4">Number of Shares on Issue (Variable A in Listing Rule 7.1A.2)</th><th rowspan="4">Shares issued – 10% voting dilution</th><th colspan="3">Issue Price</th></tr>
<tr><th>$0.018</th><th>$0.035</th><th>$0.053</th></tr>
<tr><th>50% decrease</th><th>Issue Price</th><th>50% increase</th></tr>
<tr><th colspan="3">Funds Raised</th></tr>
<tr><td>Current</td><td>298,954,431 Shares</td><td>29,895,443 Shares</td><td>$523,170</td><td>$1,046,340</td><td>$1,569,510</td></tr>
<tr><td>50% increase</td><td>448,431,647 Shares</td><td>44,843,164 Shares</td><td>$784,755</td><td>$1,569,510</td><td>$2,354,266</td></tr>
<tr><td>100% increase</td><td>597,908,862 Shares</td><td>59,790,886 Shares</td><td>$1,046,340</td><td>$2,092,681</td><td>$3,139,021</td></tr>
</table>

*The number of Shares on issue (Variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

The table above uses the following assumptions:

1. There are currently 298,954,431 Shares on issue.
2. The issue price set out above is the closing market price of the Shares on the ASX on 15 October 2020.
3. The Company issues the maximum possible number of Equity Securities under the 7.1A Mandate.

4. The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in Listing Rule 7.2 or with approval under Listing Rule 7.1.
5. The issue of Equity Securities under the 7.1A Mandate consists only of Shares. It is assumed that no Options are exercised into Shares before the date of issue of the Equity Securities. If the issue of Equity Securities includes quoted Options, it is assumed that those quoted Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
6. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
7. This table does not set out any dilution pursuant to approvals under Listing Rule 7.1 unless otherwise disclosed.
8. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
9. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 7.1A mandate, based on that Shareholder's holding at the date of the Meeting.

Shareholders should note that there is a risk that:

(i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and

(ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(e) **Allocation policy under the 7.1A Mandate**

The recipients of the Equity Securities to be issued under the 7.1A Mandate have not yet been determined. However, the recipients of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the recipients at the time of the issue under the 7.1A Mandate, having regard to the following factors:

(i) the purpose of the issue;

(ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue, share purchase plan, placement or other offer where existing Shareholders may participate;

(iii) the effect of the issue of the Equity Securities on the control of the Company;

(iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;

(v) prevailing market conditions; and

(vi) advice from corporate, financial and broking advisers (if applicable).

(f) **Previous approval under Listing Rule 7.1A**

The Company previously obtained approval from its Shareholders pursuant to Listing Rule 7.1A at its annual general meeting held on 29 November 2019 (**Previous Approval**).

During the 12 month period preceding the date of the Meeting, being on and from 23 December 2019, the Company has not issued any Equity Securities pursuant to the Previous Approval.

SCHEDULE 1 – TERMS AND CONDITIONS OF FREE ATTACHING OPTIONS

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (i), the amount payable upon exercise of each Option will be $0.033828 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (AWST) on that date which is two (2) years from the date of issue (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

(i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;

(i) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

(ii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under paragraph (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(k) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(l) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

SCHEDULE 2 – TERMS AND CONDITIONS OF OPTIONS

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (i), the amount payable upon exercise of each Option will be $0.027 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (AWST) on 31 March 2023 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 5 Business Days after the Exercise Date, the Company will:

(i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;

(ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

(iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under paragraph (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(k) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(l) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

SCHEDULE 3 – MATERIAL TERMS OF THE OCTOBER 2020 CONVERTIBLE NOTES AND OCTOBER 2020 NOTE AGREEMENT

A summary of the terms and conditions of the Convertible Notes and the Convertible Note Agreement is set out below:

(d) **Quantum**: Provision of an advance and the issue of convertible securities for an aggregate amount of up to A$5,000,000.

(e) **Face Value**: $1.00 per Convertible Note

(f) **Facilitation Fee**: a fee of 3.0% of the amount of the Convertible Notes issued pursuant to the Convertible Note Agreement, being an amount of $150,000.The facilitation fee will be capitalised and added to the face value of the $5 million advanced for the 5,000,000 convertible notes.

(g) **Upfront Options:** at the same time as paying the Facilitation Fee (in accordance with clauses 12.5(b) and 12.5(c) of the Convertible Note Agreement), the Company will grant to the Investor or its nominee up to 12,000,000 Options on the following basis:

    (a) the number of Options to be issued at the same time as payment of the Facilitation Fee shall be equal to the number of securities the Company is able to agree to issue on the date of entry into the Financing Documents without breaching its 15% limit under Listing Rule 7.1 (**Upfront Options**);

    (b) the Company agrees to issue the number of Options equal to 10,000,000 less the number of Upfront Options subject to receipt of Shareholder approval; and

        (i) the Options will have the terms and conditions set out in Schedule 5 of the Convertible Note Agreement; and

        (ii) in the event that the issue of the Options requires Shareholder approval, and the Company does not receive Shareholder approval, the Company will, within 5 Business Days of the date of the meeting where Shareholder approval is not obtained, pay to the Investor an amount equal to the Black & Scholes valuation of the Options at the time of the Shareholder meeting.

(h) **Maturity Date:** 31 March 2023, unless otherwise agreed in writing by the Parties.

(i) **Conversion**: Subject to paragraph (g), the Noteholder may convert some or all of the Convertible Notes held by the Noteholder into Shares (including those Convertible Notes which following the occurrence of a Redemption Event, the Noteholder has not required the Company to redeem, at any prior to the Maturity Date by delivering to the Company :

    (i) an executed Conversion Notice specifying the number of Convertible Notes to be redeemed and converted;

    (ii) the Note Certificate(s) in respect of the number of Convertible Notes to be redeemed and converted; and

    (iii) advising the Company in writing if the Noteholder wishes for the interest on the Convertible Notes to be paid in cash.

(j) **Suspension of conversion rights**: Upon the announcement of a trade sale, scheme of arrangement or takeover (each, a **Takeover Event**) by the Company, to the extent required by the ASX Listing Rules and/or the Corporations Act the Noteholder's right to convert the Convertible Note will be suspended until the earlier of:

(i) completion of the Takeover Event; and

(ii) termination of the Takeover Event.

(k) **Conversion Price** means the lower of:

(i) $0.027; and

(ii) the issue price of Shares offered under any subsequent capital raising completed by the Company to raise over $1,000,000 on or before the Maturity Date.

(l) **Redemption Events**:

(i) At any time following the occurrence of a Redemption Event, the Noteholder may require the Company to redeem some or all of the Convertible Notes held by the Noteholder

(ii) Each of the following is a **Redemption Event** (whether or not caused by anything outside the control of any party):

(A) on Insolvency Event (as defined in the October 2020 Note Agreement) occurs in relation to the Company.

(B) The Company breaches its obligations under the October 2020 Convertible Note Agreement or the convertible note terms and such breach is not remedied within 7 days of being notified of such breach by Peters Investments.

(m) Within 20 Business Days of receiving a redemption notice and note certificates, the Company must pay to Peters Investments the outstanding amount for such number of Convertible Notes being redeemed.

(n) **Redemption on Maturity Date**: If the Convertible Notes have not been redeemed or converted in accordance with the Convertible Note Agreement prior to the Maturity Date, the Company must repay the Outstanding Amount to the Investor in cash on the Maturity Date and the Convertible Notes will be deemed to have been redeemed by the Company on that date.

(o) **Interest Payment Date** means the earlier of:

(i) the Redemption Date;

(ii) the Conversion Date; or

(iii) the Maturity Date.

(p) **Interest Rate** means the higher of:

(i) 8% per annum; and

(iii) the interest rate of the remaining Senior Debt.

The interest will be calculated at the interest rate from 1 October 2020 to the Maturity Date, payable on the Interest Payment Date and may be satisfied in cash or Shares upon agreement of the Company and Peters Investments.

(q) **Security**

The Company's obligations in relation to the Convertible Notes shall be secured by a charge over all of the assets of the Company subordinate to Macquarie Bank's security over all of the assets of the Company for so long as any debt remains outstanding to Macquarie Bank.

SCHEDULE 4 – PROPOSED AMENDMENTS TO EXISTING CONVERTIBLE NOTE TERMS

	Current Term under May 2020 Note Agreement	Proposed Amendment
Conversion Price	The lower of: (a) $0.04; and (b) A 20% discount to the 15-day VWAP prior to the Conversion Date.	The lower of: (a) $0.027; and (b) the issue price of Shares offered under any subsequent capital raising completed by the Company to raise over $1,000,000 on or before the Maturity Date.
Interest Rate	9% per annum	The higher of: (a) 8% per annum; and (b) the interest rate of the remaining Senior Debt.
Computation of interest	Interest on the Convertible Notes will: (a) will be calculated at the Interest Rate from 15 May 2020 to the Maturity Date (no matter when the Convertible Notes are converted, redeemed or the Outstanding Amount repaid by the Company); and (b) be due and payable on the Interest Payment Date, subject to the Company's obligation to redeem.	Interest on the Convertible Notes will: (a) will be calculated at the Interest Rate from 15 May 2020 to the Maturity Date (no matter when the Convertible Notes are converted, redeemed or the Outstanding Amount repaid by the Company); (b) be due and payable on the Interest Payment Date, subject to the Company's obligation to redeem; and (c) be satisfied in cash or Shares upon agreement of the Noteholder and the Company.
Maturity Date	The earlier of 31 December 2020 or when all amounts owing by the Company to Macquarie Bank under or in connection with its loan arrangements have been repaid, unless otherwise agreed in writing by the Parties.	31 March 2023
Conversion	The Noteholder may convert some or all of the Convertible Notes held by the Noteholder into Shares	Subject to the suspension of conversion rights provision below, the Noteholder may convert

	(including those Convertible Notes which following the occurrence of a Redemption Event, the Noteholder has not required the Company to redeem), by delivering to the Company: (a) an executed Conversion Notice specifying the number of Convertible Notes to be redeemed and converted; (b) the Note Certificate(s) in respect of the number of Convertible Notes to be redeemed and converted; and (c) advising the Company in writing if the Noteholder wishes for the interest on the Convertible Notes to be paid in cash (**Cash Election**).	some or all of the Convertible Notes held by the Noteholder into Shares (including those Convertible Notes which following the occurrence of a Redemption Event, the Noteholder has not required the Company to redeem, at any prior to the Maturity Date by delivering to the Company : (a) an executed Conversion Notice specifying the number of Convertible Notes to be redeemed and converted; (b) the Note Certificate(s) in respect of the number of Convertible Notes to be redeemed and converted; and (c) advising the Company in writing if the Noteholder wishes for the interest on the Convertible Notes to be paid in cash.
Suspension of conversion rights	N/A	Upon the announcement of a trade sale, scheme of arrangement or takeover (each, a **Takeover Event**) by the Company, to the extent required by the ASX Listing Rules and/or the Corporations Act the Noteholder's right to convert the Convertible Note will be suspended until the earlier of: (a) completion of the Takeover Event; and (b) termination of the Takeover Event.
Redemption on Maturity Date	If the Convertible Notes have not been redeemed (in accordance with paragraph 7.3) or converted (in accordance with paragraph 8) prior to the Maturity Date, the Company must repay the Outstanding Amount to the Investor in cash on the Maturity Date and the Convertible Notes will be deemed to have been redeemed by the Company on that date.	(a) If the Convertible Notes have not been redeemed (in accordance with paragraph 7.3) or converted (in accordance with paragraph 8) prior to the Maturity Date, the Company must repay the Outstanding Amount to the Investor in cash on the Maturity Date and the Convertible Notes will be deemed to have

		been redeemed by the Company on that date. (b) Subject to the suspension of conversion rights provision, no later than six (6) months prior to the Maturity Date the Noteholder must advise the Company in writing of the number of Convertible Notes that will be outstanding (and will therefore need to be redeemed by the Company on the Maturity Date.
Events of Default	N/A	Each of the following is an Event of Default: (a) **breach**: the Company is in breach of this Deed and fails to rectify such breach within five (5) Business Days of receiving written notice from the Noteholder specifying such breach; (b) **misrepresentation**: any representation, warranty or statement made or repeated in or in connection with this Deed is untrue or misleading (whether by omission or otherwise) when so made or repeated or becomes untrue or misleading (or, in the case of financial forecasts, unfair or unreasonable) when taken as a whole; (c) **involuntary winding up**: an application or order is made for the winding up of the Company or for the appointment of a liquidator; (d) **voluntary winding up**: the Company passes a resolution for its winding up; (e) **receiver**: a receiver, controller or analogous person is appointed to take possession of all or

		any part of the assets of the Company ; (f) **insolvency**: the Company : (i) suspends payment generally; (ii) becomes an externally-administered body corporate; (iii) becomes subject to administration, or steps are taken which could reasonably be expected to result in the Company becoming so subject; or (iv) is or states that it is, or is deemed by applicable law to be, unable to pay its debts as and when they fall due; (g) **compromise or arrangement**: the Company takes any step for the purpose of entering into a compromise or arrangement with any of its members or creditors except for the purpose of a reconstruction, amalgamation, merger or consolidation on terms approved by the Noteholder; (h) **failure to comply with waiver**: if any Event of Default (or occurrence which would otherwise have been or become an Event of Default) is conditionally waived by the Noteholder and the Company does not comply with those conditions or those

		conditions are not fulfilled (whether by the Company or any other person) or are or become incapable of fulfilment; and (i) **investigations**: a person is appointed under any legislation to investigate or manage any part of the affairs of the Company .
Noteholder's powers on default	N/A	If an Event of Default occurs, the Noteholder may, subject to the terms of the Intercreditor Deed, then or at any time subsequently by notice to the Company: (a) declare all money owing under this Deed to be immediately due and payable, and the Company must immediately pay that money (including accrued interest and fees) and cash cover for the full amount of any money contingently owing under this Deed; and/or (b) cancel its obligations (if any) under this Deed.

GLOSSARY

$ means Australian dollars.

7.1A Mandate has the meaning given in Section 9.1.

Annual General Meeting or **Meeting** means the meeting convened by the Notice.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

AWST means Western Standard Time as observed in Perth, Western Australia.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

(a) a spouse or child of the member;

(b) a child of the member's spouse;

(c) a dependent of the member or the member's spouse;

(d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;

(e) a company the member controls; or

(f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Company means The Agency Group Australia Ltd (ACN 118 913 232).

Constitution means the Company's constitution.

Conversion Notice means a notice substantially in the form contained in Schedule 2 of the October 2020 Note Agreement.

Corporations Act means the *Corporations Act 2001* (Cth).

Deed of Forbearance means an amended and restated deed of forbearance between, amongst others, the Company and Macquarie Bank on terms acceptable to Macquarie Bank.

Directors means the current directors of the Company.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Existing Options means 10,829,559 Options, being the total of the 2,000,000 Options currently held by Peters Investments, the subject of Resolution 3, and the 8,829,559 Options the subject of Resolution 4.

Explanatory Statement means the explanatory statement accompanying the Notice.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Listing Rules means the Listing Rules of ASX.

Macquarie Bank means Macquarie Bank Limited ABN 46 008 583 542.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Proxy Form means the proxy form accompanying the Notice.

Remainder Options means 3,170,441 Options.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2020.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Section means a section of the Explanatory Statement.

Senior Debt means the enforceable financial obligations owed to Macquarie Bank by the Company and its subsidiaries arising from existing secured interests pursuant to senior debt facilities advanced by Macquarie Bank.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

Variable A means "A" as set out in the formula in Listing Rule 7.1A.2.

The Agency Group Australia Ltd

Proposed potential issue of fully paid ordinary shares to Peters Investments Pty Ltd and its associates upon conversion of convertible notes and/or upon exercise of options.

Independent Expert’s Report and Financial Services Guide

23 November 2020

In our opinion the Proposed Transaction is not fair but reasonable

FINANCIAL SERVICES GUIDE

Dated: 23 November 2020

What is a Financial Services Guide (“FSG”)?

This FSG is designed to help you decide whether to use any of the general financial product advice provided by Nexia Perth Corporate Finance Pty Ltd ABN 84 009 342 661 (“NPCF”), Australian Financial Services Licence (“AFSL”) Number 289358.

This FSG includes information about:

- NPCF and how they can be contacted;
- the services NPCF is authorised to provide;
- how NPCF are paid;
- any relevant associations or relationships of NPCF;
- how complaints are dealt with as well as information about internal and external dispute resolution systems, and how you can access them; and
- the compensation arrangements that NPCF has in place.

Where you have engaged NPCF we act on your behalf when providing financial services. Where you have not engaged NPCF, NPCF acts on behalf of our client when providing these financial services and are required to provide you with a FSG because you receive a report or other financial services from NPCF.

Financial Services that NPCF is Authorised to Provide

NPCF holds an AFSL authorising it to carry on a financial services business to provide financial product advice for securities and deal in a financial product by arranging for another person to issue, apply for, acquire, vary or dispose of a financial product in respect of securities to retail and wholesale clients.

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products.

NPCF's Responsibility to You

NPCF has been engaged by the directors of The Agency Group Australia Ltd (“AU1”, “The Agency Group” or the “Client”) to provide general financial product advice in the form of an independent expert’s report to be included in the Notice of Annual General Meeting (“NoM” or “Document”) sent to The Agency Group shareholders on or about 23 November 2020 (“Report”).

You have not engaged NPCF directly but have received a copy of the Report because you have been provided with a copy of the NoM. NPCF or the employees of NPCF are not acting for any person other than the Client.

NPCF is responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As NPCF has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Proposed Transaction.

Fees NPCF May Receive

NPCF charges fees for preparing Reports. These fees will usually be agreed with, and paid by the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay NPCF approximately $20,000 (excluding GST and out of pocket expenses) for preparing the Report. NPCF and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of this Report.

Referrals

NPCF does not pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and Relationships

Through a variety of corporate and trust structures NPCF is controlled by and operates as part of Nexia Perth Pty Ltd (or the "Nexia Perth Entity"). NPCF's directors and authorised representative may be directors in the Nexia Perth Entity. Mrs Muranda Janse Van Nieuwenhuizen, authorised representative of NPCF and director in the Nexia Perth Entity, has prepared this Report. The financial product advice in the Report is provided by NPCF and not by the Nexia Perth Entity.

From time to time NPCF, the Nexia Perth Entity and related entities ("Nexia Entities") may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

Over the past three years $78,550 (excluding GST) in professional fees has been received from the Client and/or the Client's related parties in relation to Independent Expert Reports and other valuation related services.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the Proposed Transaction.

Complaints Resolution

If you have a complaint, please let NPCF know. Formal complaints should be sent in writing to:

Nexia Perth Corporate Finance Pty Ltd
Compliance Officer
GPO Box 2570
Perth WA 6001

If you have difficulty in putting your complaint in writing, please telephone the Compliance Officer, Mr Henko Vos, on +61 8 9463 2463 and he will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External Complaints Resolution Process

If NPCF cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Australian Financial Complaints Authority ("AFCA"). The AFCA is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about the AFCA is available at the AFCA website https://www.afca.org.au/ or by contacting them directly at:

Australian Financial Complaints Authority Limited
GPO Box 3, Melbourne, Victoria 3001

Telephone:	1300 56 55 62
Facsimile	(03) 9613 6399
Email:	info@afca.org.au

The Australian Securities and Investments Commission also has a free call info line on 1300 300 630 which you may use to obtain information about your rights.

Compensation Arrangements

NPCF has professional indemnity insurance cover as required by the *Corporations Act 2001* (Cth) ("Corporations Act").

Contact Details

You may contact NPCF at:

Nexia Perth Corporate Finance Pty Ltd
GPO Box 2570
PERTH WA 6001

23 November 2020

The Directors
The Agency Group Australia Ltd
68 Milligan Street
PERTH WA 6000

Dear Sirs,

Independent Expert's Report on the Proposed Potential Issue of Fully Paid Ordinary Shares to Peters Investments Pty Ltd and its Associates Upon the Conversion of Convertible Notes and/or Upon the Exercise of Options

1. BACKGROUND AND OUTLINE OF THE PROPOSED TRANSACTION

1.1. General Background

On 15 May 2020, The Agency Group Australia Ltd ("AU1", "The Agency Group" or the "Company") issued $1 million of convertible notes ("May 2020 Convertible Notes") and 2 million options ("AU1 Options") in the Company ("May 2020 Options") to Peters Investments Pty Ltd ("Peters Investments").

On 29 October 2020, AU1 announced that the Company and its subsidiaries ("the Group") had secured a long-term $11 million funding package ("Funding Package") comprising the following:

- "Convertible Notes", which is made up of:
    - $5 million in new convertible notes ("October 2020 Convertible Notes"), and 12 million AU1 Options ("October 2020 Options") to be issued to Peters Investments; and
    - the existing $1 million May 2020 Convertible Notes previously issued to Peters Investments, with their terms to be amended to be in line with the terms of the October 2020 Convertible Notes ("Amended May 2020 Convertible Notes"); and
- an extended $5 million primary secured debt facility from Macquarie Bank Limited ("Macquarie Bank"), down from $12 million ("Senior Debt") and subject to shareholder approval of the Convertible Notes, with final documentation and terms to be finalised.

According to the announcement, Macquarie Bank will provide an extended forbearance deed to provide sufficient time for shareholder approval to occur and final loan documentation to be executed.

There is currently a joint and several guarantee that has been provided to Macquarie Bank in relation to the Senior Debt by five shareholders ("Guarantors"), of which one is a director of the Company (refer to Section 1.3 and note 5b of section 5.6.2).

Nexia Perth Corporate Finance Pty Ltd ("NPCF") has been requested by the directors of the Company to prepare an Independent Expert's Report ("Report") in relation to the potential issue of fully paid ordinary shares in AU1 ("AU1 Shares") to Peters Investments if the Convertible Notes are converted and/or if the May 2020 Options and the October 2020 Options (together referred to as the "Peters Investments Options") are exercised ("Proposed Transaction").

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The Proposed Transaction is subject to shareholder approval and is the subject of Resolution 6 of the Notice of Annual General Meeting ("NoM" or "Document") for the Annual General Meeting ("AGM") which will be held on or around 23 December 2020. If the Proposed Transaction is approved, Peters Investments' voting power in the Company may increase from 0% to 45.00%, assuming the Convertible Notes are converted immediately at the date of the Report. If the Convertible Notes are converted closer to their maturity date, Peters Investments' voting power in the Company may increase further to 49.53% (as outlined in section 1.4).

Further information on the May 2020 Convertible Notes and the May 2020 Options (together referred to as the "May 2020 Convertible Notes and Options"), and the October 2020 Convertible Notes and October 2020 Options (together referred to as the "October 2020 Convertible Notes and Options"), are outlined below in sections 1.2 and 1.3:

1.2. May 2020 Convertible Notes and Options

As indicated in section 1.1 the Funding Package includes the amendment of the terms of the $1,000,000 May 2020 Convertible Notes, so that these are in line with the terms for the proposed October 2020 Convertible Notes (as outlined in the table in section 1.3).

Full details of the amendment of the terms are detailed in the NoM, however, a summary of the material amendments relevant to our Report are set out below:

Terms	May 2020 Convertible Notes	Amended May 2020 Convertible Notes
Maturity date	The earlier of 31 December 2020 or when the Senior Debt has been repaid, unless otherwise agreed.	31 March 2023.
Interest	9% per annum, calculated from 15 May 2020.	The higher of 8% per annum and the interest rate of the remaining Senior Debt, to be calculated from 15 May 2020 to the Maturity Date, and may be satisfied in cash or AU1 Shares upon agreement by the Company and Peters Investments.
Conversion price	The lower of $0.04 and a 20% discount to the 15-day volume weighted average price ("VWAP") prior to the conversion date.	The lower of $0.027 and the issue price of AU1 Shares offered under any subsequent capital raising to raise over $1 million completed on or before the Maturity Date.
Suspension of Conversion Right upon Takeover Event	(None)	Upon the announcement of a trade sale, scheme of arrangement or takeover (each, a "Takeover Event") by the Company, to the extent required by the ASX Listing Rules and/or the Corporations Act, Peters Investments' right to convert the convertible note will be suspended until the earlier of the completion or the termination of the Takeover Event.

Source: Draft NoM and Company announcement on 15 May 2020.

The amendment of the terms as detailed above is subject to shareholder approval, being the subject of Resolution 5 of the NoM. For the purposes of this Report, it has been assumed that Resolution 5 will be approved by AU1's shareholders.

The funds for the May 2020 Convertible Notes is currently held in trust (see section 5.6.2, notes 2 and 5c), pending shareholder approval of the Proposed Transaction. If the Proposed Transaction does not proceed, the funds from the May 2020 Convertible Notes will not be released to AU1. The requirement to repay Peters Investments if the Proposed Transaction does not proceed (as detailed in section 1.3) will also apply to the terms of the Amended May 2020 Convertible Notes. As such, if the Proposed Transaction does not proceed, the Company will also be required to repay to Peters Investments, in cash, any fees and interest accrued on the May 2020 Convertible Notes up to the repayment date. For the purposes of the Report, we have estimated the interest accrued on the Amended May 2020 Convertible Notes, up to the date of the Report, to be $38,370 (see section 9.1.1).

The May 2020 Options that were issued with the May 2020 Convertible Notes are each exercisable at the lower of $0.04 or at a 20% discount to a 15-day VWAP prior to the date of issue of the options, and expire 2 years from the date of issue. The options were issued on 25 May 2020, and on that date, AU1 Shares had a VWAP of $0.042285 and a discounted VWAP of $0.033828. As such, the May 2020 Options are exercisable at $0.033828 each and expire on 25 May 2022.

1.3. October 2020 Convertible Notes and Options

Full details of the terms of the agreement related to the October 2020 Convertible Notes ("October 2020 Convertible Notes Agreement") is provided in the NoM, however, a summary of the material terms of the October 2020 Convertible Notes Agreement are set out below:

Terms	October 2020 Convertible Notes
Principal	$5,000,000 (excluding Facilitation Fee).
Maturity Date	31 March 2023.
Facilitation Fee	$150,000, which is to be capitalised and added to the face value of the October 2020 Convertible Notes.
Interest	The higher of 8% per annum and the interest rate of the remaining Senior Debt, to be calculated from 1 October 2020 to the Maturity Date, and may be satisfied in cash or AU1 Shares upon agreement by the Company and Peters Investments.
Conversion Price	The lower of $0.027 and the issue price of AU1 Shares offered under any subsequent capital raising to raise over $1 million completed on or before the Maturity Date.
Suspension of Conversion Right upon Takeover Event	Upon the announcement of a Takeover Event by the Company, to the extent required by the ASX Listing Rules and/or the Corporations Act, Peters Investments' right to convert the convertible note will be suspended until the earlier of the completion or the termination of the Takeover Event.

Source: Draft NoM and October 2020 Convertible Note Agreement.

Also indicated in the NoM, on the basis that the funds received from the October 2020 Convertible Notes are intended to be applied towards reducing the Senior Debt, there will ultimately be a corresponding reduction in the joint and several guarantee provided by the Guarantors.

The funds for the October 2020 Convertible Notes was advanced by Peters Investments at the beginning of October 2020, and is currently held in trust pending shareholder approval of the Proposed Transaction. If the Proposed Transaction does not proceed, the funds from the October 2020 Convertible Notes will not be released to AU1.

In addition, under the terms of the October 2020 Convertible Notes Agreement, if the Proposed Transaction is not approved, the Company is required to repay to Peters Investments, in cash, the facilitation fee (being $150,000), as well as any other fees and interest accrued on the October 2020 Convertible Notes up to the repayment date. For the purposes of the Report, we have estimated the interest accrued on the October 2020 Convertible Notes, up to the date of the Report, to be $38,928 (see section 9.1.1).

The October 2020 Options, which is part of the October 2020 Convertible Notes Agreement, is made up of:

- 8,829,559 AU1 Options, which were issued on 4 November 2020 ("Upfront Options"); and
- the remainder, being 3,170,441 AU1 Options ("Remainder Options"), which have not yet been issued (as detailed in the NoM).

Under the terms of the October 2020 Convertible Note Agreement, if the Remainder Options are not approved by AU1's shareholders at the AGM, the Company is also required to pay Peters Investments an amount equal to the Black-Scholes valuation amount (as defined) of the Remainder Options (valued as at the time of the AGM), within 5 business days of the AGM date. For the purposes of the Report, we have estimated the amount repayable on this basis to be $89,475 at the date of the Report.

The October 2020 Options are exercisable at $0.027 each and will expire on 31 March 2023.

1.4. Potential Impact of the Proposed Transaction on the Company's Shareholdings

At the date of this Report, Peters Investments holds a 0% interest in the issued shares of the Company, as well as the 2,000,000 May 2020 Options and the 8,829,559 Upfront Options. If the Proposed Transaction goes ahead, Peters Investments will have the right to:

- convert the amount of the Convertible Notes, being:
  - the total principal of $6,150,000 (being $1 million from the May 2020 Convertible Notes, $5 million from the October 2020 Convertible Notes, and the $150,000 facilitation fee); and
  - the accrued interest on the Convertible Notes, estimated at $77,299 at the date of the Report, assuming an interest rate of 8% (see section 9.1.1).
- exercise the 2,000,000 May 2020 Options; and
- exercise a total of 12,000,000 October 2020 Options (being the 8,829,559 Upfront Options and the 3,170,441 Remainder Options).

As an indication of the likely impact that the conversion of the Convertible Notes and the potential exercise of the Peters Investments Options may have on The Agency Group's existing shareholders as a collective group, the table below summarises the position if the Convertible Notes are converted at $0.027 per share. The analysis also assumes that the Company issues no other shares between the date of this Report and the date of conversion and/or exercise and that Peters Investments makes no change to its equity interest in the Company other than conversion of the Convertible Notes and the exercise of the Peters Investments Options.

	Total Shares	Existing Shareholders	Peters Investments
Current number of AU1 Shares	298,954,431	298,954,431	-
Current shareholding	**100.00%**	**100.00%**	**0.00%**
Potential issue of AU1 Shares from conversion of face value of Convertible Notes (including facilitation fee)	227,777,778	-	227,777,778
Potential issue of AU1 Shares from conversion of interest accrued on Convertible Notes	2,862,912	-	2,862,912
Potential issue of AU1 Shares from exercise of May 2020 Options	2,000,000	-	2,000,000
Potential issue of AU1 Shares from exercise of October 2020 Options	12,000,000	-	12,000,000
Number of AU1 Shares Outstanding after the Proposed Transaction	**543,595,121**	**298,954,431**	**244,640,690**
Potential Shareholding after Conversion and Exercise	**100.00%**	**55.00%**	**45.00%**

Source: Nexia analysis.

The above analysis shows that 'all other things being equal', on the conversion of the Convertible Notes and the exercise of the Peters Investments Options, Peters Investments' interest in AU1 would increase from 0% to 45.00% and the existing shareholders' collective interest would decrease from 100.00% to 55.00%.

The above analysis assumes that the Convertible Notes are converted at the date of the Report. As an illustrative example, the following table summarises the position if the Convertible Notes are not converted until just before their maturity date (31 March 2023), and assuming no repayments are made until that date.

	Total Shares	Existing Shareholders	Peters Investments
Current number of AU1 Shares	298,954,431	298,954,431	-
Current shareholding	**100.00%**	**100.00%**	**0.00%**
Potential issue of AU1 Shares from conversion of face value of Convertible Notes (including facilitation fee)	227,777,778	-	227,777,778
Potential issue of AU1 Shares from conversion of interest accrued on Convertible Notes	51,628,480	-	51,628,480
Potential issue of AU1 Shares from exercise of May 2020 Options	2,000,000	-	2,000,000
Potential issue of AU1 Shares from exercise of October 2020 Options	12,000,000	-	12,000,000
Number of AU1 Shares Outstanding after the Proposed Transaction	**592,360,689**	**298,954,431**	**293,406,258**
Potential Shareholding after Conversion and Exercise	**100.00%**	**50.47%**	**49.53%**

Source: Nexia analysis.

This indicative analysis indicates that the additional shares to be issued due to the Convertible Notes being converted just before maturity will increase Peters Investments' interest in the Company from 0% to 49.53%. Consequently, the existing shareholders' collective shareholding in AU1 would reduce from 100.00% to 50.47%.

The above analyses also do not take into account any additional AU1 Shares issued as a result of the following:

- an increase of the interest on the Convertible Notes resulting from an increase of the Senior Debt interest beyond 8%; and
- a reduction in the conversion price of the Convertible Notes due to a subsequent capital raising completed by the Company (as detailed in section 1.3) before the maturity date of the Convertible Notes.

Should one or more of the above events occur, this could result in a further increase in Peters Investments' interest in the Company and further dilute the holdings of the existing shareholders.

2. PURPOSE OF REPORT

The purpose of this Report is to advise the non-associated shareholders of The Agency Group (i.e. those not associated with Peters Investments, or "Non-Associated Shareholders") on the fairness and reasonableness of the Proposed Transaction.

Under section 606 of the *Corporations Act 2001* (Cth) ("Corporations Act"), a transaction that would result in an entity and its associates increasing their voting power in an entity from:

- 20% or below to greater than 20%; or
- a position above 20% and below 90%

is prohibited without making a takeover offer to all shareholders unless an exemption applies.

Item 7 of section 611 of the Corporations Act provides an exemption from the above if the transaction is approved by shareholders in a general meeting.

Peters Investments does not currently hold any AU1 Shares and therefore has 0% voting power in the Company at present. The Proposed Transaction would result in Peters Investments' entitlements to AU1 Shares and resulting voting power in the Company to be greater than 20% (being 45.00 and potentially up to 49.53%, as illustrated in section 1.4).

As Peters Investments' voting power in the Company will increase from 0% to a position of greater than 20%, the Proposed Transaction requires shareholder approval (being the subject of Resolution 6 of the NoM issued on or about 23 November 2020 to The Agency Group's shareholders).

The Australian Securities and Investments Commission ("ASIC") has issued *Regulatory Guide 74: Acquisitions approved by members* ("RG 74") and *Regulatory Guide 111: Content of expert reports* ("RG 111") which set out the material disclosure requirements to shareholders when seeking their approval under item 7 of section 611 of the Corporations Act. As part of the disclosure requirements, ASIC requires a detailed analysis of the transaction that complies with RG 111, which can either be undertaken by the directors, if they believe they have sufficient skill and expertise, or by an independent expert. ASIC also requires that the independent expert's report comply with ASIC's issued *Regulatory Guide 112: Independence of experts* ("RG 112").

Consistent with the guidance in RG 74, RG 111 and RG 112 the Directors of The Agency Group have requested NPCF to prepare an independent expert's report, the purpose of which is to provide an independent opinion as to whether or not the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders.

3. SUMMARY AND OPINION

This section is a summary of our opinion and cannot substitute for a complete reading of this Report. Our opinion is based solely on information available as at the date of this Report.

The principal factors that we have considered in forming our opinion are summarised below.

3.1 Assessment of Fairness

As discussed in section 4, in determining whether the Proposed Transaction is fair to the Non-Associated Shareholders, we have compared the fair value of a share in AU1 on a control basis prior to the Proposed Transaction to the fair value of a share in AU1 on a minority basis after the Proposed Transaction.

This is summarised below:

	Low	Preferred	High
Fair value of an AU1 Share on a control basis before the Proposed Transaction	$0.044	**$0.055**	$0.067
Fair value of an AU1 Share on a minority basis after the Proposed Transaction	$0.028	**$0.033**	$0.039

Source: Nexia analysis.

The above values indicate that, in the absence of any other relevant information, the Proposed Transaction is **not fair** to the Non-Associated Shareholders.

Therefore, **we have concluded that the Proposed Transaction is not fair**.

3.2 Assessment of Reasonableness

In accordance with RG 111, a control transaction is reasonable if:

- the transaction is fair; or
- despite not being fair, but considering other significant factors, there are sufficient reasons for security holders to accept the offer in the absence of a higher bid before the close of an offer.

In forming our opinion we have considered the following relevant factors (also see section 11):

Advantages	Disadvantages
• The Proposed Transaction will significantly reduce the risk of AU1 defaulting on its loan from Macquarie Bank; • The Proposed Transaction may be AU1's only option for funding in the near future; • The terms of the Convertible Notes allow the Company to reserve its cash balances in the short-term; • The Proposed Transaction will allow AU1 to continue to operate and achieve its strategic goals and business objectives; • The conversion of the Convertible Notes will improve AU1's solvency in the long-term; and • The exercise of the Peters Investments Options will enable the Company to raise an additional $391,656.	• Peters Investments will hold a significant interest in AU1 (45.00% or up to 49.53%) which could result in a change of control, and severely dilute existing shareholders' collective interest in AU1; and • The Proposed Transaction could reduce the liquidity of AU1 Shares.

The Directors have advised us that they do not currently have any alternatives to the Proposed Transaction.

If the Proposed Transaction is not approved, the Funding Package will not be secured and as such, AU1 will need to raise additional funds or find alternative sources of funding in order to meet Macquarie Bank's repayment requirements as previously negotiated by the Group's Board of Directors. This could be challenging under the current circumstances, given the uncertain market environment and market volatility associated with the global COVID-19 pandemic. As such, this will significantly increase the risk of the Group's loan from Macquarie Bank defaulting and consequently significantly increase the risk of Macquarie Bank exercising its rights to appoint an administrator to wind-up the assets of the Group.

In addition, if the Proposed Transaction does not proceed, the funds from the Convertible Notes (currently held in trust) will not be released to AU1, and approximately $316,774 (as estimated on the date of the Report) would need to be repaid to Peters Investments in cash. This amount includes the facilitation fee, interest accrued on the Convertible Notes, and the Black-Scholes valuation amount of the Remainder Options. The portion relating to the Remainder Options would need to be repaid within 5 business days of the AGM. This will also increase the risk of the Group defaulting on its loan with Macquarie Bank.

Although the Proposed Transaction is not fair, taking into account other significant factors (including the consideration of the matters above and in the absence of higher offers for current AU1 Shares), **we have concluded that the Proposed Transaction is reasonable** to the Non-Associated Shareholders.

3.3 Opinion

Accordingly, in our opinion, the Proposed Transaction is not fair but reasonable to the Non-Associated Shareholders.

The ultimate decision on whether to approve the Proposed Transaction should be based on shareholders' own assessment of their circumstances. We strongly recommend that shareholders consult their own professional advisers, carefully read all relevant documentation provided, including the NoM, and consider their own specific circumstances before voting in favour of or against the Proposed Transaction.

Yours faithfully

Nexia Perth Corporate Finance Pty Ltd (AFSL 289358)

Muranda Janse van Nieuwenhuizen CA RCA
Authorised Representative

STRUCTURE OF REPORT

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4. BASIS OF EVALUATION

RG 74 and RG 111 provide guidance as to matters that should be considered in determining whether a transaction is fair and reasonable in a range of circumstances.

RG 74 and RG 111 state that in deciding an appropriate form of analysis, the expert needs to consider that the main purpose of the Report is to deal with the concerns that could reasonable be anticipated by those persons affected by the transaction. An expert should focus on the purpose and outcome of the transaction; that is the substance of the transaction, rather than the legal mechanism used to effect the transaction.

RG 111 requires analysis of a transaction under two distinct criteria being:

- is the offer 'fair'?; and
- is it reasonable?

That is the opinion of fair and reasonable is not considered as a compound phrase.

In determining what is fair and reasonable for a control transaction, RG 111 states that:

- an offer is fair if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. This comparison should be made
  - assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length; and
  - assuming a 100% ownership of the target and irrespective of whether consideration is cash or scrip; and
- an offer is reasonable if it is fair, or if the offer is not fair, the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of a higher bid before the close of an offer.

When considering the value of the securities subject of the offer in a control transaction, it is inappropriate for the expert to apply a discount on the basis that the shares being acquired represent a minority or portfolio interest and so the expert should consider this value inclusive of a control premium.

For the purpose of considering whether or not the Proposed Transaction is fair to the Non-Associated Shareholders, we have compared the fair value of a share in AU1 on a control basis prior to the Proposed Transaction to the fair value of a share in AU1 on a minority basis after the Proposed Transaction.

In our assessment of the reasonableness of the Proposed Transaction, our consideration has included the following matters:

- Peters Investments' pre-existing voting power in securities in AU1;
- other significant security holding blocks in AU1;
- the liquidity of the market in AU1's securities;
- any special value of AU1 to Peters Investments, such the potential to write-off outstanding loans from AU1, etc.;
- the likely market price if the Proposed Transaction does not proceed;
- the value to an alternate bidder and the likelihood of an alternative offer being made;
- other significant matters set out in section 11.

4.1 Individual Shareholders' Circumstances

The ultimate decision whether to approve the Proposed Transaction should be based on each shareholder's assessment of the Proposed Transaction, including their own risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Proposed Transaction or matters dealt with in this Report, shareholders should seek independent professional advice.

4.2 Limitations on Reliance on Information

The documents and information relied on for the purposes of this Report are set out in Appendix B. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that documents and material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the Proposed Transaction is fair and reasonable to the shareholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit or extensive examination might disclose.

We understand the accounting and other financial information that was provided to us has been prepared in accordance with generally accepted accounting principles.

An important part of the information used in forming an opinion of the kind expressed in this Report is the opinions and judgement of Directors and management. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.

NPCF are not the auditors of The Agency Group. We have analysed and reviewed information provided by the Directors and management of The Agency Group and made further enquiries where appropriate. Preparation of this Report does not imply that we have in any way audited the accounts or records of The Agency Group.

In forming our opinion we have assumed:

- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
- the information set out in the NoM to be sent to shareholders is complete, accurate and fairly represented in all material respects; and
- the publicly available information relied upon by NPCF in its analysis was accurate and not misleading.

This Report has been prepared after taking into consideration the current economic and market climate. We take no responsibility for events occurring after the date of this Report which may impact upon this Report or which may impact upon the assumptions referred to in the Report.

5. OVERVIEW OF THE AGENCY GROUP

5.1 Corporate History

The Agency Group (previously Ausnet Financial Services Ltd, or "Ausnet") is a public listed company headquartered in Perth, Australia (ASX code: AU1).

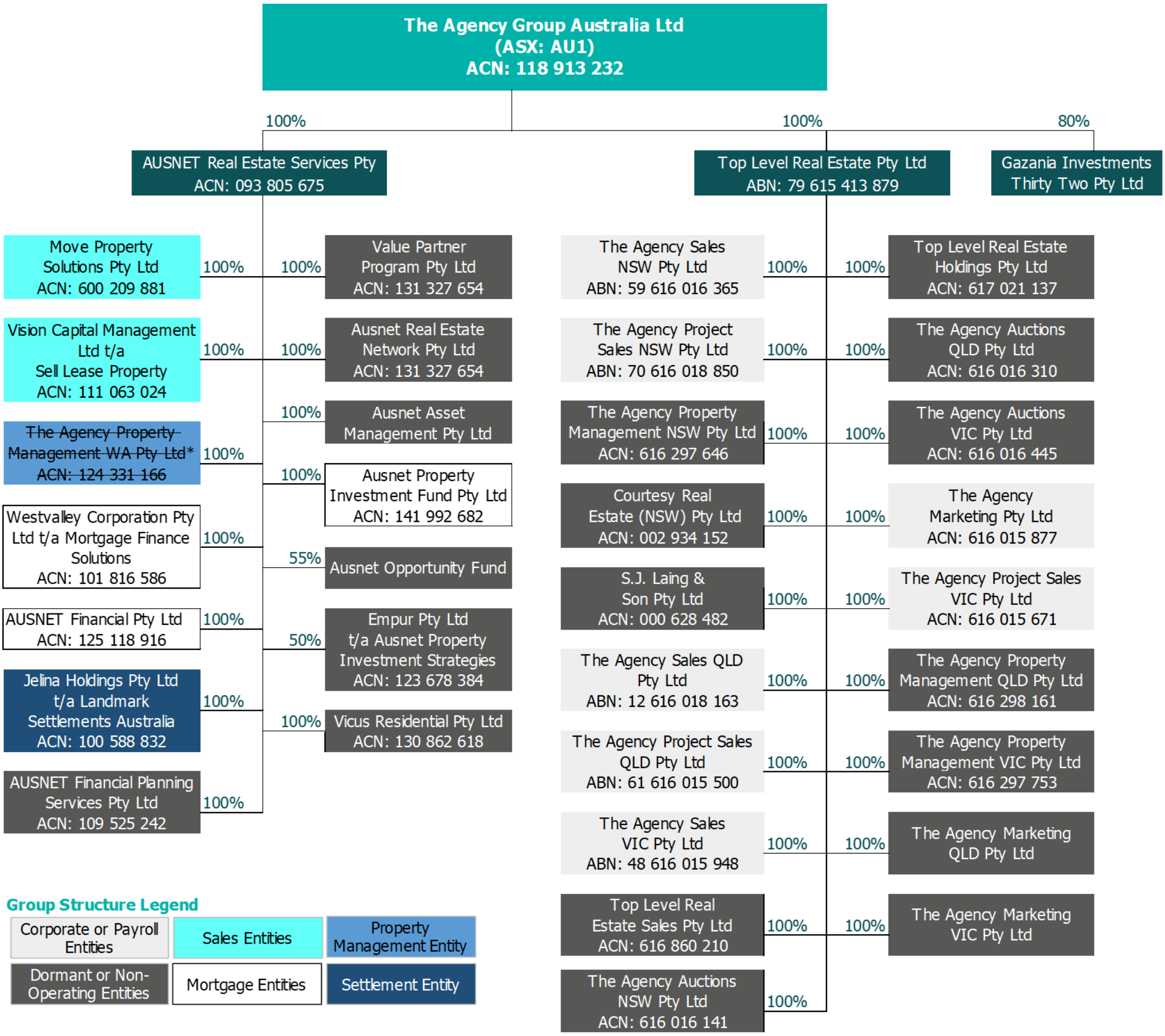
Ausnet originally commenced operating as a real estate agency in Western Australia in 1996 and completed a reverse acquisition of Namibian Copper Ltd to become listed on the ASX on 28 December 2016. The Company was renamed from Ausnet Financial Services Ltd to The Agency Group Australia Ltd on 12 December 2017.

Since the Company's renaming on 12 December 2017, The Agency Group has acquired the assets of several companies including those of Sell Lease Property Pty Ltd, Value Finance Pty Ltd and Complete Settlements Pty Ltd (on 21 February 2018) and Inglewood Estate Agency (on 12 June 2018).

On 11 January 2019, the Company also completed the acquisition of Top Level Real Estate ("TLRE") and acquired the residential sales and management division of The Vicus Property Group, taking the total number of properties under the Company's management to 4,200.

Other than The Agency Group's head office in Western Australia, it also has 6 offices in New South Wales and two offices in Victoria.

The Agency Group's current group structure includes the following entities:



Source: Management information.

* At the date of the Report, The Agency Property Management WA Pty Ltd ("TAPM") is no longer part of The Agency Group's current group structure as this entity was sold to Managex Funds Management Pty Ltd ("Managex"). See section 5.3 for further details.

5.2 Business Activities and Operations

The Agency Group and its subsidiaries (the "Group") is a real estate group that provides real estate services, mortgage broking, settlement services, property management and project marketing services to the real estate sectors in Western Australia, New South Wales, Queensland and Victoria.

The Agency as a brand entered the market in 2017, aiming to disrupt the market with its innovative structure. The Group has been on a rapid growth trajectory growing from $9.57 million revenue during the year ended 30 June 2017 ("FY 2017") to $28.5 million for the year ended 30 June 2019 ("FY 2019"). The growth was achieved organically and via a number of acquisitions, including the acquisition of Top Level Real Estate ("TLRE") in January 2019. The growth from FY 2019 to the following year was even more significant, increasing to $42.9 million for the year ended 30 June 2020 ("FY 2020"). This was due to an increase in the number and value of property sales during the year, driven by growth in combined gross commission income from 3,153 sales and $2.9 billion worth of property sold across the Group.

The Group has three main operating divisions, including property sales, property management and ancillary services, as follows:

5.2.1 Property Sales

This division operates an agent recruitment model, conducting sales of residential properties on behalf of property vendors under The Agency and the Sell Lease Property ("SLP") brands.

The Group has grown from 8 agents in January 2017 to its National Real Estate network of 281 agents operating under The Agency and SLP brands as at September 2020. For September 2020, the Group had listings with an estimated value of $420.6 million and achieved 422 exchanges for the month.

5.2.2 Property Management

This division manages residential and commercial properties on behalf of property owners. The division operates an agent incentive model and operates under The Agency brand, growing from no properties under management in January 2017 to 4,838 as at 30 June 2020.

The Group recently sold its West Coast rent roll business and entered into a strategic partnership with Managex. See section 5.3 for further details.

As at September 2020 (and after the sale of the Group's west coast rent roll), the Group had the following portfolio of properties under management:

Portfolio	Properties Under Management	Annual Management Fees
New South Wales	3,457	$5,844,078
Victoria	100	$195,516
Queensland	26	$44,186
Total	**3,583**	**$6,083,780**

Source: Management information.

5.2.3 Ancillary Services

This division's ancillary services include mortgage broking, conveyancing and settlement services, and provides cross-sell opportunities for the rest of the business. As at 31 March 2020 the Group had a mortgage loan book with approximately 4,300 loans and $1.9 million in annualised trail income ($2 million in annualised trail income at September 2020).

5.3 Sale of West Coast Rent Roll and Strategic Partnership with Managex

As announced by the Company on 9 September 2020, the Group recently sold its west coast rent roll business to Managex for approximately $3.6 million (before adjustments). The sale was effectuated through the sale of TAPM. As part of the sale agreement, the Group formed a strategic partnership with Managex, whereby Managex licences The Agency brand in Western Australia for its property management business and refer sales leads to the Group, and with the Group referring property management leads in Western Australia to Managex.

Under the licence agreement, Managex will use The Agency brand in WA with a focus on retaining property management staff. The Group has agreed to accommodate Managex at its Perth office.

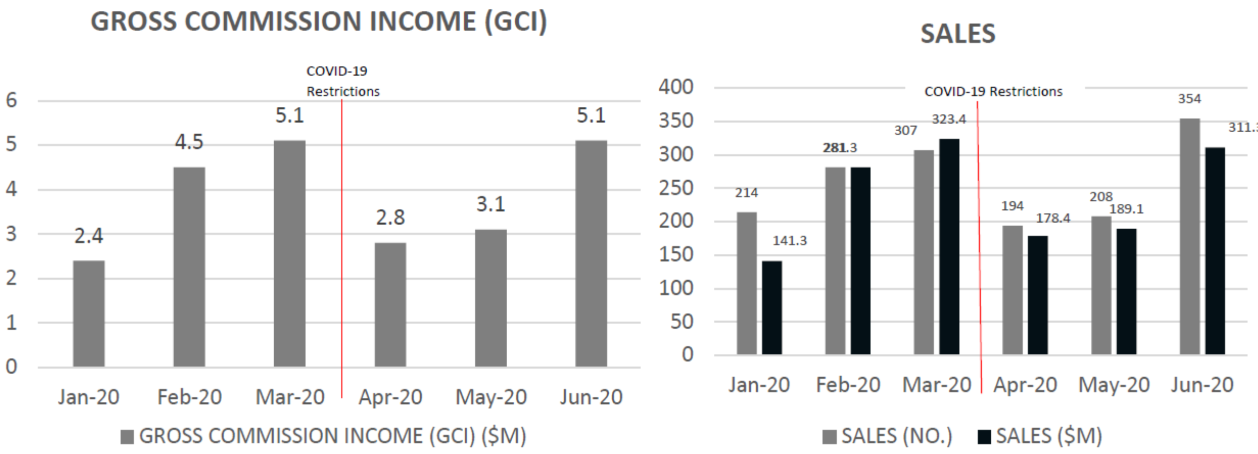
As part of the transaction, a reciprocal referral agreement will be entered into by both parties whereby all sales leads that come from Managex be referred in first instance to the Group while all WA property management leads from the Group will be referred to Managex.

So far, proceeds of $2.7 million (representing 85% of an adjusted sale price of $3.26 million) for the sale of the Group's West Coast rent roll business was received at the beginning of October 2020, which was used to partially reduce the Group's debt with Macquarie Bank. The remaining retention amount (up to $0.485 million) will be received by the Company 6 months after the finalisation of the sale (approximately April 2021).

5.4 Impact of Coronavirus (COVID-19)[1]

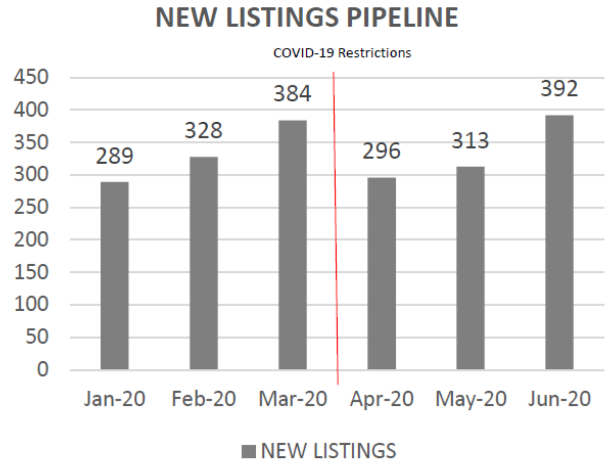
On 11 March 2020, the World Health Organization declared the spread of the Coronavirus Disease ("COVID-19") a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specifically, 'Stage 2' of the Australian government's measures and restrictions to limit and/or contain the spread of COVID-19 was announced and implemented on 24 March 2020. The aim of the COVID-19-induced government lockdown measures, was to reduce gatherings of multiple people. The measures included a restriction on public auctions and open houses, which affected the real estate sector, particularly in the area of property sales.

As shown in the charts below, the fall-out of COVID-19 generally had an impact on the Group's turnover, particularly on the Group's commission income generated from property sales, which was noticeable during April and May 2020.



Source: AU1's announcement lodged with the ASX on 31 July 2020

[1] *Source: AU1 announcements lodged with the ASX on 30 April 2019, 31 July 2019, 30 January 2020, 25 March 2020, 30 April 2020 and 31 July 2020.*



Source: AU1's announcement lodged with the ASX on 31 July 2020

During this period, the Group already developed and had in operation a number of alternative products and processes for its buyers and sellers to use other means, such as digital platforms, to enable auctions, home opens and sales to occur. In anticipation of the government's measures being introduced the Company had been expanding the rollout of these across the business in the first few weeks of March 2020, including moving all client communications on-line. During the period of the Stage 2 restrictions the Company also employed innovative solutions including digital viewings and auctions.

At the time of the Stage 2 announcement, the Group had successfully sold two properties in New South Wales under auction using alternative products and processes, including a combination of an online platform and telephone bidding. At the time, the Group's agents had also been proactively engaging with owners regarding the use of these tools and other alternatives to ensure sales campaigns proceed based upon owners' wishes, buyer interest and minimising the health risk for all parties.

In addition, the Group generated the majority of its revenue in Western Australia and New South Wales where the government related lock downs were less intrusive than in Victoria. Western Australia, in particular, which accounts for more than 50% of sales volume, does not traditionally sell by auction and therefore was less impacted by the Stage 2 and other government measures and restrictions. This, together with the Group's initiatives as described above, and the relaxation of restrictions in June (particularly in Western Australia), contributed towards the increase of the Group's commission income to pre COVID-19 levels in the month of June.

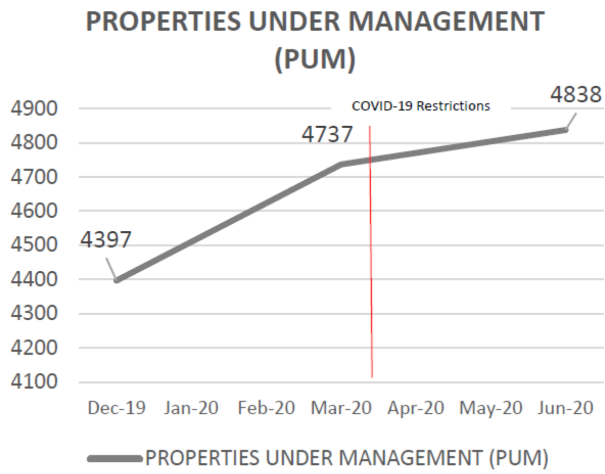
As such, the Group's overall gross commission income during the March and June 2020 quarters was higher than the gross commission income during previous quarters (with the exception of the December 2019 quarter), despite the fallout from COVID-19, as shown in the tables below.

Key Metrics of The Agency Group	Sep19 Qtr	Dec19 Qtr	Mar20 Qtr	Jun20 Qtr
Gross Commission Income ($'000,000)	$10.7	$14.2	$12.1	$11.0
Number of properties sold	703	888	804	756
Value of Properties Sold ($'000,000)	$632.6	$884.4	$747.0	$678.8
Listings	883	1,072	1,001	1,001

Source: AU1 announcements lodged with the ASX on 30 January 2020, 30 April 2020 and 31 July 2020.

Key Metrics of The Agency Group	Mar19 Qtr	Jun19 Qtr
Gross Commission Income ($'000,000)	$10.3	$10.0
No. of Properties Sold	616	674
Value of Properties Sold ($'000,000)	$613.4	$600.8
Listings	1,040	800

Source: AU1 announcements lodged with the ASX on 30 April 2019 and 31 July 2019.



Source: AU1's announcement lodged with the ASX on 31 July 2020

As shown in the chart above the Group's property management business, on the other hand, continued to grow despite the onset of the COVID-19 pandemic and government imposed restrictions. The Group's east coast and west coast operations reported a total management portfolio of 4,737 properties under management as at 31 March 2020, which rose to 4,763 properties under management as at 21st April 2020 and 4,838 as at 30 June 2020. The Group also had limited requests from tenants for rent relief, due to the Group's proactive management of rent deferral programs in Western Australia, New South Wales and Victoria, which meant that the Group's property management income was not materially affected by COVID-19.

The Group implemented a range of initiatives in the third quarter of the year ended 30 June 2020 to deal with the fallout from COVID-19 and to proactively managing its cost base. One of the initiatives included a transition of its workforce to remote working using the Company's "remote ready" cloud-based platform. The Company also reduced working hours of all staff (including management and board) temporarily in line with reduced workloads as well as a small number of redundancies. This resulted in a cost saving of approximately $600,000 and enabled the Company to retain the majority of its staff, moving all staff back to full working hours and full salaries in June 2020.

The Group also benefitted from the Australian government's cash flow management initiatives such as the JobKeeper (for which $1,080,000 was granted during the quarter ended 30 June 2020 and $1,392,000 during the quarter ended 30 September 2020, granted based on actual reduction in turnover during the months of March and/or April 2020 for some of the Group's entities) and the Cash Flow Boost payments. See further details at note 6 of section 5.6.1.

Overall, despite the impact of the COVID-19 pandemic, the Group achieved their first ever full year EBITDA profit and positive operating cash flows during FY 2020, with strong year-on-year revenue growth and growth across key metrics, adding to the sustained growth the business has achieved over the past three years.

5.5 Directors and Key Management

The following is a table of the Directors and Key Management Personnel of The Agency Group:

Director / Key Management Personnel	Position
Andrew Jensen	Executive Chairman and Chief Operations Officer[1]
Paul Niardone	Managing Director (appointed 19 December 2016)
Matthew LaHood	Executive Director (appointed 17 January 2019)
Adam Davey	Non-executive Director (appointed 19 December 2016)
Arjan van Ameyde	Chief Financial Officer (appointed 1 February 2020)
Stuart Usher	Company Secretary (appointed 28 December 2016)

Source: AU1's 30 June 2020 audited financial statements.

1 Andrew Jensen was appointed as a Non-Executive Director on 18 February 2019. His role as Non-Executive Director changed on 1 February 2020 when he became the Group's Executive Chairman and Chief Operations Officer.

5.6 Financial Information

Set out in sections 5.6.1, 5.6.2 and 5.6.3 are the audited consolidated financial statements of the Group for the years ended 30 June 2018, 2019 and 2020 ("FY 2018", "FY 2019" and "FY 2020" respectively), as included in the annual reports lodged by the Company for those years.

The Group's auditor's reports for FY 2018, FY 2019 and FY 2020 were unmodified, however they each contained an emphasis of matter in relation to the material uncertainty regarding the Group's ability to continue as a going concern. It was noted in the Group's annual report for FY 2020 that the Directors were satisfied the going concern basis of preparation was appropriate, based on the following:

- the Group reduced its borrowings from $21.1 million at 30 June 2019 to $13.8 million at 30 June 2020 (see note 5 in section 5.6.2 for further details);
- with regards to the Group's Senior Debt with Macquarie Bank (which made up the majority of working capital deficit as at 30 June 2020), originally due for repayment on 30 September 2020, the Group effectuated an option to renew for a further 3 months to 31 December 2020;
- at the time of lodgement of the annual report, the Group was actively negotiating the extension of its financing arrangements with Macquarie Bank, and expected to have its facilities refinanced imminently (as indicated in section 1.1, the extension of the Group's financing arrangements is part of the $11 million Funding Package as announced on 29 October 2020);
- the Group had entered into a binding sales agreement for the sale of the Group's west coast rent roll business (as detailed in section 5.3); and
- the Directors had prepared a cash flow forecast, which indicated at the time that the Group will have sufficient cash flows to meet commitments and working capital requirements for the 12-month period from the date of signing the FY 2020 financial report.

5.6.1 Financial Performance

Set out in the table below is the summary of the audited consolidated profit and loss accounts of the Group for FY 2018, FY 2019 and FY 2020:

($'000)	Notes	FY 2018 Audited	FY 2019 Audited	FY 2020 Audited
Revenue	**2**	16,768	28,338	41,862
Other income		46	165	994
Total revenue and other income	**2**	**16,814**	**28,503**	**42,856**
Gain on acquisition		78	-	-
Advertising and promotion expenses		(479)	(670)	(1,242)
Computers and information technology expenses		(432)	(1,006)	(1,330)
Consultancy, legal and professional fees		(2,406)	(3,103)	(2,917)
Occupancy costs	**4**	(516)	(2,178)	(984)
Salaries and employment costs	**6**	(14,608)	(24,024)	(31,070)
Share-based payments expense		-	(134)	-
Other expenses		(1,422)	(1,768)	(2,649)
EBITDA	**1, 2, 3**	**(2,971)**	**(4,381)**	**2,663**
Depreciation and amortisation		(495)	(2,267)	(6,039)
Impairment		(200)	(1,378)	(5,230)
EBIT	**1**	**(3,666)**	**(8,026)**	**(8,606)**
Interest income		9	13	18
Interest and finance costs	**4, 5**	(224)	(1,243)	(1,769)
Net loss from ordinary activities before income tax expense	**1**	**(3,881)**	**(9,255)**	**(10,357)**
Income tax benefit/(expense)		139	1,425	1,292
Net loss from ordinary activities	**1**	**(3,742)**	**(7,831)**	**(9,065)**
Key Ratios (%)				
Revenue and other income growth from prior year	***2***	*75.78%*	*69.51%*	*50.36%*
Increase in salaries and employment costs	***6***	*73.09%*	*64.46%*	*29.33%*
EBITDA margin	***1, 2***	*(17.67%)*	*(15.37%)*	*6.21%*
EBIT margin	***1***	*(21.80%)*	*(28.16%)*	*(20.08%)*
Net loss before tax margin	***1***	*(23.08%)*	*(32.47%)*	*(24.17%)*
Net loss after tax margin	***1***	*(22.26%)*	*(27.47%)*	*(21.15%)*

Source: Nexia analysis and AU1's 30 June 2018, 2019 and 2020 audited financial statements.

Notes:

1. Other than the Group's positive EBITDA result for FY 2020, the Group had been operating at a loss with negative EBIT and EBITDA in the last few years. The Group's prior negative EBTIDA levels were mainly due to the Group's rapid growth, especially through the acquisition of TLRE on 11 January 2019 (refer to note 17 in section 5.6.2). During the period from 11 January to 30 June 2019, TLRE's business contributed $2,818,080 to the Group's net loss (as mentioned in note 2 below).

   However, the Group's continued growth over the years has enabled the Group to achieve a positive EBITDA level for FY 2020 and for the quarter ended 30 September 2020 (see note 2 below).

2. The Group has been on a rapid growth trajectory since The Agency as a brand entered in 2017, growing via acquisitions including TLRE (during FY 2019, as per note 17 in section 5.6.2), which contributed revenues of $10,155,115 and a net loss of $2,818,080 during the period from 11 January to 30 June 2019), as well as through increasing the number of its agents over the years, as shown in the table below:

Key Metrics of The Agency Group	At 30 Jun 2017	At 30 Jun 2018	At 30 Jun 2019	At 30 Jun 2020
Number of agents	50	185	272	283
Number of properties sold	366	1,326	2,419	3,153
Gross commission income ($'000,000)	3.8	28.8	37.9	47.9
Value of exchanges ($'000,000,000)	0.2	1.8	2.4	2.9
Number of new listings	639	1,776	3,430	3,957

Source: AU1's 30 June 2017, 2018, 2019 and 2020 audited financial statements.

The table above shows that the growth in the Group's revenue over the years has also been driven by the Group's growth in combined gross commission income over the years. Particularly in FY 2020, despite the effects of government imposed COVID-19 restrictions (see section 5.4 for more details on this), the Group achieved a positive EBITDA for FY 2020, which was driven by growth in combined gross commission income from 3,153 sales and $2.9 billion worth of property sold across the Group, as mentioned in section 5.2.

We also note that since 30 June 2020, the Company has released the results for the quarter ended 30 September 2020:

Key Metrics of The Agency Group	At 30 Sep 2020	
Number of agents	281	(see section 5.2.1)
Number of properties sold	1,117	
Gross commission income ($'000,000)	16.6	
Value of exchanges ($'000,000,000)	0.9	
Number of new listings	1,240	

Source: Nexia analysis and AU1's announcement lodged with the ASX on 29 October 2020

3. As announced by the Company on 9 September 2020, the Group recently sold its west coast rent roll business to Managex for approximately $3.6 million (before adjustments), with an adjusted sale price of $3.26 million (see section 5.3 for further details). The west coast rent roll business contributed approximately $0.49 million to the Group's net EBITDA for FY 2020.

4. The accounting standard AASB 16 *Leases* came into effect on 1 July 2019, replacing the old AASB 117 *Leases* accounting standard. This resulted in the Company's property and printing equipment lease liabilities, and their associated right-of-use assets, being capitalised and recognised on the balance sheet on 1 July 2019. This consequently resulted in about $1,951,373 (as disclosed in The Agency Group's annual report for FY 2020, which would previously have been classified as occupancy costs under the old standard), to be classified as interest, depreciation and amortisation during FY 2020.

5. The increase in interest in FY 2019 compared to FY 2018 was also due to the Group's acquisition of TLRE during that year, which resulted in the Group acquiring additional borrowings during that year (see note 9 of section 5.6.2).

6. On 30 August 2019 (in the first quarter of FY 2020), the Company announced that it had identified and begun implementing $2.8 million in cost savings, which was achieved during the year. The Group also implemented a range of initiatives in the third quarter of FY 2020 to deal with the fallout from COVID-19 and to proactively manage its cost base. This included reducing working hours of all staff (including management and the Board of Directors) temporarily in line with reduced workloads as well as a small number of redundancies. This lasted from about mid-April 2020 to mid-June 2020 and resulted in a cost saving of approximately $600,000, which enabled the Group to retain the vast majority of its staff during this period.

   In addition, according to the Group's annual report for FY 2020, the Group received $1,080,000 in government grants from the Australian Government's JobKeeper Payment scheme, which was represented as a deduction to the Group's salaries and employment costs during FY 2020. The amount was granted based on actual reduction in turnover during the months of March and/or April 2020 for some of the Group's entities. $390,000 of this amount was accrued for the month of June 2020 and paid in July 2020.

   After 30 June 2020, the Group received into their bank accounts additional JobKeeper payments totalling $1,377,000 during the quarter ended 30 September 2020 (which includes the $390,000 as mentioned above) and $405,000 during October (related to the month of September 2020).

5.6.2 Financial Position

Set out in the table below is the summary of the audited consolidated balance sheets of AU1 as at 30 June 2018, 2019 and 2020 ("FY 2018", "FY 2019" and "FY 2020" respectively):

($'000)	Notes	FY 2018 Audited	FY 2019 Audited	FY 2020 Audited
Current Assets				
Cash and cash equivalents		1,022	2,597	2,724
Trade and other receivables	**1**	2,743	4,080	4,601
Financial assets	**2**	-	-	1,600
Current tax asset		191	-	-
Other current assets	**3**	254	413	550
Total Current Assets		**4,210**	**7,091**	**9,476**
Current Liabilities				
Trade and other payables	**4**	7,379	13,556	9,773
Borrowings	**5**	1,100	21,127	13,843
Provisions	**4**	388	1,113	2,287
Leases	**7**	-	-	1,980
Total Current Liabilities		**8,867**	**35,795**	**27,883**
Net Current Liabilities (Net Working Capital Deficit)	**5**	**(4,657)**	**(28,704)**	**(18,407)**
Non-Current Assets				
Trade and other receivables	**1**	-	283	270
Financial assets	**8**	408	1,142	170
Property, plant, and equipment	**4**	521	2,578	2,040
Right of use asset	**7**	-	-	4,645
Intangible assets	**9, 10**	4,648	39,036	30,376
Total Non-Current Assets		**5,577**	**43,039**	**37,502**
Non-Current Liabilities				
Trade and other payables		-	35	-
Provisions		64	600	337
Leases	**7**	-	-	3,895
Deferred tax liabilities	**11**	296	4,668	3,251
Total Non-Current Liabilities		**360**	**5,304**	**7,483**
Net Non-Current Assets		**5,217**	**37,735**	**30,019**
Total assets		9,787	50,130	46,977
Less: Total liabilities		(9,227)	(41,099)	(35,366)
Net Assets		**560**	**9,031**	**11,611**
Equity				
Issued capital	**12, 13**	11,480	27,765	39,396
Reserves		566	583	929
Accumulated losses		(11,487)	(19,317)	(28,713)
Total Equity		**560**	**9,031**	**11,611**
Net cash and financial assets / (borrowings)	***5d***	*330*	*(17,387)*	*(8,806)*

Source: Nexia analysis and AU1's 30 June 2018, 2019 and 2020 audited financial statements.

Notes:

1. The majority of the Group's receivables are commission due on property sales. This balance increased significantly in FY 2019 due to the acquisition of TLRE (see note 17 for further details).
2. This balance represents restricted cash, which at FY 2020 is made up of $1,000,000 received from Peters Investments for the May 2020 Convertible Notes during FY 2020 (and currently held in trust) and $600,000 which Macquarie Bank has not yet given access to AU1.

3. The balance of $550,476 at FY 2020 is mainly made up of $481,716 of current bank guarantees and $61,124 of rental deposits.
4. The increase of the balances for trade and other payables, provisions, and property, plant, and equipment from FY 2018 to FY 2019, were mainly due to the acquisition of TLRE on 11 January 2019 (see note 17 for further details).
5. The Group's net working capital deficit position and net borrowings position, particularly at FY 2019 and FY 2020 is mainly due to the Group's borrowings (the majority of which is the Senior Debt with Macquarie Bank), which was assumed through the Group's acquisition of TLRE on 11 January 2019 (see note 17 for further details).

   During FY 2020, the Group reduced its borrowings (excluding leases) during the year from $21,126,603 at FY 2019 to $13,843,235, assisted by the conversion of $5,798,388 of debt to equity.

   The balance of the Group's borrowings at 30 June 2020 was made up of the following:

($'000)	FY 2020
Senior Debt (see notes 5a and 5b)	12,093
Convertible (see note 5c)	1,000
Other loans	750
Total Borrowings at 30 June 2020	**13,843**

   Source: Nexia analysis and AU1's 30 June 2020 audited financial statements.

   a. The Senior Debt has a first ranking change over all the assets of the Group. Up to the 12 months prior to the Report date, the facility's interest rate ranged between 8.64% and 9.60%, with a closing rate of 8.59% per annum before the announcement of the Group's Funding Package on 29 October 2020 (refer to section 1.1).
   b. As noted in sections 1.1 and 1.3, the Guarantors provided a joint and several guarantee to Macquarie Bank in relation to the Senior Debt. The Guarantors include the following shareholders of AU1:
      i. Teldar Real Estate Pty Ltd <MJ Lahood Family A/C>, an entity controlled by one of AU1's directors, Matthew Lahood;
      ii. MAC Property Group Pty Ltd <MAC A/C>;
      iii. SEMC 2 Pty Ltd <The Chen Asset A/C>;
      iv. Ben Collier Investments Pty Ltd; and
      v. Daring Investments Pty Ltd.

      The Proposed Transaction will effectively reduce each of the Guarantors' joint and several guarantee to Macquarie Bank down from $8,716,071 to $3,716,071 respectively.
   c. The above amount relates to the May 2020 Convertible Notes. The proceeds from the convertible note is currently in trust and has not been released to AU1 (see note 2).
   d. The amount of borrowings (net of cash) as at 30 June 2020 is calculated as follows:

($'000)	FY 2020
Borrowings	13,843
Less: Cash and cash equivalents	(2,724)
Less: Financial assets (non-current) (see notes 2 and 8 above)	(1,770)
Less: Other current assets (current bank guarantees and rental deposits)	(543)
Total Borrowings (Net of Cash)	**8,806**

   Source: Nexia analysis and AU1's 30 June 2020 audited financial statements.

6. Following from the above note, since 30 June 2020, during the quarter ended 30 September 2020, the Group's cash and cash equivalents increased by $2.062 million.

   This was mainly due to the Group's strong performance during the quarter (see note 2 of section 5.6.1) as well as receiving an additional $1,377,000 for the JobKeeper Payment scheme during the quarter (see note 6 of section 5.6.1).

   In addition, as announced by the Company on 9 September 2020, the proceeds on sale of the Group's west coast rent roll business was received at the beginning of October 2020. The proceeds received by the Group was $2.7 million (85% of the adjusted sale price) and was used to reduce the Senior Debt (see section 5.3 for more details).

Taking into account the above factors, the borrowings of the Group (net of cash) as at the date of the Report is estimated as follows:

($'000)	FY 2020
Borrowings (net of cash) as at 30 June 2020 (as per note 5d above)	8,806
Less: Increase of cash and cash equivalents during the quarter ended 30 Sep 2020	(2,062)
Less: Proceeds received on sale of the Group's west coast rent roll business (Oct 2020)	(2,747)
Estimated Borrowings (Net of Cash) at the Date of the Report	**3,997**

7. The accounting standard AASB 16 *Leases* came into effect on 1 July 2019 and as a result, the Company's property and printing equipment lease liabilities and their associated right-of-use assets were capitalised and recognised on the balance sheet during FY 2020.
8. This balance includes bank guarantees and other restricted cash.
9. The significant increase in intangible assets from FY 2018 to FY 2019, was mainly due to the Group's acquisitions of Vicus Residential (see note 16) and TLRE (see note 17) on 11 January 2019.

   Also see notes 14 and 15 for details of the Group's acquisitions of Sell Lease Property, Complete Settlements and Value Finance on 21 February 2018 (note 14) and Inglewood Estate Agency on 12 June 2018 (note 15), which contributed to the increase of intangible assets from $3.2 million at FY 2017 to $4.6 million at FY 2018.
10. The majority of the Company's intangible assets balance at FY 2020 consists of goodwill from the acquisition of subsidiaries (net of impairment) of $11,773,237 and the Company's rent roll and trail book value (net of accumulated amortisation) of $18,417,546. According to The Agency Group's management, this is broken down as follows:

($'000)	FY 2020
Goodwill from the acquisition of TAPM, net of impairment (see note 10a)	1,069
Goodwill from the acquisition of other subsidiaries, net of impairment	10,704
Goodwill from the acquisition of subsidiaries, net of impairment	**11,773**
AU1's east coast rent roll book value, net of accumulated amortisation	16,267
AU1's west coast rent roll book value, net of accumulated amortisation (see note 10b)	1,964
AU1's trail book value, net of accumulated amortisation	186
Rent roll and trail book value, net of accumulated amortisation	**18,418**
Other intangible assets, net of accumulated amortisation	186
Total net intangible assets	**30,376**

Source: Management information.

   a. The sale of the Group's west coast rent roll business to Managex (see section 5.3) was effectuated through the sale of TAPM.
   b. This amount reflects the net book value of the Group's west coast rent roll as at 30 June 2020, which was part of the west coast rent roll business sold to Managex. As noted in section 5.3, the proceeds for the sale of the business was received at the beginning of October 2020.
11. The deferred tax liabilities mainly relate to the Company's rent roll balances. We also note that as at 30 June 2020, the Group had unrecognised unused tax losses of $3,315,284.
12. The significant increase in issued capital during FY 2019 was mainly due to:
   a. shares issued for the acquisition of Vicus Residential (valued at $453,333, as per note 16);
   b. shares issued for the acquisition of TLRE (valued at $2,566,667, as per note 17);
   c. shares issued to repay TLRE's borrowings (valued at $5 million); and
   d. capital raising undertaken during the year (totalling $8.4 million).
13. The increase in issued capital during FY 2020 was due to:
   a. capital raised during the year (totalling $5,584,398); and
   b. approximately $5.8 million of loans which were settled by issuing shares.

14. During FY 2018, on 21 February 2018, the Group acquired Sell Lease Property, Complete Settlements and Value Finance Pty Ltd and assumed 100% of those entities' assets and liabilities. The fair value of the consideration for all entities was $950,000, which was paid in cash. The details of the transaction, including the allocation of the consideration across all entities, the fair values of assets and liabilities acquired and the goodwill and/or bargain on purchase for each entity are detailed below:

Sell Lease Property	$
Total consideration	800,000
Less: Fair value of assets and liabilities acquired	(28,375)
Goodwill (Recognised under Intangible Assets)	**771,625**

Source: AU1's 30 June 2019 audited financial statements.

Complete Settlements	$
Total consideration	50,000
Less: Fair value of assets and liabilities acquired	(3,520)
Goodwill (Recognised under Intangible Assets)	**46,480**

Source: AU1's 30 June 2019 audited financial statements.

Value Finance Pty Ltd	$	$
Total consideration		100,000
Less: Identifiable intangible assets (rent roll)	(285,587)	
Deferred tax liability	78,536	(207,051)
Bargain purchase to be recognised in profit and loss		**(107,051)**
Less deferred tax on bargain price		29,439
Credit to Profit and Loss for Bargain Price		**(77,612)**

Source: Nexia analysis and AU1's 30 June 2019 audited financial statements.

All of the above was included in the Group's balance sheet and results on 21 February 2018.

15. During FY 2018, on 12 June 2018, the Group acquired the real estate assets and rent roll of Inglewood Estate Agency. The fair value of the consideration was $436,180, of which $348,944 was paid upfront and the remaining $87,236 was retained and paid in June 2019. The fair value of the net identifiable assets and liabilities assumed at acquisition and recognised in the Group's balance sheet from 12 June 2018 was $279,909, which was made up of the following:

Inglewood Estate Agency	$
Rent rolls acquired (recognised under intangible assets)	386,082
Less: Deferred tax liability	(106,173)
Net Fair Value of Identifiable Assets Acquired	**279,909**

This resulted in goodwill of $156,271 being recognised on acquisition, which was also recognised in the Group's intangible assets from 12 June 2018.

16. During FY 2019, on 11 January 2019, the Group acquired Vicus Residential, the residential sales and management division of The Vicus Property Group. The fair value of the consideration was $535,833, comprising $67,500 which was paid in cash and $453,333 which was satisfied by the issue of 2,666,667 AU1 Shares at $0.17 per share. The fair value of the rent roll in the Vicus Residential business amounted to $535,833, and was recognised in the Group's intangible assets from 11 January 2019.

17. During FY 2019, on 11 January 2019, the Group acquired TLRE and assumed 100% of TLRE's assets and liabilities. The fair value of the consideration was $2,566,667, which was satisfied by the issue of 18,333,333 AU1 Shares at $0.14 per share. The fair value of the net identifiable assets and liabilities assumed at acquisition was negative $13,395,469, which was made up of the following:

TLRE	$
Cash and cash equivalents	594,258
Trade and other receivables	2,831,759
Property, plant, and equipment	2,155,716
Rent rolls acquired (recognised under intangible assets)	20,692,117
Trade and other payables	(6,767,664)
Borrowings	(25,553,559)
Provisions	(1,234,080)
Deferred tax liability	(5,690,332)
Other assets (net of other liabilities)	(423,684)
Net Fair Value of Identifiable Assets (Net of Liabilities) Assumed	**(13,395,469)**

Source: Nexia analysis and AU1's 30 June 2020 audited financial statements.

This resulted in goodwill of $15,962,136 being recognised on acquisition, which was also recognised in the Group's intangible assets from 11 January 2019.

5.6.3 Cash Flow Statements

Set out in the table below is the summary of the audited consolidated cash flow statements of the Group for FY 2018, FY 2019 and FY 2020:

($'000)	Ref / Notes	FY 2018 Audited	FY 2019 Audited	FY 2020 Audited
Cash Flows from Operating Activities				
EBITDA	**5.6.1**	(2,971)	(4,381)	2,663
Less: Net interest and finance costs paid	**1**	(216)	(1,230)	(1,385)
Other non-cash flows:				
Share-based payments expensed	**5.6.1**	-	134	-
Gain on acquisition	**5.6.1**	(78)	-	-
Movements in working capital and other assets and liabilities (net of acquisitions):				
(Increase)/Decrease in trade and other receivables		(1,553)	1,014	(609)
(Increase)/Decrease in financial assets		(408)	(626)	372
Increase/(Decrease) in trade and other payables		2,840	(653)	(1,617)
Increase/(Decrease) in provisions		48	(689)	911
Net Cash (Used in)/Generated by Operating Activities	**2**	**(2,336)**	**(6,431)**	**335**
Cash Flows from Investing Activities				
Purchase of property, plant, and equipment		(218)	(241)	(283)
Advancement of bank guarantee		(408)	(600)	(481)
Return of bank guarantee		-	-	346
Purchase of intangibles	**3, 4**	(892)	-	(193)
Deferred purchase consideration paid		(200)	(75)	(15)
Purchase of subsidiary, net of cash acquired	**4**	-	594	-
Net Cash Used in Investing Activities	**2**	**(1,718)**	**(322)**	**(626)**
Cash Flows from Financing Activities				
Proceeds from issue of shares	**2**	1,920	8,400	5,612
Share issue costs		(146)	(277)	(398)
Repayments of borrowings		-	(44)	(2,732)
Proceeds from borrowings		1,100	250	-
Leases payments		-	-	(2,065)
Net Cash Provided by Financing Activities		**2,874**	**8,328**	**418**
Net increase in cash and cash equivalents held		(1,181)	1,575	127
Cash and cash equivalents at the beginning of the year		2,203	1,022	2,597
Cash and Cash Equivalents at the End of the Year		**1,022**	**2,597**	**2,724**

Source: Nexia analysis and AU1's 30 June 2018, 2019 and 2020 audited financial statements.

Notes:

1. As per notes 4 and 17 in section 5.6.2, the level of net borrowings increased significantly during FY 2019 due to the acquisition of TLRE on 11 January 2019, thereby increasing the level of interest paid by the Group during FY 2019 and FY 2020.

2. The Group has been operating at negative operating and investing cash flows in the last few years (with the exception of a positive operating cash flows for FY 2020). In particular, the dramatic increase of net cash used in operating activities during FY 2019 was due to the acquisition of TLRE on 11 January 2019 (see note 17 in section 5.6.2). The Group's rapid growth and expansion during FY 2018 and FY 2019 also contributed to the Group's negative operating and investing cash flows during these years.

   The Group have funded these negative cash flows by means of raising capital and settling loans through the issue of shares in the last few years. Also refer note 12 in section 5.6.2 with regards to share capital raised in the last few years.
3. The purchase of intangibles during FY 2018 include rent rolls and goodwill recognised upon the acquisition of Sell Lease Property, Complete Settlements and Value Finance Pty Ltd on 21 February 2018 (see note 14 of section 5.6.2), and the acquisition of Inglewood Estate Agency on 12 June 2018 (see note 15 of section 5.6.2).
4. As per note 17 in section 5.6.2, during FY 2019, on 11 January 2019, the Group acquired TLRE via an issue of ordinary shares. As such, there was no cash outflow recorded for the purchase of intangibles or other net assets and liabilities related to the acquisition of TLRE, except for TLRE's cash balance of $594,258 at 11 January 2019.

5.7 Capital Structure and Ownership

The Group's capital structure as at 5 November 2020 comprised issued capital of 298,954,431 fully paid ordinary shares, 113,011,319 options and 5 incentive performance shares, as shown below:

- 298,954,431 fully paid ordinary shares (see section 5.7.1);
- 101,515,093 listed options (see section 5.7.2);
- 11,496,226 unlisted options (see section 5.7.3); and
- 5 incentive performance shares (see section 5.7.4).

5.7.1 Fully Paid Ordinary Shares

The top 10 AU1 shareholders as at 5 November 2020 held 69.38% of AU1's issued capital and are set out below:

Shareholder	Shareholding	% Total
Magnolia Equities III Pty Ltd	49,969,507	16.71%
Ben Collier Investments Pty Ltd <Ben Collier Investments P/L>	27,060,515	9.05%
MAK Property Group Pty Ltd <MAK A/C>	25,690,547	8.59%
SEMC 2 Pty Limited <The Chen Asset A/C>	24,475,530	8.19%
Teldar Real Estate Pty Ltd <MJ Lahood Family A/C>	24,349,790	8.14%
Hanzheng KSW Pty Ltd <Hanzheng KSW Unit A/C>	16,666,667	5.57%
Daring Investments Pty Ltd	13,770,150	4.61%
Daring Investments Pty Ltd <Kolenda Family A/C>	10,979,394	3.67%
Honan Insurance Group Pty Ltd	7,692,308	2.57%
Nutsville Pty Ltd <Indust Electric Co S/F A/C>	6,763,230	2.26%
Top ten shareholders	**207,417,638**	**69.38%**
Other	91,536,793	30.62%
Total shares	**298,954,431**	**100.00%**

Source: AU1's share registry as at 5 November 2020.

The table below summarises AU1 shareholders by size of shareholding at 5 November 2020:

Range	No. of holders	Shares	% Total
1 – 1,000	221	36,127	0.01%
1,001 – 5,000	124	347,216	0.12%
5,001 – 10,000	107	790,246	0.26%
10,001 – 100,000	332	12,435,669	4.16%
100,001 and over	137	285,345,173	95.45%
Total	**921**	**298,954,431**	**100.00%**

Source: AU1's share registry as at 5 November 2020.

As at the date of the Report, Peters Investments does not currently hold any shares in AU1.

5.7.2 Listed Options

The top 10 listed optionholders as at 5 November 2020 held 85.57% of AU1's listed options and are set out below:

Optionholder	Optionholding	% Total
Magnolia Equities III Pty Ltd	29,811,994	29.37%
Teldar Real Estate Pty Ltd <MJ Lahood Family A/C>	9,622,044	9.48%
SEMC 2 Pty Limited <The Chen Asset A/C>	9,622,044	9.48%
Ben Collier Investments Pty Ltd <Ben Collier Investments P/L>	9,481,654	9.34%
MAK Property Group Pty Ltd <MAK A/C>	9,481,653	9.34%
Aura Principal Investments Pty Ltd	4,162,103	4.1%
Kalonda Pty Ltd <Leibowitz Super Fund A/C>	4,000,000	3.94%
Nutsville Pty Ltd <Indust Electric Co S/F A/C>	3,949,461	3.89%
Honan Insurance Group Pty Ltd	3,846,154	3.79%
Daring Investments Pty Ltd	2,891,275	2.85%
Top ten optionholders	**86,868,382**	**85.57%**
Other	14,646,711	14.43%
Total listed options	**101,515,093**	**100.00%**

Source: AU1's listed option registry as at 5 November 2020.

AU1's 101,515,093 listed options are exercisable at $0.065 and expire on 31 December 2020.

The table below summarises AU1's listed optionholders by size of optionholding at 5 November 2020:

Range	No. of holders	Options	% Total
1 – 1,000	12	4,796	0.00%
1,001 – 5,000	18	49,247	0.05%
5,001 – 10,000	6	45,485	0.04%
10,001 – 100,000	32	1,360,741	1.34%
100,001 and over	34	100,054,824	98.56%
Total	**102**	**101,515,093**	**100.00%**

Source: AU1's listed options registry as at 5 November 2020.

As at the date of the Report, Peters Investments does not currently hold any listed options in AU1.

5.7.3 Unlisted Options

The details of AU1's unlisted options and optionholders as at 5 November 2020 are set out below:

Optionholder	Exercise Price	Expiry Date	Optionholding
PAC Partners Pty Ltd	$0.750	20 December 2020	266,667
PAC Partners Pty Ltd	$1.200	20 December 2020	66,667
Mr Adam Stuart Davey <Shenton Park Investment A/C>	$0.300	11 January 2022	333,333
Peters Investments Pty Ltd (see Note 1)	$0.034[1]	25 May 2022	2,000,000
Peters Investments Pty Ltd (see Note 2)	$0.027	31 March 2023	8,829,559
Total unlisted options			**11,496,226**

Source: AU1's unlisted option registry as at 5 November 2020 and recent ASX announcements.

Notes:

1. These are the May 2020 Options as referred to in sections 1.1 and 1.2. The May 2020 Options are exercisable at $0.033828 as per section 1.2.
2. These are the Upfront Options as referred to in section 1.3.

5.7.4 Incentive Performance Shares

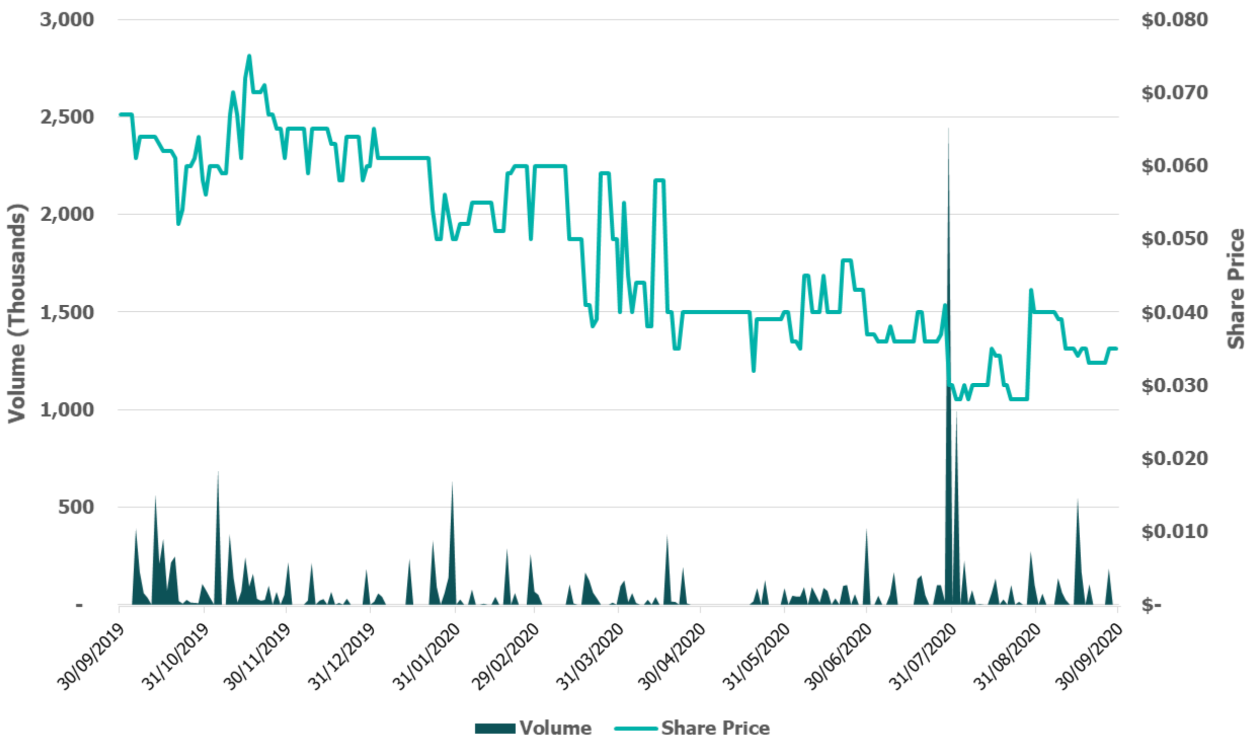
The details of the holders of the incentive performance shares and their holdings as at 5 November 2020 are as follows:

Incentive Performance Share Holder	Holding
Adam Davey (current director)	1
Paul Niardone (current director)	1
John Kolenda (previous director)	1
Philip Re (previous director)	1
Ross Cotton (previous director)	1
Total incentive performance shares	**5**

Source: AU1's FY 2020 annual financial report.

5.8 Share Price and Volume Trading Analysis

The following chart provides a summary of the trading volumes and prices for AU1 Shares from 30 September 2019 to 30 September 2020 (the last full day of trading prior the trading halt and voluntary suspension as requested by the Company on 1 October 2020 and 5 October 2020 respectively, and which was in place until 29 October 2020, the date on which the Funding Package was announced (see section 1.1)). The chart below does not include the effects that the announcement of the Funding Package may have had on AU1's share price:



Source: Yahoo! Finance and Nexia analysis

The prices and volumes for the last 180 days prior to 30 September 2020 are summarised in the table below:

Period to 30 September 2020	Share Price Low	Share Price High	Cumulative Volume Traded	VWAP	Trading as a % of current issued capital
1 day	$0.035	$0.035	-	N/A	0.00%
7 days	$0.033	$0.035	185,000	$0.035	0.06%
30 days	$0.028	$0.043	1,662,376	$0.037	0.56%
60 days	$0.028	$0.043	3,315,642	$0.033	1.11%
90 days	$0.028	$0.043	7,008,759	$0.033	2.34%
180 days	$0.028	$0.058	8,860,229	$0.034	2.96%

Source: Yahoo! Finance and Nexia analysis

The following table also provides the values and volumes of AU1 Shares being transacted on ASX from 30 September 2019 to 30 September 2020, detailed on a monthly basis:

Month	Share Price Low	Share Price High	Cumulative Volume Traded	VWAP	Trading as a % of current issued capital
October 2019	$0.052	$0.067	2,584,560	$0.060	0.87%
November 2019	$0.056	$0.076	2,270,799	$0.065	0.76%
December 2019	$0.058	$0.072	571,615	$0.060	0.19%
January 2020	$0.044	$0.065	1,605,277	$0.050	0.54%
February 2020	$0.050	$0.060	758,047	$0.050	0.25%
March 2020	$0.038	$0.060	619,647	$0.050	0.21%
April 2020	$0.035	$0.058	952,882	$0.040	0.32%
May 2020	$0.030	$0.040	225,641	$0.039	0.08%
June 2020	$0.035	$0.047	892,292	$0.043	0.30%
July 2020	$0.028	$0.043	3,693,117	$0.030	1.24%
August 2020	$0.028	$0.043	1,927,458	$0.043	0.64%
September 2020	$0.033	$0.043	1,388,184	$0.035	0.46%

Source: Yahoo! Finance and Nexia analysis

The chart and tables above indicates that AU1's share price has fluctuated over the period since 30 September 2019. During this period the closing share price of AU1 Shares has traded within a range of $0.028 and $0.075 over the 12 months with a closing price of $0.035 at 30 September 2020. The volume weighted average price of AU1 Shares over the 12 months to 30 September 2020 is calculated at $0.047.

During the first few months of the period since 30 September 2019 (up to January 2020), AU1's closing share price ranged between $0.044 and $0.076, and AU1's monthly VWAP ranged from $0.050 to $0.065. There was a notable drop in share prices during February 2020 to June 2020 (being the approximate periods when the COVID-19 related lockdowns were in place for most Australian states), however, this seems to have stabilised again from July 2020. Since July 2020 the closing share price of AU1 Shares traded within a range of $0.028 and $0.043. The volume weighted average price of AU1 Shares over the 3 months to 30 September 2020 is calculated at $0.033.

Although less than 3% of the Company's capital were traded in the last 90 and 180 days, AU1 Shares have a moderate level of liquidity with relatively free flow of trading in the shares during the year (including the last 3 months) to 30 September 2020. There was also a notable reduction in trading volumes during February 2020 to June 2020, however this increased since July 2020 to near pre COVID-19 levels, with the highest single day trading volume (excluding insider trading) recorded on 4 August 2020 when 1,007,586 AU1 Shares were traded.

6. INDUSTRY ANALYSIS AND MARKET OUTLOOK

The Group mainly operates within the real estate services industry in Australia.

6.1 Industry Analysis – Real Estate Services[2]

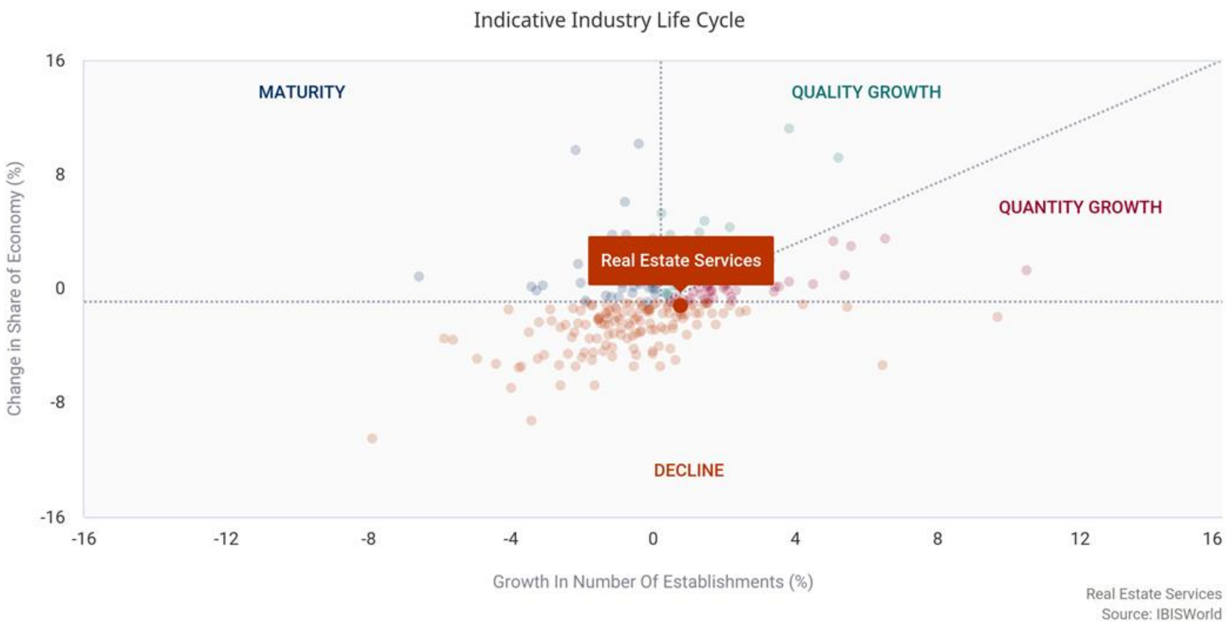
6.1.1 Industry Definition

Businesses in the real estate services industry primarily appraise, purchase, sell (by auction or private treaty), manage or rent residential property, commercial property, or a combination of the two.

6.1.2 Industry Life Cycle

The real estate services industry is in the mature stage of its life cycle. The key factors contributing to the industry being in the mature stage are as follows:

- demand for industry services is mainly influenced by economic activity and interest rates;
- industry establishment numbers have fallen slightly over the past five years; and
- the industry's products and services have largely remained the same over the long term.

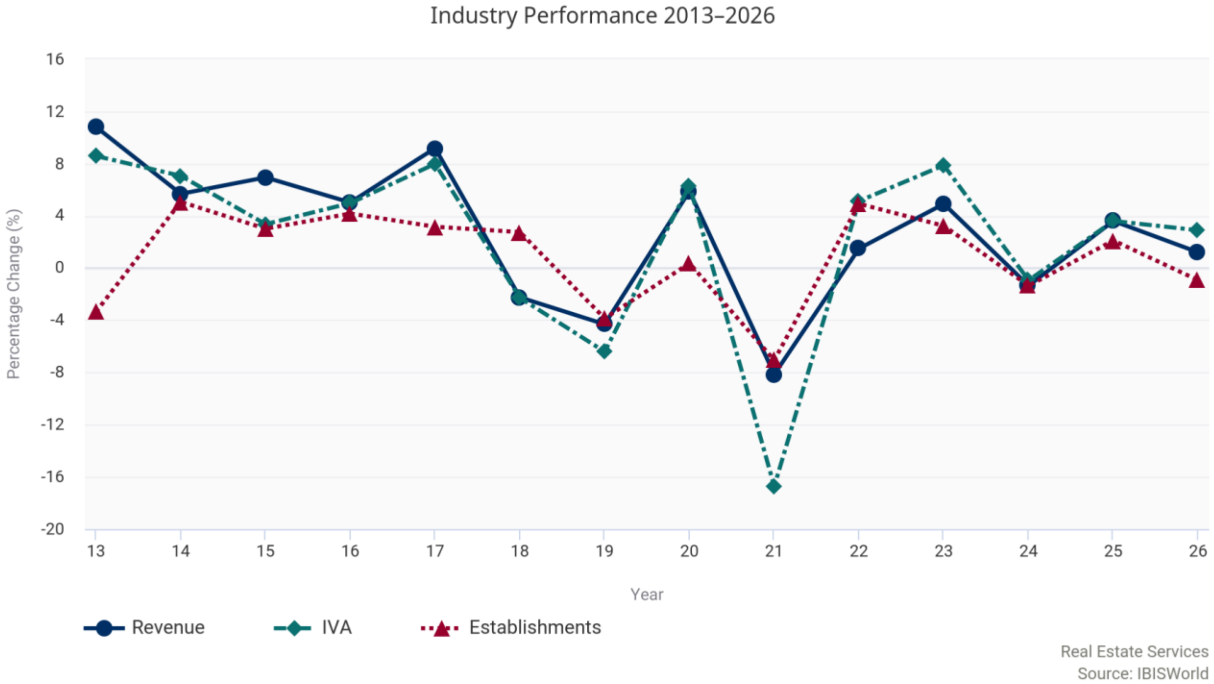


6.1.3 Industry Performance and Outlook

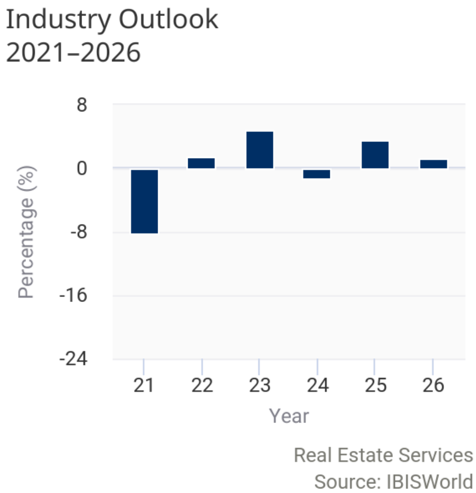
The real estate services industry has faced volatile operating conditions over the past five years. Government incentives and falling interest rates have supported growth in housing prices over the period, despite turbulent economic conditions. However, a decline in the number of housing transfers over the past five years has constrained industry revenue. Government limits on foreign property investment have constrained demand for residential real estate over the past five years. However, commercial property markets have benefited from more robust demand over the period, supporting demand for industry services. House prices fell in 2018-19, and while industry conditions had been improving over 2019-20, the outbreak of COVID-19 in early 2020 created significant headwinds for industry operators. As a result, industry revenue is expected to fall at an annualised 0.1% over the five years through 2020-21, to $26.5 billion. This includes an anticipated decline of 8.1% in 2020-21, as economic conditions weaken following the outbreak of COVID-19.

Industry profitability has fallen over the past five years, due to intense industry competition and an increasingly saturated market. Small, self-employed agents and property managers continue to dominate the industry. However, some players have expanded their operations over the period. The property management segment has faced growing competition from the residential property operators industry over the past five years, due to an increasing share of owner-lessors managing property themselves rather than employing an agent.

[2] Source: *Real Estate Services in Australia*, Industry Report L6720 by James Thomson, IBISWorld, published on August 2020. Accessed at https://my.ibisworld.com/au/en/industry/l6720/about on 12 October 2020.



More high-density residential properties are anticipated to become available over the next five years, as governments and the construction division respond to increased urbanisation and population growth. As economic conditions stabilise in the wake of the COVID-19 pandemic, population growth and positive consumer sentiment are projected to support rising property prices and demand for real estate services over the next five years. Industry revenue is forecast to grow at an annualised 1.9% over the five years through 2025-26, to total $29.2 billion. However, competition from technological alternatives that allow buyers and renters to circumvent industry operators is projected to limit industry growth. Owner-lessors bypassing real estate agents in favour of online channels poses a significant threat to the industry over the next five years.



6.2 Market Outlook[3]

During the first half of the year, the COVID-19 pandemic led to the most severe contraction in global and domestic economic activity in decades. Since around May, economic conditions have started to recover as containment measures have been eased and fiscal and monetary policies have provided significant support. But a high degree of uncertainty surrounds the outlook domestically and abroad. The main source of uncertainty is the evolution of the pandemic and medical developments. Indeed, a resurgence in new cases has already led to the reinstatement of containment measures in some economies, which has slowed their recoveries, including in Australia. Beyond the direct effects from reinstated containment measures, there is also considerable uncertainty over the voluntary response from households and businesses. Inflationary pressures are likely to remain subdued globally for some time because of considerable spare capacity, though in the longer term there is more uncertainty over the inflation profile given supply will also be lower.

Assuming a widespread and synchronised global resurgence in infections is avoided, GDP of Australia's major trading partners is expected to contract by around 3 per cent (in year-average terms) in 2020, with the trough in activity in the June quarter, followed by an increase of around 6 per cent in 2021. This would leave the level of major trading partner GDP around 3 per cent below what was expected before the outbreak.

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[3] *Source: Statement of Monetary Policy August 2020 (Section 6. Economic Outlook)* by Reserve Bank of Australia, published on 6 August 2020. Accessed at https://www.rba.gov.au/publications/smp/2020/aug/ on 12 October 2020.

Domestically, a gradual recovery in GDP is now underway across much of the country, following the largest shock to growth since the 1930s. Employment and hours worked are also expected to increase slightly over the second half of the year in most of the country. However, the effects of the heightened activity restrictions in Victoria are likely to offset the pick-up in GDP growth in other parts of the economy in the September quarter. The restrictions in Victoria, alongside some job losses occurring as a result of the JobKeeper program beginning to be tapered nationally after September, will weigh on labour market outcomes in the September and December quarters; this is likely to more than offset any employment growth elsewhere. The unemployment rate is expected to continue to rise over this period as a result of employment losses in Victoria, as well as increased labour force participation elsewhere in Australia. After a sharp fall in the June quarter, headline inflation is expected to rebound in the second half of the year following the end of the free child care program and a pick-up in fuel prices. However, underlying inflation is expected to remain subdued over the forecast period, given low wages growth and substantial spare capacity in the economy.

Further outbreaks of the virus and associated restrictions on activity are the key risks to the outlook. For example, the recent outbreak of the virus in Victoria and the associated introduction of restrictions on activity are likely to reduce national GDP growth in the September quarter by at least 2 percentage points, relative to the situation if the outbreak had not occurred. Other considerations include how long uncertainty and diminished confidence weigh on household spending and businesses' hiring and investment plans.

Given the high degree of uncertainty for the outlook, a number of scenarios are considered, with different assumptions about the outbreak and restrictions, and their effects on household and business confidence. In all scenarios, fiscal policy settings are assumed to be in line with current public guidance:

- The baseline scenario assumes the heightened restrictions in Victoria are in place for the announced six weeks and then gradually lifted. In other parts of the country, restrictions continue to be gradually lifted or are only tightened modestly for a limited time, although restrictions on international departures and arrivals are assumed to stay in place until mid-2021. Under this scenario: GDP is expected to contract by around 6 per cent over the year to December 2020, but then grow by around 5 per cent over 2021; the unemployment rate is expected to rise to almost 10 per cent over the next six months and gradually decline to around 7 per cent over the latter part of the forecast period; and underlying inflation is expected to remain below 2 per cent over the next couple of years;
- A stronger economic recovery is possible if faster progress in controlling the virus is achieved in the near term. A series of positive health outcomes would help limit the damage to consumer and business confidence and support a more rapid economic recovery. In this scenario, the virus is assumed to be rapidly controlled domestically (but not overseas) and activity restrictions are lifted (with the exception of international travel), leading to a faster recovery in consumption, investment and employment. The unemployment rate would peak at a lower level and decline faster than in the baseline scenario; and
- However, a plausible downside scenario is where Australia faces further periods of outbreaks and heightened restrictions in certain areas, and the world experiences a widespread resurgence in infections in the near term. In this scenario, it is likely that the recovery in service exports would be delayed further and consumer spending would continue to fall through the second half of 2020, despite continued policy stimulus and income support measures. Business investment would also decline sharply. Domestic activity would take much longer to recover in this scenario, resulting in the unemployment rate remaining close to its peak throughout 2021.

Nexia Australia

7. VALUATION METHODOLOGIES

7.1 Definition of Market Value

In forming our opinion as to whether or not the Proposed Transaction is fair and reasonable to AU1's existing shareholders, we have assessed the value of the issued AU1 Shares on a fair value basis. RG 111 defines fair value as the amount:

"assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length…".

7.2 Selection of Methodology

RG 111 provides guidance on the valuation methods that an independent expert should consider. These methods include:

- the discounted cash flow method ("DCF") and the estimated realisable value of any surplus assets;
- the application of earnings multiples (appropriate to the business or industry in which the entity operates) to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets (the capitalisation of earnings method);
- the amount that would be available for distribution to security holders on an orderly realisation of assets (asset based method);
- the quoted price for listed securities, when there is a liquid and active market and allowing for the fact that the quoted price may not reflect their value, should 100% of the securities be available for sale (quoted market price or "QMP" methodology);
- any recent genuine offers received by the target for the entire business, or any business units or assets as a basis for valuation of those business units or assets; and
- the amount that an alternative bidder might be willing to offer if all the securities in the target were available for purchase.

The above are covered in more detail in Appendix D to this Report. Each methodology is appropriate in certain circumstances. The decision as to which methodology to apply generally depends on the nature of the asset being valued, the methodology most commonly applied in valuing such an asset and the availability of appropriate information.

It is possible for a combination of different methodologies to be used together to determine an overall value where separate assets and liabilities are valued using different methodologies.

7.3 Valuation Methodology Applied

In our assessment of the value of AU1, we have employed the following methodologies:

- the capitalisation of earnings method, which estimates the market value of a company by determining a future maintainable earnings figure for the company's business and multiplying that figure by an appropriate capitalisation multiple. The value of any surplus assets or liabilities are then added to this and any net debt is then deducted, to determine the equity value; and
- the QMP methodology, as this represents the value that a shareholder may receive for a share if it were sold on market.

An equal weighting has been applied to both approaches in determining the fair value of AU1.

We have chosen the above methodologies for the following reasons:

- Although the Group does not appear to have a recent history of sustainable profitability (especially when considering the Group's negative EBIT and EBITDA results in FY 2018 and FY 2019), this is mainly due to the Group's rapid growth during those years. As such, we have considered that the Group's negative results for the financial periods before FY 2020 do not reflect the Group's sustainable (non-)profitability at the date of the Report.

  As noted in section 5.6.1 (see note 2), the Group's continued growth has enabled it to achieve positive EBITDA and operating cash flow levels since FY 2020. As such, we consider that the positive EBITDA result for FY 2020 is indicative of the Group's ongoing earnings potential. This allows for a comparison to be made against the earnings of similar companies and therefore the capitalisation of earnings method can be applied; and

- The QMP basis is a relevant methodology to consider because AU1 shares are listed on the ASX, therefore reflecting the value that a shareholder will receive for a share sold on the market. This means that there is a regulated and observable market where AU1's shares can be traded. However, in order for the QMP method to be considered appropriate, the Company's shares should be liquid and the market should be fully informed on the Company's activities.

  In this case, AU1 Shares have a moderate level of liquidity, with relatively free flow of trade of AU1 Shares, and with trading volumes increasing again after July to near pre COVID-19 levels (as detailed in section 5.8). Therefore, we consider that the value that could be achieved through a market sale should be reflected in our overall valuation. As such, we considered it appropriate to apply the QMP basis as part of our valuation approach.

The valuation calculation for AU1 Shares before and after the Proposed Transaction are set out respectively in sections 8 and 9 of this Report.

8. VALUE OF THE AGENCY GROUP ON A CONTROL BASIS BEFORE THE PROPOSED TRANSACTION

As discussed in section 4, in evaluating the Proposed Transaction we are first considering the fair value of an AU1 Share on a control basis in accordance with RG 111.

As indicated in sections 7.2 and 7.3, we have employed the following methodologies:

- capitalisation of earnings (see section 8.1); and
- QMP (see section 8.2);

applying an equal weighting to both approaches in determining the fair value of AU1.

8.1 Fair Value Calculation – Capitalisation of Earnings

The calculation of the fair value of AU1 Shares using the capitalisation of earnings method is summarised below:

($'000)	Ref	Low	Preferred	High
Maintainable EBITDA	**8.1.1**	2,173	2,357	2,541
Multiple applied	**8.1.2**	6.35x	6.88x	7.43x
Enterprise Value		**13,792**	**16,211**	**18,866**
Adjustments:				
Borrowings (net of cash) at the date of the Report	**8.1.3**	(3,997)	(3,997)	(3,997)
Equity Value of AU1 on a Control Basis		**9,795**	**12,214**	**14,869**
Number of AU1 Shares outstanding	**8.1.4**	298,954,431	298,954,431	298,954,431
Value per AU1 Share on a Control Basis		**$0.033**	**$0.041**	**$0.050**

Source: Nexia analysis.

8.1.1 Maintainable EBITDA

As discussed in section 7.3, we have calculated the Group's maintainable EBITDA by reference to the Group's EBITDA's result for FY 2020. This has been adjusted to remove the net earnings that were generated from the Group's west coast rent roll business, as follows:

($'000)	Ref	Low	Preferred	High
FY 2020 EBITDA	**5.6.1**	**2,663**	**2,663**	**2,663**
Normalisation Adjustment:				
Less: EBITDA generated from the Group's west coast rent roll business during the year	**note 1**	(490)	(306)	(123)
Total Adjustments		**(490)**	**(306)**	**(123)**
Normalised EBITDA		**2,173**	**2,357**	**2,541**

Source: AU1's 30 June 2020 audited financial statements and Nexia analysis.

Notes:

1. As per section 5.6.1, note 3, the Group's west coast rent roll business contributed approximately $0.49 million to the Group's net EBITDA for FY 2020. As the business was sold after year end, these amounts needs to be adjusted as it is not representative of the Group's ongoing maintainable earnings. In this case, we have deducted 100% of the west coast rent roll business's EBITDA in the low scenario, 25% of the EBITDA in the high scenario, and 62.5% in the preferred scenario.

   We have deducted 25% and 62.5% of the EBITDA in the high and preferred scenarios (instead of the full amount of the EBITDA), as the sale agreement included a strategic partnership which includes cross-referrals between the Group and Managex. As such, the low and the preferred scenarios take into account that a portion of the EBITDA would still be maintainable into the future, given the strategic partnership.

No other adjustments have been made to the Group's financial performance for FY 2020, as there were no other material one-off and/or non-recurring expenses.

In making this assessment we have considered the following:

- the Group's negative EBIT and EBITDA results in FY 2018 and FY 2019 is mainly due to the Group's rapid growth during those years (see notes 1 and 2 in section 5.6.1). As such, we have considered that the Group's negative results for the financial periods before FY 2020 do not reflect the Group's sustainable (non-)profitability at the date of the Report;
- As noted in section 5.6.1 (see note 2), the Group's continued growth has enabled it to achieve positive EBITDA and operating cash flow levels since FY 2020. As such, we consider that the positive EBITDA result for FY 2020 is indicative of the Group's ongoing earnings potential;
- Although the Group applied AASB 16 *Leases* during FY 2020 (see section 5.6.1, note 4), this has not been taken up as a "normalisation adjustment" as data from comparable listed companies for FY 2020 do not include this adjustment; and
- Although the Company saved approximately $600,000 in salaries and employment costs and received $1 million from the JobKeeper Payment scheme during FY 2020 (see section 5.6.1, note 6), this is related to the fallout from COVID-19. COVID-19 also had an impact on the Company's revenues, however, this is unquantifiable, although would probably at least offset the salaries and employment cost savings and the receipt from the JobKeeper Payment scheme. As such, no adjustment has been made to the result for FY 2020 with regards to this.

Based on the above, we have considered that the Group's maintainable EBITDA to be between **$2.2 million** and **$2.5 million**, with a preferred maintainable EBITDA of **$2.4 million**.

8.1.2 Capitalisation Multiple

The capitalisation multiple has been determined with reference to identified listed companies. In determining comparable listed companies, consideration has been given to the companies that operate and/or are involved in the real estate services industry.

Details of the most comparable companies and their EBITDA multiples are set out below:

($'000,000)	Enterprise Value	Market Capitalisation	Revenue	EBITDA	EBITDA Margin	EBITDA Multiple (Trailing)
McGrath Limited	52.8	45.9	91.6	4.8	5%	5.65x
Savills plc	2,627.8	2,139.0	3,361.5	265.4	8%	7.04x
Mean	**1,340.3**	**1,092.4**	**1,726.6**	**135.1**	**7%**	**6.35x**

Source: S&P Capital at 27 October 2020.

The descriptions of the companies identified above are set out below:

Comparable Companies	Description
McGrath Limited (ASX: MEA)	McGrath Limited operates as an integrated residential real estate services company in Australia.
Savills plc (LSE: SVS)	Savills plc, together with its subsidiaries, provides real estate services in the Americas, the United Kingdom, Continental Europe, the Asia Pacific, Africa, and the Middle East. The company advises on commercial, residential, rural, and leisure properties; and offers corporate finance advisory, investment management, and a range of property-related financial services.

Source: S&P Capital at 27 October 2020.

In determining an appropriate multiple we have considered:

- The Agency Group has a much smaller market capitalisation rate when compared to the listed comparable companies above. As a result, consideration must be had to the size and diversification of the Group's services when compared to the listed comparable companies above;
- Other factors such as the Group's size, geographical location, diversification of services and growth profile, especially when compared to companies like Savills plc; and
- As a result of the above factors, we have applied a discount of 10% to 20% to the comparable company multiples identified above.

Finally, as the valuation of the AU1 Shares is on a control basis, we have adjusted the average implied multiple for listed companies, where the share price reflects a minority interest, for a control premium of between 25% and 30%.

In determining the control premium to apply we have considered academic research on long term approaches to size premium, surveys on market practice and other analysis of the market on recent risk premiums. This shows a long term average of 20% to 30% and recent analysis tending towards 30% particularly for 100% transactions. Therefore, we have applied a control premium at the higher end of the long term range at 25% to 30%.

Based on the above we have determined that an appropriate capitalisation multiple for AU1 is between **6.35** and **7.43** times, with a preferred capitalisation multiple of **6.88** times.

8.1.3 Net Debt at the Date of the Report

As detailed in section 5.6.2, notes 5 and 6, the Group's borrowings (net of cash) as at 30 June 2020 was $8.806 million, and decreased to an estimated **$3.997 million** at the date of the Report, after adjusting for the following:

- the increase of cash and cash equivalents during the quarter ended 30 Sep 2020 ($2.062 million); and
- the receipt of proceeds on sale of the Group's west coast rent roll business at the beginning of October 2020, which was used to reduce the Senior Debt ($2.747 million).

8.1.4 Number of AU1 Shares Outstanding before the Proposed Transaction

As detailed in section 5.7, the number of shares on issue as at the date of our Report is 298,954,431. Also as per section 5.7, we note that the Company has 101,515,093 listed options (exercisable at $0.065 and expiring on 31 December 2020); 11,496,226 unlisted options (including 666,667 of which do not belong to Peters Investments and are exercisable at between $0.30 and $1.20 each, expiring between 20 December 2020 and 11 January 2022); and 5 incentive performance shares.

The closing share price of AU1 Shares traded within a range of $0.028 and $0.058 over the 180 days to 30 September 2020, with a general downward trend over the period and with a closing price of $0.035 (see section 5.8 for further details). As such, it is considered that the listed options, as well as the unlisted options not owned by Peters Investments, are unlikely to be exercised in the near future as those options are unlikely to be in-the-money (as defined) in the near future.

The May 2020 Options and the Upfront Options are in-the-money as they are currently exercisable at $0.028 or at $0.027 at 30 September 2020 (see section 5.7.3 for further details). However, given the Proposed Transaction includes the exercise of all of the AU1 Options belonging to Peters Investments, we do not consider it appropriate to present the diluted value of a AU1 Share before the Proposed Transaction.

The 5 incentive performance shares have also not been considered as part of a dilutary value of each AU1 Share before the Proposed Transaction, as we have considered that the impact of the conversion of each incentive performance share would not be significant.

Given the factors above, our valuation of each AU1 Share prior to the Proposed Transaction has been calculated on an undiluted basis i.e. based on the total number of **298,954,431** AU1 Shares.

8.2 Fair Value Calculation – QMP

As noted in section 5.8, AU1's share price and trading volumes has fluctuated over the period since 30 September 2019, with a particular drop during February 2020 to June 2020 (being the approximate periods when the COVID-19 related lockdowns were in place for most Australian states). However, as noted in section 5.8, AU1's share price and trading volumes have stabilised since July 2020. Prior to the onset of COVID-19, during the months up to January 2020, the share price ranged between $0.044 and $0.076, and AU1's monthly VWAP ranged from $0.050 to $0.065.

To remove any effects that the uncertainty around COVID-19 would have had on the quoted market price, we have used the following as our references for the purposes of this calculation:

- the lowest share price during the months up to January 2020, being $0.044, as our 'low' quoted market price;
- the highest VWAP during the months up to January 2020, being $0.065, as our 'high' quoted market price; and
- the mid-point between $0.044 and $0.065, being $0.055, as our 'preferred' quoted market price.

In the calculation below we have also applied a control premium range from 25% to 30% with the midpoint at 27.5% to reflect the value of the Company on a control basis. This reflects an interest where a shareholder has advantages such as the ability to exert influence over the strategic direction and cash flow of a company, amongst other areas.

This results in the following QMP valuation of AU1 on a control basis:

($'000)	Ref	Low	Preferred	High
Total AU1 Shares on issue	**8.1.4**	298,954,431	298,954,431	298,954,431
QMP per AU1 Share		$0.044	$0.055	$0.065
Value of AU1 on a minority basis		13,154	16,293	19,432
Add: Control premium (25%, 27.5% and 30%)		3,288	4,481	5,830
Total value of AU1 on a control basis		**16,442**	**20,774**	**25,262**
Value per AU1 Share on a control basis		**$0.055**	**$0.069**	**$0.085**

Source: Nexia analysis.

8.3 Conclusion on Fair Value of AU1 Shares on a Control Basis before the Proposed Transaction

As discussed in section 4, in evaluating the Proposed Transaction we are first considering the fair value of an AU1 Share on a control basis.

To determine the fair value of an AU1 Share on a control basis, we have used the mid-point value determined under each of the valuation methods in sections 8.1 and 8.2 above. Each valuation approach has been given equal weighting.

Based on this, we have concluded the fair value of an AU1 Share on a control basis before the Proposed Transaction to be as follows:

		Low	Preferred	High
Fair value of an AU1 Share on a control basis before the Proposed Transaction		$0.044	**$0.055**	$0.067

Source: Nexia analysis.

Based on the results above we consider the value of an AU1 Share prior to the Proposed Transaction on a control basis to be between **$0.044 and $0.067**, with a preferred value of **$0.055**.

9. VALUE OF THE AGENCY GROUP ON A MINORITY BASIS AFTER THE PROPOSED TRANSACTION

As discussed in section 4, in evaluating the Proposed Transaction we are considering the fair value of an AU1 Share on a minority basis after the Proposed Transaction in accordance with RG 111.

9.1 Fair Value Calculation

To determine the fair value of a minority interest per share after the Proposed Transaction, we have considered the fair value determined in section 8, adjusted by the Proposed Transaction.

($'000)	Ref	Low	Preferred	High
Fair value of an AU1 Share on a control basis before the Proposed Transaction	**8.3**	$0.044	$0.055	$0.067
Number of AU1 Shares on issue before the Proposed Transaction	**8.1.4**	298,954,431	298,954,431	298,954,431
Total value of AU1 on a control basis before the Proposed Transaction		13,119	16,494	20,065
Proposed Transaction:				
Interest accrued and to be capitalised onto the Convertible Notes	**9.1.1**	(77)	(77)	(77)
Increase in equity from the conversion of the face value and interest portion of both Convertible Notes	**9.1.2**	6,227	6,227	6,227
Proceeds to be received upon the exercise of May 2020 Options	**9.1.3**	68	68	68
Proceeds to be received upon the exercise of October 2020 Options	**9.1.4**	324	324	324
Total value of AU1 on a control basis after the Proposed Transaction		19,660	23,036	26,607
Less: Minority discount (30%, 27.5% and 25%)		(4,537)	(4,968)	(5,321)
Total Value of AU1 on a Minority Basis after the Proposed Transaction		**15,123**	**18,067**	**21,286**
Number of Shares				
Number of AU1 Shares on issue before the Proposed Transaction	**8.1.4**	298,954,431	298,954,431	298,954,431
Potential Issue of AU1 Shares to Peters Investments under the Proposed Transaction	**9.1.5**	244,640,690	244,640,690	244,640,690
Number of AU1 Shares outstanding after the Proposed Transaction		**543,595,121**	**543,595,121**	**543,595,121**
Value per AU1 Share on a Minority Basis		**$0.028**	**$0.033**	**$0.039**

Source: Nexia analysis.

9.1.1 Interest Accrued and to be Capitalised onto the Convertible Notes

As indicated in section 1.4, we have estimated the interest accrued on the Convertible Notes, up to the date of the Report, to be $77,299. This has been calculated as follows:

	Note	
Amended May 2020 Convertible Notes		
Issue date	**1**	15-May-2020
Principal amount	**1**	$1,000,000
Interest rate	**3**	8.00%
Date of conversion		5-Nov-2020
Term (months)		5.67
Interest on Amended May 2020 Convertible Notes		**$38,370**
October 2020 Convertible Notes		
Deemed issue date	**2**	1-Oct-2020
Principal amount	**2**	$5,150,000
Interest rate	**3**	8.00%
Date of conversion		5-Nov-2020
Term (months)		1.13
Interest on October 2020 Convertible Notes		**$38,928**
Total Interest Accrued on Convertible Notes		**$77,299**

Source: Nexia analysis.

Notes:

1. As per the terms of the Amended May 2020 Convertible Notes as detailed in section 1.2, which includes a principal value of $1,000,000 and interest to be calculated from 15 May 2020.
2. As per the terms of the October 2020 Convertible Notes as detailed in section 1.3, which includes a principal value of $5,150,000 (including facilitation fee) and interest to be calculated from 1 October 2020.
3. According to the terms of the Convertible Notes (detailed in sections 1.2 and 1.3), the interest is at the higher of 8% and the interest rate of the Senior Debt. As per note 5 of section 5.6.2, the interest on the Senior Debt just prior to the announcement of the Funding Package was 8.59% per annum. For the purposes of this Report, we have assumed an interest rate of 8%.

9.1.2 Dollar Amount of Convertible Notes to be Converted into AU1 Shares

Following the above calculation of interest accrued on Convertible Notes in section 9.1.1, we have detailed below the calculation of the estimated dollar amount of Convertible Notes to be converted into AU1 Shares at the date of the Report:

	Note	Principal	Interest	Total
Amounts to be Converted from Convertible Notes				
Amended May 2020 Convertible Notes	**1**	$1,000,000	$38,370	$1,038,370
October 2020 Convertible Notes	**2**	$5,150,000	$38,928	$5,188,928
Total Amounts to be Converted		**$6,150,000**	**$77,299**	**$6,227,299**

Notes:

1. See details of principal and interest calculations as set out in notes 1 and 3 of section 9.1.1 above.
2. See details of principal and interest calculations as set out in notes 2 and 3 of section 9.1.1 above.

9.1.3 Proceeds to be Received Upon the Exercise of May 2020 Options

According to section 1.2, the 2 million May 2020 Options are exercisable at $0.033828 each.

9.1.4 Proceeds to be Received Upon the Exercise of October 2020 Options

According to section 1.3, the 12 million October 2020 Options are exercisable at $0.027 each.

9.1.5 Potential Issue of AU1 Shares Issued to Peters Investments under the Proposed Transaction

Following the above notes in sections 9.1.1, 9.1.2, 9.1.3 and 9.1.4, we have detailed below the calculation of the potential number of AU1 Shares to be issued upon conversion of the Convertible Notes (including interest accrued) and upon the exercise of the Peters Investments Options:

	Ref / Note	Principal	Interest	Total
Conversion of Convertible Notes				
Total amount to be converted from Convertible Notes	**9.1.2**	$6,150,000	$77,299	$6,227,299
Conversion price	**note 1**	$0.027	$0.027	$0.027
Potential Number of AU1 Shares to be Issued from Conversion of Convertible Notes		**227,777,778**	**2,862,912**	**230,640,690**
Exercise of Peters Investment Options				
Potential Number of AU1 Shares to be Issued from Exercise of May 2020 Options	**9.1.3**			2,000,000
Potential Number of AU1 Shares to be Issued from Exercise of October 2020 Options	**9.1.4**			12,000,000
Potential Number of AU1 Shares to be Issued from Exercise of Peters Investments Options				**14,000,000**
Total Potential Number of AU1 Shares to be Issued to Peters Investments				**244,640,690**

Source: Nexia analysis.

Notes:

1. According to the terms of the Convertible Notes, the conversion price is the lower of $0.027 and the issue price of AU1 Shares offered under any subsequent capital raising to raise over $1 million. Due to the uncertainty of issue prices the Company may offer under any future capital raising, we have assumed a conversion price of $0.027 per AU1 Share for the purposes of this calculation.

9.2

9.2

9.2 Conclusion on Fair Value of AU1 Shares on a Minority Basis after the Proposed Transaction

As discussed in section 4, in evaluating the Proposed Transaction we are considering the fair value of an AU1 Share on a minority basis.

Based on this we have concluded the fair value of an AU1 Share on a minority basis after the Proposed Transaction to be as follows:

	Ref	Low	Preferred	High
Fair value of an AU1 Share on a minority basis after the Proposed Transaction	**9.1**	$0.028	**$0.033**	$0.039

Source: Nexia analysis.

Based on the results above we consider the value of an AU1 Share after the Proposed Transaction on a minority basis to be between **$0.028** and **$0.039**, with a preferred value of **$0.033**.

Nexia Australia

10. ASSESSMENT OF FAIRNESS

As discussed in section 4, in determining whether the Proposed Transaction is fair to the Non-Associated Shareholders, we have compared the fair value of a share in AU1 on a control basis prior to the Proposed Transaction to the fair value of a share in AU1 on a minority basis after the Proposed Transaction.

This is summarised below:

	Ref	Low	Preferred	High
Fair value of an AU1 Share on a control basis before the Proposed Transaction	**8.3**	$0.044	**$0.055**	$0.067
Fair value of an AU1 Share on a minority basis after the Proposed Transaction	**9.2**	$0.028	**$0.033**	$0.039

Source: Nexia analysis.

The above values indicate that, in the absence of any other relevant information, the Proposed Transaction is **not fair** to the Non-Associated Shareholders.

Therefore, **we have concluded that the Proposed Transaction is not fair**.

11. ASSESSMENT OF REASONABLENESS

11.1 Approach to Assessing Reasonableness

In forming our conclusions in this Report, we have compared the advantages and disadvantages to the Non-Associated Shareholders if the Proposed Transaction proceeds.

11.2 Advantages of the Proposed Transaction

We have outlined the potential advantages of the Proposed Transaction in the following table:

Advantage	Explanation
The Proposed Transaction will significantly reduce the risk of AU1 defaulting on its loan from Macquarie Bank.	As indicated in section 1.1, the Funding Package, which includes the extension of the $5 million primary secured debt facility from Macquarie Bank, is contingent on the Proposed Transaction proceeding. If the Proposed Transaction does not proceed, the Funding Package will not be secured and as such AU1 will need to raise additional funds in order to meet Macquarie Bank's repayment requirements as previously negotiated by the Group's Board of Directors. If the Group is unsuccessful in raising additional funds, this will significantly increase the risk of the Group's loan from Macquarie Bank defaulting and consequently increase the risk of Macquarie Bank exercising its rights to appoint an administrator to wind-up the assets of the Group.* If this happens, this will decrease AU1's shareholders' chances of realising any value for their shares. ** Even though the Senior Debt has a joint and several guarantee from the Guarantors, the Company will still be liable for these funds.*
The Proposed Transaction may be AU1's only option for funding in the near future.	The Proposed Transaction may be the only opportunity that AU1 has to raise a significant amount of funds currently or in the near future, especially when taking into account the current uncertain market environment and market volatility associated with the global COVID-19 pandemic. This may result in challenges for the Company to raise funds from more traditional means such as equity raisings, or to find any other alternative sources of funding.

Advantage	Explanation
The terms of the Convertible Notes allow the Company to reserve its cash balances in the short-term.	The Group's current net deficit working capital and net current liabilities as at 30 June 2020 was $18.4 million. The Convertible Notes do not require interest or repayments to be made in cash, and also allows for the facilitation fee and any interest accrued to be capitalised. As such, the Proposed Transaction will enable the Group to increase its solvency in the short-term by enabling the Company to reserve its level of cash.
The Proposed Transaction will allow AU1 to continue to operate and achieve its strategic goals and business objectives.	If the Proposed Transaction proceeds, AU1 will not need to raise additional funds (as per above) and AU1 will be able to continue to operate and focus on achieving its strategic goals, business objectives and growth. This in turn will increase AU1's shareholders' chances of realising the value of their shares.
The conversion of the Convertible Notes will improve AU1's solvency in the long-term.	Upon conversion of the Convertible Notes into equity, the Group's long-term solvency will improve as the Group's obligation to repay the Convertible Notes is terminated. Therefore the Proposed Transaction places the Group in a better financial position.
The exercise of the Peters Investments Options will enable the Company to raise an additional $391,656.	If the Peters Investments Options are exercised, this will enable the Company to raise $391,656 ($67,656 from the exercise of the May 2020 Options and $324,000 from the exercise of the October 2020 Options), further improving the Group's financial position.

Source: Nexia analysis.

11.3 Disadvantages of the Proposed Transaction

We have outlined the potential disadvantages of the Proposed Transaction in the following table:

Disadvantage	Explanation
Peters Investments and its related parties will hold a significant interest in AU1, which could result in a change of control and severely dilute existing shareholders' collective interest in AU1.	If the Proposed Transaction goes ahead, Peters Investments' holdings in AU1 will increase from 0% to 45.00%*, resulting in Peters Investments having a significant interest in the Company, which could result in a change in control. However, as indicated in the NoM, Peters Investments has no intention of influencing the operational and financing decisions of the Company. Conversely, the existing shareholders' collective interest in AU1 will reduce from 100% to 55.00%*, representing a severe dilution of the existing shareholders' collective interest in AU1.

Disadvantage	Explanation
The Proposed Transaction could reduce the liquidity of AU1 Shares.	The Proposed Transaction will result in an additional 244,640,690 AU1 Shares being issued to Peters Investments, bringing the total of AU1 Shares outstanding and on the market to 543,595,121 (refer to section 1.4)**. This could result in the Company's trading percentage of issued capital to reduce from 2.96% (as per section 5.8) to 1.63%** (assuming the same levels of trading as the trading volumes recorded over the last 180 days to 30 September 2020). As noted in section 5.8 however, despite the Company's low trading percentage, AU1 Shares had a moderate level of liquidity with relatively free flow of trading.

Source: Nexia analysis.

** This is based on the assumption that the Convertible Notes are exercised immediately as at the date of the Report and that no repayments are made by the Company to Peters Investments before conversion. If the Convertible Notes are exercised just before the maturity date, Peters Investments' holdings in AU1 could increase from 0.00% to 49.53% and existing shareholders' collective interest in AU1 will reduce from 100% to 50.47% (refer to section 1.4 for further details).*

*** This is based on the assumption that the Convertible Notes are exercised immediately as at the date of the Report and that no repayments are made by the Company to Peters Investments before conversion. If the Convertible Notes are exercised just before the maturity date, an additional 293,406,258 AU1 Shares would be issued to Peters Investments resulting in a total of 592,360,689 AU1 Shares outstanding and on the market. This could result in the Company's trading percentage of issued capital to reduce to 1.50%.*

11.4 Alternatives to the Proposed Transaction

The Directors have advised us that they do not currently have any alternatives to the Proposed Transaction.

11.5 Implications of the Proposed Transaction Not Proceeding

As mentioned in section 11.2, if the Proposed Transaction does not proceed the Funding Package as announced by the Company on 29 October 2020 (see section 1.1) will not be secured, resulting in AU1 needing to raise additional funds in order to meet Macquarie Bank's repayment requirements as recently negotiated by the Group's Board of Directors. Taking into account the current uncertain market environment and market volatility associated with the global COVID-19 pandemic, it may be difficult, even challenging for the Company to raise from more traditional means such as equity raisings, or to find any other alternative sources of funding.

This will in turn increase the risk of the Group's loan from Macquarie Bank defaulting and consequently increase the risk of Macquarie Bank exercising its rights to appoint an administrator to wind-up the assets of the Group. This may result in AU1's shareholders' not being able to realise realising any value for their shares in AU1.

In addition, if the Proposed Transaction does not proceed, the funds from the Convertible Notes (currently held in trust) will not be released to AU1, and approximately $316,774 will need to be repaid to Peters Investments in cash. The amounts that have to be repaid to Peters Investments are made up of the following:

- the facilitation fee for the October 2020 Convertible Notes (being $150,000);
- the total interest accrued up to the date of repayment (estimated at $77,299 at the date of the Report, see sections 1.2 and 1.3); and
- the Black-Scholes valuation amount of the Remainder Options (estimated to be approximately $89,475 at the date of the Report, see section 1.3). This amount is required to be repaid within 5 business days of the AGM.

The above factors will put additional pressure on the Group's financial position and further increase the risk of the Group defaulting on its loan with Macquarie Bank.

11.6 Conclusion as to Reasonableness

In accordance with RG 111, a transaction is reasonable if:

- the transaction is fair; or
- despite not being fair, but considering other significant factors, there are sufficient reasons for security holders to accept the offer in the absence of a higher bid before the close of an offer.

In our consideration of the advantages and disadvantages of the Proposed Transaction (as set out in sections 11.2 and 11.3), the alternatives to and the implications of the Proposed Transaction not proceeding (as described in sections 11.4 and 11.5), and, in the absence of higher offers for AU1 Shares currently, we have concluded that there are sufficient reasons for the Non-Associated Shareholders to vote in favour of the Proposed Transaction.

As such, although the Proposed Transaction is not fair, considering and taking into account other significant factors, **we have concluded that the Proposed Transaction is reasonable** to the Non-Associated Shareholders.

12. OPINION

Taking into consideration the matters above (including those set out in sections 10 and 11), we have concluded that, **in our opinion, the Proposed Transaction is not fair but reasonable** to the Non-Associated Shareholders.

The ultimate decision on whether to approve the Proposed Transaction should be based on shareholders' own assessment of their circumstances. We strongly recommend that shareholders consult their own professional advisers, carefully read all relevant documentation provided, including the NoM, and consider their own specific circumstances before voting in favour of or against the Proposed Transaction.

APPENDIX A – GLOSSARY

Term	Definition
($'000)	Denotes that all figures in the table are stated in thousands of dollars (unless otherwise indicated).
($'000,000)	Denotes that all figures in the table are stated in millions of dollars (unless otherwise indicated).
($'000,000,000)	Denotes that all figures in the table are stated in billions of dollars (unless otherwise indicated).
AFCA	Australian Financial Complaints Authority
AFSL	Australian Financial Services Licence
AGM	Annual General Meeting to be held by AU1 on 23 December 2020.
Amended May 2020 Convertible Notes	Refers to the May 2020 Convertible Notes, updated to reflect the terms of the October 2020 Convertible Notes (see section 1.2 for further detail).
ASIC	Australia Securities and Investment Commission
ASX	Australian Securities Exchange
AU1, Client, Company, or The Agency Group	The Agency Group Australia Ltd (ACN: 118 913 232)
AU1 Option(s)	Option(s) in AU1.
AU1 Share(s)	Fully paid ordinary share(s) in AU1.
Ausnet	"Ausnet Financial Services Ltd", being the previous name of AU1.
Black-Scholes Valuation Model	The Black-Scholes Valuation Model, also known as the Black-Scholes-Merton Valuation Model, is a mathematical model for pricing an options contract. In particular, the model estimates the variation over time of financial instruments. It assumes these instruments (such as stocks or futures) will have a lognormal distribution of prices. Using this assumption and factoring in other important variables, the equation derives the price of a call option.
CAANZ	Chartered Accountants Australia and New Zealand
Convertible Notes	Refers collectively to the (Amended) May 2020 Convertible Notes and the October 2020 Convertible Notes.
Corporations Act	*Corporations Act 2001* (Cth)
Coronavirus	A family of viruses that include COVID-19 (see below) and other respiratory illnesses. The terms "coronavirus" and "COVID-19" are used interchangeably in this Report to denote the current global pandemic.
COVID-19	COVID-19 is the respiratory illness related to the current global pandemic.
DCF	Discounted Cash Flow methodology.
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
FSG	Financial Services Guide
Funding Package	Refers to a $11 million funding package, as announced by the Company on 29 October 2020, which includes: • the Amended May 2020 Convertible Notes and the October 2020 Convertible Notes, which will be used to pay down the Group's debt with Macquarie Bank; and • an extended $5 million primary secured debt facility with Macquarie Bank, which is subject to shareholder approval of the Proposed Transaction. Further details of the funding package as announced is set out in section 1.1.
FY 2017	The financial year ended or as at 30 June 2017.
FY 2018	The financial year ended or as at 30 June 2018.
FY 2019	The financial year ended or as at 30 June 2019.
FY 2020	The financial year ended or as at 30 June 2020.

Term	Definition
Guarantors	The Guarantors include the following shareholders of AU1 who provided a joint and several guarantee to Macquarie Bank in relation to the Senior Debt: • Teldar Real Estate Pty Ltd <MJ Lahood Family A/C>, an entity controlled by one of AU1's directors, Matthew Lahood; • MAC Property Group Pty Ltd <MAC A/C>; • SEMC 2 Pty Ltd <The Chen Asset A/C>; • Ben Collier Investments Pty Ltd; and • Daring Investments Pty Ltd. See further details in note 5b of section 5.6.2.
Group	AU1 and its subsidiaries.
GST	Goods and Services Tax
In-the-Money or Deep-in-the-Money	The term for when the strike price of a call option is lower than the current underlying share price.
Macquarie Bank	Macquarie Bank Limited
Managex	Managex Funds Management Pty Ltd
Maturity Date	Refers to the maturity date of the Amended May 2020 Convertible Notes and the October 2020 Convertible Notes, being 31 March 2023.
May 2020 Convertible Notes	Refers to the convertible notes issued by AU1 on 15 May 2020 to Peters Investments to raise $1 million (see sections 1.1 and 1.2 for further details).
May 2020 Convertible Notes and Options	Refers collectively to both the (Amended) May 2020 Convertible Notes and the May 2020 Options.
May 2020 Options	Refers to the 2 million AU1 Options which was issued to Peters Investments together with the May 2020 Convertible Notes. The options were issued on 25 May 2020, are exercisable at $0.033828 each and expire on 25 May 2022 (see section 1.2 for further details).
Nexia Entities or Nexia Perth Entity	Nexia Perth Pty Ltd and its related entities.
Non-Associated Shareholders	Shareholders of AU1 who are not associated with Peters Investments or its associates.
Notice of Meeting, NoM or Document	Document to be sent to shareholders on or about the date of this Report in which this Report is included.
NPCF	Nexia Perth Corporate Finance Pty Ltd (AFSL 289358)
October 2020 Convertible Notes	Refers to the convertible notes to be issued by the Company to Peters Investments to raise $5 million under the October 2020 Convertible Note Agreement. The issue of the October 2020 Convertible Notes is subject to shareholder approval as outlined in section 1.1. The terms of the convertible notes are outlined in section 1.3.
October 2020 Convertible Note Agreement	Refers to the convertible note agreement the Company entered into with Peters Investments to raise $5 million. As part of the agreement, the Company also agreed to issue 12 million AU1 Options ("October 2020 Options") to Peters Investments. See further details in section 1.3.
October 2020 Convertible Notes and Options	Refers collectively to both the October 2020 Convertible Notes and the October 2020 Options.

Term	Definition
October 2020 Options	Refers to the 12 million AU1 Options related to the October 2020 Convertible Note Agreement, which is made up of: • 8,829,559 AU1 Options which were issued on 4 November 2020 ("Upfront Options"); and • 3,170,441 AU1 Options which has not yet been issued and is part of the Proposed Transaction ("Remainder Options", see sections 1.1 and 1.3). Each of the October 2020 Options are (or will be) exercisable at $0.027 each and (will) expire on 31 March 2023.
Out-of-the-Money	The term for when the strike price of a call option exceeds the current underlying share price.
Peters Investments	Peters Investments Pty Ltd and its associates.
Peters Investments Options	Refers collectively to the May 2020 Options and the October 2020 Options issued to Peters Investments.
Proposed Transaction	Refers to the proposed potential issue of AU1 Shares to Peters Investments upon Peters Investments' conversion of the Convertible Notes and/or upon Peters Investments' exercise of the Peters Investments Options, which is subject to shareholder approval and is the subject of Resolution 6 of the NoM for the AGM which will be held on or around 23 December 2020.
QMP	Quoted Market Price methodology.
Remainder Options	Refers to the 3,170,441 of the October 2020 Options which are yet to be issued and part of the Proposed Transaction (see details in sections 1.1 and 1.3).
Report	Independent Expert's Report
RG 74	ASIC *Regulatory Guide 74: Acquisitions approved by members*
RG 111	ASIC *Regulatory Guide 111: Content of expert reports*
RG 112	ASIC *Regulatory Guide 112: Independence of experts*
Senior Debt	Refers to the Group's loan and related borrowing facilities with Macquarie Bank.
SLP	Sell Lease Property
Takeover Event	A trade sale, scheme of arrangement or takeover
TAPM	The Agency Property Management WA Pty Ltd
The Agency	Refers to one of the Group's brands.
TLRE	Top Level Real Estate
Upfront Options	Refers to the 8,829,559 of the October 2020 Options which were issued on 4 November 2020 (see details in sections 1.1 and 1.3).
VWAP	Volume Weighted Average Price of AU1 Shares.

APPENDIX B – SOURCES OF INFORMATION

In making our assessment as to whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders, we have reviewed relevant published available information and other unpublished information of the Company which is relevant in the circumstances. In addition, we have held discussions with representatives of the Company's Board. Information we have received includes, but is not limited to the following:

- APES 225 *Valuation Services*
- ASIC and ASX databases
- Reserve Bank of Australia database
- Recent ASX announcements lodged by AU1
- Audited financial statements of The Agency Group for FY 2017, FY 2018, FY 2019 and FY 2020 (as included in the annual reports lodged by AU1 for those years).
- Unaudited income statement of AU1 for the 3 months ended 30 September 2020
- Unaudited balance sheet of AU1 as at 30 September 2020
- *Real Estate Services in Australia*, Industry Report by IBISWorld (published on August 2020)
- AU1's share and option registries at 4 November 2020
- The Agency Group's website at https://investors.theagency.com.au/
- AU1's group structure a provided by management.
- Draft October 2020 Convertible Note Agreement
- Draft Notice of Annual General Meeting and Explanatory Memorandum prepared by The Agency Group
- ASIC *Regulatory Guide 74: Acquisitions approved by members*
- ASIC *Regulatory Guide 111: Content of expert reports*
- ASIC *Regulatory Guide 112: Independence of experts*
- Intelligent Investor database
- Yahoo! Finance database
- *Real Estate Services in Australia*, Industry Report by IBISWorld (published on August 2020)
- S&P Capital IQ
- Management information

APPENDIX C – STATEMENT OF DECLARATION & QUALIFICATIONS

Confirmation of Independence

Prior to accepting this engagement Nexia Perth Corporate Finance Pty Ltd ("NPCF") determined its independence with respect to The Agency Group Australia Limited ("The Agency Group"), Peters Investments Pty Ltd ("Peters Investments"), and their associates with reference to ASIC *Regulatory Guide 112: Independence of experts* ("RG 112"). NPCF considers that it meets the requirements of RG 112 and that it is independent of The Agency Group, Peters Investments, and their associates.

Also, in accordance with section 648(2) of the Corporations Act we confirm we are not aware of any business relationship or financial interest of a material nature with The Agency Group, Peters Investments, and their related parties or associates that would compromise our impartiality.

Mrs Muranda Janse Van Nieuwenhuizen, authorised representative of NPCF, has prepared this Report. Neither she nor any related entities of NPCF have any interest in the promotion of the Proposed Transaction nor will NPCF receive any benefits, other than normal professional fees, directly or indirectly, for or in connection with the preparation of this Report. Our fee is not contingent upon the success or failure of the Proposed Transaction, and has been calculated with reference to time spent on the engagement at normal professional fee rates for work of this type. Accordingly, NPCF does not have any pecuniary interests that could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion under this engagement.

NPCF provided a draft copy of this Report to the Directors and management of The Agency Group for their comment as to factual accuracy, as opposed to opinions, which are the responsibility of NPCF alone. Changes made to this Report, as a result of the review by the Directors and management of The Agency Group, have not changed the methodology or conclusions reached by NPCF.

Reliance on Information

The statements and opinions given in this Report are given in good faith and in the belief that such statements and opinions are not false or misleading. In the preparation of this Report NPCF has relied upon information provided on the basis it was reliable and accurate. NPCF has no reason to believe that any information supplied to it was false or that any material information (that a reasonable person would expect to be disclosed) has been withheld from it. NPCF evaluated the information provided to it by The Agency Group as well as other parties, through enquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base its Report. Accordingly, we have taken no further steps to verify the accuracy, completeness or fairness of the data provided.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards. NPCF does not imply and it should not be construed that it has audited or in any way verified any of the information provided to it, or that its enquiries could have verified any matter which a more extensive examination might disclose.

The sources of information that we relied upon are outlined in Appendix B of this Report.

Qualifications

NPCF carries on business at Level 3, 88 William Street, Perth WA 6000. NPCF holds Australian Financial Services Licence No 289358 authorising it to provide financial product advice on securities to retail and wholesale clients. NPCF's representatives are therefore qualified to provide this Report.

Mrs Muranda Janse Van Nieuwenhuizen specifically was involved in the preparing and reviewing this Report. Mrs Janse Van Nieuwenhuizen is a member of both the Chartered Accountants Australia and New Zealand ("CAANZ") and the South African Institute of Chartered Accountants. She is also a Registered Company Auditor and an AFSL Authorised Representative for NPCF.

Consent and Disclaimers

The preparation of this Report has been undertaken at the request of the Directors of The Agency Group. It also has regard to relevant ASIC Regulatory Guides. It is not intended that the Report should be used for any other purpose than to accompany the Notice of Annual General Meeting ("NoM" or "Document") to be sent to The Agency Group shareholders. In particular, it is not intended that this Report should be used for any purpose other than as an expression of NPCF's opinion as to whether or not the Proposed Transaction is fair and reasonable to The Agency Group shareholders.

NPCF consent to the issue of this Report in the form and context in which it is included in the NoM to be sent to The Agency Group shareholders.

Shareholders should read all documents issued by The Agency Group that consider the Proposed Transaction in its entirety, prior to proceeding with a decision. NPCF had no involvement in the preparation of these documents, with the exception of our Report.

This Report has been prepared specifically for the Non-Associated Shareholders of The Agency Group. Neither NPCF, nor any member or employee thereof undertakes responsibility to any person, other than a shareholder of The Agency Group, in respect of this Report, including any errors or omissions howsoever caused. This Report is "General Advice" and does not take into account any person's particular investment objectives, financial situation and particular needs. Before making an investment decision based on this advice, you should consider, with or without the assistance of a securities advisor, whether it is appropriate to your particular investment needs, objectives and financial circumstances.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards.

Certain numbers included in tables throughout this Report have been rounded and therefore may not add exactly and, unless stated otherwise, all amounts are in Australian dollars.

Our opinions are based on economic, market and other conditions prevailing at the date of this Report. Such conditions can change significantly over relatively short periods of time. Furthermore, financial markets have been particularly volatile in recent times. Accordingly, if circumstances change significantly, subsequent to the issue of this Report, our conclusions and opinions may differ from those stated herein. There is no requirement for NPCF to update this Report for information that may become available subsequent to its date.

APES 225 *Valuation Services*

Our Report has been prepared in accordance with APES 225 *Valuation Services*.

APPENDIX D – VALUATION METHODOLOGIES

In preparing this Report we have considered valuation methods commonly used in practice and those recommended by RG 111. These methods include:

- the discounted cash flow method;
- the capitalisation of earnings method;
- asset based methods; and
- analysis of share market trading.

Discounted Cash Flow Method

Description

Of the various methods noted above, the discounted cash flow method has the strongest theoretical standing. It is also widely used in practice by corporate acquirers and company analysts. The discounted cash flow method estimates the value of a business by discounting expected future cash flows to a present value using an appropriate discount rate. A discounted cash flow valuation requires:

- a forecast of expected future cash flows;
- an appropriate discount rate; and
- an estimate of terminal value.

It is necessary to project cash flows over a suitable period of time (generally regarded as being at least five years) to arrive at the net cash flow in each period. For a finite life project or asset this would need to be done for the life of the project. This can be a difficult exercise requiring a significant number of assumptions such as revenue growth, future margins, capital expenditure requirements, working capital movements and taxation.

The discount rate used represents the risk of achieving the projected future cash flows and the time value of money. The projected future cash flows are then valued in current day terms using the discount rate selected.

A terminal value reflects the value of cash flows that will arise beyond the explicit forecast period. This is commonly estimated using either a constant growth assumption or a multiple of earnings (as described under capitalisation of future maintainable earnings below). This terminal value is then discounted to current day terms and added to the net present value of the forecast cash flows.

The discounted cash flow method is often sensitive to a number of key assumptions such as revenue growth, future margins, capital investment, terminal growth and the discount rate. All of these assumptions can be highly subjective sometimes leading to a valuation conclusion presented as a range that is too wide to be useful.

Use of the Discounted Cash Flow Method

A discounted cash flow approach is usually preferred when valuing:

- early stage companies or projects;
- limited life assets such as a mine or toll concession;
- companies where significant growth is expected in future cash flows; or
- projects with volatile earnings.

It may also be preferred if other methods are not suitable, for example if there is a lack of reliable evidence to support a capitalisation of earnings approach. However, it may not be appropriate if reliable forecasts of cash flow are not available and cannot be determined.

Capitalisation of Earnings Method

Description

The capitalisation of earnings method is a commonly used valuation methodology that involves determining a future maintainable earnings figure for a business and multiplying that figure by an appropriate capitalisation multiple. This methodology is generally considered a short form of a discounted cash flow, where a single representative earnings figure is capitalised, rather than a stream of individual cash flows being discounted. The capitalisation of earnings methodology involves the determination of:

- a level of future maintainable earnings; and
- an appropriate capitalisation rate or multiple.

A multiple can be applied to any of the following measures of earnings:

Revenue – most commonly used for companies that do not make a positive EBITDA or as a cross-check of a valuation conclusion derived using another method.

EBITDA - most appropriate where depreciation distorts earnings, for example in a company that has a significant level of depreciating assets but little ongoing capital expenditure requirement.

EBIT - in most cases EBIT will be more reliable than EBITDA as it takes account of the capital intensity of the business.

NPAT - relevant in valuing businesses where interest is a major part of the overall earnings of the group (e.g. financial services businesses such as banks).

Multiples of EBITDA, EBITA and EBIT value the whole businesses, or its enterprise value irrespective of the gearing structure. NPAT (or P/E) values the equity of a business

The multiple selected to apply to maintainable earnings reflects expectations about future growth, risk and the time value of money all wrapped up in a single number. Multiples can be derived from three main sources.

Using the guideline public company method, market multiples are derived from the trading prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market, such as the ASX or the NSX. The merger and acquisition method is a method whereby multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business. In Australia this has been called the comparable transaction methodology.

Use of the Capitalisation of Earnings Method

The capitalisation of earnings method is widely used in practice. It is particularly appropriate for valuing companies with a relatively stable historical earnings pattern which is expected to continue. This method is less appropriate for valuing companies or assets if:

- there are no suitable listed company or transaction benchmarks for comparison;
- the asset has a limited life;
- future earnings or cash flows are expected to be volatile; or
- there are negative earnings or the earnings of a business are insufficient to justify a value exceeding the value of the underlying net assets.

Asset Based Methods

Description

Asset based valuation methods estimate the value of a company based on the realisable value of its net assets, less its liabilities. There are a number of asset based methods including:

- orderly realisation;
- liquidation value;
- net assets on a going concern basis;
- replacement cost; and
- reproduction cost.

The orderly realisation of assets method estimates Fair Market Value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame.

Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimate the market values of the net assets of a company but do not take account of realisation costs.

The asset / cost approach is generally used when the value of the business's assets exceeds the present value of the cash flows expected to be derived from the ongoing business operations, or the nature of the business is to hold or invest in assets. It is important to note that the asset approach may still be the relevant approach even if an asset is making a profit. If an asset is making less than an economic rate of return and there is no realistic prospect of it making an economic return in the foreseeable future, an asset approach would be the most appropriate method.

Use of Asset Based Methods

An asset-based approach is a suitable valuation method when:

- an enterprise is loss making and is not expected to become profitable in the foreseeable future;
- assets are employed profitably but earn less than the cost of capital;
- a significant portion of the company's assets are composed of liquid assets or other investments (such as marketable securities and real estate investments); or
- it is relatively easy to enter the industry (for example, small machine shops and retail establishments).

Asset based methods are not appropriate if:

- the ownership interest being valued is not a controlling interest, has no ability to cause the sale of the company's assets and the major holders are not planning to sell the company's assets; or
- a business has (or is expected to have) an adequate return on capital, such that the value of its future income stream exceeds the value of its assets.

Analysis of Share Trading

The most recent share trading history provides evidence of the Fair Market Value of the shares in a company where they are publicly traded in an informed and liquid market. There should also be some similarity between the size of the parcel of shares being valued and those being traded. Where a company's shares are publicly traded then an analysis of recent trading prices should be considered, at least as a cross-check to other valuation methods.

THE AGENCY

LODGE YOUR PROXY APPOINTMENT ONLINE

ONLINE PROXY APPOINTMENT
www.advancedshare.com.au/investor-login

MOBILE DEVICE PROXY APPOINTMENT
Lodge your proxy by scanning the QR code below, and enter your registered postcode.
It is a fast, convenient and a secure way to lodge your vote.

2020 ANNUAL GENERAL MEETING PROXY FORM

I/We being shareholder(s) of The Agency Group Australia Ltd and entitled to attend and vote hereby:

STEP 1

APPOINT A PROXY

☐ The Chair of the Meeting **OR** ______________________

PLEASE NOTE: If you leave the section blank, the Chair of the Meeting will be your proxy.

or failing the individual(s) or body corporate(s) named, or if no individual(s) or body corporate(s) named, the Chair of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf, including to vote in accordance with the following directions (or, if no directions have been given, and to the extent permitted by law, as the proxy sees fit), at the Annual General Meeting of the Company to be held at **68 Milligan Street, Perth WA 6000 on 23 December 2020 at 09.00am (WST)** and at any adjournment or postponement of that Meeting.

Chair's voting intentions in relation to undirected proxies: The Chair intends to vote all undirected proxies in favour of all Resolutions. In exceptional circumstances, the Chair may change his/her voting intentions on any Resolution. In the event this occurs, an ASX announcement will be made immediately disclosing the reasons for the change.

Chair authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chair of the Meeting as my/our proxy (or the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolution 1 (except where I/we have indicated a different voting intention below) even though this resolution is connected directly or indirectly with the remuneration of a member(s) of key management personnel, which includes the Chair.

STEP 2

VOTING DIRECTIONS

	Resolutions	For	Against	Abstain*
1	Adoption of Remuneration Report	☐	☐	☐
2	Re-election of Director – Matthew Lahood	☐	☐	☐
3	Ratification of Prior Issue of Options to Peters Investments - 2,000,000 Options	☐	☐	☐
4	Ratification of Prior Issue of Options to Peters Investments - 8,829,559 Options	☐	☐	☐
5	Amendment of Existing Convertible Notes on Issue	☐	☐	☐
6	Approval for Issue of Conversion Notes, Options and Maximum Voting Powers to Peters Investments Pty Ltd	☐	☐	☐
7	Approval of 7.1A Mandate	☐	☐	☐

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

STEP 3

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)	Joint Shareholder 2 (Individual)	Joint Shareholder 3 (Individual)
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the shareholder. If a joint holding, all the shareholders should sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

Email Address ______________________

☐ Please tick here to agree to receive communications sent by the Company via email. This may include meeting notifications, dividend remittance, and selected announcements.

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE MEETING, PLEASE BRING THIS FORM WITH YOU. THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.

CHANGE OF ADDRESS

This form shows your address as it appears on Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes.

APPOINTMENT OF A PROXY

If you wish to appoint the Chair as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chair, please write that person's name in the box in Step 1. A proxy need not be a shareholder of the Company. A proxy may be an individual or a body corporate.

DEFAULT TO THE CHAIR OF THE MEETING

If you leave Step 1 blank, or if your appointed proxy does not attend the Meeting, then the proxy appointment will automatically default to the Chair of the Meeting.

VOTING DIRECTIONS – PROXY APPOINTMENT

You may direct your proxy on how to vote by placing a mark in one of the boxes opposite each resolution of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any resolution by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given resolution, your proxy may vote as they choose to the extent they are permitted by law. If you mark more than one box on a resolution, your vote on that resolution will be invalid.

PROXY VOTING BY KEY MANAGEMENT PERSONNEL

If you wish to appoint a Director (other than the Chair) or other member of the Company's key management personnel, or their closely related parties, as your proxy, you must specify how they should vote on Resolution 1, by marking the appropriate box. If you do not, your proxy will not be able to exercise your vote for Resolution 1.

PLEASE NOTE: If you appoint the Chair as your proxy (or if they are appointed by default) but do not direct them how to vote on a resolution (that is, you do not complete any of the boxes "For", "Against" or "Abstain" opposite that resolution), the Chair may vote as they see fit on that resolution.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning Advanced Share Registry Limited or you may copy this form and return them both together.

To appoint a second proxy you must:

(a) on each Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and

(b) return both forms together.

COMPLIANCE WITH LISTING RULE 14.11

In accordance to Listing Rule 14.11, if you hold shares on behalf of another person(s) or entity/entities or you are a trustee, nominee, custodian or other fiduciary holder of the shares, you are required to ensure that the person(s) or entity/entities for which you hold the shares are not excluded from voting on resolutions where there is a voting exclusion. Listing Rule 14.11 requires you to receive written confirmation from the person or entity providing the voting instruction to you and you must vote in accordance with the instruction provided.

By lodging your proxy votes, you confirm to the company you a that you are in compliance with Listing Rule 14.11.

CORPORATE REPRESENTATIVES

If a representative of a nominated corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A Corporate Representative Form may be obtained from Advanced Share Registry.

SIGNING INSTRUCTIONS ON THE PROXY FORM

Individual:
Where the holding is in one name, the security holder must sign.
Joint Holding:
Where the holding is in more than one name, all of the security holders should sign.
Power of Attorney:
If you have not already lodged the Power of Attorney with Advanced Share Registry, please attach the original or a certified photocopy of the Power of Attorney to this form when you return it.
Companies:
Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

LODGE YOUR PROXY FORM

This Proxy Form (and any power of attorney under which it is signed) must be received at an address given below by 09.00am (WST) on 21 December 2020, being not later than 48 hours before the commencement of the Meeting. Proxy Forms received after that time will not be valid for the scheduled Meeting.

ONLINE PROXY APPOINTMENT
www.advancedshare.com.au/investor-login

BY MAIL
Advanced Share Registry Limited
110 Stirling Hwy, Nedlands WA 6009; or
PO Box 1156, Nedlands WA 6909

BY FAX
+61 8 6370 4203

BY EMAIL
admin@advancedshare.com.au

IN PERSON
Advanced Share Registry Limited
110 Stirling Hwy, Nedlands WA 6009

ALL ENQUIRIES TO
Telephone: +61 8 9389 8033