



REAL ESTATE  
FINANCE  
SETTLEMENT  
INSURANCE

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## THE AGENCY GROUP AUSTRALIA LTD

ACN 118 913 232

### NOTICE OF GENERAL MEETING

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Notice is given that the Meeting will be held at:

**TIME:** 10:00am (WST)  
**DATE:** 15 November 2018  
**PLACE:** 68 Milligan Street  
PERTH WA 6000

***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 3). The Independent Expert's Report comments on the fairness and reasonableness of the transactions the subject of this Resolution to the non-associated Shareholders. The Independent Expert has determined the Acquisition is not fair but reasonable to the non-associated Shareholders.***

***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 4:00pm (WST) on 13 November 2018.***

***ASX takes no responsibility for the contents of this Notice of Meeting.***

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## CHAIRMAN'S LETTER

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Dear Shareholders

I am delighted to inform you that The Agency Group Australia Ltd (the **Company**) is progressing towards completion of its acquisition of Top Level Real Estate Pty Ltd (**Top Level**). To this end, this Notice of General Meeting convenes a shareholder meeting to approve the acquisition of Top Level and addresses various matters ancillary to the acquisition.

By way of background, the Company entered into an option agreement in January 2017 to acquire the issued capital of Top Level. Since entry into the option agreement, the Company has been working closely with the owners of Top Level to undertake a comprehensive due diligence on Top Level and to assist Top Level with the implementation of its business plan.

These initiatives have progressed to the extent that the Company has now exercised its option to acquire Top Level under an amended and restated option agreement (as announced on 19 September 2018) and is now proceeding to completion of the acquisition. To complete the transaction, the Company plans to obtain shareholder approval to the acquisition at the General Meeting convened by this Notice and to raise up to \$8.4 million, further details of which are set out elsewhere in this Notice of Meeting and Explanatory Statement.

The Company also plans to make a bonus issue to all Shareholders to reward them for their continued loyalty and ongoing support for the Company. The bonus issue will result in the issue of 13,675,861 new Shares (following consolidation of the Company's issued capital on a 30:1 basis and based on the number of Shares on issue at the date of this Notice). No Shareholder approval is required for the bonus issue as it is an exception to the requirements of Listing Rule 7.1.

The Board of the Company is fully committed to the Top Level transaction and looks forward to the value accretion which it believes will be created by this transaction.

Yours sincerely



**Philip Re**  
**Chairman**  
**THE AGENCY GROUP AUSTRALIA LTD**

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## BUSINESS OF THE MEETING

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### AGENDA

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#### 1. RESOLUTION 1 – CONSOLIDATION OF CAPITAL

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

*"That, subject to and conditional upon the passing of all Related Resolutions, pursuant to section 254H of the Corporations Act and for all other purposes, the issued capital of the Company be consolidated on the basis that:*

- (a) every 30 Shares be consolidated into 1 Share;*
- (b) every 30 Performance Shares be consolidated into 1 Performance Share; and*
- (c) every 30 Options be consolidated into 1 Option,*

*and, where this Consolidation results in a fraction of a Share, Performance Share or an Option being held, the Company be authorised to round that fraction up to the nearest whole Share, Performance Share or Option (as the case may be)."*

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#### 2. RESOLUTION 2 – CHANGE TO NATURE AND SCALE OF ACTIVITIES

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

*"That, subject to and conditional upon the passing of all Related Resolutions, the acquisition of all of the shares in Top Level Real Estate Pty Ltd as described in the Explanatory Statement is approved under and for the purposes of ASX Listing Rule 11.1.2."*

**Short Explanation:** The Company and its wholly-owned subsidiary Ausnet Real Estate Services Pty Ltd, have entered into an amended and restated option agreement with Top Level Real Estate Pty Ltd (**Top Level**) and its majority shareholders, pursuant to which the Company has agreed to acquire all of the majority shareholders' shares in Top Level and offer to acquire all of the remaining shares in Top Level from Top Level's other shareholders (**Acquisition**). If successful, the Acquisition will result in the Company changing the nature and scale of its activities. ASX Listing Rule 11.1.2 requires the Company to seek Shareholder approval where it proposes to make a significant change to the nature and scale of its activities. Please refer to the Explanatory Statement for details.

**Voting Exclusion:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, or an associate of that person (or those persons), if the Resolution is passed. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**3. RESOLUTION 3 – APPROVAL TO ISSUE CONSIDERATION SHARES TO MAJORITY SHAREHOLDERS OF TOP LEVEL REAL ESTATE PTY LTD**

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

*“That, subject to and conditional upon the passing of all Related Resolutions, for the purposes of section 611 item 7 of the Corporations Act and for all other purposes, approval is given for:*

- (a) the Company to issue 16,306,892 post-Consolidation Shares (**New Shares**) to the Majority Shareholders; and*
- (b) the acquisition of an increased relevant interest in the issued voting shares of the Company by the Majority Shareholders, otherwise prohibited by section 606(1) of the Corporations Act by virtue of the issue of New Shares, which will result in the Majority Shareholders’ voting power in the capital of the Company increasing from 12.56% to a maximum of 46.62%,*

*on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** No votes may be cast in favour of this Resolution by:

- (a) the person proposing to make the acquisition or their associates; or
  - (b) the persons (if any) from whom the acquisition is to be made or their associates.
- Accordingly, the Company will disregard any votes cast on this Resolution by any of the Majority Shareholders or any of their associates.

**Expert’s Report:** Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval required 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 and concluded that the issue of the New Shares is not fair, but reasonable to the non-associated shareholders of the Company.

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**4. RESOLUTION 4 – ISSUE OF CONSIDERATION SHARES TO MINORITY SHAREHOLDERS OF TOP LEVEL REAL ESTATE PTY LTD**

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

*“That, subject to and conditional upon the passing of all Related Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 2,026,441 post-Consolidation Shares to the Minority Top Level Shareholders (or their nominees) on the terms and conditions set out in the Explanatory Statement.”*

**Short Explanation:** As part of the terms of the Acquisition, the Company has agreed, subject to, amongst other terms and conditions, Shareholder approval, to issue the Shares the subject of this Resolution to the Minority Shareholders (or their nominees) in consideration for the Company’s proposed acquisition of the Minority Shareholders’ Top Level Shares. The Company seeks Shareholder approval for the issue of the Shares in accordance with ASX Listing Rule 7.1.

**Voting Exclusion:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a

person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**5. RESOLUTION 5 – ISSUE OF SHARES UPON REPAYMENT OF TOP LEVEL LOANS – UNRELATED PARTIES**

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

*“That, subject to and conditional upon the passing of all Related Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 10,506,667 Shares upon partial repayment of the Top Level Loans on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**6. RESOLUTION 6 – ISSUE OF SHARES UPON REPAYMENT OF TOP LEVEL LOANS – RELATED PARTY – JOHN KOLENDA**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, subject to and conditional upon the passing of all Related Resolutions, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue to issue 6,160,000 Shares to John Kolenda (or his nominee) upon repayment of the Top Level Loans on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of John Kolenda (or his nominee) or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**7. RESOLUTION 7 – ISSUE OF SHARES – CAPITAL RAISING**

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

*“That, subject to and conditional upon the passing of all Related Resolutions, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 28,000,000 post-Consolidation Shares at \$0.30 per Share to raise up to \$8,400,000 on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of

being a holder of ordinary securities in the Company) or an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**8. RESOLUTION 8 – ISSUE OF SHARES TO RELATED PARTY – JOHN KOLENDA – PARTICIPATION IN CAPITAL RAISING**

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

*“That, subject to and conditional upon the passing of all Related Resolutions for the purposes of, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 10,000,000 post-Consolidation Shares to John Kolenda (or his nominee) at \$0.30 per Share on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of John Kolenda (or his nominee) or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**9. RESOLUTION 9 – ISSUE OF SHARES TO LEAD MANAGER**

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

*“That, subject to and conditional upon the passing of all Related Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 840,000 post-Consolidation Shares to Aura Capital Pty Ltd (or its nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**10. RESOLUTION 10 – 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, subject to and conditional upon the passing of all Related Resolutions and for all purposes, Matthew Lahood, having been nominated and given his consent to act, be elected as a director of the Company with effect from settlement of the Acquisition.”*

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## 11. RESOLUTION 11 – ISSUE OF SHARES TO RELATED PARTY – PAUL NIARDONE

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

*“That, subject to and conditional upon the passing of all Related Resolutions, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 833,333 post-Consolidation Shares to Paul Niardone (or his nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of Paul Niardone (or his nominee) or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

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## 12. RESOLUTION 12 – ISSUE OF OPTIONS TO RELATED PARTY – ADAM DAVEY

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

*“That, subject to and conditional upon the passing of all Related Resolutions, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 333,333 post-Consolidation Options to Adam Davey (or his nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of Adam Davey (or his nominee) or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (iii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and

- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

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**13. RESOLUTION 13 – ACQUISITION OF VICUS RESIDENTIAL PTY LTD**

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

*“That the acquisition of all of the shares in Vicus Residential Pty Ltd, as described in the Explanatory Statement, is approved under and for the purposes of ASX Listing Rule 11.1.2.”*

**Short Explanation:** The Company has entered into an agreement with Vicus Residential Pty Ltd and its shareholders, pursuant to which the Company has agreed to acquire all of the Vicus Shares. The Company has been advised by ASX that it must seek Shareholder approval pursuant to ASX Listing Rule 11.1.2 for the acquisition of the Vicus shares. ASX Listing Rule 11.1.2 requires the Company to seek Shareholder approval where it proposes to make a significant change to the nature and scale of its activities. Please refer to the Explanatory Statement for details.

**Voting Exclusion:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, or an associate of that person (or those persons), if the Resolution is passed. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**14. RESOLUTION 14 – ISSUE OF SHARES FOR ACQUISITION OF VICUS RESIDENTIAL PTY LTD**

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

*“That, subject to and conditional upon the passing of Resolution 13, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 2,666,667 post-Consolidation Shares to the Vicus Vendors (or their nominees) on the terms and conditions set out in the Explanatory Statement.”*

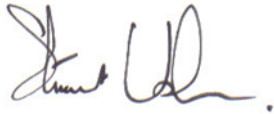
**Short Explanation:** The Company has agreed, subject to, amongst other terms and conditions, Shareholder its, to issue the Shares the subject of this Resolution to the Vicus Vendors (or their nominees) in consideration for the Company's proposed acquisition of the Vicus Shares. The Company seeks Shareholder approval for the issue of the Shares in accordance with ASX Listing Rule 7.1.

**Voting Exclusion:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.



**Dated: 15 October 2018**

**By order of the Board**



**Stuart Usher  
Company Secretary**

**Voting in person**

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

**Voting by proxy**

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To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy 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 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 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 changes to the Corporations Act made in 2011 mean 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.

***Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 6380 2555.***

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## EXPLANATORY STATEMENT

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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.

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### 1. RESOLUTION 1 – CONSOLIDATION OF CAPITAL

#### 1.1 Background and Legal Requirements

Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its shares into a larger or smaller number.

The ASX Listing Rules also require that the number of Options on issue be consolidated in the same ratio as the ordinary capital and the exercise price amended in inverse proportion to that ratio.

Resolution 1 seeks shareholder approval for the Share capital of the Company to be consolidated on a 30:1 basis. If Resolution 1 is approved, every thirty (30) existing Shares will be consolidated into one (1) Share to be effected immediately following the meeting, in accordance with the indicative timetable set out below.

If Resolution 1 is passed the number of:

- (a) Shares on issue will be consolidated from 683,793,034 to 22,793,101; and
- (b) Options on issue will be consolidated from 186,742,739 to 6,224,759.

#### 1.2 Effect of consolidation

Immediately after the consolidation a Shareholder will still hold the same proportion of the Company's Share capital and its assets as before the consolidation. The current rights attaching to the Shares will not be affected. Where a fractional entitlement occurs, the Company will round that fraction up to the nearest whole security.

If Resolution 1 is passed the number of Shares and Options in the Company will be as below;

	Current Capital Structure	Capital Structure – post-consolidation
Fully Paid Ordinary Shares	683,793,034	22,793,101
*Quoted Options exercisable at \$0.15 on or before 30 April 2019	24,076,072	802,536 Options exercisable at <b>\$4.50</b> on or before 30 April 2019
*Unquoted Options exercisable at \$0.15 on or before 30 April 2019	5,000,000	166,667 Options exercisable at <b>\$4.50</b> on or before 30 April 2019
*Unquoted Options exercisable at \$0.04	51,666,667	1,722,222 Options exercisable at <b>\$1.20</b> on or before 19 December

on or before 19 December 2019		2019
*Unquoted Options exercisable at \$0.02 on or before 2 years from the date of issue	96,000,000	3,200,000 Options exercisable at <b>\$0.60</b> on or before 2 years from the date of issue
*Unquoted Options exercisable at \$0.04 on or before 20 December 2020	2,000,000	66,667 Options exercisable at <b>\$1.20</b> on or before 20 December 2020
*Unquoted Options exercisable at \$0.025 on or before 20 December 2020	8,000,000	266,667 Options exercisable at <b>\$0.75</b> on or before 20 December 2020
Performance Shares (consisting of 66,666,667 Consideration Performance Shares and 46,666,667 Incentive Performance Shares)	113,333,334	3,777,778

*\*The Option exercise prices will be multiplied by 30 in accordance with the ASX listing Rules.*

### 1.3 New Holding Statements

From the date two (2) Business Days after the consolidation is approved by Shareholders, all holding statements for previously quoted securities will cease to have any effect, except as evidence of entitlement to a certain number of securities on a post- consolidation basis.

After the consolidation becomes effective, the Company will dispatch a notice to shareholders advising them of the number of Shares held by each Shareholder both before and after the consolidation.

The Company will also arrange for new holding statements to be issued to holders of securities.

### 1.4 Taxation Consequences

It is not considered that there will be any taxation consequences for any shareholder arising from the consolidation. However, shareholders are advised to seek their own tax advice on the effect of the consolidation. Neither the Company, its directors and officers or the Company's advisors accept any responsibility for the individual taxation implications arising from the consolidation.

## 1.5 Indicative Timetable

Set out below, and subject to compliance with all regulatory requirements, is an indicative timetable for completion of the consolidation.

Event	Date
Company announces consolidation and sends out Notice of Meeting.	Wednesday, 17 October 2018
Company tells ASX that Shareholders have approved the consolidation.	Thursday, 15 November 2018
Last day for trading shares on a pre-consolidation basis	Friday, 16 November 2018
Trading commences in the post-consolidation Shares on a deferred settlement basis	Monday, 19 November 2018
Last day for registration of transfers of Shares on a pre-consolidation basis	Tuesday, 20 November 2018
First day for the Company to send notice to Shareholders of change of holdings as a result of the consolidation	Wednesday, 21 November 2018
Deferred settlement trading ends	Tuesday, 27 November 2018
Last day for the Company to register Shares on a post- consolidation basis	Tuesday, 27 November 2018
Last day for the Company to send notice to shareholders of change of holdings as a result of the consolidation	Tuesday, 27 November 2018
Normal settlement trading (T+2) in the Company's Shares recommences	Tuesday, 28 November 2018

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## 2. BACKGROUND TO PROPOSED ACQUISITION OF TOP LEVEL REAL ESTATE PTY LTD

### 2.1 Existing Activities of the Company

The Agency Group Australia Ltd (**AU1, The Agency** or the **Company**) (formerly "Ausnet Financial Services Limited") is a public company listed on the official list of ASX (ASX code: AU1) with its principal focus being provision of real estate and related financial services. The Company was incorporated on 22 March 2006 and was admitted to the official list of the ASX on 18 December 2007 as Noah Resources NL. Most recently, the Company, then Namibian Copper Limited, acquired all of the issued share capital in Ausnet and undertook a re-compliance with Chapters 1 and 2 of the ASX Listing Rules in 2016. The Company was re-instated to official quotation on ASX as Ausnet Financial Services Limited on 28 December 2016.

In addition to its principal business activities, the Company has been actively seeking to identify and evaluate new opportunities in related industries that may increase shareholder value.

## 2.2 Change in the Nature and Scale of Activities

As announced on 12 February 2018, the Company and its wholly-owned subsidiary, Ausnet Real Estate Services Pty Ltd, entered into an amended and restated option agreement with Top Level Real Estate Pty Ltd and Top Level's Majority Shareholders for Ausnet to acquire all of the Top Level Shares held by the Majority Shareholders and offer to acquire all of the Top Level Shares held by the Minority Shareholders. It is a condition precedent to Settlement that the Minority Shareholders accept Ausnet's offer to acquire their Top Level Shares.

As set out in the Company's ASX announcement of 12 February 2018, Ausnet has exercised the option to acquire all of the Majority Shareholders' Top Level Shares. On 19 September 2018 the Company announced that it had executed a further Amended and Restated Option Agreement, the key terms of which are summarised in Section 2.4(a) below.

Top Level is a proprietary company limited by shares incorporated in New South Wales. Top Level is a real estate business which is currently focused on residential real estate sales in New South Wales.

The Company proposes to, subject to Shareholders' approval of all of the Resolutions, and the terms of the Amended and Restated Option Agreement, including satisfaction or waiver of the conditions precedent summarised in Section 2.4(a)(ii) below:

- (a) proceed to settlement of the Acquisition pursuant to which the Company will issue:
  - (i) 18,333,333 post-Consolidation Shares to the Top Level Shareholders (or their nominees) in the amounts set out in Resolutions 3 and 4, in consideration for the Company's acquisition of the Top Level Shares;
  - (ii) 16,666,667 post-Consolidation Shares to the Top Level Loan holders upon conversion of the Top Level Loans (Resolutions 4 and 5);
  - (iii) 13,675,861 Shares (on a post-Consolidation basis) to the existing Shareholders of the Company (pursuant to ASX Listing Rule 7.2 exception 1, no Shareholder approval is required for this issue). It is noted that these Shares will be issued whether or not the Settlement occurs;
- (b) raise \$8,400,000 via the issue of 28,000,000 post-Consolidation Shares at \$0.30 per Share (Resolution 7);
- (c) issue up to 10,000,000 post-Consolidation Shares to John Kolenda (or his nominee) under the Capital Raising (Resolution 8);
- (d) issue up to 840,000 post-Consolidation Shares to the lead manager of the Capital Raising, Aura Capital, or its nominee (Resolution 9);
- (e) elect Matt Lahood to the Board (Resolution 10); and
- (f) issue 833,333 post-Consolidation Shares to the Company's Managing Director, Paul Niardone (Resolution 11); and

- (g) issue 333,333 post-Consolidation Options to Company Director, Adam Davey (Resolution 12).

Other information considered material to the Shareholders' decision on whether to pass Resolution 2 (and the Related Resolutions) is set out in this Explanatory Statement, and Shareholders are advised to read this information carefully.

## 2.3 Overview of Top Level

### (a) Background on Top Level

Top Level Real Estate Pty Ltd is a private Australian company established in 2016 as a residential sales, project marketing, commercial sales and leasing and property management business. Subsequently, Top Level entered into a licence agreement with the Company in January 2017 to create a new east-coast-based real estate business, trading under the name "The Agency".

Around the same time, Top Level announced that it had contracted 17 highly experienced agents, including the following key executives / members of management:

- Matt Lahood (CEO);
- Steven Chen (Director of Projects);
- Maria Carlino (Director of Property Management);
- Thomas McGlynn (Director of Sales and Chief Auctioneer);
- Ben Collier (Property Partner); and
- Shad Hassen (Property Partner).

In July 2017 Top Level completed the acquisition of Courtesy Real Estate which primarily comprises substantial property management businesses in its Neutral Bay and Mosman offices in Sydney, New South Wales.

In October 2017, Top Level completed the acquisition of iconic, family-owned and operated Sydney agency S J Laing & Son Pty Limited, which has been trading as Raine & Horne Bondi Junction and Coogee/Clovelly (**R&H**) for the last 23 years and comprises a substantial property management business in its Bondi Junction and Coogee offices in Sydney, New South Wales.

The main reason for the acquisition of R&H was the substantial property management business that was in place. This acquisition provides Top Level with scale for this business which provides immediate cash flow as well as supporting its property management overhead infrastructure costs.

The property management business has both commercial and residential divisions – the commercial division represents a potential growth area for TLRE, given the expertise acquired, the ability to dedicate resources and the ability to source new opportunities through its Projects division. Top Level's property management business has grown both organically and via acquisition to now comprise four divisions/locations:

- East – Bondi Beach Office – organic growth.
- East Bondi Junction (Bondi Junction and Coogee Offices) – Acquisition of R&H in 3 October 2017.
- Inner West (Annandale) Office – organic growth.
- North (Neutral Bay and Mosman offices) – Acquisition of Province Agents Lower North Shore in July 2017.

The base of clients in the property management business varies between the divisions/locations. In particular, R&H has a number of developer/owners as clients. This compares to mainly investor-owners in the other divisions of the Top Level property management business. This means that one client may own an entire building (meaning R&H would manage a large number of properties for an individual client), rather than an individual property for retail investors. These developer/owners are also typically long-term clients of R&H.

The Top Level business had grown to have 75 agents, with a further 27 agents confirmed to start and 3,375 properties under management. In addition to the offices noted above, Top Level has now opened offices in the Gold Coast and Melbourne and is now actively expanding activities (both recruitment of agents and property management) into these markets.

(b) **About Top Level**

Combined, the founders of Top Level, Ben Collier, Matt Lahood, Steven Chen, Shad Hassen and John Kolenda bring over 100 years of real estate and finance experience to the business. With the real estate and finance industries experiencing a high rate of change, the founding group identified a unique opportunity to bring a more flexible and attractive real estate proposition to the market. Operating under the licenced brand 'The Agency', from the Company, Top Level has earned the reputation as a fast growing real estate group on the east coast of Australia.

Within one year, Top Level has built a property management portfolio of in excess of 3,300 properties, a team of approximately 160 staff and sales agents (with more than 200 current listings) and established seven offices positioned in blue chip locations across the eastern suburbs, inner west and lower north shore of Sydney.

(c) **Business model**

Top Level has already adopted some aspects of The Agency business model, including similar commission structures, provision of systems to agents and retention arrangements around referrals to the property management business. There is scope to introduce other aspects of the Company's business model to Top Level which would both improve the profitability and value of Top Level and enhance the retention of agents.

(d) **Key Personnel**

(i) **Matt Lahood** - CEO

Matt Lahood is synonymous with Australian real estate, during more than two decades at the forefront of the industry, he's 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, Matt knows what it takes to significantly grow their businesses. Matt 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. Matt provides media commentary on a national level and is a regular keynote speaker at real estate and financial events.

Matt'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.

(ii) **Steven Chen** - Director of Projects

Steven has over 20 years' experience in real estate sales delivering over 3,000 properties worth in excess of \$2.5 billion. Steven was ranked 16 in the top 100 agents of 2016 by Real Estate Business (**REB**). Steven previously acted as Head of Projects for McGrath Real Estate where he was responsible for a team of eight Associate Directors and over 50 agents and support staff across Sydney, Brisbane and the Gold Coast.

(iii) **Ben Collier** - Property Partner

Ben has worked in real estate sales since 1993, specialising in Sydney's Eastern Suburbs. Ranked 15 in the top 100 agents of 2016 by REB and Number 1 sales agent for McGrath Real Estate Agents for 2015 and 2016. In the past 12 months, Ben has been responsible for 72 property sales worth \$365 million.

(iv) **Shad Hassen** - Property Partner

Shad has over 20 years' real estate sales experience and specialises in Sydney's Inner West. Recognised as the Number 1 agent in the Inner West in 2017 - Shad previously McGrath's leading Inner West agent. Shad is consistently placed in the top 1% of agents in Australia and achieved the highest number of sales in Australia for financial years 2005, 2007, 2008 and 2009.

## 2.4 **Material Agreements to the Acquisition**

(a) **Amended and Restated Option Agreement**

The key terms of the Amended and Restated Option Agreement are as follows:



- (i) **(Option)** The Majority Shareholders each agreed to irrevocably grant to Ausnet the exclusive Option to purchase all of the Top Level Shares they respectively each hold on certain terms and conditions. The option was exercised by Ausnet on 11 February 2018.
- (ii) **(Conditions Precedent)** The conditions precedent which must be satisfied prior to the Company completing the acquisition of the Top Level Shares are:
  - (A) **(Shareholder Approvals):** Shareholders approving the transactions contemplated by the Amended and Restated Option Agreement at the Meeting, including resolutions authorising:
    - (I) the issue of the Consideration Shares in accordance with the ASX Listing Rules and the Corporations Act;
    - (II) the acquisition of the Top Level Shares pursuant to ASX Listing Rule 11.1.2;
    - (III) the issue of the Shares the subject of the loan agreements the subject of Resolutions 5 and 6;
    - (IV) consolidation of the Company's issued capital on the basis that every thirty (30) Shares is consolidated into one (1) AU1 Share (the subject of Resolution 1);
    - (V) the issue of 833,333 post-Consolidation Shares to Paul Niardone (the subject of Resolution 11);
    - (VI) the issue of 333,333 post-Consolidation Options to Adam Davey the subject of Resolution 12); and
    - (VII) the Shares the subject of the Capital Raising (the subject of Resolution 7).
  - (B) **(Independent Expert's Report):** any independent expert's report prepared for the purpose of the Shareholder approvals set out above concluding that the transactions contemplated by the Amended and Restated Option Agreement are either fair and reasonable or not fair but reasonable to the non-associated Shareholders;
  - (C) **(Regulatory Approvals):** Ausnet and the Company obtaining all necessary regulatory approvals or waivers pursuant to the ASX Listing Rules, Corporations Act or any other law to allow Ausnet lawfully to complete the matters set out in the Amended and Restated Option Agreement;
  - (D) **(Minority Shareholder Offer):** Ausnet making the Minority Shareholder Offer and all Minority Shareholders accepting the Minority Shareholder Offer;

- (E) **(Capital Raising):** The Company completing the Capital Raising to ensure the Acquisition is funded;
- (F) **(New Board members):**
  - (I) Matt Lahood entering into an executive services agreement in agreed form with the Company and consenting to act as an executive director of Company; and
  - (II) the appointment by the Board of the Company of an additional, non-executive director nominated by Top Level prior to Settlement;
- (G) **(Top Level debt):** immediately prior to Settlement, the total debts of Top Level are no more than \$26,993,812, and, for the avoidance of doubt, the debts of Top Level immediately following Settlement will therefore be \$18,760,100;
- (H) **(Loan agreements):** execution of the following documentation:
  - (I) amended and restated loan agreements between each of Teldar Real Estate, MAK, SEMC2, Ben Collier Investments and Daring Investments and Top Level (in a form to be agreed by the Company);
  - (II) letters to amend the amended and restated loan agreements between each of the Top Level Loan Holders, Top Level and the Company in agreed form pursuant to which, subject to settlement of the Acquisition, part of the debt currently owed by Top Level to the Top Level Loan Holders will be repaid by the issue by the Company of 16,666,667 Shares at a deemed issue price of \$0.30 per Share (on a post-Consolidation basis) at Settlement; and
  - (III) loan agreements between each of Teldar Real Estate, MAK, SEMC2 and Ben Collier Investments and Top Level (in a form agreed to by the Company) pursuant to which each of Teldar Real Estate, MAK, SEMC2 and Ben Collier Investments each agree to loan Top Level \$500,000;
- (I) **(Transfer of Daring Investments' Top Level Shares):** the following is delivered or caused to be delivered to MAK Property Group Pty Ltd and Ben Collier Investments Pty Ltd:
  - (I) share certificates in respect of the Top Level Shares held by Daring Investments;

- (II) instruments of transfer in registrable form for the Top Level Shares held by Daring Investments in favour of MAK Property Group Pty Ltd and Ben Collier Investments Pty Ltd as transferees in accordance with the transfers anticipated in the Amended and Restated Option Agreement which have been duly executed by Daring Investments (as transferor); and
- (J) **(Execution of deeds of amendment and novation):** the Company, Top Level, John Kolenda, Shad Hassan, Steven Chen, Ben Collier and Matt Lahood executing deeds of amendment and novation with each of Zach Veneziano Pty Ltd <A/C Veneziano Superannuation Fund> and Regno Corp Pty Ltd ATF The Liao Family Trust in relation to loan agreements currently in place between Top Level, John Kolenda, Shad Hassan, Steven Chen, Ben Collier and Matt Lahood and each of Zach Veneziano Pty Ltd <A/C Veneziano Superannuation Fund> and Regno Corp Pty Ltd ATF The Liao Family Trust,
  - (together, the **Conditions**).
- (iii) **(Consideration)** Subject to the satisfaction (or waiver) of the Conditions, in consideration for the Acquisition, the Company will issue 18,333,333 post-Consolidation Shares amongst the Top Level Shareholders; and
- (iv) **(Settlement)** Following the exercise of the Option, settlement of the Acquisition will occur on that date which is 5 business days after the satisfaction (or waiver by Ausnet or the Majority Shareholders, as permitted by the Amended and Restated Option Agreement) of the Conditions.

(b) **Lead Manager Agreement with Aura Capital**

The Company has entered into a lead manager agreement with Aura Capital pursuant to which Aura Capital has agreed, subject to certain terms and conditions, to act as lead manager of the Capital Raising. In consideration for Aura Capital acting as lead manager to the Capital Raising the Company will issue Aura Capital (or its nominee) with 840,000 Shares at a deemed issue price of \$0.30 per Share on completion of the Capital Raising (refer to Resolution 9).

(c) **Loan Agreements**

As noted above, it is a condition precedent to settlement of the Acquisition that amended and restated loan agreements be entered into between each of Teldar Real Estate, MAK, SEMC2, Ben Collier Investments and Daring Investments and Top Level and letters to amend and letters to amend the amended and restated loan agreements be entered into agreements between each of the Top Level Loan Holders, Top Level and the Company. In addition, loan agreements between each of Teldar Real Estate, MAK, SEMC2 and Ben Collier Investments and Top Level (in a form agreed to by the Company) will be entered into pursuant to which each of Teldar Real Estate, MAK, SEMC2 and Ben Collier Investments each agree to loan Top Level \$500,000.

## 2.5 Use of Funds

The Company intends to apply the Capital Raising funds as follows.

	<b>Capital Raising (\$8,400,000)</b>
Repayment of Top Level debt <sup>1</sup>	\$2,129,486
Repayment of Company debt <sup>2</sup>	\$1,104,228
Working capital <sup>3</sup>	\$4,662,286
Costs of the Capital Raising	\$252,000
<b>TOTAL</b>	<b>\$8,400,000</b>

### Notes:

1. Funds will be applied towards repayment of short term debt of \$2,000,000 and vendor finance relating to Macquarie Bank for the remainder.
2. Funds will be applied towards repayment of short term debt.
3. The working capital will be required for setting up to 4 new offices, acquisition of rent roll in Perth (as per this Notice), and additional working capital which includes support for future recruitment growth of The Agency and to assist the relaunch of the SLP brand and its national roll-out strategy.

## 2.6 Pro forma capital structure

Set out below is the pro forma capital structure of the Company following completion of the bonus issue of Shares to Shareholders, consolidation of capital, completion of the Acquisition and associated Capital Raising the proposed Share issue the subject of Resolution 11 and the Options issue the subject of Resolution 12 as well as the acquisition of Vicus Capital, the subject of Resolution 13.

<b>SHARES</b>	
Shares currently on issue	683,793,034
<b>Shares on issue following consolidation of capital (Resolution 1)</b>	<b>22,793,101</b>
Bonus offer to existing AU1 Shareholders	13,675,861
Shares to be issued to the Top Level Shareholders (Resolutions 3 and 4)	18,333,333
Shares to be to the Top Level Loans (Resolutions 5 and 6)	16,666,667
Shares to be issued for the Capital Raising (Resolution 7) <sup>1</sup>	28,000,000
Shares to be issued to the Company's lead manager (or its nominee) (Resolution 9) <sup>2</sup>	840,000

Issue of Shares to Paul Niardone (or his nominee) (Resolution 11)	833,333
Shares to be issued to the Vicus Residential Pty Ltd vendors (Resolution 13)	2,666,667
<b>TOTAL<sup>3</sup></b>	<b>103,808,962</b>

**Notes:**

1. This assumes the amount of \$8,400,000 at \$0.30 per Share is raised under the Capital Raising.
2. This assumes that the maximum amount of \$8,400,000 is raised under the Capital Raising and therefore 840,000 Shares would be issued to the lead manager (or its nominee).
3. This assumes that no Options in the Company are exercised.

<b>OPTIONS</b>	
Unquoted Options currently on issue <sup>1,2</sup>	162,666,667
Quoted Options currently on issue <sup>3,4</sup>	24,076,072
<b>Unquoted and Quoted Options on issue following consolidation of capital (Resolution 1)</b>	<b>6,224,759</b>
Unquoted Options to be issued to Adam Davey pursuant to Resolution 12 <sup>5</sup>	333,333
<b>TOTAL<sup>5</sup></b>	<b>6,558,092</b>

**Notes:**

1. 5,000,000 Options exercisable at \$0.15 per Option on or before 30 April 2019, 51,666,667 Options exercisable at \$0.04 per Option on or before 19 December 2019, 96,000,000 Options exercisable at \$0.02 per Option on or before 2 years from the date of issue, 2,000,000 Options exercisable at \$0.04 on or before 20 December 2020 and 8,000,000 Options exercisable at \$0.025 on or before 20 December 2020.
2. After the consolidation of capital the subject of Resolution 1, the unquoted Options will be exercisable as follows: 166,667 Options exercisable at \$4.50 per Option on or before 30 April 2019, 1,722,222 Options exercisable at \$1.20 per Option on or before 19 December 2019, 3,200,000 Options exercisable at \$0.60 per Option on or before 2 years from the date of issue, 66,667 Options exercisable at \$1.20 per Option on or before 20 December 2020 and 266,667 Options exercisable at \$0.75 on or before 20 December 2020.
3. Options currently exercisable at \$0.15 per option on or before 30 April 2019.
4. After the consolidation of capital the subject of Resolution 1, 802,536 quoted Options will be exercisable at \$4.50 on or before 30 April 2019.
5. Options exercisable at \$0.30 on or before that date which is 3 years from the date of issue.
6. This assumes that no Options are exercised.

<b>PERFORMANCE SHARES</b>	
Performance Shares currently on issue <sup>1,2</sup>	113,333,334
<b>Performance Shares on issue following consolidation of capital (Resolution 1)</b>	<b>3,777,778</b>
<b>TOTAL</b>	<b>3,777,778</b>

**Notes:**

1. Consisting of 66,666,667 Consideration Performance Shares (on a pre-Consolidation basis) and 46,666,667 Incentive Performance Shares (on a pre-Consolidation basis).
2. The Directors have referred confirmation of satisfaction of the milestone attached to Consideration Performance Shares (which is also one of the limbs of the milestones attached to the Incentive Performance Shares) to an independent auditor and are awaiting the auditor's final report.

## 2.7 Pro forma Statement of Financial Position

A pro forma balance sheet of the Company following completion of the Acquisition contemplated by this Notice of Meeting is set out in Schedule 1.

## 2.8 Anticipated timetable for the key business the subject of the Resolutions

<b>Event</b>	<b>Indicative Timing*</b>
Dispatch of Notice of Meeting	17 October 2018
General Meeting of Shareholders ASX notified whether Shareholders' approval has been granted for the Resolutions	15 November 2018
Capital Raising completed	30 November 2018
Subject to Directors' satisfaction that the conditions precedent in Amended and Restated Option Agreement are satisfied (or waived in accordance with its terms), Settlement, of the Acquisition including issue of the Shares contemplated by this Notice	4 December 2018
Commencement of trading of Shares on ASX	5 December 2018

\* The Directors reserve the right to change the above indicative timetable without requiring any disclosure to Shareholders or Option holders.

## 2.9 Composition of the Board of Directors

The Company's Board of Directors currently comprises:

- (a) Mr Philip Re (Chairman);
- (b) Mr Paul Niardone (Managing Director);
- (c) Mr Adam Davey (Non-Executive Director); and
- (d) Mr John Kolenda (Non-Executive Director).

It is intended that all of the current Directors will remain on the Board following Settlement and Matt Lahood will join the Board at Settlement as an executive director.

Please refer to Section 2.3(d) above for further information Matthew Lahood and.

## **2.10 Advantages of the Proposals in the Resolutions**

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 the Top Level Resolutions concerning the Acquisition:

- (a) the Acquisition represents an investment opportunity for the Company acquire a complementary business unit in Top Level;
- (b) the Acquisition will provide the opportunity to increase the value of the Company;
- (c) proposed director, Matthew Lahood has extensive experience and a track record within the real estate industry;
- (d) the Company may be able to raise further funds at higher prices by way of share equity as a result of the Acquisition;
- (e) the Acquisition will provide the Company with the opportunity to expand into the east coast of Australia quickly and with a reputable management team and agents;
- (f) the Company will have the benefit of an established brand and market presence with strong momentum in recruiting and sales; and
- (g) the Acquisition will provide the Company with an established market share in the most lucrative real-estate market in the country.

## **2.11 Disadvantages of the Proposals in the Top Level Resolutions**

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 each Top Level Resolution:

- (a) the Acquisition and the Capital Raising will result in the issue of Shares to the Top Level Shareholders and new investors, which will have a dilutionary effect on the holdings of Shareholders; and
- (b) additional overhead, management and administrative costs will be incurred by the Company as a result of the Acquisition.

## **2.12 Board intentions if Settlement occurs**

In the event that Settlement occurs, the Board intends on continuing the current businesses of its wholly-owned subsidiary, Ausnet, which has a number of different financial services and real estate business units, all of which provide cross-referral services, as well as integrating Top Level's business.

Funds raised from the Capital Raising will be applied by the Company as set out in Section 2.5 above.

## **2.13 Plans for the Company if all of the Resolutions are not passed**

If all of the Resolutions the subject of this Notice are not passed and the Acquisition is not completed, the Company will continue to develop its existing activities and look for potential projects in order to continue to take the Company forward.

***The Acquisition requires Shareholder approval under ASX Listing Rule 11.1.2 in order to proceed. The Acquisition may not proceed if Shareholder approval is not forthcoming.***

## **2.14 Directors' interests in the Amended and Restated Option Agreement**

None of the Company's existing Directors have any interest in the proposed Acquisition pursuant to the Amended and Restated Option Agreement, other than as disclosed in this Notice.

## **2.15 Conditional Resolutions**

All of the Related Resolutions are inter-conditional, meaning that each of them will only take effect if all of them are approved by the requisite majority of Shareholders' votes at the Meeting. If any one of the Related Resolutions is not approved at the Meeting, none of them will take effect and the Amended and Restated Option Agreement and other matters contemplated by the Top Level Resolutions will not be completed pursuant to this Notice.

## **2.16 Directors' Recommendation**

The Directors of the Company unanimously recommend the Acquisition and that Shareholders vote in favour of all of the Resolutions.

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## **3. RESOLUTION 2 – APPROVAL TO CHANGE THE NATURE AND SCALE OF ACTIVITIES**

### **3.1 General**

Resolution 2 seeks the approval of Shareholders for a change in the nature and scale of the Company's activities via the proposed acquisition of 100% of the issued shares of Top Level.

A detailed description of the proposed Acquisition is outlined in Section 2 above.

### **3.2 ASX Listing Rule 11.1**

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature and scale of its activities, it must provide full details to ASX as soon as practicable and comply with the following:

- (a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, obtain the approval of holders of its shares and any requirements of ASX in relation to the notice of meeting; and
- (c) if ASX requires, meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the company were applying for admission to the official list of ASX.



ASX has confirmed to the Company that it requires the Company to obtain the approval of its Shareholders for the proposed change of activities. For this reason, the Company is seeking Shareholder approval for the Company to change the nature and scale of its activities under ASX Listing Rule 11.1.2.

Details of the assets to be acquired by the Company and the proposed changes to the structure and operations of the Company are set out throughout this Explanatory Statement.

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## **4. RESOLUTION 3 – APPROVAL TO ISSUE CONSIDERATION SHARES TO MAJORITY SHAREHOLDERS OF TOP LEVEL REAL ESTATE PTY LTD**

### **4.1 Background**

On 19 September 2018 the Company announced that it had entered into the Amended and Restated Option Agreement. Under the terms of the Amended and Restated Option Agreement, the Company has agreed to issue to the Majority Shareholders 16,306,892 Shares (on a post-Consolidation basis) as consideration for Ausnet's acquisition of the Majority Shareholders' Top Level Shares (the **Issue**).

Resolution 3 seeks Shareholder approval for the purpose of item 7 of section 611 of the Corporations Act to allow the Company to issue 16,306,892 Shares (**New Shares**) to the Majority Shareholders in consideration for Ausnet's acquisition of their Top Level Shares. The issue of the New Shares (as well as Shares to be issued to John Kolenda, an associate of Daring Investments, pursuant to Resolutions 6 and 8), when aggregated with the existing Shares held by the Majority Shareholders, will result in the Majority Shareholder's voting power in the Company increasing from 12.56% up to a maximum of 28.42%.

Pursuant to ASX Listing Rule 7.2 (Exception 16), Listing Rule 7.1 does not apply to an issue of securities approved for the purpose of item 7 of section 611 of the Corporations Act. Accordingly, if Shareholders approve the issue of securities pursuant to Resolution 3, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 and the additional 10% annual capacity set out in ASX Listing Rule 7.1A without the requirement to obtain prior Shareholder approval.

### **4.2 Item 7 of Section 611 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) **Majority Shareholders' entitlements in the Company**

The Majority Shareholders currently have an interest in the following Shares and Options in the Company (**assuming completion of the consolidation of capital the subject of Resolution 1**):

**Current holdings of the Majority Shareholders:**

<b>Name</b>	<b>Shares</b>	<b>Voting Power</b>
Aura	0	0%
Daring Investments (Shares held by Finsure, an entity controlled by current Director John Kolenda, who also controls Daring Investments)	2,280,018	6.25%
Teldar Real Estate	266,667	0.73%
MAK Property Group	453,333	1.24%
SEMC2	1,128,000	3.09%
Ben Collier Investments	453,333	1.24%
<b>TOTAL</b>	<b>4,581,351</b>	<b>12.56%</b>

Following the Issue (and completion of all Security issues contemplated by this Notice), the Majority Shareholder's entitlements to the New Shares the subject of this Resolution 3 and resulting voting power in the Company, will be as follows:

**Holdings of the Majority Shareholders following the Issue**

<b>Name</b>	<b>Shares</b>	<b>Voting Power</b>
Aura	1,571,040	1.51%
Daring Investments <sup>1</sup>	20,267,616	19.52%
Teldar Real Estate <sup>2</sup>	5,372,370	5.18%
MAK Property Group <sup>3</sup>	6,727,237	6.48%
SEMC <sup>4</sup>	6,359,442	6.13%
Ben Collier Investments <sup>5</sup>	8,097,205	7.80%
<b>TOTAL</b>	<b>48,394,910</b>	<b>46.62%</b>

**Notes:**

1. Daring Investments currently holds an interest in 68,400,531 Shares (which will be amended to 2,280,018 Shares upon completion of the consolidation the subject of Resolution 1). Daring Investments will be issued with 1,827,599 Shares as part of the Issue and John Kolenda (an associate of Daring) or his nominee is proposed to be issued with 6,160,000 Shares as a result of Resolution 6, up to 10,000,000 Shares as a result of Resolution 8. Therefore, Daring Investment's

relevant interest in Shares following completion of the matters set out in this Notice of Meeting will total up to 20,267,616.

2. Teldar Real Estate currently holds an interest in 8,000,000 Shares (which will be amended to 166,667 Shares upon completion of the consolidation the subject of Resolution 1). Teldar Real Estate will be issued with 2,479,036 Shares as part of the Issue and Matt Lahood (an associate of Teldar Real Estate) or his nominee is proposed to be issued with 2,626,667 Shares as a result of Resolution 5. Therefore, Teldar Real Estate's relevant interest in Shares following completion of the matters set out in this Notice of Meeting will total 5,372,370.
3. MAK Property Group Investments currently holds an interest in 13,600,000 Shares (which will be amended to 283,333 Shares upon completion of the consolidation the subject of Resolution 1). MAK Property Group will be issued with 3,647,237 Shares as part of the Issue and Shad Hassen (an associate of MAK Property Group) or his nominee is proposed to be issued with 2,626,667 Shares as a result of Resolution 5. Therefore, MAK Property Group's relevant interest in Shares following completion of the matters set out in this Notice of Meeting will total 6,727,237.
4. SEMC2 currently holds an interest in 33,840,000 Shares (which will be amended to 705,000 Shares upon completion of the consolidation the subject of Resolution 1). SEMC2 will be issued with 2,604,775 Shares as part of the Issue and Steven Chen (an associate of SEMC2) or his nominee is proposed to be issued with 2,626,667 Shares as a result of Resolution 5. Therefore, SEMC2's relevant interest in Shares following completion of the matters set out in this Notice of Meeting will total 6,359,442.
5. Ben Collier Investments currently holds an interest in 13,600,000 Shares (which will be amended to 283,333 Shares upon completion of the consolidation the subject of Resolution 1). Ben Collier Investments will be issued with 5,017,205 Shares as part of the Issue and Ben Collier (an associate of Ben Collier Investments) or his nominee is proposed to be issued with 2,626,667 Shares as a result of Resolution 5. Therefore, Ben Collier Investments' relevant interest in Shares following completion of the matters set out in this Notice of Meeting will total 8,097,205.

(d) **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;
  - (D) 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
  - (E) 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.

(e) **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;
  - (A) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
  - (B) 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:

- (ii) a body corporate in which the person's voting power is above 20%; or
- (iii) a body corporate that the person controls.

(f) **Associates of the Majority Shareholders**

There are no associates (as defined above) of the Majority Shareholders who have or will have a relevant interest in the Company.

### **4.3 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.

Following the issue of the New Shares, the Majority Shareholders will have a relevant interest in 4,531,351 Shares in the Company. When the Shares proposed to be issued to John Kolenda (or his nominee) the subject of Resolutions 3,4,6 and 8 and the Shares proposed to be issued to Matt Lahood, Steven Chen and Ben Collier the subject of Resolution 5 are added to this figure, the Majority Shareholders will have a relevant interest in a total of 48,394,910 Shares representing a 46.62% voting power in the Company. This assumes that no Options are exercised and that the amount of \$8,400,000 is raised under the Capital Raising (and therefore, 28,000,000 Shares are issued).

Accordingly, Resolution 3 seeks Shareholder approval for the purpose of section 611 item 7, and all other purposes to enable the Company to issue the New Shares to the Majority Shareholders.

#### 4.4 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 Nexia annexed to this Explanatory Statement.

##### (a) Identity of the Acquirer and its Associates

It is proposed that the Majority Shareholders will be issued the New Shares in accordance with the terms of the Amended and Restated Option Agreement as set out in Section 2.4(a).

No associates of the Majority Shareholders currently have or will have a relevant interest in the Company.

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

The relevant interests of the Majority Shareholders in voting shares in the capital of the Company (both current, and following the issue of the New Shares to the Majority Shareholders as contemplated by this Notice) are set out in the table below:

Party	Relevant Interest at date of this Notice (Shares)	Voting power at date of this Notice	Relevant Interest on issue of New Shares and other Shares to be issued pursuant to this Notice (Shares)	Voting power on issue of Shares
Aura	0	0%	1,571,040	1.51%
Daring Investments	68,400,531	6.25%	20,267,616	19.52%
Teldar Real Estate	8,000,000	0.73%	5,372,370	5.18%
MAK Property Group	13,600,000	1.24%	6,727,237	6.48%
SEMC2	33,840,000	3.09%	6,359,442	6.13%
Ben Collier Investments	13,600,000	1.24%	8,097,205	7.80%

##### (i) Summary of increases

From the above table, it can be seen that the maximum voting power that the Majority Shareholders will hold after the issue of the New Shares (and all other Shares contemplated by this Notice) is 48,394,910 Shares, being a maximum voting power of 46.62%.

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

- (A) the Company has 36,468,962 Shares (on a post Consolidation basis) on issue as at the date of this Notice of Meeting;
- (B) Resolution 1 is approved and completed;
- (C) the Company issues the Shares the subject of Resolutions 3, 4, 5, 6, 7, 8, 9, 11 and 13;
- (D) no Options are exercised;
- (E) the amount of \$8,400,000 is raised under the Capital Raising (and therefore 28,000,000 Shares are issued pursuant to the Capital Raising); and
- (F) the Majority Shareholders and its associates do not acquire any additional Shares.

Further details on the voting power of the Majority Shareholders are set out in the Independent Expert's Report prepared by Nexia.

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

As set out in Section 2, the reason for the issue of securities to the Majority Shareholders is as the consideration for Ausnet acquiring the Majority Shareholders' Top Level Shares pursuant to the Amended and Restated Option Agreement.

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

If Shareholder approval is obtained, the New Shares will be at Settlement, which will occur on that date which is 5 Business Days after the satisfaction (or waiver by Ausnet or the Majority Shareholders) of the Conditions set out in Section 2.4(a)(ii).

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

As set out in Section 2, the Company is proposing to issue a total of 18,333,333 Consideration Shares amongst the Top Level Shareholders to acquire all of the Top Level Shares. The Company will also issue a total of 16,666,667 Shares upon conversion of the Top Level Loans.

(f) **Majority Shareholder's Intentions**

Other than as disclosed elsewhere in this Explanatory Statement, the Company understands that the Majority Shareholders:

- (i) have no present intention of making any significant changes to the business of the Company;
  - (A) have no present intention to inject further capital into the Company;

- (B) have no present intention of making changes regarding the future employment of the present employees of the Company;
- (C) do not intend to redeploy any fixed assets of the Company;
- (D) do not intend to transfer any property between the Company and themselves; and
- (E) have no intention to change the Company's existing policies in relation to financial matters or dividends.

These intentions are based on information concerning the Company, its business and the business environment which is known to the Majority Shareholders at the date of this document.

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) **Changes to the Board**

As set out in Section 2, pursuant to the Amended and Restated Option Agreement it is proposed that Matthew Lahood join the Board at Settlement as well as an additional director to be advised by Top Level.

Details of Mr Lahood's qualifications and experience are set out in Section 2.3(d).

Mr Lahood is also a director and controller of Teldar Real Estate, which will receive 2,479,036 New Shares pursuant to this Resolution 3 and 2,626,667 Shares pursuant to Resolution 5.

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

(i) The Directors (other than Mr Kolenda who has a material personal interest in Resolution 3 by virtue of having a 50% shareholding in, and being a director of, Daring Investments) do not have any material personal interests in the outcome of Resolution 3 and unanimously recommend that Shareholders vote in favour of Resolution 3. The Directors' recommendations are based on the reasons outlined in Section 4.5 below.

(ii) 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 3.

(i) **Capital Structure**

A table showing the Company's current capital structure and the pro forma capital structure on completion of the issue of the New Shares (as well as other Shares contemplated by this Notice) is set out in Section 2.6.

#### **4.5 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 3

- (a) the issue of New Shares to the Majority Shareholders will complete part of the Company's obligations under the Amended and Restated Option Agreement and will not require renegotiation of its terms; and
- (b) the Independent Expert has concluded that the issue of the New Shares is not fair, but reasonable to the non-associated Shareholders.

#### **4.6 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 3:

- (a) Existing Shareholders' interest in the Company will be diluted as a result of the issue of Shares to the Majority Shareholders; and
- (b) there is no guarantee that the Company's Shares will not fall in value as a result of the Issue.

#### **4.7 Independent Expert's Report**

The Independent Expert's Report prepared by Nexia (a copy of which is attached as Annexure A to this Explanatory Statement) assesses whether the transaction contemplated by Resolution 3 is fair and reasonable to the non-associated Shareholders of the Company.

The Independent Expert's Report concludes that the transaction contemplated by Resolution 3 is not fair, but reasonable to the non-associated Shareholders of the Company.

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.

#### **4.8 Chapter 2E of the Corporations Act and Listing Rule 10.11 – Daring Investments**

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The Directors consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the New Shares to Daring Investments (an entity controlled by current Director, John Kolenda) because the agreement to grant the New Shares reached as part of the



Amended and Restated Option Agreement is considered reasonable consideration for the Acquisition and was negotiated on an arm's length basis.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

The Directors consider that Listing Rule 10.12 exception 10 applies to the proposed issue of the New Shares to Daring Investments and consequently Shareholders' approval is not sought under Listing Rule 10.11.

#### **4.9 Technical Information required by ASX Listing Rule 7.1**

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 3 will be to allow the Directors to issue the New Shares during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the proposed issue of the New Shares:

- (a) the number of Shares to be issued pursuant to Resolution 3 is 18,333,333 (on a post-consolidation basis). As at the date of this Prospectus the number of Shares on issue is 683,793,034 Shares. Assuming that the bonus issue of Shares to current Shareholders and the Consolidation is approved and completed, no other Shares are issued other than those contemplated by this Notice, no Options are exercised or Performance Shares converted and that the amount of \$8,400,000 is raised under the Capital Raising (and therefore, 28,000,000 Shares are issued under the Capital Raising), the number of Shares on issue would increase from 36,468,962 Shares to 103,808,962 (on a post-consolidation basis, or 3,114,268,854 on a non-consolidated basis) Shares and the shareholding of existing Shareholders would be diluted to 35.1%.
- (b) the New Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that the issue of the New Shares will occur on the same date;
- (c) the New Shares will be issued for nil cash consideration in satisfaction of the acquisition of the Majority Shareholders' Top Level Shares;
- (d) the New Shares will be issued to the Majority Shareholders;
- (e) valuation of the New Shares is set out in the Independent Expert's Report accompanying this Notice;
- (f) the New Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and

- (g) no funds will be raised from the issue of the New Shares as they are being issued in consideration for Ausnet acquiring the Majority Shareholders' Top Level Shares.

#### **4.10 Pro forma balance sheet**

A pro forma balance sheet of the Company post the completion of the Issue (and other transaction the subject of this Notice of Meeting) is set out in Schedule 1.

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### **5. RESOLUTION 4 – ISSUE OF CONSIDERATION SHARES TO MINORITY SHAREHOLDERS OF TOP LEVEL REAL ESTATE**

#### **5.1 General**

Resolution 4 seeks Shareholder approval for the issue of 2,026,441 Shares (on a post Consolidation basis) to the Minority Shareholders of Top Level (or their nominees).

It is a condition precedent to Settlement that Ausnet make a separate offer, under a short form agreement such as a share transfer form, and the Minority Shareholders accept the offer.

A summary of ASX Listing Rule 7.1 is set out in Section 4.9 above.

The effect of Resolution 4 will be to allow the Company to issue the Shares to the Minority Shareholders (or their nominees) during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

#### **5.2 Technical information required by ASX Listing Rule 7.1**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the Shares to the Minority Shareholders:

- (a) the maximum number of Shares to be issued is 2,026,279;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (c) the issue price of the Shares will be nil as they are being issued in consideration for the Company's acquisition of the Minority Shareholders' Top Level Shares;
- (d) the Shares will be issued to the Minority Shareholders (or their nominees), in consideration for their respective Top Level Shares. None of the Minority Shareholders are related parties of the Company;
- (e) the proposed to be issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) no funds will be raised from the proposed issue of the Shares as they are proposed to be issued in consideration for the Minority Shareholders' Top Level Shares.

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## 6. RESOLUTION 5 – ISSUE OF SHARES UPON REPAYMENT OF TOP LEVEL LOANS – UNRELATED PARTIES

### 6.1 Background

As a condition precedent to settlement of the Acquisition, Top Level will enter into:

- (a) amended and restated loan agreements with each of Teldar Real Estate, MAK, SEMC2, Ben Collier Investments and Daring Investments (in a form to be agreed by the Company);
- (b) and letters to amend the amended and restated loan agreements between each of the Top Level Loan Holders and the Company in agreed form,

pursuant to which, subject to settlement of the Acquisition, \$5,000,000 of the debt currently owed by Top Level to the Top Level Loan Holders (**Top Level Loans**) will be repaid by the issue by the Company of 16,666,667 Shares at a deemed issue price of \$0.30 per Share (on a post-Consolidation basis) at Settlement

The Company will issue an aggregate 16,666,667 Shares (on a post-Consolidation basis) to the Subscribers upon repayment of the Top Level Loans, which will take place at Settlement of the Acquisition.

Resolutions 5 and 6 seek Shareholder approval for the issue of up to 16,666,667 Shares as follows:

- (a) 10,506,667 Shares to the Subscribers who are unrelated parties (Resolution 5); and
- (b) 6,160,000 Shares to John Kolenda, a Director of the Company, or his nominee (Daring Investments) (Resolution 6).

A summary of ASX Listing Rule 7.1 is set out in Section 5.1 above.

The effect of Resolution 5 will be to allow the Company to issue the Shares in repayment of the Top Level Loans during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

Resolution 5 is subject to and conditional upon the passing of all Related Resolutions.

### 6.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the Shares the subject of Resolution 6:

- (a) the maximum number of Shares to be issued is 16,666,667;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;

- (c) the Shares will be issued for nil cash consideration upon repayment of the Top Level Loans;
- (d) the Shares will be issued to Teldar Real Estate, MAK, SEMC2 and Ben Collier Investments. None of these subscribers are related parties of the Company (other than as a result of the Acquisition);
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the Share will be issued to repay the Top Level Loans, accordingly no funds will be raised.

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## **7. RESOLUTION 6 – ISSUE OF SHARES UPON CONVERSION OF TOP LEVEL LOANS – RELATED PARTY – JOHN KOLENDA**

### **7.1 General**

Refer to Section 6.1 above for background regarding Top Level Loans.

The Company has agreed, subject to obtaining Shareholder approval, to issue 6,160,000 Shares (**Related Party Shares**) to John Kolenda (or his nominee) on the terms and conditions set out below.

Resolution 6 seeks Shareholder approval for the grant of the Related Party Shares to John Kolenda or his nominee (Daring Investments).

A summary of Chapter 2E of the Corporations Act and ASX Listing Rule 10.11 is set out in Section 4.8 above.

The grant of Related Party Shares constitutes giving a financial benefit and John Kolenda is a related party of the Company by virtue of being a Director.

The Directors (other than Mr Kolenda who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the grant of Related Party Shares because the agreement to grant the Shares to the Subscribers was negotiated on an arm's length basis and the grant of the Related Party Shares are on the same terms as all Shares issued to unrelated Subscribers.

Resolution 6 is subject to and conditional upon the passing of all Related Resolutions.

### **7.2 Technical Information required by ASX Listing Rule 10.13**

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolution 6:

- (a) the Related Party Shares will be granted to John Kolenda (or his nominee);
- (b) the number of Related Party Shares to be issued is 6,160,000;
- (c) the Related Party Shares will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date; and

- (d) the Related Party Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (e) the Related Party Shares will be issued for nil cash consideration accordingly no funds will be raised.

Approval pursuant to ASX Listing Rule 7.1 is not required for the grant of the Related Party Shares as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the grant of Related Party Shares to John Kolenda (or his nominee) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1

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## **8. RESOLUTION 7 – ISSUE OF SHARES – CAPITAL RAISING**

### **8.1 General**

Resolution 7 seeks Shareholder approval for the issue of 28,000,000 Shares (on a post-Consolidation basis) at an issue price of \$0.30 per Share to raise \$8,400,000 pursuant to the Capital Raising).

A summary of ASX Listing Rule 7.1 is set out in Section 5.1 above.

The effect of Resolution 7 will be to allow the Company to issue the Shares pursuant to the Capital Raising during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

### **8.2 Technical information required by ASX Listing Rule 7.1**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Capital Raising:

- (a) the maximum number of Shares to be issued is 28,000,000;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of all the Shares pursuant to the Capital Raising will occur on the same date;
- (c) the issue price of the Shares will be \$0.30 per Share;
- (d) the Shares will be issued to sophisticated and professional investors. None of the subscribers for the Capital Raising will be related parties of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the Company intends to use the funds raised from the Capital Raising towards costs associated with the Acquisition - including repayment of Top Level debts - and general working capital.

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## 9. RESOLUTION 8 – ISSUE OF SHARES TO RELATED PARTY – JOHN KOLENDA – PARTICIPATION IN CAPITAL RAISING

### 9.1 General

Pursuant to Resolution 7 the Company is seeking Shareholder approval for the issue of 28,000,000 Shares (on a post-Consolidation basis) at an issue price of \$0.30 per Share to raise \$8,400,000 (**Capital Raising**).

John Kolenda wishes to participate in the Capital Raising.

Resolution 8 seeks Shareholder approval for the issue of up to 10,000,000 Shares to John Kolenda (or his nominee) arising from the participation by John Kolenda in the Capital Raising (**Participation**).

### 9.2 Chapter 2E of the Corporations Act and ASX Listing Rule 10.11

A summary of Chapter 2E of the Corporations Act and ASX Listing Rule 10.11 is set out in Section 4.8 above.

The Participation will result in the issue of Shares which constitutes giving a financial benefit and John Kolenda is a related party of the Company by virtue of being a Director.

The Directors (other than Mr Kolenda who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Participation because the Shares will be issued to Mr Kolenda on the same terms as Shares issued to non-related party participants in the Capital Raising and as such the giving of the financial benefit is on arm's length terms.

As the Placement involves the issue of Shares to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

### 9.3 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to the Participation:

- (a) the Shares will be issued to John Kolenda (or his nominee);
- (b) the maximum number of Shares to be issued to Mr Kolenda (or his nominee) is 10,000,000;
- (c) the Shares will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (d) the issue price will be \$0.30 per Share, being the same as all other Shares issued under the Capital Raising;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and

- (f) the funds raised will be used for the same purposes as all other funds raised under the Capital Raising as set out in Section 2.5 above.

Approval pursuant to ASX Listing Rule 7.1 is not required for the Participation as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Shares to John Kolenda (or his nominee) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

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## **10. RESOLUTION 9 – ISSUE OF SHARES TO LEAD MANAGER**

### **10.1 General**

Resolution 9 seeks Shareholder approval for the issue of up to 840,000 Shares to Aura Capital (or its nominees) in consideration for acting as lead manager to the Capital Raising. If the amount of \$8,400,000 is raised under the Capital Raising, Aura Capital (or its nominees) will be issued with 840,000 Shares.

A summary of ASX Listing Rule 7.1 is set out in Section 5.1 above.

The effect of Resolution 9 will be to allow the Company to issue Shares to Aura Capital (or its nominees) during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

### **10.2 Technical information required by ASX Listing Rule 7.1**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the Shares the subject of Resolution 10:

- (a) the maximum number of Shares to be issued is 840,000;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of all of the Shares will occur on the same date;
- (c) the Shares will be issued for nil cash consideration in satisfaction of fees payable to Aura Capital for provision of corporate advisory services provided to the Company;
- (d) the Shares will be issued to Aura Capital (or its nominees) in consideration for Aura Capital acting as lead manager to the Capital Raising;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) no funds will be raised from the issue of the Shares the subject of Resolution 9 as the Shares are being issued in satisfaction of fees payable to Aura Capital for acting as lead manager to the Capital Raising.

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## **11. RESOLUTION 10 – ELECTION OF DIRECTOR – MATTHEW LAHOOD**

Pursuant to the Amended and Restated Option Agreement, at Settlement it is proposed that Matthew Lahood be appointed as a director of the Company.

Top Level also has the right to nominate an additional non-executive director to the Board.

Resolution 10 seeks approval for the election of Matthew Lahood as an executive director of the Company on and from Settlement subject to and conditional upon approval of all of the Resolutions.

### **Matthew Lahood**

Information on the qualifications, skills and experience of Matthew Lahood is set out in Section 2.3(d) above.

The Board has considered Mr Lahood's independence and considers that he is not an independent Director.

The Directors support the election of Mr Lahood and recommend that Shareholders vote in favour of Resolution 10.

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## **12. RESOLUTION 11 – ISSUE OF SHARES TO RELATED PARTY – PAUL NIARDONE**

### **12.1 General**

The Company has agreed, subject to obtaining Shareholder approval, to issue 833,333 Shares (**Related Party Shares**) (on a post-Consolidation basis) to Paul Niardone (or his nominee) on the terms and conditions set out below.

Resolution 11 seeks Shareholder approval for the grant of the Related Party Shares to Paul Niardone (or his nominee).

A summary of Chapter 2E of the Corporations Act and ASX Listing Rule 10.11 is set out in Section 4.8 above.

The Directors (other than Mr Niardone who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the grant of Related Party Shares because the agreement to grant the Related Party Shares, reached as part of the remuneration package for Mr Niardone, is considered reasonable remuneration in the circumstances and was negotiated on an arm's length basis.

As the grant of the Related Party Shares involves the issue of securities to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

### **12.2 Technical Information required by ASX Listing Rule 10.13**

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolution 11:

- (a) the Related Party Shares will be granted to Paul Niardone (or his nominee);
- (b) the number of Related Party Shares to be issued is 833,333;
- (c) the Related Party Shares will be granted no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any



ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Options will occur on the same date;

- (d) the Related Party Shares will be issued for nil cash consideration; accordingly, no funds will be raised; and
- (e) the Related Party Shares to be issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares.

Approval pursuant to ASX Listing Rule 7.1 is not required for the grant of the Related Party Shares as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Related Party Shares to Paul Niardone (or his nominee) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1

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## **13. RESOLUTION 12 – ISSUE OF OPTIONS TO RELATED PARTY – ADAM DAVEY**

### **13.1 General**

The Company has agreed, subject to obtaining Shareholder approval, to issue 333,333 Options (**Related Party Options**) (on a post-Consolidation basis) to Adam Davey (or his nominee) on the terms and conditions set out below.

Resolution 12 seeks Shareholder approval for the grant of the Related Party Options to Adam Davey (or his nominee).

A summary of Chapter 2E of the Corporations Act and ASX Listing Rule 10.11 is set out in Section 4.8 above.

### **13.2 Chapter 2E of the Corporations Act**

The grant of Related Party Options constitutes giving a financial benefit and Adam Davey is a related party of the Company by virtue of being a Director.

The Directors (other than Mr Davey who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the grant of Related Party Options because the agreement to grant the Related Party Options, reached as part of the remuneration package for Mr Davey, is considered reasonable remuneration in the circumstances and was negotiated on an arm's length basis. The Directors propose to issue the Related Party Options to Mr Davey (or his nominee) in recognition of work undertaken by M Davey above the normal course for a non-executive director.

### **13.3 ASX Listing Rule 10.11**

As the grant of the Related Party Options involves the issue of securities to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

### **13.4 Technical Information required by ASX Listing Rule 10.13**

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolution 12:

- (a) the Related Party Options will be granted to Adam Davey (or his nominee);
- (b) the number of Related Party Options to be issued is 333,333;
- (c) the Related Party Options will be granted no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Options will occur on the same date;
- (d) the Related Party Options will be issued for nil cash consideration, accordingly no funds will be raised; and
- (e) the terms and conditions of the Related Party Options are set out in Schedule 2.

Approval pursuant to ASX Listing Rule 7.1 is not required for the grant of the Related Party Options as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the grant of Related Party Options to Adam Davey (or his nominee) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

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## **14. RESOLUTION 13 –ACQUISITION OF VICUS RESIDENTIAL PTY LTD**

### **14.1 General**

As announced on 6 April 2018. The Company has entered into a binding terms sheet to acquire all of the issued capital of Vicus Residential Pty Ltd from the shareholders of Vicus Residential (**Vicus Vendors**).

ASX has advised the Company that it requires the Company to obtain the approval of its Shareholders pursuant to ASX Listing Rule 11.1.2 in relation to the proposed acquisition of Vicus Residential. A summary of ASX Listing Rule 11.1 is set out in Section 3.2 above.

Details of the key terms of the acquisition of Vicus Residential and the Vicus Residential business are set out in Sections 14.2 and 14.3 below. The financial effect of the proposed acquisition of Vicus Residential is included in the pro forma balance sheet in Schedule 1.

***As the acquisition of Vicus Residential requires Shareholder approval under ASX Listing Rule 11.1.2 in order to proceed, the acquisition may not proceed if Shareholder approval is not forthcoming.***

### **14.2 Terms of the Vicus Residential acquisition and pro forma capital structure**

The key terms of the binding terms sheet between the Company and the Vicus Vendors are set out below.

- (a) The Company (or its nominee) has agreed to acquire and the Vicus Vendors have agreed to sell all of the fully paid ordinary shares in the capital of Vicus Residential (**Vicus Shares**) for the following consideration:
  - (i) the issue of 2,666,667 post-Consolidation Shares at a deemed issue price of \$0.30 per Share; and
  - (ii) a cash payment of \$75,000.

- (b) Settlement of the acquisition of the Vicus Shares will be conditional upon the satisfaction (or waiver by the Company) of the following conditions precedent:
- (i) completion of financial, legal and technical due diligence by the Company on Vicus Residential's business, assets and operations, to the absolute satisfaction of the Company;
  - (ii) the Vicus Vendors procuring that Vicus Residential obtains from each third party to contracts to which Vicus Residential is a party, all necessary consents and approvals (on terms and conditions in all respects reasonably satisfactory to the Company) required to implement the acquisition; and
  - (iii) any necessary shareholder and regulatory approvals required to complete the acquisition, for either of Vicus Residential or the Company, are obtained.
- (c) Settlement of the acquisition of the Vicus Shares will occur on that date which is five (5) business days after the last of the conditions set out above are satisfied (or waived by the Company).
- (d) Gianni Redolatti, Vicus Residential's licensee, will remain as the named licensee for Vicus Residential for 12 months following settlement of the acquisition of the Vicus Shares, and up to a maximum of 24 months following settlement, to facilitate the transfer of clients from Vicus Residential to the Company or its nominee.

Set out below is the pro forma capital structure of the Company following completion of the bonus issue of Shares to Shareholders and completion of the acquisition of Vicus Capital only.

<b>SHARES</b>	
Shares currently on issue	683,793,034
<b>Shares on issue following consolidation of capital (Resolution 1)</b>	<b>22,793,101</b>
Bonus offer to existing AU1 Shareholders	13,675,861
Shares to be issued to the Vicus Residential Pty Ltd vendors	2,666,667
<b>TOTAL</b>	<b>39,135,629</b>

<b>OPTIONS</b>	
Unquoted Options currently on issue <sup>1,2</sup>	162,666,667
Quoted Options currently on issue <sup>3,4</sup>	24,076,072
<b>Unquoted and Quoted Options on issue following consolidation of capital (Resolution 1)</b>	<b>6,224,759</b>
<b>TOTAL</b>	<b>6,224,759</b>

<b>PERFORMANCE SHARES</b>	
Performance Shares currently on issue <sup>1,2</sup>	113,333,334
<b>Performance Shares on issue following consolidation of capital (Resolution 1)</b>	<b>3,777,778</b>
<b>TOTAL</b>	<b>3,777,778</b>

**Notes:**

1. Consisting of 66,666,667 Consideration Performance Shares (on a pre-Consolidation basis) and 46,666,667 Incentive Performance Shares (on a pre-Consolidation basis).
2. The Directors have referred confirmation of satisfaction of the milestone attached to Consideration Performance Shares (which is also one of the limbs of the milestones attached to the Incentive Performance Shares) to an independent auditor and are awaiting the auditor's final report.

### **14.3 About Vicus Residential**

Vicus Residential (the residential leasing division of the Vicus group which the Company is proposing to acquire) provides commercial, residential, and strata management leasing services.

Vicus Residential incorporates a commercial management and sales and leasing division, a residential management and sales division in addition to a strata management company. All services are operated from Vicus Residential's centrally located North Perth head office.

The residential department was established to serve the needs of existing commercial and strata clients. The residential department has grown a portfolio of over 200 managements that spans across houses, units and apartments found in suburbs from Yanchep in the north to Rockingham in the south. With a centrally located head office and the desire by management to focus solely on commercial property, the Vicus Vendors resolved to sell the residential arm of the business.

The Directors believe that Vicus Residential's business is complementary to that of the Company's by virtue of the additional rent rolls that the acquisition will add to the Company's current portfolio.

### **14.4 Directors' Recommendation**

The Directors of the Company unanimously recommend the acquisition of Vicus Residential and that Shareholders vote in favour of Resolution 13.

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## **15. RESOLUTION 14 – ISSUE OF SHARES FOR ACQUISITION OF VICUS RESIDENTIAL PTY LTD**

### **15.1 General**

Resolution 14 seeks Shareholder approval for the issue of 2,666,667 Shares (on a post-consolidation basis) as part of the consideration for the acquisition of Vicus Residential (**Vicus Issue**). Resolution 14 is subject to the passing of Resolution 13.

A summary of ASX Listing Rule 7.1 is set out in Section 4.9 above.

The effect of Resolution 14 will be to allow the Company to issue the Shares pursuant to the Placement during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

## **15.2 Technical information required by ASX Listing Rule 7.1**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Vicus Issue:

- (a) the maximum number of Shares to be issued is 2,666,667 post-Consolidation Shares;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (c) the Shares will be issued for nil cash consideration in satisfaction of part of the Consideration for the acquisition of Vicus Residential Pty Ltd;
- (d) the Shares will be issued to the Vicus Vendors, none of whom are related parties of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (a) no funds will be raised from the Vicus Issue as the Shares are being issued as part of the consideration for the acquisition of Vicus Residential Pty Ltd.

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## GLOSSARY

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**\$** means Australian dollars.

**Acquisition** means the acquisition of the Top Level Shares in accordance with the terms and conditions of the Amended and Restated Option Agreement.

**Amended and Restated Option Agreement** means the amended and restated option agreement between the Company, Ausnet, Top Level and the Majority Shareholders dated 14 September 2018.

**ASIC** means the Australian Securities & Investments Commission.

**Ausnet** means Ausnet Real Estate Services Pty Ltd (ACN 093 805 675).

**Aura** means Aura Principal Investments Pty Ltd (ACN 145 010 653).

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

**ASX Listing Rules** means the Listing Rules of ASX.

**Ben Collier Investments** means Ben Collier Investments Pty Ltd (ACN 149 089 154).

**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.

**Capital Raising** means the offer of 28,000,000 Shares at an issue price of \$0.30 per Share for the Company to raise \$8,400,000.

**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).

**Consideration Performance Share** means a performance share issued on the terms and conditions for Consideration Performance Shares as approved by Shareholders at the Company's general meeting held on 20 July 2016.

**Consideration Shares** means 18,333,333 post-Consolidation Shares.

**Consolidation** means the consolidation of the Company's issued capital on a one (1) for thirty (30) basis in accordance with Resolution 1.

**Constitution** means the Company's constitution.

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

**Daring Investments** means Daring Investments Pty Ltd (ACN 059 818 807).

**Directors** means the current directors of the Company.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

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

**Incentive Performance Share** means a performance share issued on the terms and conditions for Incentive Performance Shares as approved by Shareholders at the Company's general meeting held on 20 July 2016.

**Independent Expert** means Nexia.

**Independent Expert's Report** means the Independent Expert's Report which is attached to this Notice as Annexure A.

**Issue** means the proposed issue of New Shares as outlined in Section 4.1.

**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.

**Majority Shareholders** means Aura, Daring Investments, Teldar Real Estate, MAK Property Group, SEMC2 and Ben Collier Investments.

**MAK Property Group** means MAK Property Group Pty Ltd (ACN 126 541 571) ATF MAK Trust.

**Minority Shareholder Offer** means an offer to be made to the Minority Shareholders by Ausnet under a short form agreement, such as a share transfer form, for the acquisition by Ausnet of the Minority Shareholders' Top Level Shares.

**Minority Shareholders** means all shareholders of Top Level other than the Majority Shareholders.

**Nexia** means Nexia Perth Corporate Finance Pty Ltd.

**New Shares** has the meaning given in Section 4.1.

**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.

**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.

**Security** means a Share, Option or Performance Share (as the case requires).

**Security Holder** means the holder of a Share or Option (as the case requires).

**SEMC2** means SEMC2 Pty Ltd (ACN 126 492 733) ATF The Chen Asset Trust.

**Settlement** means settlement of the Acquisition in accordance with the terms and conditions of the Amended and Restated Option Agreement.

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

**Shareholder** means a registered holder of a Share.

**Related Resolutions** means all of the Resolutions the subject of this Notice except Resolution 13.

**Teldar Real Estate** means Teldar Real Estate Pty Ltd (ACN 061 660 375) ATF MJ Lahood Family Trust.

**Top Level** means Top Level Real Estate Pty Ltd (ACN 615 413 879).

**Top Level Loan Holders** means Teldar Real Estate, MAK, SEMC2, Ben Collier Investments and Daring Investments.

**Top Level Loans** means loans totalling \$6,788,073 provided to Top Level by the Top Level Loan Holders.

**Top Level Share** means a share in Top Level.

**Top Level Shareholders** means the Majority Shareholders and the Minority Shareholders.

**Vicus Shares** has the meaning given to that term in Section 14.2.

**Vicus Vendors** has the meaning given to that term in Section 14.1.

**WST** means Western Standard Time as observed in Perth, Western Australia.



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**SCHEDULE 1– PRO FORMA STATEMENT OF FINANCIAL POSITION**


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	Un-Audited 30-Apr 2018 \$	Pro forma 30-Apr 2018 \$
<b>Current Assets</b>		
Cash and cash equivalents	1,482,532	9,171,029
Trade and other receivables	2,645,813	5,785,771
Current tax asset	-	23,672
Other current assets	-	27,500
<b>Total Current Assets</b>	<b>4,128,345</b>	<b>15,007,972</b>
<b>Non Current Assets</b>		
Property, Plant and Equipment	541,980	3,162,737
Intangible Assets	3,083,351	32,975,028
Deferred tax	346,821	2,077,864
Financial Assets	470,000	290,471
<b>Total Non Current Assets</b>	<b>4,442,152</b>	<b>38,506,100</b>
<b>Total Assets</b>	<b>8,570,497</b>	<b>53,514,072</b>
<b>Current Liabilities</b>		
Trade and Other Payables	6,762,233	12,318,203
Borrowings	4,228	-
Provisions	303,196	658,128
Application monies payable	70,000	70,000
<b>Total Current Liabilities</b>	<b>7,139,657</b>	<b>13,046,331</b>
<b>Non Current Liabilities</b>		
Borrowings	-	18,274,883
Lease incentives	-	813,571
Deferred tax liabilities	580,004	718,605
Other	-	36,999
Provisions	177,438	420,875
<b>Total Non Current Liabilities</b>	<b>757,442</b>	<b>20,264,933</b>
<b>Total Liabilities</b>	<b>7,897,099</b>	<b>33,311,264</b>
<b>Net Assets/(Liabilities)</b>	<b>673,398</b>	<b>20,202,808</b>
<b>Equity</b>		
Contributed Equity	11,217,054	30,665,054
Reserves	739,524	739,524
Accumulated Losses	(11,283,180)	(11,201,770)
<b>Total Equity/(Net Deficiency)</b>	<b>673,398</b>	<b>20,202,808</b>

The unaudited balance sheet as at 30 April 2018 and the unaudited pro-forma balance sheet as at 30 April 2018 shown above have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position.

The pro-forma balance sheet has been prepared assuming no Options are exercised prior to the date of this meeting and including expenses of the Offers.

The pro-forma balance sheet has been prepared to provide shareholders with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

The pro-forma balance sheet does not include a revaluation of the Intangible Assets.

The pro-forma balance sheet shows the effect of the acquisition of Top Level Real Estate Pty Ltd and Vicus Residential Pty Ltd.

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## SCHEDULE 2 – TERMS AND CONDITIONS OF OPTIONS

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(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 \$0.30 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on that date which is three (3) 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;
- (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 (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.

**Please refer to the enclosed Annexure A - Independent Expert's Report prepared by Nexia.**

31 August 2018

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

Dear Sirs

**INDEPENDENT EXPERT'S REPORT  
PURSUANT TO SECTION 611 OF THE CORPORATIONS ACT  
ISSUE OF SHARES TO ACQUIRE TOP LEVEL REAL ESTATE**

**1. INTRODUCTION**

Nexia Perth Corporate Finance Pty Ltd ("NPCF") has been requested by The Agency Group Australia Ltd ("The Agency" or "the Company" or "AU1") to prepare an Independent Expert Report in relation to the proposed acquisition of 100% of the issued capital of Top Level Real Estate Pty Ltd, a proprietary limited company incorporated in New South Wales ("TLRE") ("the Proposed Transaction").

The transaction consideration comprises 18,333,333 post consolidation fully paid ordinary shares in the Company with no cash consideration. Shareholder approval is required in accordance with ASX Listing Rules and item 7 of Section 611 of the Corporations Act. The Proposed Transaction will be the subject of a Resolution of the Notice of Meeting to be considered at the Company's forthcoming Extraordinary General Meeting ("EGM"), provisionally set down to be held on or about 29 October 2018.

NPCF has concluded that the Proposed Transaction is not fair but reasonable having regard to the interests of the non-associated shareholders of AU1.

Resolutions 3 and 4 of the attached Notice of Meeting seek shareholder approval of the Proposed Transaction and comprises the issue of 18,333,333 shares in the Company to the shareholders of TLRE.

The Explanatory Statement states that 16,306,892 of the 18,333,333 total Consideration Shares will be subject to voluntary escrow for a period of 24 months from the date of issue.

Resolution 3 seeks shareholders to consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That, subject to and conditional upon the passing of all Related Resolutions, for the purposes of section 611 item 7 of the Corporations Act and for all other purposes, approval is given for:*

- (a) the Company to issue up to 16,306,892 post-consolidation Shares (New Shares) to the Majority Shareholders; and*
- (b) the acquisition of an increased relevant interest in the issued voting shares of the Company by the Majority Shareholders, otherwise prohibited by section 606(1) of the Corporations Act by virtue of the issue of New Shares, which will result in the Majority Shareholders' voting power in the capital of the Company increasing from 12.56% to a maximum of 46.62%,*

*on the terms and conditions set out in the Explanatory Statement."*

Resolution 4 seeks shareholders to consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That, subject to and conditional upon the passing of all Related Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 2,026,441 post-consolidation Shares to the Minority Top Level Shareholders (or their nominees) on the terms and conditions set out in the Explanatory Statement."*

To assist shareholders in making a decision on the Resolutions, the directors have requested that NPCF prepare an independent expert's report, which must state whether, in the opinion of the independent expert, the Proposed Transaction is fair and reasonable having regard to the interests of AU1 shareholders other than those involved in the Proposed Transaction or associated with such persons and whose approval the Resolutions giving effect to these transactions are required at the General Meeting ("non-associated shareholders of AU1").

The Summary of our opinion is set out in section 2 of this Report.

A brief summary of the Proposed Transaction is set out in section 3 of this Report and a detailed outline is set out fully in the Explanatory Statement accompanying the Notice of Meeting of AU1 to be held on or about 29 October 2018.

We understand that this Report will accompany the Notice of Meeting and Explanatory Statement. NPCF consents to the issue of this report in its form and context and consents to its inclusion in the Explanatory Statement.

## 2. SUMMARY OF 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.

### 2.1 Assessment of fairness

In considering whether or not the transaction is fair to AU1's non-associated shareholders, we have considered the fair value in AU1 on a control basis prior to the Proposed Transaction to the fair value of a minority interest in AU1 after the Proposed Transaction.

The comparative positions are summarised below:

	LOW	MID	HIGH
<b>NPCF valuation of AU1 shares prior to the Proposed Transaction on a control basis (section 6.3)</b>	29.40c	29.40c	29.40c
<b>NPCF valuation of AU1 shares post Proposed Transaction on a minority basis (section 7.3.3)</b>	16.42c	17.69c	18.95c

Based upon the information set out in this report, we are of the opinion that the **Proposed Transaction is not fair but reasonable** having regard to the interests of the non-associated shareholders of AU1.

NPCF has formed the opinion that the Proposed Transaction is not fair because the value of AU1's shares *post* the Proposed Transaction is less than the value of the Company's shares prior to the Proposed Transaction.

NPCF has also had regard to other relevant considerations in assessing the reasonableness of the Proposed Transaction. Further details are set out in section 8 of this Report. Our opinion is based solely on the information available at the date of the report as detailed in section 10.

## 2.2 Assessment of Reasonableness

As referred to in more detail in section 5 of this report, in accordance with RG 111:

- an offer is considered 'fair' if the value of the offer price or consideration is equal to, or greater than, the value of the securities that are the subject of the offer.
- an offer is considered 'reasonable' if it is fair. It might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

In forming our opinion we have considered the following relevant factors (see section 8).

### *Advantages of proceeding*

- The activities of TLRE are entirely complementary to the Company's current real estate activities - TLRE trades as The Agency and adopts the Agency's business model and branding - and the integration of both parties' businesses will enable both businesses to leverage off the substantial growth of the Agency brand on both seaboard of Australia;
- The integration of the two businesses will enable access to significant synergies and cost savings including merging of systems, management teams, processes and reporting and potential centralising of operations. TLRE has existing capacity to absorb the day to day management of the Company's operations. The two business are currently sharing a number of systems and processes which will assist in providing a relatively seamless post-acquisition integration of the businesses.
- The company will directly benefit from the Agency's rapid growth on the East coast of Australia and, with the recent addition and rollout of the Sell Lease Property brand, will comprise the only national real estate company to have two national brands in the Australian real estate market;
- The acquisition includes the acquisition of the TLRE management team which would be difficult for the company to recruit or acquire in any other circumstance and which provides a core leadership base and platform for growth and represents a major asset in its own right;
- The TLRE management team are also the majority shareholders in TLRE and hence will acquire shares in the company which will enable them to share in the success of the business and will assist in their retention and performance incentives;
- The Company will be able adopt the AU1 business model through the two businesses including the roll out its cross-referral model which is not currently in place in TLRE. As seen by the AU1 experience, this represents a major possible source of value to the Company (including but not limited to the increase in the value of the Mortgage Loan Book), as well as enhancing the retention of its agents through the adoption of commission structures, specific retention strategies around property management referrals and income from a range of cross-referral products;
- The Proposed Transaction provides access to significant additional revenue streams in the short to medium term. This also gives AU1 an appropriate platform on which to proceed with restructuring and recapitalising the Company - AU1 currently has 22,793,101 shares on issue - and acceptance of the Proposed Transaction will result in an increase in cash reserves;

*Advantages of proceeding (continued)*

- The Proposed Transaction is the only offer capable of acceptance at present and there is an absence of alternative offers;
- It may provide opportunity for enhanced liquidity in AU1 shares; and
- It may give rise to a market repricing of AU1 shares, having regard to the foregoing.

*Disadvantages of proceeding*

- Reduces the interest of the non-associated AU1 Shareholders to 30.72% on the issue of the Shares the subject of all Resolutions in the attached Notice of Meeting (and assuming the maximum number of shares are issued in respect of the Capital Raising the subject of Resolution 7);
- The Company will be substantially adding to its prevailing debt levels; and
- Whilst TLRE is expanding rapidly, it has yet to return a maiden trading profit.

The principal factors that we have taken into account in forming our opinion are set out in the supporting detail to this report.

## **2.3 Opinion**

The decision of each shareholder as to whether to approve the Proposed Transaction is a matter for individual shareholders. These decisions should be based on each shareholder's views as to matters including value and future market conditions, risk profile, liquidity preferences, investment strategy, portfolio structure and tax positions. In particular, taxation consequences may vary from shareholder to shareholder. If shareholders are in any doubt, they should consult an independent professional adviser. The opinion should be read in conjunction with the full text of this report which follows after our Financial Services Guide, which sets out our scope and findings.

The supporting detail of our Report (set out in the sections that follow after our Financial Services Guide and Qualifications Declarations and Consents), comprises the following sections:

3. Summary of the Proposed Transaction
  4. Purpose of the Report
  5. Basis of the Assessment
  6. Valuation of AU1 shares Pre Proposed Transaction
  7. Valuation of AU1 shares Post Proposed Transaction
  8. Assessment as to Fairness and Reasonableness of the Proposed Transaction
  9. Limitations and Reliance on Information
  10. Sources of Information
- Appendix 1 – Overview of valuation methodologies



This assignment is a valuation engagement as defined by APES 225 Valuation Services as issued by the Accounting Professional & Ethical Standards Board Limited. Valuation engagement means an engagement or assignment to perform a valuation and provide a valuation report where the independent expert is free to employ the valuation approaches, valuation methods, and valuation procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the engagement or assignment available to the independent expert at that time.

Yours faithfully

**NEXIA PERTH CORPORATE FINANCE PTY LTD**

A handwritten signature in black ink, appearing to read 'TJ Spooner', written over a horizontal line.

**TJ SPOONER** FCA FCA(UK) AGIA ACIS AMIIA CTA  
DIRECTOR

## Nexia Perth Corporate Finance Pty Ltd ("NPCF")

### FINANCIAL SERVICES GUIDE

1. NPCF (ABN 84 009 342 661) provides valuation advice, valuation reports, Independent Expert's Reports and Investigating Accountant's Reports in relation to takeovers and mergers, prospectuses and disclosure documents, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes. NPCF holds Australian Financial Services Licence No. 289358.
2. NPCF has been engaged to provide general financial product advice in the form of the attached report to be provided to you.

#### Financial Services Guide

3. The Corporations Act 2001 authorises NPCF to provide this Financial Services Guide (FSG) in connection with its provision of an Independent Expert's Report (IER) to accompany the Notice of Meeting to be sent to AU1 shareholders.
4. This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about NPCF generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

#### Financial services we are licensed to provide

5. Our Australian financial services licence allows us 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.

#### General Financial Product advice

6. The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs. It is not intended to take the place of professional advice and you should not make specific investment decisions in reliance upon the information contained in this report.
7. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. You may wish to obtain personal financial product advice from the holder of an Australian Financial Service Licence to assist you in this assessment.

#### Fees, commissions and other benefits we may receive

8. NPCF charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity which engages NPCF to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us.
9. Neither NPCF nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.
10. All of our employees receive a salary and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
11. We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

#### Complaints

12. If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
13. If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Industry Complaints Services (FICS), an external complaints resolution service. You will not be charged for using the FICS service.

#### Contact details

14. NPCF contact details are contained on the first page of our Independent Expert's Report.

### QUALIFICATIONS, DECLARATIONS AND CONSENTS

#### Qualifications

1. NPCF is licensed under the Corporations Act to carry on a financial services business to provide the financial services referred to in section 5 of our Financial Services Guide (refer above). NPCF's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have undertaken a significant number of valuations, IER's, IAR's and similar assignments.
2. This report was prepared by Mr TJ Spooner, who is an authorised representative of NPCF. Mr Spooner has substantial experience in the provision of valuation and similar advice and has been a qualified Chartered Accountant (UK and Australia) for over 25 years.

#### Declarations

3. This report has been prepared at the request of the Directors of AU1 to accompany the Notice of Meeting to be sent to AU1 shareholders. It is not intended that this report should serve any purpose other than as stated therein.

#### Interest

4. NPCF is not the auditor of AU1. At the date of the attached report, neither NPCF, nor Mr TJ Spooner or any other director, executive or employee of NPCF or NPCF has any material interest in AU1 either directly or indirectly, or in the outcome of the offer, other than in the preparation of this Report for which normal professional fees of approximately \$37,000 (excluding GST) will be received. Such fee will be payable regardless of whether or not shareholders approve the Proposed Transaction.

#### Indemnification

5. As a condition of NPCF's agreement to prepare this report, AU1 agrees to indemnify NPCF in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of AU1 which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

#### Consents

6. NPCF was not involved in the preparation of any other part of the Explanatory Statement to accompany the Notice of Meeting (Explanatory Statement), and accordingly makes no representations or warranties as to the completeness and accuracy of any information contained in any other part of the Explanatory Statement. NPCF consents to the inclusion of this report in the Explanatory Statement in the form and context in which it is included. At the date of this report, this consent has not been withdrawn.

### **3. SUMMARY OF THE PROPOSED TRANSACTION**

#### **3.1 Background**

In January 2017, Top Level Real Estate Pty Ltd ("TLRE") and AU1's wholly owned subsidiary, Ausnet Real Estate Services Pty Ltd ("Ausnet") entered into an Option Agreement; at that time the terms relating to the proposed acquisitions of Province and Raine & Horne ("R&H") had largely been agreed and TLRE expected that these transactions would be settled, with the support of debt funding from Macquarie Bank Ltd ("MBL"). These acquisitions were delayed for several months for various reasons including delays in settling the terms of the accompanying sale and purchase agreements and in finalising funding; TLRE's acquisition of Province settled in July 2017 and of R&H in October 2017.

On 12 February 2018, AU1 announced that it and Ausnet had entered into and exercised an amended and restated binding option agreement to acquire all shares held in TLRE by the Majority Shareholders in TLRE, together with an offer to acquire all other TLRE shares held by those shareholders other than the Majority Shareholders ("the Minority Shareholders"); the total consideration comprises 18,333,333 post-consolidation ordinary shares in AU1 ("the Consideration Shares") ("the Proposed Transaction").

Further information regarding the agreement is set out in the Explanatory Statement to the Notice of Meeting to which this report is attached; the key terms of the agreement are also summarised in section 3.2 below.

The Agency Group Ltd ("AU1" or "the Company") has commissioned this Independent Expert's Report ("the Report") in respect of the issue of the Consideration Shares for the purposes of compliance with item 7 of Section 611 of the Corporations Act 2001 ("the Act") which is the subject of Resolutions 2 and 3, so that shareholders may assess the merits of the issue of the Consideration Shares when voting on the Resolutions at an Extraordinary Shareholders Meeting to be held on or about 29 October 2018.

Unless otherwise specified, the terms and references in this Report have the same meaning as those used in the Explanatory Statement ("ES") accompanying the Notice of Meeting, to which this Report is attached as Annexure A.

#### **3.2 Terms of the Proposed Transaction**

The key terms of the Amended and Restated Option Agreement are as follows:

- 1) The Majority Shareholders agreed to grant Ausnet the exclusive Option to purchase all of their TLRE Shares on certain terms and conditions. The option was exercised by Ausnet on 11 February 2018.
- 2) The conditions precedent which must be satisfied prior to the Company completing the acquisition of the TLRE Shares are:
  - a) Shareholders approving the transactions contemplated by the Amended and Restated Option Agreement at the Meeting, including, but not limited to, resolutions authorising:
    - the issue of the Consideration Shares in accordance with the ASX Listing Rules and the Corporations Act;
    - the acquisition of the TLRE shares pursuant to ASX Listing Rule 11.1.2;
    - the Shares the subject of the Capital Raising;
    - the issue of shares the subject of loan agreements and letters with TLRE; and

- consolidation of the Company's issued capital on a 1 for 30 basis.

The key terms of the Amended and Restated Option Agreement (continued)

- b) Any independent expert's report prepared for the purpose of the Shareholder approvals set out above concluding that the transactions contemplated by the Amended and Restated Option Agreement are either fair and reasonable or not fair but reasonable to the non-associated Shareholders;
  - c) Ausnet and the Company obtaining all necessary regulatory approvals or waivers pursuant to the ASX Listing Rules, Corporations Act or any other law to allow Ausnet lawfully to complete the matters set out in the Amended and Restated Option Agreement;
  - d) Ausnet making the Minority Shareholder Offer and all Minority Shareholders accepting the Minority Shareholder Offer;
  - e) The Company completing the Capital Raising to ensure the Acquisition is funded;
  - f) Matt Lahood entering into an executive services agreement in agreed form with the Company and consenting to act as an executive director of Company; and the appointment by the Board of the Company of an additional, non-executive director nominated by TLRE prior to Settlement;
  - g) Immediately prior to Settlement, the total debts of TLRE are no more than \$26,993,812, and, for the avoidance of doubt, the debts of TLRE immediately following Settlement will therefore be \$18,760,100; and
  - h) Execution of loan agreements and letters to give effect to the repayment of \$5,000,000 of a total of \$6,788,075 owed by TLRE by the issue of 16,666,667 AU1 shares;
  - i) Execution of loan agreements pursuant to which certain shareholders will loan TLRE a total of \$2,000,000 and
  - j) Delivery of certain share certificates and instruments of transfer provided for in the Amended and Restated Option Agreement which have been duly executed by Daring Investments (as transferor).
- 3) Subject to the satisfaction (or waiver) of the Conditions, in consideration for the Acquisition, the Company will issue 18,333,333 post-consolidation Shares at a deemed issue price of \$0.30 per Share amongst the TLRE Shareholders;
- 4) Settlement of the Acquisition will occur 5 business days after the satisfaction (or waiver by Ausnet or the Majority Shareholders) of the Conditions;  
(together "the Conditions").

The Conditions must be satisfied on or before 31 October 2018.

The Majority Shareholders have voluntarily agreed for their Consideration Shares to be escrowed for 24 months from the date of entry into voluntary restriction agreements.

#### **4. PURPOSE OF THE REPORT**

Section 606(1) of the *Corporations Act 2001* prohibits a person from acquiring 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:

- a) from 20% or below to more than 20%; or
- b) from a starting point above 20% and below 90%.

The voting power of a person in a body corporate is determined in accordance with Section 610 of the *Corporations Act 2001*. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates (as defined therein) have a relevant interest. Section 611 of the *Corporations Act 2001* provides that certain acquisitions of relevant interests in a company's voting shares are exempt from the prohibition in Section 606(1) above, including acquisitions approved previously by a resolution passed at a general meeting of the company in which the acquisition is made (Section 611, Item 7).

Accordingly, as the value of the consideration being issued by the Company to the Majority Shareholders will result in their combined holding of currently 12.56% of the shares in the Company, will increase to up to 46.62% after the issue of all shares following the resolutions in the attached Notice of Meeting (and assuming no other shares are issued or Options exercised or Performance Shares converted); this will result in their holding in excess of 20% of the voting power of the company for the purposes of Section 606 of the Corporations Act and hence shareholder approval is being sought.

To assist shareholders in making a decision on the Proposed Transaction, the Directors have requested that NPCF prepare an Independent Expert's Report, which must state whether, in the opinion of the Independent Expert, the Proposed Transaction is fair and reasonable to the non-associated shareholders of AU1.

## **5. BASIS OF THE ASSESSMENT**

Set out in the Notice of Meeting and Explanatory Statement accompanying this Report are the ASX Listing Rules and Corporations Act provisions relevant to the Proposed Transaction and information in relation thereto. In preparing our Report, we have had regard to ASIC Regulatory Guide 111 and 112 relating to Independent Experts' Reports.

The term 'fair and reasonable' has no legal definition although over time a commonly accepted interpretation has evolved. However, fair and reasonable has different meanings for different regulatory purposes.

ASIC Regulatory Guide 111 provides that the assessment of whether a proposal is fair and reasonable should involve a comparison of the likely advantages and disadvantages for non-associated shareholders if the Proposed Transaction is implemented and if it is not.

In essence, the proposal will be "fair and reasonable" if the non-associated shareholders are better off if the proposal is implemented. They will be better off if the expected benefits outweigh the disadvantages to the non-associated shareholders.

ASIC regulatory Guide 111, states, inter alia:

- an offer is considered 'fair' if the value of the offer price or consideration is equal to, or greater than, the value of the securities that are the subject of the offer.
- an offer is considered 'reasonable' if it is fair. It might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

ASIC Regulatory Guide 111 requires the assessment of 'fair' to be made assuming 100% ownership of the company. It considers it to be inappropriate to apply a discount to the value of the securities under the offer that would normally be considered in the valuation of a minority interest to reflect such factors as a lack of control.

ASIC Regulatory Guide 111 also provides examples of factors that are relevant in an assessment of reasonableness. The form of analysis the expert uses to evaluate a transaction should address the issues faced by security holders.

In our opinion, for the purposes of this report 'fairness' is taken to mean a reference to quantification of respective values of consideration being paid compared to the value of assets being transferred. This has been calculated in the context of the impact on AU1 shares prior to and subsequent to the Proposed Transaction. 'Reasonableness' is taken to include consideration of other qualitative factors which can be assessed on objective grounds.

The assessment as to the fairness and reasonableness of the Proposed Transaction is set out in section 8 of this Report.

## **6. VALUATION OF THE AGENCY GROUP LTD SHARES PRE PROPOSED TRANSACTION**

### **6.1. VALUATION OVERVIEW**

The usual approach to the valuation of an asset is to seek to determine what a willing but not anxious buyer, acting at arm's length, with adequate information, would be prepared to pay and a willing, but not anxious seller would be prepared to accept in an open market.

RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, acquisitions requiring approval by security holders, takeovers and prospectuses. These include:

- Discounted cash flow (DCF) approach;
- Capitalisation of future maintainable earnings (earnings based) approach;
- Orderly realisation of assets (asset based) approach;
- Quoted price of listed securities (market value) approach; and
- Comparable Market Transactions.

We have outlined these methodologies in Appendix 1 to this report. Each of these methodologies is appropriate in certain circumstances. The decision as to which methodology to use generally depends on the methodology most commonly adopted in valuing the asset in question and the availability of appropriate information. This is addressed further in section 6.2 below.

### **6.2 VALUATION APPROACH**

The traditional valuation method used to value companies is the capitalisation of future maintainable earnings, with such earnings being estimated using historical results. However, in order to adopt such a basis of valuation, a business must have a track record of profitability. As can be seen from the summary of historical statements of Profit or Loss and Other Comprehensive Income summarised in the table on the following page, AU1 does not have a track record of profitability, we consider a valuation on this basis to be inappropriate.

NPCF believes that the most appropriate method for valuing the issued shares in AU1 is an asset-based approach. The most common form of asset based approach is the Net Realisable Value method. The resultant net realisable assets of the Company can then be expressed in terms of a value per share.

As a crosscheck to the valuation on the above basis, NPCF has used the market value approach with reference to the market price of AU1 shares. This valuation crosscheck calculation is set out in section 6.4.5 of this Report.

### 6.2.1 The Agency Group Australia Ltd Historical Statements of Profit or Loss or Other Comprehensive Income

	Reviewed 6m to 31-Dec-17 \$	Audited 12m to 30-Jun-17 \$	Audited 12m to 30-Jun-16 \$
<b>Revenues</b>			
Revenue from continuing operations	6,877,278	9,590,540	6,631,439
<b>Expenses</b>			
Salaries & employee benefits expenses	(6,286,513)	(8,439,488)	(6,165,639)
Depreciation and Amortisation	(264,755)	(125,942)	(54,466)
Profit/(loss) on disposal of assets	-	-	(98,182)
Consultancy Fees	(395,691)	(613,450)	(202,045)
Advertising & Promotion expenses	(336,497)	(214,032)	(236,206)
Legal, Professional & Valuation fees	(576,484)	(954,602)	(702,653)
Rent & Outgoings	(236,606)	(247,440)	(214,358)
Other expenses	(929,177)	(926,849)	(747,062)
Share based payment	-	(118,830)	-
Impairment Costs	-	(285,284)	(54,605)
Impairment of loan to Joint Venture entity	-	-	(33,619)
Corporate transaction accounting expense	-	(1,439,297)	-
Total expenses	(9,025,723)	(13,365,214)	(8,508,835)
Loss before Income Tax	(2,148,445)	(3,774,674)	(1,877,396)
Income tax benefit	156,839	(29,568)	38,223
<b>Loss after income tax attributable to members of The Agency Group Ltd</b>	<b>(1,991,606)</b>	<b>(3,804,242)</b>	<b>(1,839,173)</b>
Other comprehensive income	-	-	-
<b>Total comprehensive loss attributable to members of The Agency Group Ltd</b>	<b>\$(1,991,606)</b>	<b>\$(3,804,242)</b>	<b>\$(1,839,173)</b>
<b>Earnings/(loss) per share *</b>	<b>Cents per Share</b>	<b>Cents per Share</b>	<b>Cents per Share</b>
Basic Earnings/(loss) per share *	(0.34)	(0.95)	(1.20)

\* pre-share consolidation

Source: AU1's audited financial statements for the years ended 30 June 2017 and 2016 and Reviewed Half Year Report to 31 December 2017.



#### 6.2.1.1 Commentary on the above results

Over the past two and a half years, the company had generated a total of \$23 million (rounded) of income from continuing operations. However, the Company has been in a loss making position for over this period incurring combined losses for the two and half year period of \$7.6 million (rounded).

The losses have been underpinned principally by capital raisings, together with borrowings and the continued support of the Company's creditors.

The \$30,899,772 of expenditure over the past two and a half years comprises the following:

	\$
Salaries & employee benefits expenses	20,891,640
Depreciation and Amortisation	445,163
Profit/(loss) on disposal of assets	98,182
Consultancy Fees	1,211,186
Advertising & Promotion expenses	786,735
Legal, Professional & Valuation fees	2,233,739
Rent & Outgoings	698,404
Other expenses	2,603,088
Share based payment	118,830
Impairment Costs	339,889
Impairment of loan to Joint Venture entity	33,619
Corporate transaction accounting expense	1,439,297
	-----
Total expenditure	30,899,772
	-----

Of the above expenditure, some \$2.964 million was attributable to non-recurring costs, non-cash costs and costs associated with the ASX listing and maintenance of an ASX listed entity non-cash goodwill impairment in the year to 30 June 2017 and a further approximately \$465,000 of similar costs in the half year to 31 December 2017. The company also relocated its Western Australian operations from a 300m<sup>2</sup> office in the Perth suburb of Doubleview to a refurbished 900m<sup>2</sup> office in Perth's CBD.

It was noted in the company's financial report for the half year to 31 December 2017 that the Company's financial position showed a loss after tax for the period of \$1,991,606, cash outflows from operating activities of \$1,183,613 and a working capital deficit of \$1,682,488. It further noted that if the consolidated entity does not achieve its budgeted results and is unable to raise funding to complete the acquisition of TLRE, there existed a material uncertainty that may cast significant doubt about the ability of the Consolidated Entity to continue as a going concern. As a result of the above, we note that the independent auditor's report in the Company's half year report contains an emphasis of matter paragraph which refers to a material uncertainty relating to going concern.

On 31 March 2017 the company's wholly-owned subsidiary, Ausnet Real Estate Services Pty Ltd acquired 100% of the issued share capital of Beaufort Realty, a Western Australia-based real estate agency for \$3.29 million (rounded).

Despite difficult market conditions in Western Australia, during the half year to December 2017 the company was recognised as the Top Office in Western Australia by Listings Sold in July, August and September 2017 while second in December, October and November and December to SLP (based on independent industry numbers produced by Real Estate Institute of Western Australia). The company also had two agents ranked in the top 10 during the month of August 2017, with three agents ranked in the top six Top Assisted Salesperson by listings sold.

In July 2017, The Agency continued its expansion into key real estate markets outside of Western Australia, signing an office lease in Surf Parade, Broadbeach Queensland. The Gold Coast market is highly prospective and capable of generating significant sales (numbers and volume) to the company. The entry into the Gold Coast market will complement TLRE's existing operations in Sydney and Melbourne. This office has 12 executives across real estate, project marketing and property management.

On 14 December 2017, the company announced it had entered into an agreement to acquire Sell Lease Property Ltd (a national real estate agency), Complete Settlements Pty Ltd (a conveyancing business) and Value Finance Pty Ltd (a mortgage brokerage business) from ServTech Global Holdings Ltd ("ServTech transaction"). Consideration for the ServTech transaction consisted of cash payments of \$950,000. This was funded by raising \$1.92 million in December 2017 via the issue of 96 million shares at an issue price of \$0.02 per share and a 1-for-1 free attaching unlisted option exercisable at \$0.02 each.

Sell Lease Property Pty Ltd ("SLP") - established in 2011, SLP is an innovative real estate agency which has expanded its property consultant base to over 200 nationally. SLP was the number one agency in Western Australia by Listings Sold at the 2015/2016 REIWA Awards and eighth on BRW's 2016 Fast 1000 Companies in Australia.

Complete Settlements Pty Ltd ("Complete Settlements") - Complete Settlements is a Perth settlement agency providing a full range of professional conveyancing from title searches to property settlements.

Value Finance Pty Ltd ("Value Finance") - Value Finance assists with a range of loans from First Homebuyer loans, through to investment loans, development loans, loans for Visa Holders, car loans and refinancing. The company won Best New Office in WA at The Adviser Better Business Awards 2017 and State Finalist for the 2017 Mortgage & Finance Association of Australia (MFAA) Excellence Awards.

The acquisition of these businesses will add significant revenue to its existing infrastructure and operations, with rationalisation and infrastructure/operational efficiency savings already identified across the businesses to be acquired. SLP remains as a standalone business, while Complete Settlements and Value Finance have merged with the company's existing conveyancing and mortgage broking businesses.

The acquisition provides for sales representatives having unrestricted marketing areas which is expected to significantly increase The Agency's recruitment potential, effectively giving the company access to a greater number of agents. By offering a 'one-stop-shop' for real estate services, agents will also be able to increase cross-selling and increase recurring annual revenues. SLP agents have the same referral requirements in terms of settlement services, mortgage broking and property management which is expected to materially increase its transactions.

The Company will also benefit considerably from ServTech's leading technology platform, with ServTech to provide back-office support to the Company including virtual services to support the Sell Lease business. ServTech will retain its IT development and maintenance business.

As a result of the ServTech transaction, the company's Western Australian operations (ie excluding TLRE) have approximately 175 real estate agents nationally and is currently generating approximately 120 monthly sales earning commissions on property with a combined value estimated at \$80 million per month (- based on its January 2018 performance).

### 6.3 VALUE OF AU1'S SHARES *PRE* PROPOSED TRANSACTION

In establishing the value of AU1 prior to the Proposed Transaction, the net asset backing per share has been determined based upon the reviewed position as at 31 December 2017, adjusted for certain significant subsequent events and revaluations as referred to in the Notes in section 6.3.1 below.

**This has resulted in a net asset backing per share of \$0.0296 (prior to any adjustments) *pre* Proposed Transaction or a net asset backing per share of \$0.294 (including adjustments) on a control basis, as calculated in the table below:**

#### THE AGENCY GROUP LTD – NET ASSET BACKING PER SHARE

	Notes	Unaudited 30-04-18 \$	Adjustments \$	Pro-Forma Adjusted \$
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	1	1,482,532		1,482,532
Trade and other receivables	1	2,645,813		2,645,813
<b>Total Current Assets</b>		<b>4,128,345</b>		<b>4,128,345</b>
<b>Non-Current Assets</b>				
Property, plant & equipment	1	541,980		541,980
Other		470,000		470,000
Financial Assets		346,821		346,821
Intangible assets	2	3,083,351	6,026,960	9,110,311
<b>Total Non-Current Assets</b>		<b>4,442,152</b>		<b>10,469,112</b>
<b>Total Assets</b>		<b>8,570,497</b>		<b>14,597,457</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trade and other payables		6,762,233		6,762,233
Application monies payable		70,000		70,000
Borrowings		4,228		4,228
Provisions		303,196		303,196
<b>Total Current Liabilities</b>		<b>7,139,657</b>		<b>7,139,657</b>
<b>Non-Current Liabilities</b>				
Deferred tax liabilities		580,004		580,004
Provisions		177,438		177,438
<b>Total Non-Current Liabilities</b>		<b>757,442</b>		<b>757,442</b>
<b>Total Liabilities</b>		<b>7,897,099</b>		<b>7,897,099</b>
<b>Net Assets</b>		<b>673,398</b>	<b>6,026,960</b>	<b>6,700,358</b>
no. of shares (post consolidation)		22,793,101		22,793,101
net asset backing per share		0.0296		0.294

Please also refer to the attached notes below.

### 6.3.1 Notes

1. This comprises material changes in assets for the period 30 April to 30 June 2018.
2. This comprises adjustments to the market value of the company's prevailing rent roll and mortgage trail book (please refer to section 6.3.2 and 6.3.3 below).

### 6.3.2 Rent roll assessment

As the rent roll fluctuates from year to year, we have limited my review of the rent roll to the 'current' listing of properties (dated July 2018).

For the purposes of this assessment, property management fees only include those amounts of recurring property management fees currently being received (as at July 2018) amounting to an annual equivalent of \$1,013,291. Other non-recurring fees comprising letting fees, lease renewal fees, inspections, property condition reports, advertising, recoveries and sundry income are not deemed recurring for the purposes of this assessment and hence have been excluded.

The business currently has a total of 591 properties under management, comprising 1 commercial property and 590 residential properties – a small number of properties are no longer under management but are included in the list as bond releases are still in the process of being finalised. The geographical analysis identifies that the majority of properties are located in the Perth suburb of Mount Lawley and surrounding areas.

There are 29 properties currently available for lease which represents approximately 5% of the prevailing rent roll. Vacancy periods vary from a few days to over 3 months. This has the effect of deferring the receipt of the property management fees on those properties. No other adjustment has been made to the assessment of the rent roll.

Listed below is information regarding recent sales of rent rolls in the Perth metropolitan and surrounding areas:

<b>Date</b>	<b>No. of Properties</b>	<b>Multiple</b>	<b>Comments</b>
Jul 2018	142	2.75	Western Suburbs
Jun 2018	83	2.25	Inner Western Suburbs
Jun 2018	55	2.35	Inner South Eastern
Apr 2018	178	2.45	Eastern Suburbs
Apr 2018	267	2.65/2.75	Eastern Suburbs
Feb 2018	195	2.35	Southern Suburbs
Jan 2018	48	2.65	Inner Western Suburbs
Dec 2017	126	2.50	Southern Suburbs
Dec 2017	227	2.35	Southern Suburbs
Dec 2017	313	3.00	Inner Western Suburbs
Dec 2017	130	2.75	Western Suburbs
Dec 2017	655	2.55	Inner Eastern Suburbs

Based upon our knowledge of the business and having particular regard to these and all other relevant factors considered in the valuation process, we consider the applicable multiple to lie in the range of 2.50 – 3.00, with an adopted rate of 2.75.

Based upon base management fees of \$1,013,291, and adopting an applicable multiple of 2.75, this gives rise to a market value of the rent roll of \$2,786,550. This gives rise to an increment to the carrying value of the associated intangible asset of \$908,788.

### 6.3.3 Mortgage Trail assessment

The multiple paid for mortgage book trails will vary according to the size of each loan, the occupation of the borrower, whether the loans were written as variable or fixed, the age of each loan and who is the aggregator.

The company's prevailing loan book amounts to \$1,152,454,570 generating annual trailing commissions of \$2,047,268.64.

#### Sales Evidence

Recent transactions that taken place in Western Australia reflect a recurring revenue multiple for mortgage clients of 2.5 times.

Based upon our knowledge of the business and having particular regard to these and all other relevant factors considered in the valuation process, we consider the applicable multiple to be 2.50 which gives rise to a prevailing value of the mortgage loan book of \$5,118,172. This gives rise to an increment to the carrying value of the associated intangible asset of \$5,118,172 as this amount was not previously recognised in the company's financial statements at 30 April 2018.

### 6.3.4 Other Identifiable Intangible Assets

AU1 consists of a group of successful businesses which deliver finance broking, real estate services, settlement services, property management, project marketing, insurance and financial planning currently to the Western Australian market. The business model itself is based on a cross-referral model between the different business units. The finance broking business is currently holds the largest asset of the Company, being the mortgage loan book referred to in 6.3.3 above. Approximately 60% of all transactions in this business are as a result of referrals by the real estate business, The Agency.

The AU1 business model particularly supports the recruitment and retention of agents. This includes the commission structure, specific retention strategies around property management referrals and income from a range of cross-referrals products. Based on AU1 data, each sales representative that joins The Agency not only adds sales activities but also, on average, brings in a database of approximately 2,000 clients which is available to the entire AU1 group of businesses.

Whilst this business model has proved to be successful in both recruiting and retaining agents which provides a core platform for growth and sustainability of AU1, as the group is not currently trading profitably, no value has been ascribed to this intangible asset.

## 6.4 ISSUED CAPITAL AND SHARE TRANSACTIONS

### 6.4.1 ISSUED CAPITAL (PER ANNUAL REPORT + SUBSEQUENT APPENDIX 3B'S)

As at 31 December 2017 the total issued share capital of AU1 comprised 683,793,034 pre-consolidation fully paid ordinary shares. The movements in AU1's issued capital since 31 December 2017, the balance date of its last reviewed financial report, are provided in the table below. The values below are excluding share issue costs.

	Number of Shares	Note	\$
Balance as at 31 December 2017	683,793,034	Per 31 December Half Year Report	11,217,054
As at the date of this report	683,793,034	As at the date of this report <sup>(1)</sup>	11,217,054
Shares on issue post 30:1 consolidation (Resolution 1)	22,793,101		11,217,054
Shares to be issued to Majority Shareholders in TLRE (Resolution 3)	16,306,892		4,892,068
Shares to be issued to Minority Shareholders in TLRE (Resolution 4)	2,026,441		607,932
Issue of shares on loan conversion (Resolution 5)	10,506,667		3,152,000
Issue of shares on loan conversion (Resolution 6)	6,160,000		1,848,000
Issue of shares via capital raising (Resolution 7)	28,000,000		8,400,000
Issue of shares to Lead Manager (Resolution 9)	840,000		252,000
Issue of shares to Paul Niardone (Resolution 11)	833,333		250,000
Issue of shares to Vicus Residential Pty Ltd (Resolution 13)	2,666,667		800,000
Bonus issue of shares	13,675,861		-
Total if all resolutions passed <sup>(1) (2)</sup>	103,808,962		31,419,054

#### 6.4.1.1 Notes to issued capital

##### <sup>(1)</sup> Options

The above summary does not include the potential dilutory impact of the 802,536 post-consolidation (pre-subdivision) listed Options and 5,755,556 post-consolidation (pre-subdivision) unlisted Options (which includes the 333,333 unlisted options the subject of Resolution 12). In the event that all these Options vest and are exercised and converted into ordinary shares, this would increase the number of ordinary shares on issue by up to a further 6,558,092 shares.

##### <sup>(2)</sup> Performance Shares

The above summary does not include the potential dilutory impact of the company's existing 3,777,778 post-consolidation Performance Shares on issue at the date of this report. In the event that all these Performance Shares converted into ordinary shares, this would increase the number of ordinary shares on issue by up to a further 3,777,778 shares.

6.4.1.2 Top 20 shareholders – ungrouped (as at 27 September 2017 – per the 30 June 2017 Annual Report)

Rank	Shareholder	Total Units	% Issued Capital
1.	FINSURE HOLDINGS PTY LTD	42,718,332	7.27
2.	COAST EQUITY PTY LTD <THE COAST INVESTMENT A/C>	25,275,000	4.3
3.	SEMC 2 PTY LTD <THE CHEN ASSET A/C>	21,150,000	3.6
4.	RIVECK NOMINEES PTY LTD <RUTH PANETH SUPER FUND A/C>	13,571,429	2.31
5.	EARL BG PTY LTD <EARL BG A/C>	12,500,000	2.13
6.	TRINDIS PTY LTD	10,461,292	1.78
7.	MR JOHN COLIN LOOSEMORE + MRS SUSAN MARJORY LOOSEMORE <LOOSEMORE SUPER FUND A/C>	10,000,000	1.7
8.	QUEBEC HOLDINGS PTY LTD	9,967,778	1.7
9.	MURRAY DAVID JOSEPH + SANDRA LYNN JOSEPH	9,779,075	1.66
10.	BEN COLLIER INVESTMENTS PTY LTD <BEN COLLIER INVESTMENTS P/L>	8,500,000	1.45
11.	MAK PROPERTY GROUP PTY LTD <MAK A/C>	8,500,000	1.45
12.	FRESH COMMODITY TRADERS PTY LTD <THE HOLDSWORTH S/FUND A/C>	7,000,000	1.19
13.	NUTSVILLE PTY LTD <INDUST ELECTRIC CO S/F A/C>	6,783,580	1.15
14.	RAYMOND GROGAN + LOLITA GROGRAN <GROGAN FAMILY SUPER A/C>	6,697,301	1.14
15.	MS DEBORAH LEE WEST	6,000,000	1.02
16.	MR MURRAY DAVID JOSEPH + MRS SANDRA LYNN JOSEPH <MURRAY JOSEPH SMSF A/C>	5,502,322	0.94
17.	MR JONATHAN MARTIN ADAMS	5,468,833	0.93
18.	MR ALLAN GRAHAM JENZEN + MRS ELIZABETH JENZEN <AG & E JENZEN P/L NO2 SF A/C>	5,067,811	0.86
19.	FURORE PTY LTD <THE O'BRIEN A/C>	5,000,000	0.85
20.	TELDAR REAL ESTATE PTY LTD <MJ LAHOOD FAMILY A/C>	5,000,000	0.85
	<b>TOTAL</b>	<b>224,942,753</b>	<b>38.27</b>

#### 6.4.1.3 Range of shareholders (as at 27 September 2017)

Spread of Holdings	Number of Holders	Number of Units	% Issued Capital
1 – 1,000	4	1,808	0.01%
1,001 – 5,000	14	42,000	0.14%
5,001 – 10,000	4	30,910	0.11%
10,001 – 100,000	24	1,254,715	4.32%
100,001 – 999,999,999	43	22,746,656	95.43%
<b>TOTAL</b>	<b>91</b>	<b>24,076,089</b>	<b>100%</b>

#### 6.4.2 OPTIONS

As at the date of this report, the Company had the following Options on issue:

The movements in AU1's options since 31 December 2017 are provided in the table below.

	Quoted Options	Unlisted Options Options	TOTAL	Note
Balance as at 1 January 2018 and at the date of this report	24,076,072	162,666,667	186,742,739	1,2
On issue after 30:1 consolidation (Resolution 1)	<b>802,536</b>	<b>5,422,223</b>	<b>6,224,759</b>	
Unlisted Options to A Davey (Resolution 12)	-	<b>333,333</b>	<b>333,333</b>	
Total on issue if all resolutions passed	<b>802,536</b>	<b>5,755,556</b>	<b>6,558,092</b>	

#### Notes

- (1) Unlisted Options as at 31 December 2017 with expiry dates ranging from 30 April 2019 to three years from issue date with exercise prices from \$0.60 to \$4.50 (post-consolidation).
- (2) AU10 Listed options are exercisable at \$4.50 (post-consolidation) and expire on 30 April 2019.

#### 6.4.3 PERFORMANCE SHARES

As at the date of this report, the Company had the following performance Shares on issue:

The movements in the company's Performance Shares since 31 December 2017 are provided in the table below.

	Vendor Performance	Incentive Performance	TOTAL	Note
Balance as at 1 January 2018 and as at the date of this report	66,666,667	46,666,667	113,333,334	1
On issue after 30:1 consolidation (Resolution 1)	2,222,222	1,555,556	3,777,778	
Performance Shares on issue	<b>2,222,222</b>	<b>1,555,556</b>	<b>3,777,778</b>	



#### 6.4.4 SHARE TRADING

The following summary provides details of the monthly values and average daily volumes of AU1 shares being transacted on ASX from 1 October 2017 to 31 August 2018:

	<b>Open</b>	<b>High</b>	<b>Low</b>	<b>Close</b>	<b>Total Volume</b>	<b>Volume weighted average price</b>
August 2018	0.009	0.015	0.008	0.014	25,675,910	0.011
July 2018	0.008	0.010	0.009	0.009	18,933,132	0.009
June 2018	0.013	0.018	0.007	0.008	24,730,341	0.009
May 2018	0.017	0.018	0.012	0.013	14,271,127	0.014
April 2018	0.017	0.019	0.015	0.015	8,314,213	0.017
March 2018	0.019	0.020	0.016	0.017	16,796,299	0.018
February 2018	0.020	0.024	0.017	0.020	17,769,524	0.020
January 2018	0.021	0.021	0.017	0.020	4,760,283	0.019
December 2017	0.019	0.026	0.019	0.021	8,625,340	0.022
November 2017	0.020	0.021	0.019	0.019	9,994,918	0.019
October 2017	0.019	0.022	0.017	0.021	9,336,164	0.020

*Source: Yahoo Finance*

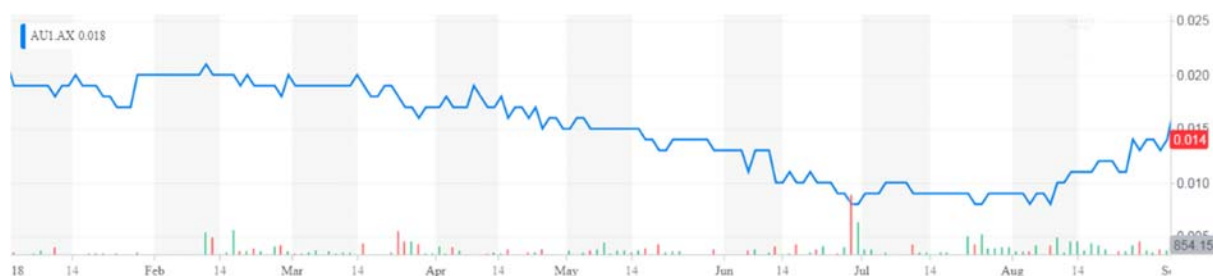
Based on the above table AU1's share price has fluctuated over the period since 1 October 2017 from 1.9 cents to a high of 2.6 cents in December 2017 and to a low of 0.7 cents in June 2018. Trading volumes have been fairly consistent throughout the period prior to the announcement on 12 February 2018 of the proposed acquisition of TLRE ("TLRE announcement"). The highest single day trading volume was recorded on 28 June 2018 when 9,373,325 shares were traded. The average daily volume of shares traded over the period 1 October 2017 to 31 August 2018 was 737,071 shares, with 31 (out of 216 day period excluding days when the company was in a trading halt) where no trades were recorded. Of the 31 days with no trades, 15 of these occurred prior to the TLRE announcement.

In the three months prior to the announcement of the Proposed Transaction the average value trade per trading day fluctuated up from \$8,386 in October 2017 to \$18,783 in December 2017 and then down to \$4,674 in January 2018.

#### 6.4.4 SHARE TRADING (CONTINUED)

AU1 Recent Share Price History:

The chart below represents the movement in the share price of AU1 listed shares in the past 8 months (to 31 August 2018):



Source: yahoo finance

#### 6.4.5 SCHEDULE OF RECENT ASX ANNOUNCEMENTS

Company announcements released on the ASX platform since the lodgement of its 30 June 2017 Annual report to the date of this report are summarised below:

- 31/07/2018 Appendix 4C - Quarterly and commentary
- 29/06/2018 Response to ASX Price and Volume Query
- 26/06/2018 Continues to Top WA Rankings as East Coast Operations excel
- 12/06/2018 Record Month Disrupting The Franchise Model
- 12/06/2018 WA Expansion Continues
- 12/06/2018 Extension of Top Level Option Agreement
- 30/04/2018 March Quarter Update and Appendix 4C
- 20/04/2018 Funding Update
- 19/04/2018 Market Update
- 11/04/2018 WA based Real Estate Firm joins the Agency Team for shares
- 4/04/2018 Change in Director's Interest Notice
- 1/03/2018 Results of General Meeting
- 1/03/2018 Underwriting agreement signed for \$10M
- 1/03/2018 Interim Financial Report
- 1/03/2018 Appendix 4D
- 26/02/2018 Opening of Melbourne office, makes key appointment
- 21/02/2018 SVT: Successful Completion of Transaction with The Agency
- 21/02/2018 Acquisition completed of SLP and Real Estate Assets
- 15/02/2018 Company Update Presentation
- 15/02/2018 Asset Sale Agreement signed for SLP and Real estate assets
- 15/02/2018 SVT: Binding Sale Agreements signed with The Agency Group
- 12/02/2018 Reinstatement to Official Quotation

#### **6.4.5 SCHEDULE OF RECENT ASX ANNOUNCEMENTS (CONTINUED)**

12/02/2018	The Agency exercises option to acquire Top Level Real Estate
7/02/2018	Request for extension of voluntary suspension
5/02/2018	Amended Appendix 3B
2/02/2018	Extension of Suspension
1/02/2018	SVT: Update on transaction with The Agency Group
1/02/2018	Update on acquisition of subsidiaries of ServTech
31/01/2018	Appendix 4C - quarterly
31/01/2018	Voluntary Suspension
30/01/2018	Notice of Extraordinary General Meeting/Proxy Form
29/01/2018	Trading Halt
29/01/2018	100% growth on track in Half Year update
14/12/2017	Prospectus
14/12/2017	Appendix 3B
14/12/2017	Acquisition and Capital Raise
14/12/2017	SVT: ServTech Refocused to Technology with \$1M Divestment
14/12/2017	Reinstatement of Official Quotation
14/12/2017	Acquisition and Capital Raise
11/12/2017	Extension of Suspension
7/12/2017	Extension of Suspension
6/12/2017	Suspension from Official Quotation
4/12/2017	Trading Halt
28/11/2017	Results of AGM
22/11/2017	Investment into ServTech Global Holdings Ltd
20/11/2017	Investor Presentation
31/10/2017	Appendix 4C - Quarterly Cashflow and commentary
27/10/2017	Notice of Annual General Meeting
24/10/2017	Final Director's Interest Notice
24/10/2017	Resignation of Ross Cotton as a director
2/10/2017	Corporate Governance Statement
2/10/2017	Appendix 4G

*Source: asx.com.au*

#### **6.4.6 MARKET VALUE**

AU1's share price on a rounded basis has fluctuated over the period since 1 October 2017 from 1.9 cents to a high of 2.6 cents in December 2017 and to a low of 0.7 cents in June 2018. This includes the announcement of the Proposed Transaction announced on 12 February 2018.

The percentage of the company's free float that was traded on average per month for each of the three months prior to the announcement of the Proposed Transaction amounted to less than 0.0009 (less than 0.1 of 1%).

As can be seen from the relatively low trading volumes prior to the announcement of the Proposed Transaction reflected in section 6.4.4 above, together with only an extremely small percentage of the company's free float being traded prior to the TLRE announcement - with volumes only materially increasing subsequent to the announcement of the Proposed Transaction but with initially no change in the share price when rounded to two decimal points) - we consider that the share price methodology does not provide sufficient information to be the most appropriate methodology to use in this instance.

We therefore consider the Asset based valuation method described in section 6.3 above to be the most appropriate method to adopt in this instance.

## **7. VALUATION OF THE AGENCY GROUP LTD SHARES *POST* PROPOSED TRANSACTION**

### **7.1 COMPONENTS OF THE PROPOSED TRANSACTION**

- the acquisition of a 100% interest in TLRE, on the terms set out in the Explanatory Statement.

### **7.2 OVERVIEW OF TOP LEVEL REAL ESTATE ("TLRE")**

TLRE is a private Australian company that was incorporated in October 2016 and was formed to create a new East Coast real estate business, trading under the name "The Agency" through a licence agreement with Ausnet, signed in January 2017. Around the same time, TLRE announced that it had contracted 17 highly experienced agents, including the following key executives:

- Matt Lahood (CEO) – Commenced 3 April 2017
- Steven Chen (Director of Projects) – Commenced 15 February 2017
- Maria Carlino (Director of Property Management)
- Thomas McGlynn (Director of Sales and Chief Auctioneer)
- Ben Collier (Property Partner)
- Shad Hassen (Property Partner)

These executives had left the McGrath Real Estate Group ("MEA") to join TLRE and in some cases were subject to restraints preventing them from starting with TLRE until April 2017.

In July 2017 TLRE completed the acquisition of Courtesy Real Estate which primarily comprised a substantial property management businesses in its Neutral Bay and Mosman offices in Sydney, New South Wales ("NSW").

In October 2017, TLRE completed the acquisition of iconic, family-owned and operated Sydney agency S J Laing & Son Pty Limited, which has been trading as Raine & Horne Bondi Junction and Coogee/Clovelly ("R&H") for the last 23 years and comprises a substantial property management business in its Bondi Junction and Coogee offices in Sydney NSW.

The main reason for the acquisition of this business was the substantial property management business that was in place. This acquisition provides TLRE with scale for this business which provides immediate cash flow as well as supporting the property management overhead infrastructure costs.

The property management business has both commercial and residential divisions – the commercial division represents a potential growth area for TLRE, given the expertise acquired, the ability to dedicate resources and the ability to source new opportunities through its Projects division.

The Property Management ("PM") business has grown both organically and via acquisition to now comprise 4 divisions/locations:

- East – Bondi Beach Office – Organic Growth
- East Bondi Junction (Bondi Junction and Coogee Offices) – Acquisition of R&H from 3 October 2017
- Inner West (Annandale) Office – Organic Growth
- North (Neutral Bay and Mosman Offices) – Acquisition of Province from July 2017

The base of clients in the property management business varies between the divisions/locations.

## Overview of Top Level Real Estate ("TLRE") continued

In particular, R&H has a number of developer/owners as clients. This compares to mainly Investor owners in the other parts of the TLRE property management business. This means that one client may own an entire building (so R&H would manage a large number of properties for an individual client), rather than an individual property for retail investors. These developer/owners are also typically long term clients of R&H.

As at the date of this report, the TLRE business had grown to have 75 agents, with a further 27 agents confirmed to start and approximately 3,400 properties under management. In addition to the offices noted above, TLRE has now opened offices in the Gold Coast and Melbourne and is now actively expanding activities (both recruitment of agents and property management) into these markets.

TLRE has already adopted some aspects of the AU1 business model, including similar commission structures, provision of systems to agents and retention arrangements around referrals to the property management business. There is scope to introduce other aspects of the AU1 business model to TLRE which would both improve the profitability and value of TLRE and enhance the retention of its agents.

### 7.2.1 Rent roll assessment

As the rent roll fluctuates from year to year, we have limited our review of the rent roll to the 'current' listing of properties (dated July 2018).

For the purposes of this assessment, property management fees only include those amounts of recurring property management fees currently being received (as at July 2018) amounting to an annual equivalent of \$5,663,332. Other non-recurring fees comprising letting fees, lease renewal fees, inspections, property condition reports, advertising, recoveries and sundry income are not deemed recurring for the purposes of this assessment and hence have been excluded.

#### Rent roll demographics

As at July 2018 the business had a total of 3,373 properties under management, comprising 537 commercial properties and 2,836 residential properties. The geographical analysis is provided below:

	No. of Properties under management
East Corporate (incl VIC and QLD)	224
North (Neutral Bay)	1,065
Bondi Junction	1,547
East – Commercial	537
	-----
	3,373
	-----

## Sales Evidence

Listed below is information regarding recent sales of rent rolls in the Sydney metropolitan area:

<b>Date</b>	<b>Multiple</b>	<b>Comments</b>
Jul 2018	3.85	Inner City
Jun 2018	4.00	Northern Beaches
Jun 2018	3.80	Upper North Shore
Jun 2018	4.00	Lower North Shore
Apr 2018	4.20	Eastern Suburbs
Apr 2018	4.00	Lower North Shore
Mar 2018	3.80	Northern Beaches
Feb 2018	4.00	Eastern Suburbs
Dec 2017	4.20	Eastern Suburbs
Dec 2017	4.15	Lower North Shore
Dec 2017	3.75	Sutherland Shire
Nov 2017	4.00	Eastern Suburbs
Oct 2017	4.00	Lower North Shore
Oct 2017	4.00	Eastern Suburbs
Sep 2017	3.85	Northern Beaches
Sep 2017	3.85	Northern Beaches
Sep 2017	3.80	Northern Beaches

Based upon the spread of the various properties under management, we consider the applicable multiple to lie in the range of 3.80 – 4.00, with an average rate since March 2018 of 3.95 which is the rate we have adopted to assess the market value of the prevailing properties under management.

Based upon base management fees of \$5,663,332, and adopting an applicable multiple of 3.95, this gives rise to a market value of the rent roll of \$22,370,162. We note that the intangible assets carried in the TLRE Balance Sheet in respect of its various acquisitions made at arm's length amounts to \$19,156,186.

### 7.2.2. TLRE Financial Information

As referred to above, TLRE has only been trading since the commencement of 2017 and is effectively a start-up business with a high overhead but platform for growth: a number of its key executives driving the sales business did not join TLRE until April 2017 hence there is little meaningful historical financial information for TLRE.

7.2.2. TLRE Financial Information (continued)

In addition, given the acquisitions of Courtesy Real Estate and S.J. Laing & Son Pty Ltd occurred after the start of the current financial year, the results for the period to 31 December 2017 cannot be accurately extrapolated. However in order to demonstrate the performance of the combined businesses we have summarised the financial performance for the year/period ended 30 June 2017 below for TLRE and the businesses it has subsequently acquired. These results have not been subject to audit or review.

7.2.2.1 Trading performance

Draft unaudited Statements of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2017:

	<b>TLRE 6 Months ended 30.06.17 \$</b>	<b>Courtesy Year ended 30.06.17 \$</b>	<b>SJ Laing Year ended 30.06.17 \$</b>
Income	1,007,734	9,086,816	5,472,709
Cost of Sales	(930,658)	(2,283,197)	(340,287)
<b>Gross Profit</b>	<b>77,076</b>	<b>6,803,619</b>	<b>5,132,422</b>
Other Income	4,775	2,265	7,384
Interest received	83	-	37,223
Less Expenses:			
Staff	1,413,022	2,351,842	2,477,456
Rent	331,997	516,241	461,986
Other overheads	1,760,681	1,560,871	850,963
Franchise/affiliate fees	-	-	145,415
Depreciation and amortisation	22,461	-	45,378
Interest expense	39,683	119,429	227,367
<b>Net Profit/(Loss) for the period before tax</b>	<b>(3,485,910)</b>	<b>2,257,501</b>	<b>968,464</b>

7.2.2.2 TLRE Unaudited Balance Sheet as at 30 April 2018 is as follows:

	<b>30-04-18</b>
<b>ASSETS</b>	\$
<b>Current assets</b>	
Cash and cash equivalents	2,335,630
Trade & Other receivables	3,090,917
Other current assets	-
<b>Total current assets</b>	<b>5,426,547</b>
<b>Non-current assets</b>	
Property, plant & equipment	2,620,757
Intangible assets	19,156,186
Deferred Tax	1,731,043
Other	120,471
<b>Total non-current assets</b>	<b>23,628,457</b>
<b>TOTAL ASSETS</b>	<b>29,055,004</b>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Trade and other payables	3,453,305
Borrowings	2,076,887
Provisions	354,932
<b>Total current liabilities</b>	<b>5,885,124</b>
<b>Non-Current liabilities</b>	
Borrowings	25,389,585
Other	850,569
Deferred tax liabilities	138,601
Provisions	243,437
<b>Total non-current liabilities</b>	<b>26,622,192</b>
<b>TOTAL LIABILITIES</b>	<b>32,507,316</b>
<b>NET ASSETS</b>	<b>(3,452,312)</b>

Notes to TLRE unaudited Balance Sheet as at 30 April 2018

1. The net assets of the company have been based on their carrying values in the unaudited Statement of Financial Position as at 30 April 2018.



### 7.2.3 VALUATION APPROACH

As referred to earlier in this report, we have outlined the valuation methodologies included within RG111 and these are covered in more detail in Appendix 1 to this report. Each of these methodologies is appropriate in certain circumstances. The decision as to which methodology to use generally depends on the methodology most commonly adopted in valuing the asset in question and the availability of appropriate information. This is addressed further below.

To determine a fair value of TLRE we consider that the discounted cash flow methodology ("DCF") or capitalisation of forecast earnings to be the most appropriate approaches where a business has a history of trading profitably. We note that TLRE has yet to trade profitably, nor have there been any other offers for TLRE to provide an indication of fair value. Also, TLRE is an unlisted entity thus its shares are not traded in the market.

In order to apply either a DCF or capitalisation of forecast earnings approach to determine the fair value of TLRE, prospective financial information must be used. We have therefore considered the requirements of RG170: Prospective financial information. RG170 requires that to use prospective financial information there must be reasonable grounds for the inclusion of the information.

To demonstrate reasonable grounds, there must be some facts or circumstances that exist at the time of publication; are objectively reasonable; and support the information. Examples of what may constitute reasonable grounds are information that:

- Relates to forward-sales contracts or leases;
- Is underpinned by independent industry experts' reports; and
- Includes short-term estimates.

However, what constitutes reasonable grounds must be judged according to the facts and circumstances of each case. We have reviewed this financial model and the assumptions in respect of their compliance with RG170 in consideration of the fair value of TLRE.

Many of the assumptions underpinning the prospective information reflect estimates of future market penetration which have no historical basis or trend of generating consistent and reliable levels of income to support the projected operating performance; in addition, the significant projected increase in the volume of sales representatives employed by TLRE is predicated on the successful employment of those representatives and their successful performance. Therefore any assumption around the expected performance of the expanded workforce alone is misleading and any resulting prospective financial information is likely to be misleading.

Because of the foregoing, we have been unable to determine a fair value for TLRE under the preferred methodologies of a DCF or capitalisation of forecast earnings. NPCF has considered the other valuation methodologies referred to in Appendix 1 and is not aware of any directly comparable market transactions to utilise this approach (except as referred to below); nor has TLRE received any other offers to utilise as a comparison.

In the absence of being able to apply other methodologies, NPCF believes that the most appropriate method for valuing the issued shares in TLRE is an asset-based approach adjusting for market values of its substantial rent roll. The resultant net assets of the Company can then be expressed in terms of a value per share.

#### 7.2.4 Economic overview

The global economic expansion is continuing. A number of advanced economies are growing at an above-trend rate and unemployment rates are low. Growth in China has slowed a little, with the authorities easing policy while continuing to pay close attention to the risks in the financial sector. Globally, inflation remains low, although it has increased in some economies and further increases are expected given the tight labour markets. One uncertainty regarding the global outlook stems from the direction of international trade policy in the United States.

Financial conditions remain expansionary, although they are gradually becoming less so in some countries. There has been a broad-based appreciation of the US dollar over recent months. In Australia, money-market interest rates are higher than they were at the start of the year, although they have declined somewhat since the end of June. These higher money-market rates have not fed through into higher interest rates on retail deposits. Some lenders have increased mortgage rates by small amounts, although the average mortgage rate paid is lower than a year ago.

The Bank's central forecast for the Australian economy remains unchanged. GDP growth is expected to average a bit above 3 per cent in 2018 and 2019. This should see some further reduction in spare capacity. Business conditions are positive and non-mining business investment is continuing to increase. Higher levels of public infrastructure investment are also supporting the economy, as is growth in resource exports. One continuing source of uncertainty is the outlook for household consumption. Household income has been growing slowly and debt levels are high. The drought has led to difficult conditions in parts of the farm sector.

The outlook for the labour market remains positive. The vacancy rate is high and other forward-looking indicators continue to point to solid growth in employment. Employment growth continues to be faster than growth in the working-age population. A further gradual decline in the unemployment rate is expected over the next couple of years to around 5 per cent. Wages growth remains low. This is likely to continue for a while yet, although the improvement in the economy should see some lift in wages growth over time. Consistent with this, the rate of wages growth appears to have troughed and there are increased reports of skills shortages in some areas. The latest inflation data were in line with the Bank's expectations. Over the past year, the CPI increased by 2.1 per cent, and in underlying terms, inflation was close to 2 per cent. The central forecast is for inflation to be higher in 2019 and 2020 than it is currently. In the interim, once-off declines in some administered prices in the September quarter are expected to result in headline inflation in 2018 being a little lower than earlier expected, at 1¾ per cent.

Conditions in the Sydney and Melbourne housing markets have continued to ease and nationwide measures of rent inflation remain low. Housing credit growth has declined to an annual rate of 5½ per cent. This is largely due to reduced demand by investors as the dynamics of the housing market have changed. Lending standards are also tighter than they were a few years ago, partly reflecting APRA's earlier supervisory measures to help contain the build-up of risk in household balance sheets. There is competition for borrowers of high credit quality.

*Source: Reserve Bank of Australia Media Release 7 August 2018 (extracts)*

#### 7.2.5 Housing Market Outlook

##### Housing Industry Forecasting Group – 2017-2018 Update (extracts)

Western Australia's (WA's) State Final Demand fell by 0.2% in the December quarter 2017, but in annual terms, increased by 1.2%. Dwelling investment was the largest detractor to growth over the year, while the pace of decline in business investment has slowed considerably. While there has been some recent volatility in the headline unemployment rate, overall the labour market looks to have improved somewhat with the trend unemployment rate sitting at around 6% for the past few months. Wages growth remains soft. There are signs economic confidence is strengthening, with the CCI Survey of Consumer Confidence showing an increase in people expecting the WA economy to improve or remain unchanged in the short-term.

#### 7.2.5 Housing Market Outlook (continued)

WA's population growth has recovered slightly, but remains subdued with a figure of 0.9% recorded for the year to September 2017. WA's estimated residential population is now 2,587,135. Net interstate migration has been negative for 14 quarters. Net overseas migration grew by 13,800 in the year to September 2017, a slight increase on the previous year. This slow rate of growth, particularly in interstate and overseas migration, is one of the drivers behind the decline in dwelling commencements. HIFG believes that the record low growth in population has now stabilised and expects a moderate pick-up over the forecast horizon. House prices in Perth rose slightly in the December quarter 2017, with the median house price increasing by 2.9% in the quarter to \$525,000, but remaining flat over the year. Regional house prices also picked up overall, but there were large variations between markets.

The rental market has stabilised and the vacancy rate has reduced considerably, down 1.5 percentage points over the year to reach 5.0% in the March quarter 2018. Median rents remained flat at \$350 per week over the year. Despite some tightening, properties available for rent and sale in the established market remain above historical levels. This is likely to continue to dampen demand for new housing. Buyers and renters are able to source good deals in both markets reducing demand for new dwellings. HIFG notes that despite the softening in rental and purchase prices over recent years, housing affordability continues to be a significant issue for WA households on low incomes.

Regulatory constraints remain on housing lending. The impacts of the Royal Commission into the Banking, Superannuation and Financial Services Industry are unknown at this stage, but could lead to tighter lending conditions for some borrowers. It was reported that valuations coming in lower than expected and constraining buyers' ability to obtain finance remains an issue for the industry. Members note that the WA Government is currently reviewing the security of payments to subcontractors in the building industry. This is predominantly looking at commercial builders, but also affects apartment builders. The industry is actively engaged through an Industry Advisory Group. Changes to GST legislation will commence on 1 July 2018, requiring purchasers of new residential premises or subdivisions to remit GST to the ATO on or before settlement. HIFG members noted that the legislation has created a great deal of uncertainty within the industry and at this stage it is unclear how it will precisely affect property transactions.

Source [https://www.planning.wa.gov.au/dop\\_pub\\_pdf/HIFG\\_Update\\_April\\_2018.pdf](https://www.planning.wa.gov.au/dop_pub_pdf/HIFG_Update_April_2018.pdf)

#### JLL Sydney Housing Market Outlook June 2018

After a strong run, the Sydney housing market appears to be flattening out. However, considering the fundamentals, JLL still expects a relatively soft landing. The slowdown in demand is likely to continue – while JLL expects only minor tightening of lending restrictions in 2018, coupled with foreign demand, there is likely to be a slowdown in overall housing demand. As the wide price differentials to other markets widens, investors may look to other states or even countries.

Supply has peaked but remains elevated going into 2018-19. Slower sales rates and tighter development lending conditions have led to fewer new projects launching, although existing projects are still reaching completion. The effect has been that the supply pipeline is almost self-regulating, reducing the impact of the supply boom on the market over the medium term. The rental market continues to grow at a moderate pace. Apartment supply has pushed vacancy upward and put rents under more downward pressure in some locations. However, rents have continued to grow and JLL expects the market to remain tight over the long term.

Price growth to flatten out – JLL expects that slowing demand, strong supply and softening household sentiment will all contribute to price growth continuing to flatten out. Broadly JLL expects prices to largely stall, but some area experiencing higher level of supply could see some moderate price declines.

Source: *Australia Sydney Housing Market Overview June 2018 (extract)*

### 7.3 NET ASSET VALUATION *POST* PROPOSED TRANSACTION

#### 7.3.1 Valuation assessment

As noted in section 2.1, in determining whether or not the transaction is fair, NPCF has determined the value of the combined entity immediately after the Proposed Transaction on a minority basis.

The Pro-Forma Post-Proposed Transaction Balance Sheet is as follows:

	Note	AU1 Pre-proposed Transaction	Unaudited TLRE 30-04-18	Adjustments	Consolidation /Pro Forma adjustments	Pro-Forma Post-Proposed Transaction
		\$	\$	\$	\$	\$
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	1	1,482,532	2,335,630	4,902,867	450,000	9,171,029
Trade & Other receivables	4	2,645,813	3,090,917	49,041	-	5,785,771
Current Tax and Other assets		-	-	51,172	-	51,172
<b>Total current assets</b>		<b>4,128,345</b>	<b>5,426,547</b>	<b>5,003,080</b>	<b>450,000</b>	<b>15,007,972</b>
<b>Non-current assets</b>						
Property, plant & equipment		541,980	2,620,757	-	-	3,162,737
Intangible assets	2,3,4	9,110,311	19,156,186	833,179	9,902,312	39,001,988
Deferred Tax		346,821	1,731,043	-	-	2,077,864
Other		470,000	120,471	-	(300,000)	290,471
<b>Total non-current assets</b>		<b>10,469,112</b>	<b>23,628,457</b>	<b>833,179</b>	<b>9,602,312</b>	<b>44,533,060</b>
<b>TOTAL ASSETS</b>		<b>14,597,457</b>	<b>29,055,004</b>	<b>5,836,259</b>	<b>10,052,312</b>	<b>59,541,032</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Trade and other payables	4	6,762,233	3,453,305	25,778	-	10,241,316
Borrowings	1	4,228	2,076,887	(1,104,228)	1,100,000	2,076,887
Provisions		303,196	354,932	-	-	658,128
Application monies payable		70,000	-	-	-	70,000
<b>Total current liabilities</b>		<b>7,139,657</b>	<b>5,885,124</b>	<b>(1,078,450)</b>	<b>1,100,000</b>	<b>13,046,331</b>
<b>Non-Current liabilities</b>						
Borrowings	1	-	25,389,585	(7,114,702)	-	18,274,883
Other		-	850,569	-	-	850,569
Deferred tax liabilities		580,004	138,601	-	-	718,605
Provisions		177,438	243,437	-	-	420,875
<b>Total non-current liabilities</b>		<b>757,442</b>	<b>26,622,192</b>	<b>(7,114,702)</b>	<b>-</b>	<b>20,264,932</b>
<b>TOTAL LIABILITIES</b>		<b>7,897,099</b>	<b>32,507,316</b>	<b>(8,193,152)</b>	<b>(1,100,000)</b>	<b>33,311,263</b>
<b>NET ASSETS</b>		<b>6,700,358</b>	<b>(3,452,312)</b>	<b>14,029,411</b>	<b>8,952,312</b>	<b>26,229,769</b>

Please also refer to the attached notes below.

7.3.2 Notes to the unaudited adjusted Pro-forma Balance Sheet

1. The Post transaction cash balance comprises:	\$
Pro Forma adjusted cash balance Pre Proposed Transaction	1,482,532
TLRE cash assets	2,335,630
Payment for SLP	(650,000)
Repayment of TLRE debt	(3,218,930)
Capital raise pursuant to Resolution 7	8,400,000
Equity raising costs settled in cash	(252,000)
Cash component of acquisition of Vicus (Resolution 13)	(75,000)
AU1 additional borrowings	1,100,000
Vicus Cash balance acquired at acquisition (Resolution 13)	48,797
Cash Balance Post Proposed Transaction	9,171,029

2. As noted in section 7.2, in the absence of other appropriate methodologies we have determined the fair value of TLRE to be its net asset position. This includes increments in respect of its rent roll and mortgage loan book.
3. The consolidation adjustment is the Intangible Asset on the acquisition of TLRE comprising the acquisition price less the net assets acquired. For the purposes of this report we have not undertaken an analysis pursuant to AASB3 Business Combinations of the identifiable intangible assets of the business acquired in order to determine the composition of separately identifiable intangible assets and goodwill. However we note the existence of a very substantial rent roll, as referred to in section 7.2 and 7.2.1.
4. The assets and liabilities have been increased to reflect the fair value of the net assets of Vicus on acquisition; the rent roll has been revalued based on base management fees of \$302,974, and adopting an applicable multiple of 2.75 (refer to section 6.3.2 for further information); this gives rise to a market value of the rent roll of \$833,179. This generates an increment to the carrying value of the associated intangible asset of \$81,411.
5. In establishing the value of AU1 following completion of the Proposed Transaction, the net asset backing per share has been determined based upon the reviewed position in accordance with section 6.3 of this Report including the adjustments to AU1 referred to in section 6.3.1, together with the additional shares raised in accordance with the resolutions shortly after the Proposed Transaction. No adjustment has been made in respect of any potential taxation consequences in respect of the Proposed Transaction.
6. Immediately following the transaction, current AU1 shareholders will hold a minority interest in the combined entity; an adjustment is therefore made to determine the fair value on a minority basis by eliminating a premium for control. This is undertaken in section 7.3.3 below.

7.3.3 The fair value of AU1 post Proposed Transaction is as follows:

	Note	Low \$	Medium \$	High \$
Fair value of AU1 and TLRE on a control basis (refer 7.3.1 above)		26,229,769	26,229,769	26,229,769
Discount for control premium	1	35%	30%	25%
Fair value post Proposed transaction on a minority basis		17,049,350	18,360,838	19,672,327
Number of shares				
Shares on issue pre Proposed Transaction (post- consolidation Resolution 1)		22,793,101	22,793,101	22,793,101
Acquisition of TLRE (Resolutions 3 & 4)		18,333,333	18,333,333	18,333,333
Shares issued on loan conversions (Resolutions 5 & 6)		16,666,667	16,666,667	16,666,667
Acquisition of Vicus (Resolution 13)		2,666,667	2,666,667	2,666,667
Shares issued under other Resolutions		29,673,333	29,673,333	29,673,333
Shares issued on subdivision (refer Notice of Meeting)		13,675,861	13,675,861	13,675,861
Number of shares on issue post Proposed Transaction		103,808,962	103,808,962	103,808,962
Fair Value of a share Post Proposed Transaction (cents)		16.42	17.69	18.95

Notes

1. The fair value of AU1 and TLRE represents a controlling interest in each entity. Immediately following the transaction current AU1 shareholders will hold a minority interest in the combined entity. Therefore an adjustment has been made to determine the fair value on a minority basis by eliminating a premium for control. Premiums for control generally range from 25% to 35%.
2. In order to present the fair value of a share on a consistent basis pre- and post- transaction, we have compared the results on the basis of the prevailing number of shares on issue after the proposed share consolidation on a 30:1 basis.

## 8. ASSESSMENT AS TO FAIRNESS AND REASONABLENESS OF THE PROPOSED TRANSACTION

### 8.1 Assessment as to Fairness

As noted in section 5 of this Report, an offer is considered "fair" if the value of the consideration being offered is equal to, or greater than, the value of the securities that are the subject of the offer in the context of the impact on AU1 shares prior to and subsequent to the Proposed Transaction. NPCF's assessment as to the fairness of the Proposed Transaction is set out below:

	LOW	MID	HIGH
<b>NPCF valuation of AU1 shares prior to the Proposed Transaction on a control basis (section 6.3)</b>	29.40c	29.40c	29.40c
<b>NPCF valuation of AU1 shares post Proposed Transaction on a minority basis (section 7.3.3)</b>	16.42c	17.69c	18.95c

After consideration of the above, the Proposed Transaction is considered to be **not fair** to the non-associated shareholders of AU1 as the preferred value of a share after completion of the Proposed Transaction (being the Mid value in the above table) is no less than the value of an AU1 share prior to the Proposed Transaction.

### 8.2 Assessment as to Reasonableness

ASIC Regulatory Guide 111 states that an offer is reasonable if it is fair. However under this criterion as the value of AU1 shares after the completion of the Proposed Transaction is less than the value prior thereto, the offer is not fair and therefore is not automatically considered to be reasonable. There are a number of other relevant factors to be considered in assessing the reasonableness of the Proposed Transaction. These factors are set out below as advantages and disadvantages (refer sections 8.2.1 and 8.2.2 below).

#### 8.2.1 Advantages and Disadvantages of the Proposed Transaction proceeding:

##### *Advantages of proceeding*

- The activities of TLRE are entirely complementary to the Company's current real estate activities - TLRE trades as The Agency and adopts the Agency's business model and branding - and the integration of both parties' businesses will enable both businesses to leverage off the substantial growth of the Agency brand on both seaboard of Australia;
- The integration of the two businesses will enable access to significant synergies and cost savings including merging of systems, management teams, processes and reporting and potential centralising of operations. TLRE has existing capacity to absorb the day to day management of the Company's operations. The two business are currently sharing a number of systems and processes which will assist in providing a relatively seamless post-acquisition integration of the businesses.
- The company will directly benefit from the Agency's rapid growth on the East coast of Australia and, with the recent addition and rollout of the Sell Lease Property brand, will comprise the only national real estate company to have two national brands in the Australian real estate market;

*Advantages of proceeding (continued)*

- The acquisition includes the acquisition of the TLRE management team which would be difficult for the company to recruit or acquire in any other circumstance and which provides a core leadership base and platform for growth and represents a major asset in its own right;
- The TLRE management team are also the majority shareholders in TLRE and hence will acquire shares in the company which will enable them to share in the success of the business and will assist in their retention and performance incentives;
- The Company will be able to adopt the AU1 business model through the two businesses including the roll out its cross-referral model which is not currently in place in TLRE. As seen by the AU1 experience, this represents a major possible source of value to the Company (including but not limited to the increase in the value of the Mortgage Loan Book), as well as enhancing the retention of its agents through the adoption of commission structures, specific retention strategies around property management referrals and income from a range of cross-referral products;
- The Proposed Transaction provides access to significant additional revenue streams in the short to medium term. This also gives AU1 an appropriate platform on which to proceed with restructuring and recapitalising the Company - AU1 currently has 22,793,101 shares on issue - and acceptance of the Proposed Transaction will result in an increase in cash reserves;
- The Proposed Transaction is the only offer capable of acceptance at present and there is an absence of alternative offers;
- It may provide opportunity for enhanced liquidity in AU1 shares; and
- It may give rise to a market repricing of AU1 shares, having regard to the foregoing.

*Disadvantages of proceeding*

- Reduces the interest of the non-associated AU1 Shareholders to 30.72% on the issue of the Shares the subject of all Resolutions in the attached Notice of Meeting (and assuming the maximum number of shares are issued in respect of the Capital Raising the subject of Resolution 7);
- The Company will be substantially adding to its prevailing debt levels; and
- Whilst TLRE is expanding rapidly, it has yet to return a maiden trading profit.

8.2.2 Advantages and Disadvantages of the Proposed Transaction not Proceeding:

*Advantages of not proceeding*

- AU1 will avoid the disadvantages referred to above.

*Disadvantages of not proceeding*

- The directors of AU1 have indicated that they will seek other opportunities to raise capital and to identify other opportunities. It is uncertain, in light of current equity markets (a) when this may be achieved; and (b) if alternative proposals will add greater value or be more dilutive to AU1's Shareholders than the Proposed Transaction;
- The Company will be in a difficult financial position as the Capital Raising would not be able to proceed (and hence the Company would not have access to the working capital to assist in bringing the Company to profitability, or the funds for its expansion plans or utilise those funds to reduce its debts) and the Company would need to seek additional funding in order to fund its existing operations and commitments; and



*Disadvantages of not proceeding (continued)*

- If the Transaction does not proceed, the Company's entire growth strategy could be compromised; it is possible that TLRE would seek to leave "The Agency" network (or renegotiate the terms of its licence agreement) which would:
  - leave the Company with no East Coast presence and limited opportunity for growth into this market;
  - make it extremely difficult for the Company to expand into the East Coast market in the future and set any such expansion plans back by an extended period. This would limit the growth prospects of the Company (particularly given the size of the East Coast market relative to the size of the Company's current base); and
  - potentially damage "The Agency" branding in all markets, making it difficult for the Company to grow its business model and branding.

In our opinion, on balance, the advantages of approving the Proposed Transaction are greater than the disadvantages. These advantages arise both as a result of implementing the Proposed Transaction and of avoiding the disadvantages that may arise as a result of not implementing the Proposed Transaction. Accordingly, in our opinion, the Proposed Transaction is **reasonable** to the non-associated shareholders of AU1.

### **8.3 Conclusion**

**Based on the valuation of an AU1 share and on the above assessment, NPCF is of the opinion that the Proposed Transaction is not fair but reasonable to the non-associated shareholders of AU1.**

## **9. LIMITATIONS AND RELIANCE ON INFORMATION**

Our opinion is based on the economic, stock market, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Our report is also based upon financial and other information provided by AU1 and its advisers. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS). 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 material facts have been withheld.

The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the Proposed Transaction from the perspective of AU1 security holders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. Whilst NPCF has made what it considers to be appropriate enquiries for the purpose of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER. Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the proposed Transaction, rather than a comprehensive audit or investigation of detailed matters.

The opinions and judgement of management of the relevant companies comprise an important part of the information base used in forming an opinion of the kind expressed in this report. This 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.

We in no way guarantee the achievability of budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.

In forming our opinion, we have also assumed that:

- (a) the information set out in the Notice of Meeting is complete, accurate and fairly presented in all material respects
- (b) if the Proposed Transaction is approved it will be implemented in accordance with the terms set out in the Notice of Meeting.

## **10. SOURCES OF INFORMATION**

In making our assessment as to whether the Proposed Transaction is fair and reasonable to the non-associated shareholders of AU1, 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:

- AU1's audited annual report to 30 June 2017 and 30 June 2016;
- AU1's reviewed half year report to 31 December 2017;
- AU1's draft unaudited management accounts to 30 April 2018;
- Draft further Amended and Restated Option Agreement;
- Recent ASX announcements lodged by AU1;
- Unaudited Financial Statements for the two years ended 30 June 2017 and half year to 31 December 2017 and period ended 30 April 2018 for TLRE and its subsidiary companies;
- Share Price data for AU1;
- Draft Notice of Meeting and Explanatory Statement this Report will accompany.

## **APPENDICES**

### **APPENDIX 1 Overview of valuation methodologies**

## **APPENDIX 1 OVERVIEW OF VALUATION METHODOLOGIES**

### Discounted cash flow ("DCF") approach

- DCF involve projected cash flows being discounted by a discount rate which reflects the time value of money and the risk inherent in the cash flows. DCF valuations are arguably the most technically accurate method of valuing an asset or business, however, they suffer from the practical impediment that few companies have prepared cash flow forecasts of sufficient reliability over the necessary long time frame.
- The DCF methodology is typically the most appropriate valuation methodology where there is adequate information about likely future cash flows and usually over a finite term.

### Capitalisation of future maintainable earnings (earnings based) approach

- The capitalisation of earnings methodology involves capitalising the earnings of the business at a multiple which reflects the risks of the business and the stream of income it generates. This methodology requires the estimation of future maintainable earnings having regard to historical and forecast operating results, including sensitivity to key industry risk factors, future growth prospects and the general economic outlook. The estimated realisable value of any surplus assets is then added to the capitalised earnings.
- The determination of an appropriate capitalisation rate will typically reflect a potential purchaser's required rate of return, risks inherent in the business, future growth prospects and alternative investment opportunities. This methodology is the most commonly used method for the valuation of industrial companies, which have a proven operating history and a consistent earnings trend.

### Asset based approach

- Asset based valuation methods estimate the value of a company based on the realisable value of its net assets less 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. Since wind-up or liquidation of the company may not be contemplated, these methods in their strictest forms may not necessarily be appropriate. The net assets on a going concern basis estimates the market values of the net assets without taking into account realisation costs. Asset-based valuation methods are considered most appropriate where a business or company is not making an adequate return on its assets, where there are surplus non-operating assets or where investments are the primary asset.

### Quoted price for listed securities (market value) approach

- This approach reflects the quoted price for the listed securities of the company being valued and is most suited when there is a liquid and active market in those securities (and allowing for the fact that the quoted price may not reflect their value where 100% of the securities are available for sale).

### Comparable market transactions approach

- This methodology entails obtaining information on any comparable transactions in the same industry for a similar entity to that being valued. If such transactions exist and the entity being valued is directly comparable to that being acquired, then the assets, revenue or earnings multiples, or other relevant measures employed in the actual transaction, can be utilised in the valuation.
- This methodology suffers from the difficulty in sourcing detailed information on the transaction to determine the basis of the consideration and the comparability of the two businesses or entities.

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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.



## 2018 GENERAL MEETING - VOTING/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 Chairman of the meeting **OR**



**PLEASE NOTE:** If you leave the section blank, the Chairman 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) are named, the Chairman 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 General Meeting of the Company to be held **at 68 Milligan Street, PERTH WA 6000 on 15 November 2018 at 10.00am (WST)** and at any adjournment or postponement of that Meeting.

### CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES:

The Chair intends to vote undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

STEP 2

### VOTING DIRECTIONS

#### Agenda Items

	For	Against	Abstain*
1 Consolidation of Capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Change to Nature and Scale of Activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Approval to Issue Consideration Shares to Majority Shareholders of Top Level Real Estate Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Issue of Consideration Shares to Minority Shareholders of Top Level Real Estate Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Issue of Shares upon Conversion of Top Level Loans – Unrelated Parties	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Issue of Shares upon Conversion of Top Level Loans– Related Party – John Kolenda	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Issue of Shares – Capital Raising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 Issue of Shares to Related Party – John Kolenda – Participation in Capital Raising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9 Issue of Shares to Lead Manager	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10 Election of Director – Matthew Lahood	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11 Issue of Shares to Related Party – Paul Niardone	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12 Issue of Options to Related Party – Adam Davey	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13 Acquisition of Vicus Residential Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14 Issue of Shares for Acquisition of Vicus Residential Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



\* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your 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 shareholder 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 Chairman as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman, 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 CHAIRMAN 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 Chairman 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 item 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 item 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 item, your proxy may vote as they choose to the extent they are permitted by law. If you mark more than one box on an item, your vote on that item will be invalid.

**PLEASE NOTE:** If you appoint the Chairman as your proxy (or if he is appointed by default) but do not direct him how to vote on an item (that is, you do not complete any of the boxes "For", "Against" or "Abstain" opposite that item), the Chairman may vote as he sees fit on that item.

### 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.

### 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 VOTE

This Proxy Form (and any power of attorney under which it is signed) must be received at an address given below by 10.00am (WST) on 15 November 2018, 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 VOTE

[www.advancedshare.com.au/investor-login](http://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 9262 3723



#### BY EMAIL

[admin@advancedshare.com.au](mailto:admin@advancedshare.com.au)



#### IN PERSON

Advanced Share Registry Limited  
110 Stirling Hwy, Nedlands WA 6009



#### ALL ENQUIRIES TO

Telephone: +61 8 9389 8033