

ASX Announcement
30 January 2017

THE AGENCY EXPANDS INTO EAST COAST, TO ADD FURTHER QUALITY AGENTS AND EXECUTIVES TO NETWORK

Highlights

- **Ausnet Financial Services Limited to rapidly expand east coast operations through a Licence Agreement with and an Option to acquire Top Level Real Estate Pty Ltd.**
- **Top Level is a fast growing eastern seaboard real estate business with 17 highly experienced agents, including the following key executives:**
 - **Matt Lahood (CEO) – Commences 3 April 2017**
 - **Steven Chen (Director of Projects) – Commences 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)**
- **Subject to completion of two non-binding agreements by 30 June 2017, Top Level will expand by a further 23 agents, with approximately 3,700 properties under management,**
- **Under the Licence Agreement, Top Level will have rights to use The Agency brand and intellectual property on the East Coast of Australia, while Ausnet will retain an Option to acquire Top Level within the next 12 months.**
- **Ausnet has 32 sales agents in Western Australia, which it is looking to expand to 100 with aspirations to add another 500 nationally.**

Perth-based real estate and financial services group Ausnet Financial Services Limited (“Ausnet” or “the Company”) (ASX: AU1) has entered into a Licence Agreement and an Option to acquire Top Level Real Estate Pty Ltd (“Top Level”) (via its wholly owned subsidiary Ausnet Real Estate Services Pty Ltd) as part of its planned national roll-out of its The Agency platform, a disruptive and fast growing real estate sales and property management business.

Commenting on the agreements, Ausnet CEO Paul Niardone said, “The licence agreement and option to purchase Top Level demonstrates our commitment to drive growth and expand into the eastern states and in our view is a real coup and step in our national expansion plans for The Agency.”

“To have attracted such high quality executives and agents to The Agency is testament to what we have achieved with our unique real estate model and our aggressive plans to roll it out across Australia.”

“These agents have been approached by virtually every major real estate company in Australia and have decided to join The Agency.”

“We have an objective to reach 600 sales agents nationally, the Sydney and broader east coast markets are obviously a key component of this and we are pleased to be able to launch with a team as well credential as Top Level.”

“Following this The Agency will have 49 sales agents and the proposed acquisitions by Top level will expand this to 72. We are confident that a team of this quality, experience and reach will assist us in continuing to grow our unique model on the east coast, including in Queensland and Victoria.”

“Since its inception 18 months ago The Agency has proved a highly successful and disruptive real estate agency model. These agreements, demonstrate our commitment to attracting the very best talent in the country as we seek to expand our business,” Mr Niardone said.

Licence Agreement

The License Agreement allows Ausnet to launch The Agency on the east coast of Australia, with Top Level licenced to operate under “The Agency” brand within NSW, QLD and VIC. Top Level has signed agreements with an exciting team of senior real estate executives and currently has an initial 17 highly experienced sales agents, including some of the most respected names in the east coast real estate market, including:

- Matt Lahood (CEO) - Commences 3 April 2017
 - More than 25 years in real estate sales and more than 2,000 property sales worth over \$2.0bn.
 - Most recently Matt was Director of Sales for McGrath Real Estate where he was responsible for market entry strategies and management of 22 company owned offices and more than 250 people.
- Steven Chen (Director of Projects) – Commences 15 February 2017
 - Over 20 years’ experience in real estate sales delivering over 3,000 properties worth in excess of A\$2.5bn.
 - Ranked 16 in the top 100 agents of 2016 by Real Estate Business (REB).
 - Most recently 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 Gold Coast.
- Maria Carlino (Director of Property Management)
 - Over 27 years of real estate experience in key markets including Sydney, Brisbane and the Gold Coast.
 - Maria’s previous roles include Branch Manager for RUN Property Pty Ltd, Ray White franchisee owner & Director and General Manager of Property at McGrath Real Estate agents where she was responsible for the management and growth strategies of the rental portfolio and team across all company owned offices.
- Thomas McGlynn (Director of Sales)
 - Experienced and award winning real estate professional

and Chief Auctioneer)

across sales, auctioneering and management. Thomas has been involved in over 5000 auctions Australia wide.

- Most recently Thomas was General Manager of Sales in QLD for McGrath Estate Agents. His other roles include, Queensland Head Auctioneer for McGrath Estate Agents and Performance Coach.
- Ben Collier (Property Partner)
 - Ben commenced his carrier in real estate sales in 1993 and has specialised in Sydney's Eastern Suburbs since.
 - Ranked 15 in the top 100 agents of 2016 by Real Estate Business (REB) and Number 1 sales agent for McGrath Real Estate Agents for 2015 and 2016.
 - In the last 12 months Ben has been responsible for 72 property sales worth \$365m.
- Shad Hassen (Property Partner)
 - Shad has in excess of 20 years' real estate sales experience and specialises in Sydney's Inner West.
 - Recognised as the Number 1 agent in the Inner West
 - Previously McGraths leading Inner West agent since its inception
 - Ranked 36th in the top 100 agents of 2016 by Real Estate Business (REB).
 - Consistently placed in the top 1% of agents in Australia
 - Achieved the highest number of sales in Australia for FY05, 07, 08 and 09.

In addition to its team of 17 sales agents, Top Level has also executed non-binding exclusive term sheets to acquire two established real estate sales and property management businesses that between them incorporate:

- 5 offices;
- 23 agents; and
- approximately 3,700 properties under management.

Subject to completion of satisfactory due diligence Top level intends to complete these acquisitions prior to 30 June 2017 and rebrand them under The Agency.

Option to Purchase Top Level

In addition to entering the License Agreement, Ausnet's wholly-owned subsidiary, Ausnet Real Estate Services Pty Ltd, has secured an option to acquire 100% of the issued capital of Top Level at any time in the next 12 months in exchange for fully paid ordinary shares in Ausnet ("Shares") and performance shares that will convert into Shares upon achievement of certain milestones by Top Level ("Performance Shares").

Further detail of the Option is contained in Appendix A, however the tranches of Share issues (and associated performance milestones) are summarised below:

	Tranche 1	Tranche 2	Tranche 3
Approx. total number of Ausnet Shares (m)	366	300	300
Timing	Upon settlement of acquisition of Top Level	Upon finalisation of 2018 accounts	Upon Finalisation of 2019 accounts
Performance Hurdles (weighting)			
EBIT (50%)	-	\$7,000,000	\$10,000,000
Gross Commission Income (30%)	-	\$70,000,000	\$80,000,000
Total Sales Agents (20%)	-	85	100

Application of Chapter 11 of the ASX Listing Rules

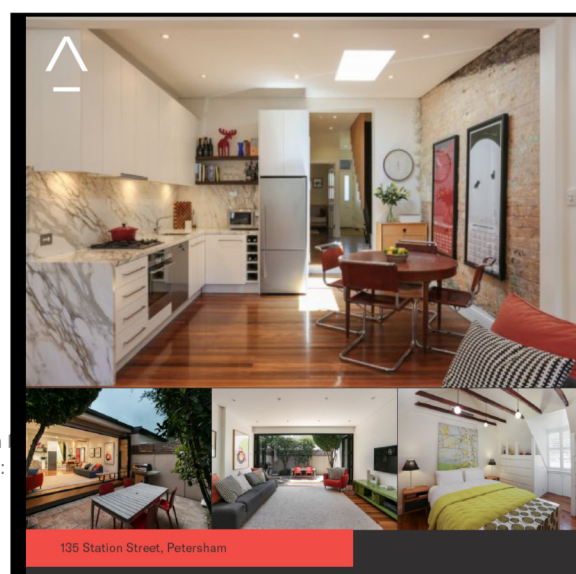
The proposed acquisition of Top Level by Ausnet may constitute a change in the scale of the Company's activities such that the Company may be required, pursuant to Listing Rule 11.1.3, to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

As at the date of this announcement, it is uncertain as to whether ASX Listing Rule 11.1.3 will apply to the proposed acquisition. The Company is in discussions with ASX in regards to the application of this rule and ASX is unlikely to determine its application until Friday, 3 February 2017. Until then, the Company will remain in suspension.

Refreshed Branding

To coincide with the launch of The Agency brand on the east coast of Australia, Ausnet is launching refreshed branding for the Agency. This will be rolled out immediately across all Top Level listings and offices and progressively thereafter for all existing listings.

Examples of the branding include:



Beach
5 • Fax:

Further banding information can be found at www.theagency.com.au.

Ends

For more information, please contact:

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About Ausnet

Ausnet consists of a group of successful businesses which deliver finance broking, real estate services, settlement services, property management (2017), project marketing, insurance and financial planning initially to the Western Australian market with an aim to be rolled out nationally.

This model has been created to build the core asset being a loan book currently at approximately \$1.1 billion by cross referring clients between business units. The largest growing referral area has been built on a highly successful and disruptive real estate agency model named “The Agency” which currently has 30 agents. The agents have been referring approximately 60% of all sales for financing broking.

Ausnet is aiming to recruit approximately 100 sales representatives to “The Agency” in Western Australia that will eventually deliver over 1,000 property transactions per year with the aim of converting into cross sales for mortgages, settlements and insurance. Each sales representative that joins Ausnet not only add sales activities but also on average bring in a database of approximately 2,000 clients. Ausnet’s target is to have approximately 600 sales representatives nationally.

The Company is also backed by Finsure Group, one of Australia's fastest growing retail finance brokerages writing over \$1 billion in new mortgages every month across 850 brokers.

Appendix A – Details of Option Agreement to Purchase Top Level Real Estate Pty Ltd

Pursuant to a binding option agreement (“Option Agreement”), the shareholders and convertible noteholders of Top Level (“Vendors”) have granted Ausnet Real Estate Services Pty Ltd (“Ausnet Pty Ltd”) an option to acquire 100% of the issued capital of Top Level on issue at settlement of the acquisition (“Acquisition”), subject to the satisfaction or waiver of conditions precedent. John Kolenda, one of the Company’s current directors, has an interest in one of the Vendors.

A summary of the key terms of the Acquisition is set out below. The Option Agreement also contains warranties and indemnities granted by and to Ausnet Pty Ltd, among other terms.

1. Consideration Shares and Performance Shares

Subject to satisfaction or waiver of conditions precedent to the Acquisition (summarised in item 3 below), in consideration for acquiring 100% of issued capital of Top Level on issue at settlement of the Acquisition, Ausnet Pty Ltd has agreed to procure the issue by Ausnet, upon settlement, the following securities to the Vendors:

- 365,999,600 Shares; and
- 599,996,160 Performance Shares in equal amounts of 299,998,080. Each of the Performance Shares will convert into one Share upon satisfaction of the relevant milestone in the following table. The Performance Share terms are subject to ASX’s approval, which approval is a condition precedent to completion of the Acquisition.
 - **Milestone 1** – For the 12 months to and effective at 30 June 2018:

Weighting	Milestone
50%	Top Level generating earnings before interest and taxes (EBIT) of at least \$7,000,000 in a financial year (excluding earnings generated by any business or entity acquired by Top Level subsequent to settlement of the Acquisition but for the avoidance of doubt including The Acquisitions (as defined below) based on Top Level’s audited accounts for the relevant financial year, such EBIT being calculated in accordance with Australian accounting standards.
30%	Top Level generating Gross Commission Income (GCI) of at least \$70,000,000 in a financial year (excluding GCI generated by any business or entity acquired by Top Level

	subsequent to settlement of the Acquisition) based on Top Level's audited accounts for the relevant financial year.
20%	Top Level employing or contracting at least 85 sales agents on terms consistent with Ausnet's standard employment agreement at the execution date of the Option Agreement.

- **Milestone 2** - for the 12 months to and effective at 30 June 2019:

Weighting	Milestone
50%	Top Level generating EBIT of at least \$10,000,000 in a financial year (excluding earnings generated by any business or entity acquired by Top Level subsequent to settlement of the Acquisition but for the avoidance of doubt including The Acquisitions (as defined below) based on Top Level's audited accounts for the relevant financial year, such EBIT being calculated in accordance with Australian accounting standards.
30%	Top Level generating GCI of at least \$80,000,000 in a financial year (excluding GCI generated by any business or entity acquired by Top Level subsequent to settlement of the Acquisition) based on Top Level's audited accounts for the relevant financial year.
20%	Top Level employing or contracting at least 100 sales agents on terms consistent with Ausnet's standard employment agreement as at the execution date of the agreement.

2. **Option Term and Fee**

Ausnet Pty Ltd's option to acquire Top Level pursuant to the Acquisition is currently exercisable and may be exercised at Ausnet Pty Ltd's election at any time up until the 12 month anniversary of the execution date of the Option Agreement (or such other date as is agreed in writing between the parties) (**Option Period**).

Ausnet Pty Ltd may exercise the option at any time during the Option Period by delivering to Top Level a fee of \$10 and a written notice stating that Ausnet wishes to exercise the option (**Option Exercise Notice**).

3. Conditions Precedent

Following the exercise of the option, settlement of the Acquisition is conditional upon the satisfaction (or waiver by Ausnet) of the following conditions precedent:

- **Ausnet Due Diligence:** completion of due diligence by Ausnet Pty Ltd on Top Level to the absolute satisfaction of Ausnet Pty Ltd;
- **Shareholder Approvals:** the shareholders of Ausnet approving the transactions contemplated by the Option Agreement;
- **Independent Expert's Report:** any independent expert's concluding that the transaction is either fair and reasonable or not fair but reasonable;
- **Completion of acquisitions by Top Level:** Top Level completing the acquisition of two real estate businesses (**The Acquisitions**);
- **Top Level Capital Raising:** Top Level completing a capital raising of \$1.98 million and converting all convertible securities on issue into fully paid ordinary shares in Top Level; and
- **Re-compliance conditions:** If ASX determines that the Acquisition requires Ausnet to re-comply with Chapters 1 and 2 of the ASX Listing Rules, satisfaction of all of those items which must be satisfied in order to comply with this requirement.

If the conditions precedent to completion of the Acquisition are not all fulfilled or waived by that date which is 120 days from the date of the Option Exercise Notice (or such later date as Ausnet and the Shareholders may agree) then the Option Agreement will be at an end and the parties will be released from their obligations under the Option Agreement (other than in respect of any breaches that occurred prior to termination).