

LawFinance Limited

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LAWFINANCE LIMITED

Notice of Extraordinary General Meeting

29 March 2021

10:00am AEDT

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 INDEPENDENT EXPERT'S REPORT CONSIDERS THE PROPOSED TRANSACTION TO BE FAIR AND REASONABLE TO THE NON-ASSOCIATED SHAREHOLDERS OF THE COMPANY. PLEASE REFER TO THE INDEPENDENT EXPERT'S REPORT SET OUT IN ANNEXURE A OF THIS NOTICE OF MEETING.

THE BOARD UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE IN FAVOUR OF ALL RESOLUTIONS.

Important information

Notice

This document, which includes the Explanatory Statement and Notice of Meeting, is an important document. You should read it in its entirety before deciding on how to vote on the Resolutions. If you have queries or uncertainties, you should consult your investment, financial or other professional adviser.

Disclaimer

General

This document has been prepared by LawFinance Limited (the **Company**). The information contained in this document is for informational purposes only. The information contained in this document is not investment or financial product advice and is not intended to be used on the basis for making an investment decision.

Forward looking statements

This document contains certain statements that relate to the future of the Company. These statements are made at the time of the document. All statements other than statements of historical fact are, or may be deemed to be, forward looking statements. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this document. To the maximum extent permitted by law, none of the Company, its directors, employees or agents, nor any other person accepts any liability, including, without limitation, any liability arising out of fault and negligence, for any loss arising from the use of the information contained in this document.

The document includes certain forecasts, prospects or returns and other forward-looking statements that are based on information and assumptions known to date

and are subject to various risks and uncertainties. Actual results, performance, or achievements could be significantly different from those expressed in, or implied by, these forecasts, prospects or returns, and other forward-looking statements. Such forecasts, prospects or returns, and other forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Company, which may cause actual results to differ materially from those expressed in the statements contained in the document.

Accordingly, no representation or warranty, express or implied, is given to the accuracy, completeness or correctness, likelihood of achievement or reasonableness of any forecasts, prospects or returns, or other forward looking statements contained in the document.

Rounding

Note that numbers in this document are subject to rounding and may not add due to rounding.

Responsibility Statement

Except as outlined below, the information contained in this document has been prepared by the Company and is the sole responsibility of the Company.

Grant Thornton has prepared the Independent Expert's Report and takes responsibility for that report. Neither the Company, nor any of its directors, employees or agents, nor any other person assumes any responsibility for the accuracy or completeness of the information contained in the Independent Expert's Report. Shareholders should read the Independent Expert's Report carefully to understand the scope of the report, the methodology of the assessment, the sources of information and the assumptions made.

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Important Information for Shareholders about the Company's 2021 EGM

Given the uncertainty surrounding the COVID-19 pandemic, by the time this Notice is received by Shareholders, circumstances may have changed, however, this Notice is given based on circumstances as at 26 February 2021.

Accordingly, should circumstances change, the Company will make an announcement on the ASX market announcements platform and on the Company's website at www.lawfinance.com.au/investor-centre/other-asx-announcements/. Shareholders are urged to monitor the ASX announcements platform and the Company's website.

Given the significant health concerns attributed to the COVID-19 pandemic, in addition to guidelines and restrictions issued by Australian state and federal governments, the Company considers that it is appropriate to hold the EGM as a virtual meeting, in a manner that is consistent with the temporary modifications to the *Corporations Act 2001* (Cth) introduced by the Commonwealth Treasurer.

Venue and Voting Information

The Extraordinary General Meeting of the Shareholders to which this Notice of Meeting relates will be held as a **virtual meeting**.

If you are a shareholder and you wish to virtually attend the EGM (which will be broadcast as a live webinar), please **pre-register** in advance for the virtual meeting here:

https://us02web.zoom.us/webinar/register/WN_EDDKqZ_aSx6vJ-TbSDsR4Q

After registering, you will receive a confirmation containing information on how to attend the virtual meeting on the day of the EGM.

Shareholders will be able to vote and ask questions at the virtual meeting.

Shareholders are also encouraged to submit questions in advance of the Meeting to the Company.

Questions must be submitted in writing to the Company Secretary via andrew.palfreyman@automicgroup.com.au at least 48 hours before the EGM.

The Company will also provide Shareholders with the opportunity to ask questions during the Meeting in respect to the formal items of business as well as general questions in respect to the Company and its business.

Your vote is important

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

Voting virtually at the Meeting

Shareholders who wish to vote virtually on the day of the EGM will need to login to the Automic website (<https://investor.automic.com.au/#/home>) with their *username* and *password*.

Shareholders who do not have an account with Automic are strongly encouraged to register for an account **as soon as possible and well in advance of the Meeting** to avoid any delays on the day of the Meeting.

How do I create an account with Automic?

To create an account with Automic, please go to the Automic website: <https://investor.automic.com.au/#/home>, click on 'register' and follow the steps. Shareholders will require their holder number (Securityholder Reference Number (SRN) or Holder Identification Number (HIN)) to create an account with Automic.

I have an account with Automic, what are the next steps?

Shareholders who have an existing account with Automic (Note: with a *username* and *password*) are advised to take the following steps to attend and vote virtually on the day of the EGM:

1. Login to the Automic website (<https://investor.automic.com.au/#/home>) using your *username* and *password*.
2. **(Registration on the day)** If registration for the virtual meeting is open, click on 'Meeting open for registration' and follow the steps.
3. **(Live voting on the day)** If live voting for the virtual meeting is open, click on 'Meeting open for voting' and follow the steps.

For further information on the live voting process please see the **Registration and Voting Guide** at <https://www.automicgroup.com.au/virtual-agms/>

Voting by proxy

To vote by proxy, please use one of the following methods:

Online	Lodge the Proxy Form online at https://investor.automic.com.au/#/loginsah by following the instructions: Login to the Automic website using the holding details as shown on the Proxy Form. Click on 'View Meetings' – 'Vote'. To use the online lodgement facility, Shareholders will need their holder number (Securityholder Reference Number (SRN) or Holder Identification Number (HIN)) as shown on the front of the Proxy Form. For further information on the online proxy lodgement process please see the Online Proxy Lodgement Guide at https://www.automicgroup.com.au/virtual-agms/
By post	Automic, GPO Box 5193, Sydney NSW 2001
By hand	Automic, Level 5, 126 Phillip Street, Sydney NSW 2000
By email	Completing the enclosed Proxy Form and emailing it to: meetings@automicgroup.com.au

Your Proxy instruction must be received not later than 48 hours before the commencement of the Meeting. **Proxy Forms received later than this time will be invalid.**

Power of Attorney

If the proxy form is signed under a power of attorney on behalf of a shareholder, then the attorney must make sure that either the original power of attorney or a certified copy is sent with the proxy form, unless the power of attorney has already provided it to the Share Registry.

Corporate Representatives

If a representative of a corporate shareholder or a corporate proxy will be attending the Meeting, the representative should provide the Share Registry with adequate evidence of their appointment, unless this has previously been provided to the Share Registry.

Notice of Extraordinary General Meeting

Notice is hereby given that an Extraordinary General Meeting of Shareholders (**EGM**) of LawFinance Limited ACN 088 749 008 (the **Company**) will be held as a virtual meeting at 10:00am (AEDT) on 29 March 2021 for the purpose of considering, and, if thought fit, passing the resolutions set out below.

The Explanatory Statement to this Notice of Meeting provides additional information on the matters to be considered at the EGM. The Explanatory Statement and the Proxy Form form part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the EGM are those who are registered Shareholders at 10.00am (AEDT) on 27 March 2021.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

ASX does not take any responsibility for the contents of this Notice of Meeting.

Resolutions

Approval of sale of JustKapital Litigation Pty Ltd

Resolution 1 – Approval of sale of JustKapital Litigation Pty Ltd

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

“That, for the purposes of ASX Listing Rule 10.1 and for all other purposes, approval is given for the disposal of JustKapital by way of share sale to Legal Equity Partners on the terms described in the Explanatory Statement accompanying this Notice of Meeting.”

Voting Exclusion Statement:

The Company will disregard any votes cast in favour of the Resolution by or on behalf of:

- Legal Equity Partners Pty Ltd ACN 647 477 183 and any person who will obtain a material benefit as a result of the Transaction (except a benefit solely by reason of being the holder of ordinary securities in the Company); or
- an Associate of that person or those persons.

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

- a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Independent Expert's Report

Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approvals required under ASX Listing Rule 10.1. The Independent Expert's Report comments on the fairness and reasonableness of the Transaction.

The Independent Expert's Report considers the Transaction to be fair and reasonable to the non-associated Shareholders of the Company. A copy of the Independent Expert's Report is set out at Annexure A of this Notice of Meeting, and is also available at the Company's website at www.lawfinance.com.au. A hard copy of the Independent Expert's Report can be requested by Shareholders from the Company at andrew.palfreyman@automicgroup.com.au at no cost to Shareholders.

Ratification of Prior Issue of Shares

Resolution 2 – Ratification of Prior Issue of Placement Shares under ASX Listing Rule 7.1

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

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the Shareholders ratify the allotment and prior issue of 98,936,996 Placement Shares issued on 14 December 2020 under ASX Listing Rule 7.1 and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting.”

Voting Exclusion Statement:

The Company will disregard any votes cast in favour of the Resolution by or on behalf of:

- a person who participated in the issue or is a counterparty to the agreement being approved; or
- an Associate of that person or those persons.

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

- a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 3 – Ratification of Prior Issue of Placement Shares under ASX Listing Rule 7.1A

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

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the Shareholders ratify the allotment and prior issue of 96,663,004 Placement Shares issued on 14 December 2020 under ASX Listing Rule 7.1A and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting.”

Voting Exclusion Statement:

The Company will disregard any votes cast in favour of the Resolution by or on behalf of:

- a person who participated in the issue or is a counterparty to the agreement being approved; or
- an Associate of that person or those persons.

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

- a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 4 – Ratification of Prior Issue of Shares to EFI

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

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the Shareholders ratify the allotment and prior issue of 8,000,000 fully paid ordinary shares issued on 14 December 2020 to Efficient Frontier Investing (EFI) and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting.”

Voting Exclusion Statement:

The Company will disregard any votes cast in favour of the Resolution by or on behalf of:

- a person who participated in the issue or is a counterparty to the agreement being approved; or
- an Associate of that person or those persons.

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

- a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Approval of Issue of Securities

Resolution 5 – Approval of Issue of Placement Shares to Daniel Kleijn, Director of the Company

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

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue and allotment of 2,700,000 Placement Shares to Daniel Kleijn, Director of the Company, and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting.”

Voting Exclusion Statement:

The Company will disregard any votes cast in favour of the Resolution by or on behalf of:

- a person who is to expected to receive the securities as a result of the proposed issue;
- a person who will obtain a material benefit as a result of the issue of the securities (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 described above.

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

- a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 6 – Approval of Issue of Placement Shares to Tim Storey, Director of the Company

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

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue and allotment of 2,000,000 Placement Shares to Tim Storey, Director of the Company, and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting.”

Voting Exclusion Statement:

The Company will disregard any votes cast in favour of the Resolution by or on behalf of:

- a person who is to expected to receive the securities as a result of the proposed issue;
- a person who will obtain a material benefit as a result of the issue of the securities (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 described above.

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

- a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Resolution 7 – Approval of Issue of Remuneration Shares to Anthony Murphy, Director of the Company

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

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue and allotment of 2,250,000 Remuneration Shares to Anthony Murphy, Director of the Company, and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting.”

Voting Exclusion Statement:

The Company will disregard any votes cast in favour of the Resolution by or on behalf of:

- a person who is to expected to receive the securities as a result of the proposed issue;
- a person who will obtain a material benefit as a result of the issue of the securities (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 described above.

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

- a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Adoption of Equity Incentive Plan

Resolution 8 – Adoption of Equity Incentive Plan

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

“That, for the purposes of ASX Listing Rule 7.2 (exception 13(b)), sections 259B(2) and 260C(4) of the Corporations Act 2001 (Cth) and for all other purposes, the Shareholders of the Company approve the adoption of an Equity Incentive Plan, on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting.”

Voting Exclusion Statement:

The Company will disregard any votes cast in favour of the Resolution by or on behalf of:

- a person who is eligible to participate in the Equity Incentive Plan; or
- an Associate of that person or those persons.

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

- a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting Prohibition Statement:

In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on the Resolution if:

- the proxy is either:
 - a member of the Company's Key Management Personnel; or
 - a closely related party of a member of the Company's Key Management Personnel; and
- the appointment does not specify the way the proxy is to vote on the resolution.

However, the above prohibition does not apply if:

- the proxy is the Chair of the Meeting; and
- the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Company's Key Management Personnel.

Approval of issue of Incentive Options under the Equity Incentive Plan

Resolution 9 – Approval of Issue of Incentive Options to Daniel Kleijn, Director of the Company

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

“That, subject to Resolution 6 being passed, for the purposes of ASX Listing Rule 10.14 and for all other purposes, the Shareholders of the Company approve the issue and allotment of 45,833,333 Incentive Options under the Equity Incentive Plan, together with that number of additional Incentive Options (if any) calculated in the manner set out in the Explanatory Statement, to Daniel Kleijn, Director of the Company, and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting.”

Voting Exclusion Statement:

The Company will disregard any votes cast in favour of the Resolution by or on behalf of:

- a person referred to in rule 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the Equity Incentive Plan;
- an Associate of that person or those persons.

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

- a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting Prohibition Statement:

In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on the Resolution if:

- the proxy is either:
 - a member of the Company's Key Management Personnel; or
 - a closely related party of a member of the Company's Key Management Personnel; and
- the appointment does not specify the way the proxy is to vote on the resolution.

However, the above prohibition does not apply if:

- the proxy is the Chair of the Meeting; and
- the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Company's Key Management Personnel.

BY ORDER OF THE BOARD

Daniel Kleijn

Chief Executive Officer and Managing Director

26 February 2021

Explanatory Statement

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the EGM to be held at 10.00am (AEDT) on 29 March 2021.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolution in the Notice of Meeting.

If you are in any doubt about what to do in relation to the Resolution contemplated in the Notice of Meeting and this Explanatory Statement, it is recommended that you seek advice from an accountant, solicitor or other professional advisor. Full details of the Resolution are set out below.

Please note: The Independent Expert's Report considers the proposed Transaction to be fair and reasonable to the non-associated Shareholders of the Company. Please refer to the Independent Expert's Report set out at Annexure A of this Notice of Meeting.

Approval of sale of JustKapital Litigation Pty Ltd

Resolution 1 – Approval of sale of JustKapital Litigation Pty Ltd

Background to the Transaction

Background and Transaction structure

On 29 January 2021, the Company entered into a share purchase agreement (**Sale Agreement**) with Legal Equity Partners Pty Ltd ACN 647 477 183 (**Legal Equity Partners**) pursuant to which the Company has agreed to sell 100% of the shares in JustKapital Litigation Pty Ltd ACN 168 872 606 (**JustKapital**) for the nominal consideration of A\$1.00 and on the other terms and conditions set out in the Sale Agreement (the **Transaction**).

Legal Equity Partners is wholly owned by Lucerne Composite Master Fund (**LCF**), a fund managed by Conrad Capital Group, a leading investment and business advisory group headquartered in Melbourne, Victoria. LCF is a substantial Shareholder in the Company and is the lender of funds to JustKapital under a syndicated facility agreement which is currently secured against the outstanding legal cases currently being funded by JustKapital (**FCCD Facility**).

Pursuant to the terms of the Transaction:

- (a) Legal Equity Partners has agreed to acquire all the shares in JustKapital for A\$1.00;
- (b) Legal Equity Partners has agreed to fund JustKapital's ongoing operations from the signing of the Transaction until completion of the Transaction up to A\$1 million¹;
- (c) the Company will receive 50% of any excess proceeds, if any, received in connection with the successful settlement or judgement of current litigation matters after repayment of the FCCD Facility; and
- (d) the Company will receive 50% of all proceeds, if any, received by JustKapital or its subsidiary entities from the proceeds (after costs) of the litigation involving Quintis Limited currently in the Federal Court.

Transaction documents

The key terms of the Sale Agreement are summarised below.

Sale Shares	All of the issued shares in JustKapital.
Purchase Price	An initial purchase price of A\$1.00, and a conditional purchase price comprising: <ul style="list-style-type: none">• 50% of the amount, if any, received by JustKapital or its subsidiary entities from the net proceeds of any successful current litigation matters funded by JustKapital or its subsidiaries over and above the principal amount owing under the FCCD Facility plus the applicable minimum return amount on the FCCD Facility; and

¹ Any funding provided by Legal Equity Partners to JustKapital from signing of the Sale Agreement must be repaid by JustKapital to the extent funds are available if completion of the Transaction does not occur.

	<ul style="list-style-type: none"> 50% of the proceeds, if any, received by the JustKapital or its related group entities from the proceeds of the litigation involving Quintis Limited currently in the Federal Court (after costs). <p>The outcome of the litigation matters funded by JustKapital and its subsidiaries involves a high level of risk and uncertainty. In respect of the litigation matters (other than the Quintis Limited litigation) even if those matters are successful the Company will not receive any payment of conditional purchase price unless the proceeds are sufficient to cover all associated costs and the repay the amounts owing under the FCCD Facility in full. As a result, shareholders should not assume that any amounts will ultimately end up being paid to the Company in respect of the conditional purchase price.</p>
Conditions Precedent	<ul style="list-style-type: none"> Shareholder approval of the Transaction for the purposes of ASX Listing Rule 10.1. The Independent Expert's Report stating that the Transaction is in the best interests of the Company, and that opinion not being withdrawn prior to completion of the Transaction. The continued solvency of JustKapital and its related group entities. Approvals and/or consents of various lenders to JustKapital and its related group entities (including under the FCCD Facility) to the Transaction. Such other consents and/or approvals necessary to be obtained from lenders to the Company and its subsidiaries to release guarantees granted by the Company and its related group entities and JustKapital and its related group entities, and to otherwise approve the transactions contemplated by the Sale Agreement.
Interim Period	<p>Between signing of the Transaction and completion of the Transaction:</p> <ul style="list-style-type: none"> the Company must ensure that JustKapital and its related group entities carry on their business in the ordinary course, with specific restrictions on making material business decisions without Law Equity Partners' consent; and Law Equity Partners is required to fund the ongoing operations of JustKapital and its related group entities up to A\$1 million, at an interest rate of 10% p.a. Such funding is repayable by JustKapital (or the relevant related group entity) on the earlier of termination of the Transaction and the first anniversary of completion of the Transaction (noting that if completion occurs, JustKapital will be owned by Legal Equity Partners), but only to the extent that JustKapital (or the relevant related group entity) has available funds.
Assignment of JKL1 LLC Debt	<p>Before completion of the Transaction the Company must:</p> <ul style="list-style-type: none"> procure the assignment of the benefit of all debts currently owing by JKL1 LLC (a subsidiary of JustKapital) to the Company to JustKapital for payment by JustKapital of an amount equal to that debt on a deferred payment basis; and forgive any such debt. <p>This step is necessary to unwind the intercompany loans that exist between JustKapital subsidiaries and other members of the LawFinance Limited group.</p>
Warranties and indemnities	<p>The Company has agreed to give limited warranties and indemnities to Legal Equity Partners related to ownership of the issued shares in JustKapital and its ability to deliver them.</p>
Release of guarantees	<p>With effect from completion of the Transaction:</p> <ul style="list-style-type: none"> the Company must use its best endeavours to procure the release of JustKapital and each of its related group entities from any liabilities it has under guarantees given in respect of any indebtedness of the Company or its affiliates, other than JustKapital and its subsidiaries, (including providing any equivalent guarantee to the relevant beneficiary); and Legal Equity Partners and the Company and its related group entities must use their best endeavours to procure the release of the Company and each of its

	<p>related group entities, other than JustKapital and its subsidiaries, from any liabilities they have under guarantees given in respect of any indebtedness of JustKapital and its related group entities (including providing any equivalent guarantee to the relevant beneficiary).</p> <p>This step is necessary to seek to ensure that JustKapital and its subsidiaries are not guaranteeing liabilities of other members of the LawFinance Limited group following completion and vice-versa.</p>
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Indicative timetable for the Transaction*

Action	Date
EGM and Shareholder approval	29 March 2021
Date for conditions precedent to be satisfied	31 March 2021
Targeted completion of Transaction	Five business days after all conditions under the Sale Agreement have been satisfied or waived. Subject to lender approvals and other conditions precedent being satisfied by 31 March, completion is expected to occur on or before 7 April 2021.

*This timetable is indicative only and is subject to change. The Transaction timetable is dependent upon Resolution 1 being approved and the satisfaction of all other conditions precedent under the Sale Agreement.

ASX Listing Rule 10.1

Background

ASX Listing Rule 10.1 provides that a listed entity must not acquire or agree to acquire a substantial asset from, or dispose of or agree to dispose of a substantial asset to:

- 10.1.1 a related party;
- 10.1.2 a child entity;
- 10.1.3 a person who is, or was at any time in the 6 months before the transaction, a substantial (10%+) holder in the entity;
- 10.1.4 an associate of a person referred to in ASX Listing Rules 10.1.1 to 10.1.3; or
- 10.1.5 a person whose relationship with the entity or a person referred to in ASX Listing Rules 10.1.1 to 10.1.4 is such that, in ASX's opinion, the issue or agreement should be approved by shareholders,

unless it obtains the approval of its shareholders.

Legal Equity Partners is considered to be a related party of the Company on the basis that Legal Equity Partner's sole director, Mr Anthony Murphy, is a Director of the Company. Legal Equity Partners is also a subsidiary of LCF, which is a substantial Shareholder of the Company, with a relevant interest in more than 10% of the total votes attaching to the voting securities in the Company. The Transaction therefore falls within the categories in ASX Listing Rules 10.1.1 and 10.1.3.

Under ASX Listing Rule 10.2, an asset is "substantial" if its value, or the value of the consideration being paid or received by the entity for it is (or in ASX's opinion is) 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX. The accounts for the half-year ended 30 June 2020 are the latest set of accounts for the Company given to ASX. The equity interests of the Company as set out in those accounts was US\$14,620,000. 5% of that amount is US\$731,000.

While the upfront purchase price for JustKapital under the Transaction is only A\$1.00, when taken together with the variable purchase price components and JustKapital's liabilities which will remain with JustKapital under the Transaction (as at the date of the Sale Agreement those liabilities were A\$10m), the Company considers that its interest in JustKapital is substantial for the purposes of ASX Listing Rule 10.1. The Transaction therefore involves the disposal of a substantial asset to a related party and requires Shareholder approval under ASX Listing Rule 10.1.

Accordingly, Resolution 1 seeks the required Shareholder approval to the Transaction under and for the purposes of ASX Listing Rule 10.1.

If Resolution 1 is passed, the Company will be able to proceed with the Transaction, subject to the other conditions precedent being satisfied or waived, which will allow it to focus on other strategic priorities which require funding and focus ahead of the JustKapital business, simplify the Company's business model and remove contingent liabilities and potential risks associated with the litigation funding portfolio, from the Company's consolidated group.

If Resolution 1 is not passed, the Company will not be able to proceed with the Transaction and will be required to retain the economic risk and management obligations associated with the JustKapital business. The Company would need to review all remaining strategic options for the JustKapital business. The Company may be unable to provide further funding to the JustKapital business to meet its case funding obligations. If additional funding is not available, there is a risk that voluntary administrators may need to be appointed to JustKapital and/or its subsidiaries. In addition, to the extent funds are available, JustKapital will be required to repay any funding provided by Legal Equity Partners under the Sale Agreement to the extent that funds are available.

Information required by ASX Listing Rule 10.5

For the purposes of ASX Listing Rule 10.5, the information below is provided in relation to Resolution 1:

The name of the person from whom the entity is acquiring the substantial asset or to whom the entity is disposing of the substantial asset	Legal Equity Partners Pty Ltd ACN 647 477 183.
Which category in ASX Listing Rules 10.1.1 – 10.1.5 the person falls into and why	<p>Legal Equity Partners falls within the categories in ASX Listing Rules 10.1.1 and 10.1.3 because:</p> <ul style="list-style-type: none"> • Legal Equity Partner's sole director, Mr Anthony Murphy, is a Director of the Company; and • Legal Equity Partners is a subsidiary of LCF, which is a substantial Shareholder. As at the date of LCF's most recent substantial holder notice dated 25 May 2020, LCF had a relevant interest in 19.79% of the Company's shares.
Details of the asset being acquired or disposed of	All of shares in JustKapital Litigation Pty Ltd ACN 168 872 606, as further described on page 12 of this Explanatory Statement.
The consideration for the acquisition or disposal	<p>An initial purchase price of A\$1.00, and a conditional purchase price comprising:</p> <ul style="list-style-type: none"> • 50% of the amount, if any, received by JustKapital or its subsidiary entities from the net proceeds of any successful current litigation matters over and above the principal amount owing under the FCCD Facility plus the applicable minimum return amount on the FCCD Facility; and • 50% of the proceeds, if any, received by the JustKapital or its related group entities from the proceeds of the litigation involving Quintis Limited currently in the Federal Court (after costs). <p>As set out on page 12 this Explanatory Statement, shareholders should not assume that any amounts will ultimately end up being paid to the Company in respect of the conditional purchase price.</p>
In the case of a disposal, the intended use of funds (if any) received for the disposal	As the funds received as consideration for the Transaction are nominal, there is no intended use for the funds. There is no guarantee that any additional funds will be received in respect of the conditional purchase price.
The timetable for completing the acquisition or disposal	The indicative timetable for the Transaction is outlined on page 14 of this Explanatory Statement.
If the acquisition or disposal is occurring under an agreement, a	A summary of the material terms of the Sale Agreement is set out on page 12 this Explanatory Statement.

Chapter 2E of the Corporations Act

Section 208 of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either the giving of the financial benefit falls within one of the exceptions to the provisions, or shareholder approval is obtained prior to the giving of the financial benefit. For the purposes of section 208 of the Corporations Act, directors of a company and an entity controlled by a director of the company are considered to be a related party, and the selling of an asset is an example of the giving of a financial benefit.

Section 210 of the Corporations Act provides an exception to the requirement to obtain shareholder approval for giving a financial benefit to a related party where the financial benefit being given would be reasonable in the circumstances if the public company and the related party were dealing at arm's length.

The Independent Expert's Report concludes that the Transaction is fair and reasonable to non-associated Shareholders and does not favour the interests of Legal Equity Partners. It is in the view of the Directors, having regard to the Independent Expert's Report, that the exception in section 210 of the Corporations Act applies to the Transaction, and Shareholder approval is not required under section 208 of the Corporations Act.

Overview of JustKapital

JustKapital's business

JustKapital is a wholly owned subsidiary of the Company, through which it operates its Australian litigation funding business.

At present, JustKapital is acting as litigation funder in relation to six outstanding cases (**Outstanding Cases**). The estimated outstanding liabilities in relation to the Outstanding Cases are as follows:

- (a) estimated actual liabilities of \$3 million; and
- (b) estimated contingent liabilities² of \$6.1 million.

JustKapital and its related entities are party to the FCCD Facility. The FCCD Facility was originally established to provide secured funding to certain cases in JustKapital's portfolio. This facility was assigned and novated by the original lender to LCF (as new lender) and Lucerne Finance P/L (as successor agent and security trustee) in June 2019, making LCF the sole funder under the facility. JustKapital is an obligor under the FCCD Facility. As at the date of this Notice, approximately A\$10 million is owing under the FCCD Facility. If the Transaction proceeds the Company and its subsidiaries will have no obligation to repay money or pay other amounts under the FCCD Facility.

The Company estimates that JustKapital requires an additional A\$6.8 million to meet existing liabilities and costs to complete the Outstanding cases (excluding the FCCD Facility).

Key financial information

The balance sheet position of the JustKapital and its subsidiaries (together, the **JustKapital Group**) is set out below. These accounts are management accounts and have not been audited.

Prior to completion of the Transaction, intergroup balances between the JustKapital Group entities and LawFinance will be forgiven. An existing A\$1.67m loan from LawFinance to JKL 1 LLC will be assigned to JustKapital Portfolio Pty Ltd (which are both subsidiaries of JustKapital). The table below sets out adjustments made for these transactions and also reflects the elimination of intragroup (within the JustKapital Group) balances.

The value of "funded cases (capitalised cost)" has been adjusted to reflect the value attributed under the Transaction. A A\$5.7m provision for case impairment, raised as at 31 December 2020, has been applied against the capitalised cost value of the assets.

² JustKapital's 'contingent liabilities' is an estimate of the uninsured component of its current adverse cost order exposure. This liability is difficult to estimate, being based on limited information available from defendants, and would be subject to court assessment.

JustKapital Litigation Pty Ltd Group - Adjusted mgt accounts as at 31 December 20			
AUD	Total	Adj.	Adj. Total
	\$	\$	\$
Assets			
Cash at bank	587,920	-	587,920
Funded cases (capitalised cost)	11,385,286	1,670,000	13,055,286
Prepayments	50,000	-	50,000
Intra Group Loans (Asset)	3,200,000	(3,200,000)	-
Total assets	15,223,206	(1,530,000)	13,693,206
Liabilities			
Accounts payable	3,015,784	-	3,015,784
Accrued liabilities	279,942	-	279,942
Loan from Lawfinance Ltd	10,947,125	(10,947,125)	-
Intra-Group loans (Liabilities)	-	-	-
Lucerne Composite Fund (Loan and Min Return)	10,048,987	-	10,048,987
Total liabilities	24,291,838	(10,947,125)	13,344,713
TOTAL	(9,068,632)	9,417,125	348,493

Rationale for the Transaction

Overview

Historically, the litigation funding business operated through JustKapital was the strategic priority of the Company. In recent years, however, the operating and legal environment for litigation funders in Australia has deteriorated, significantly impacting JustKapital's business model and the probability of recovery of costs in relation to many of its litigation funding cases.

In December 2017, the Board made the strategic determination to wind down JustKapital's outstanding litigation funding cases. Given the costs involved in the winding down process and the significant amount of secured debt against the cases, the Board has now formed the view that it is in the best interests of Shareholders to sell JustKapital. The Company considers that:

- (a) the Company is not in a strong enough capital position to constructively remain in and grow the litigation funding business; and
- (b) the amount of secured debt against the cases and the continued requests for further funding of the cases has resulted in a lower probability of recovery for the JustKapital and its subsidiaries than originally envisaged.

As a result, the Company has concluded that it would need to sell the JustKapital business to enable the JustKapital to continue to pursue the active cases under new ownership.

The Company sought expressions of interest for JustKapital and had initial interest from two parties but ultimately only Legal Equity Partners was willing and able to enter into a transaction to acquire JustKapital.

Key benefits of the Transaction

- (a) De-risking the Company's business
The Transaction allows the Company to de-risk its business by transferring the economic risk and management obligations associated with the JustKapital business to Legal Equity Partners while allowing the Company to retaining a share in any potential upside of the litigation matters funded by JustKapital.
- (b) Funding for other strategic priorities
Following completion of the Transaction, the Company will be able to focus on its strategic priorities and other value creation initiatives which have the potential of generating strong returns for Shareholders. In particular, the Company will be able to focus its efforts on growing its National Health Finance business, a leading United States based personal injury medical lien funder that the Company acquired in 2018.
- (c) Strengthening of balance sheet
The Transaction will involve the transfer of the economic risk and management responsibility associated with the JustKapital business to Legal Equity Partners. Removal of significant liabilities will allow the Company to benefit from a stronger balance sheet.
- (d) Increased attractiveness to investors

Exiting the JustKapital business will reduce financing and the operating complexity of the Group, as well as the risk of further adverse case developments or the appointment of voluntary administrators to JustKapital. A simplified financing structure and a stronger balance sheet will reduce funding costs and the Board considers that this will help the Company more easily fund its strategic priorities.

(e) The Independent Expert has concluded that the Transaction is fair and reasonable to non-associated Shareholders

The Independent Expert has assessed the advantages, disadvantages and other pertinent considerations of the Transaction. Following a consideration of these factors (as described in the Independent Expert's Report in Annexure A to this Explanatory Statement), the Independent Expert has determined that the advantages of the Transaction outweigh the potential disadvantages. Consequently, in the absence of a superior proposal, the Independent Expert considers that the Transaction is reasonable to non-associated Shareholders.

(f) No superior proposal has emerged

As at the date of this Explanatory Statement, the Board has not received or become aware of any superior proposal. In general terms, a superior proposal is a proposal from a third party that would be likely to result in a transaction more favourable to Shareholders as a whole than the Transaction proposed in this Explanatory Statement.

Key risks

The Company considers that the key risks of the Transaction are as follows:

(a) Transaction may not reach Completion

Completion is subject to the satisfaction or waiver of a number of conditions precedent, including Shareholder approval of the Resolution and various lender approvals and consents. If Shareholders do not approve the Resolution or any of the conditions precedent are not satisfied, the Company will need to review all remaining strategic options for the JustKapital business. The Company may be unable to provide further funding to the JustKapital business to meet its case funding obligations. If additional funding is not available, there is a risk that voluntary administrators may need to be appointed to JustKapital and/or its subsidiaries.

(b) Improvement as a result of restructuring funding agreements

Restructuring JustKapital's existing funding agreements and the continued pursuit of cases to completion and/or settlement may eventually unlock case value and deliver a return on the Company's investments. Additionally, the environment for litigation funding businesses in Australia may improve in the future. However, the Company considers this scenario unlikely, and any amounts recovered are unlikely to be significant compared to the beneficial financial and strategic outcomes associated with the Transaction. In addition, the transaction has been structured such that the Company retains 50% of any amount, if any, received by JustKapital or its subsidiary entities from the net proceeds of any successful current litigation matters funded by JustKapital or its subsidiaries over and above the principal amount owing under the FCCD Facility plus the applicable minimum return amount on the FCCD Facility.

(c) Warranties and indemnities under Sale Agreement

The Company has agreed to give limited warranties and indemnities to Legal Equity Partners in relation to ownership of the issued shares in JustKapital and its ability to deliver them at completion of the Transaction. There may be claims under those warranties and indemnities which may result in further amounts payable by the Company in connection with the Transaction.

The Company believes that the structure of the Transaction adequately mitigates these risks, and overall will deliver the most beneficial outcomes for the Company.

Intended use of funds

The amount payable by Legal Equity Partners to the Company in respect of the Transaction is nominal. Accordingly, there is no particular intended use for the funds received under the Transaction.

While the transaction provides for the payment of conditional purchase price amounts to the Company in certain circumstances, this involves a high level of risk and uncertainty and, as set out above, shareholders should not assume that any amounts will ultimately end up being paid to the Company in respect of the conditional purchase price.

Board Recommendation

The Board (other than Mr Anthony Murphy, who is excluded from voting due to his association with Legal Equity Partners) unanimously recommends that Shareholders vote in favour of the Transaction in the absence of a superior proposal.

In making this recommendation, the Board has carefully considered the advantages and disadvantages of the Transaction and evaluated their relative weight in relation to the circumstances of the Company. The Board unanimously believes that the sum of advantages outweigh the sum of the disadvantages and that the Transaction is in the best interests of Shareholders as a whole for the reasons set out in this Explanatory Statement and the Independent Expert's Report.

The Board does not have any material personal interests in the outcome of the Resolution other than, in the case of Mr Anthony Murphy, as a result of his directorship of Legal Equity Partners.

Each Director intends to vote any Shares which they hold or control in favour of the Resolution. The Chair intends to vote all available proxies in favour of the Resolution.

Independent Expert's Report

ASX Listing Rule 10.5.10 requires that the notice of meeting include an Independent Expert's Report that sets out whether the Transaction is fair and reasonable to Shareholders whose votes are not to be disregarded. The Company has retained Grant Thornton to provide the Independent Expert's Report in relation to the Transaction.

The opinion of the Independent Expert is that, in the absence of a superior proposal, the Transaction is fair and reasonable to non-associated Shareholders.

A copy of the Independent Expert's Report is attached as Annexure A.

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.

Ratification of Prior Issue of Shares

Resolutions 2 & 3 – Ratification of Prior Issue of Placement Shares

Background

On 11 December 2020, the Company announced that it had successfully raised \$5 million (before costs) via a placement of fully paid ordinary shares at an issue price of \$0.025 per Share (**Placement Shares**) which would be completed in two tranches as follows:

- 1 First tranche: the issue of 195,600,000 Placement Shares to institutional and other sophisticated investors, which would be completed by utilising the Company's existing capacity under ASX Listing Rules 7.1 and 7.1A; and
- 2 Second tranche: the issue of 4,700,000 Placement Shares to Directors of the Company, for which shareholder approval is being sought under Resolutions 5 and 6 of this Notice of Meeting,
(collectively referred to as the **Placement**).

The first tranche completed on 14 December 2020, which resulted in the issue of 98,936,996 Placement Shares under ASX Listing Rule 7.1 and 96,663,004 Placement shares under ASX Listing Rule 7.1A, raising approximately \$4.89 million for the Company (before costs).

ASX Listing Rules 7.1 and 7.1A

Shareholder approval is being sought to approve and ratify the prior issue and allotment of:

- (a) 98,936,996 Placement Shares under ASX Listing Rule 7.1 (**Resolution 2**); and
- (b) 96,663,004 Placement shares under ASX Listing Rule 7.1A (**Resolution 3**),

on 14 December 2020 (**Issue Date**).

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

At last year's AGM, the Company sought and obtained approval of its Shareholders under Listing Rule 7.1A to increase this 15% limit by an extra 10% to 25%.

The issue of Placement Shares did not fit within any of the exceptions (to ASX Listing Rules 7.1 and 7.1A) and, as it

has not been approved by the Company's Shareholders, it effectively uses up part of the expanded 25% limit in Listing Rule 7.1 and 7.1A, reducing the Company's capacity to issue further equity securities without Shareholder approval under Listing Rule 7.1 and 7.1A for the 12 month period following the Issue Date (noting that the extra 10% under Listing Rule 7.1A will expire unless re-approved by the Company's Shareholders on an annual basis).

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

A note to Listing Rule 7.4 also provides that an issue made in accordance with Listing Rule 7.1A can be approved subsequently under Listing Rule 7.4 and, if it is, the issue will then be excluded from variable "E" in Listing Rule 7.1A.2 (which means that the Company's capacity to issue further equity securities without Shareholder approval under Listing Rule 7.1A is not reduced).

The Company wishes to retain as much flexibility as possible to issue additional equity securities into the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1.

To this end, this Resolution seeks Shareholder approval to subsequently approve the issue of Placement Shares for the purposes of Listing Rule 7.4.

If Resolutions 2 and 3 are passed, the issue of Placement Shares will be excluded in calculating the Company's 25% capacity to issue equity securities under ASX Listing Rules 7.1 (15%) and 7.1A (10%) without Shareholder approval over the 12 month period following the Issue Date.

If Resolutions 2 and 3 are not passed, the issue of Placement Shares will be included in calculating the Company's 25% capacity to issue equity securities under ASX Listing Rules 7.1 (15%) and 7.1A (10%) without Shareholder approval over the 12 month period following the Issue Date.

Information required by ASX Listing Rule 7.5

The following information is provided to Shareholders for the purposes of Listing Rule 7.5.

- (a) The Placement Shares were issued to institutional and other sophisticated investors.
- (b) The Company issued:
 - (i) 98,936,996 Placement Shares under ASX Listing Rule 7.1 (**Resolution 2**); and
 - (ii) 96,663,004 Placement shares under ASX Listing Rule 7.1A (**Resolution 3**).
- (c) The Shares were fully paid on issue and ranked equally in all aspects with all existing fully paid ordinary shares previously issued by the Company.
- (d) The Placement Shares were issued on 14 December 2020.
- (e) Each of the Placement Shares were issued at an issue price of \$0.025 per Placement Share, which raise approximately \$4.89 million (before costs) for the Company.
- (f) Funds raised from the issue of the Shares have been and will be used by the Company to increase liquidity in the business and for general working capital.

Directors' recommendation

The Board of Directors recommend that Shareholders vote for this Resolution.

Resolution 4 – Ratification of Prior Issue of Shares to EFI

Background

As announced by the Company on 11 December 2020, the Placement (discussed above) was partially underwritten by Efficient Frontier Investing (**EFI**). As consideration for underwriting the Placement, the Company agreed to issue to EFI, 8,000,000 shares at a deemed issue price of \$0.025. The Shares were issued to EFI on 14 December 2020.

ASX Listing Rule 7.1

This Resolution proposes that Shareholders of the Company approve and ratify the prior issue and allotment of 8,000,000 fully paid ordinary shares which were issued on 14 December 2020 (**Issue Date**).

All of the Shares was issued by utilising the Company's existing capacity under Listing Rule 7.1.

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that

a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

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

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

The Company wishes to retain as much flexibility as possible to issue additional equity securities into the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1.

To this end, this Resolution seeks Shareholder approval to subsequently approve the issue of Shares to EFI for the purposes of Listing Rule 7.4.

If this Resolution is passed, the issue of Shares will be excluded in calculating the Company's 15% capacity to issue equity securities under Listing Rule 7.1 without Shareholder approval over the 12 month period following the Issue Date.

If this Resolution is not passed, the issue of Shares will be included in calculating the Company's 15% capacity to issue equity securities under Listing Rule 7.1 without Shareholder approval over the 12 month period following the Issue Date.

Information required by ASX Listing Rule 7.5

The following information is provided to Shareholders for the purposes of Listing Rule 7.5.

- (a) The Shares were issued to EFI.
- (b) The Company issued 8,000,000 Shares under ASX Listing Rule 7.1.
- (c) The Shares were fully paid on issue and ranked equally in all aspects with all existing fully paid ordinary shares previously issued by the Company.
- (d) The Placement Shares were issued on 14 December 2020.
- (e) Each of the Shares were issue for nil consideration.
- (f) Funds were not raised from the issue of the Share as the issue was made to EFI as consideration for partially underwriting the Placement.

Directors' recommendation

The Board of Directors recommend that Shareholders vote for this Resolution.

Approval of Issue of Securities

Resolution 5 – Approval of Issue of Placement Shares to Daniel Kleijn

Background

As announced by the Company on 11 December 2020, the Placement (discussed above) will be undertaken in two tranches. The first tranche of the Placement completed on 14 December 2020. The second tranche of 4,700,000 Placement Shares proposed to be issued to Directors of the Company is subject to the Company obtaining shareholder approval.

Daniel Kleijn has agreed to subscribe for \$67,500 worth of Placement Shares at an issue price of \$0.025 per Placement Share. Accordingly, this Resolution seeks Shareholder approval to issue and allot 2,700,000 Placement Shares to Daniel Kleijn, Director of the Company.

Listing Rule 10.11

ASX Listing Rule 10.11 provides that unless one of the exceptions in Listing Rule 10.12 applies, the Company, as a listed company, must not issue equity securities to persons in a position of influence without Shareholder approval.

A person in a position of influence for the purposes of Listing Rule 10.11 includes:

- (a) a related party;
- (b) a person who is, or was at any time in the 6 months before the issue of agreement, a substantial (30%+) holder in the Company;
- (c) a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the Company and who has nominated a director to the board of the Company pursuant to a relevant agreement which gives them a right or expectation to do so;
- (d) an Associate of a person referred to in (a) to (c) above; and
- (e) a person whose relationship with the Company or a person referred to in (a) to (d) above is such that, in the ASX's opinion, the issue or agreement should be approved by Shareholders.

As Daniel Kleijn is a Director of the Company, he is a person in a position of influence for the purposes of Listing Rule 10.11. The proposed issue does not fall within any of the exceptions in Listing Rule 10.12, and therefore requires the approval of the Company's Shareholders under Listing Rule 10.11.

To this end, this Resolutions seeks the required Shareholder approval to issue the Placement Shares to Daniel Kleijn under and for the purposes of Listing Rule 10.11.

If approval is obtained under Listing Rule 10.11, in accordance with Listing Rule 7.2 (exception 14), separate approval is not required under Listing Rule 7.1.

If this Resolution is passed, the Company will be able to proceed with the proposed issue of Placement Shares.

If this Resolution is not passed, the Company will not be able to proceed with the proposed issue of Placement Shares.

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

- (a) the giving of the financial benefit falls within one of the exceptions to the provisions; or
- (b) Shareholder approval is obtained prior to the giving of the financial benefit.

The proposed issue of Placement Shares (which is a type of equity security, for the purposes of the Chapter 2E of the Corporations Act) constitutes the giving of a financial benefit.

A "related party" for the purposes of the Corporations Act and the ASX Listing Rules is widely defined and includes a director of a public company, a spouse of a director of a public company or an entity controlled by a director of a public company. The definition of "related party" also includes a person whom there is reasonable grounds to believe will become a "related party" of a public company.

The non-conflicted Directors of the Company (being the Board with Daniel removed from discussions) carefully considered the issue of these Placement Shares to Daniel Kleijn and formed the view that the giving of this financial benefit are on arm's length terms, as the securities are proposed to be issue on the same terms as offered to non-related parties of the Company under the first tranche of the Placement.

Accordingly, the non-conflicted Directors of the Company believe that the issue of these Placement Shares to Daniel Kleijn fall within the "arm's length terms" exception as set out in section 210 of the Corporations Act, and relies on this exception for the purposes of this Resolution. Therefore, the proposed issue of Placement Shares to Daniel Kleijn requires Shareholder approval under and for the purposes of Listing Rule 10.11 only.

Information required by ASX Listing Rule 10.13

The following information in relation to the issue of the Placement Shares to Daniel Kleijn is provided to Shareholders for the purposes of ASX Listing Rule 10.13:

- (a) The allottees is Daniel Kleijn, Director of the Company.
- (b) Daniel Kleijn is a Director of the Company and falls within the category referred to in Listing Rule 10.11.
- (c) The maximum number of Placement Shares to be issued is 2,700,000.
- (d) The Shares will be fully paid on issue and rank equally in all aspects with all existing fully paid ordinary shares previously issued by the Company.
- (e) The Placement Shares will be issued within 1 month of Shareholder approval being obtained by the Company (or otherwise, as determined by the ASX in the exercise of their discretion).
- (f) The Placement Shares will be offered at an issue price of \$0.025 per Placement Share.
- (g) Funds raised from the issue of the Shares will be used by the Company to increase liquidity in the business

and for general working capital.

Resolution 6 – Approval of Issue of Placement Shares to Tim Storey

Background

As announced by the Company on 11 December 2020, the Placement (discussed above) will be undertaken in two tranches. The first tranche of the Placement completed on 14 December 2020. The second tranche of 4,700,000 Placement Shares proposed to be issued to Directors of the Company is subject to the Company obtaining shareholder approval.

Tim Storey, Director of the Company, has agreed to subscribe for \$50,000 worth of Placement Shares at an issue price of \$0.025 per Placement Share. Funds will not be raised from the issue of these Placement Shares as the Company has agreed to offset the amount payable by Tim Storey for the Placement Shares with cash remuneration amounting to \$50,000 owed by the Company to Tim Storey for director fees for the period from 1 April 2020 to 31 December 2020. The remaining \$28,750 owed to Mr Storey for director fees for the period from 1 April 2020 to 31 December 2020 has been paid in cash. The proposed issue will be a cost effective and efficient method to remunerate Tim Storey and preserve the Company's cash reserves.

Accordingly, this Resolution seeks Shareholder approval to issue and allot 2,000,000 Placement Shares to Tim Storey, Director of the Company.

Listing Rule 10.11

ASX Listing Rule 10.11 provides that unless one of the exceptions in Listing Rule 10.12 applies, the Company, as a listed company, must not issue equity securities to persons in a position of influence without Shareholder approval.

A person in a position of influence for the purposes of Listing Rule 10.11 includes:

- (a) a related party;
- (b) a person who is, or was at any time in the 6 months before the issue of agreement, a substantial (30%+) holder in the Company;
- (c) a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the Company and who has nominated a director to the board of the Company pursuant to a relevant agreement which gives them a right or expectation to do so;
- (d) an Associate of a person referred to in (a) to (c) above; and
- (e) a person whose relationship with the Company or a person referred to in (a) to (d) above is such that, in the ASX's opinion, the issue or agreement should be approved by Shareholders.

As Tim Storey is a Director of the Company, Tim Storey is a person in a position of influence for the purposes of Listing Rule 10.11. The proposed issue does not fall within any of the exceptions in Listing Rule 10.12, and therefore requires the approval of the Company's Shareholders under Listing Rule 10.11.

To this end, this Resolution seeks the required Shareholder approval to issue the Placement Shares to Tim Storey under and for the purposes of Listing Rule 10.11.

If approval is obtained under Listing Rule 10.11, in accordance with Listing Rule 7.2 (exception 14), separate approval is not required under Listing Rule 7.1.

If this Resolution is passed, the Company will be able to proceed with the proposed issue of Placement Shares.

If this Resolution is not passed, the Company will not be able to proceed with the proposed issue of Placement Shares.

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

- (a) the giving of the financial benefit falls within one of the exceptions to the provisions; or
- (b) Shareholder approval is obtained prior to the giving of the financial benefit.

The proposed issue of Placement Shares (which is a type of equity security, for the purposes of the Chapter 2E of the Corporations Act) constitutes the giving of a financial benefit.

A "related party" for the purposes of the Corporations Act and the ASX Listing Rules is widely defined and includes a director of a public company, a spouse of a director of a public company or an entity controlled by a director of a public company. The definition of "related party" also includes a person whom there is reasonable grounds to believe will become a "related party" of a public company.

The non-conflicted Directors of the Company (being the Board with Tim excluded from discussions) carefully considered the issue of these Placement Shares to Tim Storey, and formed the view that the giving of this financial benefit in lieu their remuneration would be reasonable, given the circumstances of the Company, the quantum and terms of the Shares, and the responsibilities held by Tim Storey in the Company.

Accordingly, the non-conflicted Directors of the Company believe that the issue of these Placement Shares to Tim Storey falls within the “reasonable remuneration” exception as set out in section 211 of the Corporations Act, and relies on this exception for the purposes of this Resolution. Therefore, the proposed issue of Placement Shares to Tim Storey requires Shareholder approval under and for the purposes of Listing Rule 10.11 only.

Information required by ASX Listing Rule 10.13

The following information in relation to the issue of the Placement Shares to Tim Storey is provided to Shareholders for the purposes of ASX Listing Rule 10.13:

- (a) The allottees is Tim Storey, Director of the Company.
- (b) Tim Storey is a Director of the Company and falls within the category referred to in Listing Rule 10.11.
- (c) The maximum number of Placement Shares to be issued is 2,000,000.
- (d) The Shares will be fully paid on issue and rank equally in all aspects with all existing fully paid ordinary shares previously issued by the Company.
- (e) The Placement Shares will be issued within 1 month of Shareholder approval being obtained by the Company (or otherwise, as determined by the ASX in the exercise of their discretion).
- (f) The Placement Shares will be offered for nil consideration.
- (g) Funds will not be raised from the issue of these Placement Shares as the Company has agreed to offset the amount payable by Tim Storey for the Placement Shares with cash remuneration amounting to \$50,000 owed by the Company to Tim Storey for director fees for the period from 1 April 2020 to 31 December 2020.
- (h) The current total remuneration package received by the relevant Director is \$105,000.

Resolution 7 – Approval of Issue of Shares to Anthony Murphy, Director of the Company

Background

This Resolution seeks Shareholder approval to issue and allot 2,250,000 fully paid ordinary shares in lieu of director fees for the period from 1 April 2020 to 31 December 2020 (**Remuneration Shares**) to Anthony Murphy, Director of the Company.

The Company has agreed, subject to obtaining Shareholder approval under this Resolution 7, to issue \$56,250 worth of Shares to Anthony Murphy, Director of the Company in lieu of cash remuneration owed to Anthony Murphy for the period from 1 April 2020 to 31 December 2020. The Remuneration Shares will be issued at a deemed issue price of \$0.025 per Remuneration Share. The proposed issue will be a cost effective and efficient method to remunerate Anthony Murphy and preserve the Company’s cash reserves. The issue of the Remuneration Shares is in full and final satisfaction of the amount owed to Mr Murphy in relation to remuneration owed for the period 1 April 2020 to 31 December 2020.

Listing Rule 10.11

ASX Listing Rule 10.11 provides that unless one of the exceptions in Listing Rule 10.12 applies, the Company, as a listed company, must not issue equity securities to persons in a position of influence without Shareholder approval.

A person in a position of influence for the purposes of Listing Rule 10.11 includes:

- (a) a related party;
- (b) a person who is, or was at any time in the 6 months before the issue of agreement, a substantial (30%+) holder in the Company;
- (c) a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the Company and who has nominated a director to the board of the Company pursuant to a relevant agreement which gives them a right or expectation to do so;
- (d) an Associate of a person referred to in (a) to (c) above; and
- (e) a person whose relationship with the Company or a person referred to in (a) to (d) above is such that, in the

ASX's opinion, the issue or agreement should be approved by Shareholders.

As Anthony Murphy is a Director of the Company, he is a person in a position of influence for the purposes of Listing Rule 10.11. The proposed issue does not fall within any of the exceptions in Listing Rule 10.12, and therefore requires the approval of the Company's Shareholders under Listing Rule 10.11.

To this end, this Resolutions seeks the required Shareholder approval to issue the Remuneration Shares to Anthony Murphy under and for the purposes of Listing Rule 10.11.

If approval is obtained under Listing Rule 10.11, in accordance with Listing Rule 7.2 (exception 14), separate approval is not required under Listing Rule 7.1.

If this Resolution is passed, the Company will be able to proceed with the proposed issue of Remuneration Shares

If this Resolution is not passed, the Company will not be able to proceed with the proposed issue of Remuneration Shares.

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

- (a) the giving of the financial benefit falls within one of the exceptions to the provisions; or
- (b) Shareholder approval is obtained prior to the giving of the financial benefit.

The proposed issue of Remuneration Shares (which is a type of equity security, for the purposes of the Chapter 2E of the Corporations Act) constitutes the giving of a financial benefit.

A "related party" for the purposes of the Corporations Act and the ASX Listing Rules is widely defined and includes a director of a public company, a spouse of a director of a public company or an entity controlled by a director of a public company. The definition of "related party" also includes a person whom there is reasonable grounds to believe will become a "related party" of a public company.

The non-conflicted Directors of the Company (being the Board with Anthony excluded from discussions) carefully considered the issue of these Remuneration Shares to Anthony Murphy, and formed the view that the giving of this financial benefit in lieu their remuneration would be reasonable, given the circumstances of the Company, the quantum and terms of the Shares, and the responsibilities held by Anthony Murphy in the Company.

Accordingly, the non-conflicted Directors of the Company believe that the issue of these Remuneration Shares to Anthony Murphy fall within the "reasonable remuneration" exception as set out in section 211 of the Corporations Act, and relies on this exception for the purposes of this Resolution. Therefore, the proposed issue of Remuneration Shares to Anthony Murphy requires Shareholder approval under and for the purposes of Listing Rule 10.11 only.

Information required by ASX Listing Rule 10.13

The following information in relation to the issue of the Remuneration Shares to Anthony Murphy is provided to Shareholders for the purposes of ASX Listing Rule 10.13:

- (a) The allottee is Anthony Murphy.
- (b) Anthony Murphy is a director of the Company and fall into the category referred to in Listing Rule 10.11.1.
- (c) The maximum number of Remuneration Shares to be issued is 2,250,000.
- (d) The Shares will be fully paid on issue and rank equally in all aspects with all existing fully paid ordinary shares previously issued by the Company.
- (e) The Remuneration Shares will be issued within 1 month of Shareholder approval being obtained by the Company (or otherwise, as determined by the ASX in the exercise of their discretion).
- (f) The Remuneration Shares will be offered for nil cash consideration.
- (g) Funds will not be raised from the issue of these Remuneration Shares are proposed to be issued to Anthony Murphy in lieu of director fees amounting to \$56,250 for the period from 1 April 2020 to 31 December 2020.
- (h) The current total remuneration package received by the relevant Director is \$75,000.

Adoption of Equity Incentive Plan

Resolution 8 – Adoption of Equity Incentive Plan

Background

Shareholder approval is being sought to adopt an employee incentive scheme entitled “LawFinance Group Equity Incentive Plan” (**Equity Incentive Plan**) under Resolution 8 of this Notice of Meeting.

The Equity Incentive Plan is an incentive scheme which provides an opportunity for all eligible persons to share in the Company’s possible future success.

A copy of the rules of the Equity Incentive Plan is set out in Annexure B. A summary of the key terms of the Equity Incentive Plan is set out in the rules of the Equity Incentive Plan under the heading “Overview”.

ASX Listing Rules

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

If this Resolution is approved by Shareholders for all purposes under the Corporations Act and the ASX Listing Rules, including ASX Listing Rule 7.2 (exception 13(b)), it will have the effect of enabling the securities issued by the Company under the Equity Incentive Plan to be automatically excluded from the formula to calculate the number of securities which the Company may issue in any 12 month period using Listing Rule 7.1 (15% capacity) during the next three year period.

The Company advises that Shareholder approval for the Equity Incentive Plan has not been previously sought from Shareholders under ASX Listing Rule 7.2 (exception 13(b)). Accordingly, this would be the first time that the Company has sought Shareholder approval for the Equity Incentive Plan for the purposes of ASX Listing Rule 7.2 (exception 13(b)). If this Resolution is approved by Shareholders, the Company will issue up to a maximum of 450,000,000 equity securities under the Equity Incentive Plan during the three year period following approval (for the purposes of exception 13).

Corporations Act

Shareholder loans

The Board may, in its discretion, also determine that the Company will provide non-recourse loans to participants to use to pay the subscription price for the purchase of Loan Funded Shares under the Equity Incentive Plan.

Permit the Company to take security over its own Shares

Section 259B(1) of the Corporations Act prohibits a company taking security over shares in itself or in a company that controls it, unless one of the exceptions in subsections 259B(2) or 259B(3) applies. Section 259B(2) of the Corporations Act permits the taking of security by a Company over its own Shares, if the security is taken over shares issued under an employee share scheme approved at a meeting of shareholders via an Ordinary Resolution.

Employee share scheme is defined widely by the Corporations Act and includes the Equity Incentive Plan.

Accordingly, Shareholder approval is being sought under this Resolution to approve the Equity Incentive Plan in order for the Company to take security over its own Shares issued under the Equity Incentive Plan if required to do so.

Exemption for financial assistance

Section 260A of the Corporations Act provides that a company may financially assist a person to acquire shares in the company or a holding company of the company only if:

- (a) giving of the assistance does not materially prejudice the interests of the company or its shareholders, or the company’s ability to pay its creditors;
- (b) the assistance is approved by shareholders under section 260B of the Corporations Act; or
- (c) the assistance is exempted under section 260C of the Corporations Act.

Section 260C(4) of the Corporations Act provides an exemption to financial assistance, if the financial assistance is given under an employee share scheme approved at a meeting of shareholders via an Ordinary Resolution.

As noted above and set out in Annexure B, the terms of the Equity Incentive Plan envisages the giving of financial assistance by the Company to eligible and invited participants in the form of interest free, non-recourse loans to acquire Loan Funded Shares in the Company.

Although the Board does not consider that the giving of financial benefit under the Equity Incentive Plan will materially prejudice the interests of the company or its shareholders, or the company’s ability to pay its creditors, Shareholder approval is being sought under this Resolution to enable the Company to qualify for the special exemption offered by section 260C(4) of the Corporations Act.

Directors Recommendation

The Board of Directors recommend that Shareholders vote for this Resolution.

Approval of issue of Incentive Options under the Equity Incentive Plan

Resolution 9 – Approval of Issue of Incentive Options to Daniel Kleijn, Director of the Company

Background

As announced by the Company on 9 December 2020, the Company appointed Daniel Kleijn as Chief Executive Officer and Managing Director of the Company. In accordance with the terms of his appointment, the Company has agreed to remunerate Daniel as follows:

- (a) fixed remuneration of \$575,000 per annum inclusive of superannuation;
- (b) short term incentives up to 75% of his fixed remuneration for the 2021 financial year;
- (c) on commencement, a grant of 45,833,333 unlisted options (**Incentive Options**) under the Equity Incentive Plan for which shareholder approval is being sought under Resolution 8 of this Notice of Meeting; and
- (d) following the occurrence of certain adjustment events (if any), that number of additional Incentive Options calculated in the manner set out under the heading “Adjustment Events”.

Accordingly, Shareholder approval is being sought under this Resolution 9 to issue 45,833,333 Incentive Options, together with such number of additional Incentive Options calculated in the manner set out under the heading “Adjustment Events”, to Daniel Kleijn under the Equity Incentive Plan.

A summary of the material terms of the options are as follows:

Type of Incentive Security	Material terms
Unlisted options	<ul style="list-style-type: none">Each option gives the holder the right to acquire one fully paid ordinary shares.Each option is exercisable at \$0.049, each vesting 3 years from the date of issue and expiring 4 years from the date of issue.Shares issued on conversion of the options will rank equally with all other fully paid ordinary share previously issued by the Company.

Adjustment Events

Entitlement Issue

The strike price of the Incentive Options will be adjusted according to the following formula if the Company undertakes an entitlement issue:

Current strike price multiplied by the theoretical ex-rights price divided by the share price immediately prior to the announcement of the entitlement issue.

Capital Restructure

The Company has agreed with Daniel Kleijn that if the capital of the Company is restructured by way of the conversion of certain liabilities to equity within nine months of the date of his employment commencing (**Restructure**), the number of Incentive Options granted to Mr Kleijn, and their strike price, will be adjusted. That adjustment will be worked out in accordance with the following paragraphs.

On the day prior to the announcement of the Restructure, the following calculation will be applied:

Amount of liabilities converted to equity, divided by the issue price of the equity, plus the number of fully diluted shares outstanding prior to conversion = **AA**

The market capitalisation of the Company, prior to the announcement of the Restructure, divided by AA will result in an estimated post conversion share price (**PCSP**) to which the agreed principles are applied:

- PCSP multiplied by 148% premium equals the adjusted strike price;
- calculate the Option value by applying a Black-Scholes valuation model, using the PCSP and adjusted strike price (**Adjusted Option Value**);
- calculate the Tranche 1 Option value by applying a Black-Scholes valuation model on the day prior to announcement of the Restructure multiplied by 25,000,000 (**Tranche 1 Option Value**); and

- divide the Tranche 1 Option Value by the Adjusted Option Value which results in the number of additional options to be issued to Mr Kleijn.

Director and Related Party Approvals

ASX Listing Rule 10.14 provides that a listed company must not permit any of the following persons to acquire securities under an employee incentive scheme unless it obtains the approval of its shareholders:

- (a) a director of the Company;
- (b) an associate of a director of the Company; or
- (c) a person whose relationship with the Company or a person referred to in Listing Rule 10.14.1 or 10.14.2 is such that, in ASX's opinion, the acquisition should be approved by its shareholders.

As Daniel Kleijn is a Director of the Company, the proposed issue of Incentive Options constitutes the acquisition of securities under an employee incentive scheme for the purposes of Listing Rule 10.14 and therefore requires the approval of the Company's shareholders under Listing Rule 10.14.

To this end, this Resolution seeks the required Shareholder approval to issue the Incentive Options to Daniel Kleijn under and for the purposes of Listing Rule 10.14.

If approval is obtained under Listing Rule 10.14, in accordance with Listing Rule 10.12 (exception 8), separate approval is not required under Listing Rule 10.11.

If this Resolution is passed, the Company will be able to proceed with the proposed issue of Incentive Options.

If this Resolution is not passed, the Company will not be able to proceed with the proposed issue of Incentive Options.

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

- (a) the giving of the financial benefit falls within one of the exceptions to the provisions; or
- (b) Shareholder approval is obtained prior to the giving of the financial benefit.

The proposed issue of Incentive Options constitutes the giving of a financial benefit.

A "related party" for the purposes of the Corporations Act and the ASX Listing Rules is widely defined and includes a director of a public company, a spouse of a director of a public company or an entity controlled by a director of a public company. The definition of "related party" also includes a person whom there is reasonable grounds to believe will become a "related party" of a public company.

The non-conflicted Directors of the Company (being the Board with Daniel excluded from discussions) carefully considered the issue of these Incentive Options to Daniel Kleijn, and formed the view that the giving of this financial benefit as part of their remuneration would be reasonable, given the circumstances of the Company, the quantum and terms of the Incentive Options, and the responsibilities held by Daniel Kleijn in the Company.

Accordingly, the non-conflicted Directors of the Company believe that the issue of these Incentive Options to Daniel Kleijn fall within the "reasonable remuneration" exception as set out in section 211 of the Corporations Act, and relies on this exception for the purposes of this Resolution. Therefore, the proposed issue of Incentive Options to Daniel Kleijn requires Shareholder approval under and for the purposes of Listing Rule 10.11 only.

Information Required by ASX Listing Rule 10.15

The following information in relation to the issue of Incentive Options to Daniel Kleijn is provided to Shareholders for the purposes of ASX Listing Rule 10.15:

- (a) The allottee is Daniel Kleijn, Director of the Company.
- (b) Daniel Kleijn is the Managing Director of the Company, and falls into the category referred to in Listing Rule 10.14.1.
- (c) The maximum number of Incentive Options that may be acquired by Daniel Kleijn is 45,833,333, subject to adjustment in the circumstances and in the manner described under the heading "Adjustment Events", above.
- (d) The current total remuneration package received by the relevant Director is as follows:
 - (i) fixed remuneration of \$575,000 per annum inclusive of superannuation;
 - (ii) short term incentives up to 75% of his fixed remuneration for the 2021 financial year; and
 - (iii) on commencement, a grant of 45,833,333 Incentive Options under the Equity Incentive Plan, subject to shareholder approval under Resolutions 8 and 9 of this Notice of Meeting and adjustment in the circumstances and in the manner described under the heading "Adjustment Events", above.

- (e) The material terms of the Incentive Options are set out in Annexure B.

The Company has chosen this type of security because it aligns the CEO with the objectives of Shareholders. The Incentive Options are valued at approximately \$412,500 by applying a Black-Sholes valuation of the option at the agreed strike price and the share price at the time of the commencement of Employment

- (f) The Incentive Options will be issued within 3 years from the date of this Meeting, if approved by Shareholders of the Company.
- (g) The Incentive Options are being issued for nil consideration pursuant to the terms of the Equity Incentive Plan.
- (h) A copy of the rules of the Equity Incentive Plan, together with the terms of the Loan which the Board may extend to Mr Kleijn if he determines to exercise the Incentive Options, is set out in Annexure B.
- (i) Details of any securities issued under the Equity Incentive Plan will be published in each annual report of the Company relating to a period which securities have been issued, and that approval for the issue of securities was obtained under ASX Listing Rule 10.14. Any additional persons who become entitled to participate in the Equity Incentive Plan after the resolution was approved and who were not named in the notice of meeting will not participate until approval is obtained under ASX Listing Rule 10.14.

Enquiries

Shareholders are asked to contact the Company Secretary on +61 2 8072 1400 if they have any queries in respect of the matters set out in these documents.

Glossary

A\$ or \$ means Australian Dollars.

AEDT means Australian Eastern Daylight Time as observed in Sydney, New South Wales.

Associate has the meaning given to it by the ASX Listing Rules.

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

ASX Listing Rules means the official ASX Listing Rules of the ASX and any other rules of the ASX which are applicable while the Company is admitted to the official list of the ASX, as amended or replaced from time to time, except to the extent of any express written waiver by the ASX.

Board means the current board of Directors of the Company.

Chair means the person chairing the EGM.

Company means LawFinance Limited ACN 088 749 008.

Corporations Act means the *Corporations Act 2001* (Cth) as amended or replaced from time to time.

Director means a current director of the Company.

Equity Incentive Plan has the meaning given to that term in the Explanatory Statement to Resolution 8.

Explanatory Statement means the explanatory statement accompanying this Notice of Meeting.

Extraordinary General Meeting or **EGM** means an extraordinary general meeting of the Company and, unless otherwise indicated, means the meeting of Shareholders convened by this Notice of Meeting.

FCCD Facility has the meaning given to that term in the Explanatory Statement to Resolution 1.

Independent Expert means Grant Thornton Corporate Finance Pty Ltd .

Independent Expert's Report means the report prepared by the Independent Expert in relation to the Transaction.

JustKapital means JustKapital Litigation Pty Ltd ACN 168 872 606.

JustKapital Group has the meaning given to that term in the Explanatory Statement to Resolution 1.

Legal Equity Partners means Legal Equity Partners Pty Ltd ACN 647 477 183.

LCF means Lucerne Composite Master Fund.

Notice of Meeting means this notice of extraordinary general meeting dated 26 February 2021, including the Explanatory Statement and all annexures.

Ordinary Resolution means a resolution that can only be passed if at least 50% of the total votes cast by Shareholders entitled to vote on the resolution are voted in its favour at the meeting.

Outstanding Cases has the meaning given to that term in the Explanatory Statement to Resolution 1.

Placement has the meaning given to that term in the Explanatory Statement to Resolutions 2 and 3.

Placement Shares has the meaning given to that term in the Explanatory Statement to Resolutions 2 and 3.

Proxy Form means the proxy form attached to this Notice of Meeting.

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

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

Shareholder means a holder of a Share.

Share Registry means Automic Pty Ltd, Level 5, 126 Phillip Street, Sydney NSW 2000.

Sale Agreement means the share purchase agreement entered into by the Company and Legal Equity Partners, dated and announced on 29 January 2021.

Transaction has the meaning given to that term in the Explanatory Statement to Resolution 1.

Annexure A – Independent Expert’s Report



Grant Thornton

An instinct for growth™

LawFinance Limited

Independent Expert's Report and Financial Services Guide

24 February 2021

Summary of opinion

Grant Thornton Corporate Finance has concluded that the Proposed Transaction is FAIR AND REASONABLE to the Non-Associated Securityholders.



The Independent Directors
LawFinance Limited
Level 16,
56 Pitt Street,
Sydney, NSW 2000

24 February 2021

Dear Directors

Independent Expert's Report and Financial Services Guide

Introduction

LawFinance Limited ("LawFinance" or "the Company") is primarily focussed on providing funding for out of pocket expenses (disbursements) for law firms in Australia¹ and personal injury related medical liens for accident victims in the United States². The Company also has a litigation funding business that has been in run-off for a number of years ("Litigation Funding Business" or "Litigation Portfolio"). The Litigation Portfolio comprises six cases held in its 100% owned subsidiary JustKapital Litigation Pty Ltd ("JustKapital Litigation") and three subsidiaries³.

In FY18, the Board of Directors of LawFinance resolved to focus on the Core Business and exit the Litigation Funding Business due to the high uncertainty of the revenue streams (given the difficulty in accurately predicting the timing and resolution of cases) and the capital intensity of the business, which stretched the Company's working capital resources. As a result, the Litigation Portfolio was put into "run off", with no new cases funded and existing cases funded to completion and exited where possible.

The current remaining six cases have drawn out for longer than was originally expected⁴, consuming scarce resources of the Directors and management team of the Company ("Management"). In addition, the funding requirements have exceeded their original budgets putting a strain on the Company's working capital resources and financial position. As a result, Management has decided to pursue a sale of the Litigation Portfolio.

On 29 January 2021, the Company announced on the Australian Securities Exchange ("ASX") that it had entered into a conditional agreement ("Share Purchase Agreement", or "SPA") to sell 100% of the shares in JustKapital Litigation to Legal Equity Partners Pty Ltd ("LEP"), a subsidiary of Lucerne Composite Master Fund ("LCF") for a nominal amount ("Proposed Transaction"). The Proposed Transaction equates to a debt and cash free transaction value of at least A\$10 million as LCF (following a debt assignment to it), is owed a minimum of A\$10 million in relation to funding provided for four cases ("LCF Funded Cases"), which is secured against the

¹ "Disbursement Funding Business" or "JustKapital Finance".

² "Medical Lien Funding Business". The Disbursement Funding Business and Medical Lien Funding Business herein collectively referred to as the "Core Business".

³ Three subsidiaries of JustKapital Litigation: JKL1 LLC, JustKapital Portfolio Pty Ltd and JustKapital Co-funding No 1 Pty Ltd.

⁴ In the FY18 PPB Independent Expert Report, the Portfolio was expected to generate cashflows until approximately 30 June 2020.

proceeds from those four cases ("LCF Facility"). There are two other cases that have not been funded under the LCF Facility ("Non-LCF Funded Cases").

Furthermore, in the event that the Litigation Portfolio generates proceeds in excess of the amount owed under the LCF Facility (including future additional funding required to progress the cases), LawFinance will be entitled to 50% of those proceeds ("Conditional Amount 1"). The Conditional Amount 1 also includes the proceeds from one of the Non-LCF Funded Cases. In the other Non-LCF Funded case, the Company will receive 50% of the proceeds net of any additional costs incurred ("Conditional Amount 2"). The nominal amount of A\$1 for the sale of the shares in JustKapital Litigation plus the Conditional Amount 1 and Conditional Amount 2 herein collectively referred to as the "Consideration".

In addition, under the terms of the Share Purchase Agreement, LEP has agreed to lend up to A\$1 million to JustKapital Litigation and its subsidiaries to fund future activities from the period that the Share Purchase Agreement was entered into until the completion of the Proposed Transaction which would increase the transaction value at completion. Any funding provided by LEP would be repaid by JustKapital Litigation to the extent funds are available if the Proposed Transaction does not proceed.

Given the uncertainties inherent in the litigation outcomes of various cases, JustKapital Litigation is currently in the process of seeking to restructure certain of its funding arrangements ("Restructure") to improve the economics for various stakeholders and the likelihood of successful resolution of certain cases. As per the Company's 29 January 2021 announcement on the Australian Securities Exchange ("ASX"), it was noted that during the ongoing review of the business by the management team, it became apparent that (i) the Company is not in a strong enough capital position to constructively remain in and grow the Litigation Funding Business, and (ii) the amount of secured debt against the cases and the continued requests for further funding of the cases has resulted in a lower probability of recovery for the Company than originally envisaged. The outcome and terms of the Restructure, assuming an agreement is reached between all stakeholders, is currently unknown and highly uncertain given the number of parties involved and their competing interests.

We note that the Independent Directors of LawFinance are expected to unanimously recommend that the securityholders not associated with the Proposed Transaction ("Non-Associated Securityholders") vote in favour of the Proposed Transaction, subject to the Independent Expert opining that the Proposed Transaction is fair and reasonable, and in the absence of a superior proposal. Subject to those same two qualifications, the Independent Directors intend to vote unanimously in favour of the Proposed Transaction.

Purpose of the report

An IER in relation to the Proposed Transaction is required under ASX LR 10 and Chapter 2E of the Corporations Act since LCF owns c. 19.8% of LawFinance. Accordingly, the sale of the Litigation Funding business constitutes the sale of a substantial asset to a related party.

When preparing the independent expert's report, Grant Thornton Corporate Finance will also have regard to ASIC Regulatory Guide 111 Contents of expert reports ("RG111") and Regulatory Guide 112 Independence of experts ("RG 112"). The independent expert's report will also include other information and disclosures as required by ASIC.

The Company recognises that our independent expert's report will be prepared for the specific purpose as set out above and confirms that neither the whole or part of our report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement other than the notice of meeting and

explanatory memorandum without prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.

Summary of opinion

Grant Thornton Corporate Finance has concluded that the Proposed Transaction is FAIR AND REASONABLE to the Non-Associated Securityholders.

In forming our opinion, Grant Thornton Corporate Finance has considered whether the Proposed Transaction is fair and reasonable to the Non-Associated Securityholders and other quantitative and qualitative considerations.

Fairness Assessment

In forming our opinion in relation to the fairness of the Proposed Transaction to the Non-Associated Securityholders, Grant Thornton Corporate Finance has compared the value of the Litigation Portfolio to the Consideration.

The following table summarises our valuation assessment:

Fairness assessment A\$m unless otherwise stated	Section Reference	Low	High
Fair market value of JustKapital Litigation	6.3	(7.7)	7.5
Consideration offered	6.4	0.0	2.5
Premium/(discount)		7.7	(5.0)
FAIRNESS ASSESSMENT		FAIR	

Source: GTCF Calculations

Our valuation of the Consideration falls within the fair market value of JustKapital Litigation and the Proposed Transaction is therefore fair to the Non-Associated Securityholders. Non-Associated Securityholders should be aware that the valuation of JustKapital Litigation is highly uncertain as it depends on the outcome of the existing litigation cases. These are not feasible to predict with a high degree of certainty at this point in time. The valuation assessment undertaken by Grant Thornton represents a range of possible outcomes based on the assumptions adopted, the information reviewed and discussions held with Management. We also note that given the cases are currently in progress, the level of disclosure in this Report is limited in order not to impair the potential commercial outcomes for the Company.

We have assessed the fair market value of JustKapital Litigation by adopting a discounted cash flow method ("DCF Method"). In determining the value range, we assumed that the Restructuring is successful and have considered four scenarios based on the potential outcomes and timing of the cases associated with the Litigation Portfolio. We note that the low-end of our assessed range is negative as it represents the potential costs that the Company may be required to fund if it is not successful in the litigations. We have cross-checked our valuation assessment using a market-based approach having regard to the enterprise value as a multiple of the carrying value of the invested capital ("MOIC").

Reasonableness Assessment

RG111 establishes that the offer is reasonable if it is fair. It might also be reasonable if, despite being not fair, there are sufficient reasons for the securityholders to accept the offer in the absence of any superior proposal.

In assessing the reasonableness of approving the Proposed Transaction, we have considered the following advantages, disadvantages and other factors.

Advantages

Removal of funding requirements for the Litigation Portfolio

The Core Business has been reliant on additional debt and equity funding to fund negative operating cashflows in CY18, CY19 and CY20. We note the Company's financial performance worsened considerably in CY20 as a result of the COVID-19 pandemic which caused a slowdown of the legal systems in Australia and the US as court rooms were closed and proceedings delayed to allow new virtual processes to be implemented. In addition, stay-at-home orders and lockdowns to limit the spread of the virus resulted in fewer originations due to fewer accidents (for instance a reduction in traffic activity reduced the number of accidents). In order to generate sufficient cashflow to meet its liabilities during this period, LawFinance accepted higher discounts on its receivables than previously, which led to an impairment charge of US\$11.7 million in 1H20. Management also expects to write off US\$30.6 million of goodwill associated with the 2018 acquisition of National Health Finance LLC ("NHF") in its 2020 annual report. In CY19 and 1H20, LawFinance's auditor noted a material uncertainty regarding its ability to continue as a going concern due to breach of loan covenants which resulted in a significant working capital deficiency due to the loans being reclassified from non-current to current. However, to date none of LawFinance's financiers have demanded repayment of their loans and have been willing to continue to support the Company.

Given its current financial position, LawFinance's ability to continue to fund the Litigation Portfolio is, subject to case outcomes, potentially limited without securing external funding. Such funding would be required within the next six to twelve months. If the Company is able to achieve the Restructure, it could potentially reduce future funding requirements, although this would also subordinate LawFinance's claim on proceeds generated in any potential proceeds from the cases. However, the Company would potentially remain exposed to further funding requirements in the future if further funding was required to complete the cases.

We note that the Company is currently in technical default following the breach of covenants related to several of its loans including several covenants (including its interest cover covenant) on its Syndicated Acquisition Facility loans ("SAF") of c. US\$30.7 million⁵. It is also in breach of several covenants related to the Atalaya Capital Management facility loan of c US\$34.3⁶ million ("Atalaya Facility"). Accordingly the Company's financiers could demand repayment of its debt facilities at any point subject, however, to the SAF standstill arrangements that were entered into on 12 February 2021. The Proposed Transaction will remove the need for LawFinance to provide any further funding to the Litigation Portfolio, allowing the Company to prioritise funding for its Core Business and reduce the risk of the appointment of administrators. We note that an administration of JustKapital Litigation would likely make raising equity for the Company, if it requires to do so, more challenging and cause further events of defaults under contracts held by other entities in the broader LawFinance Group.

Elimination of downside risks of owning the Litigation Portfolio

The Proposed Transaction will significantly derisk LawFinance from holding the Litigation Portfolio. Many of the cases have been ongoing for several years, and there is a risk that conclusion of the cases could take longer

⁵ As at 30 June 2020.

⁶ As at 30 June 2020.

than anticipated by Management. Furthermore, the Company's exposure to adverse costs and funding requirements could be higher than anticipated.

Under the terms of the LCF Facility, JustKapital Litigation is required to repay the LCF Facility Loan by 17 July 2021. We note the LCF Facility loan which consists of a minimum return to LCF of at least A\$3 million due by 17 July 2021 ("Minimum Return") plus c. A\$7 million in loan funding. Management has advised that the Minimum Return is at least A\$3 million but could be higher, subject to case outcomes. However, repayment of the LCF Facility is not dependent on the successful conclusion of any cases in the Litigation Portfolio and if there are delays to Management's assumptions on the timing of conclusion of the cases, JustKapital Litigation will be required to fund at least A\$10 million (or more) or attempt to renegotiate the terms of the LCF Facility. It is possible that if some of the cases go to trial, judgements could be appealed, resulting in delays to any potential returns. Furthermore mediation could be unsuccessful and drag on, with any potential settlement delayed.

In relation to adverse cost risk, LawFinance has taken out ATE insurance cover in the instance that cases are lost. If cases are lost, the defendant is entitled to seek recovery of a portion of their costs incurred to fund their defence. However, the level of insurance cover could be insufficient given that JustKapital Litigation has limited visibility of the legal costs incurred by the defendants and is generally only able to estimate them based on its own costs incurred or limited information provided by the defendants. In the event that any of its cases are lost, and the defendants make a claim for adverse costs, JustKapital Litigation could be exposed to a potential shortfall of its ATE insurance.

Future funding requirements could be higher than forecast by Management. Even if the Company is able to achieve the Restructure and secure funding from other parties, its interest in the cases will likely be diluted, and any new funding from third parties would likely be provided on a prioritised basis, subordinating any returns to JustKapital Litigation from successful completion of the cases. In addition, the Restructure would require agreement from certain secured lenders, LCF and various other stakeholders. In the absence of the Proposed Transaction, there is a risk that JustKapital Litigation will not be able to meet all further funding requirements or achieve the Restructure, which may then ultimately result in the appointment of voluntary administrators.

By entering into the Proposed Transaction, LawFinance will effectively eliminate the downside risks associated with owning the Litigation Portfolio. These risks include the responsibility for future funding, lower than expected returns, the risk of potential adverse costs, and timing delays. In exchange, the Company will forego 50% of any upside that exceeds the secured LCF Facility loan.

Specialised and more strategically aligned business without JustKapital Litigation

If the Proposed Transaction is completed, it will create a specialised business with a strategic focus on disbursement and medical lien funding which should be better positioned to compete in the marketplace.

- *Specialised, strategic direction* – LawFinance has other strategic priorities that require funding and focus ahead of the Litigation Funding Business, particularly the Core Business. Retaining the Litigation Portfolio would also require substantial management involvement, diverting attention from more strategically important parts of the business.
- *Ability to raise capital* – completion of the Proposed Transaction should provide the Company with greater ability to raise equity capital to fund the strategic priorities. Exiting the litigation funding business would reduce group complexity and the risk of further adverse case developments. Securityholders may benefit from an enhanced interest from investors to participate in a specialist disbursement and medical lien funding business.
- *Reduction in revenue volatility* – the Proposed Transaction would remove some of the illiquidity and volatility associated with the Litigation Portfolio's revenue receivables.

LawFinance will retain upside in the event that returns exceed the debt contained in the LCF Facility

Under the terms of the SPA, JustKapital Litigation will retain a 50% interest in the LCF-Funded Cases plus one of the Non-LCF Funded Cases if the aggregate returns from the cases exceed the amounts payable under the LCF Facility (including any additional costs incurred to bring the cases to completion). In the case of one of the Non-LCF Funded Cases, JustKapital Litigation will forgo 50% of its entitlement to any proceeds less any amount of future funding required to complete the case, if required. Accordingly, Non-Associated Securityholders will be able to participate in the future potential upside of the Litigation Portfolio while effectively eliminating the downside risks.

LawFinance will have access to up to A\$1 million in addition funding in the interim period until completion

Under the terms of the SPA, LEP has agreed to lend up to A\$1 million to JustKapital Litigation between the date the SPA was signed on 29 January 2021, and the date the Proposed Transaction Completes. This will alleviate any immediate funding concerns in the short term and reduce the risk of a default and potential appointment of receivers in the near term. Under the loan, interest will accrue at a rate of 10% per annum, which is relatively favourable terms compared to the Company's other facilities. If the Proposed Transaction does not complete, the additional funding will become repayable to the extent the relevant JustKapital Litigation entity has funds available.

Improved prospects for the cases

If the Proposed Transaction proceeds this could improve the prospects for the cases and lead to better outcomes for the plaintiffs due to the likely reduced funding constraints. This could ultimately translate into a better return to LawFinance, as under the Proposed Transaction it will retain a 50% upside exposure to the Litigation Portfolio.

Disadvantages

LawFinance will forego some potential upside

The Litigation Portfolio returns are subject to significant uncertainty, and under certain scenarios, LawFinance may be able to realise a higher return if it is able to successfully restructure the funding arrangements on favourable terms and assuming all cases are won with favourable settlements.

In addition, JustKapital Litigation is foregoing 50% of the potential upside on one of the cases contained in the Litigation Portfolio, which is not secured against the LCF Facility. However, LCF could potentially seek recovery of that amount by lodging an unsecured claim against any proceeds from the case in the event the LCF Facility is not fully recovered.

Other factors

Taxation Consequences

The JustKapital Litigation entities are part of a tax consolidated Group. The tax consolidated Group has expensed funded expenses, for tax purposes in the period that they were incurred. As a result there is no tax base in the litigation funding assets being sold and liabilities of the exiting entities exceed assets (for tax purposes). As a result of the transaction there will be a tax liability incurred by LawFinance which Management expects (based on tax advice) to be offset by tax losses.

Directors' recommendations and intentions

Subject to the Independent Expert opining that the Proposed Transaction is fair and reasonable to the Non-Associated Securityholders, the Independent Directors of LawFinance unanimously recommend that all Non-Associated Securityholders vote in favour of the Proposed Transaction.

All the Independent Directors intend to vote or procure to vote in favour of the Proposed Transaction in respect of the LawFinance Shares that they own or control.

Reasonableness conclusion

In our opinion, the advantages outweigh the disadvantages as set out above and on this basis, it is our opinion that the Proposed Transaction is **REASONABLE** to the Non-Associated Securityholders.

Overall conclusion

After considering the abovementioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the Proposed Transaction is **FAIR AND REASONABLE** to the Non-Associated Securityholders.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to vote in favour of the Proposed Transaction is a matter for each LawFinance Securityholder to decide based on their own views of the value of JustKapital Litigation and expectations about future market conditions, LawFinance's performance, risk profile and investment strategy. If LawFinance Securityholders are in doubt about the action they should take in relation to the Proposed Transaction, they should seek their own professional advice.

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD



ANDREA DE CIAN
Director



JANNAYA JAMES
Authorised Representative

24 February 2021

Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by LawFinance to provide general financial product advice in the form of an independent expert's report in relation to the Proposed Transaction. This report is included in LawFinance's Notice of Meeting and Explanatory Memorandum.

2 Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our report we provide general financial product advice. The advice in our report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the IER, Grant Thornton Corporate Finance's client is LawFinance. Grant Thornton Corporate Finance receives its remuneration from LawFinance. In respect of the IER, Grant Thornton Corporate Finance will receive from LawFinance a fee of A\$40,000 (plus GST), which is based on commercial rates plus reimbursement of out-of-pocket expenses for the preparation of the IER. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of LawFinance in order to provide this report. The guidelines for independence in the preparation of independent expert's reports are set out in Regulatory Guide 112 *Independence of expert* issued by the Australian Securities and Investments Commission ("ASIC"). The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with LawFinance (and associated

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entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Proposed Transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the transaction, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Proposed Transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 "Independence of expert" issued by the ASIC."

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Ombudsman Service (membership no. 11800). All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

Australian Financial Complaints Authority Limited
GPO Box 3
Melbourne, VIC 3001
Telephone: 1800 931 678

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the General Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

7 Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.



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1 Overview of the Proposed Transaction

1.1 Share Purchase Agreement

LawFinance has entered into a Share Purchase Agreement for the sale of its 100% share interest in JustKapital Litigation to LEP for the Consideration as outlined below:

- *Initial Consideration* - an initial nominal consideration of A\$1.00;
- *Conditional Amount 1* - a conditional consideration of 50% of any proceeds from the litigation matters (except one of the Non-LCF Funded Cases, but including the other Non-LCF Funded case) above the LCF Facility (including any amounts incurred to bring the cases to completion following the execution of the SPA) to be paid only after all cases in the portfolio have concluded; and
- *Conditional Amount 2* - A conditional consideration of 50% of the net proceeds from one of the Non-LCF Funded cases (after any amount expended to bring the case to completion following the execution of the SPA), to be paid after the case has concluded.

LEP has agreed to lend to JustKapital Litigation and its subsidiaries, A\$1 million in order to conduct its business in the interim period between SPA execution and the completion of the Proposed Transaction.

The SPA includes the following conditions precedent:

- Approval by LawFinance's Non-Associated Securityholders to implement the Proposed Transaction.
- An independent expert report concluding, and continuing to conclude up until the completion, that the Proposed Transaction is fair and reasonable to the Non-Associated Securityholders.
- JustKapital Litigation remaining solvent.
- Approval from LawFinance's secured lenders under the SAF facility.
- Other consents and approvals are obtained from LawFinance's lenders to JustKapital Litigation and its subsidiaries to release guarantees granted by JustKapital Litigation (and its subsidiaries) and to approve transactions contemplated under the SPA.

In addition to the above, LawFinance agrees to forgive all intercompany loans before completion.

2 Purpose and scope of the report

2.1 Purpose

The Independent Expert's Report is to accompany a notice of meeting and explanatory memorandum to be sent to the shareholders of the Company to comply with the requirements of ASX Listing Rule ("LR") 10.1 Transactions with Related Party and Chapter 2E Corporations Act (Cth).

Chapter 10 of the ASX Listing Rules

Chapter 10 of the ASX Listing Rules requires the approval from the Non-Associated Securityholders of a company if it proposes to acquire or dispose of a substantial asset to a related party or a substantial holder.

ASX Listing Rule 10.2 states that an asset is substantial if its value, or the value of the consideration, is 5% or more of the equity interest of the entity as set out in the latest financial statement provided to the ASX. Based on ASX Listing Rule 10.1.3, a substantial holder is a person who has a relevant interest, or had a relevant interest at any time in the six months before the transaction, in at least 10% of the voting power of the company.

ASX Listing Rule 10.5.10 requires that the Notice of Meeting to approve the related party transaction must display prominently an expert's opinion as to whether the transaction is fair and reasonable to the holders of the entity's ordinary securities whose votes are not to be disregarded.

An IER in relation to the Proposed Transaction is required under ASX LR 10 since Lucerne owns c. 19.8% of LawFinance. Accordingly the sale of the Litigation Funding business constitutes the sale of a substantial asset to a related party.

The Proposed Transaction is also considered a related parties transaction in accordance with Chapter 2E of the Corporations Act. "Regulatory Guide 76 – Related Party Transactions" ("RG76") requires meeting materials seeking member approval for related party transactions to provide sufficient information to members to enable them to decide whether or not the financial benefit to be given to a related party is in the interests of the entity.

To ensure that members are provided with sufficient information to assess a proposed related party transaction and decide how to vote, it may be necessary for entities to include a valuation from an independent expert with a notice of meeting for member approval under Chapter 2E where:

- The financial benefit is difficult to value.
- The transaction is significant from the point of view of the entity.
- The non-interested directors do not have the expertise or resources to provide independent advice to members about the value of the financial benefit.

Accordingly, the Independent Directors have requested Grant Thornton Corporate Finance to prepare an independent expert's report stating, whether in its opinion, the Proposed Transaction is fair and reasonable

to the Non-Associated Securityholders for the purposed of ASX Listing Rule 10.1 and Chapter 2E of the Corporations Act.

When preparing the independent expert's report, Grant Thornton Corporate Finance will also have regard to Australian Securities and Investments Commission ("ASIC") Regulatory Guide 111 ("RG111") Regulatory Guide 112 ("RG 112"). The independent expert's report will also include other information and disclosures as required by ASIC.

2.2 **Basis of assessment**

Grant Thornton Corporate Finance has had regard to RG111 in relation to the content of the independent expert's report and RG76 in relation to related party transactions. RG76 largely refers to RG111 in relation to the approach to related party transactions.

RG111 establishes certain guidelines in respect of independent expert's reports prepared for the purposes of the Corporations Act. RG111 is framed largely in relation to reports prepared pursuant to Section 640 of the Corporations Act and comments on the meaning of "fair and reasonable" in the context of a takeover offer. RG111 also regulates independent expert's reports prepared for related party transactions in clauses 52 to 63. RG111 notes that an expert should focus on the substance of the related party transaction, rather than the legal mechanism and, in particular where a related party transaction is one component of a broader transaction, the expert should consider what level of analysis of the related party aspect is required.

We note that RG111 clause 56 states the following:

RG111.56 Where an expert assesses whether a related party transaction is 'fair and reasonable' (whether for the purposes of Chapter 2E or ASX Listing Rule 10.1), this should not be applied as a composite test – that is, there should be separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction. An expert should not assess whether the transaction is 'fair and reasonable' based simply on a consideration of the advantages and disadvantages of the proposal, as we do not consider this provides members with sufficient valuation information (See Regulatory Guide 76 Related party transactions ("RG76") at RG76.106 – RG76.111 for details.

Accordingly, in the consideration of the Proposed Transaction, the expert should undertake a separate test of the fairness and then analyse the advantages and disadvantages to the Non-Associated Securityholders.

RG111 notes that a related party transaction is:

- Fair, when the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the assets being acquired.
- Reasonable, if it is fair, or despite not being fair, after considering other significant factors, shareholders should not vote in favour of the transaction.

In considering whether the Proposed Transaction is fair, we have compared the Consideration to the fair market value of the Litigation Portfolio on a 100% and control basis.

In considering whether the Proposed Transaction is reasonable to the Non-Associated Securityholders, we have considered a number of factors, including:

- Whether the Proposed Transaction is fair.
- The implications to LawFinance and the Non-Associated Securityholders if the Proposed Transaction is not approved.
- Other likely advantages and disadvantages associated with the Proposed Transaction as required by RG 111.
- Other costs and risks associated with the Proposed Transaction that could potentially affect the Non-Associated Securityholders.

2.3 **Independence**

Prior to accepting this engagement, Grant Thornton Corporate Finance (a 100% subsidiary of Grant Thornton Australia Limited) considered its independence with respect to the Proposed Transaction with reference to the ASIC Regulatory Guide 112 “Independence of Expert’s Reports” (“RG 112”).

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the Proposed Transaction other than that of an independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Transaction.

2.4 **Consent and other matters**

Our report is to be read in conjunction with the Notice of Extraordinary General Meeting and Explanatory Memorandum dated on or around the end of February 2021 in which this report is included, and is prepared for the exclusive purpose of assisting the Non-Associated Securityholders in their consideration of the Proposed Transaction. This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Notice of Meeting and Explanatory Memorandum.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Transaction to the Non-Associated Securityholders as a whole. We have not considered the potential impact of the Proposed Transaction on individual Non-Associated Securityholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Transaction on individual shareholders.

The decision of whether or not to approve the Proposed Transaction is a matter for each Non-Associated Securityholder based on their own views of the value of JustKapital Litigation and expectations about

future market conditions, JustKapital Litigation's performance, risk profile and investment strategy. If the Non-Associated Securityholders are in doubt about the action they should take in relation to the Proposed Transaction, they should seek their own professional advice.

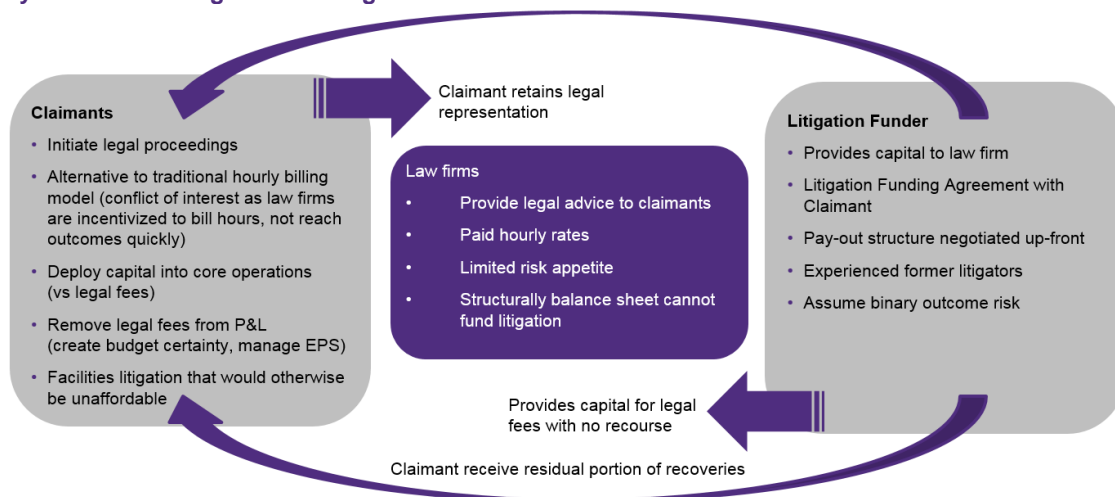
3 Profile of the industry

3.1 Introduction

The litigation funding industry in Australia is a small but growing segment within the financial services market. While the 1990's saw the industry emerge with the abolition of Maintenance and Champerty offenses⁷ through State legislation, it was not until 2006 that the High Court of Australia provided clarity⁸ in ruling that litigation finance was permitted in those states and jurisdictions. With the industry now emerging from its infancy, awareness and acceptance of litigation funding as a means to fund legal disputes is driving sustained growth in the sector.

Australian litigation funders act as financial intermediaries, providing capital to clients and law firms to fund legal disputes and settlements. The funds used can cover all or part of the legal costs of the lawsuit. The payoff from favourable court rulings from settlements and court case wins are typically determined as a multiple of the litigation funds committed or as a percentage of the gross proceeds. Proceeds are often paid piecemeal in lumps, which can introduce liquidity risk for litigation funders. In the case of unfavourable rulings, the litigation funder loses all the money committed to the case and may also be subject to adverse costs (subject to insurance). Adverse Cost Orders (ACO) require funders to pay part or all of the legal fees and expenses to the defendant. This can be mitigated through the use of adverse cost insurance, which will potentially cover a capped adverse cost amount. Given the relatively binary outcome of cases, litigation funders are highly selective with the cases pursued and tend to target clients that have strong claims with high probabilities of success. The chart below illustrates the function of each party in the process:

Stylised view of litigation funding



Sources: Citi Research – Omni Bridgeway Limited initiate coverage, 10 September 2020

Claimants vary from those with limited financial resources to those with strong financial positions who want to limit the risk exposure associated with legal costs and potential adverse rulings. The charts below illustrate the FY20 industry revenue breakdown by both claimant and case type. We note class actions

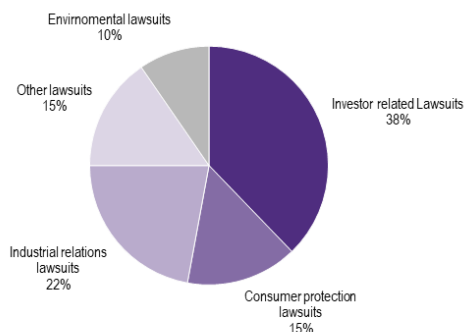
⁷ Maintenance is the intermeddling and funding of a legal case by a disinterested party, Champerty represents Maintenance for a share of any recoveries.

Source: A Brief History of Litigation Finance, Litigation Finance, Volume 5, Issue 6, October 2019

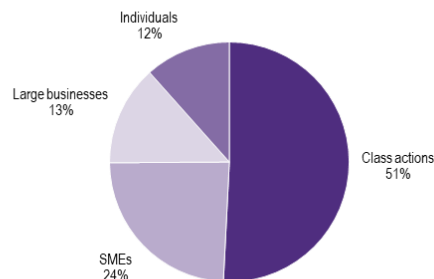
⁸ Campbells Cash and Carry Pty Limited v Fostif Pty Ltd

constitute the largest claimant type whilst investor relations, consumer protection and industrial relations make up the majority of the legal cases.

FY20 Industry Revenue by Case Type



FY20 Industry Revenue by Claimant



Sources: IBISWorld, Litigation Funding in Australia, May 2020

3.2 Key demand drivers

Demand for litigation funding is driven by a number of key factors:

- **Bankruptcies** – Bankrupt businesses often require funding as they are insolvent or lack sufficient capital to pay for the legal processes. As such, increases in the number of bankruptcies increases the demand for litigation funding services.
- **Legal services** - Law firms often require funding from third parties to conduct class actions and other types of litigation. As such, any increase in demand for legal services results in increased requirements for litigation funding.
- **Workplace accidents** – similar to legal services, any increase in workplace accidents would result in increased claims submitted that require litigation funding.
- **Awareness of the industry's services** – the industry is relatively fragmented with varying service levels and offerings between different litigation funding firms. Awareness of the services offered therefore may be low due to this fragmentation. Increasing awareness may increase the demand for the industry.
- **Legal & regulatory environment** – as discussed below (section 3.3), the industry is subject to regulatory scrutiny, which could affect the number and values of claims available to litigation funders in the future.
- **Real household disposable income** – this is negatively correlated with litigation funding as higher household incomes allow potential claimants to fund the case themselves.
- **Economic and population growth in Australia**. A growing population and greater economic activity may lead to a growth in claims.

3.3 Key risks facing the industry

The two key risks facing the industry are Government regulation and revenue volatility:

3.3.1 Industry regulation and reform

In recent years, the industry has undergone increased scrutiny and regulation, such that the Australian Government announced in May 2020 that it would now regulate the industry under the Corporations Act. This required litigation funders to hold an Australian Financial Services License (AFSL), commit to minimum onshore capital requirements and comply with the managed investment scheme regime⁹ in respect of funded class actions from 22 August 2020¹⁰. We note the changes did not apply to litigation funding schemes entered into before 22 August 2020 and the exemptions that applied for litigation funding schemes involved in insolvency litigation and litigation funding arrangements that are used in actions involving a single plaintiff remained. Accordingly the regulation does not affect the Litigation Portfolio. Litigation funders have previously been exempt from the requirement to hold an AFSL allowing the funders to avoid some of the auditing and reporting conditions as well as statutory obligations to provide financial services efficiently, honestly and fairly, having adequate resources, and maintaining an appropriate level of competence.

On 21 December 2020, the Australian Parliamentary Joint Committee on Corporations and Financial Services completed its inquiry and released its final report into litigation funding and the regulation of the class action industry. The report partly stemmed from concerns over the high profits obtained by certain litigation funders and the large increase in the number of class actions in recent years. In its report, the committee outlined several recommendations aimed at promoting the interests of class members. For instance, the committee recommended that the Australian Government consult on the best way to guarantee a statutory minimum return of the gross proceeds of the class action (including settlements) to class members. It further recommended the Australian Government consult on whether a graduated approach that considers the risk, complexity, length and likely proceeds of the case was appropriate to ensure higher returns to class members in straightforward cases. Omni Bridgeway, one of the largest litigation funder's in the country is supportive of a minimum of 50 per cent going to class members, subject to allowing funders to cover their costs and receive a fee for their capital investment and risk. This increased focus on a statutory minimum return to class members and focus on class member returns more broadly, may negatively impact case returns for litigation funders going forward. Any new legislation may not affect JustKapital Litigation unless it applies retrospectively. Below we present the historical returns to matters for both funded and unfunded cases below drawn from industry statistics:

⁹ Managed Investment Scheme

¹⁰ <https://asic.gov.au/regulatory-resources/funds-management/litigation-funding/>

Median return for matters finalised in the Federal Court, 2013 to 2018

	Median settlement amount	Median % of settlement used to pay legal fees	Median % of settlement used to pay funders	Median % of settlement returned to the class
All finalised matters (30)	\$29 million	17%	22%	57%
All finalised matters (funded) (19)	\$32.5 million	17%	30%	51%
All finalised matters (unfunded) (11)	\$20 million	15%	n/a	85%

Sources: Australian Law Reform Commission, *Integrity, Fairness and Efficiency — An Inquiry into Class Action Proceedings and Third-Party Litigation Funders*, Table 3.7

The increased regulation is expected to increase costs through the additional reporting and compliance requirements, while also potentially capping returns, creating disincentives for new entrants into the market. In combination with the introduction of the onshore capital requirement, many of the smaller litigation funders (such as JustKapital Litigation) could be crowded out of the market with only the larger firms surviving.

3.3.2 Revenue volatility and liquidity

Given the unpredictable length of court proceedings, successful rulings and settlements are often paid out piecemeal. This revenue is used to cover the ongoing costs of the operations including wages, overhead costs and external legal fees. The unpredictable payouts can introduce lumpiness in the revenue and working capital and can potentially lead to liquidity stress for the litigation funder. This is particularly evident when the defendants and representative counsel are aware of the poor liquidity position, and purposefully prolong and delay cases as a means to maximise the cost to the claimants in order to “dry out” litigation funders war chest in the hopes that the case, fund and even litigation funder can no longer continue.

4 Profile of LawFinance

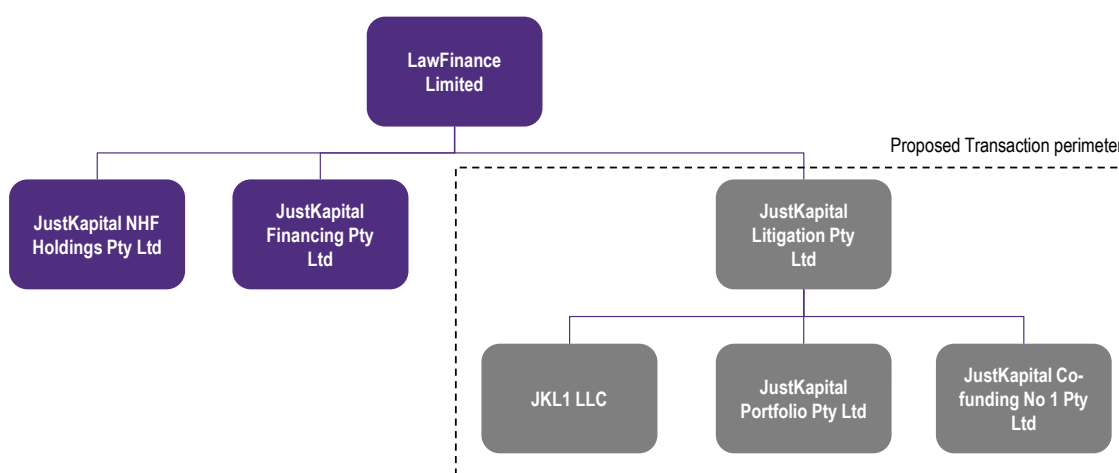
4.1 Introduction

LawFinance provides funding solutions to firms and individuals where there is a legal dispute or claim. These funding solutions can broadly be categorised into three distinct offerings:

- *Medical Lien Funding* – the provision of personal injury related medical liens in the United States (also referred to as National Health Finance, or NHF);
- *Disbursement Funding* – disbursement funding for law firms in Australia (also referred to as JustKapital Finance); and
- *Litigation Funding* – funding for litigation claimants to progress their claims. We note the Litigation Funding portfolio is currently in run-off with only a few cases remaining.

Below we present an extract of part of the Company structure and the Litigation Funding entities, which are being considered for sale under the Proposed Transaction:

Extract of part of the Company Structure and transaction perimeter



Source: Lawfinance Management and LawFinance 2019 Annual Report

This IER has been prepared in relation to the proposed sale of the Litigation Portfolio to LCP (i.e. the Proposed Transaction). Accordingly, below we provide only a limited overview of the Medical Lien Funding and Disbursement Funding businesses and focus predominantly on the Litigation Funding business.

4.2 Medical Lien Funding

In 2018, LawFinance (at the time of the acquisition was called JustKapital Limited) acquired the Medical Lien Funding business through its acquisition of NHF. NHF purchases a medical lien in respect of medical treatment provided to the not-at-fault party (typically people involved in motor vehicle accidents) and seeks recoupment from future settlement proceeds of the not-at-fault party's claim. This allows the victim to receive medical care they would likely otherwise not receive. NHF is required to pay directly to the medical provider within 30 days at an agreed reduced percentage of the face value for the treatment and in

exchange acquires the medical provider's lien rights to recover the full face value of the medical services. Medical providers find this funding mechanism beneficial due to the speed of payment¹¹ and because they would usually receive a lower amount from a private medical insurer if it provided cover. Lawyers acting on behalf of the injured party also benefit as it ensures there is no "gap" in the medical care¹² and the claim can be maximised.

On average NHF pays around 30% of the face value of the relevant invoice and collects around 50% of the face value of the medical lien when the case concludes. NHF, which is based in Arizona, was established in 1999 and operates across 22 states. As at 31 December 2020, NHF's net loan receivables (after allowing for expected credit losses) accounted for c. US\$54.2million, or 61.1% of LawFinance's total assets.

4.3 Disbursement Funding

JustKapital Finance provides finance to law firms to fund legal disbursements required by lawyers to progress their clients' claims in a legal proceeding. JustKapital Finance pays the disbursements directly to the service provider, charges a standardised mark-up and immediately invoices the law firm once the disbursement expenses are paid. The disbursements include payments for medico-legal reports, radiology reports, filing fees, barristers' fees and all other expert reports. JustKapital Finance generally receives payment out of the settlement proceeds from the conclusion of the case, which on average is 25 months. For cases that conclude quickly or in other exceptional circumstances, JustKapital Finance may provide discounts to the invoiced cost. Repayments of the funded disbursements are not contingent on the outcome of the underlying cases. JustKapital Finance targets small to medium-sized personal injury and commercial litigation firms and operates in several states around Australia.

As at 31 December 2020, Disbursement Funding net loan receivables (after allowing for expected credit losses) accounted for c. US\$25.7million, or 29.0% of LawFinance's total assets.

4.4 Litigation Funding

The Litigation Funding business funds part or all of the fees and disbursements associated with large-scale litigation as well as providing investigation and management services. The services are provided pursuant to a contract with each funded claimant or as otherwise ordered by the Court. LawFinance does not provide legal advice to any claimant. If the litigation is successful, LawFinance may earn a fee and will generally be reimbursed the costs paid to progress the litigation, both of which are paid out of the proceeds from the litigation. The fee is generally a percentage between 25% and 40% of the settlement or judgment proceeds. If the litigation is unsuccessful, LawFinance does not generate any income. In addition, the funding agreement contains an undertaking to the contracted parties to pay any adverse costs ordered in respect of the costs incurred by the defendant during the funding period. In relation to the adverse cost risk, LawFinance has taken out ATE insurance cover in the instance that cases are lost. If cases are lost, the defendant is entitled to seek recovery of a portion of their costs incurred to fund their defence. However, the level of insurance cover could be insufficient given that JustKapital Litigation has limited visibility of the legal costs incurred by the defendants and is generally only able to estimate them based on its own costs incurred or limited information provided by defendants. In the event that any of its cases are lost, and the defendant makes a claim for adverse costs, JustKapital Litigation could be exposed to a potential shortfall of its ATE insurance and LawFinance would have to increase its level of insurance

¹¹ Medical providers typically cannot bill insurers until 120+ days after care, if the insurer covers the services.

¹² As the level of care for the victim is not dependent on the level of insurance coverage.

coverage (thus incurring insurance costs), or risk incurring additional costs in the case of adverse outcomes for some of the cases in the Litigation Portfolio. We note that LawFinance has the ability to exit the funding arrangement at any time subject to providing an appropriate notice period but remains liable for obligations accrued to the date of termination. Typical cases funded include shareholder class actions and commercial litigation.

During FY18, the Board resolved to exit the Litigation Funding division, and to focus on growing its Core Business. Accordingly, the Litigation Funding business was put into run-off with no new cases funded and existing cases funded to completion. Since the change in strategic direction, the number of Litigation Funding cases has reduced from 11 to six (as at the time of writing this report) as cases have settled. This is materially longer than was expected when the decision was made to wind down the Litigation Funding division which was expected to take approximately two years.

4.4.1 Overview of the Portfolio

LawFinance has various co-funding arrangements in respect of three of the cases in the Litigation Portfolio. All other Litigation Portfolio cases are entirely funded by LawFinance or by LCF. If the Restructure is to proceed, LawFinance is likely to be subordinated to other interests.

In order to fund the Litigation Portfolio, LawFinance has entered into an arrangement with LCF to provide funding for four of the cases in the Litigation Portfolio under the LCF Facility. At least A\$10 million is owed to LCF under the LCF Facility, which consists of a minimum return to LCF of at least A\$3 million plus c. A\$7 million of outstanding loans. Repayment of the facility is due by 17 July 2021 and it is secured over the proceeds from the four LCF-Funded cases. We note that historically, for accounting purposes, this arrangement has been treated as a co-funding arrangement and not recognised as a loan on LawFinance's balance sheet. Any amount of the LCF Facility outstanding following the conclusions of the cases is required to be paid by JustKapital Litigation. We note that LawFinance has provided a limited capped indemnity to LCF under the LCF Facility, however the terms of the Proposed Transaction contemplate this being released upon completion of the share sale.

Below we provide a case summary of the Litigation Portfolio. We note that due to legal privilege and confidentiality, we are limited in the information that we are able to disclose on the cases in order not to impair the potential commercial outcomes for the Company. Accordingly, below we have only provided a high-level overview of the Litigation Portfolio.

Case	Type of Claim	Defendant	Comments
1	Breach of Fiduciary Duty and various sections of the Corporations Act	Big Four bank	Trial set for mid-2021
2	Breach of Corporations Act and continuous disclosure law s	Top-200 ASX-listed company	Federal Court of Australia judgement against the funded client in favour of the defendant, as announced to the ASX on 22 October 2020. On 20 November 2020, LawFinance advised that a notice of appeal had been filed in respect of the judgement.
3	Breach of contract and breach of Fiduciary Duty	Australian Proprietary Company	Trial set for early 2021
4	Shareholder class action	Directors and advisors	Awaiting outcome of judgement on quantum of claim against defendant's insurers
5	Patent infringement (US Patent)	Global technology company	Trial set for early 2021. Potential delays due to COVID-19.
6	Breach of ASIC act	Big Four Bank	Awaiting developments

Source: LawFinance Management.

In some of the cases, further funding is required to progress the cases and to comply with the existing funding agreements. However we note that LawFinance has resolved to exit the business as it is not in a strong enough capital position to constructively remain in and grow the Litigation Funding Business. Accordingly, LawFinance wishes to enter into the Proposed Transaction.

4.4.2 Revenues

Revenue from each case is comprised of two key components and is recognised in the income statement upon case settlement:

- Return of face value of costs funded by LawFinance; and
- A percentage of the resolution sum of the case attributable to LawFinance

The percentage of the resolution sum attributable to LawFinance is a negotiated percentage between the funder and the funded claimants and in the case of class action settlements is subject to court approval. This percentage typically varies from between 25% to 40%. In the case of the three co-funded cases, the funding requirements of the case as well as the percentage of the estimated resolution sum are shared in varying proportions with the co-funders. Below we provide an example of revenues under a hypothetical co-funded arrangement which assumes a 50:50 funding arrangement and 30% of the resolution sum to the funders.

Example of case revenues under co-funding arrangement	Share	
Estimated case settlement		50.0
Percentage of resolution sum to Class Members	70%	35.0
Resolution Sum to Funders	30%	15.0
Plus: Funder Costs reimbursed		7.0
Total Funder's return		22.0
<u>Breakdown of returns to each stakeholder</u>		
Class Members:		
Class Members share of resolution sum		35.0
Less: Funder's costs reimbursed		(7.0)
Class Member revenues		28.0
Co-funder 1:		
Cost reimbursement	50%	3.5
Co-funder 1 share of Resolution Sum to Funders	50%	7.5
Co-funder 1 revenues		11.0
Co-funder 2:		
Cost reimbursement	50%	3.5
Co-funder 2 share of Resolution Sum to Funders	50%	7.5
Co-funder 2 revenues		11.0

Source: GTCF analysis

Despite the above, case settlements often involve negotiations between funders, plaintiffs, lawyers and defendants and the above scenario based on the terms of a hypothetical funding agreement does not always hold true. This is particularly evident in cases where a potential settlement would result in plaintiff receiving a minimal (or nil) share of the proceeds (due to all proceeds going towards legal fees and funder's fees). In such circumstances, this can make reaching an agreement between all stakeholders challenging as plaintiffs will have no incentive to agree to the settlement and it may be left to the funder or lawyers to agree a reduction in fees to reach an agreeable settlement for all parties and that is likely to secure court approval.

4.4.3 Expenses

Expenses incurred as part of the Litigation Funding Business are expensed in the income statement on an ongoing basis and include:

- Time spent by the LawFinance Management team to manage the Litigation Portfolio. This includes time spent negotiating settlements throughout the cases, drafting and review of funding arrangements, management of settlement amounts and payments of monies owed and received, maintaining up to date knowledge of case status and maintaining one full time employee exclusively focussed on tracking the remaining cases. Overall LawFinance Management estimates total costs to be approximately A\$0.5 million per annum.
- Adverse cost insurance.

- Interest expense for any debt funding attributed to the Litigation Portfolio.
- Legal and professional fees associated with managing the Litigation Portfolio.

4.4.4 Contingent liabilities

In certain jurisdictions, litigation funding agreements contain an undertaking from LawFinance that it will pay adverse costs awarded to the successful party in respect of costs incurred during the period of funding, should LawFinances' client's litigation be unsuccessful. In general terms (although ultimately case specific), an award of adverse costs to a defendant may approximately 70% of the amount paid by the plaintiff to pursue the litigation (in some cases there may be multiple defendants). We note that JustKapital Litigation has obtained adverse cost order insurance although in the event any of its cases are lost it could be liable due to a shortfall on its ATE insurance.

4.5 Financial Position

4.5.1 JustKapital Litigation Financial Position

The consolidated statement of financial position for JustKapital Litigation as at 31 December 2020 is summarised below:

Pro-forma Statement of financial position as at 31 December 2020 ¹	
A\$ million	Unaudited
Cash	0.59
Assets	13.09
Total assets	13.68
FCCD debt	10.05
Other liabilities	3.30
Total liabilities	13.34
Net assets	0.33

Sources: Management accounts

We note the following in relation to JustKapital Litigation's financial position:

- Assets, other than cash consist primarily of case returns to JustKapital Litigation, net of any co-funder returns. These have been estimated based on Management's expectations regarding future case outcomes and potential settlement amounts. We note that Assets as at 31 December 2020 includes an impairment charge of A\$4 million compared to 30 June 2020 in relation to case outcomes as a result of the worsening outlook for the Litigation Portfolio, and the required restructuring. We have also included a receivable amount recognised on LawFinance's consolidated balance sheet but not in JustKapital Litigation's balance sheet in relation to one of the cases. This amount will be assigned to JustKapital Litigation's balance sheet prior to completion of the Proposed Transaction.
- LCF facility debt stood at c. A\$10 million, assuming a Minimum Return of A\$3 million (which could be higher).

- Other liabilities consist primarily of accounts payable in relation to expenses to pursue the cases.

4.5.2 LawFinance Financial Position

Consolidated statements of financial position	30-Jun-20
USD\$ '000	Audited
Assets	
Cash and cash equivalents	2,714
Financial assets at fair value through profit or loss	10,637
Financial assets at amortised cost	16,202
Other loans and receivables	1,343
Prepayments	146
Total current assets	31,042
Financial assets at fair value through profit or loss	8,099
Financial assets at amortised cost	44,973
Other loans and receivables	5
Investment held in joint operations	1,133
Property, plant and equipment	122
Right-of-use assets	1,244
Goodwill	33,161
Other intangibles	7,834
Deferred tax	4,167
Total non-current assets	100,738
Total assets	131,780
Liabilities	
Trade and other payables	7,396
Borrowings	85,451
Lease liabilities	400
Employee benefits	316
Total current liabilities	93,563
Borrowings	21,516
Lease liabilities	974
Provision for withholding tax	1,107
Total non-current liabilities	23,597
Total liabilities	117,160
Net assets	14,620

We note the following in relation to LawFinance's financial position as at 30 June 2020:

- Current liabilities exceeded current assets by c. US\$62.5 million as a result of the classification of several debt facilities as current due to covenant breaches (noting however no acceleration/demand for repayment has been received). Total borrowings at 30 June 2020 were c. US\$107 million.
- Since the 30 June 2020 financials, the Company announced in its market update¹³ that in its 2020 financial results, management expects to write off the goodwill of US\$30.6 million related to the acquisition of NHF and the goodwill of US\$4.1 million related to the acquisition of JustKapital Finance. In addition, the Company expects further write offs to be taken to items such as deferred tax assets.

¹³ ASX announcement titled "LAW disposes Litigation Funding Business and Market Update" released on 29 January 2021.

- In its two Appendix 4C - quarterly reports released on the ASX¹⁴ since the release of the 30 June 2020 accounts, net cash from operating activities has been negative US\$2.86 million.
- Financial assets at fair value through profit or loss relates to receivables for the Disbursement Funding Business while financial assets at amortised cost relates to the receivables for the US Medial Lien Purchasing Business.

¹⁴ Appendix 4C for the quarter ending 30 September 2020 released on 30 October 2020 and Appendix 4C for the quarter ending 31 December 2020 released on 29 January 2021.

5 Valuation methodologies

5.1 Introduction

As part of assessing whether or not the Proposed Transaction is fair to the Non-Associated Securityholders, Grant Thornton Corporate Finance has compared the Fair market value of Litigation Portfolio to the fair market value of the Consideration. In accordance with RG111, we have undertaken our valuation on a 'going concern' basis. Our 'going concern' valuation assumes that LawFinance will be able to obtain financing to fund the continued operations of JustKapital Litigation. RG111.15 states that *"the fair value of the target securities should be determined on the basis of a knowledgeable and willing, but not anxious, seller that is able to consider alternative options to the bid (e.g. an orderly realisation of the target's assets)"*. That is, an assessment of fair value should not include consideration of a company's financial distress.

In each case, Grant Thornton Corporate Finance has assessed value using the concept of fair market value. Fair market value is commonly defined as:

"the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length."

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

5.2 Valuation methodologies

RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, approval of an issue of shares using item 7 of s611 of the Corporations Act, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- Discounted cash flow method and the estimated realisable value of any surplus assets ("DCF Method").
- Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets ("FME Method").
- Amount available for distribution to security holders on an orderly realisation of assets ("NAV Method").
- Quoted price for listed securities, when there is a liquid and active market ("Quoted Security Price Method").
- Any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

Further details on these methodologies are set out in Appendix A to this report. Each of these methodologies is appropriate in certain circumstances.

RG111 does not prescribe the above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

5.3 Selected valuation methods

In our assessment of the fair market value of JustKapital Litigation Shares and the Consideration, Grant Thornton Corporate Finance undertaken a scenario analysis of the future financial performance of JustKapital Litigation based on the DCF Method. We are of the opinion that this valuation approach is appropriate given that it allows for key assumptions to be modelled (e.g. litigation outcomes, timing and settlement assumptions) and for a range of scenarios to be analysed. This is particularly relevant for the Litigation Portfolio given it is in run-off with only small number of cases remaining. The characteristics of the individual cases is highly unique and the intrinsic value of the Litigation Portfolio depends largely on prospects and specific circumstances of the remaining cases.

In addition to the above we have applied the DCF Method as our primary methodology due to the following:

- Management has provided information as to the likely timing and size of cashflows for the assets in the Litigation Portfolio.
- The Litigation Portfolio is currently in run off and the cash flows stream is non-recurring and finite.
- Cash flows are highly volatile year-to-year limiting the applicability of earnings or revenue multiples under the FME Method.

5.3.1 Cross check

As a cross check, we have considered the net assets approach based on JustKapital Litigation's balance sheet as at 31 December 2020. We have also considered an industry rule of thumb being the multiple of invested capital ("MOIC") which we have compared to recent transactions and the trading multiples of listed companies.

6 Valuation assessment of the Litigation Portfolio and the Consideration

6.1 Valuation of JustKapital Litigation

As discussed in Section 5, we have selected the DCF Method approach to assess the fair market value of Litigation Portfolio and the Consideration.

We have developed a cash flow model based on forecast scenarios prepared by Management, which we have discussed in detail, and updated for Grant Thornton Corporate Finance's judgement on certain assumptions ("GT Model"). All of our scenarios assume that LawFinance is able to successfully Restructure the cases on terms in line with their projections and is able to fund the additional costs to bring the remaining cases to completion. We note that this assumption is subject to significant uncertainty as negotiations with other parties regarding the Restructure terms is currently ongoing. Furthermore, LawFinance will have to secure the additional funding from Lucerne to be able to complete the cases.

We have considered four key scenarios under our DCF Method as detailed below:

- *Low Case:* One key case is won with the rest either abandoned or lost. JustKapital Litigation is required to fund a larger component of the costs to complete due to a less favourable outcome on the Restructure. Lost cases result in ACO claims against JustKapital Litigation in excess of the ATE insurance cover.
- *Mid Case 1:* Three cases are won/settled and JustKapital Litigation achieves a more favourable outcome under the Restructure negotiations enabling it to reduce its share of the funding to complete the cases. Settlement amounts at the lower end of Management's expectations. The appeal is unsuccessful in one of JustKapital Litigation's cases.
- *Mid Case 2:* All cases are won/settled and JustKapital Litigation achieves more favourable settlement outcomes than Mid Case 1. JustKapital Litigation achieves a favourable outcome under the Restructure negotiations as per Mid Case 1.
- *High Case:* All cases are won/settled and JustKapital Litigation achieves settlement at the upper end of Management's expectations across all its cases. JustKapital Litigation achieves a favourable outcome under the Restructure negotiations as per Mid Case 1 and Mid Case 2.

Management has prepared case outcomes for each of the cases in the Litigation Portfolio based on the restructured funding arrangements ("Financial Model"). We have reviewed the assumptions, including the key assumptions on potential settlement amounts, timing, costs to complete, the restructuring negotiations and funding underlying the projections. We have held detailed discussions with Management to discuss these assumptions and based on our discussions we have prepared a cash flow forecast in the GT Model. We note the case outcomes and underlying assumptions depend on subjective judgement, and to a greater or lesser extent, are subject to inherent uncertainties. In consequence, they are not capable of being audited or substantiated in the same way as financial statements, which present the results of completed accounting periods.

Grant Thornton Corporate Finance believes that the financial assumptions underlying the GT Model are reasonable and appropriate to be adopted for the purpose of our valuation. In accordance with the requirements of RG111, we have not disclosed them in our IER as they contain commercially sensitive

information and they do not meet the requirements for presentation of prospective financial information as set out in ASIC Regulatory Guide 170 "Prospective Financial Information".

In accordance with the requirement of RG 111, we have undertaken a critical analysis of the projections before integrating them into the GT Model and relying on them for the purpose of our valuation assessment. Specifically, we have performed the following analysis:

- Conducted high-level checks, including limited procedures in relation to the mathematical accuracy of the Financial Model.
- Reviewed the basis for the key financial assumptions, particularly settlement amounts, funding arrangements, timing and costs to complete.
- Held discussions with Management regarding the preparation of the forecast cash flows and their views regarding the assumptions on which they are based.

The assumptions adopted by Grant Thornton Corporate Finance do not represent projections by Grant Thornton Corporate Finance but are intended to reflect the assumptions that could reasonably be adopted by industry participants in their pricing of similar businesses. We note that the assumptions are inherently subject to considerable uncertainty and there is significant scope for differences of opinion. It should be noted that the value of JustKapital Litigation could vary materially based on changes to certain key assumptions.

The table below sets out a summary of our valuation assessment of JustKapital Litigation based on the DCF Method:

Figures in A\$m				
	Low Case	Mid1 Case	Mid2 Case	High Case
Net present value of the Litigation Portfolio FCFF	1.8	5.0	9.4	17.0
Less: Net debt	(9.5)	(9.5)	(9.5)	(9.5)
Equity value of the Litigation Portfolio	(7.7)	(4.5)	(0.0)	7.5
GT adopted equity valuation range of the Litigation Portfolio	A\$(7.7) million to A\$7.5 million			

Source: GTCF analysis

In addition to the case outcomes and settlement amounts, we have outlined below the key assumptions that we have adopted in the GT Model.

- *Funding requirements:* There will be sufficient funding available to manage the cases to completion.
- *Estimated resolution sum* – This represents Management's best estimates of the likely amount to be received by the claimants and their funders upon successful conclusion of a case (settlement before or during trial or court awarded damages).

In estimating the expected resolution amount, Management and the Board have had regard to Management's experience and knowledge of the case and discussions with case lawyers and counsel.

- *Expected return* – This is calculated based on the legal agreement in place between JustKapital Litigation, the claimants and the case lawyers. Litigation funders usually receive between 25% and 40% of the resolution sum and this amount is shared with the co-funders (if any). JustKapital Litigation has co-funders in three of the cases. The other cases have been funded entirely by JustKapital Litigation and LCF, however if the Restructure is achieved, this will negatively affect the potential case returns to JustKapital Litigation whose returns will likely be subordinated to any parties who agree to provide future funding on the cases (and who will likely also demand a return out of case proceeds).
- *Timing to case completion* – Management expects most cases to be completed within the next 6 months and all cases to be completed by either a settlement or a judgement by around the end of 2022. We note this assumption is subjective and difficult to predict, and a number of the cases have already experienced significant delays.
- *Corporate costs*: We have included the costs of a full time consultant currently employed by JustKapital Litigation to manage the portfolio. We have also included an allocation of time spend by Management in dealing with the Litigation Portfolio. Corporate costs have been estimated at A\$0.5 million per annum, which we have reduced as cases reach conclusion over the forecast period.
- *Tax*: We have assumed a nominal corporate tax rate of 30% on returns for the Australian cases. For one case which is held in the United States, we have assumed that returns to JustKapital Litigation will be taxed at a 27% corporate tax rate. Management has also assumed that no further tax will be payable in Australia due to the double tax treaty Australia holds with the United States.
- *Discount rate*: We have assessed the net present value of future cash flows having regard to an assessed discount rate based on the weighted average cost of capital ("WACC") of 16.0%. Refer to Appendix B for details. We note that the valuation assessment of the Litigation Portfolio is not particularly sensitive to changes in the discount rate given the short timeframe.

6.1.1 Net debt

JustKapital Litigation has a net debt position of A\$9.46 million, which mostly consists of the LCF Facility as detailed in the table below:

Net Debt of JustKapital Litigation	
Total Outstanding loan funding provided by LCF	7.05
Add: Minimum Return (minimum amount)	3.00
Less: JustKapital Litigation cash	(0.59)
Total minimum (loan) due to LCF	9.46

Source: JustKapital Litigation Management

6.2 Valuation of the Consideration

Under the terms of the SPA, LawFinance is entitled to a share of 50% of the potential upside of the case proceeds that exceeds the LCF Facility debt and any future funding required to fund the cases to completion.

We note that we have adopted the same scenarios and key valuation assumptions used in our valuation of JustKapital Litigation to value the Consideration.

The table below sets out a summary of our valuation assessment of the Consideration based on the DCF Method:

Figures in A\$m				
	Low Case	Mid1 Case	Mid2 Case	High Case
Proposed Transaction Consideration				
Initial Nominal consideration of A\$1.00	0.0	0.0	0.0	0.0
Add: Conditional Amount 1 and Conditional Amount 2	-	0.3	0.3	2.5
Total Consideration	0.0	0.3	0.3	2.5

Sources: Management, GTCF analysis.

6.3 **Cross check – MOIC and net assets**

Prior to reaching our valuation conclusion on the value of JustKapital Litigation Shares, we have also considered the MOIC methodology and net assets approach as additional evidence to the valuation assessment of JustKapital Litigation under the DCF Method.

The MOIC methodology is based on the value generated by the underlying portfolio. It measures Enterprise value as a portion of the case capitalised costs, allowing value comparisons on a gross basis with similar entities and portfolios. Whilst the MOIC of the comparable companies is calculated at an entity wide level versus the litigation portfolio level for JustKapital Litigation, it still proves beneficial as a high-level cross-check as it allows for the comparison, regardless of the difference between the underlying legal cases.

For the purpose of our analysis, we have utilised the two most comparable companies, Omni Bridgeway and Litigation Capital Management Limited, due to their operations within the Australian litigation financing industry. We calculated the market capitalisation as at the Valuation Date, and obtained the net debt and case capitalised costs from the most recent financial statements as at 30 June 2020.

In order to cross check the reasonableness of the Proposed Transaction, we calculated and compared these to the relative MOIC of the existing Portfolio using the midpoint Equity Value from the Low and High scenarios, the net debt provided by Management, and the case capitalised costs provided in the half-year report ending 30 June 2020.

Comparable company multiples			Comparable companies	
A\$m unless otherwise stated	Portfolio ²	Consideration ²	Omni Bridgeway	LCM
Share price (A\$)		n/a	3.92	1.30
Number of shares ('000)		n/a	262,180	117,904
Market capitalisation	n/a	n/a	1,028	154
Equity value (control basis)	(0.1)	1.3	1,028	154
Net debt / (Cash) ¹	9.5	9.5	(48)	(32)
Enterprise value (control basis)	9.4	10.7	980	122
Case capitalised costs ¹	6.3	6.3	512	63
Multiples of invested capital (times)	1.5 x	1.7 x	1.9 x	1.9 x

Source: GTCF analysis

Note (1): Based on the latest financial report as at 30 June 2020.

Note (2): Based on the average of the low and high scenarios as detailed in section 6.1 (Valuation of JustKapital Litigation) and section 6.2 (Valuation of the Consideration).

As displayed in the table above, we note the MOIC multiples from the proposed scenarios are significantly lower than those implied by the comparable companies. This is expected due to the differences in size, profitability and number of cases funded by the companies. As such, we do not consider our valuation of JustKapital Litigation to be unreasonable.

We also considered the Net Asset approach as an additional cross-check to assess the reasonableness of the implied valuations. We note the Net Asset value of c. A\$0.3 million as a 31 December 2020 falls within the Valuation range of the Proposed Transaction of nil to A\$2.5 million for the Low and High cases respectively. This provides further support to the reasonableness of the valuation, in that the Proposed Transaction offers a potential means to preserve the Net Asset value of the litigation portfolio.

7 Sources of information, disclaimer and consents

7.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- JustKapital Litigation Management accounts.
- LawFinance Management accounts for CY20.
- Annual financial reports/ consolidated accounts of LawFinance for CY18 to CY19.
- LawFinance half year report ending 30 June 2020.
- Investor presentations of LawFinance.
- Announcements made by LawFinance on the ASX.
- S&P Global.
- IBISWorld.
- Various broker reports.
- Other publicly available information.
- Discussions with LawFinance Management.

7.2 Qualifications and independence

Grant Thornton Corporate Finance Pty Ltd holds Australian Financial Service Licence number 247140 under the Corporations Act and its authorised representatives are qualified to provide this report.

Grant Thornton Corporate Finance provides a full range of corporate finance services and has advised on numerous takeovers, corporate valuations, acquisitions, and restructures. Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to and all other parties involved in the Proposed Transaction with reference to the ASIC Regulatory Guide 112 “Independence of expert” and APES 110 “Code of Ethics for Professional Accountants” issued by the Accounting Professional and Ethical Standard Board. We have concluded that there are no conflicts of interest with respect to LawFinance, its shareholders and all other parties involved in Proposed Transaction.

Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with JustKapital Litigation or its associated entities that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Transaction, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Proposed Transaction. Grant Thornton Corporate Finance’s out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

7.3 **Limitations and reliance on information**

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

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by LawFinance and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by LawFinance through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of LawFinance.

This report has been prepared to assist the Directors in advising the Non-Associated Securityholders in relation to the Proposed Transaction. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Proposed Transaction is fair and reasonable to the Non-Associated Securityholders.

LawFinance has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by LawFinance, which LawFinance knew or should have known to be false and/or reliance on information, which was material information LawFinance had in its possession and which LawFinance knew or should have known to be material and which did not provide to Grant Thornton Corporate Finance. LawFinance will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

7.4 **Consents**

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Notice of Meeting and Explanatory Memorandum to be sent to the Non-Associated Securityholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.

Appendix A – Valuation methodologies

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Discounted future cash flows

An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

Market value of quoted securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

Appendix B – Discount rate

Introduction

The cash flow assumptions associated with JustKapital Litigation have been prepared on a nominal, geared and post-tax basis; as such we have adopted the WACC approach for valuing the Litigation business.

The WACC represents the average of the rates of return required by providers of debt and equity capital to compensate for the time value of money and the perceived risk or uncertainty of the cash flows, weighted in proportion to the market value of the debt and equity capital provided. However, we note that the selection of an appropriate discount rate is ultimately a matter of professional judgment.

Under a classical tax system, the nominal WACC is calculated as follows:

$$WACC = R_d \times \frac{D}{D + E} \times (1 - t) + R_e \times \frac{E}{D + E}$$

Where:

- R_e = the required rate of return on equity capital;
- E = the market value of equity capital;
- D = the market value of debt capital;
- R_d = the required rate of return on debt capital; and
- t = the statutory corporate tax rate.

WACC Inputs

Required rate of return on equity capital

We have used the Capital Asset Pricing Model (“CAPM”), which is commonly used by practitioners, to calculate the required return on equity capital.

The CAPM assumes that an investor holds a large portfolio comprising of risk-free and risky investments. The total risk of an investment comprises of systematic and unsystematic risk. Systematic risk is the variability in an investment’s expected return that relates to general movements in capital markets (such as the share market) while unsystematic risk is the variability that relates to matters that are unsystematic to the investment being valued.

The CAPM assumes that unsystematic risk can be avoided by holding investments as part of a large and well-diversified portfolio and that the investor will only require a rate of return sufficient to compensate for the additional, non-diversifiable systematic risk that the investment brings to the portfolio. Diversification cannot eliminate the systematic risk due to economy-wide factors that are assumed to affect all securities in a similar fashion. Accordingly, whilst investors can eliminate unsystematic risk by diversifying their portfolio, they will seek to be compensated for the non-diversifiable systematic risk by way of a risk premium on the expected return. The extent of this compensation depends on the extent to which the company’s returns are correlated with the market as a whole. The greater the systematic risk faced by investors, the larger the required return on capital will be demanded by investors.

The systematic risk is measured by the investment's beta. The beta is a measure of the co-variance of the expected returns of the investment with the expected returns on a hypothetical portfolio comprising all investments in the market - it is a measure of the investment's relative risk.

A risk-free investment has a beta of zero and the market portfolio has a beta of one. The greater the systematic risk of an investment the higher the beta of the investment.

The CAPM assumes that the return required by an investor in respect of an investment will be a combination of the risk-free rate of return and a premium for systematic risk, which is measured by multiplying the beta of the investment by the return earned on the market portfolio in excess of the risk-free rate.

Under the CAPM, the required nominal rate of return on equity (R_e) is as follows:

$$R_e = R_f + \beta_e (R_m - R_f) + S_{rp}$$

Where:

- R_f = risk free rate
- β_e = expected equity beta of the investment
- $(R_m - R_f)$ = market risk premium
- S_{rp} = specific risk premium

A summary of the discount rate determined using the CAPM is set out below:

WACC calculation	Low	High
Cost of equity		
Risk free rate	3.00%	3.00%
Beta	1.35	1.45
Market risk premium	6.25%	6.25%
Specific risk premium	5.00%	5.00%
Cost of equity	16.44%	17.06%
Cost of debt		
Cost of debt (pre tax)	10.0%	15.0%
Tax	30.0%	30.0%
Cost of debt (post tax)	7.0%	10.5%
Capital structure		
Proportion of debt	10%	5%
Proportion of equity	90%	95%
	100%	100%
WACC (post tax)	15.5%	16.2%
WACC (post tax) - Adopted	16.0%	

Based on the above, we have adopted a discount rate of 16%, which is based on the average of the low and high.

Risk free rate – 3%

In the absence of an official risk free rate, the yield on the government bonds (in an appropriate jurisdiction) is commonly used as a proxy. Our adopted risk-free rate of 3.0% is based on the long-term real yield on Australian 10-year government bonds adjusted for the RBA's target inflation of between 2-3%.

In light of the COVID-19 pandemic and the resulting disruption to the global economy, the RBA, like other central banks around the world, reduced the cash rate to a historic low of 0.10% in November 2020. While recent economic data has been better than initially expected, output in most countries remains well below pre-pandemic levels, and further virus outbreaks pose a risk to the outlook. In Australia, the higher unemployment and excess capacity in the economy is expected to result in lower than expected inflation in the short-term. Given the outlook for both employment and inflation, monetary and fiscal support is expected to be required for the short-to medium-term. Consequently, the RBA is not expected to increase the cash rate until actual inflation is sustained within the 2-3% target range.

Australian government bond yields have been trending lower during the year due to the reduction in the base rate and the adoption of quantitative easing policy. The low yields observed on Government bonds (which actually went negative for short term maturity) are expected to continue over a longer period of time. As a result, we consider it reasonable to adopt a risk-free rate of 3%, which is pegged to the 10 year average of the 10 Year Australian Government Bond as set out below:

Australia Government Debt - 10 Year				Daily average	
as at 4 February 2021	Range			Nominal	Real
Previous 5 trading days	1.09%	-	1.19%	1.13%	0.27%
Previous 10 trading days	1.04%	-	1.19%	1.10%	0.24%
Previous 20 trading days	1.03%	-	1.19%	1.08%	0.22%
Previous 30 trading days	0.95%	-	1.19%	1.06%	0.20%
Previous 60 trading days	0.85%	-	1.19%	1.00%	0.14%
Previous 1 year trading	0.60%	-	1.48%	0.92%	0.20%
Previous 2 years trading	0.60%	-	2.25%	1.16%	-0.05%
Previous 3 years trading	0.60%	-	2.93%	1.65%	0.23%
Previous 5 years trading	0.60%	-	2.99%	1.99%	0.47%
Previous 10 years trading	0.60%	-	5.76%	2.81%	0.90%

Source: S&P Global and GTCF analysis

Beta – 1.4

The beta measures the expected relative risk of the equity in a company. The choice of the beta requires judgement and necessarily involves subjective assessment as it is subject to measurement issues and a high degree of variation.

An equity beta includes the effect of gearing on equity returns and reflects the riskiness of returns to equity holders. However, an asset beta excludes the impact of gearing and reflects the riskiness of returns on the asset, rather than returns to equity holders. Asset betas can be compared across asset classes independent of the impact of the financial structure adopted by the owners of the business.

Equity betas are typically calculated from historical data. These are then used as a proxy for the future which assumes that the relative risk of the past will continue into the future. Therefore, there is no right equity beta and it is important not to simply apply historical equity betas when calculating the cost of equity. In computing the beta to be applied, we follow the Hamada method without using the Blume-adjusted beta.

We have observed the equity betas of our two comparable companies in the litigation financing industry, regressing against the local index and monthly observations for a 5-year period to 4 February 2020. The results are displayed in the table below:

Beta analysis	Market cap	Equity	R squared	Gearing	Ung geared	Regeared	Adopted
Company	Country	A\$m	Beta	Ratio	Beta	Beta	Beta
Comparable companies 5-year monthly beta							
Omni Bridgeway Limited	Australia	1,028	0.75	0.11	(11.8%)	0.75	0.81
Litigation Capital Management Limited	Australia	153	0.74	0.09	(25.1%)	0.74	nmf
Burford Capital Limited	Guernsey	2,452	1.26	0.15	12.3%	1.12	1.21
Credit Corp Group Limited	Australia	2,250	2.03	0.47	16.1%	1.82	1.97
Money3 Corporation Limited	Australia	586	1.76	0.35	23.3%	1.51	1.63
Pioneer Credit Limited	Australia	33	1.72	0.09	151.5%	0.83	0.90
Collection House Limited	Australia	43	0.25	0.01	83.1%	0.16	0.17
Median - all peers (excl. the outliers)							1.42
Average - all peers (excl. the outliers)							1.40

Source: S&P Global, GTCF Analysis

Details on the selected comparable companies are shown in Appendix C.

We note the betas calculated from comparable companies produce a large range, which is partly explained by the difference in size, profitability and that Litigation Capital Management also trades on a different stock exchange. Based on the comparable peers we have adopted a beta of 1.4.

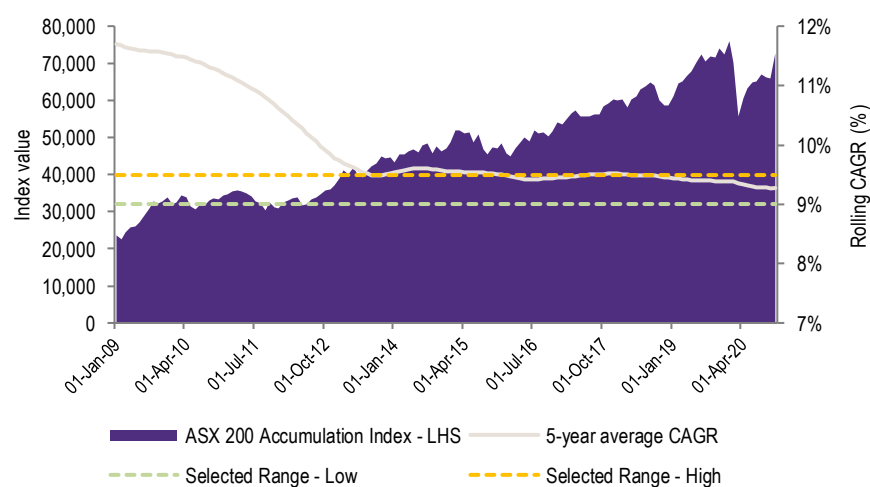
Market risk premium – 6.25%

The market risk premium represents the additional return an investor expects to receive to compensate for additional risk associated with investing in equities as opposed to assets on which a risk free rate of return is earned.

Empirical studies of the historical risk premium in Australia over periods of up to 100 years suggest the premium is between 6% and 8%. For the purpose of the valuation, Grant Thornton Corporate Finance has adopted a market risk premium of 6.25%.

We note that global equity markets have rapidly recovered since the trough of March 2020. Benchmark indices are approaching or exceeded their pre-COVID highs, and in Australia the long-term total market returns of the ASX 200 between 9.0% - 9.50% (over 20-30 years) have not been significantly affected, as shown below:

S&P/ASX200 Total Return Index & Rolling CAGR from 1 January '0



Source: Publicly available information, RBA, GTCF Calculation

Note 1: We have adopted the 5-year average CAGR to determine the through the cycle / sustainable returns

Accordingly, in order to reflect the above market conditions, we have adopted a total market return (beta of 1) of between 9.00% and 9.50% with a mid-point of 9.25%. Our adopted market risk premium of 6.25% combined with our assumption of 3.0% for the risk-free rate supports our total return analysis of between 9.0% and 9.50%.

Specific risk premium – 5%

Specific risk premium represents the additional return an investor expects to receive to compensate for company specific risks not reflected in the beta of the observed comparable companies. We note the idiosyncratic risks facing JustKapital Litigation include the risks in failing to execute the business plan and Restructure, the potential for lower than expected returns on remaining cases in run-off, the potential for

higher than forecasted adverse costs and the possibility of case and cash flow timing delays. As such, we have adopted a specific risk premium of 5%.

Cost of debt

For the purpose of estimating the cost of debt applicable to JustKapital Litigation, Grant Thornton Corporate Finance has considered the following:

- The margin in corporate bond yields over the Australian Government bond yields.
- The weighted average interest rate on credit outstanding for large businesses over the last one to five years as published by the Reserve Bank of Australia.
- The historical and current cost of debt for JustKapital Litigation and its comparable companies.
- Expectations of the yield curve.

Based on the above, Grant Thornton Corporate Finance has adopted a cost of debt range of 10% to 15% for JustKapital Litigation.

Tax rate

We have adopted a tax rate of 30%, which represents the tax rate included in the Financial Model.

Capital Structure

We have adopted a capital structure range of 10% to 5% debt financing to assess the sensitivity of the JustKapital Litigation to changes in the debt level of the capital structure.

Appendix C - Comparable companies

Company	Description
Omni Bridgeway Limited	Omni Bridgeway Limited engages in investing in litigation and dispute resolution matters in Australia, the United States, Canada, Asia, Europe, the Middle East, and Africa. It offers litigation financing solutions, including bankruptcy, commercial, intellectual property, investor recoveries, class/group actions, appeals, and whistleblower. The company also provides arbitration financing; funding for companies; judgment enforcement; law firm financing; and distressed asset recovery solutions. It serves individual claimants, law firms, corporations, sovereigns, and multilateral institutions. The company was formerly known as IMF Bentham Limited and changed its name to Omni Bridgeway Limited in March 2020. Omni Bridgeway Limited was founded in 1986 and is based in Sydney, Australia.
Litigation Capital Management Limited	Litigation Capital Management Limited provides litigation finance and risk management services associated with individual and portfolios of litigation projects in Australia and the United Kingdom. Its services include single-case and portfolios; and class actions, commercial claims, claims arising out of insolvency, and international arbitration. The company was founded in 1998 and is headquartered in Sydney, Australia.
Burford Capital Limited	Burford Capital Limited, together with its subsidiaries, provides investment capital, asset management, financing, and risk solutions for the legal sector in Guernsey and internationally. The company offers law firm and business solutions, including litigation finance, portfolio financing, risk management, insurance, asset recovery, international arbitration, insolvency and bankruptcy, competition and antitrust, intellectual property, and post-settlement and monetization solutions, as well as legal finance, equity, and advisory services. The company was founded in 2009 and is based in St Peter Port, Guernsey.
Credit Corp Group Limited	Credit Corp Group Limited provides debt purchase and collection, and consumer lending services in Australia and the United States. It operates through three segments: Debt Ledger Purchasing – Australia and New Zealand, Debt Ledger Purchasing – United States, and Consumer Lending – Australia and New Zealand. The company offers debt sale, contingency and agency collection, local government debt recovery, and hardship
Money3 Corporation Limited	Money3 Corporation Limited provides secured vehicle loans in Australia and New Zealand. The company offers vehicle loans that include loans for new and used cars, campervans, vans, minibuses, motorbikes, caravans, utes, trailers, boats, jet skis, trucks, ride on mowers, and tractors. It also provides secured and unsecured personal, and cash loans. The company provides loans through brokers under the Money3 and
Pioneer Credit Limited	Pioneer Credit Limited, together with its subsidiaries, provides financial services in Australia. It acquires and services unsecured retail debt portfolios. Pioneer Credit Limited was incorporated in 2002 and is headquartered in Perth, Australia.
Collection House Limited	Collection House Limited provides debt collection services in Australia, New Zealand, and the Philippines. The company operates in two segments, Purchased Debt Ledgers and Collection Services. It offers debt collections services to clients in the Australasian financial services, insurance, public utility, credit, and government enterprise markets; and debt purchasing services for banking, finance, telecommunications, and energy sectors. The company also provides receivables management, repayment arrangement management, asset location recovery and sale, hardship management, legal and insolvency, credit management training, finance brokerage, and business process outsourcing services. Collection House Limited was incorporated in 1992 and is headquartered in Newstead, Australia.

Appendix D – Glossary

A\$	Australian Dollars
US\$	United States Dollars
ASIC	Australian Securities Investment Commission
ASX	Australian Stock Exchange
ATE	After the event insurance
Atalaya Facility	Atalaya Capital Management facility loan
Conditional Amount 1	50% of the proceeds from the LCF Funded Cases and one Non-LCF Funded Cases which exceeds the amount of the LCF Facility
Conditional Amount 2	50% of the proceeds net of any additional costs incurred on one of the Non-LCF Funded Cases
Conditional Amount	Conditional Amount 1 plus Conditional Amount 2
Corporations Act	Corporations Act 2001
Core Business	Disbursement Funding Business and Medical Lien Funding Business
CY	Calendar year ending 31 December
DCF Method	Discounted Cash Flow
Disbursement Funding Business or JustKapital Finance	JustKapital Finance Pty Ltd
EV	Enterprise Value
Financial Model	LawFinance financial model prepared for the JustKapital Litigation Business
FME Method	Valuation method: application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity
FSG	Financial Services Guide
FY	Financial year ended 30 June
GTCF, Grant Thornton, or Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd
IER	Independent Expert's Report
LawFinance or the Company	LawFinance Limited
LCF	Lucerne Composite Master Fund
LCF Facility	Debt facility provided by LCF to fund several of the Litigation Portfolio cases, consisting of a Minimum Return and Loans of at least A\$10 million due for repayment by 17 July 2021.
LCF Funded Cases	Four cases in the Litigation Portfolio which have been funded under the LCF Facility
LEP	Legal Equity Partners Pty Ltd, a subsidiary of Lucerne Composite Master Fund
Litigation Funding Business, or Litigation Portfolio	Cases funded by JustKapital Litigation Pty Ltd or its subsidiaries
Management	the Directors and management team of LawFinance

Medical Lien Funding Business or NHF	the provision of funding in respect of personal injury related medical liens in the United States (also referred to as National Health Finance)
Minimum Return	An amount owed under the LCF Facility of at least A\$3 million
MOIC	Multiple of the carrying value of the invested capital
NAV Method	Valuation method: amount available for distribution to security holders on an orderly realisation of assets
Non-associated securityholders	Securityholders not associated with the Proposed Transaction
Non-LCF Funded Cases	Two cases in the Litigation Portfolio which have not been funded under the LCF Facility
Proposed Transaction	The sale of 100% of the shares in JustKapital Litigation to LEP for a nominal consideration
Restructure	JustKapital Litigation's process of seeking to restructure certain of its funding arrangements to improve the economics for various stakeholders and the likelihood of successful resolution of certain cases
Share Purchase Agreement or SPA	Agreement to sell 100% of the shares in JustKapital Litigation to Legal Equity Partners Pty Ltd
Quoted Price Security Method	Valuation method: quoted price for listed securities, when there is a liquid and active market
RG111	ASIC Regulatory Guide 111 "Contents of expert reports"
RG112	ASIC Regulatory Guide 112 "Independence of Experts"
SAF	Syndicated Acquisition Facility loans
The Independent Directors	The Independent Directors of LawFinance
WACC	Weighted Average Cost of Capital

Annexure B – Equity Incentive Plan

LawFinance Group Equity Incentive Plan

LawFinance Limited
ABN 72 088 749 008

The success of LawFinance Group depends on our people and how each individual performs from day to day. In recognition of this, the Board has given you an Offer to participate in the LawFinance Group Equity Incentive Plan (the **Plan**). This document comprises the rules of the Plan (**Rules**) and explains how the Plan operates, how you may participate and the key features, benefits and risks of the Offer.

Important information about this document

The information contained in this document is general only and has been prepared without taking into account your objectives, specific personal circumstances, financial situation or needs. If you are unsure about whether to participate in this Plan, we strongly encourage you to seek independent financial advice from a licensed financial adviser.

The Plan is discretionary and LawFinance may amend, cancel, suspend or terminate the Plan.

Overview

What is the LawFinance Group Option Plan?

- 1 The Plan is an incentive scheme which provides an opportunity for all eligible persons to share in LawFinance Group's possible future success. The Plan lets you take a financial interest in LawFinance Group through the grant of:
 - options to acquire shares in LawFinance (**LawFinance Shares**) subject to this Plan (**Options**);
 - rights to a LawFinance Share (or, in certain circumstances, to a cash payment in lieu of a LawFinance Share) subject to this Plan (**Rights**); or
 - a loan (**Loan**) for the purpose of funding the Issue Price of the LawFinance Shares offered to you under and subject to this Plan.

How does the Plan work?

- 2 The Board will in its absolute discretion select people to participate in the Plan (these are referred to as **Eligible Persons**) and make each Eligible Person an offer to participate in the Plan (**Offer**).
- 3 The Offer will include the following details for each Eligible Person:
 - the number of LawFinance Shares, Options or Rights offered;
 - the Exercise Price, or a mechanism for determining the Exercise Price, and Exercise Period for any Options;
 - the Issue Price, or a mechanism for determining the Issue Price;
 - any holding arrangements required to be entered into in connection with those Options or Rights;
 - the applicable conditions including vesting conditions, disposal and forfeiture restrictions applying to those LawFinance Shares, Options and Rights;
 - if a Loan is to be offered to you to acquire LawFinance Shares:
 - details on the terms on which the Loan is offered;
 - the Repayment Date, if any; and
 - any conditions, obligations and risks associated with the Loan; and
 - how the Offer may be accepted.

Other considerations

- 4 As with any other investment, owning LawFinance Shares, Options or Rights carries risks, including:
 - the price of LawFinance Shares as traded on the Australian Securities Exchange (**ASX**) may fall, depending upon factors such as the financial performance of LawFinance Group, the performance of the economy and the financial market conditions generally;
 - dividends on LawFinance Shares may not be paid or may be less than anticipated; and
 - participation in the Plan may have important taxation implications. General tax information can be found on page 7 of this document. The tax regime applying to you may change in the future.

There are risks inherent in owning shares or an interest in future shares like the Options and the Rights. Some of those risks are specific to LawFinance's business activities while others are of a more general nature. Those risks may, individually or in

combination, affect the value of LawFinance Shares. For more detail on those risks, please refer to LawFinance's most recent annual report.

If you are unsure about whether to participate in this Plan, we strongly encourage you to seek independent financial advice from a licensed financial adviser.

If you are unsure about the tax implications from your participation in this Plan, we strongly recommend you obtain your own tax advice.

Frequently Asked Questions

How do I accept?

- 5 If you wish to participate in the Plan you must sign and return the Offer to your Line Manager
- 6 If you have any questions on how to apply, please contact your Line Manager.

What are the Options?

- 7 The Options are rights to acquire LawFinance Shares in accordance with this Plan. The Options are generally issued subject to satisfaction of certain conditions (including any vesting conditions) and compliance with the applicable exercise procedure (including payment of any applicable exercise price).

What are Rights?

- 8 The Rights are an entitlement to a LawFinance Share (or, in certain circumstances, to a cash payment in lieu of a LawFinance Share) in accordance with this Plan. The Rights are generally subject to satisfaction of certain conditions (including any vesting conditions).

What does it mean for a Right or Option to vest?

- 9 Vesting is the process by which you become entitled to:
 - (a) in the case of a Right, be allocated a LawFinance Share;
 - (b) in the case of an Option, exercise the Option.

What happens when a Right vests?

- 10 After vesting of a Right, a LawFinance Share will be allocated to you without any further action on your part unless the Board decides to satisfy your entitlement through a cash payment.
- 11 Where the Board decides to make a cash payment to a Participant in lieu of an allocation of LawFinance Shares, LawFinance must pay you an amount in Australian dollars (or any other currency determined by the Board in its absolute discretion) equivalent in value to the number of LawFinance Shares which you would have been allocated multiplied by the Current Market Price.
- 12 If the Board determines that the payment is to be made in a currency other than Australian dollars, the foreign exchange rate applied will be the weighted average closing exchange rate of the relevant currency for the five business days prior to the date of vesting.

What is the Current Market Price?

- 13 The Current Market Price is the weighted average market price (rounded to the nearest cent) of all LawFinance Shares sold on the ASX during the five trading days prior to the vesting of the Right.

What are vesting conditions?

- 14 Vesting conditions are terms of your Offer and are conditions that may relate to performance, service or other circumstances that must be satisfied before a Right or Option vests under these Rules.

Do I have to pay for my Rights or Options?

- 15 Unless otherwise specified in the Offer, no payment is required for the grant of a Right or an Option.

What happens if I am offered LawFinance Shares with a Loan?

- 16 If you have been offered LawFinance Shares with a Loan you can accept that Offer by delivering to LawFinance written notice of acceptance of the Offer. The LawFinance Shares that you acquire under the Plan will be subject to a Holding Lock during the relevant Restriction Period.
- 17 In addition, on acceptance of an Offer to provide a Loan, LawFinance will apply the amount of the Loan on your behalf to pay the Issue Price of the LawFinance Shares offered to you.

Is there a charge attached to the Loan?

- 18 Yes, LawFinance will have a first ranking Security Interest over LawFinance Shares which are acquired by way of a Loan, during the Restriction Period.

If I have a Loan when do I have to repay the Loan Balance?

- 19 You must repay the Loan by the Repayment Date.
- 20 If you cease to be employed by or provide services as a consultant to the LawFinance Group or if you Dispose or attempt to Dispose of your LawFinance Shares in breach of the Rules the Board may, in its absolute discretion, give notice to you that the Loan Balance is immediately payable.

Can I repay my Loan early?

- 21 Yes, you may apply to the Board for approval to repay the amount advanced to you under the Loan less any repayment by way of dividends before the date on which the Loan Balance would otherwise be repayable.

Can LawFinance sell my LawFinance Shares?

- 22 Yes, if a Loan becomes repayable and you do not pay the Loan Balance within the time for payment specified by the Board, LawFinance may sell all of the LawFinance Shares issued to you.
- 23 The proceeds of the sale of your LawFinance Shares will be applied in the following order:
- (a) first, to pay the Loan Balance;
 - (b) second, to reimburse LawFinance for all costs and expenses incurred in connection with the sale; and
 - (c) the balance (if any) to you.

Will I be paid dividends?

- 24 Yes, you are entitled to receive any dividend payable in respect of the LawFinance Shares allocated to you under the Plan. However, by accepting an Offer of a Loan, you are required to repay the Loan from dividends payable in respect of the LawFinance Shares and:
- (a) you direct LawFinance to procure that any dividend payable in respect of the LawFinance Shares acquired by way of the Loan is applied in accordance with paragraph (b); and
 - (b) LawFinance will procure that any dividend payable in respect of the LawFinance Shares is applied in payment of the balance on the Loan at the time the dividend is paid.
- 25 In applying this provision the Board may determine that a portion of any dividend can be retained by you to meet your taxation liability incurred in relation to the dividend.

Are there any other restrictions on dealing in LawFinance Shares, Rights or Options?

- 26 LawFinance Group has a Securities Trading Policy which governs when you may deal in LawFinance Shares, Options and Rights.
- 27 The Securities Trading Policy applies to LawFinance Shares, Options and Rights acquired under the Plan. You must comply with the Securities Trading Policy and it is your responsibility to ensure that you comply with the Securities Trading Policy when accepting an invitation to participate in the Plan and on any transfer or sale of LawFinance Shares, Options or Rights.
- 28 The Securities Trading Policy is available on the shared server.
- 29 In addition, except with the written consent of the Board you may not deal with a Right or Option including by:
- (a) a transfer, assignment, encumbrance, option, swap, or any other alienation of all or any part of the legal or beneficial rights attaching to the Right or Option; and
 - (b) any hedging (including any dealing with a derivative instrument intended to "lock in" a profit relating to a Right or Option, and any other transactions in financial products that operate to limit the economic risk associated with holding a Right or Option).

Is LawFinance Group responsible for price changes of the LawFinance Shares?

- 30 No. Neither LawFinance Group nor any Group Member, or their respective directors, officers, employees, representatives or agents are liable for any adverse movements in the value of any LawFinance Shares issued under the Plan.

When can I sell my LawFinance Shares?

- 31 You can sell the LawFinance Shares issued to you on exercise of an Option at any time provided you are not restricted from dealing in the LawFinance Shares under the Securities Trading Policy.
- 32 See paragraphs 92 to 95 with respect to the sale of LawFinance Shares issued to you under a Loan.

What if my employment or engagement ceases before my Options or Rights vest?

- 33 The answer will depend upon the reason for you leaving LawFinance Group.
- 34 If you cease to be an employee or otherwise engaged by LawFinance Group because of resignation, termination for poor performance or termination for cause, any Right or Option held by you will lapse.
- 35 However, if you cease to be an employee or otherwise engaged by LawFinance Group for any other reason, including your death, total and permanent disablement, redundancy, retirement, termination by agreement or termination without cause, all of your Options or Rights will continue to be held by, or on behalf of, you (or by your estate as a representative) subject to:
- (a) these Rules;
 - (b) any pro rata adjustments necessary to account for cessation of employment part way through a year or other relevant period; and
 - (c) except that any continuous service condition will be taken to have been waived.
- 36 The Board may determine within four months of you ceasing employment or engagement with LawFinance Group that:
- (a) some or all of your Rights or Options lapse, vest, are only exercisable for a prescribed period and will otherwise lapse; and/or
 - (b) some or all of your Rights or Options are no longer subject to some or all of the restrictions that previously applied.

Can I transfer ownership of my LawFinance Shares, Loan, Options or Rights to anyone else?

- 37 No, as discussed above at paragraph 29, an Offer is personal to you and except with the express written consent of the Board, you cannot deal in interests granted under this Plan until:
- (a) in the case of an Option, you have exercised your Option;
 - (b) in the case of a Right, you have been allocated a LawFinance Share; and
 - (c) in the case of a Loan, the Loan Balance has been repaid.
- 38 Where, in the opinion of the Board, you have dealt with a Right, an Option or a Loan in contravention of the Rules, the Right or Option will immediately lapse.
- 39 The Board may consent to the transfer of a LawFinance Share, Loan, Right or Option that is required by law if you have provided satisfactory evidence of the requirement.

What if there is an inconsistency between the Rules and my Offer?

- 40 To the extent of any inconsistency, the terms in an Offer prevail over any other provision of these Rules.

What are the tax implications of this Plan?

- 41 For general taxation information, refer to the Taxation Summary below.

Who can I contact if I need help or have any questions?

- 42 If you have any questions about the Plan, please contact your Line Manager.

- 43 This Plan does not contain any specific recommendation to participate in the Plan. This document offers general advice only, by way of explaining the terms of the Plan.
- 44 If you are unsure about whether to participate in the Plan, you should obtain independent financial advice from a licensed financial adviser.

Where can I get price information?

- 45 The market price of LawFinance Shares is available from ASX's website at www.asx.com.au.

Taxation Summary

This taxation summary is general in nature. It is designed to provide you with an overview of some of the major taxation implications that may affect you in the Plan. It is not intended to be comprehensive.

You are strongly advised to seek your own professional advice about the consequences of participating in the Plan, based on your personal circumstances.

- 46 The general taxation information provided in this Plan is based on Australian income taxation laws as at February 2021 and assumes that an employee participating under this Plan is and will remain an Australian resident for taxation purposes, holds their LawFinance Shares, Rights or Options on capital account and is not otherwise restricted from dealing in their LawFinance Shares under the Securities Trading Policy.
- 47 This information does not apply to you if you are not a resident of Australia for Australian tax purposes.
- 48 In relation to Rights or Options, the laws relating to taxation of employee share schemes in Division 83A of the *Income Tax Assessment Act of 1997* provide for the discount on the grant of shares or rights to be either taxed on an upfront or a deferred basis. Rights or Options acquired under the Plan will be taxed on a deferred basis.

Taxation of Options

- 49 No income will be assessable to you at the time that the Option is granted or at the time that the Option vests.
- 50 Instead, the tax will be deferred until the earlier of:
- (a) the time that the Option is exercised;
 - (b) cessation of employment (whether or not the Option is exercised) if the Right does not lapse at that time; and
 - (c) 15 years from the grant of the Option,
- (in each case the "taxing point").
- 51 If you do not sell or dispose of your LawFinance Shares within 30 days of the taxing point, then you will be taxed on the market value of the Option at the taxing point (generally the market value may be determined according to a formula in the tax law by reference to market value of the LawFinance Shares on the relevant date and the Exercise Price).
- 52 The market value of the Option at the taxing point also will be included in your cost base for the LawFinance Shares for the purpose of working out any capital gain or loss on sale of the shares (see paragraph 54).

- 53 However, if you exercise the Options and acquire LawFinance Shares and those shares are sold or disposed of within 30 days of the taxing point, you will instead be required to pay income tax on the excess, if any, of the proceeds of sale over the Exercise Price. In that case, no additional capital gains tax will be payable at that time.
- 54 Upon sale or disposition of the LawFinance Shares received (where this occurs more than 30 days after the taxing point), you will be required to pay tax on any capital gain, being the difference between the proceeds of the sale and your cost base in the LawFinance Shares (see paragraph 51). If you have held the shares for more than 12 months following exercise of the Option, only 50% of the net capital gain will be taxable.
- 55 There will be different tax consequences if you:
- (a) are a temporary resident for Australian tax purposes, such as a foreign citizen working in Australia on a temporary visa. In particular, capital gains tax consequences may differ; and/or
 - (b) cease to be an Australian resident at a time when you hold Options or LawFinance Shares.
- 56 In light of the above, participants should discuss the taxation implications in their own individual circumstances with their tax advisors.

Taxation of Rights

- 57 No income will be assessable to you at the time that the Right is granted.
- 58 Instead, the tax will be deferred until the earlier of:
- (a) the time at which the Right vests;
 - (b) cessation of employment if the Right does not lapse at the time; and
 - (c) 15 years from the grant of the Right, (in each case the "taxing point").
- 59 If you do not sell or dispose of your LawFinance Shares within 30 days of the taxing point, you will be taxed on the market value of the Rights at the taxing point (generally the market value of the LawFinance Shares at the taxing point). This value also will be included in your cost base for the LawFinance Shares for capital gains tax purposes (see paragraph 61).
- 60 However, if the LawFinance Shares are sold or disposed of within 30 days of the taxing point, you will instead be required to pay income tax on the proceeds of sale. In that case, no additional capital gains tax will be payable at that time.
- 61 Upon sale or disposition of the LawFinance Shares received (where this occurs more than 30 days after the taxing point), you will be required to pay tax on any capital gain, being the difference between the proceeds of the sale and the cost base of the LawFinance Shares at the taxing point (see paragraph 59). If you have held the shares for more than 12 months, only 50% of the net capital gain will be taxable.
- 62 There will be different tax consequences if you:
- (a) are a temporary resident for Australian tax purposes, such as a foreign citizen working in Australia on a temporary visa. In particular, capital gains tax consequences may differ; and/or
 - (b) cease to be an Australian resident at a time when you hold Rights or LawFinance Shares.

- 63 In light of the above, participants should discuss the taxation implications in their own individual circumstances with their tax advisors.

Taxation of LawFinance Shares and Loans

- 64 The summary applies to Australian resident participants who are employees of the Company and who acquire LawFinance Shares with a Loan in their own name (not in the name of an associate, trust or corporation) and hold the LawFinance Shares as a long term investment on capital account.
- 65 There is no tax payable at the time you acquire the LawFinance Shares, assuming that the LawFinance Shares are acquired by you for an Issue Price equal to the market value of the LawFinance Shares (being the principal amount of the Loan).
- 66 The LawFinance Shares will constitute a CGT asset for capital gains tax purposes, with a cost base equal to the issue price.
- 67 At the time you subsequently sell the Shares, there will be a CGT event.
- 68 You will make a capital gain if the price for your LawFinance Shares exceeds your cost base. You may be entitled to discount the gain (after taking into account any capital losses) by 50% if you have held the LawFinance Shares for at least 12 months before the event. The 12 months period starts from the date you acquired your LawFinance Shares.
- 69 You will make a capital loss if the price for your LawFinance Shares is less than your cost base. Capital losses may be applied to offset capital gains made in the same or a future income year.
- 70 Net capital gains will be included in your assessable income and may be subject to income tax.
- 71 If you are paid a dividend on the Shares, the dividend plus the franking credits (if any) will form part of your assessable income. You should be entitled to a tax offset which will cover the tax payable on the dividends (to the extent of the franking credit amount). Any excess tax offset (after offset against tax payable) may be refundable to you. In circumstances where the amount of a dividend is required to be applied to reduce your Loan Balance, the Board may determine that a portion of that dividend can be retained by you to meet your taxation liability incurred in relation to the dividend.
- 72 In relation to the Loan, in accordance with Australian Taxation Office views on interest-free loans to employees for investment purposes:
- (a) the advance of the loan to fund your purchase of the Shares does not result in any assessable income to you;
 - (b) the interest free nature of the loan does not result in any assessable income to you; and
 - (c) the repayment of your loan in cash, or the settlement of your loan, does not result in any assessable income to you.
- 73 There will be different tax consequences if you:
- (a) are a temporary resident for Australian tax purposes, such as a foreign citizen working in Australia on a temporary visa. In particular, capital gains tax consequences may differ; and/or
 - (b) cease to be an Australian resident at a time when you hold LawFinance Shares.

- 74 In light of the above, participants should discuss the taxation implications in their own individual circumstances with their tax advisors.

As personal circumstances impact on taxation and this is a complex area of tax law, it is essential to consult a qualified tax adviser.

Operation of the Plan

How can I join the Plan?

75 The Board may invite you in writing to participate in the Plan by sending you an Offer.

What form will the Offer take?

76 The Offer will include details of:

- (a) the number of Options or Rights offered to you under the Plan;
- (b) the amount payable (if any) by you for the issue of LawFinance Shares;
- (c) any holding arrangements required to be entered into in connection with those Options or Rights;
- (d) the terms of any entitlement including the vesting conditions applying to those Options or Rights;
- (e) if a Loan is offered to you to acquire LawFinance Shares:
 - (i) details on the terms on which the Loan is offered;
 - (ii) the Repayment Date, if any; and
 - (iii) any conditions, obligations and risks associated with the Loan;
- (f) a copy of these Rules, or instructions as to how a copy of the Rules may be obtained; and
- (g) instructions as to how the Offer may be accepted.

What are LawFinance Shares?

77 LawFinance Shares issued to you under the Plan will rank equally in all respects with other LawFinance Shares for the time being on issue by LawFinance (for example, having rights with respect to voting, dividends and in the event of a winding up of the Company), except as regards any rights attaching to such LawFinance Shares by reference to a record date prior to the date of their issue.

78 LawFinance will apply for quotation of LawFinance Shares issued under the Plan within the period required by the Listing Rules.

What are the consequences of accepting an Offer?

79 By accepting an Offer you are taken to have agreed to:

- (a) become a participant in the Plan (**Participant**); and
- (b) be bound by:
 - (i) the terms of the relevant Offer;
 - (ii) the Rules; and
 - (iii) the Constitution.

80 Unless the Board determines otherwise:

- (a) no payment is required for the grant of Options or Rights; and
- (b) Options, Rights and LawFinance Shares issued to you with a Loan may not be registered in any name other than that of the Eligible Person.

How do I exercise my Options?

- 81 You may exercise an Option that has vested, has not been exercised and has not lapsed during the period commencing on the date on which the Option vests and ending on earliest to occur of four years from the date of issue of the Option or any other date nominated as the expiry date in the Offer (**Exercise Period**), by:
- (a) giving to the Company a signed exercise notice; and
 - (b) paying the Exercise Price multiplied by the number of Options being exercised.

Do I need to do anything to exercise a Right?

- 82 No. After vesting of a Right, a LawFinance Share or cash will be allocated to you (as determined by the Board in its absolute discretion) without any further action on your part.

How do my Options or Rights vest?

- 83 Your Offer should specify any vesting conditions or other vesting events that must be satisfied before an Option or Right vests. However, the Board may, in its discretion, determine or vary any vesting conditions or other vesting events at anytime.
- 84 If your Offer does not include vesting conditions or other vesting events the following conditions apply:
- (a) Options or Rights only vest while you remain employed with a Group Member, continue to provide consulting services to a Group Member or act as a director of a Group Member (as applicable);
 - (b) Options or Rights do not vest during any unpaid leave of absence. If the unpaid leave period includes part of a month, no vesting will occur in that month;
 - (c) Options vest three years after the their issue date;
 - (d) Rights vest 3 years after their issue date, and expire after 4 years.
- 85 If the number of Options scheduled to vest is not a whole number, the number of Options to vest and be granted to the Participant will be rounded down to the nearest whole number.

What is a vesting period?

- 86 Your Offer will contain a time period for satisfaction of a vesting condition.

What happens if the vesting conditions are not met within the vesting period?

- 87 Your Option or Right will lapse if there is a failure to meet a vesting condition or any other condition applicable to your Option or Right within the earlier of four years or the vesting period specified in your Offer.

How does an early repayment of my Loan work?

- 88 You may apply to the Board for approval to repay the amount advanced to you under the Loan in respect of those LawFinance Shares, less any repayment by way of dividends paid before the date on which the Loan Balance would otherwise be repayable.
- 89 If the Board, in its discretion, approves your application:
- (a) LawFinance must give you a notice of the amount calculated in accordance with paragraph 88;
 - (b) you must pay to LawFinance the amount and at the time specified in the notice; and

- (c) upon repayment of that amount, the Loan in respect of those LawFinance Shares is treated as fully repaid and the Board must procure the release of the LawFinance Shares from the Holding Lock.

What happens at the expiry of the Restriction Period?

- 90 Upon the expiry of a Restriction Period applying in respect of any LawFinance Shares:
 - (a) the Board must procure the release of the Shares from the Holding Lock; and
 - (b) all restrictions on the Disposal of those Shares under these Rules cease to apply.
- 91 Neither LawFinance or any other LawFinance Group entity, or their respective directors, officers, employees, representatives or agents are liable for any adverse movements in the value of any LawFinance Shares issued under the Plan either prior to or after the release of the LawFinance Shares from the Holding Lock.

What are the restrictions on Disposal of my LawFinance Shares acquired with a Loan?

- 92 You agree that the LawFinance Shares will be subject to a Holding Lock during the relevant Restriction Period.
- 93 Unless otherwise determined by the Board, you may not, during the relevant Restriction Period, make a Disposal of LawFinance Shares.
- 94 If the Board determines your Restriction Period should be reduced or waived, you must repay the Loan Balance prior to Disposal of the LawFinance Shares by a date notified to you by the Board in writing.
- 95 The Board may prescribe, take and enforce such action, steps or arrangements as it considers necessary, desirable or appropriate to enforce or give further effect to the provisions of paragraphs 92 and 93.

What are the terms of the Loan?

- 96 Subject to these Rules, the terms of any Loan will be determined by the Board at the time the Offer is made.
- 97 On acceptance of an Offer to provide a Loan, LawFinance will apply the amount of the Loan on your behalf to pay the Issue Price of the LawFinance Shares offered to you.
- 98 LawFinance will have a first ranking Security Interest over LawFinance Shares which are acquired by way of a Loan under the Plan, during the relevant Restriction Period.
- 99 You acknowledge that if you have a Loan, LawFinance has a Security Interest over those LawFinance Shares during the relevant Restriction Period.
- 100 By accepting the Offer in respect of a Loan, you:
 - (a) irrevocably appoint LawFinance or its substitute as your attorney (**Attorney**) to complete and execute (under hand or under seal) such instruments for and on your behalf as the Attorney thinks necessary or desirable to give effect to any sale of LawFinance Shares as the Board decides to make;
 - (b) agree to ratify and confirm whatever the Attorney lawfully does, or causes to be done under the appointment pursuant to this paragraph 100 in relation to your LawFinance Shares; and

- (c) agree to deliver to LawFinance on demand any power of attorney, instrument of transfer or other instruments as LawFinance may require for the purposes of any of the transfers referred to in this Plan.

Can I vote my LawFinance Shares?

- 101 You may exercise any voting rights attaching to LawFinance Shares issued to you under the Plan and registered in your name, or you may appoint a proxy to represent you at any meeting of the members of LawFinance.

What happens if there is any reorganisation of the issued capital of LawFinance Group?

- 102 If, prior to the issue of LawFinance Shares (whether pursuant to a Right or following exercise of an Option) there is any reorganisation of the issued capital of LawFinance Group, the terms of issue of the Loan, Options or Rights may be amended by the Board:
- (a) to the extent necessary to comply with the Listing Rules at the time of the reorganisation; or
 - (b) to minimise or eliminate any material advantage or disadvantage to you resulting from the reorganisation,
- by the grant of new options or rights to acquire LawFinance Shares in substitution of some or all of the Options or Rights on a like-for-like basis.
- 103 If a contract of employment, executive services agreement or similar document (**Employment Agreement**) between a Participant and LawFinance provides for:
- (a) the adjustment, following a reorganisation or restructure of the issued capital of LawFinance Group, of the number or price of LawFinance Shares, Options or Rights issued or issuable to the Participant; or
 - (b) the adjustment, following an entitlement issue in respect of LawFinance Shares, of the number or price of LawFinance Shares, Options or Rights issued or issuable to the Participant,
- the provisions of the Employment Agreement are to be complied with to the extent those provisions are not inconsistent with the Rules, the Constitution, the Listing Rules or applicable law.

What happens if there is a change of control?

- 104 If, in the opinion of the Board, a Change of Control Event has occurred, or is likely to occur, the Board may determine that the restrictions that apply to a Loan, Option or Right cease to apply at a time determined by the Board.
- 105 LawFinance may, by notice, require that all outstanding Options be exercised on or before a nominated date.
- 106 LawFinance Shares that remain subject to restrictions will be sold on your behalf and proceeds applied by LawFinance in the following order:
- (a) first, to pay the outstanding balance of the Loan; and
 - (b) second, the balance (if any) to LawFinance.

How will LawFinance satisfy my vested LawFinance Share, Right or Option?

- 107 The Board may satisfy LawFinance Shares acquired with a Loan, a vested Right, or an Option following the exercise of an Option by either:
- (a) issuing you LawFinance Shares;
 - (b) procuring the transfer of LawFinance Shares to you;
 - (c) procuring the setting aside of LawFinance Shares for you;
 - (d) releasing LawFinance Shares from a Holding Lock; or
 - (e) paying you an amount in Australian dollars (or any other currency determined by the Board in its absolute discretion) equivalent in value to the number of LawFinance Shares which you would have been allocated multiplied by the Current Market Price.

Are there any other steps that the Board can take regarding my Loan, Rights, Options or LawFinance Shares issued under the Plan?

- 108 If the Board believes that you:
- (a) have acted fraudulently or dishonestly in your involvement with LawFinance Group;
 - (b) have done something which has brought LawFinance Group or any Group Member into disrepute;
 - (c) are in breach of your obligations to a Group Member (including breach of any applicable policies or codes of conduct of any Group Member);
 - (d) are convicted of an offence in connection with the affairs of LawFinance Group; or
 - (e) have had a judgment entered against you in any civil proceedings in respect of your contravention of your duties at law, in equity or under statute in your capacity as an employee or officer of any Group Member,

then the Board may determine that any Rights, Options, or LawFinance Shares that have been allocated or are to be allocated to you under this Plan (including under a Loan), will lapse.

- 109 In addition, if any Options or Rights vest as a result of your fraud, dishonesty or breach of your obligations or of any other person and, in the opinion of the Board, the Rights or Options would not have otherwise vested or LawFinance is required by, or entitled under law, to reclaim an overpaid bonus then the Board may, subject to applicable laws, in relation to the Options or Rights or any funds or securities issued to you take whatever steps they think necessary or desirable to comply with the law or to ensure no unfair benefit is obtained by you.

- 110 If LawFinance or a Group Member is obliged, or reasonably believes it may have an obligation, as a result of or in connection with any Options or Rights granted or LawFinance Shares allocated under this Plan, to account for:
- (a) income or employment taxes under any wage, withholding or other arrangements; or
 - (b) any other tax, social security contributions or levy or charge of a similar nature,
- then the relevant Group Member is entitled to be reimbursed by the Participant for the amount or amounts so paid or payable.

- 111 In the circumstances set out in paragraph 110, the relevant Group Member may make arrangements for payment or reimbursement including, without limitation:
- (a) the provision by the Participant of sufficient funds to reimburse the Group Member for the amount (by salary deduction, reduction of any amount owed by LawFinance Group to the Participant or otherwise);
 - (b) the sale on behalf of the Participant of LawFinance Shares allocated pursuant to these Rules for payment or reimbursement of these amounts, as well as the costs of any such sale; or
 - (c) a reduction in any amount payable to the Participant in lieu of an allocation of LawFinance Shares under these Rules.

Are there any other restrictions?

- 112 No LawFinance Shares, Loan, Options or Rights will be issued under the Plan, if in doing so it would be in breach of, or would cause LawFinance or any Group Member or any of their affiliates to be in breach of:
- (a) the Constitution;
 - (b) Listing Rules;
 - (c) the ASX Settlement Operating Rules; or
 - (d) any other applicable law, including any other relevant market rules.

Can the Plan be suspended or terminated?

- 113 The Plan is valid and effective from the date of the resolution by the Board adopting the Plan or at such later date as may be specified by the Board in that resolution.
- 114 The Plan, or your involvement in the Plan, may be suspended at any time by a resolution of the Board. The period of suspension is at the discretion of the Board. A suspension of the Plan takes effect on the date determined by the Board and must be notified to you.
- 115 The Board may terminate the operation of the Plan at any time by resolution of the Board.
- 116 The suspension or termination of the Plan does not prejudice your existing Loan, Options or Rights. The Board must continue to administer the Plan during the period of any suspension and after the Plan has been terminated until all Options offered under the Plan have vested.

How will the Plan be administered?

- 117 The Plan will be administered by the Board in accordance with these Rules.
- 118 The Board may:
- (a) delegate to any person (including a committee of the Board) for the period and on the terms it decides, the exercise of any of its powers or discretions under the Plan;
 - (b) decide on appropriate procedures for administering the Plan, including the form of application and other forms and notices to be issued under the Plan;
 - (c) resolve conclusively all questions of fact or interpretation concerning the Plan and these Rules and any dispute of any kind that arises under the Plan, including as to the interpretation of the Plan or any restrictions or other conditions relating to any LawFinance Shares, Loan, Options or Rights;
 - (d) engage specialist service providers for the operation and maintenance of the Plan;

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- (e) ensure a complete register of Participants is maintained to facilitate efficient management and administration of the Plan and to comply with regulatory reporting requirements; and
- (f) waive any breach of a provision of the Plan.

119 Subject to the limitations on amendment set out below, the Board may:

- (a) act or refrain from acting under these Rules or concerning the Plan or any LawFinance Shares, Loan, Options or Rights granted under the Plan in any way it thinks fit; and
- (b) exercise any power or discretion concerning the Plan or any LawFinance Shares, Loan, Options or Rights granted under the Plan as it sees fit.

120 A decision of the Board as to the interpretation, effect or application of these Rules is final and conclusive.

121 Any calculations or adjustments which are required to be made by the Board in connection with the Plan are, in the absence of manifest error, final and conclusive and binding on all Participants.

Can the Plan be amended?

122 Subject to the Listing Rules (including any waiver granted under the Listing Rules) and the limitations on amendment set out below in paragraphs 124 and 125:

- (a) the Board may from time to time by resolution, amend, revoke, add to, vary or waive all or any of the provisions of these Rules, the terms of an Offer or the terms of a Loan, Options or Rights granted under the Plan; and
- (b) any amendment made under this Rule may be given such retrospective effect as is specified in the written instrument or resolution by which the amendment is made.

123 As soon as reasonably practicable after making any amendment to the Rules, the Board will give notice in writing of that amendment to any Participant affected by the amendment.

Are there any limitations on power of the Board to amend the Plan?

124 The Board must not, without the consent of the relevant Participant, amend the terms of an Offer or the Rules in a way which reduces the rights of the Participant in respect of the Offer of LawFinance Shares, Loan, Options or Rights, other than an amendment primarily:

- (a) for the purpose of complying with or conforming to present or future legislation applicable to LawFinance Group or the Plan or a requirement, policy or practice of ASIC or other regulatory body governing or regulating the maintenance or operation of the Plan or like plans;
- (b) to correct any manifest error or mistake;
- (c) to take into consideration possible adverse tax implications in respect of the Plan arising from, amongst others, adverse tax rulings from the Commissioner of Taxation, changes to tax legislation (including an official announcement by the Commonwealth of Australia) or changes in the interpretation of tax legislation by a court of competent jurisdiction; or
- (d) to enable any Group Member to comply with the Corporations Act, the Listing Rules or any other relevant market rules.

- 125 No amendment may be made to these Rules or to the terms of any Offer except in accordance with and in the manner (if any) stipulated in the Listing Rules.

Interpretation

In these Rules:

ASIC	The Australian Securities and Investments Commission.
ASX	ASX Limited ACN 008 624 691 or the securities exchange operated by it, as the context requires.
ASX Settlement Operating Rules	The rules of ASX Settlement Pty Limited.
Attorney	Has the meaning given to that term in paragraph 100(a).
Board	The board of directors of LawFinance and any committee or duly authorised person or body to which the Board has delegated its powers under this Plan.
Business Day	The meaning given to that term in the Listing Rules.
Change of Control Event	<p>(a) A takeover bid as defined in section 9 of the Corporations Act is made for LawFinance Shares;</p> <p>(b) any member of LawFinance Group is re-organised pursuant to a scheme or schemes of arrangement, to be approved by the courts;</p> <p>(c) any member of LawFinance Group enters into an agreement to sell the whole, or substantially the whole, of its business to a third party; or</p> <p>(d) it is proposed that any Group Member be wound up.</p>
Constitution	The constitution of LawFinance.
Corporations Act	The <i>Corporations Act 2001</i> (Cth).
Current Market Price	The volume weighted average market price (rounded to the nearest cent) of all LawFinance Shares sold on the ASX during the five trading days prior to the vesting of the Right.
Disposal or Dispose	Any sale, transfer, assignment, creation or purported creation of a Security Interest or a grant of options over, or any other alienation or encumbrance or attempt to alienate or encumber.
Eligible Person	Has the meaning given to that term in paragraph 2.
Employment Agreement	Has the meaning given to that term in paragraph 103.
Exercise Period	The period commencing on the date on which an Option vests and ending on the earliest to occur of four years from the date of issue of the Option or any other date nominated as the expiry date in the Offer.
Exercise Price	<p>Means:</p> <p>(a) the Current Market Price multiplied by 148% and assuming volatility of 50%; or</p> <p>(b) such other amount as may be determined by the Board in its absolute discretion from time to time.</p>
Group Member	Any entity that forms part of LawFinance Group whether a trust or company.
Holding Lock	Has the meaning given to that term in the Listing Rules.

Issue Price	The price per LawFinance Share determined by the Board and specified in the relevant Offer to be paid by a Participant.
LawFinance or Company	LawFinance Limited ABN 72 088 749 008.
LawFinance Group	The corporate group comprising LawFinance and each trust or company directly or indirectly controlled by LawFinance.
LawFinance Share	A fully paid, ordinary share in the capital of LawFinance.
Listing Rules	The official listing rules of ASX.
Loan	A loan made to a Participant under the Plan for the purposes of acquiring LawFinance Shares under the Plan.
Loan Balance	The lower of: <ul style="list-style-type: none"> (a) the amount advanced to the Participant under the Loan, less any repayment by way of dividends; and (b) the market value of the JustKapital Shares on the date the Loan is required to be repaid.
Offer	Has the meaning given to that term in paragraph 2.
Option	An entitlement to receive a LawFinance Share subject to satisfaction of applicable conditions (including any vesting condition) and compliance with the applicable exercise procedure (including payment of any applicable exercise price) in accordance with this Plan and the relevant Offer.
Participant	A person who has been invited to participate in the Plan and has received an Offer from the Board.
Plan	The LawFinance Group Equity Incentive Plan established and operated in accordance with these Rules.
Repayment Date	A date fixed for repayment of the Loan.
Restriction Period	The period determined by the Board during which the restrictions on Disposal will apply.
Right	An entitlement to a LawFinance Share (or, in certain circumstances, to a cash payment in lieu of a LawFinance Share) subject to satisfaction of applicable conditions (including any vesting condition) in accordance with this Plan and the relevant Offer.
Rules	The terms of the Plan as set out in this document as amended from time to time.
Security Interest	A mortgage, charge, pledge, lien or other encumbrance of any nature.
Securities Trading Policy	LawFinance Group's securities trading policy.

Other important information

Relationship of parties

The Board acts as a principal in the operation of the Plan and neither it, nor any of its members, acts as your trustee or agent.

These Rules:

- (a) do not confer on you the right to continue as an employee of a Group Member;
- (b) do not form part of and are not incorporated into any contract of any Participant (whether or not they are an employee of a Group Member);
- (c) do not affect any rights which a Group Member may have to terminate your employment or engagement;
- (d) may not be used to increase damages in any action brought against a Group Member, in respect of your termination;
- (e) do not give any right to compensation for any loss in relation to the Plan, including for:
 - (i) any loss or reduction of any rights or expectations under the Plan in any circumstances or for any reason;
 - (ii) any exercise of a discretion or a decision taken in relation to a grant of Rights or Options or in relation to the Plan, or any failure to exercise a discretion under the Rules;
 - (iii) the operation, suspension, termination or amendment of the Plan; or
 - (iv) any forfeiture of any securities granted under the Plan; and
- (f) do not, of themselves, confer on you the right to acquire any interest in any LawFinance Shares.

The Participant appoints the secretary of LawFinance (or any other officer of the Company authorised by the Board for this purpose) as his or her agent to do anything necessary to allocate LawFinance Shares to the Participant, effect a forfeiture of LawFinance Shares and execute transfers of LawFinance Shares, in accordance with these Rules.

Entire understanding

These Rules and the relevant Offer embody the entire understanding between us in relation to the terms of the LawFinance Shares, Loans, Options or Rights issued under the Plan.

All previous negotiations, representations or agreements in respect of LawFinance Shares, Loans, Options or Rights to be issued under the Plan are superseded by the relevant Offer and these Rules.

No party is liable to any other party in respect of those matters.

No oral explanation or information provided by any party to another affects the meaning or interpretation of these Rules.

Notice

Any notice regarding LawFinance Shares, Loans, Options or Rights will be sent to your registered address as recorded by LawFinance Group.

Governing law

The Plan is governed by and will be construed in accordance with the laws of New South Wales and the Commonwealth of Australia.

Duties and taxes

LawFinance Group is not responsible for any duties or taxes which may become payable in connection with the issue of LawFinance Shares, Loans, Options or Rights.

Rules

The terms of LawFinance Shares, Loans, Options or Rights issued to you pursuant to the Plan are governed by these Rules.

To the extent that any provision in the Rules is inconsistent with any provision in the Offer, the provisions in the Offer prevail to the extent of the inconsistency. The Constitution prevails over the Plan and any Offer to the extent of any inconsistency.

Section 83A-105(6) Statement

Subdivision 83A-C of the *Income Tax Assessment Act 1997* applies to this Plan subject to the requirements of that Act.

Construction

Unless expressed to the contrary, in this document:

- (a) words in the singular include the plural and vice versa;
- (b) any gender includes the other genders;
- (c) if a word or phrase is defined its other grammatical forms have corresponding meanings;
- (d) "includes" means includes without limitation;
- (e) no rule of construction will apply to a rule to the disadvantage of a party merely because that party put forward the rule or would otherwise benefit from it;
- (f) a reference to:
 - (i) a person includes a partnership, joint venture, unincorporated association, corporation and a government or statutory body or authority;
 - (ii) a person includes the person's legal personal representatives, successors, permitted assigns and persons substituted by permitted novation;
 - (iii) any legislation includes subordinate legislation under it and includes that legislation and subordinate legislation as modified or replaced;
 - (iv) an obligation includes a warranty or representation and a reference to a failure to comply with an obligation includes a breach of warranty or representation;
 - (v) a right includes a benefit, remedy, discretion or power;
 - (vi) time is to local time in Sydney, Australia;
 - (vii) "\$" or "dollars" is a reference to Australian currency;
 - (viii) this or any other document includes the document as novated, varied or replaced by agreement between the parties and despite any change in the identity of the parties;
 - (ix) writing includes any mode of representing or reproducing words in tangible and permanently visible form, and includes fax transmissions;
 - (x) this document includes all schedules and annexures to it (if any); and
 - (xi) a rule, schedule or annexure is a reference to a rule, schedule or annexure, as the case may be, of this document;
- (g) if the date on or by which any act must be done under this document is not a Business Day, the act must be done on or by the next Business Day; and
- (h) where time is to be calculated by reference to a day or event, that day or the day of that event is excluded.

Disclaimer

No financial product advice is provided in this document.

Nothing in this document should be taken to constitute a recommendation or statement of opinion that is intended to influence a person or persons in making a decision to participate in the Plan.

This document does not take into account the objectives, financial situation or needs of any particular person.

Before acting on the information contained in this document, or making a decision to participate in the Plan, you should seek professional advice as to whether participation in the Plan is appropriate in light of your circumstances.

Model form of Offer

Model form of Loan Agreement

Please obtain from your Line Manager

Proxy Voting Form

If you are attending the virtual Meeting please retain this Proxy Voting Form for online Securityholder registration.

[EntityRegistrationDetailsLine1Envelope]
[EntityRegistrationDetailsLine2Envelope]
[EntityRegistrationDetailsLine3Envelope]
[EntityRegistrationDetailsLine4Envelope]
[EntityRegistrationDetailsLine5Envelope]
[EntityRegistrationDetailsLine6Envelope]

[HolderNumber]

Holder Number:
[HolderNumber]

Your proxy voting instruction must be received by **10.00am (AEDT) on Saturday, 27 March 2021**, being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY

Complete the form overleaf in accordance with the instructions set out below.

YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home> Shareholders sponsored by a broker should advise their broker of any changes.

STEP 1 – APPOINT A PROXY

If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chair of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

STEP 2 - VOTES ON ITEMS OF BUSINESS

You may direct your proxy how to vote by marking 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 the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

SIGNING INSTRUCTIONS

Individual: Where the holding is in one name, the Shareholder must sign.

Joint holding: Where the holding is in more than one name, all Shareholders should sign.

Power of attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

Email Address: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

Lodging your Proxy Voting Form:

Online:

Use your computer or smartphone to appoint a proxy at
<https://investor.automic.com.au/#/login>

or scan the QR code below using your smartphone

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting Form.



BY MAIL:

Automic
GPO Box 5193
Sydney NSW 2001

IN PERSON:

Automic
Level 5, 126 Phillip Street
Sydney NSW 2000

BY EMAIL:

meetings@automicgroup.com.au

BY FACSIMILE:

+61 2 8583 3040

All enquiries to Automic:

WEBCHAT: <https://automicgroup.com.au/>

PHONE: 1300 288 664 (Within Australia)
+61 2 9698 5414 (Overseas)

