

LawFinance Limited

Level 16, 56 Pitt Street

Sydney NSW 2000

ACN: 088 749 008

www.lawfinance.com.au



LAWFINANCE LIMITED

Notice of 2021 Annual General Meeting

Explanatory Statement | Proxy Form

Tuesday, 25 May 2021

10:00AM (AEST)

Place

The AGM will be held at Level 5, 126 Phillip Street, Sydney NSW 2000

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 HAS PREPARED A REPORT IN RELATION TO THE RESTRUCTURE TRANSACTION AND CONSIDERS THE RESTRUCTURE TO BE FAIR AND REASONABLE TO SHAREHOLDERS OF THE COMPANY. PLEASE REFER TO ANNEXURE A FOR A COPY OF THE REPORT.

THE INDEPENDENT EXPERT HAS ALSO UPDATED ITS EARLIER REPORT IN RELATION TO THE JKL TRANSACTION AND CONSIDERS THE JKL TRANSACTION TO BE FAIR AND REASONABLE TO NON-ASSOCIATED SHAREHOLDERS OF THE COMPANY. PLEASE REFER TO ANNEXURE B FOR A COPY OF THE REPORT.

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

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Notice regarding cancellation of EGM

The Company refers to the notice of meeting and explanatory statement dated 26 February 2021 (**EGM Notice**) in respect of the extraordinary general meeting of the Company to be held on 29 March 2021 (**EGM**), and the Company's subsequent announcement on 24 March 2021 that the EGM would be postponed until further notice.

The Company wishes to advise that the Board has decided to cancel the EGM. The resolutions to be considered at the EGM will instead be considered at the annual general meeting of the Company to be held on 25 May 2021 (**AGM**), subject to the following changes:

- (a) the following resolutions in the EGM Notice have been withdrawn:
 - (i) Resolution 6 (Approval of Issue of Placement Shares to Tim Storey, Director of the Company); and
 - (ii) Resolution 7 (Approval of Issue of Remuneration Shares to Anthony Murphy, Director of the Company);
- (b) in relation to Resolution 18 in the notice of meeting for the AGM (which was previously Resolution 9 in the EGM Notice), the number of Incentive Options being issued to Daniel Kleijn has changed from 45,833,333 Incentive Options to 91,666,666 Incentive Options and the Exercise Price has changed from \$0.049 to \$0.025; and
- (c) as a result of the material positive development in relation to a case co-funded by JustKapital Litigation Pty Ltd (**JustKapital**) announced on 24 March 2021:
 - (i) certain aspects of the transaction documents in respect of the sale of JustKapital have been renegotiated. Accordingly, the Explanatory Statement accompanying the resolution to approve the sale of JustKapital (which now appears as Resolution 13 in the notice of meeting for the AGM) has been amended. Those amendments are summarised in the Explanatory Statement on page 59 of the notice of meeting for the AGM; and
 - (ii) Grant Thornton, the independent expert commissioned to produce an independent expert's report in relation to the sale of JustKapital, has reconsidered its initial recommendation in light of the case development and has issued a supplementary report. The revised report, which includes the supplementary report and the original report initially released on 26 February 202 (referred to as the JKL Transaction IER) is included at Annexure B of the notice of meeting for the AGM.

Importantly, any proxy votes submitted in respect of the resolutions to be considered at the EGM will no longer be valid. Shareholders who submitted proxies for any resolutions at the EGM will need to re-submit proxies for the corresponding resolutions at the AGM.

Important Information for Shareholders about the Company's 2021 AGM

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.

Given the uncertainty surrounding the COVID-19 pandemic, by the time this Notice of Meeting is received by Shareholders, circumstances may have changed, however, this Notice of Meeting is given based on circumstances as at 23 April 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. Shareholders are urged to monitor the ASX announcements platform and the Company's website.

Shareholders should note that the Company will strictly comply with any applicable restrictions on gatherings in force at the time of the AGM, including limiting the number of people attending the AGM venue.

Shareholders are also strongly encouraged to lodge their completed proxy forms in accordance with the instructions in this Notice of Meeting.

This Notice of Meeting can be accessed on the Company's website at: www.lawfinance.com.au

Should you wish to discuss the matters in this Notice of Meeting, please do not hesitate to contact the Company Secretary on +61 2 8072 1400.

Venue

The Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 10.00 am (AEST) on Tuesday, 25 May 2021 at Level 5, 126 Phillip Street, Sydney NSW 2000.

Shareholders will be able to vote and ask questions at the 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 at andrew.palfreyman@automicgroup.com.au by 5.00 pm on Tuesday, 18 May 2021.

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 Annual General Meeting affects your shareholding and your vote is important.

Voting in person

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

Voting by proxy

Shareholders who wish to participate and vote at the AGM are strongly encouraged to complete and submit their proxies as early as possible.

To vote by proxy:

1. please complete and sign the enclosed Proxy Form, and deliver the Proxy Form:
 - (a) by hand to:

Automic Group

Level 5, 126 Phillip Street, Sydney NSW 2000; or

(b) by post to:

Automic Group

GPO Box 5193, Sydney NSW 2001; or

2. please lodge the Proxy Form online at <https://investor.automic.com.au/#/loginsah> by following the below instructions:

Login to the Automic website using the holding details as shown on the Proxy Form. Click on '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.

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 bring to the Meeting adequate evidence of their appointment, unless this has previously been provided to the Share Registry.

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 Corporate Finance Pty Limited ACN 003 265 987 has prepared the Independent Expert's Reports and takes responsibility for those reports. 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 Reports. Shareholders should read the Independent Expert's Reports carefully to understand the scope of the reports, the methodology of the assessment, the sources of information and the assumptions made.

Currency

Unless otherwise stated, all dollar values in this Notice of Meeting are in Australian dollars (\$).

Notice of Annual General Meeting

Notice is hereby given that an Annual General Meeting of Shareholders of LawFinance Limited ACN 088 749 008 will be held at 10:00am (AEST) on Tuesday, 25 May 2021 at Automic Group, Level 5, 126 Phillip Street, Sydney NSW 2000 (**Meeting**).

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the Proxy Form forms 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 Annual General Meeting are those who are registered Shareholders at 10:00am (AEST) on Sunday, 23 May 2021.

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

Cancelled EGM

Resolutions 13 to 19 in this Notice of Meeting were originally set out in the notice of meeting and explanatory statement dated 26 February 2021 (**EGM Notice**) in respect of the extraordinary general meeting of the Company to be held 29 March 2021 (**EGM**), which has since been cancelled.

Shareholders are advised that apart from the amendments to Resolution 18 and 19 set out on page 15 of this Notice of Meeting, Resolutions 13 to 19 remain unchanged, and accordingly they have been reproduced in this Notice of Meeting as they appeared in the EGM Notice.

Amendments have been made to the explanatory information for Resolutions 13, 18 and 19, the details of which are set out on page 21 of the Explanatory Statement accompanying this Notice of Meeting.

Independent Expert's Reports

Separate independent expert's reports have been prepared in respect of:

- (a) the proposed debt restructure and placement, which is the subject of Resolutions 7 to 10 (the **Restructure Transaction**) (referred to as the **Restructure Transaction IER**); and
- (b) the sale of JustKapital Litigation Pty Ltd, which is the subject of Resolution 13 (the **JKL Transaction**), which includes the original independent expert's report initially released to the market on 26 February 2021, along with a supplementary report (referred to as the **JKL Transaction IER**),

(together, the **Independent Expert's Reports**).

Shareholders should carefully consider the reports prepared by the Independent Expert for the purposes of the Shareholder approvals required for the respective transactions. The Independent Expert's Reports comment on the fairness and reasonableness of each of the transactions.

In accordance with the Restructure Transaction IER, the Independent Expert considers the Restructure Transaction to be fair and reasonable to the Shareholders of the Company.

In accordance with the JKL Transaction IER, the Independent Expert considers the JKL Transaction to be fair and reasonable to the non-associated Shareholders of the Company.

A copy of the:

- Restructure Transaction IER is set out at Annexure A to this Notice of Meeting; and
- JKL Transaction IER is set out at Annexure B to this Notice of Meeting,

and both Independent Expert's Reports are also available at the Company's website at www.lawfinance.com.au. Hard copies of the Independent Expert's Reports can be requested by

Shareholders from the Company at andrew.palfreyman@automicgroup.com.au at no cost to Shareholders.

Agenda

Ordinary business

Financial statements and reports

"To receive and to consider the Annual Financial Report of the Company for the financial year ended 31 December 2020 together with the declaration of the Directors, the Directors' Report, the Remuneration Report and the Auditor's Report for that financial year."

Note: This item of ordinary business is **for discussion only and is not a resolution**.

Pursuant to the Corporations Act, Shareholders will be given a reasonable opportunity at the Meeting to ask questions about, or make comments in relation to, each of the aforementioned reports during consideration of these items.

Resolutions

Remuneration Report

1. Resolution 1 – Adoption of Remuneration Report

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

"That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's Annual Financial Report for the financial year ended 31 December 2020."

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

Voting Exclusion Statement: In accordance with the Corporations Act, the Company will disregard any votes cast on Resolution 1 by or on behalf of a member of the Company's key management personnel (including the Directors), whose remuneration details are included in the Remuneration Report (**KMP**), or any of that person's Closely Related Parties (such as close family members and any controlled companies of those persons) (collectively referred to as **Restricted Voter**). However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy appointed in writing that specifies how the proxy is to vote on Resolution 1; and
- (b) it is not cast on behalf of a Restricted Voter.

If you appoint the person chairing the Meeting (**Chair**) and you are not a Restricted Voter, by submitting the Proxy Form you authorise the person chairing the Meeting to exercise the proxy even though Resolution 1 is connected directly or indirectly with the remuneration of a KMP, and you will be taken to have directed the Chair to vote in accordance with his or her stated intention to vote in favour of Resolution 1. If you do not want your vote exercised in favour of Resolution 1, you should direct the person chairing the Meeting to vote "against", or to abstain from voting on, this Resolution.

Capital Consolidation

2. Resolution 2 – Consolidation of Capital

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

"That, pursuant to section 254H of the Corporations Act and for all other purposes, the issued capital of the Company be consolidated on the basis that:

- (a) every one hundred (100) Shares be consolidated into one (1) Share;
- (b) every one hundred (100) Options be consolidated into one (1) Option;
- (c) every one hundred (100) Warrants be consolidated into one (1) Warrant; and
- (d) every one hundred (100) Capitalising Converting Notes be consolidated into one (1) Capitalising Converting Note,

and where this Consolidation results in a fraction of a Security being held, the Company be authorised to round that fraction up to the nearest whole Security, further details of which are described in the Explanatory Statement, effective on the day on which is 5 Business Days after completion of the Restructure Transaction, subject to Shareholder approval being obtained."

Election of Directors

3. Resolution 3 – Re-election of David Wattel as Director

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

"That Mr David Wattel, a Director who retires by rotation in accordance with the Company's Constitution and ASX Listing Rule 14.5, and being eligible offers himself for re-election as a Director of the Company, effective immediately."

4. Resolution 4 – Election of Daniel Kleijn as Director

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

"That Mr Daniel Kleijn, a Director appointed as an additional Director and holding office until the next annual general meeting of the Company after his appointment in accordance with the Company's Constitution and ASX Listing Rule 14.4, be elected as a Director of the Company, effective immediately."

Approval of issue of Remuneration Shares to Daniel Kleijn

5. Resolution 5 – Approval of Issue of Remuneration 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, approval is given for the issue of 2,500,000 Remuneration Shares to Daniel Kleijn, Director of the Company (or his nominee) 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 Resolution 5 by or on behalf of:

- (a) Daniel Kleijn (or his nominee) or any person who will obtain a material benefit as a result of, the proposed issue of Shares (except a benefit solely by reason of being a holder of ordinary securities in the Company); or
- (b) an Associate of Daniel Kleijn (or his nominee).

However, this does not apply to a vote cast in favour of Resolution 5 by:

- (i) a person as proxy or attorney for a person who is entitled to vote on Resolution 5, in accordance with direction given to the proxy or attorney to vote on Resolution 5 in that way; or
- (ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on Resolution 5, in accordance with a direction given to the Chair to vote on Resolution 5 as the Chair decides; or
- (iii) 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 Resolution 5; and
 - the holder votes on Resolution 5 in accordance with directions given by the beneficiary to the holder to vote in that way.

ASX Listing Rule 7.1A (Additional 10% Capacity)

6. Resolution 6 – ASX Listing Rule 7.1A Approval of Future Issue of Securities

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

"That, for the purposes of ASX Listing Rule 7.1A and for all other purposes, the Shareholders approve the issue of equity securities up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 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 Resolution 6 by or on behalf of:

- (a) a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company); or
- (b) an Associate of that person or those persons.

However, this does not apply to a vote cast in favour of Resolution 6 by:

- (ii) a person as proxy or attorney for a person who is entitled to vote on Resolution 6, in accordance with directions given to the proxy or attorney to vote on Resolution 6 in that way;
- (iii) the Chair of the meeting as proxy or attorney for a person who is entitled to vote on Resolution 6, in accordance with a direction given to the Chair to vote on Resolution 6 as the Chair decides; or
- (iv) a holding 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 Resolution 6; and
 - the holder votes on Resolution 6 in accordance with directions given by the beneficiary to the holder to vote in that way.

Restructure Transaction Resolutions

7. Resolution 7 – Approval of Issue of Shares under the Debt Restructure in connection with the Restructure Transaction

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

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the issue of 1,483,858,929 Shares under the Debt Restructure in connection with the Restructure Transaction 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 Resolution 7 by or on behalf of:

- (a) a person who is expected to participate in, or who will obtain a material benefit as a result of, the issue of Shares under the Debt Restructure or the Placement (except a benefit solely by reason of being a holder of ordinary securities in the Company); or
- (b) an Associate of that person or those persons.

However, this does not apply to a vote cast in favour of Resolution 7 by:

- (i) a person as proxy or attorney for a person who is entitled to vote on Resolution 7, in accordance with directions given to the proxy or attorney to vote on Resolution 7 in that way; or
- (ii) the Chair as proxy or attorney for a person who is entitled to vote on Resolution 7, in accordance with a direction given to the Chair to vote on Resolution 7 as the Chair decides; or
- (iii) 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 Resolution 7; and
 - the holder votes on the Resolution 7 in accordance with directions given by the beneficiary to the holder to vote in that way.

8. **Resolution 8 – Approval of Issue of Shares under the Placement in connection with the Restructure Transaction**

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

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the issue of up to 1,326,846,154 Shares at an issue price of \$0.013 under the Placement in connection with the Restructure Transaction 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 Resolution 8 by or on behalf of:

- (a) a person who is expected to participate in, or who will obtain a material benefit as a result of, the Placement or the Debt Restructure (except a benefit solely by reason of being a holder of ordinary securities in the Company); or
- (b) an Associate of that person or those persons.

However, this does not apply to a vote cast in favour of Resolution 8 by:

- (i) a person as proxy or attorney for a person who is entitled to vote on Resolution 8, in accordance with directions given to the proxy or attorney to vote on Resolution 8 in that way; or
- (ii) the Chair as proxy or attorney for a person who is entitled to vote on Resolution 8, in accordance with a direction given to the Chair to vote on Resolution 8 as the Chair decides; or
- (iii) 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 Resolution 8; and
 - the holder votes on the Resolution 8 in accordance with directions given by the beneficiary to the holder to vote in that way.

9. **Resolution 9** – Approval of Issue of Shares to the Lucerne Related Parties in connection with the Restructure Transaction

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, approval is given for the issue to the Lucerne Related Parties of 18,203,353 Shares at an issue price of \$0.013 under the Placement and 60,853,772 Shares at an issue price of between \$0.0352 and \$0.044 per Share under the Debt Restructure 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 Resolution 9 by or on behalf of:

- (a) the Lucerne Related Parties; or
- (b) an Associate of any Lucerne Related Parties.

However, this does not apply to a vote cast in favour of Resolution 9 by:

- (i) a person as proxy or attorney for a person who is entitled to vote on Resolution 9, in accordance with directions given to the proxy or attorney to vote on Resolution 9 in that way; or
- (ii) the Chair as proxy or attorney for a person who is entitled to vote on Resolution 9, in accordance with a direction given to the Chair to vote on Resolution 9 as the Chair decides; or
- (iii) 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 Resolution 9; and
 - the holder votes on the Resolution 9 in accordance with directions given by the beneficiary to the holder to vote in that way.

10. **Resolution 10** – Approval for Company to acquire a Relevant Interest in Shares in connection with the Restructure Transaction

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

"That, for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes, approval is given for the acquisition by the Company of a Relevant Interest in the Voluntary Escrowed Shares as a result of the Company entering into voluntary escrow arrangements as described 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 Resolution 10 by or on behalf of:

- (a) a person who is a party to a voluntary escrow agreement with the Company; or
- (b) an Associate of those persons.

However, this does not apply to a vote cast in favour of Resolution 10 by:

- (i) a person as proxy or attorney for a person who is entitled to vote on Resolution 10, in accordance with directions given to the proxy or attorney to vote on Resolution 10 in that way; or

- (ii) the Chair as proxy or attorney for a person who is entitled to vote on Resolution 10, in accordance with a direction given to the Chair to vote on Resolution 10 as the Chair decides; or
- (iii) 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 Resolution 10; and
 - the holder votes on Resolution 10 in accordance with directions given by the beneficiary to the holder to vote in that way.

Approval of Director's participation in the Placement

11. Resolution 11 – Approval of Issue of Shares to Tim Storey, Director of the Company, under the Placement

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, approval is given for the issue of 7,600,000 Shares to Tim Storey, Director of the Company (or his nominee), at an issue price of \$0.013 under the Placement in connection with the Restructure Transaction 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 Resolution 11 by or on behalf of:

- (a) Tim Storey (or his nominee) who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue of Shares (except a benefit solely by reason of being a holder of ordinary securities in the Company); or
- (b) an Associate of Tim Storey (or his nominee).

However, this does not apply to a vote cast in favour of Resolution 11 by:

- (i) a person as proxy or attorney for a person who is entitled to vote on Resolution 11, in accordance with direction given to the proxy or attorney to vote on the Resolution in that way; or
- (ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on Resolution 11, in accordance with a direction given to the Chair to vote on Resolution 11 as the Chair decides; or
- (iii) 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 Resolution 11; and
 - the holder votes on Resolution 11 in accordance with directions given by the beneficiary to the holder to vote in that way.

Approval of Issue of Warrants in connection with the Front Book Refinancing

12. Resolution 12 – Approval of Issue of Warrants in connection with the Front Book Refinancing

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

*"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the issue of 2 Warrants to Partners for Growth VI, L.P. and Partners for Growth V, L.P. (together, **PFG**) in connection with the Front Book Refinancing and the issue and allotment of Shares on the conversion of that Warrant 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 Resolution 12 by or on behalf of:

- (a) Partners for Growth VI, L.P. and Partners for Growth V, L.P.; or
- (b) an Associate of Partners for Growth VI, L.P. and Partners for Growth V, L.P.

However, this does not apply to a vote cast in favour of Resolution 12 by:

- (i) a person as proxy or attorney for a person who is entitled to vote on Resolution 12, in accordance with directions given to the proxy or attorney to vote on Resolution 12 in that way; or
- (ii) the Chair as proxy or attorney for a person who is entitled to vote on Resolution 12, in accordance with a direction given to the Chair to vote on Resolution 12 as the Chair decides; or
- (iii) 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 Resolution 12; and
 - the holder votes on Resolution 12 in accordance with directions given by the beneficiary to the holder to vote in that way.

Important Note: The following Resolutions 13 to 19 originally appeared in the notice of meeting for the cancelled EGM which was released to ASX on 26 February 2021. Each of Resolutions 13, 14, 15, 16 and 17 (which were resolutions 1, 2, 3, 4 and 8 in the notice of meeting for the cancelled EGM) has been reproduced below without any amendments.

Resolution 18 (which was resolution 9 in the notice of meeting for the cancelled EGM) has been reproduced, subject to the following change:

- The number of Incentive Options being issued to Daniel Kleijn has changed from 45,833,333 Incentive Options to 91,666,666 Incentive Options and the Exercise Price has change from \$0.049 to \$0.025.

Resolution 19 (which was resolution 5 in the notice of meeting for the cancelled EGM) has been reproduced, subject to the following change:

- References to “Placement” have been changed to “2020 Placement” to avoid confusion between the placement to be undertaken by the Company in May 2021 and the previous placement undertaken by the Company in December 2020.

Approval of sale of JustKapital Litigation Pty Ltd

13. Resolution 13 – 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 Resolution 13 by or on behalf of:

- (a) 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
- (b) an Associate of that person or those persons.

However, this does not apply to a vote cast in favour of Resolution 13 by:

- (i) a person as proxy or attorney for a person who is entitled to vote on Resolution 13, in accordance with directions given to the proxy or attorney to vote on Resolution 13 in that way; or
- (ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on Resolution 13, in accordance with a direction given to the Chair to vote on Resolution 13 as the Chair decides; or
- (iii) 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 Resolution 13; and
 - the holder votes on Resolution 13 in accordance with directions given by the beneficiary to the holder to vote in that way.

Ratification of Prior Issue of Shares

14. Resolution 14 – Ratification of Prior Issue of 2020 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 2020 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 Resolution 14 by or on behalf of:

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

However, this does not apply to a vote cast in favour of Resolution 14 by:

- (i) a person as proxy or attorney for a person who is entitled to vote on Resolution 14, in accordance with directions given to the proxy or attorney to vote on Resolution 14 in that way; or
- (ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on Resolution 14, in accordance with a direction given to the Chair to vote on Resolution 14 as the Chair decides; or
- (iii) 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 Resolution 14; and
 - the holder votes on Resolution 14 in accordance with directions given by the beneficiary to the holder to vote in that way.

15. Resolution 15 – Ratification of Prior Issue of 2020 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 2020 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 Resolution 15 by or on behalf of:

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

However, this does not apply to a vote cast in favour of Resolution 15 by:

- (i) a person as proxy or attorney for a person who is entitled to vote on Resolution 15, in accordance with directions given to the proxy or attorney to vote on Resolution 15 in that way; or
- (ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on Resolution 15, in accordance with a direction given to the Chair to vote on Resolution 15 as the Chair decides; or
- (iii) 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 Resolution 15; and
 - the holder votes on Resolution 15 in accordance with directions given by the beneficiary to the holder to vote in that way.

16. **Resolution 16 – 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 Resolution 16 by or on behalf of:

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

However, this does not apply to a vote cast in favour of Resolution 16 by:

- (i) a person as proxy or attorney for a person who is entitled to vote on Resolution 16, in accordance with directions given to the proxy or attorney to vote on Resolution 16 in that way; or
- (ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on Resolution 16, in accordance with a direction given to the Chair to vote on Resolution 16 as the Chair decides; or
- (iii) 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 Resolution 16; and
 - the holder votes on Resolution 16 in accordance with directions given by the beneficiary to the holder to vote in that way.

Adoption of Equity Incentive Plan

17. **Resolution 17 – 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 Resolution 17 by or on behalf of:

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

However, this does not apply to a vote cast in favour of Resolution 17 by:

- (i) a person as proxy or attorney for a person who is entitled to vote on Resolution 17, in accordance with directions given to the proxy or attorney to vote on Resolution 17 in that way; or
- (ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on Resolution 17, in accordance with a direction given to the Chair to vote on Resolution 17 as the Chair decides; or
- (iii) 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 Resolution 17; and
 - the holder votes on Resolution 17 in accordance with directions given by the beneficiary to the holder to vote in that way.

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 Resolution 17 if:

- (a) the proxy is either:
 - (i) a member of the Company’s Key Management Personnel; or
 - (ii) a closely related party of a member of the Company’s Key Management Personnel; and
- (b) the appointment does not specify the way the proxy is to vote on Resolution 17.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair of the Meeting; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even if Resolution 17 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

18. Resolution 18 – 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 17 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 91,666,666 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 Resolution 18 by or on behalf of:

- (a) 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; or
- (b) an Associate of that person or those persons.

However, this does not apply to a vote cast in favour of Resolution 18 by:

- (i) a person as proxy or attorney for a person who is entitled to vote on Resolution 18, in accordance with directions given to the proxy or attorney to vote on Resolution 18 in that way; or
- (ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on Resolution 18, in accordance with a direction given to the Chair to vote on Resolution 18 as the Chair decides; or
- (iii) 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 Resolution 18; and
 - the holder votes on Resolution 18 in accordance with directions given by the beneficiary to the holder to vote in that way.

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 Resolution 18 if:

- (a) the proxy is either:
 - (i) a member of the Company's Key Management Personnel; or
 - (ii) a closely related party of a member of the Company's Key Management Personnel;and
- (b) the appointment does not specify the way the proxy is to vote on Resolution 18.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair of the Meeting; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even if Resolution 18 is connected directly or indirectly with remuneration of a member of the Company's Key Management Personnel.

19. **Resolution 19** – Approval of Issue of Shares to Daniel Kleijn, Director of the Company, under the 2020 Placement

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 Shares to Daniel Kleijn, Director of the Company, pursuant to the 2020 Placement 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 Resolution 19 by or on behalf of:

- (a) Daniel Kleijn or any 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
- (b) an Associate of that person or those persons.

However, this does not apply to a vote cast in favour of Resolution 19 by:

- (i) a person as proxy or attorney for a person who is entitled to vote on Resolution 19, in accordance with direction given to the proxy or attorney to vote on Resolution 19 in that way; or
- (ii) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on Resolution 19, in accordance with a direction given to the Chair to vote on Resolution 19 as the Chair decides; or
- (iii) 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 Resolution 19; and
 - the holder votes on Resolution 19 in accordance with directions given by the beneficiary to the holder to vote in that way.

BY ORDER OF THE BOARD

Daniel Kleijn

Chief Executive Officer and Managing Director

23 April 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 Annual General Meeting to be held at 10:00 am (AEST) on Tuesday, 25 May 2021 at Automic Group, Level 5, 126 Phillip Street, Sydney NSW 2000.

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 Resolutions in the Notice of Meeting.

Each of Resolutions 7, 8, 9 and 10 (together, the **Restructure Transaction Resolutions**) are conditional on each of the other Restructure Transaction Resolution being approved. If any one of the Restructure Transaction Resolutions is not approved by Shareholders, the Restructure Transaction will not occur.

Importantly, if the Restructure Transaction Resolutions are not approved, the Restructure Transaction will not proceed, and as a result it is the view of the Board that the Company is likely to be placed into administration.

If you are in any doubt about what to do in relation to the Resolutions 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 business to be considered at the Annual General Meeting are set out below.

Cancelled EGM

Resolutions 13 to 19 and the accompanying explanatory information in relation to those Resolutions were originally set out in the EGM Notice, subject to the following material changes:

- the explanatory information in respect of Resolution 13 has been amended, as a result of a material positive development in relation to a case co-funded by JustKapital Litigation Pty Ltd. Please refer to page 59 of the Explanatory Statement for further details;
- in relation to Resolution 18, the number of Incentive Options being issued to Daniel Kleijn has changed from 45,833,333 Incentive Options to 91,666,666 Incentive Options and the Exercise Price has changed from \$0.049 to \$0.025; and
- references in Resolution 19 and in the explanatory information in respect of Resolution 19 to "Placement" have been amended to "2020 Placement" to avoid confusion between the placement to be undertaken by the Company in May 2021 and the previous placement undertaken by the Company in December 2020. Please refer to the Explanatory Statement for further details.

The explanatory information in respect of Resolutions 14 to 17 remains unchanged, and accordingly that information has been reproduced as it appeared in the EGM Notice.

Agenda

Ordinary business

Financial statements and reports

In accordance with the Constitution and the Corporations Act, the business of the Annual General Meeting will include receipt and consideration of the Annual Financial Report of the Company for the financial year ended 31 December 2020 together with the declaration of the Directors, the Director's Report, the Remuneration Report and the Auditor's Report.

In accordance with the amendments to the Corporations Act, the Company is no longer required to provide a hard copy of the Company's Annual Financial Report to Shareholders unless a Shareholder

has specifically elected to receive a printed copy.

Whilst the Company will not provide a hard copy of the Company's Annual Financial Report unless specifically requested to do so, Shareholders may view the Company Annual Financial Report on its website at www.lawfinance.com.au.

No resolution is required for this item, but Shareholders will be given the opportunity to ask questions and to make comments on the management and performance of the Company.

The Company's auditor will be present at the Meeting. During the discussion of this item, the auditor will be available to answer questions on the:

- Conduct of the audit;
- Preparation and content of the Auditor's Report;
- Accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- Independence of the auditor in relation to the conduct of the audit.

Written questions of the auditor

If you would like to submit a written question about the content of the Auditor's Report or the conduct of the audit of the Annual Financial Report of the Company's auditor, please send your question to the Company Secretary. A list of qualifying questions will be made available at the Meeting.

Please note that all written questions must be received at least five Business Days before the Meeting, which is by 18 May 2021.

Resolutions

Remuneration Report

Resolution 1 – Adoption of Remuneration Report

In accordance with section 250R(2) of the Corporations Act, the Company is required to present to its Shareholders the Remuneration Report as disclosed in the Company's Annual Financial Report.

The vote on the Resolution is advisory only and does not bind the Directors or the Company. The Remuneration Report is set out in the Company's Annual Financial Report and is also available on the Company's website at www.lawfinance.com.au.

However, if at least 25% of the votes cast are against the adoption of the Remuneration Report at the Meeting, and then again at the 2022 Annual General Meeting (**2022 AGM**), the Company will be required to put to the vote a resolution (**Spill Resolution**) at the 2022 AGM to approve the calling of a further meeting (**Spill Meeting**). If more than 50% of Shareholders vote in favour of the Spill Resolution, the Company must convene the Spill Meeting within 90 days of the 2022 AGM. All of the Directors who were in office when the 2022 Directors' Report was approved, other than the Managing Director, will (if desired) need to stand for re-election at the Spill Meeting.

The Remuneration Report explains the Board's policies in relation to the nature and level of remuneration paid to KMPs (including Directors) and sets out remuneration details, service agreements and the details of any share-based compensation.

Voting

Note that a voting exclusion applies to Resolution 1 in the terms set out in the Notice of Meeting. In particular, the Directors and other Restricted Voters must not vote on this Resolution and must not cast a vote as proxy, unless the appointment gives a direction on how to vote, or the proxy is given to the Chair and you submit the Proxy Form, authorising the Chair to exercise the proxy even though Resolution 1 is connected directly or indirectly with the remuneration of a KMP and that in doing so you will be taken to have directed the Chair to vote in accordance with the Chair's stated intention to vote in favour of Resolution 1.

Shareholders are urged to read carefully the Proxy Form and to provide a direction to the proxy on how to vote on this Resolution.

Capital Consolidation

Resolution 2 – Consolidation of Capital

Background

Resolution 2 seeks Shareholder approval for the Company to consolidate its issued capital through the consolidation of every 100 Shares into 1 Share, every 100 Options into 1 Option, every 100 Warrants into 1 Warrant and every 100 Capitalising Converting Notes into 1 Capitalising Converting Note (**Consolidation**).

Under section 254H of the Corporations Act, the Company may convert all or any of its shares into a larger or smaller number of shares by ordinary resolution passed at a general meeting.

This section of the Explanatory Statement provides the information required by Listing Rule 7.20 to be provided to Shareholders in relation to the Consolidation.

Purpose of the Consolidation

The Company currently has a large number of Shares on issue (1,170,230,045 Shares as at the date of this Explanatory Statement). The Consolidation will result in a more appropriate and effective capital structure for the Company and is intended to result in a Share price more appealing to a wider range of investors.

Effect of the Consolidation

Effect on capital structure

The effect which the Consolidation will have on the Company's capital structure is set out in the table below:

Capital Structure	Shares	Options	Warrants	Capitalising Converting Notes
Pre-Consolidation	1,170,230,045	71,500,000	452,743,636	188,972,861
Post-Consolidation (if Resolution 2 is passed)	11,702,300	715,000	4,527,436	1,889,729

Notes:

- (a) Post-Consolidation figures are subject to rounding
- (b) Based on the Company's issued capital as of the date of this Notice, accordingly, does not include any Shares for which Shareholder approval is being sought for their issue under this Notice of Meeting – however, the Shares, if issued, will be on a post-consolidation basis, in the event that Resolution 2 is passed.

Shares

If Resolution 2 is approved, every 100 Shares on issue will be consolidated into 1 Share (subject to rounding). Overall, this will result in the number of shares currently on issue reducing from 1,170,230,045 to 11,702,300 (subject to rounding).

As the Consolidation applies equally to all Shareholders, individual Shareholders will be reduced in the same ratio as the total number of Shares (subject to rounding). Accordingly, assuming no other market movements or impacts occur, the Consolidation will have no effect on the percentage interest in the Company of each Shareholder. The Consolidation will not result in any change to the substantive rights and obligations of existing Shareholders.

Options

As at the date of this Notice of Meeting, the Company has 71,500,000 unlisted Options on issue. If the Consolidation is approved, the Options will be reorganised in accordance with the terms and conditions

of the Options and Listing Rule 7.22.1 on the basis that the number of Options will be consolidated in the same ratio as the Consolidation of Shares and the exercise price will be amended in inverse proportion to that ratio.

The following table sets out the Company's existing Options, their exercise prices and expiry dates, on both a pre- and post- Consolidation basis.

	Number of Options	Exercise Price	Expiry Date
Pre-consolidation	24,000,000	\$0.25	28 September 2021
	22,500,000	\$0.40	28 September 2022
	25,000,000	\$0.60	28 September 2023
Post-consolidation	240,000	\$25.00	28 September 2021
	225,000	\$40.00	28 September 2022
	250,000	\$60.00	28 September 2023

The Consolidation will not result in any change in the substantive rights and obligations of existing holders of Options.

Warrants

As at the date of this Notice of Meeting, the Company has 452,743,636 Warrants on issue. If the Consolidation is approved, the Warrants will be reorganised in accordance with the terms and conditions of the Warrants on the basis that the number of Warrants will be consolidated in the same ratio as the Consolidation of Shares and the exercise price will be amended in inverse proportion to that ratio.

The following table sets out the Company's existing Warrants, their exercise prices and expiry dates, on both a pre- and post- Consolidation basis.

	Number of Warrants	Exercise Price	Expiry Date
Pre-consolidation	452,743,636	\$0.135	8 November 2022
Post-consolidation	4,527,436	\$13.50	8 November 2022

The Consolidation will not result in any change in the substantive rights and obligations of existing holders of Warrants.

Capitalising Converting Notes

As at the date of this Notice of Meeting, the Company has 188,972,861 Capitalising Converting Notes on issue. If the Consolidation is approved, the Capitalising Converting Notes will be reorganised in accordance with the terms and conditions of the Capitalising Converting Notes on the basis that the number of Capitalising Converting Notes will be consolidated in the same ratio as the Consolidation of Shares and the conversion price of each note will be amended in inverse proportion to that ratio.

The following table sets out the Company's existing Capitalising Converting Notes, their conversion price and maturity dates, on both a pre- and post- Consolidation basis. The below does not take into account the accrued interest on each Capitalising Converting Note, which is included when calculating the number of Shares to be issued upon conversion of each Capitalising Converting Note.

	Number of Capitalising Converting Notes	Conversion Price	Maturity date
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Pre-consolidation	188,972,861	\$0.10	31 December 2022
Post-consolidation	1,889,729	\$10.00	31 December 2022

Fractional entitlements

Where the Consolidation results in an entitlement to a fraction of a Security, that fraction will be rounded up to the nearest whole Security.

Holding statements

With effect from the date of the Consolidation, all existing holding statements will cease to have any effect, except as evidence of entitlement to a certain number of securities on a post Consolidation basis. New holding statements will be issued to security holders, who are encouraged to check their holdings after the Consolidation.

Taxation

The Consolidation should not result in a capital gains tax event for Australian tax residents. The cost base of the Shares held after the Consolidation will be the sum of the cost bases of the original Shares pre-Consolidation. The acquisition date of Shares held after the Share Consolidation will be the same as the date on which the original Shares were acquired.

This Explanatory Statement does not consider the tax implications in respect of Shares or other securities held on revenue account, as trading stock or by non-Australian resident Shareholders. Shareholders should consider their own circumstances and seek professional advice in relation to their tax position. Neither the Company nor any of its officers or employees assumes any liability or responsibility for advising Shareholders or other security holders about the tax consequences of the proposed Consolidation.

Indicative timetable*

If approved by Shareholders, the proposed Consolidation will take effect in accordance with the following indicative timetable (which has been prepared in accordance with Appendix 7A (paragraph 7) of the ASX Listing Rules).

Event	Date
Company announces Consolidation	Monday, 19 April 2021
Date of Meeting	Tuesday, 25 May 2021
Effective date of Consolidation	Friday, 4 June 2021
Last day for trading in pre-Consolidation Shares	Monday, 7 June 2021
Trading commences in the post-Consolidation Shares on a deferred settlement basis	Tuesday, 8 June 2021
Record Date - Last day for Company to register transfers on a pre-Consolidation basis	Wednesday, 9 June 2021
First day for Company to update register and send holding statements to shareholders reflecting the change in the number of shares they hold	Thursday, 10 June 2021
Last day for the Company to send notice to Shareholders of the change in their details of holdings. Deferred settlement market ends (provided all holding statements have been sent before noon Sydney time otherwise deferred settlement trading will end on the	Thursday, 17 June 2021

next Business Day).	
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*This timetable is indicative only and is subject to change.

Directors' Recommendation

The Board of Directors recommend Shareholders vote for this Resolution.

Election of Directors

Resolution 3 – Re-election of David Wattel as Director

The Company's Constitution requires that at the Company's annual general meeting, one-third of the Directors for the time being, or if their number is not a multiple of 3, then the number nearest one-third (rounded upwards in case of doubt), shall retire from office, provided always that no Director except a Managing Director shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself for re-election. The Directors to retire at the annual general meeting are those who have been longest in office since their last election.

It has been agreed that Mr Wattel will retire by rotation at this Meeting.

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

Mr Wattel was appointed a Director of the Company on 26 September 2018 and was last re-elected at the 2019 AGM.

Under this Resolution, Mr Wattel has elected to retire by rotation, and being eligible, seeks re-election as a Director of the Company at this AGM.

Mr Wattel graduated from the University of Illinois in 1984 with a degree in economics before obtaining his Juris Doctor (JD) in 1988 from Arizona State University College of Law. He has practiced personal injury law ever since graduating. He founded Wattel & York; a multi-state personal injury and medical malpractice law firm. He speaks at numerous conferences in the area of personal injury and litigation.

Directors' recommendation

The Directors (excluding Mr Wattel) recommend that Shareholders vote for this Resolution.

Resolution 4 – Election of Daniel Kleijn as Director

The Company's Constitution requires that a Director appointed either to fill a casual vacancy or as an addition to the existing Directors holds office only until the next following annual general meeting and is then eligible for re-election.

ASX Listing Rule 14.4 also provides that each additional director appointed during the year is to hold office until the next annual general meeting and is then eligible for election as a Director of the Company.

Mr Kleijn was appointed as an additional Director of the Company on 8 December 2020 and has since served as Director of the Company.

Under this Resolution, Mr Kleijn seeks election as a Director of the Company at this AGM.

Mr Kleijn was a managing director at Lazard and UBS focusing on M&A execution and funding across a variety of industries. During his career, Mr Kleijn executed in excess of \$100 billion of completed M&A transactions and more than \$30 billion of restructurings, debt and equity raisings in Australia, Asia, the U.S. and Europe. Mr Kleijn has a Master of Economics from the University of Groningen in the Netherlands and is a mentor to CEOs of charities.

Directors' recommendation

The Directors (excluding Mr Kleijn) recommend that Shareholders vote for this Resolution.

Approval of issue of Remuneration Shares to Daniel Kleijn

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

The Company has agreed, subject to obtaining Shareholder approval under this Resolution 5, to issue 2,500,000 Shares for nil consideration (**Remuneration Shares**) to Daniel Kleijn in recognition of his appointment as CEO of the Company as Chief Executive Officer and Managing Director on 8 December 2020 and his contributions to the Company to date. The proposed issue will be a cost effective and efficient method to remunerate Daniel Kleijn and preserve the Company's cash reserves. The Remuneration Shares are worth \$32,500 at the Placement price of \$0.013 per Share.

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 Resolution seeks the required Shareholder approval to issue the Remuneration 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 the Remuneration Shares.

If this Resolution is not passed, the Company will not be able to proceed with the proposed issue of the 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 Daniel removed from discussions) carefully considered the issue of these Remuneration Shares to Daniel Kleijn and formed the view that the giving of this financial benefit would be reasonable, given the circumstances of the Company, the quantum and terms of the Shares, and the responsibilities held by Daniel Kleijn in the Company.

Accordingly, the non-conflicted Directors of the Company believe that the issue of these Remuneration Shares to Daniel Kleijn falls within the “reasonable remuneration” 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 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 Shares to Daniel Kleijn is provided to Shareholders for the purposes of ASX Listing Rule 10.13:

- (a) The allottee 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 10.11.1.
- (c) The maximum number of Remuneration Shares to be issued is 2,500,000.
- (d) The Remuneration 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 on or shortly following the date the Placement Shares are issued, being 28 May 2021, and in any event prior to the effective date for the Consolidation contemplated in Resolution 2, being 4 June 2021.
- (f) The Shares will be offered for nil cash consideration.
- (g) Funds will not be raised from the issue of these Remuneration Shares, as they are proposed to be issued to Daniel Kleijn pursuant to his appointment as CEO and Managing Director and his contributions to the Company to date.
- (h) The current total remuneration package received by Daniel Kleijn is \$575,000 per annum (inclusive of superannuation).

ASX Listing Rule 7.1A

Resolution 6 – ASX Listing Rule 7.1A Approval of Future Issue of Securities

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.

Under Listing Rule 7.1A, however, an eligible entity can seek approval from its members, by way of a special resolution passed at its annual general meeting, to increase this 15% limit by an extra 10% to 25%.

An 'eligible entity' for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation less than the amount prescribed by ASX (currently \$300 million).

As of the date of this Notice, the Company is an eligible entity. If at the time of the Meeting the Company is no longer an eligible entity, this Resolution will be withdrawn.

Resolution 6 seeks Shareholder approval by way of a special resolution for the Company to have the additional 10% capacity provided for in Listing Rule 7.1A to issue equity securities without Shareholder approval.

If Resolution 6 is passed, the Company will be able to issue equity securities up to the combined 25% limit in Listing Rules 7.1 and 7.1A without any further Shareholder approval.

If Resolution 6 is not passed, the Company will not be able to access the additional 10% capacity to issue equity securities without Shareholder approval provided for in Listing Rule 7.1A and will remain subject to the 15% limit on issuing equity securities without Shareholder approval set out in Listing Rule 7.1.

Information Required by ASX Listing Rule 7.3A

The following information is provided to Shareholders for the purposes of Listing Rule 7.3A.

Period for which the approval will be valid

An approval under this Listing Rule 7.1A commences on the date of the annual general meeting at which the approval is obtained and expires on the first to occur of the following:

- (a) the date that is 12 months after the date of the annual general meeting at which the approval is obtained;
- (b) the time and date of the entity's next annual general meeting; and
- (c) the time and date of the approval by Shareholders of the Company of a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking).

Minimum price at which the equity securities may be issued under Listing Rule 7.1A

Any equity securities issued under Listing Rule 7.1A.2 must be an existing quoted class of the Company's equity securities and issued for cash consideration.

The issue price per equity security must not be less than 75% of the volume weighted average market price for the equity securities in that class, calculated over 15 Trading Days on which trades in that class were recorded immediately before:

- (a) the date on which the price at the equity securities are to be issued is agreed by the Company and the recipient of the equity securities; and
- (b) if the equity securities are not issued within 10 Trading Days of the date in paragraph (a), the date on which the equity securities are issued.

Purposes for which the funds raised by an issue of equity securities under Listing Rule 7.1A may be used

As noted above, any equity securities issued under Listing Rule 7.1A.2 must be issued for cash consideration. Accordingly, every issue of equity securities under Listing Rule 7.1A.2 will have an accompanying proposed use of funds at the time of issue.

As at the date of this Notice, the Company has not formed an intention to offer any equity securities under Listing Rule 7.1A during the Listing Rule 7.1A mandate period, if Shareholders approve this Resolution. However, if Shareholders approved this Resolution and the Company did raise funds from the issue of equity securities under Listing Rule 7.1A, based on the Company's existing plans, the Company considers that the funds may be used for the following purposes:

- (a) raising funds to further develop the Company's business;
- (b) raising funds to be applied to the Company's working capital requirements;
- (c) raising funds to acquire assets; and
- (d) paying service providers or consultants of the Company.

Risk of economic and voting dilution to existing ordinary Securityholders

If this Resolution is approved, and the Company issues equity securities under Listing Rule 7.1A, the existing ordinary Securityholders' economic and voting power in the Company will be diluted.

There is a risk that:

- (a) the market price for the Company's equity securities in that class may be significantly lower on the issue date than on the date of the approval under Listing Rule 7.1A; and
- (b) the equity securities may be issued at a price that is at a discount (as described above) to the market price for those equity securities on the issue date,

which may have an effect on the amount of funds raised by the issue of equity securities under Listing Rule 7.1A.

The table below shows the potential dilution of existing Securityholders on the basis of 3 different assumed issue prices and values for the variable "A" in the formula in rule 7.1A.2:

Variable "A" ASX Listing Rule 7.1A.2		Potential Dilution and Funds Raised		
		\$0.010 50% decrease in issue price	\$0.019 issue price ^(b)	\$0.038 100% increase in issue price
"A" is the number of shares on issue, being 966,630,045 Shares^(a)	10% voting dilution^(c)	96,663,004	96,663,004	96,663,004
	Funds raised	\$966,630.04	\$1,836,597.08	\$3,673,194.15
"A" is a 50% increase in shares on issue, being 1,449,945,067 shares	10% voting dilution^(c)	144,994,506	144,994,506	144,994,506
	Funds raised	\$1,449,945.06	\$2,754,895.61	\$5,509,791.23
"A" is a 100% increase in shares on issue, being 1,933,260,090 shares	10% voting dilution^(c)	193,326,009	193,326,009	193,326,009
	Funds raised	\$1,933,260.09	\$3,673,194.17	\$7,346,388.34

Notes

- (a) Based on a calculation of Variable "A" under Listing Rule 7.1A.2 as at 9 April 2021.
- (b) Based on the closing price of the Company's Shares on ASX as at 9 April 2021.
- (c) The table assumes that the Company issues the maximum number of ordinary Shares available to be issued under Listing Rule 7.1A.
- (d) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of issues of equity securities under Listing Rule 7.1A based on that Shareholder's holding at the date of this Explanatory Statement.
- (e) The table shows the effect of an issue of equity securities under Listing Rule 7.1A only, not under the Company's 15% capacity to issue equity securities under Listing Rule 7.1.

Allocation policy for issues under Listing Rule 7.1A

The Company's allocation policy and the identity of the allottees of equity securities under Listing Rule 7.1A will depend on a number of factors, including:

- (a) the Company's intentions in relation to the possible issue of equity securities (for cash consideration) during the Listing Rule 7.1A mandate period;
- (b) the structure and timeframe of the capital raising opportunities available to the Company and any alternative methods for raising funds that are available to the Company (such as a pro rata offer or an offer under a share purchase plan);
- (c) the potential effect on the control of the Company;
- (d) the Company's financial situation and the likely future capital requirements; and
- (e) advice from the Company's corporate or financial advisors.

Based on the Company's historical cashflow reports and capital raising activities in the past 12 months, the Company considers that it may raise funds during the Listing Rule 7.1A mandate period, although this cannot be guaranteed. As of the date of this Notice, no specific intention to issue equity securities in relation to any parties, investors or existing Securityholders have been formed. In addition, no intentions have been formed in relation to the possible number of issues, or the time frame in which the issues could be made. Subject to the requirements of the Listing Rules and the Corporations Act, the Board of Directors reserve the right to determine at the time of any issue of equity securities under Listing Rule 7.1A, the allocation policy that the Company will adopt for that issue.

If and when the determination is made to proceed with an issue of equity securities during the Listing Rule 7.1A mandate period, details regarding the allottees and purposes of issue will be disclosed pursuant to the Company's obligations under Listing Rules 3.10.3 and 7.1A.4.

Offers made under Listing Rule 7.1A may be made to parties (excluding any related parties) including professional and sophisticated investors, existing Shareholders of the Company, clients of Australian Financial Service Licence holders and/or their nominees, or any other person to whom the Company is able to make an offer of equity securities.

Issue or agreement to issue equity securities under Listing Rule 7.1A in the 12 months prior to AGM

The Company has issued or agreed to issue equity securities under Listing Rule 7.1A.2 in the 12 months preceding the AGM. Details of these issues or agreements to issue are set out in the table below:

Number/Class of equity securities issued	Terms of the securities issued	Price and discount to closing market price on the date of issue (if any)	Consideration details	Allottees of the Securities
<i>Issued on 14 December 2020</i>				
96,663,004 Shares	Issue of Shares pursuant to a placement announced by the Company on 11 December to raise approximately \$5 million (before costs). The placement was completed by utilising existing capacity under ASX Listing Rules 7.1 and 7.1A. The Shares were fully paid on issue and ranked equally in all aspects with all existing Shares issued by the Company.	Issue price of 2.5 cents per Share. Closing market price on the date of issue was 2.9 cents which represents a discount of 13.79%.	Cash consideration of \$5,207,500 (before costs). The full amount raised has been used by the Company to pay trading liabilities and to pay for acquired receivables and costs associated with the Restructure Transaction.	Sophisticated and professional investors

Total equity securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months prior to AGM ("A")	96,663,004
Percentage that "A" represents based on the total number of equity securities on issue at the commencement of that 12 month period (fully diluted)	6.75%

This Resolution is a Special Resolution. For a Special Resolution to be passed, at least 75% of the votes validly cast on the resolution by Shareholders (by number of ordinary shares) must be in favour of this Resolution.

Directors' recommendation

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

Restructure Transaction Resolutions

Resolutions 7, 8, 9 and 10

Background to the Restructure Transaction Resolutions

Background

As previously announced to the market, the Company has been impacted in recent months by a series of challenges in relation to the COVID-19 pandemic, which have significantly impacted the Company's businesses in Australia and the United States. The Company is now facing a range of strategic, operational and debt issues that need to be remedied immediately to ensure its ongoing viability.

In response to these challenges, the Company has undertaken a strategic review and various initiatives in order to restructure its balance sheet. Several initiatives have already been implemented, including:

- the entry into a USD \$25.5m facility secured over (amongst other things) the US "backbook" receivables previously held by NHF SPV 1, LLC, as announced to the market on 7 December 2020;
- the sale of the JustKapital Litigation business, which was announced to the market on 29 January 2021 (**JKL Transaction**), which is the subject of Resolution 13; and
- the negotiation of a standstill agreement with the SAF Lenders until 30 April 2021, as disclosed in the Preliminary Final Report released to the market on 26 February 2021.

The current funding arrangements of the Company are complex, costly and in many cases subject to a range of ineligibility criteria that are preventing the Company from making further loan originations that are key to its businesses. Current debt levels are also restricting the Company's ability to raise capital to meet its forecasted cashflow requirements.

In consideration of these factors and to best position the Company to continue future operations, the Company has sought to embark on a further restructuring and recapitalisation, referred to in this Notice of Meeting as the **Restructure Transaction**. The aims of the Restructure Transaction are to refinance certain lenders of the Company in a structured manner, maintain the ongoing support of the Company's remaining financiers and unsecured creditors, and strengthen the working capital position of the Company.

The Board has determined that the Restructure Transaction is in the best interests of Shareholders. An independent expert's report has been obtained from Grant Thornton Corporate Finance Pty Limited ACN 003 265 987 (**Independent Expert**) in respect of the Restructure Transaction and its impact on the Company (**Restructure Transaction IER**), which has helped the Board to form this view. Importantly, the Report concludes that the Restructure Transaction is fair and reasonable to all Shareholders. A copy of the Independent Expert's Report has been included at Annexure A of this Notice of Meeting.

Investor Presentation

The Investor Presentation released to the ASX on 19 April 2021 (a copy of which is included at Annexure C of this Notice of Meeting) contains an important description of the Restructure Transaction. Shareholders should review the Investor Presentation together with this Explanatory Statement carefully before deciding how to vote on the Restructure Transaction Resolutions.

Overview of the Restructure Transaction

The Restructure Transaction includes the following components:

- (a) certain lenders of the Company will convert some or all of their outstanding debts, with a total outstanding amount of approximately US \$41 million, into new Shares at an average price of \$0.037 per Share, and restructure certain debt facilities in the manner described below under the heading "Debt Restructure" of this Explanatory Statement (**Debt Restructure**);
- (b) a placement of new Shares to:

- (i) certain of the Company lenders who are sophisticated and professional investors, to raise at least approximately \$3 million (before costs); and
- (ii) certain new and existing sophisticated and professional investors, to raise approximately \$14.2 million (before costs)

at a price of \$0.013 per Share (**Placement**);

- (c) a \$3 million secured loan advanced by AquAsia, as more fully described in the section entitled "Overview of the Debt Restructure" on page 37 of this Explanatory Statement (**Debt Facility**); and
- (d) a Share Purchase Plan (**SPP**) to eligible Shareholders, which will open after completion of the Restructure Transaction, to enable all existing Shareholders as at the relevant record date (being Friday 16 April 2021) to acquire new Shares at the same issue price as the Placement. Further details (including the launch date and when offer documents will be sent to Shareholders) will be provided to the market in due course.

Please refer to the section entitled "Key terms of the Restructure Transaction" on page 36 of this Explanatory Statement, and the Investor Presentation included as Annexure C of this Notice of Meeting for further details about the Restructure Transaction.

Conditions of the Restructure Transaction

The various components of the Restructure Transaction outlined above are inter-conditional, meaning that each of the Restructure Transaction Resolutions are conditional on the approval by Shareholders of each other Restructure Transaction Resolution. If any of the Restructure Transaction Resolutions are not approved by Shareholders, the Restructure Transaction will not occur. Conversely, there is no guarantee that completion of the Restructure Transaction will occur if all of the Restructure Transaction Resolutions are approved by Shareholders.

In addition, the Company has entered into an implementation deed with the SAF Lenders (**Implementation Deed**) to facilitate the Debt Restructure. As well as the inter-conditional components of the Restructure Transaction outlined above, completion of the Debt Restructure under the Implementation Deed is conditional on:

- (a) the entry into a binding conditional agreement to refinance the amounts outstanding under the Atalaya Facility and secured over the US "front book" receivables (**Front Book Refinancing**); and
- (b) the amendment to the SFA in accordance with the high level terms set out under the heading "Overview of the Debt Restructure" below.

Timing of the Restructure Transaction

The following is an indicative timetable for the Restructure Transaction:

Event	Date
Trading halt	Thursday 15 April
Bookbuild conducted for the Placement	Thursday 15 April
Record date for SPP	Friday 16 April
Trading halt lifted	Monday 19 April
Announcement of the Restructure Transaction and the results of the Placement	Monday 19 April
Dispatch of AGM materials	Friday 23 April
AGM	Tuesday 25 May

Settlement of shares issued under the Restructure Transaction	Thursday 27 May
Implementation of the Debt Restructure	Friday 28 May
Allotment of shares issued under the Restructure Transaction	Friday 28 May
Normal trading of shares issued under the Restructure Transaction	Monday 31 May

**This timetable is indicative only and is subject to change. The timetable is dependent upon, amongst other things, the Restructure Transaction Resolutions being approved.*

A timetable in respect of the SPP will be released to the market in due course.

Shareholder approval of the Restructure Transaction

Shareholder approval is being sought for the resolutions necessary to complete the Restructure Transaction, which are summarised as follows:

- (a) the Company is proposing to issue up to approximately 1,483,858,929 Shares in connection with the Debt Restructure and up to approximately 1,326,846,154 Shares in connection with the Placement, which requires Shareholder approval under Listing Rule 7.1 as those issues will in aggregate exceed the Company's existing placement capacity under that rule (Resolutions 7 and 8);
- (b) in connection with the Debt Restructure and Placement, the Company is proposing to issue 79,057,125 Shares to Lucerne Services Pty Ltd ACN 606 629 538, Lucerne Australia Pty Ltd ACN 609 346 581, Lucerne Finance Pty Ltd ACN 618 123 845 (together the **Lucerne Related Parties**), which requires Shareholder approval under Listing Rule 10.11 (Resolution 9);
- (c) in connection with Shares to be issued under the Debt Restructure, the Company is proposing to enter into voluntary escrow arrangements with a number of debtholders, resulting in the Company obtaining a Relevant Interest in those Shares that will increase the Company's voting power to more than 20%, which if not approved by Shareholders would contravene the takeover prohibitions in section 606 of the Corporations Act. Section 611 of the Corporations Act allows Shareholders to approve an acquisition of relevant interests in voting shares that would otherwise contravene the takeover prohibitions (Resolution 10).

Please refer to the section under heading "Resolutions 7 to 10 – Restructure Transaction Resolutions" on page 42 of this Explanatory Statement for further information about the above Resolutions and the requirement for Shareholder approval.

Key terms of the Restructure Transaction

Debt Restructure

(a) Participating Debt

The creditors under the following agreements with the Company have agreed to participate in the Debt Restructure as set out in paragraph (b) below:

- (i) loan under the 'Secured Term Syndicated Facility Agreement' granted by the SAF Lenders, together with side loans outstanding to AquAsia and Pure Asset Management, pursuant to which the Company's outstanding exposure (as at completion of the Debt Restructure) is approximately \$57 million (**SFA**);
- (ii) promissory notes with a face value of issued by two US-based wholly owned subsidiaries of the Company, NHF and National Health Finance Holdco, LLC, to various sophisticated and professional investors, pursuant to which the Company's outstanding exposure (as at completion of the Debt Restructure) is approximately US \$8 million (**Promissory Notes**);

- (iii) convertible bonds issued by the Company to various sophisticated and professional investors pursuant to a capital raising undertaken by the Company on 11 July 2016, pursuant to which the Company's outstanding exposure (as at completion of the Debt Restructure) is approximately \$1.7 million (**Convertible Bonds**);
- (iv) certain loan agreements or professional services agreements whereby the Company has amounts outstanding to each of:
 - (A) Lucerne Services Pty Limited;
 - (B) Australian Philanthropic Services Foundation Pty Ltd;
 - (C) Contemplator Pty Limited;
 - (D) the Fairbairn Partnership Pty Ltd;
 - (E) Corrs Chambers Westgarth;
 - (F) Lucerne Australia Pty Ltd,
 pursuant to which the Company's outstanding exposure is approximately \$6.5 million; and
 - (G) Roth Capital Partners, LLC,
 pursuant to which the Company's outstanding exposure is approximately US \$0.6 million;

(the **Unsecured Indebtedness**);

(together, the **Participating Debt**).

(b) Overview of the Debt Restructure

Subject to satisfaction of the conditions set out above under the heading "Conditions of the Restructure Transaction" on page 35 of this Explanatory Statement, under the terms of the Debt Restructure, the Participating Debt will be partly or wholly extinguished or restructured as follows:

- (i) the aggregate facility limit under the SFA will be reduced to approximately \$21 million and restructured into two tranches with a reduced interest rate of 9.5% per annum. As part of this restructure, the Debt Facility will be advanced by AquAsia, which will form part of AquAsia's commitment under the second tranche of the amended SFA on completion of the Restructure Transaction;
- (ii) any remaining indebtedness under the SFA that does not form part of the restructured facility described in (i) above (being approximately \$35.6 million) will be converted into Shares on a pro-rata basis between the SAF Lenders at a share price of \$0.0352 per Share;¹
- (iii) the aggregate indebtedness owing under the Promissory Notes will be converted into AUD at an AUD/USD exchange rate of 0.7650 and then converted into Shares at a price of \$0.040 per Share;²
- (iv) the aggregate indebtedness in connection with the Convertible Bonds and the Unsecured Indebtedness will be converted into AUD at an AUD/USD exchange rate of 0.7650 (where the underlying indebtedness is denominated in USD) and then converted into Shares at a price of \$0.044 per Share.³

¹ This is equivalent to the outstanding amount being discounted by approximately 37.5%, and the balance converting at \$0.022 per Share.

² This is equivalent to the outstanding amount being discounted by approximately 45%, and the balance converting at \$0.022 per Share.

³ This is equivalent to the outstanding amount being discounted by approximately 50%, and the balance converting at \$0.022 per Share.

A total of 1,483,858,929 Shares will be issued in satisfaction of the debt for equity conversions described in sub-paragraphs (ii) to (iv) above. The majority of these new Shares will be subject to voluntary escrow arrangements as described under the heading "Voluntary escrow arrangements" on page 39 of the Explanatory Statement.

(c) Material documents

The Company has entered into the following material documents to facilitate the Debt Restructure:

- the Implementation Deed; and
- conversion agreements with creditors under the Promissory Notes and the Unsecured Indebtedness (**Conversion Agreements**).

A summary of the material terms of the Implementation Deed and Conversion Agreements is set out below.

Implementation Deed	
Summary	This document sets out the terms on which the SAF Lenders agree to convert \$35,595,411 owing under the SFA into equity (Conversion) and agree to extend the existing standstill.
Conditions	<p>The Conversion is conditional on:</p> <ul style="list-style-type: none"> (a) from the date of the Implementation Deed, until the date the Placement completes, the Secured Bridging Loan will have super priority and is to be repaid in advance of the amounts outstanding under the SFA (including from any proceeds received on any enforcement of the security granted in connection with the SFA); (b) the Front Book Refinancing documentation having been entered into; (c) the SAF Lenders and the Company agreeing to amend the terms of the SFA in accordance with the high level terms set out in sub-paragraph (b)(i) of the section entitled "Overview of Debt Restructure" above; (d) the debt for equity conversion set out in the section entitled sub-paragraphs (b)(ii) to (iv) of the section entitled "Overview of Debt Restructure" above occurring simultaneously with the Conversion; and (e) The Company completing a \$20,000,000 equity raising.

Conversion Agreements	
Conversion Conditions	<p>If the Restructure Transaction is implemented as set out in this Notice of Meeting, then each of the conditions below will be satisfied.</p> <p>Promissory Notes</p> <ul style="list-style-type: none"> (a) not more than USD \$20 million will remain outstanding in respect of the amounts outstanding under the SFA immediately following such conversion; (b) the conversion discount applicable to the amounts outstanding under the SFA is no less than 30%; and (c) the issue price is equivalent to a conversion discount to the amount outstanding of 45% and conversion at \$0.022.

	<p>Unsecured Creditors – Roth Capital Partners, LLC</p> <p>(a) not more than USD \$20 million will remain outstanding in respect of the amounts outstanding under the SFA immediately following such conversion;</p> <p>(b) the conversion discount applicable to the amounts outstanding under the SFA is no less than 30%; and</p> <p>(c) the issue price is equivalent to a conversion discount to the amount outstanding of 50% and conversion at \$0.022.</p> <p>Unsecured Creditors (excluding Roth Capital Partners, LLC)</p> <p>(a) not more than \$24 million will remain outstanding in respect of the amounts outstanding under the SFA immediately following such conversion;</p> <p>(b) the conversion discount applicable to the amounts outstanding under the SFA is no less than 35% (except for Fairbairn Partnership Pty Ltd, Corrs Chambers Westgarth and Lucerne Australia Pty Ltd which is no less than 37.5%); and</p> <p>(c) the issue price is equivalent to a conversion discount to the amount outstanding of 50% and conversion at \$0.022.</p>
Escrow	<p>Following the Proposed Conversion, the Shares will be subject to the escrow terms set out in the section entitled “Resolution 10 – Approval for the Company to acquire a Relevant Interest in the Voluntary Escrowed Shares” below on page 49 of the Explanatory Statement.</p>

Placement

As announced on 19 April 2021, the Company has obtained commitments to raise \$17.2 million (before costs) from certain sophisticated and professional holders of debt in the Company participating in the Debt Restructure, and certain new and existing sophisticated and professional investors of the Company. An additional \$3 million was provided by AquAsia pursuant to the Debt Facility. Per the terms of the Debt Facility, the Company and AquAsia may agree for AquAsia to take \$3 million of new Shares under the Placement. The Company may use those proceeds to repay the Debt Facility or retain those subscription proceeds at its discretion.

The proceeds raised from the Placement will be used to fund the Company’s ongoing operations and growth strategies, as set out in more detail in the Investor Presentation included at Annexure C of this Notice of Meeting.

Importantly, certain lenders participating in the Debt Restructure have also participated in the Placement.

The Company is also proposing to issue Shares to Tim Storey, Director, as part of the Placement, which is the subject of Resolution 11. Please refer to section headed “Resolution 11 – Approval of Director’s participation in the Placement” on page 54 of this Explanatory Statement for further details. The Restructure Transaction is not in any way conditional on the Company obtaining approval for the Director’s participation in the Placement.

Voluntary escrow arrangements

The Shares (**Voluntary Escrowed Shares**) issued to certain lenders (**Escrowed Parties**) participating in the Debt Restructure and/or the Placement will be subject to voluntary escrow arrangements. Please refer to the section below under the heading “Resolution 10 – Approval for the Company to acquire a Relevant Interest in the Voluntary Escrowed Shares” on page 49 of this Explanatory Statement for further information about the voluntary escrow arrangements and the requirement to obtain Shareholder approval for those arrangements.

Impact of the Restructure Transaction

Pro forma statement of financial position

If the Restructure Transaction proceeds, it will have an effect on the total assets and capital structure of the Company. The impact of the Restructure Transaction on the Company's consolidated statement of financial position is set out in the unaudited pro-forma statement of financial position set out in the Investor Presentation included at Annexure C to this Notice of Meeting.

Note: The pro-forma statement of financial position is presented in an abbreviated form and does not contain all of the disclosures that are usually provided in the Annual Report prepared in accordance with applicable accounting standards, and therefore cannot be expected to provide as full an understanding of the financial position of the Company as a statement of financial position in the Annual Report. The pro-forma statement of financial position is indicative only and is not intended to be a statement of the Company's current or future financial position.

Effect on capital structure of the Company

Subject to rounding of fractional entitlements under the Placement, and on a pre-Consolidation basis, the capital structure of the Company following the issue of Shares under the Restructure Transaction is expected to be as follows (not taking into account the proposed issue of Shares pursuant to Resolutions 5 and 19):

Shares on issue as at 23 April 2021	1,170,230,045 Shares.
New Shares to be issued under the Debt Restructure	1,483,858,929 Shares.
New Shares to be issued under the Placement	1,326,846,154 Shares.
Total Shares on issue following completion of the Restructure Transaction	Approximately 3,981 million Shares.

Potential dilutionary impact of the Restructure Transaction

The proposed issues of Shares under the Debt Restructure and the Placement will significantly dilute Shareholders' current ownership in the Company.

The below table shows the approximate potential dilutionary impact of the Restructure Transaction, assuming different sizes of shareholding (not taking into account the proposed issue of Shares pursuant to Resolutions 5 and 19):

Shareholding as at 23 April 2021	% control as at 23 April 2021	% control after completion of the Restructure Transaction⁴
100,000,000	8.55%	2.51%
50,000,000	4.27%	1.26%
15,000,000	1.28%	0.38%
5,000,000	0.43%	0.13%
500,000	0.04%	0.01%

While existing Shareholders will experience significant dilution of their interest in the Company as a result of the Restructure Transaction, the Company believes that any negative effects are outweighed by

⁴ Assuming the Shareholder does not participate in the Debt Restructure or Placement, and based on an AUD/USD exchange rate of 0.7679.

the opportunities for the Company to grow its operations in the medium to long term that will result from the Restructure Transaction.

Having regard to the dilutionary impacts outlined above, the Company is also offering all Shareholders the opportunity to participate in an SPP once the Restructure Transaction has completed, which will be conducted at the same Issue Price and ratio as the Placement. Further details of the SPP will be released to the market in due course.

Potential impact of the Restructure Transaction on control of the Company

The current substantial holders of the Company as at the date of this Notice of Meeting and the effect of the Restructure Transaction on their voting power is as follows. The Restructure Transaction will have the effect of increasing the control of a substantial holder of the Company, being Pure Asset Management. No person will obtain a substantial holding as a result of the Restructure Transaction.

Substantial shareholder	No. of Shares as at date of this Notice Meeting	% voting power at date of this Notice Meeting	No. of Shares following completion of the Restructure Transaction	% voting power following completion of the Restructure Transaction⁵
Lucerne Asset Management Pte Ltd and associates	191,303,157	19.79%	270,360,282	6.79%
EGP Capital Pty Ltd / EGP Concentrated Value Fund	129,500,000	11.07%	190,000,000	4.77%
Mr Mark Siegel	107,548,702	9.19%	107,548,702	2.70%
Mr David Wattel	107,548,701	9.19%	107,548,701	2.70%
Pure Asset Management Pty Ltd ACN 616 178 771 as trustee for the Income and Growth Fund (Pure Asset Management)	66,000,000	5.64%	519,166,835	13.04%

Use of funds raised from the Restructure Transaction

No funds will be raised from the issue of Shares under the Debt Restructure, as those Shares are being issued to convert certain existing debts or debt instruments of the Company into equity.

As noted in the section entitled "Placement" on page 39 of this Explanatory Statement, the funds raised from the Placement will be used to fund the Company's ongoing operations and growth strategies as more fully described in the Investor Presentation included at Annexure C of this Notice of Meeting.

Key benefits and risks of the Restructure Transaction

Key reasons to vote in favour of the resolutions and support the Restructure Transaction

⁵ Based on an AUD/USD exchange rate of 0.7679.

(a) Significant reduction of debt and strengthening of balance sheet

Following completion of the Restructure Transaction, the Company will have a stable and sustainable go-forward capital structure and net debt position. Completion of the Restructure Transaction will facilitate a significant reduction in the Company's net debt, from approximately \$52.1 million as at 31 December 2020 to approximately \$4.1 million on a pro forma basis as at 17 May 2021. Net debt is calculated as corporate debt (i.e. all Group debt excluding asset-backed lending facilities) less cash and cash equivalents on hand. The Restructure Transaction will also provide the Company with a material liquidity buffer whilst management continues to implement its growth strategies. Removal of significant liabilities will also allow the Company to benefit from a stronger balance sheet.

The Restructure Transaction cures existing defaults under the Group's debt facilities through a combination of conversion of entire debt facilities to Shares, refinancing debt and waivers. This is set out in further detail on page 28 of the Investor Presentation included at Annexure C of this Notice of Meeting.

(b) Funding for other strategic priorities

Following completion of the Restructure 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. The Company will be able to focus its efforts on its strategy in relation to the US front book receivables, in particular to facilitate its growth in a diminishing COVID-19 impacted environment with funding constraints removed.

(c) Reduced funding costs

Cash flow benefits will be achieved through reduced interest costs as a result of the Restructure Transaction and the Front Book Refinancing.

(d) The Independent Expert has concluded the Restructure Transaction is fair and reasonable

The Independent Expert has assessed the advantages, disadvantages and other pertinent considerations of the Restructure Transaction. Following a consideration of these factors (as described in the Restructure Transaction IER included at Annexure A of the Notice of Meeting), the Independent Expert has determined that the advantages of the Restructure Transaction outweigh the potential disadvantages. Consequently, in the absence of a superior proposal, the Independent Expert considers that the Restructure Transaction is reasonable to non-associated Shareholders.

Key reasons why you may consider voting against the Resolutions and not support the Restructure Transaction

(a) Dilution of shareholdings of existing Shareholders

Following completion of the Restructure Transaction, Shareholders are likely to experience a dilution of their shareholding and therefore their capacity to influence the operations of the Company is likely to be reduced.

(b) You may disagree with the conclusion or reasoning of the Independent Expert

Despite the opinion of the Independent Expert that the Restructure Transaction is in the best interests of the non-associated Shareholders, you may believe that the Restructure Transaction is not in your best interests.

(c) You may believe there is a preferable solution to deal with the Company's debt position

You may believe that there is potential for an alternative option for dealing with the Company's current debt position which is preferable to any solution which the Company and its external advisers have been able to identify.

Board recommendation

The Board (other than Anthony Murphy, who is excluded from voting due to his association with the Lucerne Related Parties) unanimously recommends that Shareholders vote in favour of each of the Restructure Transaction Resolutions in the absence of a superior proposal.

In making this recommendation, the Board has carefully considered the advantages and disadvantages of the Restructure Transaction and evaluated their relative weight in relation to the circumstances of the Company. The Board considers that the Restructure Transaction represents the best available opportunity for the Company to return to a stable and sustainable debt position. The Board believes that the sum of advantages outweighs the sum of the disadvantages and that the Restructure Transaction is in the best interests of Shareholders as a whole, for the reasons set out in this Explanatory Statement and the Restructure Transaction IER.

The Board does not have any material personal interests in the outcome of the Restructure Transaction Resolutions other than, in the case of Anthony Murphy, as a result of his association with the Lucerne Related Parties.

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

Independent Expert's Report

While neither the Listing Rules nor Corporations Act require this Notice of Meeting to include an independent expert's report in respect of the Restructure Transaction, given the significance of the Restructure Transaction to the Company, the Board has decided to obtain an independent expert's report to assist the Board and Shareholders to decide whether the Restructure Transaction is in the best interests of the Company.

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

A copy of the report is included at Annexure A to this Notice of Meeting.

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.

Resolutions 7 to 10 – Restructure Transaction Resolutions

Each of Resolutions 7, 8, 9 and 10 will be voted on separately.

Resolution 7 – Approval of Issue of Shares under the Debt Restructure

(a) Listing Rule 7.1

As described above, the Company is proposing to issue 1,483,858,929 Shares to various debtholders of the Company pursuant to the Debt Restructure.

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

The proposed issue of Shares under the Debt Restructure does not fall within any of these exceptions and, together with the proposed issue of Shares under the Placement, will exceed the 15% limit in Listing Rule 7.1. It therefore requires the approval of Shareholders under Listing Rule 7.1.

Resolution 7 seeks the required Shareholder approval to the proposed issue of Shares under the Debt Restructure.

As part of the Debt Restructure, the Company will be required to issue shares upon conversion of the Convertible Bonds. Shareholders approved a similar resolution in respect of a proposed conversion of the Convertible Bonds at the extraordinary general meeting of the Company held on 10 March 2020, however those approvals lapsed as the relevant bondholders did not convert their Convertible Bonds within 3 months of the resolutions being passed in accordance with Listing Rule 7.3. Accordingly, as part of Resolution 7, the Company is seeking fresh approval for the issue of Shares pursuant to the conversion of the Convertible Bonds that will occur as part of the Debt Restructure.

If Resolution 7 is passed, the Company will be able to proceed with the proposed issue of Shares under the Debt Restructure and subject to all other relevant conditions being satisfied and each other Restructure Transaction Resolution being approved by Shareholders, the Restructure Transaction. In addition, the proposed issue of Shares under the Debt Restructure will be excluded from the calculation of the number of equity securities that the Company can issue without shareholder approval under the Listing Rules.

If Resolution 7 is not passed, the Company will not be able to proceed with the proposed issue of Shares under the Debt Restructure, or the Restructure Transaction. In that case, the Company would need to approach its financiers to determine whether any alternative solution is available to refinance or extend its current debt facilities and obtain any funding required to continue to trade and implement any such alternative solution. There is no guarantee that a new proposal could be agreed with the financiers, or that if a new proposal could be agreed, it would be on more favourable terms than the Restructure Transaction. If the Company fails to extend or refinance its current debt facilities in the manner contemplated by the Restructure Transaction, there is a very high risk that the Company will need to enter administration.

(b) Information required by Listing Rule 7.3

For the purposes of Listing Rule 7.3, the following information is provided in relation to Resolution 7:

<p>The names of the persons to whom the Company will issue the securities or the basis upon which those persons were or will be identified</p>	<p>The various debtholders of the Company under the debt facilities described in the section under the heading "Overview of the Debt Restructure" of this Explanatory Statement.</p> <p>Of the participants in the Debt Restructure who will acquire 1% or more of the current issued capital of the Company as a result of the issue, the following are considered 'material investors' for the purposes of ASX Guidance Note 21 paragraph 7.2 because they are a related party of the Company, a member of the Company's key management personnel, a substantial holder of the Company or an adviser to the Company (or an associate of any of those persons):</p> <ul style="list-style-type: none"> • each of the Lucerne Related Parties is understood to be an associate of Lucerne Asset Management Pte Ltd, a substantial holder of the Company. Lucerne Asset Management Pte Ltd and its associates currently hold 191,303,157 Shares, giving them voting power of approximately 19.79%, and will receive 60,853,772 Shares under the Debt Restructure and 18,203,353 Shares under the Placement, following which their voting power will be approximately 6.79%; and • Pure Asset Management is a substantial holder of the Company. Pure Asset Management currently holds 66,000,000 Shares, giving it voting power of approximately 5.64%, and will receive 302,393,648 Shares under the Debt Restructure and 150,773,188 Shares
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	under the Placement, following which its voting power will be approximately 13.04%.
The number and class of securities the Company will issue	1,483,858,929 Shares.
The date or dates on or by which the Company will issue the securities	Subject to all other relevant conditions being satisfied and each other Restructure Transaction Resolution being approved by Shareholders, the Company will issue the Shares on 28 May 2021 or such later date determined by the Board (but not later than 3 months after the date of the AGM).
The price or other consideration the entity will receive for the securities	The Shares issued under the Debt Restructure are being issued at an average issue price of \$0.037 per Share (at a range of between \$0.0352 and \$0.044 per Share).
The purpose of the issue, including the intended use of any funds raised by the issue	No funds will be raised from the issue of Shares under the Debt Restructure, as those Shares are being issued to convert certain existing debts of the Company into equity.
If the securities are being issued under an agreement, a summary of any other material terms of the agreement	Please refer to the section entitled "Material Documents" on page 37 of this Explanatory Statement.

(c) Board recommendation

As noted above, the Board (other than Anthony Murphy, who is excluded from voting due to his association with the Lucerne Related Parties) unanimously recommends that Shareholders vote in favour of Resolution 7.

Each Director intends to vote any Shares which they hold or control in favour of Resolution 7. The Chair intends to vote all available proxies in favour of Resolution 7.

(d) Voting exclusion statement

A voting exclusion statement in respect of Resolution 7 is set out on page 11 of the Notice of Meeting.

Resolution 8 – Approval of Issue of Shares under the Placement

(a) Listing Rule 7.1

As described above, the Company has obtained commitments to raise \$17.2 million (before costs) from certain sophisticated and professional holders of debt in the Company participating in the Debt Restructure, and certain new and existing sophisticated and professional investors of the Company. The Company is proposing to issue up to 1,326,846,154 Shares under the Placement.

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

The proposed issue of Shares under the Placement does not fall within any of the exceptions to Listing Rule 7.1, and, together with the proposed issue of Shares under the Debt Restructure will exceed the 15% limit in Listing Rule 7.1. It therefore requires the approval of Shareholders under

Listing Rule 7.1.

Resolution 8 seeks the required Shareholder approval to the proposed issue of Shares under the Placement.

If Resolution 8 is passed, the Company will be able to proceed with the proposed issue of Shares under the Placement and subject to all other relevant conditions being satisfied and each other Restructure Transaction Resolution being approved by Shareholders, the Restructure Transaction. In addition, the proposed issue of Shares under the Placement will be excluded from the calculation of the number of equity securities that the Company can issue without shareholder approval under the Listing Rules.

If Resolution 8 is not passed, the Company will not be able to proceed with the proposed issue of Shares under the Placement, or the Restructure Transaction. In that case, the Company would need to approach its financiers to determine whether any alternative solution is available to refinance or extend its current debt facilities and obtain any funding required to continue to trade and implement any such alternative solution. There is no guarantee that a new proposal could be agreed with the financiers, or that if a new proposal could be agreed, it would be on more favourable terms than the Restructure Transaction. If the Company fails to extend or refinance its current debt facilities in the manner contemplated by the Restructure Transaction, there is a very high risk that the Company will need to enter administration.

(b) Information required by Listing Rule 7.3

For the purposes of Listing Rule 7.3, the following information is provided in relation to Resolution 8:

The names of the persons to whom the Company will issue the securities or the basis upon which those persons were or will be identified	<p>Shares under the Placement will be issued to:</p> <ul style="list-style-type: none">• certain debtholders of the Company under the Participating Debt, as described on page 36 of this Explanatory Statement; and• certain new and existing sophisticated and professional investors. <p>7,600,000 Shares under the Placement will be issued to Tim Storey, Director, subject to and conditional on Shareholder approval being obtained in accordance with Resolution</p> <p>Of the participants in the Placement who will acquire 1% or more of the current issued capital of the Company as a result of the issue, the following are considered 'material investors' for the purposes of ASX Guidance Note 21 paragraph 7.2 because they are a related party of the Company, a member of the Company's key management personnel, a substantial holder of the Company or an adviser to the Company (or an associate of any of those persons):</p> <ul style="list-style-type: none">• each of the Lucerne Related Parties is an associate of Lucerne Asset Management Pte Ltd, a substantial holder of the Company. Lucerne Asset Management Pte Ltd and its associates currently hold 191,303,157 Shares, giving them voting power of approximately 19.79%, and will receive 60,853,772 Shares under the Debt Restructure and 18,203,353 Shares under the Placement, following which its voting power will be approximately 6.79%;• Pure Asset Management is a substantial holder of the Company. Pure Asset Management currently holds 66,000,000 Shares, giving it voting power of approximately 5.64%, and will receive 302,393,648 Shares under the Debt
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	<p>Restructure and 150,773,188 Shares under the Placement, following which its voting power will be approximately 13.04%; and</p> <ul style="list-style-type: none"> EGP Capital Pty Ltd / EGP Concentrated Value Fund (EGP) is a substantial holder of the Company. EGP currently holds 129,500,000 Shares, giving it voting power of approximately 11.07%, and will receive 60,500,000 Shares under the Placement, following which its voting power will be approximately 4.77%.
The number and class of securities the Company will issue	1,326,846,154 Shares.
The date or dates on or by which the Company will issue the securities	Subject to all other relevant conditions being satisfied and each other Restructure Transaction Resolution being approved by Shareholders, the Company will issue the Shares on 28 May 2021 or such later date as the Board determines (but not later than 3 months after the date of the AGM).
The price or other consideration the entity will receive for the securities	The Shares will have any issue price of \$0.013 per Share.
The purpose of the issue, including the intended use of any funds raised by the issue	<p>No funds will be raised from the issue of Shares under the Debt Restructure, as those Shares are being issued to convert certain existing debts of the Company into equity.</p> <p>The funds raised from the Placement will be used to fund the Company's ongoing operations and growth strategies as more fully described in the Investor Presentation included at Annexure C of this Notice of Meeting.</p>

(c) Board recommendation

As noted above, the Board (other than Anthony Murphy, who is excluded from voting due to his association with the Lucerne Related Parties) unanimously recommends that Shareholders vote in favour of Resolution 8.

Each Director intends to vote any Shares which they hold or control in favour of Resolution 8. The Chair intends to vote all available proxies in favour of Resolution 8.

(d) Voting exclusion statement

A voting exclusion statement in respect of Resolution 8 is set out on page 12 of the Notice of Meeting.

Resolution 9 – Approval of Issue of Shares to the Lucerne Related Parties under the Debt Restructure and Placement

(a) Listing Rule 10.11

The Company is proposing to issue the following Shares to the Lucerne Related Parties as participants of the Debt Restructure and the Placement:

Current shareholding	Shares to be issued pursuant to the	Shares to be issued pursuant	Total Shares to be issued	Total shareholding
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	Debt Restructure	to the Placement		following the Restructure Transaction
191,303,157	60,853,772	18,203,353	79,057,125	270,360,282 (representing voting power of approximately 6.79%)

Listing Rule 10.11 provides that unless one of the exceptions in Listing Rule 10.12 applies, a listed entity must not issue or agree to issue equity securities to:

- 10.11.1 a related party;
- 10.11.2 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%+) holder in the listed entity;
- 10.11.3 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the listed entity and who was nominated a director to the board of the listed entity pursuant to a relevant agreement which gives them a right or expectation to do so;
- 10.11.4 an associate of a person referred to in Listing Rules 10.11.1 to 10.11.3; or
- 10.11.5 a person whose relationship with the listed entity or a person referred to in Listing Rules 10.11.1 to 10.11.4 is such that, in ASX's opinion, the issue or agreement should be approved by its shareholders, unless it obtains the approval of its shareholders.

The proposed issue of Shares to the Lucerne Related Parties falls within Listing Rule 10.11.4. The proposed issued of Shares does not fall within any of the exceptions in Listing Rule 10.12, and accordingly it requires the approval of Shareholders under Listing Rule 10.11.

Resolution 9 seeks the required Shareholder approval to the proposed issue of Shares to the Lucerne Related Parties under and for the purposes of Listing Rule 10.11.

If Resolution 9 is passed, the Company will be able to proceed with the proposed issue of Shares to the Lucerne Related Parties and subject to all other relevant conditions being satisfied and each other Restructure Transaction Resolution being approved by Shareholders, the Restructure Transaction.

If Resolution 9 is not passed, the Company will not be able to proceed with the proposed issue of Shares to the Lucerne Related Parties, or the Restructure Transaction. In that case, the Company would need to approach its financiers to determine whether any alternative solution is available to refinance or extend its current debt facilities and obtain any funding required to continue to trade and implement any such alternative solution. There is no guarantee that a new proposal could be agreed with the financiers, or that if a new proposal could be agreed, it would be on more favourable terms than the Restructure Transaction. If the Company fails to extend or refinance its current debt facilities in the manner contemplated by the Restructure Transaction, there is a very high risk that the Company will need to enter administration.

(b) Information required by Listing Rule 10.13

For the purposes of Listing Rule 10.13, the following information is provided in relation to Resolution 9:

The name of the persons	Lucerne Services Pty Ltd ACN 606 629 538 Lucerne Australia Pty Ltd ACN 609 346 581 Lucerne Finance Pty Ltd ACN 618 123 845
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	(together, the Lucerne Related Parties).
Which category in Listing Rules 10.11.1 – 10.11.5 the person falls within and why	<p>Anthony Murphy, a Director of the Company, is also a director and shareholder of Lucerne Investment Partners which is an associate of Lucerne Asset Management Pte Ltd and each of the Lucerne Related Parties. Lucerne Asset Management Pte Ltd is a substantial Shareholder of the Company, with a relevant interest in more than 10% of the total votes attaching to the voting securities of the Company. Anthony Murphy has been nominated to the board of the Company by Lucerne Asset Management Pte Ltd pursuant to a relevant agreement which gives it a right or expectation to do so.</p> <p>The proposed issue of Shares to the Lucerne Related Parties therefore falls within Listing Rule 10.11.4.</p>
The number and class of securities to be issued to the person	Please refer to the table set out under the heading "Listing Rule 10.11" on page 46 of this Explanatory Statement.
The date or dates on which the Company will issue the securities, which must not more than 1 month after the date of the meeting	Subject to all other relevant conditions being satisfied and each other Restructure Transaction Resolution being approved by Shareholders, the Company will issue the Shares on 28 May 2021 or such later date as the Board determines (but not later than 1 month after the date of the AGM).
The price or other consideration the Company will receive for the issue	<p>Shares under the Debt Restructure will be issued at an average price of \$0.037 per Share (at a range of between \$0.0352 and \$0.044 per Share).</p> <p>Shares under the Placement will be issued at a price of \$0.013 per Share.</p>
The purpose of the issue, including the intended use of any funds raised by the issue	Please refer to the section entitled "Use of funds raised from the Restructure Transaction" on page 41 of this Explanatory Statement.
If the securities are being issued under an agreement, a summary of any other material terms of the agreement	<p>In respect of the Debt Restructure, please refer to the section under the heading "Material documents" on page 37 of this Explanatory Statement.</p> <p>Shares issued pursuant the Placement will not be issued under an agreement.</p>

(c) Corporations Act – Related Party Approvals

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 an issue of shares 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 is provided on terms that would be reasonable in the circumstances if the public company and the related party were dealing at arm's length. The non-conflicted Directors (being the Board, with Anthony Murphy removed from discussions) carefully considered the participation of the Lucerne Related Parties in the Restructure Transaction including the issue of Shares to the Lucerne Related Parties and formed the view that the giving of the financial benefit is on arm's length

terms, as the securities are proposed to be issued on the same terms as those offered to non-related parties of the Company under the Placement.

On that basis, the Company considers that the exception in Section 210 of the Corporations Act applies to the proposed issue of Shares to the Lucerne Related Parties the subject of Resolution 9, and Shareholder approval is not required under section 208 of the Corporations Act.

(d) Board recommendation

As noted above, the Board (other than Anthony Murphy, who is excluded from voting due to his association with the Lucerne Related Parties) unanimously recommends that Shareholders vote in favour of Resolution 9.

Each Director intends to vote any Shares which they hold or control in favour of Resolution 9. The Chair intends to vote all available proxies in favour of Resolution 9.

(e) Voting exclusion statement

A voting exclusion statement in respect of Resolution 9 is set out on page 12 of the Notice of Meeting.

Resolution 10 – Approval for the Company to acquire a Relevant Interest in the Voluntary Escrowed Shares

(a) Background

As part of the Restructure Transaction, the Company is proposing to enter into voluntary escrow arrangements with the Escrowed Parties, the terms of which are summarised below.

Shares subject to escrow	Summary of escrow
Any Shares issued to: <ul style="list-style-type: none"> • Pure Asset Management; and • AquAsia under the Debt Restructure and/or Placement.	100% of the relevant Shares will be subject to the escrow restrictions set out in paragraph (d) below for a period of 18 months from the date of issue of the relevant Shares (Issue Date). The relevant Shares will be released from escrow in the following manner: <ul style="list-style-type: none"> (i) 50% of the Shares will be released after the 18-month anniversary of the Issue Date; (ii) an additional 25% of the Shares will be released after the 24-month anniversary of the Issue Date; and (iii) the final 25% of the Shares will be released after the 30-month anniversary of the Issue Date.
Any Shares issued to a SAF Lender (excluding Pure Asset Management, AquAsia and the Lucerne Related Parties) under the Debt Restructure and/or the Placement.	100% of the Shares will be subject to the escrow restrictions set out in paragraph (d) below for a period of 12 months from the Issue Date. The relevant Shares will be released from escrow in the following manner: <ul style="list-style-type: none"> (i) 33.3% of the Shares will be released after the 12-month anniversary of the Issue Date; (ii) an additional 33.3% of the Shares will be released after the 18-month anniversary of the Issue Date; and (iii) the final 33.3% of the Shares will be released after the 24-month anniversary of the Issue Date.
Certain of the Shares issued to the	100% of these Shares will be subject to the escrow

Lucerne Related Parties under the Debt Restructure and the Placement, being 117,148,875 Shares in total.	restrictions set out in paragraph (d) below for a period of 3 months from the Issue Date.
Any Shares issued to the Promissory Note holders and any Unsecured Indebtedness creditors based in Australia (excluding Corrs Chambers Westgarth) under the Debt Restructure and/or the Placement.	100% of the Shares will be subject to a prohibition whereby those Shares cannot be sold for a period of 2 months from the Issue Date. 10% of the relevant Shares may be sold each month thereafter until 12 months after the Issue Date, at which point all remaining Shares will be released from escrow (less such number of shares previously released but not sold). This will allow the relevant holders to sell not more than 10% of the Shares received each month.

Corrs Chambers Westgarth and the Unsecured Indebtedness creditors based in the US will not be subject to any voluntary escrow arrangements.

Under the Corporations Act, by entering into the voluntary escrow arrangements the Company is deemed to acquire a 'relevant interest' in itself. As a result of the Company previously entering into voluntary escrow arrangements with investors, the Company currently has an interest in its own 18.38% of its Shares. Entering into the proposed voluntary escrow arrangements as part of the Restructure Transaction will result in the Company having voting power in excess of 20%, which absent Shareholder approval would contravene the takeover prohibitions in section 606 of the Corporations Act.

Resolution 10 seeks Shareholder approval for the purposes of item 7 of section 611 of the Corporations Act for the Company to acquire a Relevant Interest in its own Shares as a result of entering into voluntary escrow arrangements with the Escrowed Parties.

As the voluntary escrow arrangements will provide the Company with the ability to exercise a degree of control over the disposal of the Shares held by the Escrowed Parties, the Company will acquire a Relevant Interest in those Shares. When taken together with the existing Shares subject to voluntary escrow arrangements, the Company will have a Relevant Interest in approximately 47.81% of the Company's total issued capital.

(b) Corporations Act – Item 7 of Section 611

Section 606(1) of the Corporations Act prohibits a person from acquiring shares in a company if, after that acquisition, that person or any other person would have a Relevant Interest or voting power in excess of 20% of the voting shares in that company unless an exception applies.

An exception in item 7 of section 611 provides that section 606(1) of the Corporations Act does not prohibit an acquisition of a Relevant Interest in the voting shares of a company if the company has agreed to the acquisition by resolution passed at a general meeting, at which no votes are cast in relation to the resolution by the person who will acquire the shares or by an associate of that person. Resolution 10 therefore seeks the required Shareholder approval to the proposed acquisition of a Relevant Interest by the Company in its own Shares as a result of entering into the voluntary escrow arrangements.

Like the other Restructure Transaction Resolutions, Resolution 10 is conditional on each of the other Restructure Transaction Resolutions being approved.

If Resolution 10 is passed, the Company will be able to proceed with the acquisition of a Relevant Interest in the Voluntary Escrowed Shares as a result of the voluntary escrow arrangements, and subject to all other relevant conditions being satisfied and each other Restructure Transaction Resolution being approved by Shareholders, the Restructure Transaction.

If Resolution 10 is not passed, the Company will not be able to proceed with the acquisition of a Relevant Interest in the Voluntary Escrowed Shares as a result of the voluntary escrow arrangements, or the Restructure Transaction. In that case, the Company would need to approach

its financiers to determine whether any alternative solution is available to refinance or extend its current debt facilities and obtain any funding required to continue to trade and implement any such alternative solution. There is no guarantee that a new proposal could be agreed with the financiers, or that if a new proposal could be agreed, it would be on more favourable terms than the Restructure Transaction. If the Company fails to extend or refinance its current debt facilities in the manner contemplated by the Restructure Transaction, there is a very high risk that the Company will need to enter administration.

(c) Summary of Voluntary Escrowed Shares

The following table summarises the shareholdings of the various Shareholders and the respective escrow arrangements that will apply to their Voluntary Escrowed Shares:

Shares Subject to Escrow (% of all Shares on issue following the Restructure Transaction)		Release from voluntary escrow period (after issue date)				
		3 months	12 months	18 months	24 months	30 months
AquaAsia	11.50%	-	-	50%	25%	25%
Pure Asset Management	11.16%	-	-	50%	25%	25%
Other SAF Lenders (excluding the Lucerne Related Parties)	6.45%	-	33.3%	33.3%	33.3%	-
Promissory Note holders	6.76%	Escrowed for the first 2 months; maximum of 10% of shareholding can be sold in each month thereafter; escrow released in full after 12 months.				
Unsecured Lenders based in Australia (excluding Corrs Chambers Westgarth and Lucerne Related Parties)	3.59%					
Lucerne Related Parties	2.94%	100%	-	-	-	-
Unsecured Lenders based in the US and Corrs Chambers Westgarth	0.72%	No escrow arrangements.				

(d) Material terms of the voluntary escrow arrangements

In addition to the summary of the voluntary escrow arrangements set out above, the following table summarises the material terms of the voluntary escrow arrangements:

Non-disposal of Voluntary Escrowed Shares	<p>The voluntary escrow arrangements provide that an Escrowed Party will not sell or otherwise dispose of the Voluntary Escrowed Shares during the relevant restriction period.</p> <p>The voluntary escrow restriction arrangements do not affect the Escrowed Party's power to exercise, or control the exercise of, a right to vote attached to a Voluntary Escrowed Share.</p>
Holding Lock	<p>The Voluntary Escrowed Shares will be subject to a holding lock which the Company may apply in order to prevent a transfer of the Voluntary Escrowed Shares by:</p> <p>(i) requesting the Share Registry to apply the holding lock; and</p> <p>(ii) refusing to register a transfer document in respect of the Voluntary Escrowed Shares.</p>
Exceptions to voluntary escrow	<p>In the event that a takeover offer is made under Chapter 6 of the Corporations Act where holders of at least 50% of the bid class securities in the capital of the Company (excluding the Voluntary Escrowed Shares) have accepted the takeover offer, Escrowed Parties may transfer or sell the Voluntary Escrowed Shares.</p> <p>The Voluntary Escrowed Shares may be cancelled during the Escrow Period by the Company or transferred as part of a scheme of arrangement under Part 5.1 of the Corporations Act.</p>

The Company may decide to release any of the Voluntary Escrowed Shares from escrow early if it considers that it would be in the best interests of the Company to do so.

(e) Information required under the Corporations Act and ASIC policy

By virtue of the voluntary escrow arrangements, the Company is deemed to be acquiring a Relevant Interest in its own Shares, however the Company will not obtain any power to influence the exercise of any votes attaching to the Shares. The Company (and its associates) will technically increase its voting power in itself and acquire a Relevant Interest as the Company will have enforcement rights in relation to the disposal of the Voluntary Escrowed Shares pursuant to the holding lock.

Information required under the Corporations Act and ASIC policy is set out below.

Identity of the parties acquiring the Relevant Interest	The Company.
Maximum extent of the increase in the Company's voting power	<p>As disclosed in the substantial holder notice dated 16 December 2020, the Company currently has an interest in its Shares that gives the Company deemed voting power of 18.38%.</p> <p>The Company's voting power in itself will increase to a total of 47.81%.</p>
Voting power that the Company would have as a result of the Voluntary Escrow	The Company will be deemed to have voting power of 47.81% in the Company, however as described above, the Company will not obtain any power to influence the exercise of any votes attaching to the Voluntary Escrowed Shares. Rather its voting

	power results from a Relevant Interest arising due to entry into an agreement with the Escrowed Parties that restricts the disposal of Voluntary Escrowed Shares.
Maximum extent of the increase in the voting power of the Company's associates in the Company	Any associate of the Company will be deemed to have the same voting power as the Company, being 47.81%, due to the Voluntary Escrow.
Voting power of the Company's associates as a result of the Voluntary Escrow	Any associate of the Company will be deemed to have the same voting power as the Company, being 47.81%, due to the Voluntary Escrow.

(f) Board recommendation

As noted above in this Explanatory Statement, the Board (other than Anthony Murphy, who is excluded from voting due to his association with the Lucerne Related Parties) unanimously recommends that Shareholders vote in favour of Resolution 10.

Each Director intends to vote any Shares which they hold or control in favour of Resolution 10. The Chair intends to vote all available proxies in favour of Resolution 10.

(g) Voting exclusion statement

A voting exclusion statement in respect of Resolution 10 is set out on page 13 of the Notice of Meeting.

Resolution 11 – Approval of Director’s participation in the Placement

Resolution 11 – Approval of Issue of Shares to Tim Storey, Director of the Company, under the Placement

Tim Storey, Director of the Company, has agreed to subscribe for \$98,800 worth of Shares at an issue price of \$0.013 per Share under the Placement. Accordingly, this Resolution seeks Shareholder approval to issue and allot 7,600,000 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:

- 10.11.1 a related party;
- 10.11.2 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%+) holder in the listed entity;
- 10.11.3 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the listed entity and who was nominated a director to the board of the listed entity pursuant to a relevant agreement which gives them a right or expectation to do so;
- 10.11.4 an associate of a person referred to in Listing Rules 10.11.1 to 10.11.3; or
- 10.11.5 a person whose relationship with the listed entity or a person referred to in Listing Rules 10.11.1 to 10.11.4 is such that, in ASX’s opinion, the issue or agreement should be approved by its shareholders, unless it obtains the approval of its 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 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 Shares.

If this Resolution is not passed, the Company will not be able to proceed with the proposed issue of Shares. The Restructure Transaction can proceed even if this Resolution is not passed.

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 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 removed from discussions) carefully considered the issue of these Shares to Tim Storey 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 Shares to Tim Storey 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 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 allottee 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 10.11.1.
- (c) The maximum number of Shares to be issued is 7,600,000.
- (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 on or shortly following the date the Placement Shares are issued, being 28 May 2021, and in any event prior to the effective date for the Consolidation contemplated in Resolution 2, being 4 June 2021.
- (f) The Placement Shares will be offered at an issue price of \$0.013 per Share.
- (g) Funds raised from the issue of the Shares will be used by the Company to fund the Company’s ongoing operations and growth strategies as more fully described in the Investor Presentation included at Annexure C of this Notice of Meeting.
- (h) The Placement Shares are not being issued to incentivise or remunerate Tim Storey.

Resolution 12 – Approval of the Issue of Warrants in connection with the Front Book Refinancing

Background to the Front Book Refinancing

The Company has agreed with PFG to undertake the Front Book Refinancing as part of the Debt Restructure. PFG is supportive of the Company's future strategic plan, and the new facility will be provided at a significantly lower cost to the Company than the existing Atalaya Facility. The Front Book Refinancing will allow the Company to focus on growing the front book over the next few years, which forms a key part of the Company's strategy in the mid to long term.

As part of the proposed Front Book Refinancing, the Company proposes to issue 2 unlisted warrants to PFG (**Warrants**). The following is a summary of the key terms of the Warrants:

Issue price	The Warrants will be issued in consideration for payment of \$1.00 each.
Exercise price	\$0.044 cents per Share.
Who can exercise the Warrant?	Partners for Growth VI, L.P., Partners for Growth V, L.P. or any other permitted assignee.
Entitlement	Each Warrant entitles the holder to be issued 52,250,733 Shares or 104,501,466 Shares (prior to the Consolidation contemplated in Resolution 2).
Exercise period and expiry date	The Warrants may be exercised from the issue date up until the date that is 7 years following the issue date.
Adjustments	The Warrants are subject to standard adjustment and other value preservation provisions (which may adjust either the Exercise Price and/or the number of shares that may be issued on exercise of the Warrants, as applicable), provided that such adjustments are in accordance with the ASX Listing Rules.
Quotation of Warrant and Shares issued on exercise of Warrant	The Warrants will not be quoted on the ASX. The Company will apply for quotation on the ASX of each Share issued on exercise of the Warrants.
Participation in new issues of Shares	The holder of the Warrants does not have the right to participate in new issues of shares without first exercising the Warrants and becoming the holder of Shares.
Dividends	The holders of the Warrants are not entitled to dividends.
Acquisitions	On the occurrence of an "Acquisition" being defined as any of the below: <ul style="list-style-type: none"> (a) if any person(s) who previously did not have a relevant interest (as that term is defined in the Corporations Act 2001) acquires a relevant interest in more than 50% of the ordinary shares in the Company; (b) if the Company sells or agrees to sell all or substantially all of its assets; (c) if the Company approves a scheme of arrangement;

	<p>(d) if the Company enters into an agreement to give effect to any of paragraphs (a) to (c) above; or</p> <p>(e) if the Company enters into, undertakes or completes any transaction substantially similar to those described in paragraphs (a) to (c) above;</p> <p>then the Company must, at its election, procure that the acquirer assumes all obligations of the Company under the Warrants or that the Company purchase the Warrants at their fair value.</p>
Governing law	New South Wales.

Front Book Refinancing conditional on Restructure Transaction

The proposed issue of a Warrant to each of Partners for Growth V, L.P. and Partners for Growth VI, L.P. (together, **PFG**) and the Front Book Refinancing the subject of Resolution 12 is conditional on completion of the Restructure Transaction. If any one of the Restructure Transaction Resolutions is not approved by Shareholders or any other condition of the Restructure Transaction is not satisfied, the Front Book Refinancing, and therefore the proposed issue of the Warrants to PFG, will not occur.

Listing Rule 7.1

As described above, the Company is proposing to issue the Warrants to PFG pursuant to the Front Book Refinancing.

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

The proposed issue of the Warrants does not fall within any of the exceptions to Listing Rule 7.1, and, together with the proposed issue of Shares under the Debt Restructure and the Placement, will exceed the 15% limit in Listing Rule 7.1. It therefore requires the approval of Shareholders under Listing Rule 7.1.

Resolution 12 seeks the required Shareholder approval to the proposed issue of the Warrants.

If Resolution 12 is passed, subject to each Restructure Transaction Resolution being approved by Shareholders and each other condition of the Restructure Transaction being satisfied, the Company will be able to proceed with the proposed issue of Warrants and the Front Book Refinancing. The proposed issue of Warrants will be excluded from the calculation of the number of equity securities that the Company can issue without shareholder approval under the Listing Rules. In addition, the Company will be able to rely on Exception 9 of Listing Rule 7.2 to issue any Shares on exercise of the Warrants and no further approvals of Shareholders under Listing Rule 7.1 will be required, no matter when exercise of the Warrants occurs (if applicable).

If Resolution 12 is not passed, the Company will not be able to proceed with the proposed issue of the Warrants, and accordingly the Front Book Refinancing will not complete.

Information required by Listing Rule 7.3

The names of the persons to whom the Company will issue the securities	Partners for Growth VI, L.P. and Partners for Growth V, L.P.
The number and class of securities the Company will issue	Two unlisted Warrants, each of which conveys the right to be issued 52,250,733 Shares (prior to the Consolidation contemplated in Resolution 2) on conversion.
A summary of the material terms of the	Please refer to the above under the heading

securities	"Background to the Front Book Refinancing" on page 56 of this Explanatory Statement.
The date or dates on or by which the Company will issue the securities	The Warrants will be issued within 3 months of the date of the AGM.
The price or other consideration the entity will receive for the securities	\$1.00 per Warrant.
The purpose of the issue, including the intended use of any funds raised by the issue	The Warrants will be issued to PFG as part of the Front Book Refinancing. Only nominal funds (i.e., \$2.00) will be raised from the issue of the Warrants.
If the securities are being issued under an agreement, a summary of any other material terms of the agreement	Please refer to the section entitled "Background to the Front Book Refinancing" on page 56 of this Explanatory Statement.

Board recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 12.

Each Director intends to vote any Shares which they hold or control in favour of Resolution 12. The Chair intends to vote all available proxies in favour of Resolution 12.

Voting exclusion statement

A voting exclusion statement in respect of Resolution 12 is set out on page 14 of the Notice of Meeting.

Important Note: The following information in relation to Resolution 13 is the same as it originally appeared in the explanatory statement for the cancelled EGM, subject to the following changes:

- certain terms of the Transaction were renegotiated between the parties:
 - the date by which the conditions precedent must be satisfied has been changed to 30 June 2021;
 - the proportion of any excess proceeds received by JustKapital from any successful litigation matters over and above the principal amount owing under the FCCD Facility plus the applicable minimum return amount on the FCCD Facility that will be paid to the Company has been increased from 50% to 75% and the method of calculating any excess has been updated; and
 - the Company will have certain rights to information in relation to the status of the litigation matters funded by JustKapital and the calculation of any excess proceeds, which are summarised in the section entitled “Transaction Documents” below,
- the Independent Expert has reconsidered its initial recommendation in light of the above amendments and recent developments in the litigation matters funded by JustKapital and has made some amendments to the JKL Transaction IER as a result. The opinion of the Independent Expert is still that the JKL Transaction is fair and reasonable to non-associated Shareholders. The JKL Transaction IER is included at Annexure B of this Notice of Meeting;
- the section below under the heading “Background and transaction structure” now clarifies that the JKL Transaction is not in any way conditional on the Restructure Transaction; and
- references to “Transaction” have been changed to “JKL Transaction” and references to the “Independent Expert’s Report” have been changed to “JKL Transaction IER” to avoid any confusion with the Restructure Transaction and the Restructure Transaction IER.

Apart from the above changes, the following information has been reproduced as it originally appeared in the EGM Notice.

Approval of sale of Just Kapital Litigation Pty Ltd

Resolution 13 – Approval of sale of JustKapital Litigation Pty Ltd

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 **JKL 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 JKL 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 JKL Transaction until completion of the JKL Transaction up to A\$1 million⁶;
- (c) the Company will receive 75% 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 75% 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.

Importantly, the JKL Transaction is not in any way conditional on the Company obtaining shareholder approval for the Restructure Transaction, nor the Company completing any aspect of the Restructure. Accordingly, if Shareholders approve this Resolution 13, but do not approve the Restructure Transaction Resolutions, the JKL Transaction will still proceed. Conversely, the Restructure Transaction is not in any way conditional on the Company obtaining shareholder approval for the JKL Transaction, nor the Company completing any aspect of the JKL Transaction.

Transaction documents

The key terms of the Sale Agreement are summarised below.

Sale Shares	All of the issued shares in JustKapital.
Purchase Price	<p>An initial purchase price of A\$1.00, and a conditional purchase price comprising:</p> <ul style="list-style-type: none"> 75% 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 75% 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 JKL Transaction for the purposes of ASX Listing Rule 10.1. The Independent Expert's Report stating that the JKL Transaction is in the best interests of the Company, and that opinion not being withdrawn prior to completion of the Transaction.

⁶ 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"> • 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 JKL 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 JKL Transaction and completion of the JKL 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 JKL Transaction and the first anniversary of completion of the JKL 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 JKL 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 JKL 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 related group entities, other than JustKapital and its subsidiaries, from any

	<p>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>
Information rights	<p>Legal Equity Partners is required to provide the Company with information on any material developments in relation to the cases funded by JustKapital and its subsidiaries, and upon receipt of any proceeds to provide a report to the Company which sets out the Company's entitlement to a share of those proceeds (if any). The agreement includes a mechanism for the Company to dispute that calculation if appropriate.</p>

Indicative timetable for the JKL Transaction*

Action	Date
AGM and Shareholder approval	25 May 2021
Date for conditions precedent to be satisfied	30 June 2021
Targeted completion of Transaction	Five Business Days after all conditions under the Sale Agreement have been satisfied or waived.

*This timetable is indicative only and is subject to change. The JKL Transaction timetable is dependent upon Resolution 13 being approved and the satisfaction of all other conditions precedent under the Sale Agreement.

ASX Listing Rule 10.1

(a) 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;
- 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 JKL 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 JKL 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 JKL 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 JKL 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 13 seeks the required Shareholder approval to the JKL Transaction under and for the purposes of ASX Listing Rule 10.1.

If Resolution 13 is passed, the Company will be able to proceed with the JKL 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 13 is not passed, the Company will not be able to proceed with the JKL 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.

(b) Information required by ASX Listing Rule 10.5

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 59 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"> • 75% 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 • 75% 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 66 of 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	<p>As the funds received as consideration for the JKL 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.</p>
The timetable for completing the acquisition or disposal	<p>The indicative timetable for the JKL Transaction is outlined on page 62 of this Explanatory Statement.</p>
If the acquisition or disposal is occurring under an agreement, a summary of any other material terms of the agreement	<p>A summary of the material terms of the Sale Agreement is set out on page 60 of this Explanatory Statement.</p>

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 JKL Transaction IER concludes that the JKL 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 JKL Transaction IER, that the exception in section 210 of the Corporations Act applies to the JKL Transaction, and Shareholder approval is not required under section 208 of the Corporations Act.

Overview of JustKapital

(a) 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:

- estimated actual liabilities of \$3 million; and
- estimated contingent liabilities⁷ 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 JKL 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).

(b) 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 JKL 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.

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

⁷ 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.

Rationale for the JKL Transaction

(a) 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:

- the Company is not in a strong enough capital position to constructively remain in and grow the litigation funding business; and
- 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.

(b) Key benefits of the JKL Transaction

(i) De-risking the Company's business

The JKL 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.

(ii) Funding for other strategic priorities

Following completion of the JKL 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.

(iii) Strengthening of balance sheet

The JKL 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.

(iv) 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.

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

The Independent Expert has assessed the advantages, disadvantages and other pertinent considerations of the JKL Transaction. Following a consideration of these factors (as

described in the JKL Transaction IER in Annexure B to this Explanatory Statement), the Independent Expert has determined that the advantages of the JKL Transaction outweigh the potential disadvantages. Consequently, in the absence of a superior proposal, the Independent Expert considers that the JKL Transaction is reasonable to non-associated Shareholders.

(vi) 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 JKL Transaction proposed in this Explanatory Statement.

(c) Key risks

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

(i) 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.

(ii) 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 JKL 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.

(iii) 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 JKL Transaction. There may be claims under those warranties and indemnities which may result in further amounts payable by the Company in connection with the JKL Transaction.

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

(d) Intended use of funds

The amount payable by Legal Equity Partners to the Company in respect of the JKL 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 JKL Transaction in the absence of a superior proposal.

In making this recommendation, the Board has carefully considered the advantages and disadvantages of the JKL 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 JKL 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 Resolution 13. The Chair intends to vote all available proxies in favour of Resolution 13.

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 JKL Transaction is fair and reasonable to Shareholders whose votes are not to be disregarded. The Company has retained Grant Thornton to provide the JKL Transaction IER.

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

A copy of the JKL Transaction IER is attached as Annexure B.

Shareholders are urged to carefully read the JKL Transaction IER to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

Important Note: The following information in relation to Resolutions 14 to 19 originally appeared in the explanatory statement for the cancelled EGM. Each Resolution has been reproduced below without any amendments, except for:

- in relation to Resolution 18, the number of Incentive Options being issued to Daniel Kleijn has changed from 45,833,333 Incentive Options to 91,666,666 Incentive Options and the Exercise Price has changed from \$0.049 to \$0.025; and
- in relation to Resolution 19, references to “Placement” have been changed to “2020 Placement” and references to “Placement Shares” have been changed to “2020 Placement Shares” to avoid confusion between the placement announced by the Company on 19 April 2021 and the previous placement undertaken by the Company in December 2020.

Ratification of Prior Issue of Shares

Resolutions 14 & 15 – Ratification of Prior Issue of 2020 Placement Shares

Background

On 11 December 2020, the Company announced that it had successfully raised approximately \$5 million (before costs) via a placement of fully paid ordinary shares at an issue price of \$0.025 per Share (**2020 Placement Shares**) via the issue of 195,600,000 2020 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 (**Placement**).

The 2020 Placement Shares were issued on 14 December 2020, which resulted in the issue of 98,936,996 2020 Placement Shares under ASX Listing Rule 7.1 and 96,663,004 2020 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 2020 Placement Shares under ASX Listing Rule 7.1 (**Resolution 14**); and
- (b) 96,663,004 2020 Placement shares under ASX Listing Rule 7.1A (**Resolution 15**),

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 2020 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 2020 Placement Shares for the purposes of Listing Rule 7.4.

If Resolutions 14 and 15 are passed, the issue of 2020 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 14 and 15 are not passed, the issue of 2020 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 2020 Placement Shares were issued to institutional and other sophisticated investors. In accordance with ASX Guidance Note 21, the Company confirms that none of the investors were:
 - (i) related parties of the Company, members of the Company's Key Management Personnel, substantial holders of the Company, advisers of the Company or an associate of any of these parties; and
 - (ii) issued more than 1% of the issued capital of the Company.
- (b) The Company issued:
 - (i) 98,936,996 2020 Placement Shares under ASX Listing Rule 7.1 (**Resolution 14**); and
 - (ii) 96,663,004 2020 Placement shares under ASX Listing Rule 7.1A (**Resolution 15**).
- (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 2020 Placement Shares were issued on 14 December 2020.
- (e) Each of the 2020 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 16 – 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

Resolution 16 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, Resolution 16 seeks Shareholder approval to subsequently approve the issue of Shares to EFI for the purposes of Listing Rule 7.4.

If this Resolution 16 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 16 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 2020 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 Resolution 16.

Adoption of Equity Incentive Plan

Resolution 17 – 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 17 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 D. 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 Resolution 17 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 Resolution 17 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).

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 D, 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 18 – 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 17 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 18, subject to the approval of the Restructure Transaction Resolutions, to issue 91,666,666 Incentive Options, as 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.In accordance with the relevant “Adjustment Event” below, each option is exercisable at \$0.025, 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 91,666,666, in accordance with the 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 18 and 19 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 listed above under the heading “Background”.

The Company has chosen this type of security because it aligns the CEO with the objectives of Shareholders. The Incentive Options, subject to an “Adjustment Event” occurring, are valued at approximately \$412,500 by applying a Black-Scholes 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 D.
- (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.

Resolution 19 – Approval of Issue of Shares to Daniel Kleijn, Director of the Company, under the 2020 Placement

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 (**2020 Placement Shares**) which would be completed in two tranches as follows:

- (a) first tranche: the issue of 195,600,000 2020 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
- (b) second tranche: the issue of 4,700,000 2020 Placement Shares to Directors of the Company.

(collectively referred to as the **2020 Placement**).

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

The Company will no longer issue 2020 Placement Shares to Tim Storey, and accordingly the resolution seeking approval for that issue (as set out in the EGM Notice) has been withdrawn. Only 2,700,000 2020 Placement Shares will be issued under the second tranche, which is the subject of this Resolution 19.

Resolution 19 seeks Shareholder approval to issue and allot 2,700,000 2020 Placement Shares to Daniel Kleijn, a Director of the Company, at an issue price of \$0.025 per 2020 Placement Share.

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:

- 10.11.1 a related party;
- 10.11.2 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%+) holder in the listed entity;
- 10.11.3 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the listed entity and who was nominated a director to the board of the listed entity pursuant to a relevant agreement which gives them a right or expectation to do so;
- 10.11.4 an associate of a person referred to in Listing Rules 10.11.1 to 10.11.3; or
- 10.11.5 a person whose relationship with the listed entity or a person referred to in Listing Rules 10.11.1 to 10.11.4 is such that, in ASX's opinion, the issue or agreement should be approved by its shareholders, unless it obtains the approval of its 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 Resolution seeks the required Shareholder approval to issue the 2020 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 Shares.

If this Resolution is not passed, the Company will not be able to proceed with the proposed issue of 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 the 2020 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 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 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 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 Shares to Daniel Kleijn is provided to Shareholders for the purposes of ASX Listing Rule 10.13:

- (a) The allottee 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 10.11.1.
- (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 Shares will be issued on or shortly following the date the Placement Shares are issued, being 28 May 2021, and in any event prior to the effective date for the Consolidation contemplated in Resolution 2, being 4 June 2021.
- (f) The Shares will be offered at an issue price of \$0.025 per 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.

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

2020 Placement means the issue of the 2020 Placement Shares.

2020 Placement Shares means the Shares the subject of Resolutions 14, 15 and 19 to be issued for \$0.025 per Share the first tranche of which were issued on 14 December 2020.

A\$ or \$ means Australian dollars.

AEST means Australian Eastern Standard Time as observed in Sydney, New South Wales.

Annual Financial Report means the 2020 Annual Report to Shareholders for the period ended 31 December 2020 as lodged by the Company with ASX on 31 March 2021.

Annual General Meeting or **AGM** or **Meeting** means an Annual General Meeting of the Company and, unless otherwise indicated, means the meeting of the Company's members convened by this Notice of Meeting.

AquAsia means AquAsia Pty Ltd ACN 136 522 051 as trustee and custodian for the AquAsia Private Investment Fund.

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, of 20 Bridge Street, Sydney, NSW 2000.

ASX Listing Rules or **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.

Atalaya Facility the loan and security agreement dated 25 April 2018 (as amended from time to time) between (amongst others) NHF SPV 1, LLC and Midtown Madison Management LLC.

Auditor's Report means the auditor's report of Stantons International dated 31 March 2021 as included in the Annual Financial Report.

Board means the current board of Directors of the Company.

Business Day means a day on which trading takes place on the stock market of ASX.

Capitalising Converting Note means the converting notes issued on 9 June 2020 to certain subordinated debtholders as approved by Shareholders on 10 March 2020.

Chair means the person chairing the Meeting.

Closely Related Party of a member of the KMP means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependant of the member or of the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the Company;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporation Regulations 2001* (Cth).

Company means LawFinance Limited ACN 088 749 008.

Constitution means the Company's constitution.

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

Debt Facility has the meaning given to that term on page 35 of this Notice of Meeting.

Director means a current director of the Company.

Directors' Report means the report of Directors as included in the Annual Financial Report.

Dollar or "\$" means Australian dollars.

Equity Incentive Plan has the meaning given to that term on page 71 of this Notice of Meeting.

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

FCDD Facility has the meaning given to that term on page 59 of this Notice of Meeting.

Independent Expert means Grant Thornton Corporate Finance Pty Limited ACN 003 265 987.

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

Investor Presentation means the investor presentation prepared in connection with the Restructure Transaction, which is included as Annexure C to this Notice of Meeting.

JKL Transaction has the meaning given to that term on page 59 of this Notice of Meeting.

JustKapital means JustKapital Litigation Pty Ltd ACN 168 872 606.

JustKapital Group has the meaning given to that term on page 65 of this Notice of Meeting.

KMP means key management personnel (including the Directors) whose remuneration details are included in the Remuneration Report.

LCF means Lucerne Composite Master Fund.

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

Listing Rules means the official 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.

Lucerne Related Parties means Lucerne Services Pty Ltd ACN 606 629 538, Lucerne Australia Pty Ltd ACN 609 346 581 and Lucerne Finance Pty Ltd ACN 618 123 845.

MST means MST Financial Services Pty Ltd ACN 617 475 180.

NHF means National Health Finance DM, LLC.

Notice of Meeting or **Notice of Annual General Meeting** means this notice of annual general meeting dated 23 April 2021 including the Explanatory Statement.

Option means an option over a Share.

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 on page 64 of this Notice of Meeting.

PFG means Partners for Growth V, L.P. and Partners for Growth VI, L.P.

Placement means the issue of the Placement Shares.

Placement Shares means the Shares the subject of Resolutions 8, 9 and 11 to be issued for \$0.013 per Share and proposed to be issued on 28 May 2021.

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

Pure Asset Management means Pure Asset Management Pty Ltd ACN 616 178 771 as trustee for the Income and Growth Fund.

Relevant Interest has the meaning given to that term in sections 608 and 609 of the Corporations Act.

Remuneration Report means the remuneration report as set out in the Annual Financial Report.

Remuneration Shares has the meaning given to that term on page 28 of this Notice of Meeting.

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

Restricted Voter means a member of the Company's KMP and any Closely Related Parties of those members.

Restructure Transaction has the meaning given to that term on page 34 of this Notice of Meeting.

Restructure Transaction Resolution means Resolutions 7, 8, 9 and 10.

SAF Lenders means the lenders under the SFA.

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

Securities mean Shares, Options, Capitalising Converting Note or Warrants (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.

Special Resolution means a resolution that can only be passed if at least 75% of the total votes cast by Shareholders entitled to vote on the resolution are voted in its favour at the meeting.

Spill Meeting means the meeting that will be convened within 90 days of the 2022 AGM if a threshold of votes is cast against the adoption of the Remuneration Report at the Meeting and the 2022 AGM.

Spill Resolution means the resolution required to be put to Shareholders at the 2022 AGM if a threshold of votes is cast against the adoption of the Remuneration Report at the Meeting and the 2022 AGM.

Trading Day has the meaning given to that term in ASX Listing Rule 19.12.

Annexure A – Restructure Transaction IER



Grant Thornton

An instinct for growth™

LawFinance Limited

Independent Expert's Report and Financial Services Guide

19 April 2021

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

19 April 2021

Grant Thornton Corporate Finance Pty Ltd
ABN 59 003 265 987
AFSL 247140

Level 19
2 Market Street
Sydney NSW 2000
PO Locked Bag Q800
QVB Post Office
Sydney NSW 1230
T + 61 2 8297 2400
F + 61 2 9299 4445
E info@gtntsw.com.au
W www.grantthornton.com.au

Dear Directors

Independent Expert's Report and Financial Services Guide

Introduction

LawFinance Limited ("LawFinance" or "the Company") provides funding for out of pocket expenses (disbursements) for law firms in Australia and personal injury related medical liens for accident victims in the United States through the following two divisions:

- *National Health Finance Holdco, LLC ("NHF")*, USA-based Medical lien funding division, which was purchased by LawFinance on 28 September 2018. The carrying value of medical lien funding receivables was US\$53.3 million as at 31 December 2020 which is broken down as outlined below:
 - Back Book – Acquired in conjunction with the NHF acquisition in 2018 with a carrying value of US\$29.5 million as at 31 December 2020. It is funded via the Efficient Frontier Investing facility ("EFI Facility") which is drawn down to US\$25.3 million ("Back Book"). The Company was in technical breach of the EFI Facility as at 31 December 2020.¹
 - Front Book – Which has a carrying value of US\$23.7 million as at 31 December 2020 which is funded via the Atalaya facility ("Atalaya Facility") which is drawn down to US\$17 million ("Front Book").
- *JustKapital Financing Pty Ltd ("JKF")* is the Australian disbursement funding division and it was purchased in January 2016. The carrying value of the disbursement funding receivable was US\$16.1 million as at 31 December 2020 which is funded via Assetsecure Pty Limited facility ("Assetsecure Facility") drawn down for US\$17 million ("Australian Book").

The Company also owns a litigation funding business that has been in run-off for a number of years ("Litigation Portfolio"). On 29 January 2021, the Company entered into an agreement to sell the

¹ We also note that this includes the Michigan Sidecar Receivables, constituting to c. 27% of the underlying book balance that was refinanced alongside the new EFI Facility. This "Back Book" herein is inclusive of the Michigan Sidecar receivables.

Litigation Portfolio to Legal Equity Partners Pty Ltd (“LEP”), a subsidiary of Lucerne Composite Master Fund (“Lucerne”) a major shareholder and related party to the Company. Grant Thornton Corporate Finance prepared a separate Independent Expert’s Report and a Supplementary IER in relation to this transaction (“Litigation Portfolio Sale IER”) and concluded that the sale was fair and reasonable for the shareholders of the Company not associated with Lucerne. Completion of the sale of the Litigation Portfolio is subject to meeting certain conditions precedent, including shareholder’s approval. In the remainder of this report (“Report”), we have assumed that the sale of the Litigation Portfolio will complete.

Whilst the sale of the Litigation Portfolio will assist in reducing working capital requirements and allow for a more congruent and streamlined operational strategy, the Company is still forecast to experience continued operational losses due to the legacy debt burden, which has recently placed the Company in both debt service and technical default. We note that for the year ending 31 December 2020, LawFinance paid interest expenses of US\$16.8 million and generated a loss of c. US\$80.0 million. Post Restructure, the Company is expected to have gross debt of US\$58.3 million or A\$76.1 million based on the fixed exchange rate of 0.7650 stipulated in all the agreements (“Exchange Rate”). We have set out below a break-down of the debt facilities:

- *SAF Facility* – The largest corporate debt facility is the Syndicated Acquisition Facility (“SAF”), which had outstanding principle and accrued interest, including side loans, of US\$43.2 million or A\$56.4 million². These lenders of the SAF Facility (“Lenders”) agreed to a formal standstill agreement until the end of April 2021 whilst the Company works toward a restructure of the business to reduce the debt burden and preserve shareholder value. As part of the debt restructure discussed below, an additional A\$3.0 million secured bridging loan (“New Debt Facility”) will be advanced by AquAsia (one of the SAF members).
- *Promissory Notes* – Totalling US\$8.2 million or A\$10.8 million owed by LawFinance to six separate US promissory note holders.
- *Unsecured creditors* – The total value of the outstanding amount owed to Australian and US unsecured creditors is US\$5.6 million or A\$7.3 million.

In addition to the above, the Company also has convertible bonds on issue to various sophisticated and professional investors pursuant to a capital raising undertaken in July 2016. The Company’s outstanding exposure is approximately A\$1.7 million (“Convertible Bonds”) and these will be converted into equity alongside the Proposed Restructure.

On 19 April 2021, LawFinance announced a proposed restructure (“Proposed Restructure”) of the Company to be implemented by way of three interdependent transactions as outlined below:

- *Refinancing of the Front Book (“Refinancing”)* – The existing Atalaya Facility (US\$17.0 million) will be refinanced with a new interest bearing facility provided by Partners for Growth VI, L.P (“PFG”). PFG is a US based growth fund and the new facility will have an initial draw down of US\$30.0 million which can be extended up to US\$70.0 million (subject to meeting certain conditions) (“PFG Facility”). As part of the proposed Refinancing, the Company has agreed to issue to PFG unlisted warrants (“PFG Warrants”) with an exercise price of A\$4.4 cents per share and maturity of 7

² Based on the fixed exchange rate of 0.7650 stipulated in all the agreements “Exchange Rate”.

years which on exercise will entitle PFG to be issued with 104.5 million Shares (Pre-consolidation).

- *Debt for Equity Swap* – A total debt for equity conversion of US\$42.3 million or A\$55.3 million at a weighted average share price of A\$3.7 cents per share for the issue of 1,483,859,929 Shares comprising the following:
 - *SAF Facility* – US\$27.2 million or A\$35.6 million of the SAF Facility will convert into 1,011,233,270 Shares at a price of A\$3.52 cents per share. We note that the shares will be issued to 14 different lenders.
 - *Promissory Notes* – US\$8.2 million or A\$10.8 million of the Promissory Notes will convert into 269,201,399 Shares at a price of A\$4.0 cents per share.
 - *Unsecured Creditors* – US\$5.6 million or A\$7.2\ million of the Unsecured Creditors will convert into 165,332, Shares at a price of A\$4.4 cents per share.
 - *Convertible Bonds* – US\$1.3 million or A\$1.7 million of the Convertible Bonds will convert into 38,091,751 Shares at a price of A\$4.4 cents per share.
- *Placement* – The Company has obtained commitments to raise approximately A\$20.2 million at A\$1.30 cents per share by way of Placement to raise at least approximately \$17.2 million (before costs) from certain sophisticated and professional holders of debt in the Company participating in the Debt Restructure, and certain new and existing sophisticated and professional investors of the Company. The remaining A\$3.0 million will be committed by AquAsia pursuant to the New Debt Facility. Per the terms of the New Debt Facility, the Company and AquAsia may agree for AquAsia to take an additional A\$3.0 million of new Shares under the Placement which will take the total amount raised to c. A\$20.2 million. Given the uncertainty in relation to AquAsia's intention, for the purpose of the IER, we have assumed that the Company will raise A\$17.2 million (before costs).

Following completion of the Proposed Restructure the corporate debt of the Company will reduce from US\$58.5 million to US\$15.9 million or from A\$76.1 million to A\$20.8 million and the Company will have a cash balance of c. US\$13.6³ million which is expected to be utilised to fund the growth of the business.

Any LawFinance Shares issued to certain lenders participating in the debt restructure and/or the Placement will be subject to voluntary escrow arrangements, the terms of which are summarised in the Key Terms of the Restructure Transaction section of the Explanatory Memorandum ("Escrow Arrangements").

The Proposed Restructure is subject to a number of conditions precedents including the shareholders of LawFinance ("LawFinance Shareholders") approving the various resolutions in relation to the Debt for Equity Swap, the Placement and the Refinancing. Notably, these

³ Based on Pro Forma financial statement of position as at 17 May 2021 and assuming a Placement of A\$20.2 million before adviser costs of c. US\$2.5 million.

aforementioned resolutions are independent of one another and should one not be ratified, the Proposed Restructure will not proceed.

The Board of LawFinance has unanimously recommended that LawFinance Shareholders vote in favour of the resolutions to effect the Proposed Restructure and each Director of LawFinance intends to vote all LawFinance Shares held or controlled by them in favour of the Proposed Restructure.

Purpose of the report

If the Proposed Restructure is approved, no shareholder will increase its interest in the Company either from below 20% to more than 20%, or from a starting point between 20% and 90%. Accordingly, the Proposed Restructure is not considered a change of control transaction in accordance with the Corporations Act and there is not legal requirement for the commissioning of an IER in relation to the Proposed Restructure.

Notwithstanding the above, the Directors have engaged Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") to prepare an independent expert's report stating whether the Proposed Restructure is fair and reasonable to the LawFinance Shareholders in order to assist them in their deliberations of the Proposed Restructure.

Summary of opinion

Grant Thornton Corporate Finance has concluded that the Proposed Restructure is FAIR AND REASONABLE of the Non-Associated Shareholders.

In forming our opinion, Grant Thornton Corporate Finance has considered whether the Proposed Restructure is fair and reasonable to the LawFinance Shareholders and other quantitative and qualitative considerations.

Fairness Assessment

Whilst there is no legal requirement for the preparation of an IER in relation to the Proposed Restructure, we have followed the requirements of the Australian Securities and Investment Commission ("ASIC") Regulatory Guide 111 Contents of expert reports ("RG 111"). Given that the Proposed Restructure is not a change of control transaction, in our fairness assessment we have compared the value per LawFinance Share before the Proposed Restructure to the assessed value of the Company after the Proposed Restructure on a like for like basis.

The following table summarises our valuation assessment:

Fairness summary Figures in A\$	Section		
	Reference	Low Case	High Case
Value per share pre-restructure (cents, minority basis)	7	0.0	0.0
Value per share post-restructure (cents, minority basis)	8.5	2.0	2.7
FAIRNESS ASSESSMENT		FAIR	

Source: GTCF analysis

Our valuation assessment of LawFinance after the Proposed Restructure is higher than our valuation assessment of LawFinance before the Proposed Restructure and accordingly we have concluded that the Proposed Restructure is fair to LawFinance Shareholders.

LawFinance Shareholders should be aware that our assessment of the value per LawFinance Share after the Proposed Restructure does not reflect the price at which LawFinance Shares would trade if the Proposed Restructure is completed. The price at which LawFinance Shares will ultimately trade depends on a range of factors including the liquidity of LawFinance Shares, macro-economic conditions, the underlying performance of the Company, and the supply and demand for LawFinance Shares.

Valuation assessment before the Proposed Restructure

In our valuation assessment of LawFinance before the Proposed Restructure, we have relied on the mark to market value of the net assets reported in the audited balance sheet as at 31 December 2020 and we have assessed the value at A\$nil. Our selection of approach is mainly driven by the following:

- The Company has a deficiency of net assets of US\$47.6 million as at 31 December 2020.
- It has outstanding corporate debt and assets backed-debt of c. US\$113.9 million and it incurred interest expenses of c. US\$16.8 million in 2020, which accounted for the vast majority of the total expenses for the year.
- LawFinance has also breached loan covenants with two of its lenders, being Atalaya and AssetSecure and it is in default of the SAF Facility, however AssetSecure and the SAF Lenders have agreed to enter into a standstill agreements pending the outcome of the Proposed Restructure.
- The Company has no ability to grow its business in the absence of the Proposed Restructure and the existing business is not performing. Specifically, we note the following:
 - *Australian disbursement funding business* – At the end of 2020, LawFinance's loan with AssetSecure was overdrawn and in default, meaning that the Company has no ability to originate new business. As a result, the two parties renegotiated the term facility, albeit with increased restrictions imposed by AssetSecure that allowed for continuation of LawFinance's business operations.
 - *US medical lien funding business* – The Back Book acquired through the purchase of NHF in September 2018 has historically underperformed due to a number of conflicting issues. Most notably, LawFinance's current management have indicated that the initial purchase price of the receivable book may have occurred at above market value and the debt facility underpinning the financing at the time was sub-optimally structured.
- Whilst the 2020 audited accounts have been prepared on a going concern basis, this is only based on the assumption that the Proposed Restructure will be implemented.
- We have not considered in our valuation assessment any goodwill over and above the current

net assets deficiencies as they Company does not have an ability to grow the business based on the financial circumstances before the Proposed Restructure and it is in breach of several of the debt facilities.

- We have assessed the fair market value of the upside consideration that the Company may receive from the Litigation Portfolio Sale between US\$nil and US\$7.8 million or A\$nil to A\$10.2 million as set out in the Litigation Portfolio Sale IER.

We have set out below a summary of our valuation assessment before the Proposed Restructure:

Pre-Restructure Summary of Value US\$ 000	Section Reference	Low	High
Total Consideration of Litigation Portfolio (US\$ 000)		0	7,807
Equity value - Adjusted NAV Approach (control basis) (US\$ 000)		(48,141)	(48,141)
Equity value (control basis) (US\$ 0000)		(48,141)	(40,334)
Total number of ordinary outstanding shares pre-restructure		1,170,230	1,170,230
Equity value per share (US\$ cents)		0.00	0.00
Exchange rate		0.765	0.765
Equity value per share (\$A cents)		0.00	0.00

Sources: LawFinance Management and GTCF analysis

Valuation assessment after the Proposed Restructure

Following implementation of the Proposed Restructure, LawFinance will have a reduced and more manageable debt level, with the corporate debt reducing from US\$58.3 million to US\$15.9 million that should free-up cash flow and allow Management to target growth in the US medical lien funding business. Specifically, we note the following:

- The existing Atalaya Facility currently drawn to US\$17.0 million and linked to the Front Book will be refinanced with the PFG Facility that initially allows a drawdown of up to US\$30.0 million. This can be increased to up to US\$70.0 million (subject to meeting certain conditions). The Company is able to leverage-off up to 87% of the current underlying receivables book and up to 85% for new originations.
- The Company is expected to have a retained cash balance of US\$13.6 million after the Proposed Restructure.

Based on the above, in our valuation assessment after the Proposed Restructure, we have adopted the discounted cash flows method ("DCF") to assess the fair market value of the business. Grant Thornton Corporate Finance has built a valuation model ("GT Model") based on Management projections to 31 December 2030 and calculated a terminal value at that point in time. The key assumptions underlying the DCF approach are outlined below:

- *Australian Book* – LawFinance intends to focus on the US based Medical Receivables due to the higher profitability and growth potential in the US market. As such, LawFinance is currently undergoing a strategic review of the business to consider whether to place the Australian Book into run-off or sell it to another party. Using the GT Model, we have considered both the run-off

and divestment scenarios and note no material difference in valuation contribution to LawFinance.

- *Back Book* – The value is negligible as given the current underperformance of the book, there is insufficient cash to support the level of gearing.
- *Front Book* – Management forecast 4 years remaining for the Front Book with approximately US\$30.0 million of collections. Historically, LawFinance has generated a c.61% return on each individual case. However, the closure of courts as well as the increased unwillingness of insurance companies to settle throughout COVID-19 had a considerable impact on income. As the economic situation begins to improve in the US over the coming months, management forecasts these collections to increase to c. US\$1.0 million per month and recover to pre-pandemic levels.
- *New Book* – The growth in the US medical receivables book (“New Book”) assumed in the GT Model is limited to the current funding available on the PFG Facility and cash resources. LawFinance is targeting medical receivables origination of c.US\$2.5 million to US\$3.0 million per month in the first 12 months, a level achieved in 2019 and only representing a market share of 5% compared with a target market in excess of US\$700 million of new opportunities per annum. This assumption also appears conservative given that NHF has been operating for 22 years and is one of the top five largest personal injury financiers in the United States. After the first year of operations, the New Book is expected to continue to growth within the limit of the funding in place post the Proposed Restructure.

In the valuation assessment of the Front Book and New Book, the key assumptions are in relation to the cash multiples⁴ and the cash collection spreads⁵. These have been estimated in the medium term in line with the pre-COVID-19 level which seems a reasonable assumptions with the US economy slowly reopening on the back of the successful roll-out of the vaccine. We have undertaken a sensitivity analysis on these two assumptions given the value is particularly sensitive to small changes.

- *Discount rate* – The cost of equity assessed between 13.5% and 15.0% is estimated based on the Capital Assets Pricing Model (“CAPM”). The selected discount rate reflects the risk attached to the future growth of the New Book.
- *Capital Structure* – We have outlined below the capital structure of the LawFinance after the Proposed Restructure adopted for the purpose of our valuation assessment. We note that we have separately valued the warrants and options on issue:

⁴ This represents the cash that an individual case generates upon settlement and, when aggregated across the full receivable book, equates to total collections.

⁵ The cash collections spread is a forecast of the expected percentage of total collection on a receivable book that LawFinance will collect in a given year, spread across 5 years based on the US Statute of Limitations.

Number of ordinary shares 000s	Section Reference	Number of shares	Breakdown %
Total number of shares	n/a	1,170,230	29.4%
New shares issued under Proposed Restructure	1.2	1,483,859	37.3%
Expected shares issued from CCN conversion	1.4.1	202,893	5.1%
Shares issued under Placement	1.3	1,326,846	33.3%
Total number of ordinary shares post-restructure		4,183,828	105.1%

Sources: LawFinance Management and GTCF analysis.

Note: In the capital structure above, we have also included the conversion of the Capitalised Converting Notes that have a mandatory conversion by December 2022, however the holders may elect to immediately convert in order to participate into the Placement.

- **Litigation Portfolio** – We have assessed the residual upside potential value of the Litigation Portfolio after completion of the sale between US\$nil and US\$7.8 or A\$nil and A\$10.2 million which is consistent with our valuation assessment included in the Litigation Portfolio Sale IER.

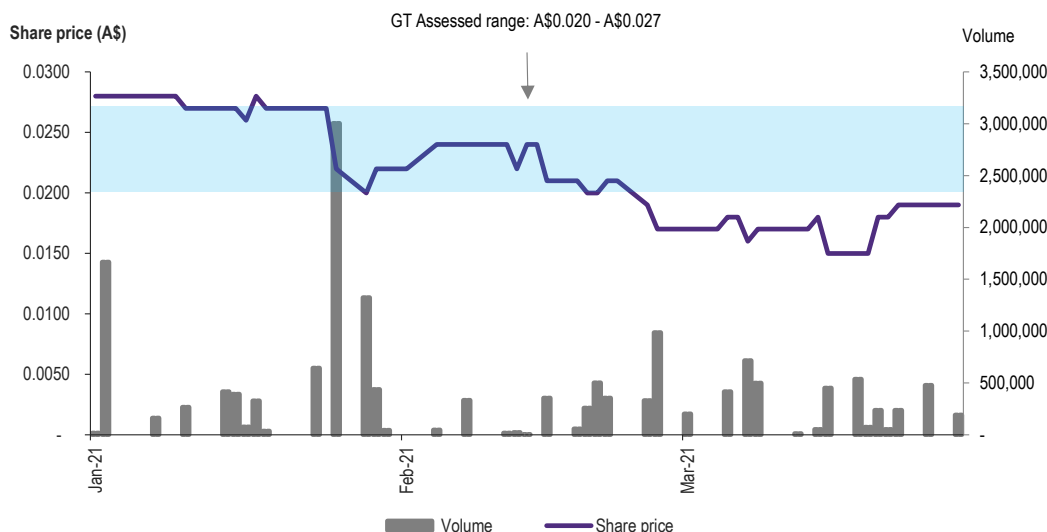
We have set out below a summary of our valuation assessment.

Figures in US\$ '000 unless stated	Section Reference	Low	Mid	High
Equity value - DCF (excluding options and warrants)		85,971	93,353	100,735
Total Consideration of Litigation Portfolio	1.6	-	3,903	7,807
Equity value of LawFinance (excluding options and warrants)		85,971	97,256	108,542
Value of options warrants	8.3.2	(1,618)	(2,162)	(2,799)
Equity Value (control basis)		84,353	95,094	105,743
Minority Discount (%)	8.4	23%	20%	17%
Equity Value (minority basis)		64,952	76,075	87,766
Number of outstanding shares ('000s) (fully diluted)	8.3.1	4,183,828	4,183,828	4,183,828
Equity value per share (US cents)		1.6	1.8	2.1
Exchange rate		0.765	0.765	0.765
Equity value per share (AU cents)		2.0	2.4	2.7

Sources: LawFinance Management and GTCF analysis

We note that our value per share under the DCF method is not inconsistent with the recent trading prices of LawFinance on the ASX as set out in the table below.

LawFinance – GT assessed valuation compared with trading prices



Sources: S&P Global and GTCF analysis

In relation to the graph above, whilst the details of Proposed Restructure were only announced to the market on 19 April 2021, the share price of LawFinance was trading beforehand on expectations that the capital structure of the Company could be restructured to make LawFinance a viable business⁶. Accordingly, we have considered that the trading prices since the beginning of the year in part reflect the risk adjusted market expectation about the Proposed Restructure. Refer to Section 8.1 for limitations in relation to this valuation approach.

Reasonableness Assessment

RG111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite being not fair, there are sufficient reasons for the security holders to accept the offer in the absence of any superior proposal. In assessing the reasonableness of approving the Proposed Restructure, we have considered the following advantages, disadvantages and other factors.

Advantages

Financial stability and continued operations

LawFinance's disbursement and medical lien funding operations have always been contingent upon constant funding to meet case demands as they have arisen. However, the increasing debt burden over recent years and prolonged run-off of the litigation funding business has diminished the Company's working capital and ability to service the existing debt facilities. Notably, LawFinance has generated net losses from FY16 to FY19, with FY20 experiencing the most significant deterioration in financial performance due to the COVID-19 pandemic. The pandemic resulted in slowdowns and

⁶ The Company announced in January 2021 and March 2021 that it was in the process of refinancing the Front Book, restructuring the corporate debt and other secured and unsecured creditors and raising capital to recommence origination without however disclosing any of the detailed terms.

stoppages of the legal systems in Australia and the United States as well as reductions in new legal matter originations. In the US, the combination of large levels of employer sponsored insurance (c. 46%⁷) and an unemployment rate peaking at 14%⁸ during FY20, decreased the origination of personal injury insurance claims as individuals' employer based coverage disappeared. As such, LawFinance has been accepting higher discounts than average on their receivables throughout FY20, resulting in an impairment charge of c. US\$18.3 on the receivables book for the year. Furthermore, LawFinance as at 31 December 2020 was in a net liability position of c. US\$47.6 million.

As at 31 December 2020, LawFinance's interest burden was c. US\$16.8 million. This accounted for 34% of the Company's total expenses for the year and is driven by their large outstanding debt burden of c. US\$113.9 million. LawFinance has also breached loan covenants with two of its lenders, being Atalaya and AssetSecure. With regard to Atalaya, LawFinance initially breached certain covenants for the period ending 31 December 2019 that were subsequently waived subject to LawFinance complying with a forbearance agreement. Whilst LawFinance initially complied, the negative effects of the pandemic on LawFinance's operations resulted in additional covenant breaches, enabling Atalaya the ability to demand full repayment of the facility. With respect to Assetsecure, as at 31 December 2020 LawFinance had also breached one covenant as well as a cross default related to the facility, however Assetsecure have subsequently waived the breach in February 2021 as part of negotiations for the Proposed Restructure.

As discussed earlier in the executive summary, the Company is also in breach of the SAF Facility and the SAF Lenders have agreed to a formal standstill agreement with the Company whilst also working toward the Proposed Restructure.

As such, LawFinance is subject to continued losses in net income, funding illiquidity and a considerable debt burden which is restricting the Company's ability to operate. There is the possibility that without additional funding the Company could be forced into an Administration. The Proposed Restructure provides an avenue for LawFinance to navigate these issues, by reducing the debt burden, freeing up cash flow and reducing the risk of the appointment of administrators.

Ability to raise additional capital in the future

Completion of the Proposed Restructure would provide the Company with greater ability to raise equity capital to fund its growth strategy if required in the future. Currently, any additional capital raised would be absorbed into paying down the existing debt burden and could potentially act as a deterrent for potential investors. Should the Proposed Restructure go forward, LawFinance would benefit from higher free cash flow, reduced complexity in the Company's capital structure and removal of the debt overhang. The Proposed Restructure would position LawFinance to use the proceeds from capital raisings to fund future growth in the core business, making the Company a more attractive and investable proposition for current and future shareholders.

Ability to focus on the strategic priorities of the core business

⁷ United States Census Bureau – Health Insurance Coverage in the United States: 2019.

⁸ US Bureau of Labor Statistics – Civilian unemployment rate.

LawFinance will be able to focus on growing the strategic priorities of their core business upon completion of the Proposed Restructure.

Given the capital intensity of the business and the continual requirement to source and raise funding, the current structure requires significant management involvement, diverting attention from more strategic priorities. Through the execution of the Proposed Restructure, Management will be able to focus attention towards the operating, growth and strategy of the more profitable parts of the business. Furthermore, the Company will also be able to invest its freed up resources into leveraging the well performing Front Book as well as potentially extending their reach within the market through purchases of additional books.

Disadvantages

High dilution following the Proposed Restructure

The Proposed Restructure represents a significant dilution of shareholdings for all LawFinance investors. Should the Proposed Restructure go ahead, the total number of outstanding shares will increase by 358% from 1,170,230,045 to 4,183,827,621⁹ as summarised in the table below.

Number of ordinary shares 000s	Section Reference	Number of shares	Breakdown %
Total number of shares	<i>n/a</i>	1,170,230	29.4%
New shares issued under Proposed Restructure	1.2	1,483,859	37.3%
Expected shares issued from CCN conversion	1.4.1	202,893	5.1%
Shares issued under Placement	1.3	1,326,846	33.3%
Total number of ordinary shares post-restructure		4,183,828	105.1%

Sources: LawFinance Management and GTCF analysis

Note: In the capital structure above, we have also included the conversion of the Capitalised Converting Notes that have a mandatory conversion by December 2022, however the holders may elect to immediately convert in order to participate into the Placement.

Other factors

Taxation Consequences

The Proposed Restructure may trigger certain tax consequences for LawFinance which are difficult and complex to estimate at this point in time. The Company has indicated that should this situation eventuate, it will be able to utilise a portion of the existing tax losses to offset against tax payable upon implementation of the Proposed Restructure. We have not considered the individual tax circumstances of the any of the Shareholders or investors.

Escrowed Shares

The number of debt holders which will receive Shares upon completion of the Proposed Restructure have all entered into separate Escrow Arrangements whereby they will not dispose of their LawFinance shares in the absence of a change of control transaction of LawFinance or other specific circumstances based on the terms outlined below.

⁹ In the capital structure below, we have also included the conversion of the Capitalised Converting Notes which have a mandatory conversion by December 2022, however the holders may elect to immediately convert in order to participate into the Placement.

	Shareholding	3 months	12 months	18 months	24 months	30 months
AquaAsia	16.0%	x	x	50%	25%	25%
Pure Asset Management	10.5%	x	x	50%	25%	25%
Other SAF	8.7%	x	33.3%	33.3%	33.3%	-
P-Notes	10.0%	Escrow for 2 months, maximum of 10% of shareholding each month thereafter				
AU Unsecured	6.3%					
US Unsecured	1.5%	No Escrow				

Sources: LawFinance Management

This will effectively decrease the fair market value of LawFinance shares received by these shareholders given they are not able to dispose of them until the end of escrow period. This value reduction has not been quantified in our valuation assessment of the Proposed Restructure as it refers to the specific circumstances of the aforementioned shareholders.

Implications if the Proposed Restructure is not implemented

If the Proposed Restructure is not implemented, it would be the current Directors' intention to place the business into Administration which will completely erase any residual value to the Shareholders.

Directors recommendation

As set out in the Notice of Meeting ("NOM"), as at the date of this Report, the Directors of LawFinance have recommended that LawFinance Shareholders vote in favour of the Proposed Restructure and they intend to vote the shares they hold or control in favour of the Proposed Restructure.

Reasonableness conclusion

Based on the qualitative factors identified above, it is our opinion that the Proposed Restructure is **REASONABLE** to the non-associated LawFinance Shareholders.

Overall conclusion

After considering the abovementioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the Proposed Restructure is **FAIR AND REASONABLE** to the non-associated LawFinance Shareholders.

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 Restructure is a matter for each LawFinance Shareholder to decide based on their own views of value of LawFinance and expectations about future market conditions, LawFinance's performance, risk profile and investment strategy. If LawFinance Shareholders are in doubt about the action they should take in relation to the Proposed Restructure, they should seek their own professional advice.

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD



ANDREA DE CIAN
Director



JANNAYA JAMES
Authorised Representative

19 April 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 Restructure. 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 a 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 Report, Grant Thornton Corporate Finance's client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the Report, Grant Thornton Corporate Finance has received from LawFinance a fixed fee of A\$120,000 + expenses (plus GST), which is based on a commercial rate plus reimbursement of out-of-pocket expenses for the preparation of the report. 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 entities)



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

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 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:

Financial Ombudsman Service Limited
GPO Box 3
Melbourne, VIC 3001
Telephone: 1800 367 287

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.

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 Restructure

1.1 Refinancing

As a part of the Proposed Restructure, LawFinance refinanced the current Atalaya Facility that held first rank priority over the existing Front Book. PFG will provide the new facility following shareholder approval of the Proposed Restructure. The following table illustrates the respective tranches within the new PFG Facility:

PFG Facility tranche	Amount US\$m's	Notable Characteristics
Tranche A	30.0	- Immediately available upon shareholder approval of debt re-finance
Tranche B	20.0	- Available once Tranche A is drawn to US\$25.0 million - PFG has 45 days to confirm whether or not it will increase the facility size up to US\$50.0 million - Should PFG decide not to increase, restrictions and fees on prepayments are waived
Tranche C	20.0	- Available only in year 3 once Tranche B is drawn to US\$45.0 million - PFG has 45 days to confirm whether or not it will increase the facility size up to US\$70.0 - Should PFG decide not to increase, restrictions and fees on prepayments are waived
Total available	70.0	

Source: LawFinance Management

Notably, there is a drawdown period of three years where a minimum total amount of US\$15.0 million needs to have been utilised in addition to the amount refinanced, followed by a 1-year amortisation period (tenure of 4 years). The PFG Facility bears a fixed interest rate of 11.5% p.a. plus 0.5% line fee for the current underlying book and 11.25% p.a. plus 0.5% line fee for new originations, resulting in being 2.25% lower than the current Atalaya Facility's 13.50% plus 1% undrawn line fee per annum rate. Prepayments are not permitted within the first 24 months of the agreement. The Company is able to leverage up to 87% of the underlying book value for the existing book and 85% for new originations.

We note that in December 2020, LawFinance also refinanced the remaining receivables that formed the Back Book acquired through the purchase of NHF. The refinancing was arranged through EFI and was forecasted to free up c. US\$0.4 million of cash for the business after fees. The terms of the refinance included:

- A facility limit of US\$25.6 million;
- Interest rate and fees of 12.5%; and,
- Principal and interest payable over a term period of 3 years (ending in November 2023).

1.2 The Debt for Equity Swap

As a part of the Proposed Restructure, LawFinance have also negotiated a corporate debt restructure with more than 40 creditors and lenders through a Debt for Equity Swap. LawFinance has faced considerable challenges over the last 12 months and, when coupled with the existing debt burden and continued operational losses, is at serious risk of voluntary administration or liquidation. The Company currently has approximately US\$58.0 million of corporate debt (in addition to the debt on the Front Book, Back Book and

Australian Book for a total debt of US\$114.0 million) and as at 31 December 2020 had a net liability position of c. US\$47.6 million in the audited accounts.

The proposed Debt for Equity Swap is multifaceted and the specifics at which the corporate debt converts is dependent upon the individual facility.

With respect to the individual facilities, we note:

- *SAF Facility* – The SAF Facility is collectively a combination of three separate loans totaling US\$43.2 million inclusive of principal and interest. On announcement of the Proposed Restructure, AquAsia, one of the lenders under the SAF Facility, will extend the additional Liquidity Facility of A\$3.0 million that will rank above all other debt owed to the SAF Lenders. This loan will bear interest at 9.5% per annum with a maturity date of four years. On and immediately following the Proposed Restructure effective date, the SAF Facility will reduce from US\$43.2 million to c. US\$15.9 million with a lower interest rate of 9.5% p.a. (“Post Restructure SAF Facility”). This Post Restructure SAF Facility will be comprised of the following two tranches:
 - *Tranche 1* – A facility limit of US\$20.0 million with additional capitalised interest that is inclusive of all indebtedness under the initial SAF Facility. Maturity for Tranche 1 is five years from the Proposed Restructure’s effective date.
 - *Tranche 2* – A facility limit of c. US\$4.0 million that is inclusive of the aforementioned US\$3.0 million Liquidity Facility.

The balance of the SAF Facility before the Proposed Restructure which is not refinanced in either Tranche 1 or Tranche 2 will be converted into Australian dollars at the aforementioned Exchange Rate and then into LawFinance shares at a pre-determined share price of A\$3.52c per share. Furthermore, each SAF Lender is eligible to participate in the Placement.

- *Promissory notes* – There are five separate US promissory notes wrapped up within the total amount of the US\$8.2 million owed by LawFinance will be converted into Australian dollars at the aforementioned Exchange Rate and then into LawFinance Shares at an issue price of A\$4.0c per share.
- *Unsecured Creditors* – US\$5.6 million or A\$7.2 million of the Unsecured Creditors will convert into 165,332,510 Shares at a price of A\$4.4c per share.
- *Convertible Bonds* – US\$1.3 million or A\$1.7 million of the Convertible Bonds will convert into 38,091,751 Shares at a price of A\$4.4c per share.

From a shareholders perspective, the Debt for Equity Swap adds value through multiple avenues, namely being a decline in both total debt and interest related charges. Firstly, the Debt for Equity Swap will result in an immediate US\$41.7 million reduction in LawFinance’s debt, ultimately strengthening the balance sheet and moving the Company toward a net assets position and cash flow neutrality. Secondly, the Debt for Equity Swap will considerably decrease LawFinance’s annual interest charges from c. US\$7.8 million as at 31 December 2020 to the forecasted US\$1.8 million post restructure. These changes will place LawFinance in a far more favourable and sustainable capital structure position moving forward.

1.3 Placement

LawFinance intends to undertake a Placement of c. A\$20.2 million before costs with c. A\$17.2 million pre-committed through the issuance of 1,326,846,154 million new shares at A\$0.013 per share (“Offer Price”). We note that the remaining A\$3.0 million was provided by AquAsia pursuant to the New Debt Facility. Per the terms of the New Debt Facility, the Company and AquAsia may agree for AquAsia to take A\$3.0 million of new Shares under the Placement.

We note that the shares issued under the Placement to the Lenders are subject to two separate voluntary escrow terms:

- Category A – This escrow category applies to Pure Asset Management as trustee for the Income and Growth Fund and AquAsia. As Category A lenders, 100% of the shares will be made unavailable for 18 months, with 50% eligible for sale after 18 months, 25% more eligible for sale post 24 months and the remaining 25% after 30 months.
- Category B – This escrow category applies to all other SAF lenders within the proposed Debt for Equity Swap. As Category B lenders, 100% of the shares will be locked up for 12 months, with 33.3% eligible for sale after 12 months, 33.3% more eligible for sale post 18 months and the remaining 33.3% after 24 months.

The total number of Shares on escrow will be 1,688,026,902 after completion of the Proposed Restructure (“Escrow Shares”).

1.4 Other ancillary shares issues (“Ancillary Issues”)

1.4.1 Converting Notes

On 9 June 2020, the Company issued c. 189 million capitalising converting notes (“CCN” or “Converting Notes”) with a face value of A\$0.10 per share to convert A\$18.9 million of existing subordinated debt owed by the Company. The noteholders may elect to convert the CCN into ordinary shares before 31 December 2022 otherwise they will mandatory convert at this date. The CCN accrues interest at 6% per annum. In our valuation assessment, we have assumed that the CCN will convert into 202,892,647 shares before implementation of the Restructure so that the holders will have the opportunity to participate into the Placement .

1.4.2 Options issued to Management

Upon completion of the Proposed Restructure and subject to obtaining Shareholder’ approval under Resolutions 18 and 19 of the NOM, the Company intends to issue 141.7 million to members of the Management Team with an exercise price of A\$2.5 cents per option and maturity of four years from the date of issue (“Management Options”).

1.5 Summary capital structure

We have set out in the table below a summary of the shares on issue of the Company before and after the Proposed Recapitalisation as well as the various issues of shares and other securities.

Number of ordinary shares on issue 000s	Section Reference	Number of shares	Breakdown %
Total number of shares on issue currently	n/a	1,170,230	28.0%
<i>Proposed Restructure</i>			
New shares issued under Debt for Equity Swap	1.2	1,483,859	35.5%
Expected shares issued from CCN conversion	1.4.1	202,893	4.8%
Shares issued under Placement	1.3	1,326,846	31.7%
Total number of ordinary shares after Proposed Restructure		4,183,828	100.0%
<i>Other securities</i>			
NHF Founder Options	4.4	71,500	n/a
Warrants - NHF Founders and SAF	4.4	452,744	n/a
Warrants - Directors ¹	1.4.2	141,667	n/a
Warrants - PFG ²	n/a	104,000	n/a
Total other securities after Proposed Restructure		6,483,477	n/a

Sources: LawFinance Management and GTCF analysis

Note (1): Warrants issued to Management under resolution 18 and 19 of the Notice of Meeting.

Note (2): Warrants are issued with the Refinancing within the Proposed Restructure.

Note (3): In the capital structure above, we have also included the conversion of the Capitalised Converting Notes which have a mandatory conversion by December 2022, however the holders may elect to immediately convert in order to participate into the Placement.

We have also set out below the top five shareholders of the Company before and after the Proposed Restructure.

As set out in the table above, the major shareholders before the Proposed Restructure are materially diluted and none of the new shareholders increase their interest in the Company to greater than 20% of the diluted issue capital.

1.6 Sale of the Litigation Portfolio

On 29 January 2021, LawFinance announced on the ASX that it had entered into a conditional agreement ("Share Purchase Agreement", or "SPA") to sell 100% of its shares in the Litigation Portfolio to LEP. The transaction equated to a debt and cash free transaction value of at least A\$10 million. The consideration is structured as set out below:

- A nominal cash amount of A\$1.0
- *Conditional Amount 1* – In the case of the LCF Funded Cases¹⁰ as well as one other case, LawFinance will be entitled to 50% of the proceeds in excess of the outstanding amount owed to the LCF Facility.
- *Conditional Amount 2* – In the final case not captured within conditional amount 1, LawFinance will receive 50% of the proceeds net of any additional costs incurred.

On 24 March 2021, the Company announced on the ASX that it had decided to postpone the EGM to approve the proposed transaction after it was informed that one of the litigation cases where JKL is a co-

¹⁰ Four cases in the Litigation Portfolio which have been funded under the LCF Facility.

funder had a material positive development after a federal jury in the United States decided that the plaintiff should be paid a higher amount than anticipated.

As a result of the positive development, the Company re-entered into commercial negotiations with LEP regarding the terms of the proposed transaction. Following those discussions, the Company and LEP agreed to amend the terms of the SPA and entered into an amendment to the SPA. Under the Amended SPA the Company and LEP agreed that the Company was to receive 75% of any proceeds for the LCF Funded Cases in excess of the LCF Facility. The Amended Conditional Amount 1 also included proceeds from one of the Non-LCF Funded Cases. In the other Non-LCF Funded case, the Company was to receive 75% of the proceeds net of any additional costs incurred.

Grant Thornton prepared the Litigation Portfolio Sale IER and subsequent Supplementary IER in which it assessed the value of the contingent consideration to be received by LawFinance between A\$nil and A\$10.2 million which we have included in our valuation assessment of the Company before and after the Proposed Restructure.

Figures in 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 (A\$m)	-	0.5	1.4	10.2
Total Consideration (A\$m)	-	0.5	1.4	10.2
GT adopted consideration range of the Litigation Portfolio (A\$m)		A\$nil to A\$10.2 million		
Total Consideration (US\$m)	-	0.4	1.1	7.8
Exchange rate	0.765	0.765	0.765	0.765
GT adopted consideration range of the Litigation Portfolio (US\$m)		US\$nil to US\$7.8 million		

Sources: LawFinance Management and GTCF analysis

2 Purpose and scope of the report

2.1 Purpose

Section 606 of the Corporations Act prohibits the acquisition of a relevant interest in the issued voting shares of a company if the acquisition results in the person's voting power in the company increasing from either below 20% to more than 20%, or from a starting point between 20% and 90%, without making an offer to all shareholders of the company.

Item 7 of Section 611 of the Corporations Act allows the shareholders not associated with the acquiring company (i.e. the Non-Associated Shareholders) to waive this prohibition by passing a resolution at a general meeting. Regulatory Guide 74 "Acquisitions agreed to by shareholders" ("RG 74") and Regulatory Guide 111 "Content of expert reports" ("RG 111") issued by ASIC set out the view of ASIC on the operation of Item 7 of Section 611 of the Corporations Act.

RG 74 requires that shareholders approving a resolution pursuant to Item 7 of Section 611 of the Corporations Act be provided with a comprehensive analysis of the proposal, including whether or not the proposal is fair and reasonable to the Non-Associated Shareholders. The Directors may satisfy their obligations to provide such an analysis by either:

- Commissioning an independent expert's report; or
- Undertaking a detailed examination of the proposal themselves and preparing a report for the Non-Associated Shareholders.

If the Proposed Restructure is approved, no shareholder will increase its interest in the Company either from below 20% to more than 20%, or from a starting point between 20% and 90%. Accordingly, whilst there is no legal requirement for the commissioning of an IER in relation to the Proposed Restructure, the Directors have engaged Grant Thornton Corporate Finance to state whether the Proposed Restructure is fair and reasonable to LawFinance Shareholders in order to assist them in considering the merits of the Proposed Restructure. The Independent Expert's Report is to accompany a notice of meeting and explanatory memorandum to be sent to the shareholders of the Company.

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.

2.2 Basis of assessment

RG 111 establishes certain guidelines in respect of the independent expert's reports prepared for the purposes of the Corporations Act. RG 111 is largely framed in relation to change of control transactions implemented via a takeover, scheme of arrangement or the issue of securities (Section 640 of the Corporations Act) and comments on the meaning of "fair and reasonable" in the context of a takeover offer.

RG 111 states that an issue of shares requiring approval under Item 7 of Section 611 of the Corporations Act should be analysed as if it were a takeover bid. In the case of a change of control transaction prepared under Item 7 of Section 611 of the Corporations Act, RG 111 states that:

- An offer is considered fair if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. The comparison should be made assuming 100% ownership of the target company irrespective of whether the consideration offered is scrip or cash and without consideration of the percentage holding of the offeror or its associates in the target company.
- An offer is considered reasonable if it is fair. If the offer is not fair it may still be reasonable after considering other significant factors which justify the acceptance of the offer in the absence of a higher bid. ASIC has identified the following factors which an expert might consider when determining whether an offer is reasonable:
 - The offeror's pre-existing entitlement, if any, in the shares of the target company.
 - Other significant shareholding blocks in the target company.
 - The liquidity of the market in the target company's securities.
 - Taxation losses, cash flow or other benefits through achieving 100% ownership of the target company.
 - Any special value of the target company to the offeror.
 - The likely market price if the offer is unsuccessful.
 - The value to an alternative offeror and likelihood of an alternative offer being made.

Whilst the form of the Proposed Restructure is similar to a change of control transaction approved by shareholders under Item 7 of Section 611 of the Corporations Act, in reality it is not a change of control transaction. Accordingly, in our fairness assessment we have compared the fair market value of LawFinance Shares before and after the Proposed Restructure on a like for like basis. We note that the approach adopted is consistent with other sections of RG111 which deal with IERs not prepared for change of control transaction as outlined below:

- For example in the case of a merger, RG111 requires the expert to assess whether a scrip takeover is in effect a "merger of entities of equivalent value (merger of equals) when control of the merged entity will be shared equally between the 'bidder' and the 'target'". If the takeover bid is assessed to be a merger of equals, the expert may use an equivalent approach to valuing the securities of the 'bidder' and the 'target'.
- For other non-control transactions the expert should consider the overall commercial effect of the proposal, the circumstances that have led to the proposal and the alternatives available. The expert must weigh up the advantages and disadvantages of the proposal and form an overall view as to whether the security-holders are likely to be better off if the proposal is implemented than if it is not. If

the advantages outweigh the disadvantages, a proposal would be in the best interests of security-holders.

In considering whether the Proposed Restructure is reasonable to LawFinance Shareholders, we have considered a number of factors, including:

- Whether the Proposed Restructure is fair.
- The implications to LawFinance Shareholders if the Proposed Restructure is not approved.
- Other likely advantages and disadvantages associated with the Proposed Restructure as required by RG111.
- Other costs and risks associated with the Proposed Restructure that could potentially affect LawFinance Shareholders.

2.3 Escrow Shares

Upon completion of the Proposed Restructure and in accordance with the provision of the Corporations Act, the Company will have a relevant interest of 42.4% in its own issue share capital by virtue of entering into the escrow deeds ("Escrow Deeds") in relation to the Escrow Shares. This is because LawFinance will be able to control the disposition of and to an extent the voting rights relating to the Escrow Shares. As a result, the Company is seeking Shareholder's approval under Section 611 Item 7 of the Corporation Acts as it is acquiring a relevant interest of 42.4% in its own issue shares as a result of entering into the Escrow Deeds.

We are of the opinion that this is only a technical requirement and the substance of the Company entering into the Escrow Deeds is to provide further protection to LawFinance Shareholders. Accordingly, we have not been required to form an opinion and we have not formed an opinion in relation to the Company acquiring a relevant interest in 42.4% in its own issue shares as a result of entering into the Escrow Deeds.

2.4 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 Restructure 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 approval of the Proposed Restructure 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.

We note that Grant Thornton Corporate Finance has also prepared the Litigation Portfolio Sale IER and Supplementary Letter.

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 Restructure.

2.5 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 23 April 2021 in which this report is included, and is prepared for the exclusive purpose of assisting LawFinance Shareholders in their consideration of the Proposed Restructure. 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 Extraordinary General 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 Restructure to LawFinance Shareholders as a whole. We have not considered the potential impact of the Proposed Restructure on individual LawFinance Shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Restructure on individual shareholders.

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

3 Profile of the industry

3.1 United States Health Insurance and Medical Lien Purchasing Industry

LawFinance operates within the medical lien purchasing industry in the United States with a legal opinion to originate in 22 states across the country. Estimates suggest that the market for publically or uninsured medical claims as a result of accidents is worth upwards of US\$2.1 billion per annum¹¹ and has been steadily growing alongside certain macroeconomic influences. In the US, people involved in personal injury accidents often require medical treatment and may not be able to fund these services via their health plans or Medicare/Medicaid. Accordingly, the plaintiff and their attorneys working on the cases have a few options:

- Physicians and other medical providers are often willing to provide services on a lien basis. Under these circumstances, the doctors need to wait for the case to conclude before being paid.
- Similarly, there are a number of third party service providers to connect attorneys and their clients with physicians who work on liens.
- They can engage financial intermediaries like LawFinance. These financial intermediaries arrange for the medical treatment to be provided and purchase the lien from the doctors, allowing them the chance to recoup up to the full face value of the medical treatment invoice when and if the case concludes.

The services provided by LawFinance and its competitors are particularly valuable for medical providers as they are able to collect their fees up-front, and at a rate which is often higher than the negotiated fee paid by Medicare and Medicaid. Conversely, medical providers working on a lien basis need to wait for a successful conclusion of the legal proceeding before being paid. The plaintiffs, who engage the services of LawFinance or the doctors directly, are typically individuals with personal injuries without health insurance or with limited coverage. Another potential scenario is where the policy excludes the treatment of injuries as result of motor vehicle accidents, an issue that is made more prevalent by the extent to which motor vehicles accidents constitute to serious injuries.

Accordingly, its important to understand how the US healthcare system is structured as LawFinance's operations hinge upon its intricacies and constitution.

3.1.1 Overview of the United States Health Insurance system

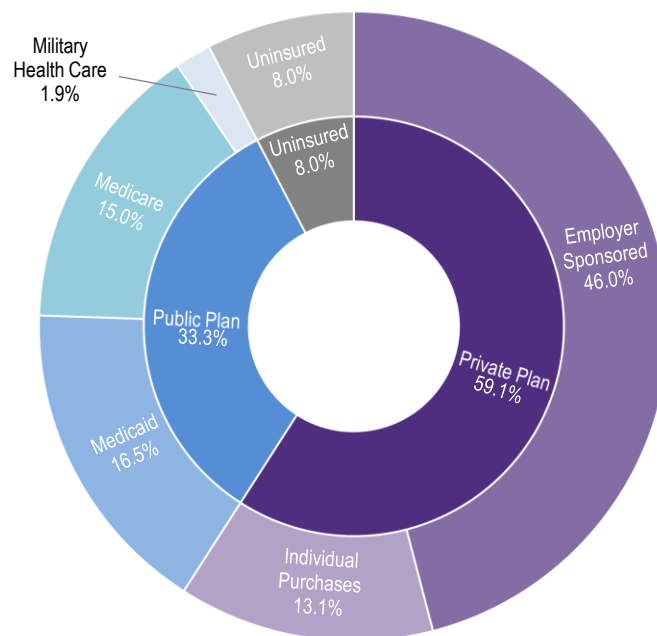
In the United States, health insurance is available to individuals in the form of private plans and government-provided plans. Private plans consist of employment-based insurance plans and individual purchased insurance plans, and these provide coverage for approximately 220 million Americans or c. 68.0% of the total insurance coverages. Government-provided plans include Medicare, Medicaid and military health care plans, which provide coverage for approximately 110 million Americans¹². As at 2019, there were approximately 29.6 million uninsured Americans, accounting for 8.0% of the population¹³. We note that the number of health insurance policies is greater than the total population as some people may have more than one policy.

¹¹ LawFinance Management assessment.

¹² United States Census Bureau – Health Insurance Coverage in the United States: 2019.

¹³ The types of coverage are not mutually exclusive and therefore people can be covered by more than one type of health insurance.

US Breakdown of health insurance coverages – Policies in 2019 (million)



Sources: United States Census Bureau – Health Insurance Coverage in the United States: 2019.

Note (1): The chart shows the number of health insurance policies issued in the USA factoring in the fact that individuals can hold numerous policies, hence the numbers illustrated above are proportionally lower than reflected within the United States Census Bureau report.

Note (2): 29.6 million is the actual number of people uninsured.

LawFinance's clients come from all categories of people yet they're mainly derived from the uninsured and those with public health insurance.

Uninsured

In 2019, approximately 8.0% of the population were uninsured. The rate of uninsured people in the United States has declined rapidly since 2013, where people without insurance made up 14.5% of the population. The sharp decline in the uninsured population is a result of the implementation of healthcare reforms including the expansion of Medicaid and legislation mandating that children be permitted to remain on their parents' health insurance until age 26.

Uninsured people typically have to pay for the full cost of any medical treatment they incur. All health plans, however, have a cap on the maximum amount of out of pocket ("OOP") expenses the beneficiary can incur, except for traditional Medicare plans.

Government-based plans

Government-based plans include Medicare and Medicaid (which are briefly discussed below). We note however that Medicare and Medicaid may only be used as payers of last resort for personal injury cases after all other payments options have been considered.

Medicare

Medicare is a national health insurance program administered by the United States federal government that provides health insurance to Americans aged 65 years and older¹⁴ and people aged under 65 with permanent disabilities¹⁵. In 2019, approximately 58.3 million Americans had Medicare coverage. Medicare provides protection against the costs of many basic health care services, however many benefit gaps exist¹⁶. As a result, approximately 81% of Medicare beneficiaries receive supplemental coverage such as Medicare Advantage, employer-sponsored retiree health plans, Medicaid and Medigap¹⁷.

Medicaid

Medicaid is a joint federal and state funded program that provides health coverage to eligible low-income families or individuals. Medical care is typically provided for free or at low-cost with some states imposing co-payments, co-insurance, deductibles and other similar charges on Medicaid-covered benefits, although cost sharing for most services is limited to nominal or minimal amounts¹⁸. As at 2019, 64.1 million Americans were covered by Medicaid. Eligibility criteria vary by state but are typically based on an individual's income as a percentage of the federal poverty level ("FPL"). The Patient Protection and Affordable Care Act ("ACA"), which became law in 2010, sought to require all states to expand Medicaid eligibility to all adults with incomes up to 138% of the FPL. However, the Supreme Court deemed this unconstitutional and left the decision of whether to expand Medicaid to each state. Medicaid provides a number of federally-mandated benefits across all states including inpatient and outpatient hospital services, doctor visits, long-term medical care and more¹⁹. As well as federally mandated benefits, states can choose to provide coverage for a number of additional optional benefits.

Private plans

Private healthcare in the United States is the most prevalent form of health insurance at 59.1% coverage²⁰ and consists of employer-sponsored insurance and individual based insurance.

3.1.2 United States Medical Lien Purchasing Industry

LawFinance predominantly purchases medical liens related to motor vehicle accident ("MVA") and other non-MVA tort claims²¹. Currently, it is estimated that c. 2.4 million individuals are injured each year in America because of a motor accident, of which 1.5 million are not at fault²². We note the average insurance claim being c. US\$16,000²³.

The United States medical lien purchasing market is a highly fragmented market with the number of service providers varying between states. This is the result of a number of factors including differences in regulation, access to health insurance, population levels and accident rates between states, and individual health insurance adoption rates.

¹⁴ Medicare is provided to people aged 65 years and older regardless of income, medical history or health status.

¹⁵ Henry J Kaiser Family Foundation – An Overview of Medicare.

¹⁶ Traditional Medicare has relatively high deductibles and cost-sharing requirements and places no limit on beneficiaries' out-of-pocket spending. Medicare also does not cover a number of other services including long-term services and supports, dental services, eyeglasses, and hearing aids that are important for older people and people with disabilities.

¹⁷ Kaiser Family Foundation – Sources of supplemental coverage among Medicare beneficiaries .

¹⁸ Medicaid.gov – Cost Sharing Out of Pocket Costs.

¹⁹ Medicaid.gov – List of Medicaid Benefits.

²⁰ United States Census Bureau – Health Insurance Coverage in the United States: 2019.

²¹ Motor vehicle accidents make up approximately 80% of tort claims in the United States.

²² US Department of Transport, NHTSA Traffic Strategy Facts 2019.

²³ Insurance Information Institute, 2018.

Healthcare in the United States is comparatively expensive²⁴, and unlike Australia, where universal health care is provided to all citizens, in the United States, c. 8.0% of people are uninsured as at 2019²⁵. For the remainder that do have health insurance, the level of coverage varies considerably between individuals, and many have benefit gaps that can leave them with large OOP expenses when receiving medical care which offers an opportunity to medical providers willing to provide services on lien.

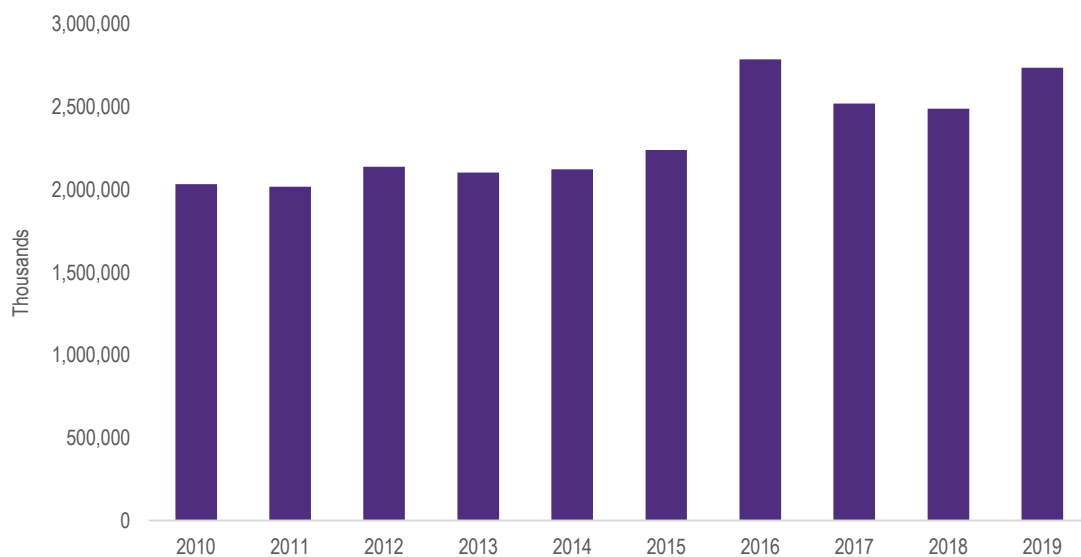
Doctors and other medical providers that operate on a lien basis typically have to wait until conclusion of the case to be paid, a period that can extend from several months to a few years. However, lien purchasing companies, specifically LawFinance, purchase the doctors' invoice up front at a discount (from the medical practitioner) in return for the expectation that c. 48% to 55% of the full invoiced amount will be paid at the conclusion of the case.

3.1.3 Key demand drivers

Demand for healthcare lien purchasing is driven by a number of factors including:

- *The number of motor vehicle accidents* – As highlighted in the graph below, traffic-related injuries has increased in the last five years.

USA – Traffic-related injuries per annum



Sources: National Highway Traffic Safety Administration

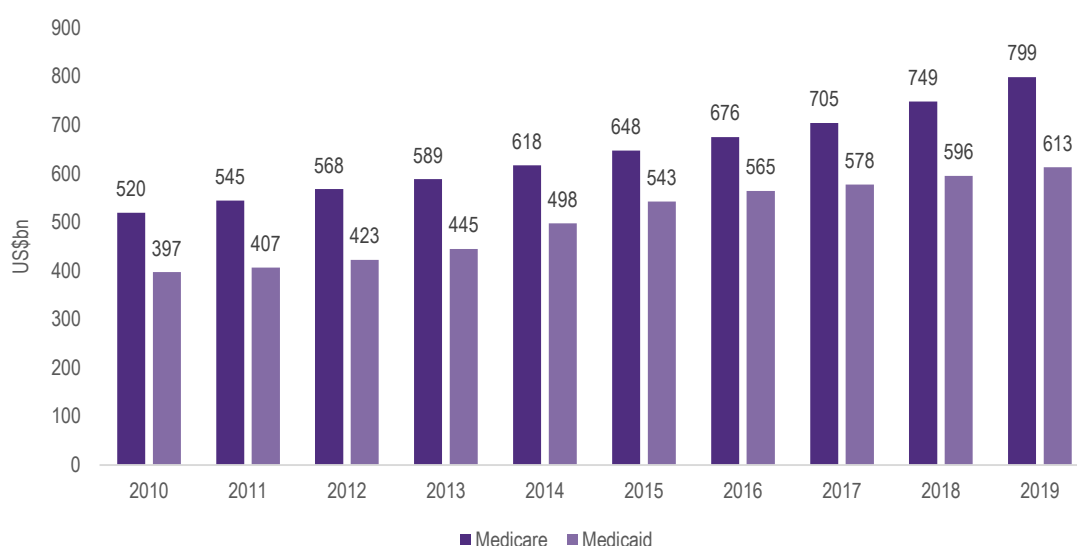
- *Health Insurance levels* – increasing health insurance levels because of expanding Medicare and Medicaid coverage may reduce the demand from doctors for lien purchasing. However, the effect may be limited since Medicare and Medicaid, which are insurers of last resort for personal injury cases, do not cover the full cost of healthcare for accident victims leaving the medical care provider's payment for their services subject to the uncertainty at the conclusion of the case

²⁴ According to OECD data on health spending, In 2017 Americans spent an average of US\$9,892 per capita on health, more than any other OECD country, and 2.3 times the OECD average.

²⁵ United States Census Bureau – Health Insurance Coverage in the United States: 2019.

- *Change in the regulatory system* – The United States health care industry is currently subject to intense scrutiny and uncertainty. Whilst the current administration is supporting future changes, the healthcare system in the US may impact LawFinance's business and financial performance, either positively or negatively.
- *Healthcare costs* – In order to reduce healthcare costs, health plans usually exclude significant medical fees and include out-of-pocket expenses such as deductibles, co-payment and coinsurance fees which may affect the decision of individuals, such as not-at-fault accident victims, to adopt a medical lien payment approach if they are unable to afford the necessary healthcare as a result of an accident. Healthcare costs grew by 4.6% in 2019 and are expected to grow by an annual average rate of 5.4% over the next ten years, with total expenditure forecasted to hit US\$6.2 trillion by 2028²⁶.

Total Medicare/Medicaid expenditure per annum



Sources: Center for Medicare and Medical Services

- *Auto-insurance regulation* – Changes to state auto-insurance regulation such as minimum car insurance liability coverage levels could affect the amounts that can be claimed from an accident.
- *Awareness of the industry's services* – The industry is relatively fragmented which has limited its awareness. Increased expansion and awareness of the industry's services may drive higher adoption rates.

3.1.4 COVID-19 impact

COVID-19 had a severe impact on the United States economy and directly contributed to an annual GDP contraction of 3.5%²⁷, the largest drop since the 1946. Within this contraction, unemployment spiked to 14.80% and remained greater than 10% until August of 2020²⁸. Interest rates were reduced to 0.25% and

²⁶ US Centers for Medicare and Medicaid Services – National Health Expenditure Fact Sheet 2019.

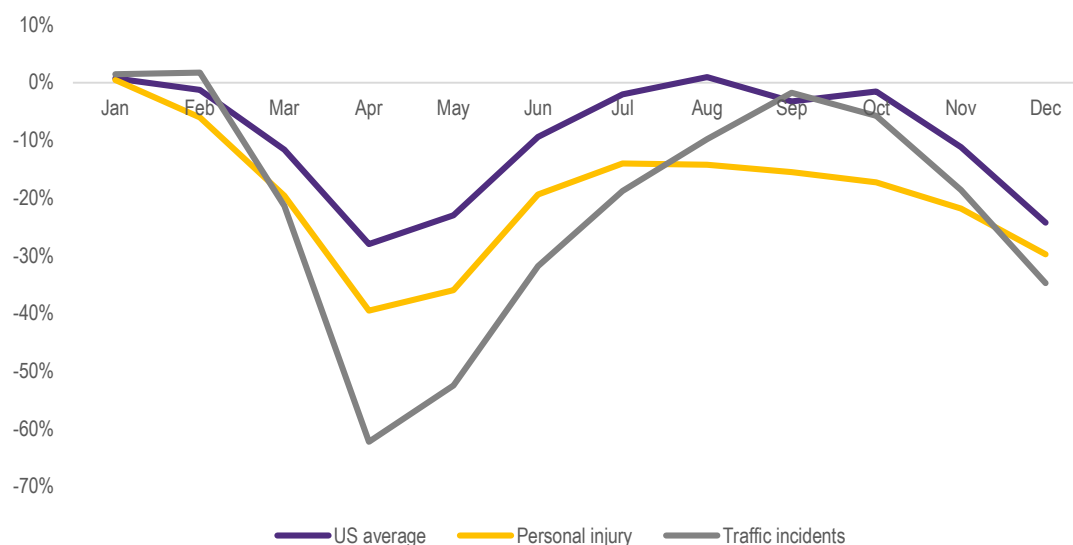
²⁷ Yahoo Finance – 4Q GDP: Economy expands at a 4.0% rate.

²⁸ US Bureau of Labor Statistics – Civilian unemployment rate.

are forecasted to remain constant through to 2023²⁹, indicative of the Federal Reserve Bank's intention to stimulate economic growth for the foreseeable future.

From the perspective of legal proceedings, the pandemic severely impeded the industry's ability to both operate as well as originate new cases. As mandatory stay at home orders were implemented and court proceedings froze, the US average total matter originations declined by c. 28% in April FY20.

New legal matters volume CY20 – US average, personal injuries and traffic incidents



Sources: CLIO – COVID-19's Impact on the Legal Industry

Whilst the average matter originations declining is indicative of a holistic summary of COVID-19's impact on the US legal system, specific sub-trends within certain practice areas shed a light on additional information. As a by-product of the majority of states implementing stay at home orders, traffic related matters saw a 62% decrease in court originated proceedings within April alone. Importantly, as flexibility has increased and individuals have continually worked from home, many US cities such as San Francisco and Washington DC have seen periods of sustained decreases in the number of cars on the road³⁰. Notably, this decline in cars on the road corresponded directly to an annual 30% reduction in collisions within the United States³¹. Looking now to personal injury matters, the large-scale freezing of court procedure in the second quarter of 2020 due to COVID-19 stymied insurance claims and led to a large overall decrease in personal injury matters. Furthermore, as economic conditions worsened country wide, many legal practitioners addressed the fact that insurance companies were more likely to aggressively protect their bottom line and that claimants should expect increased resistance³². Finally, as illustrated earlier, c. 46% of the US insurance is employer sponsored and consequentially, as unemployment soared to upwards of 14%³³, the number of individuals able to claim personal injury insurance declined drastically as their coverage disappeared.

²⁹ Trading Economics – United States Federal Funds Rate.

³⁰ Inrix - 2020 Global Traffic Scorecard.

³¹ Inrix - 2020 Global Traffic Scorecard

³² Justia – Impact of COVID-19 on Personal Injury Cases.

³³ US Bureau of Labor Statistics – Civilian unemployment rate.

3.2 Australian Disbursement Funding Industry

Disbursement funders in Australia provide funding solutions for third-party costs (“Disbursements”) incurred during legal proceedings. Typically, these legal proceedings are undertaken by small and medium-sized law firms, personal injury law firms, commercial litigation firms, and family law firms (collectively “SME Law Firms”) for claims involving, but not limited to, individual personal injury, medical negligence and compensation claims. The vast majority of these claims arise from motor vehicle accidents and professional medical negligence.

SME Law Firms are usually engaged by a plaintiff to pursue a claim against an insurer or third party on a success fee basis. This means that the SME Law Firms are only paid out of the proceeds from the court decision or upon settlement between the parties. Given this engagement structure, SME Law Firms may find themselves unable to fund new cases given the numerous outstanding ones that are draining their working capital. In this way, they often seek to minimise any out of pocket expenses by engaging disbursement funders to pay the disbursements required in legal proceedings. The disbursements typically include medico-legal reports, radiology reports, filing fees, and all other expert reports.

Upon payment of the disbursements on behalf of the plaintiff, LawFinance will invoice the law firm inclusive of a mark-up. This invoice only becomes payable either upon conclusion of the case, or after a prescribed period of time. This reduces the working capital requirements for SME Law Firms and allows them to pursue a larger number of cases at any given time. Holistically, the funding provided by disbursement funders addresses the market demand where the client or law firm is either unable, or unwilling, to fund the disbursements directly.

SME Law Firms are usually paid on a success fee basis from the plaintiff. Resultantly, they often undertake significant due diligence on the likelihood of success before taking on a new case. In Australian claims, the defendants are almost always insured either via compulsory third party insurance or medical insurance in the case of motor vehicles accidents and medical negligence respectively.

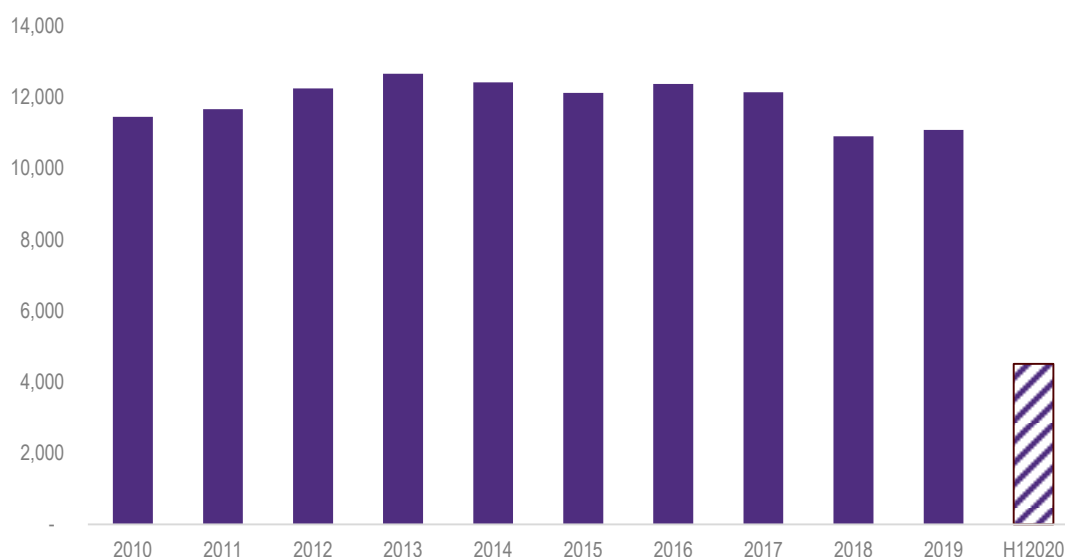
3.2.1 Key demand drivers

Demand for disbursement funding is driven by a number of factors, namely:

- The number of cases that require disbursement funding, such as
 - *Individual personal injury (including Motor Vehicle accidents)* – Individuals are able to make a claim for personal injury compensation under the Comprehensive Third Party scheme (“CTP”) for the costs of treatment and lost earnings as a result of a motor vehicle accident. In addition, individuals can claim compensation from other injuries including work-related injuries and injuries resulting from the use of a public space.

As outlined in the graph below, the number of serious injuries in motor vehicle accidents since 2005 has varied between c. 11,000 and c. 12,500 per annum. We note that the expected serious injuries per annum are expected to be far lower in 2020 than previous corresponding periods. This is largely a result of the pandemic causing the introduction of stay at home and lockdowns orders, thereby reducing the number of individuals on the road and thus motor related vehicles.

Serious Injuries per annum – road user class



Sources: RTA

- *Medical negligence* – Laws relating to medical negligence allow a person to claim for compensation if they have suffered physical, psychological or financial harm as a result of negligent medical treatment.
- *Awareness of the industry's services* – The disbursement funding industry within Australia is relatively fragmented and quite small. Resultantly, increasing awareness surrounding the industry and its offerings may increase the demand for services as well as drive growth in the future.
- *Legal and regulatory environment* – Because fees for medico-legal reports are regulated at the state level, changes to the regulation surrounding how much doctors can charge for medico-legal reports could adversely impact LawFinance and may result in a lower dollar value return per invoice in the future.
- *Economic and population growth in Australia* – A growing population and greater economic activity may lead to a growth in claims. The Australian economy is forecast to grow at an annualised rate of 3.5% to 2022/23³⁴ amidst the pandemic recovery and population is expected to grow at a Compound Annual Growth Rate ("CAGR") of c. 1.4% to 2066³⁵.
- *COVID-19* – We note that whilst COVID-19 has affected the Australian Disbursement Funding Industry to a certain degree, its influence has not been as impactful as over in the United States. Importantly, underperforming business operations have been the key driver within LawFinance's Australian Disbursement Funding Business and COVID-19 has merely exacerbated the issues.

³⁴ The Reserve Bank of Australia ("RBA") Statement on Monetary Policy – February 2021.

³⁵ Australian Bureau of Statistics ("ABS") - Population Projections, Australia, 2017 (base) to 2066.

4 Profile of LawFinance

4.1 Introduction

LawFinance is focussed on disbursement funding for law firms in Australia³⁶ as well as personal injury related medical liens for accident victims in the United States³⁷.

The Medical Lien Funding Business operates by purchasing the medical liens of the not-at-fault party and then seeking recoupment against future settlement proceeds. Typically, the cases LawFinance takes on relate to motor vehicle accidents, however cases also include other types of personal injury claims. LawFinance usually approves medical care provided to the victim for a total amount of up to 32% of the maximum liability coverage and pays the medical provider directly. Upon completion of the case, LawFinance can collect up to the full face value of the medical procedure but usually settles for around 50% of the face value.

The Disbursement Funding Business operates by making payments directly to the service provider, charging a standardised mark-up and immediately invoicing the law firm once the disbursement expenses are paid. The disbursements include payments for medico-legal reports, radiology reports, filing fees, barristers' fees, expert reports and all other amounts necessary for the lawyers to progress their clients' claims in a legal proceeding. LawFinance then receives final payment out of the settlement proceeds from the conclusion of the case.

4.2 Business divisions

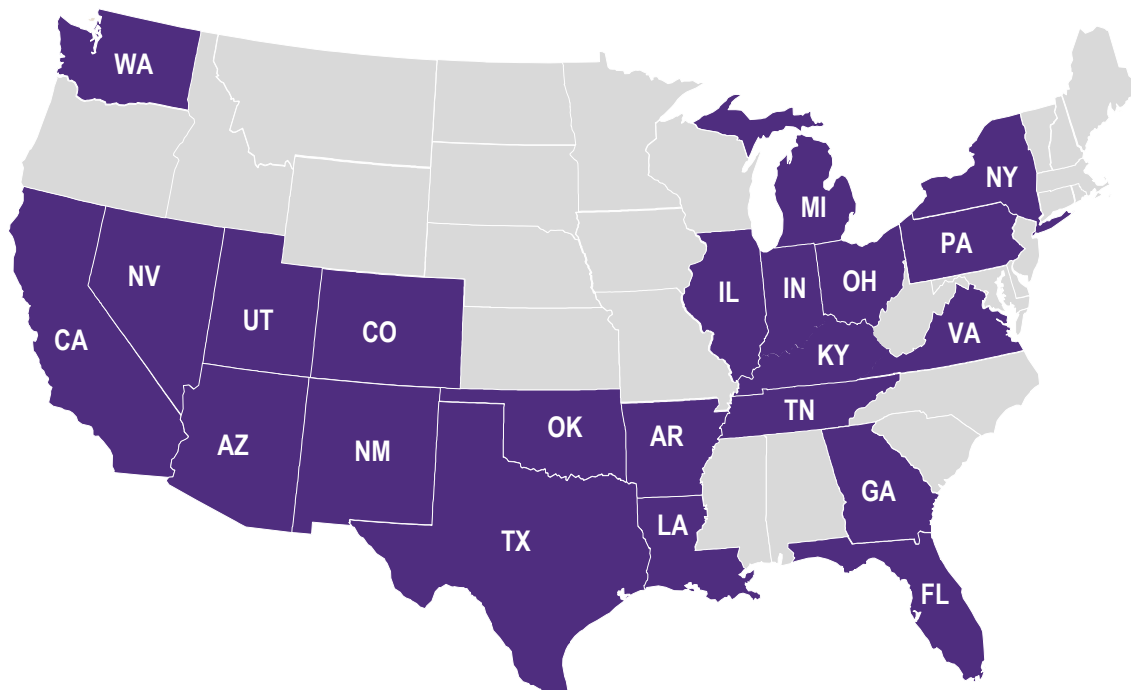
4.2.1 Medical Lien Funding Division

In 2018, LawFinance acquired the Medical Lien Funding Business through its purchase of the US based NHF for a consideration of c. US\$53 million. At the time, NHF was one of the leading purchasers of personal injury related medical liens in the US and since its inception in 1999, NHF has on average collected between 48% and 55% of the face value of the invoice associated with the medical procedures acquired. Illustrated below is a map of the United States detailing LawFinance's current area of operations.

³⁶ "Disbursement Funding Business".

³⁷ "Medical Lien Funding Business". The Disbursement Funding Business and Medical Lien Funding Business herein collectively referred to as the "Core Business".

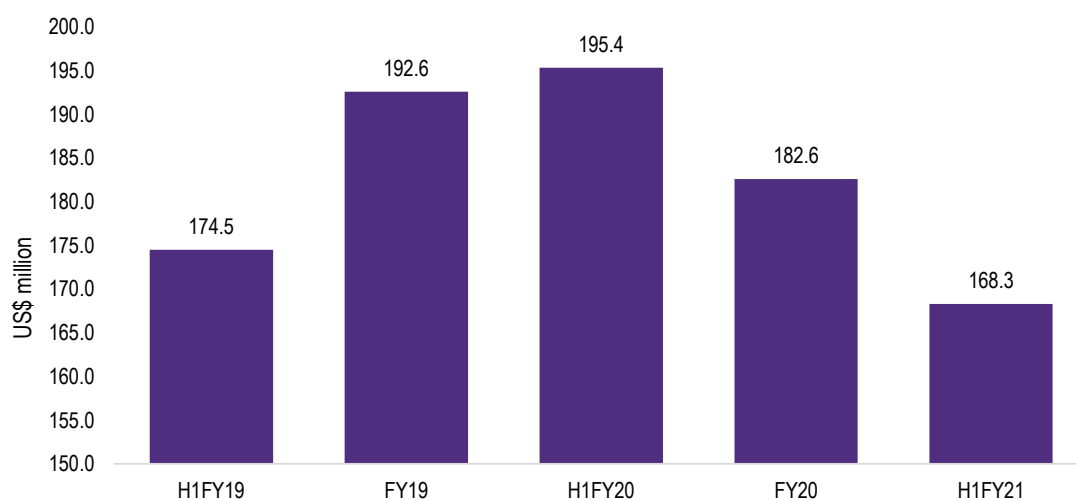
Map of LawFinance's operations in America



Sources: LawFinance Management

Each of these respective states have some form of LawFinance presence, whether it be regional business development managers, subcontractors or NHF affiliate companies. Since the acquisition, LawFinance has expanded upon NHF's position and grew the gross receivables to c.US\$195.4 million at 31 December 2019. Notably however, these figures have dropped to c. US\$168.3 million as at 31 December 2020, a by-product of sustained underperformance throughout the year exacerbated by COVID-19.

LawFinance – Medical Lien funding loan receivables (gross)

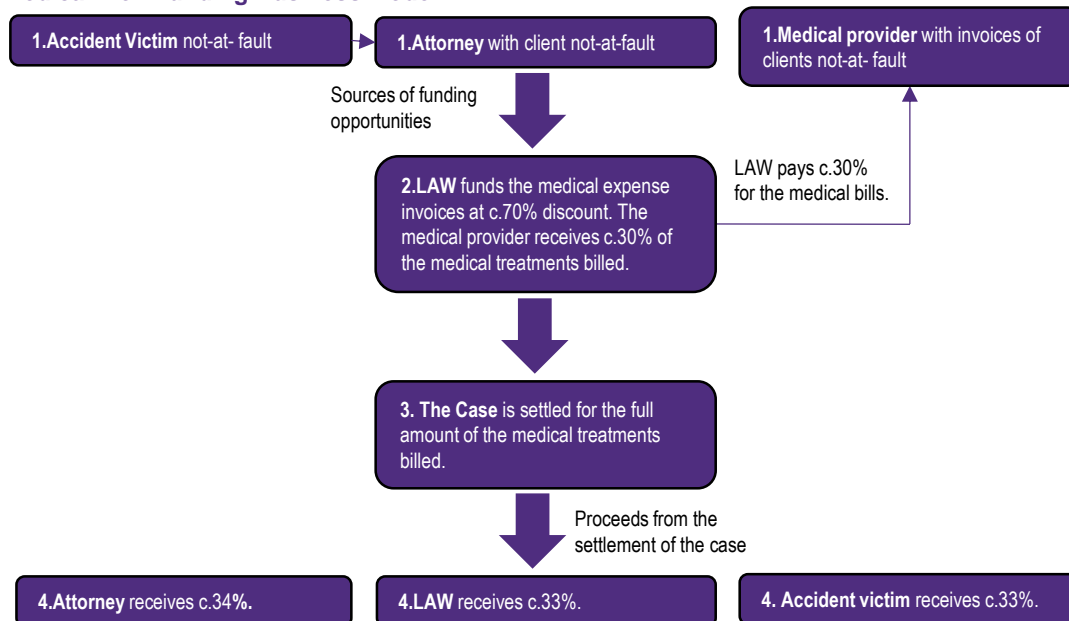


Sources: LawFinance Financial reports and GTCF analysis

The Medical Lien Funding Business directly pays the medical provider within 45 days at a pre-established percentage reduction in the original face value of the procedure, typically 30%. In exchange, LawFinance

purchases the medical provider's rights to the lien up to the full original face value of the medical services. Upon conclusion of the case, LawFinance is entitled to recoup up to the full value of the medical procedures. The following flow chart illustrates the Medical Lien Funding Business process.

Medical Lien Funding Business Model



Sources: LawFinance Management

Importantly, the key to the success of the Medical Lien Funding Business is undertaking extensive due diligence prior to taking on a new case. As part of understanding a prospective case, it is necessary for LawFinance to consider the liability, causation and severity of the injury, amount of coverage available provided by the at-fault party's individual insurance and the victim's auto insurance. Furthermore, LawFinance needs to ascertain to a high degree of certainty the likelihood of the case actually being successful in court.

NHF is currently financed by two secured debt facilities;

- Atalaya – Asset backed, first ranking security over all of NHF's Front Book medical liens with the amount drawn totalling US\$17.0 million as at 31 December 2020. As part of the Proposed Restructure, LawFinance will replace this Atalaya facility with the PFG Facility discussed in section 1.2.
- EFI – Asset backed with Corporate guarantee, first ranking security over all of NHF's Back Book, legacy medical liens, with the amount drawn totalling US\$25.2 million as at 31 December 2020. LawFinance intends on using the EFI facility until the balance is paid off in FY23, the facility does not form part of the Proposed Restructure.

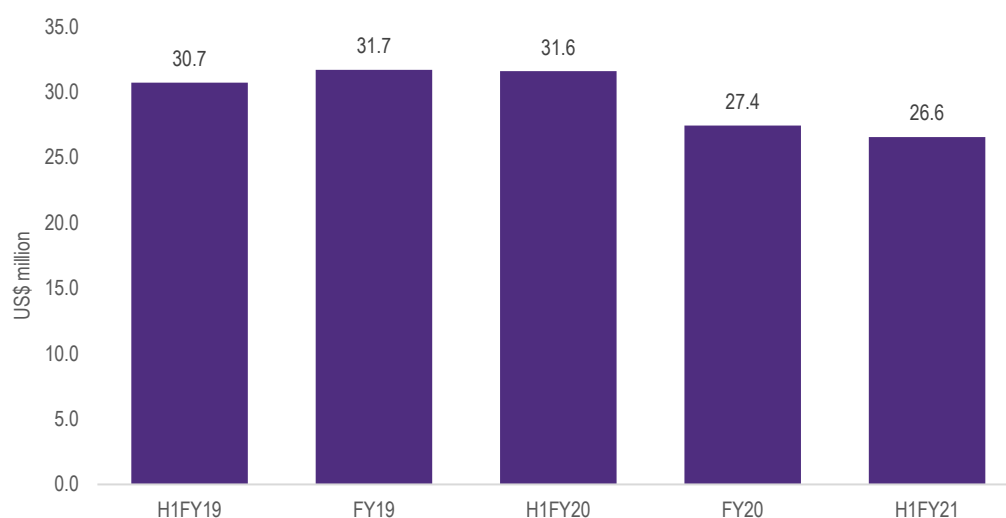
Importantly, LawFinance's EFI supported Back Book has historically underperformed due to a number of conflicting issues. Most notably, LawFinance's current management have indicated that the initial purchase price of the receivable book may have occurred at above market value and the facility underpinning the financing at the time was funded incorrectly. Accompanying these issues and as a result of poor collection levels during the pandemic, the prior financier gained considerable leverage over

LawFinance's business operations and caused LawFinance to refinance the back book through EFI and freed up c. US\$0.4 million of cash for the business after fees.

4.2.2 Disbursement Funding Business

In January 2016, LawFinance acquired the disbursement funding business Macquarie Medico Legal & Radiology ("MML") for A\$17.9 million³⁸. LawFinance have subsequently grown the gross receivables³⁹ from A\$15m⁴⁰ (predominantly NSW based) to c. A\$31.6 million at 31 December 2019, however as illustrated below this has now declined to c. A\$26.6 million as at 31 December 2020.

LawFinance – Disbursement funding loan receivables (gross)¹

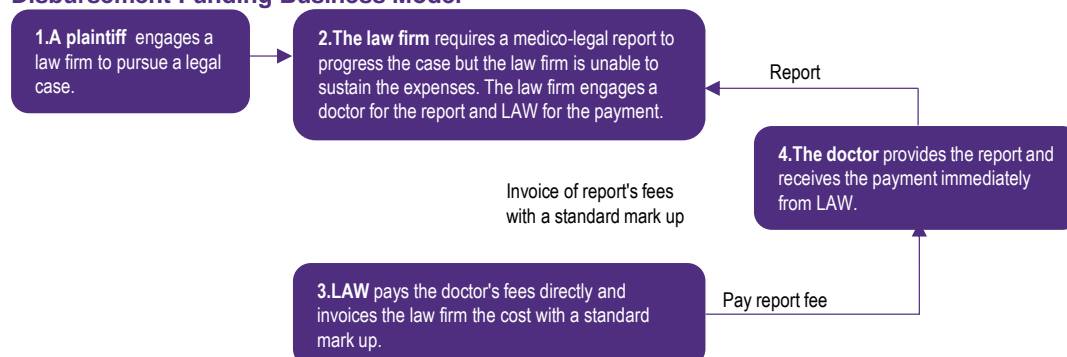


Sources: LawFinance financial reports and GTCF Analysis

Note (1): FY defines the financial year ending 30 June and 1HFY defines the first half of the financial year ending 31 December.

The Disbursement Funding Business offers financing support for disbursements to SME Law Firms but it excludes funding for the legal fees related to the case and any medical treatment for the plaintiff. The following flow chart illustrates the Disbursement Funding Business process.

Disbursement Funding Business Model



³⁸ In the ASX announcement dated 22 January 2016, LawFinance announced that it had completed the acquisition of MML for A\$19.3 million. Subsequent to this, LawFinance advised that following negotiations with the vendor, the purchase price reduced to \$17.9 million.

³⁹ The gross amount is not impacted by the changes in accounting standards hence it is a reliable representation of performance of the disbursement and STL funding division.

⁴⁰ In the ASX announcement dated 22 January 2016, LawFinance announced that it acquired MML's debtor book of approximately A\$19 million. Subsequent to this, LawFinance wrote off c. A\$3.8 million of the MML debtor book.

Source: LawFinance Management

LawFinance pays for the disbursement and immediately issues an invoice to the law firm for the cost of the disbursement plus a standard mark up. This invoice only becomes payable by the law firm upon conclusion of the underlying case, which on average takes 28 months. The law firms and not the plaintiff are liable for payment of the invoices, regardless of the outcome of the claim.

LawFinance's downside risk on each case is limited as it has developed strong relationships with law firms (key referrers) and it has a guarantee in place with the law firm for the face value amount of its outstanding invoices (i.e. including the mark-up). In addition, law firms undertake significant due diligence before taking on a case as they are only paid if the case succeeds.

LawFinance finances the Disbursement Funding Business through a revolving debt facility provided by Assetsecure. As at 31 December 2020 LawFinance had drawn c.US\$17.2 million (A\$22.2 million) from this facility. Assetsecure finances 75% of the face value of total outstanding invoices unless the gross loan receivables are more than 3 years old or more than 15% of gross loan receivables are with one law firm. Under these circumstances, the invoice is not eligible to be funded under the Assetsecure Facility.

4.2.3 Insurance Broking division

The insurance policy broking division was established in September 2016. This division provides insurance broking services for adverse costs order insurance and security for costs deeds, earning broker fees and commissions for policies placed. The insurance policies sold provide protection for a plaintiff or defendant who loses a case and has adverse costs awarded against them. The segment has only one dedicated employee and since inception seven policies have been placed. This division has ceased operating.

4.3 Financial information

LawFinance's annual report for the period ending 31 December 2020 was prepared on a going concern basis despite the after-tax loss of c. US\$78.1 million and net liability position of c. US\$47.6 million. LawFinance's ability to continue as a going concern, as stated in their annual report, is dependent on both the sale of the litigation funding business as well as the Proposed Restructure going forward. As at date of completion of the annual report, management were in advanced talks with numerous parties surrounding completing the individual steps within the Proposed Restructure and were confident in its completion. Furthermore, management commissioned Wexted Advisors ("Wexted") to provide independent advice on whether the Proposed Restructure would go forward, of which Wexted concluded there was reasonable likelihood it would. Accordingly, Stanton International, the independent auditor, concluded in the annual report that LawFinance could continue to be treated on a going concern basis as result of these conclusions.

4.3.1 LawFinance Financial Performance

The table below illustrates the Company's consolidated statements of comprehensive income for the full year ending 31 December 2018, 2019 and 2020:

Consolidated statements of comprehensive income for the period	CY18	CY19	CY20
	US\$'000	US\$'000	US\$'000
Net gain / (loss) - disbursement funding	4,027	3,252	(133)
Net gain / (loss) - medical lien funding	20	(4,177)	(9,311)
Total gain / (loss) from business operations	4,047	(925)	(9,444)
Other revenue	145	231	371
Foreign exchange gain	590	5	7
Impairment gain on financial liabilities	-	-	19,602
Non supplier related cost of sales	(346)	206	(51)
Other income	3,188	3	2
Total income	7,624	(480)	10,487
Employee benefits expenses	(2,638)	(5,760)	(4,951)
Impairment of assets	(3,566)	-	(42,866)
Administration and other expenses	(3,365)	(3,109)	(3,872)
Business purchase / selling expenses	(6,856)	-	-
Total expenses	(16,425)	(8,869)	(51,689)
EBITDA	(8,801)	(9,349)	(41,202)
Depreciation and Amortisation	(121)	(591)	(666)
EBIT	(8,922)	(9,940)	(41,868)
Net interest	(7,121)	(18,384)	(15,286)
Income tax benefit / (expense)	2,308	5,245	(13,542)
Losses after income tax from discontinued operations	-	(177)	(7,440)
Profit / (loss) for the year	(13,735)	(23,256)	(78,136)
Other comprehensive income / (loss)	479	780	(1,680)
Total comprehensive profit / (loss) for the year	(13,256)	(22,476)	(79,816)

Sources: Company's annual and semi-annual financial reports

In relation to the above we note the following:

- Year on year, revenue have been decreasing in both the Disbursement Funding Business and the Medical Lien Business. The large decrease in total gain / (loss) from business operations in CY20 to c. US\$(9.4) million was predominately a result of COVID-19 influencing both the Australian and American economies through the freezing of legal proceedings. This adverse impact of the pandemic was reflected in the c. US\$(18.3) million impairment losses that offset the c. US\$9 million worth of income within the medical lien funding division.
- On 10 March 2020, an Extraordinary General Meeting was held where LawFinance's shareholders voted to fully write down the NHF Founders and NHF Promissory Notes ("Vendor Loan") amount totalling c. US\$22.6 million. The impairment gain on financial liabilities of c. US\$19.6 million is a reversal of the interest that had previously been capitalised prior to the Vendor Loan write off.
- Conversely, the impairment of assets expense of c. US\$42.7 million is constituted by the following items; Goodwill at US\$40.9 million, customer relationships at US\$1.5 million and impairment of short terms loans at US\$0.5 million (refer to the balance sheet section for explanations on the rationale for the impairment).

4.3.2 LawFinance Financial Position

The table below illustrates the Company's consolidated statement of financial position for LawFinance as at 31 December 2018, 2019 and 2020 is shown below:

Consolidated Statement of Financial Position	31-Dec-18	31-Dec-19	31-Dec-20
	US\$'000	US\$'000	US\$'000
Assets			
<i>Current Assets</i>			
Cash and Cash Equivalents	3,696	5,777	4,900
Financial assets at fair value through profit or loss - Australia	8,846	12,260	7,194
Financial assets at amortised costs - USA	16,460	17,236	15,239
Other loans and receivables	2,423	1,654	677
Prepayments	67	165	118
Assets held for sale	-	-	10,248
Total current assets	31,492	37,092	38,376
<i>Non-current assets</i>			
Financial assets at fair value through profit or loss - Australia	12,418	9,923	8,929
Financial assets at amortised costs - USA	59,053	55,895	38,014
Other loans and receivables	-	5	5
Investment held in joint operations	1,166	1,157	-
Property, Plant and Equipment	198	168	91
Right-of-use assets	-	1,443	1,074
Goodwill	40,539	40,504	-
Other intangibles	8,784	8,040	10
Deferred tax	6,789	12,579	-
Total Non-Current Assets	128,947	129,714	48,123
Total Assets	160,439	166,806	86,499
Liabilities			
<i>Current Liabilities</i>			
Trade and other payables	11,649	9,322	6,789
Borrowings	19,602	117,375	113,514
Lease liabilities	-	369	461
Employee benefits	215	213	287
Liabilities directly associated with assets classified as held for sale	-	-	10,248
Total Current Liabilities	31,466	127,279	131,299
<i>Non-Current Liabilities</i>			
Borrowings	111,120	40,073	416
Lease liabilities	-	1,162	784
Provision for withholding tax	-	804	1,559
Total Non-Current liabilities	111,120	42,039	2,759
Total Liabilities	142,586	169,318	134,058
Net Assets	17,853	(2,512)	(47,559)

Sources: Company's annual and semi-annual financial reports

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

- Total receivables for the Disbursement Funding Business and the Medical lien Business have been steadily declining over the last three reporting periods. A breakdown of each total receivables for the Australian and US business operations respectively are as followed:
 - *Australian receivables* – In the case of disbursement funding, the fair value of the loan receivable differs from the actual transaction price. The fair value of the receivable represents the invoice amount, albeit with certain adjustments, whereas the transaction price is the amount of the cash paid to front the legal disbursement costs. Furthermore, the difference between the two is referred to as the unrecognised day 1 margin, which is deferred and recognised in the profit and loss statement across the lifetime of the arrangement. Illustrated below are LawFinance's Australian loan receivables marked-to-market values as at 31 December 2018, 2019 and 2020:

Receivables Breakdown - Disbursement Funding Business	31-Dec-18	31-Dec-19	31-Dec-20
US\$'000			
<i>Current assets</i>			
Loan receivables (gross)	12,599	16,877	13,597
Fair value movement	(2,634)	(3,198)	(2,827)
Unrecognised day 1 margin	(1,119)	(719)	(532)
Allowance for expected credit losses	-	(700)	(3,044)
Total current receivables	8,846	12,260	7,194
<i>Non-current assets</i>			
Loan receivables (gross)	18,125	14,733	12,980
Fair value movement	(3,789)	(2,791)	(2,700)
Unrecognised day 1 margin	(1,918)	(2,019)	(1,351)
Total non-current receivables	12,418	9,923	8,929
Mark-to-market total value of receivables	21,264	22,183	16,123

Sources: Company's annual and semi-annual financial reports

- *US receivables* – Medical Lien funding receivables are reflected as purchased credit impaired assets and as such, are initially attributed an allowance for expected credit losses. This allowance is a reflection of the probability of the expected return that a case will generate income upon conclusion and is based upon historical analysis relating to its size, type and category. Illustrated below are LawFinance's US loan receivables marked-to-market values as at 31 December 2018, 2019 and 2020:

Receivables Breakdown - Medical Lien Funding Business	31-Dec-18	31-Dec-19	31-Dec-20
US\$'000			
<i>Current assets</i>			
Loan receivables (gross)	38,041	46,043	48,161
Allowance for expected credit losses	(21,581)	(28,807)	(32,922)
Total current receivables	16,460	17,236	15,239
<i>Non-current assets</i>			
Loan receivables (gross)	136,481	149,310	120,132
Allowance for expected credit losses	(77,428)	(93,415)	(82,118)
Total non-current receivables	59,053	55,895	38,014
Mark-to-market total value of receivables	75,513	73,131	53,253

Sources: Company's annual and semi-annual financial reports

- We note that as at 31 December 2020, LawFinance had fully impaired their goodwill according to the following rationale:
 - *Australian disbursement funding business* – At year-end, LawFinance's loan with AssetSecure was overdrawn and in default, meaning that the Company had no ability to originate new business. Resultantly, the two parties renegotiated the term facility, albeit with increased restrictions imposed by AssetSecure that allowed for continuation of LawFinance's business operations. The by-product of this constraint on funding as well as the uncertainty associated with COVID-19 led to management fully writing down the remaining goodwill amount of c. US\$4.6 million.
 - *US medical lien funding business* – On 7 December 2020, LawFinance announced to the market the refinancing of the remaining receivables that constituted their US Backbook acquired through the purchase of NHF in September 2018. The result of this refinance as well as the uncertainty associated with their US cash flows amidst court closure during the pandemic led to management fully impairing the remaining goodwill amount of c. US\$36.4 million.
- The disclosure of assets held for sale valued at US\$10.25 million directly relates to the recent announcement on 29 January 2021 of LawFinance's disposal of the litigation-funding portion of the business. Likewise, the same notion applied to the liabilities directly associated with assets classified as held for sale which is equally valued at US\$10.25 million.
- The table below illustrates LawFinance's borrowings as at 31 December 2020 and after the Proposed Restructure as at 18 May 2021:

LawFinance Borrowings	Pre-restructure	Post-restructure
US\$'000	31-Dec-20	18-May-21
Syndicated Acquisition Facility loans	41,342	15,931
Efficient Frontier Investing	25,266	25,266
Assetsecure Pty Ltd	17,017	17,017
Atalaya capital management	17,012	-
<i>Partners for growth (new facility)</i>	-	17,012
Convertible bonds	1,233	-
Ad-hoc loans and facilities	12,060	-
Total current borrowings	113,930	75,226

Source: LawFinance Management

- We note that as at 31 December 2019 and 2020 LawFinance was in a net liability position of c. US\$(2.5) million and US\$(47.6) million respectively. The large increase of the deficiency from 2019 through to 2020 was primarily driven by the aforementioned goodwill impairment of c. US\$40.5 million, however declining receivables also contributed to a certain degree.

4.3.3 Cash flow statement

LawFinance' cash flow statements for the last three years are set out below:

Consolidated Statement of Cash Flows	31-Dec-18	31-Dec-19	31-Dec-20
	US\$'000	US\$'000	US\$'000
<i>Cash flows from operating activities</i>			
Cash collections from customers (inclusive of GST)	10,674	33,060	28,179
Payments to suppliers and employees	(4,632)	(11,772)	(8,398)
Payments for disbursement reports and medical liens	-	(30,015)	(11,506)
Draw downs from working capital facilities - disbursement funding division	-	9,903	3,526
Draw downs from working capital facilities - medical lien funding division	-	17,625	6,083
Repayment of working capital facilities - disbursement funding business	-	(8,326)	(9,379)
Repayment of working capital facilities - medical lien funding business	-	(15,925)	(12,950)
Interest and fees related to working capital facilities	-	(8,476)	(7,006)
Interest recieved	-	7	2
Interest paid	72	(70)	(18)
Net cash (outflow) from operating acitivities	6,114	(13,989)	(11,467)
<i>Cash flows from investing activities</i>			
Payments for purchase of non-controlling interest	(27,520)	(5)	-
Payments for property , plant and equipment	(158)	(156)	(16)
Payments for litigation case funding (net of co-funders contributions)	901	(799)	(222)
Net proceeds from realisation of investments (case settlements)	1,348	632	1,855
Payment for disbursement reports and medical liens	(9,600)	-	-
Loans from other entities	30,546	-	-
Net cash inflow/ (outflow) from investing activities	(4,483)	(328)	1,617
<i>Cash Flow from financing activities</i>			
Proceeds from issue of shares	5,093	3,499	9,058
Share issue transaction costs	(55)	-	(409)
Proceeds from borrowings - corporate	11,269	18,468	28,689
Repayment of borrowings - corporate	(10,525)	(1,186)	(25,391)
Repayment of lease liabilities	-	(159)	(245)
Interest and fees related to loans and borrowings	(4,954)	(4,116)	(1,320)
Net cash inflow from financing activities	828	16,506	10,382
Net increase in cash and cash equivalents	2,459	2,189	532
Cash and cash equivalents at the beginning of the financial year	934	3,696	5,777
Effects of exchange rate changes on cash and cash equivalents	303	(108)	(958)
Cash and cash equivalents at end of the financial year	3,696	5,777	5,351

Sources: Company's annual and semi-annual financial reports

We note the following in relation to LawFinance's statement of cash flow position:

- LawFinance's operating cash position has remained relatively constant despite severely declining business revenue. This was primarily a function of decreased cash expenditure across LawFinance's operating activities as COVID-19 adversely impacted the United States economy and led to widespread lockdown and stay at home orders.
- The Company's payments for disbursement reports and medical liens decreased by c. US\$18.5 million through CY20, largely a function of COVID-19's influence on court proceedings in the United

States. As a by-product of legal proceedings freezing, matter originations declined drastically in the United States and resultantly led to a significant decrease in LawFinance's cash collections.

- LawFinance increased their proceeds from issued shares by c. US\$4.5 million between 31 December 2019 and 31 December 2020, a result of the rights issue conducted in late January into early February of 2020.

4.4 Share capital structure

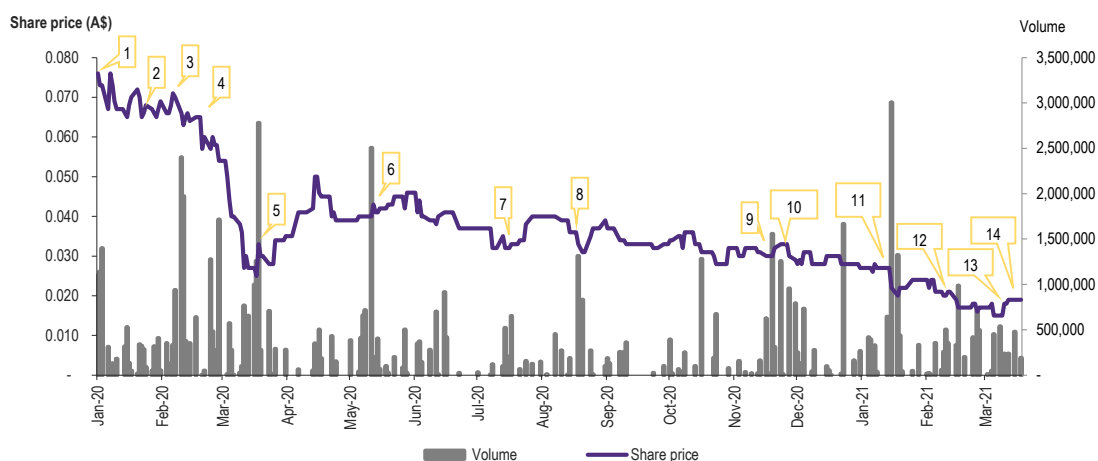
LawFinance has the following securities on issue as at the date of this report:

- *Ordinary Shares* – There are currently c. 1.170 billion ordinary shares on issue including c. 215.1 million ordinary shares escrowed as at 31 December 2020.
- *Options* – These options were issued to the previous NHF founders as part of LawFinance's purchase of NHF on 28 September 2018. These options are currently worthless as they have strike prices varying between A\$0.25, A\$0.40 and A\$0.60.
- *Warrants* – As at 31 December 2020 LawFinance had c. 452.7 million warrants on issue with an exercise price of A\$0.135 maturing on 8 November 2022.
- *Capitalising converting notes ("CCNs")* – On 9 June 2020, LawFinance issued c. 202.8 million CCNs at a face value of A\$0.10 per share to convert A\$18.9 million of existing subordinated debt owed by the company. These CCNs accrue interest of 6% per annum and this interest is convertible into ordinary shares. Notably, the note holder can also convert these CCNs into ordinary shares prior to 31 December 2022.

4.4.1 Share price and market analysis

Our analysis of the daily movements in LawFinance's share price and volumes for the period from January 2020 to the Valuation Date is set out below:

Historical share trading prices and volume for LawFinance ("ASX: LAW")



Sources: S&P Global and GTCF analysis

Event	Date	Comment
1	Jan-20	LAW announced a partially underwritten 1 for 1 non-renounceable pro rata entitlement offer. C. 561.8 million shares were issued at a price of 6.4 cents (\$A0.064) per share to raise up to c. A\$35.95 million as a part of management's broader strategic capital raising plan to: <ul style="list-style-type: none"> - Reduce existing debt by c. \$A12.5 million - Provide capital for new funding - Pay the costs of the Entitlement Offer Additionally, the shares were partially underwritten for A\$20 million by Lucerne Australia Pty Ltd.
2	Feb-20	LawFinance announced that the confidential settlement of the fifth case that was purchased on 11 July 2016. Upon court approval, the Company expects to recognise cash proceeds of US\$14 million (if all remaining cases successfully conclude).
3	Feb-20	In late February and into early March, the ASX decreased by over 30% due to investor panic surrounding the outbreak COVID-19. This event was felt at all levels of the economy and widespread mandatory isolation in Australia led to the first technical recession in over 30 years.
4	Feb-20	LAW announced the result of the rights issue, where the Company raised c. A\$21.17 million of the desired A\$35.95 million (approximately 59%).
5	Apr-20	LAW released its annual report for the period ending 31 December 2019: <ul style="list-style-type: none"> - Loss from ordinary activities was reported as US\$(2.2) million, up from the previous year's US\$(11.55) million loss - Cash flow from operating activities was reported as US\$(13.99) million, down from the previous year's US\$(3.78) million - Net assets was reported as c. US\$17.74 million, slightly down from the previous year's US\$17.85 position <i>NB: These financial statements have since been re-stated and are discussed further in event 9.</i>
6	May-20	Notice of a change in substantial holding: <ul style="list-style-type: none"> - Lucerne Asset Management Pty Ltd increased their voting power from 16.61% to 19.79% through acquisition of c. 43 million new shares.
7	Jul-19	LawFinance held their 2020 Annual General Meeting where numerous resolutions were passed. Most notably, the adoption of a new company constitution that amended sections pertaining to 'restricted securities' to comply with changes to the ASX listing rule 15.12.
8	Sep-20	LAW released its interim report for the half year ending 30 June 2020: <ul style="list-style-type: none"> - Revenues were down 140% from the previous 6 month period ending 30 June 2019 at c. US\$(4.8) million - Cash flow from operating activities was reported as US\$(8.6) million, down from the previous 6 month period ending 30 June 2019 at US\$(3.2) million Alongside this, LawFinance also announced a restatement in the accounts for the year ending 31 December 2019, most notably: <ul style="list-style-type: none"> - Net assets as at 31 December 2019 were restated from US\$17.74 million to a net liability position of US\$2.5 million
9	Dec-20	LawFinance announced that it has successfully refinanced the remaining receivables that formed a part of the US 'backbook' that was acquired alongside the purchase of National Health Finance in September 2018. The terms of the new facility are: <ul style="list-style-type: none"> - Amount available: US\$25.55 million - Interest rate: 12.5% - Term: Principal and interest paid over 3 years (ending in November 2023)
10	Dec-20	The board of LawFinance announced the resignation of the then CEO Diane Jones. Furthermore, LawFinance announced the following changes to Management: <ul style="list-style-type: none"> - Daniel Kleijn appointed as the Chief Executive Officer. - Phil Smith appointed as the Chief Financial Officer. - Anthony Hersch retained as the Chief Operating Officer.
11	Jan-21	LawFinance announced that it had entered into a definitive conditional agreement with Legal Equity Partners for the sale of a 100% stake in the Litigation Funding Business, JustKapital Litigation, for a nominal amount of A\$1.00.
12	Feb-21	LawFinance released its preliminary annual report for the period ending 31 December 2020: <ul style="list-style-type: none"> - Revenues were down >100% from the previous year at c. US\$(7.53) million from c. US\$(0.66) million. - Total comprehensive loss for the group was down to US\$(79.50) million for the year from the previous year's c. US\$(22.48) million - Net liabilities worsened to c. US\$48.14 from US\$2.51 in the previous year

Event	Date	Comment
13	Mar-21	LawFinance announced that it had decided to postpone the extraordinary general meeting ("EGM") to approve the sale of the litigation funding business ("JKL") scheduled for 29 March 2021. This was because a material positive benefit had arisen in one of the cases funded by JKL and as a result, both LawFinance's board and the independent expert need to re-assess their previous recommendation.
14	Mar-21	<p>LawFinance released its final annual report for the period ending 31 December 2020. Material changes when compared to the preliminary annual report for CY20 released include:</p> <ul style="list-style-type: none"> - Total comprehensive loss for the group was down to US\$(79.8) million for the year from the preliminary report's c. US\$(79.5) million loss. - The net liability position decreased from c. US\$48.14 million in the preliminary report to c. US\$47.6 million in the final annual report

The monthly share price performance of LawFinance since March 2020 is summarised below:

LAW	Share Price			Average weekly volume '000'
	High \$	Low \$	Close \$	
Month ended				
Mar 2020	0.065	0.025	0.025	2,119
Apr 2020	0.050	0.028	0.046	1,208
May 2020	0.046	0.039	0.042	1,479
Jun 2020	0.046	0.030	0.041	934
Jul 2020	0.040	0.030	0.033	377
Aug 2020	0.042	0.034	0.036	338
Sep 2020	0.040	0.030	0.033	1,016
Oct 2020	0.038	0.031	0.031	515
Nov 2020	0.033	0.026	0.030	464
Dec 2020	0.041	0.025	0.030	1,432
Jan 2021	0.031	0.022	0.022	1,750
Feb 2021	0.024	0.020	0.021	937
Mar 2021	0.020	0.015	0.019	1,143
Week ended				
11 Dec 2020	0.041	0.025	0.030	2,223
18 Dec 2020	0.031	0.027	0.031	2,013
25 Dec 2020	0.028	0.028	0.028	316
1 Jan 2021	-	-	0.030	-
8 Jan 2021	0.031	0.027	0.028	1,683
15 Jan 2021	0.028	0.027	0.027	426
22 Jan 2021	0.028	0.026	0.027	1,242
29 Jan 2021	0.028	0.022	0.022	3,647
5 Feb 2021	0.024	0.020	0.022	1,803
12 Feb 2021	0.024	0.023	0.024	379
19 Feb 2021	0.024	0.021	0.021	397
26 Feb 2021	0.023	0.020	0.021	1,168
5 Mar 2021	0.020	0.017	0.017	1,515
12 Mar 2021	0.019	0.016	0.017	1,628
19 Mar 2021	0.018	0.015	0.015	510
26 Mar 2021	0.019	0.015	0.019	1,129

Sources: S&P Global and GTFC analysis

5 Profile of the Company after the Proposed Restructure

5.1 Introduction

Due to the current continued operational losses, funding illiquidity and extremely large debt burden, LawFinance is at serious risk of voluntary administration if the Proposed Restructure is not implemented. Whilst based in Australia, the majority of future revenue and loan book receivables will be derived from the US operations. Moving forward and if the Proposed Restructure is completed, management aims to use the new cash raised to purchase medical lien books and expand upon their existing US activities.

5.2 Capital structure and shareholders

Following completion of the Proposed Restructure, the number of outstanding ordinary shares will increase materially as outlined in the table below.

Number of ordinary shares 000s	Section Reference	Number of shares	Breakdown %
Total number of shares	<i>n/a</i>	1,170,230	29.4%
New shares issued under Proposed Restructure	1.2	1,483,859	37.3%
Expected shares issued from CCN conversion	1.4.1	202,893	5.1%
Shares issued under Placement	1.3	1,326,846	33.3%
Total number of ordinary shares post-restructure		4,183,828	105.1%

Source: LawFinance Management and GTCF analysis

Note: In the capital structure above, we have also included the conversion of the Capitalised Converting Notes that have a mandatory conversion by December 2022, however the holders may elect to immediately convert in order to participate into the Placement.

5.3 Pro forma financial information

As set out in the Explanatory Memorandum, LawFinance has prepared the pro forma financial information after the Proposed Restructure as at 17 May 2021. We have set out below a summary of the pro-forma financial information.

Consolidated Statement of Financial Position	31-Dec-20	Adjustments	Restructure	Capital raising	17-May-21
US\$m	audited	pro forma	pro forma	pro forma	pro forma
Assets					
Cash and cash equivalents	3.3	(3.0)	0.3	13.0	13.6
Australian medical receivables	53.3	(1.6)	-	-	51.7
US medical receivables	16.1	(1.1)	-	-	15.1
Other assets	2.0	-	-	-	2.0
Assets held for sale	10.2	-	(10.2)	-	-
Total Assets	84.9	(5.6)	(9.9)	13.0	82.3
Liabilities					
Trade and other payables	5.4	(0.9)	-	-	4.5
Australian medical receivables backed lenders	17.0	(1.0)	-	-	16.0
US medical receivables backed lenders	40.7	(1.0)	0.3	-	40.0
Corporate debt	55.3	3.0	(42.3)	2.3	18.2
US government debt	0.8	-	-	-	0.8
Other liabilities	3.1	-	-	-	3.1
Liabilities held for sale	10.2	-	(10.2)	-	(0.0)
Total Liabilities	132.5	0.2	(52.3)	2.3	82.6
Net Assets	(47.6)	(5.8)	42.3	10.7	(0.3)

Source: LawFinance Management

Regarding the pro-forma financial position of LawFinance post the Proposed Restructure as at 17 May 2021 we note the following:

- Following completion of the Proposed Restructure, LawFinance expects to have net liability position of c. US\$(0.3) million, an extremely large increase from the previous net liability position of c. US\$47.6 million as at 31 December 2020, with the proposed Debt for Equity Swap and the Placement largely driving this change.
- Assets and liabilities held for sale valued at c. US\$10.2 million refers to the announcement made on 29 January 2021 regarding LawFinance's disposal of the litigation-funding portion of the business. Whilst this has been postponed due to a material benefit arising from one of the cases funded by, management maintains that this section of the business will be divested prior to the Proposed Restructure.

5.4 Future intentions for LawFinance

LawFinance has formulated a long-term strategy supporting the business' sustainable growth moving forward. Evidently, repairing the business' current state and diminishing the debt overhang is the initial short-term goal, with the Proposed Restructure being the mechanism to do so. Additionally and in order to streamline the internal vetting processes, LawFinance aims to build upon their historical data capabilities and improve upon both the accuracy and detail of their current case analysis. In this way, LawFinance can target the cases that have historically paid the largest margin as well as diminish the number of cases where no amount was recoverable. From an operations perspective, LawFinance is also looking to moving into both hospitals and pre-settlement areas as avenues to increase their market exposure. On top of this, the potential introduction of joint venture opportunities into LawFinance's business model also enables them to tap into the market where medical providers were reluctant to sell down the full value of their receivables.

6 Valuation methodologies

6.1 Introduction

As part of assessing whether or not the Proposed Restructure is fair to the Non-Associated Shareholders, Grant Thornton Corporate Finance has compared the fair market value of LawFinance Shares before the Proposed Restructure to the fair market value of LawFinance Shares after approval of the Proposed Restructure on a like for like basis.

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.

We note, RG111 requires the fairness assessment to be made assuming 100% ownership of the target company and irrespective of whether the consideration offered is script or cash and without consideration of the percentage holding of the offer or its associates in the target company.

6.2 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 (“Net Asset value” or “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.

6.3 Selected valuation methods

In our assessment of the fair market value of LawFinance Shares before and after the Proposed Restructure, Grant Thornton Corporate Finance has selected a sum of the parts ("SOP") approach. This is based on the aggregation of LawFinance's Core Business, the potential residual value from the sale of the Litigation Portfolio and other assets and liabilities at the valuation date.

6.3.1 Valuation assessment of LawFinance Shares before the Proposed Restructure

In our valuation assessment of the LawFinance business before the Proposed Restructure, we have adopted an Adjusted - Net Asset Value Approach based on the Audited balance Sheet as at 31 December 2020 and reflecting the fair market value of the receivable book and the potential upside from the sale of the Litigation Portfolio. We believe this methodology to be appropriate due to the following:

- The Company has negative net assets and negative net income as at the valuation date and based on the current gearing is not able to grow the business.
- With the current capital structure, the debt overhang would prevent the possibility of the Company achieving positive free cash flow. As such, any Discounted Cash Flow ("DCF") or Capitalisation of Earnings valuation methodologies would not be viable.
- With negative net assets and negative earnings, any market or transaction based approach using multiples would also be deemed incompatible with LawFinance.

For the market value of the Litigation Portfolio, we have relied on the valuation assessment included in the Litigation Portfolio Sale IER.

6.3.2 Valuation assessment of LawFinance after the Proposed Restructure

In our valuation assessment of LawFinance after the Proposed Restructure, we have adopted the DCF methodology. We are of the opinion that this valuation approach is appropriate given that it allows for key assumptions to be modelled (e.g. collection spreads, gross cash multiples, timing and funding assumptions) and for a range of scenarios to be analysed. This is particularly relevant after the Proposed Restructure given the Company will have significant headroom in the debt facility and cash on the balance sheet to support the acquisition of the New Book.

We have considered the reasonableness of our valuation assessment having regard to the trading prices of LawFinance shares on the ASX.

7 Valuation assessment of LawFinance before the Proposed Restructure

As discussed in Section 6, we have selected the SOP approach to assess the fair market value of LawFinance before the Proposed Restructure.

LawFinance has been affected in 2020 by a series of challenges in relation to the COVID-19 pandemic that have significantly impacted the Company's businesses in Australia and the United States. As a by-product of legal proceedings freezing and matter originations declining drastically in the United States, LawFinance has resultantly seen a significant decrease in their cash collections. Specifically, we note the following:

- *Australian disbursement funding business* – At the end of 2020, LawFinance's loan with AssetSecure was overdrawn and in default, meaning that the Company had no ability to originate new business. Resultantly, the two parties renegotiated the term facility, albeit with increased restrictions imposed by AssetSecure that allowed for continuation of LawFinance's business operations. The by-product of this constraint on funding as well as the uncertainty associated with COVID-19 led to management fully writing down the remaining goodwill amount.
- *US medical lien funding business* – The Back Book acquired through the purchase of NHF in September 2018 has historically underperformed due to a number of conflicting issues discussed in section 4.2.1. As a result, Management fully impaired the remaining goodwill amount of c. US\$36.4 million for the year ending 31 December 2020.

LawFinance still expects to experience continued operational losses due to the legacy debt burden that has recently placed the Company in both debt service and technical default. We note that for the year ending 31 December 2020, LawFinance paid interest expenses of US\$16.8 million and generated a loss of c. US\$80 million. The Company also has a deficiency of net assets of US\$47.6 million as at 31 December 2020. Whilst the 31 December 2020 financial statements were prepared on a going concern basis, it is noted that this is contingent on the successful restructuring of the Company's liabilities and recapitalisation plans as well as the continued support of their receivables-backed lenders.

As such, in our valuation assessment, we have relied on the balance sheet of LawFinance as at 31 December 2020 that we have adjusted for the following:

- Removed the assets and liabilities attached to the Litigation Funding Business whose sale was announced at the end of January 2021.
- The Disbursement Funding and Medical Lien Purchasing Receivables books are recorded at Fair Value as at 31 December 2020, as such we have obtained the calculation worksheets and inputs to test the reasonableness of the underlying assumptions. For the Australian Book, it is calculated on an aggregated basis using a discount rate of 4.45% with c. 28 months to collect. For NHF, it is derived from analysis and assumptions applied at the individual loan level to determine amortised cost. Using a calculated, individual effective interest rate for each individual loan, the expected timing and magnitude of cash flows are derived to determine the value of the receivable.
- The balance sheet as at 31 December 2020 does not present any other material assets, apart from cash. The liability side mostly comprises the corporate debt facilities that are discussed in section 4.3.2.

- We have not considered in our valuation assessment any goodwill over and above the current net assets deficiencies. This is because as it stands, the Company does not have an ability to grow the business based on the financial circumstances before the Proposed Restructure and additionally it is in breach of several of the debt facilities.
- We have assessed the fair market value of the upside consideration that the Company may receive from the Litigation Portfolio Sale between US\$nil and US\$7.8 million or A\$nil to A\$10.2 million as set out in the Litigation Portfolio Sale Supplementary IER.

The table below sets out a summary of our valuation assessment of the fair market value of LawFinance before the Proposed Restructure.

Pre-Restructure Summary of Value US\$ 000	Section Reference	Low	High
Total Consideration of Litigation Portfolio (US\$ 000)		0	7,807
Equity value - Adjusted NAV Approach (control basis) (US\$ 000)		(48,141)	(48,141)
Equity value (control basis) (US\$ 0000)		(48,141)	(40,334)
Total number of ordinary outstanding shares pre-restructure		1,170,230	1,170,230
Equity value per share (US\$ cents)		0.00	0.00
Ex change rate		0.765	0.765
Equity value per share (\$A cents)		0.00	0.00

Sources: LawFinance Management and GTCF analysis

Based on the above, we have adopted a value of US\$nil for the purpose of our valuation assessment before the Proposed Restructure. The summary of values above align with Management's indications that they could likely place the Company into administration if the Proposed Restructure does not proceed which is expected to result in zero equity value for the Shareholders.

8 Valuation assessment of LawFinance after the Proposed Restructure

8.1 Introduction to the GT Model

For the purpose of our valuation assessment, we have utilised the DCF method. We have adopted a different approach in the valuation assessment after the Proposed Restructure as the business will be recapitalised and no longer subject to the debt overhang. As such, the business will have sufficient working capital, capacity to purchase new medical receivables and the potential to generate positive cash flow.

Our valuation assessment is based on the net present value of the equity cash flows. We are of the opinion that given the ability of LawFinance to continue to grow its Medical Receivables business is linked to the availability of funding and the complex capital structure, equity cash flows provide better evidence of the financial performance of the business. Grant Thornton Corporate Finance has built the GT Model based on Management projections to 31 December 2030 and calculated a terminal value at that point in time. The cash flows projections prepared by Management are based on the following:

- Historical financial performance of LawFinance.
- A revised capital structure of the business integrating all interdependent parts of the Proposed Restructure.
- LawFinance acquiring new receivable books shortly after completion of the Proposed Restructure.
- The sale of the Litigation Portfolio is completed.
- The Company has sufficient funds to grow the business.

Whilst Grant Thornton Corporate Finance believes that the assumptions underlying the LawFinance 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 LawFinance Projections before adopting 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.
- Performed a broad review, critical analysis and benchmarking with the historical performance of LawFinance and current trends in the industry.
- Held discussions and interviews with Management of the Company and its advisor to discuss the key underlying assumptions.

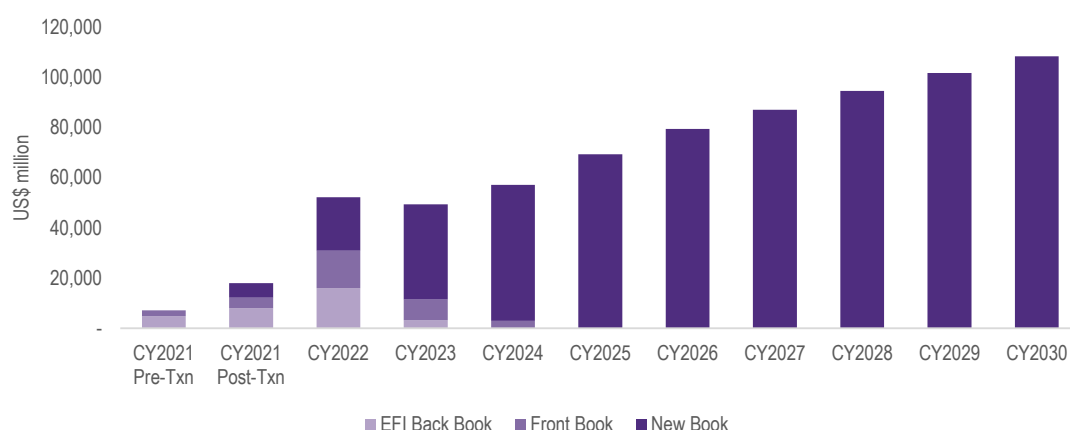
We note that as part of our review, the model was fit for purpose with regard to assessing the Proposed Restructure and the associated deal structure and dynamics. However, the model did have some limitations with respect to forecasting detailed income and overhead expenses. Whilst this did not impair our ability to form an opinion on the Proposed Restructure, it did result in a high degree of reliance on Management's model and underlying assumptions, in particular origination through the New Book. As such, we performed sensitivity analysis in order to understand the interdependence of the various assumptions and the impact of key variables on the assessed value.

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 LawFinance could vary materially based on changes to certain key assumptions. Accordingly, we have conducted certain sensitivity analysis to highlight the impact on the value of LawFinance Shares caused by movements to certain key assumptions.

8.2 Operational Assumptions

We have based our assessment around a central management case in relation to the key assumptions in order to assess a range of possible outcomes. Whilst the GT Model allows for the testing and sensitising of many assumptions including growth rates, interest expense and overhead costs, the Cash Multiples and Cash Collection Spread have the most significant impact on the underlying equity value. The chart below shows the forecasted collection profile adapted in the GT Model.

LawFinance forecasted collections



Sources: LawFinance Management and GTCF analysis

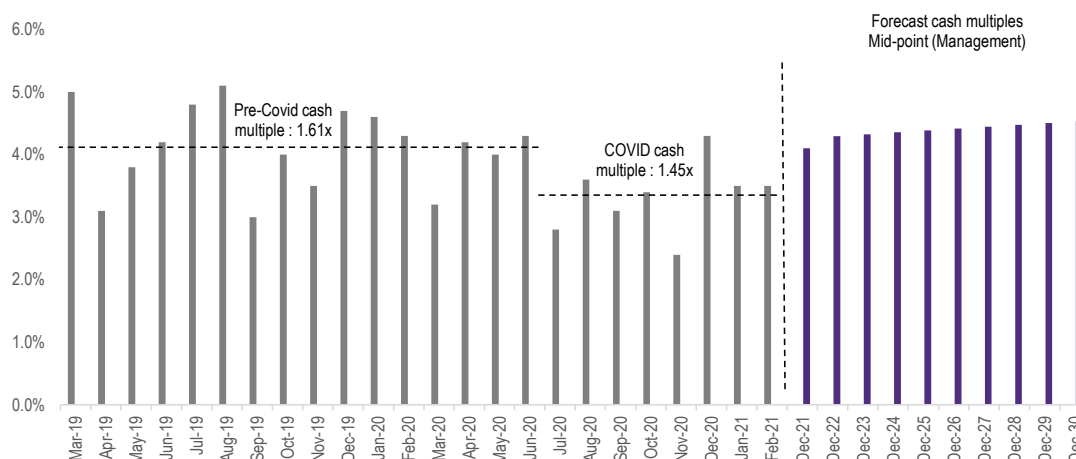
The key underlying assumptions adopted in the GT Model are outlined below:

- Value of the Disbursement Funding Business** – As part of the revised business strategy aligned to the Proposed Restructure, LawFinance intends to focus on the US based Medical Receivables due to the higher profitability and growth potential in the US market. As such, LawFinance is currently undergoing a strategic review of the Disbursement Funding Business to consider whether to place the Book into run-off or sell to another party. We note the book has little to negative value, using the GT

Model we have considered both the run-off and divestment scenarios and note no significant difference in valuation contribution to LawFinance.

- *Cash multiples* – It represents the cash that an individual case generates upon settlement and, when aggregated across the full receivable book, equates to total collections. Inversely, the cost of the receivables refers to the discounted purchase price of the individual lien and again, when aggregated across the full receivable books, equates to total cost of receivables. In this way, LawFinance's cash multiple is a function of their total collections over the total cost of purchasing the receivables.
 - Back Book – We note the Back Book is in run-off and that in three years the facility ends with the majority of the outstanding balance being collected. We note the value is negligible given the current underperformance and level of gearing.
 - Front Book – Historically, LawFinance has generated a cash multiple of c.1.61x between March 2019 and June 2020, indicating that on average they generate a 61% return on each individual case. However, the closure of courts as well as the increased unwillingness of insurance companies to settle throughout COVID-19 had a considerable impact on the multiple, which decreased to an average of c.1.45x throughout the pandemic. Whilst this multiple has remained lower than average for the last nine months, management foresees considerable growth in the near horizon. Notably, the current rate of vaccinations in the United States as well as the steady reopening of courts implies an increase in matter originations over the coming months, specifically toward to the end of 2021. As such, it is not unreasonable to assume that the cash multiple will slowly return to pre-pandemic levels over the coming year. Furthermore, management's current plan to deviate away from claims greater than US\$15,000 will also have a material positive impact on the cash multiple as larger cases tend to both drag out longer and pay out less, therefore meaning that focusing on smaller cases moving forward will drive an increase in the Cash Multiple. GT notes that the pre-pandemic multiple for smaller cases was c. 1.78x. Management have assumed a 1.55x cash multiple for FY21, with a ramp-up to a steady-state multiple of 1.61x for FY22 to FY24 once the remainder of the balance has been collected.
 - New Book – Management have forecast the ramp up and growth profile of the New Book based on the historical performance of the Front Book. As such, the Management case has assumed that the Cash Multiple begins at current levels of 1.55x and will increase to pre COVID-19 levels of 1.60x as economic conditions increase in the USA. The multiple then peaks at 1.7x in FY30, which aligns to the strategic focus for the Company to movement away from medical lien's that are greater than \$15,000. GT has sensitised these assumptions.
 - We have presented below a graphical representation of the above assumptions which appear conservative based on the historical financial information.

LawFinance historical cash multiples compared to forecast multiples



Sources: LawFinance Management and GTCF analysis

- Cash collections spread** - The cash collections spread is a forecast of the expected percentage of total collection on a receivable book that LawFinance will collect in a given year, spread across 5 years based on the US Statute of Limitations. Importantly, these are specific to each individual medical receivables book, with Management forecasting differing collection spreads for each respective book.
 - Back Book - LawFinance was collecting close to c. US\$1 million per month prior to COVID-19, however toward the back end of 2020 this decreased to c. US\$0.3 million per month. This was largely a result of the halting of legal proceedings in the United States due to COVID-19, however the financing constraints imposed by the Back Book's prior financier imposed uneconomic restrictions on LawFinance's ability to originate new cases and further diminished the Company's ability to collect. There are three years left within the Back Book's collection period.
 - Front Book - Management have been collecting close to an average of US\$0.7 million per month, indicative of the strength of the book even amidst the pandemic. Furthermore, as the economic situation begins to improve in the US over the coming months, management forecasts these collections to increase to c. US\$1 million per month and remain at this level for the near future. Because of these influences, it is not unreasonable to assume that LawFinance will have a collection spread weighted more toward the front end of the five-year period. Management have assumed a 21%, 45%, 25% and 9.0% profile for the collection spread for the remaining four years of the Front Book.
 - New Book – Collection profile and sensitivities for the New Book have been assumed in line with the Front Book which appears reasonable.
- Corporate costs** – Overhead and operating costs are expected to remain relatively stable over the forecasted period with the wages constituting the primary driver. Management do not expect a material change in staffing levels and have projected corporate cost growth in line with 3% wage growth.

- *Tax losses* – We have adopted a corporate tax rate of 30% for Australia and 25% (Arizona State and Federal rates combined). In our valuation assessment, we have also considered the tax losses available in the US and Australia.
- Capital expenditure and movements in working capital are considered negligible and in line with historical.
- Funding Assumptions:
 - The existing Atalaya Facility of currently drawn to US\$17.0 million linked to the Front Book will be refinanced with the PFG Facility that initially allows a drawdown of up to US\$30.0 million. This can be increased to up to US\$70.0 million (subject to meeting certain conditions). The Company is able to leverage-off up to 87% of the current underlying receivables book and up to 85% for new originations.
 - The Company is expected to have a retained cash balance of US\$13.6 million after the Proposed Restructure.
- In the calculation of the terminal value, we have normalised the growth in the gross loan receivables at the end of the discrete forecast period in order to ensure that the perpetual cash flows reflect steady-state operations. Long-term growth rate of 2.5% has been adopted which is in line with the Federal Reserve's policy to maintain long-term inflation rate between 2% and 3%. We note that this is also in line with the Reserve Bank of Australia's inflation target of 2% to 3%.
- We have adopted a discount rate based on the cost of equity between 13.5% and 15.0% which is based on the Capital Asset Pricing Model ("CAPM") and a benchmark with publicly available information. Refer to Appendix B for details. We have utilised an US based WACC to discount the cash flows derived in US dollars. We note that the valuation assessment of the New and Existing Medical Receivables Books is relatively sensitive to changes in the discount rate given the longer term timeframe.

8.3 Capital Structure

We have also considered the following factors with regard to the LawFinance Capital Structure:

8.3.1 Shares outstanding

The total number of outstanding shares will increase from 1,170,230,045 to 4,185,837,097 after the Proposed Restructure⁴¹:

⁴¹ Including the assumed conversion of the CCN at the same time.

Number of ordinary shares 000s	Section Reference	Number of shares	Breakdown %
Total number of shares	n/a	1,170,230	28.0%
New shares issued under Proposed Restructure	1.2	1,483,859	35.5%
Expected shares issued from CCN conversion	1.4.1	202,893	4.8%
Shares issued under Placement	1.3	1,326,846	31.7%
Total number of ordinary shares post-restructure		4,183,828	100.0%

Sources: LawFinance Management and GTCF analysis

Note: In the capital structure above, we have also included the conversion of the Capitalised Converting Notes that have a mandatory conversion by December 2022, however the holders may elect to immediately convert in order to participate into the Placement.

8.3.2 Warrants and Options

We have valued warrant and options adopting the Black-Scholes-Merton Valuation Model ("BS Model"), refer to Appendix B for details. We utilised the following assumptions:

- Underlying share price: based on our valuation assessment of the Company after the Proposed Restructure on a minority basis.
- Volatility: based on a benchmark undertaken with comparable companies over a time horizon matching the Warrant and Option expiry dates.
- Exercise price and Expiry dates:

Summary of Warrants and Options		Exercise	
	Quantity	price	Expiry date
NHF Founder Options			
Option set number 1	24,000,000	0.25	28/09/2021
Option set number 2	22,500,000	0.40	28/09/2022
Option set number 3	25,000,000	0.60	28/09/2023
Warrants - NHF Founders and SAF	452,743,636	0.14	8/11/2022
Warrants - Directors	141,666,666	0.03	8/04/2025
Warrants - PFG	104,595,691	0.04	8/04/2028

Sources: LawFinance Management and GTCF analysis

8.4 Minority Discount

In our valuation assessment based on the DCF we have applied a minority discount between 17% and 23% which is the inverse of a premium for control between 20% and 30%. Given a large proportion of the value of the Company is derived from the Placement and the Debt for Equity Swap which are already minority values, we have applied a minority discount at the low-end of the range.

8.5 Summary of Values

The table below summarises our valuation assessment of LawFinance after the Proposed Restructure on a minority basis.

Figures in US\$ '000 unless stated	Section Reference	Low	Mid	High
Equity value - DCF (excluding options and warrants)		85,971	93,353	100,735
Total Consideration of Litigation Portfolio	1.6	-	3,903	7,807
Equity value of LawFinance (excluding options and warrants)		85,971	97,256	108,542
Value of options warrants	8.3.2	(1,618)	(2,162)	(2,799)
Equity Value (control basis)		84,353	95,094	105,743
Minority Discount (%)	8.4	23%	20%	17%
Equity Value (minority basis)		64,952	76,075	87,766
Number of outstanding shares ('000s) (fully diluted)	8.3.1	4,183,828	4,183,828	4,183,828
Equity value per share (US cents)		1.6	1.8	2.1
Exchange rate		0.765	0.765	0.765
Equity value per share (AU cents)		2.0	2.4	2.7

Sources: LawFinance Management and GTCF analysis

8.6 Sensitivity analysis

It should be noted that the equity value using the DCF could vary materially based on changes in certain key assumptions and inputs. As such, we have conducted sensitivity analysis using the key assumptions and the Mid (Management) case in order to highlight the impact on the equity value after the Proposed Restructure.

Sensitivity	Low \$A 000	High \$A 000	Low % Change	High % Change
Value per share after the Proposed Restructure (Minority basis)	2.0	2.7	n/a	n/a
Discount rate				
Increased by 0.5% per annum	1.9	2.6	-4.9%	-5.1%
Decreased by 0.5% per annum	2.1	2.9	5.3%	5.6%
Terminal Value				
Increased by 0.5%	2.1	2.8	2.2%	2.5%
Decreased by 0.5%	2.0	2.7	-2.0%	-2.3%
Collection spread				
New Book - Ascending	1.2	1.8	-38.8%	-34.0%
New Book - Even	1.8	2.5	-9.7%	-8.6%
New Book - Descending	2.4	3.2	19.0%	16.6%
Cash multiple				
New Book - Low	1.4	2.0	-30.7%	-28.4%
New Book - High	2.4	3.2	17.8%	16.5%

Sources: LawFinance Management and GTCF analysis

Note (1): The sensitivities have been performed on the DCF only and not the associated option and warrant calculations

These sensitivities do not represent a range of potential equity value of LawFinance, but they intend to show to LawFinance Shareholders the sensitivity of our valuation assessment of the Proposed Restructure to changes in certain variables.

8.7 Quoted price of securities

In our assessment of the fair market value of LawFinance Shares, we have also reviewed the trading prices of the listed securities on the ASX. In accordance with the requirements of RG111, we have considered the liquidity and depth of the trading on the ASX.

8.7.1 Liquidity analysis

To assess the liquidity of LawFinance Shares, we have analysed the trading volume over the last year as a percentage of the shares outstanding and free float as outlined in the table below:

Month end	Volume traded ('000)	Monthly VWAP (\$)	Total value of shares traded (\$'000)	Volume traded as % of free float shares	Cumulative volume traded as a % of free float shares	Volume traded as % of total shares	Cumulative volume traded as a % of total shares
Mar 2020	9,324	0.0434	404	1.8%	12.7%	1.0%	7.3%
Apr 2020	5,316	0.0341	181	1.0%	13.8%	0.6%	7.9%
May 2020	6,212	0.0404	251	1.2%	15.0%	0.7%	8.6%
Jun 2020	4,108	0.0395	162	0.7%	15.7%	0.4%	9.0%
Jul 2020	1,733	0.0331	57	0.3%	16.0%	0.2%	9.2%
Aug 2020	1,418	0.0398	56	0.3%	16.3%	0.1%	9.3%
Sep 2020	4,469	0.0331	148	0.8%	17.1%	0.5%	9.8%
Oct 2020	2,267	0.0335	76	0.4%	17.5%	0.2%	10.0%
Nov 2020	1,949	0.0295	57	0.4%	17.8%	0.2%	10.2%
Dec 2020	6,588	0.0306	202	1.2%	19.0%	0.7%	10.9%
Jan 2021	6,999	0.0263	184	1.0%	20.1%	0.6%	11.5%
Feb 2021	3,747	0.0219	82	0.6%	20.6%	0.3%	11.8%
Mar 2021	5,258	0.0177	93	0.8%	21.4%	0.4%	12.3%
Min				0.26%		0.15%	
Average				0.72%		0.41%	
Median				0.76%		0.44%	
Max				1.19%		0.68%	

Sources: S&P Global and GTCF analysis

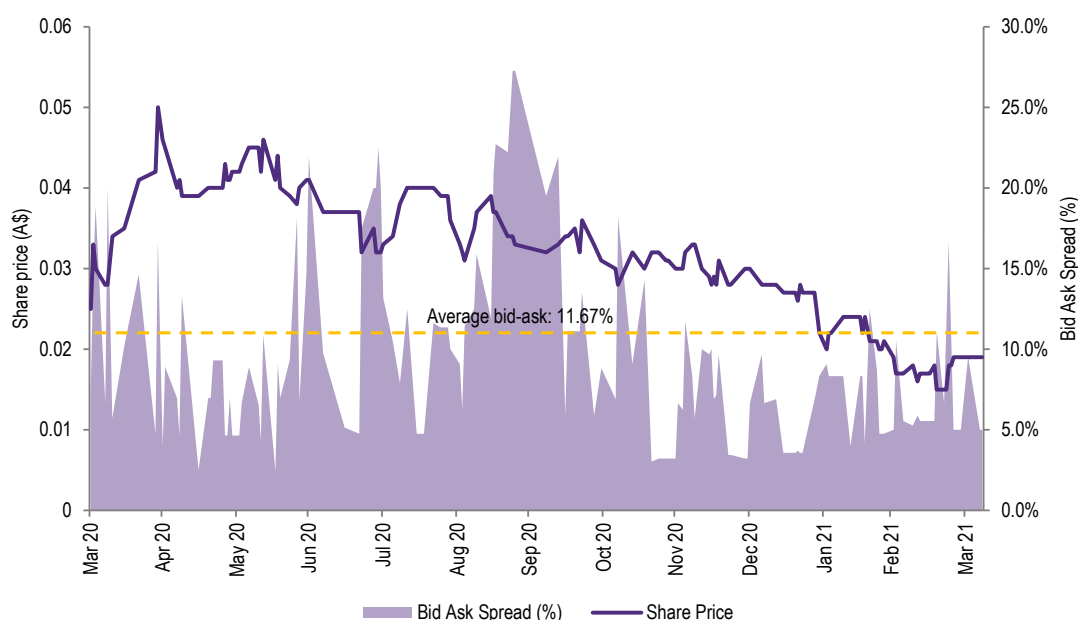
With regard to the above analysis, we note that:

- In the absence of a takeover or alternate transactions, the trading prices represent the value at which minority shareholders could realise their portfolio investment.
- LawFinance complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of LawFinance.
- Over the last twelve month period, c. 21.4% of the free float shares and 12.3% of the total shares have traded on the ASX.

- LawFinance Shares have been quite volatile over the observed period (i.e. last 12 months), with the minimum and maximum monthly VWAP price varying between A\$0.043 and A\$0.18. This is explained further in our analysis of the daily movements in LawFinance's share price and volumes, and market conditions in section 4.4.1.

Where a company's stock is not heavily traded or is relatively illiquid, the market typically observes a difference between the 'bid' and 'ask' price for the stock as there may be a difference in opinion between the buyer and seller on the underlying value. The historical difference between the bid and ask price has been consistently low over the last 12 months preceding the date of announcement of the Proposed Restructure averaging (11.67%) as set out in the chart below. However, if we extrapolate the period of high volatility during COVID-19, when, given the market uncertainty, it was more difficult to reach a consensus on the price of the stock, the spread between bid and ask price is materially lower.

LawFinance – 12 months bid-ask spread



Sources: S&P Global and GTCF analysis

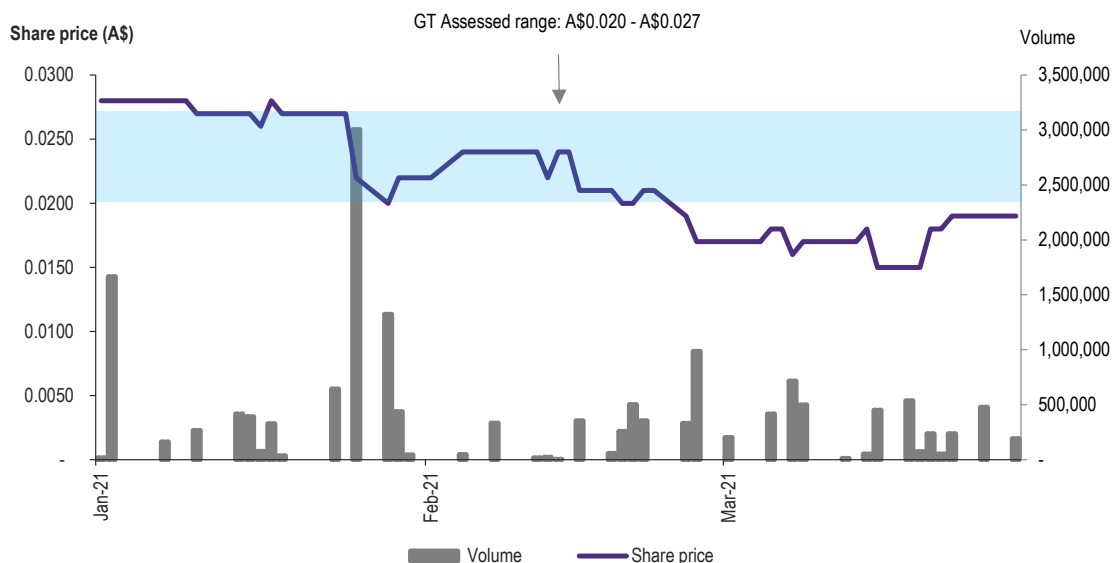
Whilst, we have not adopted the quote security method as a primary valuation method due to the limited liquidity of LawFinance shares and the material spread between bid and ask price, we have had regard to the share price of LawFinance as a high-level cross check of our valuation assessment.

We note that the terms of the Proposed Restructure have not been announced to the market as yet, but the Company disclosed the following information which would lead investors to incorporate the risk adjusted effect of a potential restructure of the operations into the trading prices of the Company:

- 29 January 2021 the Company provided a strategic update where it indicated that it was looking to refinance the Front Book, restructure the corporate debt and other secured and unsecured creditors and raise capital to recommence origination.
- On 31 March 2021, LawFinance released the 2020 Annual Report where it discussed the forthcoming LawFinance recapitalisation plan without providing detailed terms.

As a result, we have adopted the recent trading prices as a proxy for the risk adjusted value that investors attribute to the Company post a theoretical restructure. We note that our valuation assessment of LawFinance after the Proposed Restructure is not inconsistent with the trading prices since the beginning of the year as set out in the graph below.

LawFinance – GT assessed valuation over 3 month trading prices



Sources: S&P Global and GTCF analysis

Notwithstanding the limitations of this valuation methodology, we are of the opinion that it supports our valuation assessment of the Company following the Proposed Restructure.

9 Sources of information, disclaimer and consents

9.1 Sources of information

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

- Annual and semi-annual financial reports/ consolidated accounts of LawFinance for FY18 to FY20.
- Investor presentations of LawFinance.
- Announcements made by LawFinance on the ASX.
- LawFinance's website.
- S&P Global.
- IBISWorld.
- Various broker's reports.
- Other publicly available information.
- Discussions with LawFinance Management.

9.2 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 Restructure 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 Restructure.

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 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 Restructure.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Restructure, 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 Restructure. 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.

9.3 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 Shareholders in relation to the Proposed Restructure. 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 Restructure is fair and reasonable to the Non-Associated Shareholders.

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.

9.4 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 Shareholders. 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 the LawFinance Disbursement Funding business and NHF have been prepared on a nominal, geared and post-tax basis. We have adopted the cost of equity as the discount rate to value LawFinance before the Proposed Restructure and the Merged Entity after the Proposed Restructure, having regard to the cash flows attributable to the equity holders of LawFinance before and after the Proposed Restructure.

The cost of equity represents the required rate of return required by providers of equity capital to compensate for the time value of money and the perceived risk or uncertainty of the cash flows.

We have used the Capital Asset Pricing Model (“CAPM”), which is commonly used by practitioners, to calculate the required return on equity capital. However, we note that the selection of an appropriate discount rate is ultimately a matter of professional judgment. Additionally, the figures we have used to form our cost of equity

Cost of Equity (CAPM)

The CAPM assumes that an investor holds a large portfolio comprising risk-free and risky investments. The total risk of an investment comprises systematic risk 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 (Re) is estimated as follows:

$$R_e = R_f + \beta_e (R_m - R_f)$$

Where:

- R_f = risk free rate
- β_e = expected equity beta of the investment
- (R_m – R_f) = market risk premium

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

Cost of Equity	Low	High
Cost of equity		
Risk free rate	2.75%	2.75%
Beta	1.30	1.40
Market risk premium	6.00%	6.00%
Specific risk premium	3.00%	4.00%
Cost of equity (rounded)	13.5%	15.0%

Risk free rate – 2.75%

In the absence of an official risk free rate, the yield on government bonds (in an appropriate jurisdiction) is commonly used as a proxy. We have observed the yield on the 10-year United States Treasury Bond over the several intervals from a period of 5 trading days to 10 trading years as set out in the table below:

United States Treasury Constant Maturity - 10 Year				
as at	12 March 2021	Range		Daily average
Previous 5 trading days	1.53%	-	1.64%	1.57%
Previous 10 trading days	1.42%	-	1.64%	1.53%
Previous 20 trading days	1.29%	-	1.64%	1.45%
Previous 30 trading days	1.09%	-	1.64%	1.35%
Previous 60 trading days	0.93%	-	1.64%	1.20%
Previous 1 year trading	0.52%	-	1.64%	0.84%
Previous 2 years trading	0.52%	-	2.63%	1.38%
Previous 3 years trading	0.52%	-	3.24%	1.88%
Previous 5 years trading	0.52%	-	3.24%	1.99%
Previous 10 years trading	0.52%	-	3.59%	2.13%

Source: Capital IQ and GTCF calculations

Given the unprecedented, historically low United States Government Treasury Bond yields as a result of the volatility in global equity markets, we have placed more emphasis on the average risk free rate observed over a longer period of time (e.g. 10 years).

As such, we have determined the following a risk-free rate of **2.75%** for LawFinance.

Market risk premium

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. However, given the inherent high volatility of realised rates of return, especially for equities, the market risk premium can only be meaningfully estimated over long periods of time. In this regard, Grant Thornton studies of the historical risk premium over periods of 20 to 80 years suggest the premium of 6.25% for the United States Market.

Accordingly, for the purpose of the CAPM assessment, Grant Thornton Corporate Finance has adopted a market risk premium of **6.00%**.

Beta – 1.3 to 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.

For the purpose of this report, we have had regard to the observed betas (equity betas) of comparable companies as set out below:

Beta analysis ¹		Market cap	Equity	R squared	Gearing	Ungeared	Regeared
Company	Country	A\$m	Beta		Ratio	Beta	Beta
Law Finance Limited ²	Australia	15	1.82	0.20	459.3%	0.43	0.45
Credit Corp Group Limited	Australia	1,724	2.00	0.47	22.4%	1.73	1.80
Money3 Corporation Limited	Australia	469	1.76	0.35	31.9%	1.44	1.49
Pioneer Credit Limited	Australia	26	1.73	0.09	167.9%	0.80	0.82
Collection House Limited ²	Australia	25	0.16	0.00	99.0%	0.10	0.10
Average (excluding outliers)							1.37
Median (excluding outliers)							1.49

Sources: S&P Global and GTCF calculations

Note (1): The betas are based on a five-year period with monthly observations based on the local or MSCI index.

Note (2): Both betas of LawFinance Limited and Collection House Limited have been excluded as outliers from the final average and median calculations.

It should be noted that the above betas are drawn from the actual and observed historic relationship between risk and returns. From these actual results, the expected relationship is estimated generally on the basis of extrapolating past results. Despite the arbitrary nature of the calculations, it is important to

assess their commercial reasonableness. That is, to assess how closely the observed relationship is likely to deviate from the expected relationship.

Consequently, while measured equity betas of the listed comparable companies provide useful benchmarks against which the equity beta used in estimating the cost of equity for the pre-development assets, the selection of an unsystematic equity beta requires a level of judgement.

For the purpose of our valuation, we have selected a beta range of 1.3 to 1.4 for LawFinance excluding outliers (i.e. Collection House Limited).

Specific risk premium

The specific risk premium (“SRP”) represents the additional return an investor expects to receive to compensate for country, size and project related risk not reflected in the beta of observed comparable companies. As such, we have assumed a SRP range of 3% to 4% for LawFinance.

Appendix C - Premium for control / minority discount

Control Premium

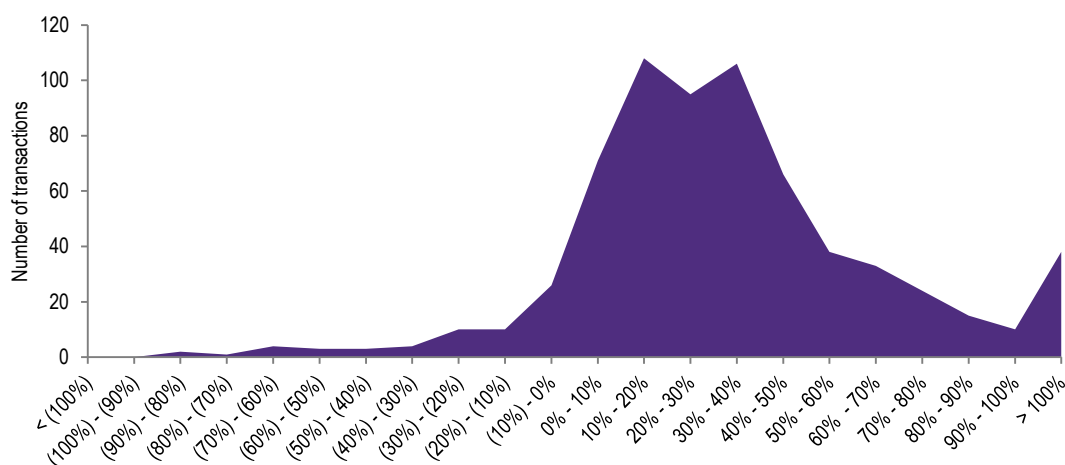
A control premium is defined as the additional consideration an investor would pay over a marketable minority equity value in order to own a controlling interest in the common stock of a company. Our assessment of the premiums involve comparing the offer price of the closing price of the target company, one month prior to the date of the announcement of the offer. Where the consideration included shares in the acquiring company, we used the closing share price of the acquiring company on the day prior to the offer. The following is a summary of our 1-month prior control premium study:

Control premium study	
	1 month prior control premium (%)
Average	35.13%
Median	29.87%

Sources: S&P Global, Merger Market and GTCF analysis

Additionally, the following graph illustrates the distribution of these 1-month control premiums across 667 Australian transactions:

Distribution of 1-month prior control premiums



Sources: S&P Global, Merger Market, GTCF analysis

Given the distribution of the control premiums in our study, we have assessed a range of **20% to 40%** to be a reasonable representation of the market.

Minority Discount

We note that a control value for a company is higher than the equivalent value for a minority stake as a premium for control is applied. Given this, the notion exists that partial ownership interest would be worth less than it's proportional share of the business as a whole. Generally, the benefits derived from being a controlling shareholder over a minority shareholder include:

- Ability to participate in strategic decision making for the business.
- Ability to influence dividend payment decisions.

- Ability to help realise synergistic benefits.
- Access to cash flows and tax benefits.
- Control of the board of directors of the company.

To quantitatively reflect these benefits of control opposed to minority ownership, the following formula is employed:

$$1 - \frac{1}{1 + \textit{Control Premium}}$$

This is essentially the inverse of the control premium that would be paid in lieu of a minority discount.

Appendix D – Warrant and Option valuation methodologies

There are a number of methodologies available to value Warrants and Options issued over securities in a company. The three most commonly used methodologies are summarised below:

- *Black-Scholes-Merton Valuation Model ("BS Model")* – typically used to value plain European⁴² options based on the fundamental assumption that security prices follow a geometric Brownian motion with constant drift and volatility. The model can also be used to value American⁴³ options in the specific circumstance where the value of holding the call option is greater than the value of immediately exercising the option at a given point in time (i.e. for companies which are not expected to pay dividend).
- *Cox-Ross-Rubenstein Binomial Model ("Binomial Model")* – widely recognised method of valuing both American and European style options. The model uses an iterative procedure to estimate a mathematical valuation of the Warrants and Options at numerous specified points in time during the maturity period based on a volatility and timing factor, which is then discounted back to present day to determine a value for the Warrants and Options.
- *Monte Carlo Simulation Model ("Monte Carlo Model")* – a widely used class of computational algorithms for simulating the behaviour of various physical and mathematical systems (such as security prices). They can be used to find solutions to complex mathematical problems with many variables by applying a large number of trials (using random numbers generated in accordance with a defined distribution and probability assumptions) in order to converge on the average result.

It is important to emphasise that there is no perfect model for calculating fair values for the Warrants and Options. The valuation models outlined above are based upon several simplifying assumptions. None of them produce results which are definitively right or wrong and it is this subjectivity which precludes us from proclaiming any model as giving the correct value. However, each model has different features which may or may not apply to the Warrants and Options in question and so the choice of model can be of considerable importance in ensuring accurate results. We have adopted the BS Model in our valuation assessment of the Warrants and Options, see Section 8 for detailed explanations of the inputted assumptions.

⁴² European options: derivatives which are not exercisable prior to maturity date or completion of the Performance Period in the case of INA.

⁴³ American options: derivatives which can be exercised at any time prior to or at maturity date.

Appendix E - Comparable companies

Company	Description
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 and insolvency management services, as well as various loan products. It provides financial services under the Wallet Wizard, ClearCash, CarStart Finance, Credit 2U, and CapTrove brands. Credit Corp Group Limited was founded in 1992 and is headquartered in Sydney, Australia.
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 GoCarFinance brand names. Money3 Corporation Limited was incorporated in 2005 and is headquartered in Bundoora, Australia.
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.

Sources: S&P Global and GTCF analysis

Appendix F - Glossary

A\$	Australian Dollar
ABS	Australian Bureau of Statistics
ACA	Affordable Care Act
APES	Accounting Professional and Ethical Standards
APES110	Code of ethics for Professional Accounting
ASIC	Australian Securities and Investments Commission
Assetsecure Facility	Prior financier for the Back Book
ASX	Australian Securities Exchange
Atalaya	Atalaya Special Opportunities Fund VI LP
Australian Book	The Australian disbursement funding book associated with JKF.
Back Book	Secondary Medical lien receivables portfolio acquired upon the purchase of JustKapital NHF holdings Pty Ltd in September 2019.
Capitalised Converting Notes ("CCN")	189 million CCNs converting with a face value of A\$0.10 per share
CAPM	Capital Asset Pricing Model
CHL	Collection House Limited
C.	Circa
Corporations Act	Corporations Act 2001 (Cth)
COVID-19	The COVID-19 Pandemic
Credit Corp	Credit Corp Group Limited
CTP	Comprehensive Third Party scheme
CY	Calendar year ending 31 December
Day 1 Margin	The difference between the fair value and the transaction price of a disbursement
DCF	Discounted Cash Flow
DCF Method	Discounted cash flow method and the estimated realisable value of any surplus assets
Deal Structure Exchange Rate	A\$:US\$ exchange rate of 0.765 based on the exchange rate agreed as part of the deal structure. This is the rate used in the Pro-forma financials
Disbursements	Funding solutions for third-party costs
Efficient Frontier Investing	New financier for the historical Back Book
Escrow Deed	The NHF Founders have agreed to enter into escrow deeds to restrict the sale of the shares allotted to them as part of the Proposed Restructure until 31 December 2021
EV	Enterprise Value
Exchange Rate	A\$1 equivalent to US\$0.765
Front Book	Primary Medical Lien receivables portfolio that is funded by the old Atalaya Facility (now funded by the PFG Facility).
FME 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
FPF	Fisher & Paykel Finance Limited
FPL	Federal poverty level

FSG	Financial Services Guide
FY	Financial year ending 30 June
GTCF	Grant Thornton Corporate Finance Pty Ltd
HDHP	High deductible health plans
IER or Report	Independent Expert Report
JustKapital Financing Pty Ltd ("JKF")	The Australian disbursement funding division, purchased in January 2016.
JustKapital NHF Holdings Pty Ltd ("NHF")	The USA based medical lien funding division of LawFinance purchased on 28 September 2018.
LawFinance	The Company
LawFinance Model	Management Projections contained in the internal Management model providing forecasts for LawFinance after the proposed Restructure
LawFinance Shareholders	The shareholders of LawFinance
LEP	Legal Equity Partners
Litigation Funding Business	LawFinance's Litigation Funding Business also referred to as the Litigation Portfolio
Litigation Portfolio	Litigation cases LawFinance has funded, of which six are ongoing at the date of this report
Lucerne	Lucerne Finance Pty Limited
Core Business	Disbursement funding business combined with NHF's medical lien funding business
MML	Macquarie Medico Legal & Radiology
Money3	Money3 Corporation Limited
MVA	Motor vehicle accident
NAV Method	Amount available for distribution to security holders on an orderly realisation of assets
NHF	National Health Finance Holdco, LLC
NHF Founders	David Wattel and Mark Siegel
NOM	Notice of Meeting
OOP	Out of pocket expenses
Partners For Growth VI, L.P	New Front Book debt facility. Part of the Refinancing section of the Proposed Restructure
Pandemic	The COVID-19 Pandemic
PDL	Purchased debt ledger
PDP	Purchased debt portfolio
Pioneer	Pioneer Credit Limited
Placement	A placement of 1,326,846,154 new fully paid ordinary shares at A\$0.013 per share to raise A\$17.249 million before costs
Promissory notes	Six separate US promissory note holders owed by LawFinance.
Proposed Restructure	An interdependent transaction contingent on the a corporate debt refinance, a debt for equity swap and share placement
Quoted Security Price Method	Quoted price for listed securities, when there is a liquid and active market
Receivables Multiple	FME method based on a carrying value of receivables multiple capitalisation approach

RBA	Reserve Bank of Australia
RG	Regulatory Guide
RG 111	ASIC Regulatory Guide 111 “Contents of expert reports”
RG 112	ASIC Regulatory Guide 112 “Independence of Experts”
RG 74	ASIC Regulatory Guide 74 “Acquisitions agreed to by shareholders”
ROA	Return on assets
ROE	Return on equity
ROIC	Return on invested capital
SME Law Firms	Small and medium-sized law firms, personal injury law firms, commercial litigation firms, and family law firms
SPA	Share Purchase Agreement to sell 100% of LawFinance’s litigation portfolio
STL	Short-term lending
Syndicated Acquisition Facility	A senior debt facility totalling A\$42 million bearing an interest rate of 13.0% per annum with a maturity of four years
VWAP	Volume Weighted Average Price
WACC	Weighted Average Cost of Capital

Annexure B – JKL Transaction IER



Grant Thornton

An instinct for growth™

LawFinance Limited

Supplementary Independent Expert's Report and Financial Services
Guide

19 April 2021

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

**Grant Thornton Corporate Finance
Pty Ltd**
Level 17
383 Kent Street
Sydney NSW 2000
Locked Bag Q800
Queen Victoria Building NSW 1230
T +61 2 8297 2400

19 April 2021

Dear Independent Directors

Supplementary Independent Expert's Report

On 29 January 2021, LawFinance Limited ("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 ("Litigation Funding Business" or "Litigation Portfolio") to Legal Equity Partners Pty Ltd ("LEP"), a subsidiary of Lucerne Composite Master Fund ("LCF") for a nominal amount ("Proposed Transaction"). The Litigation Portfolio comprises six cases held in its 100% owned subsidiary JustKapital Litigation Pty Ltd ("JustKapital Litigation") and three subsidiaries.

At the time the Company entered into the SPA, The Proposed Transaction equated to a debt and cash free transaction value of at least A\$10 million as LCF (following a debt assignment to it), was owed a minimum of A\$10 million in relation to funding provided for four cases ("LCF Funded Cases"), which was/will be secured against the 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").

The terms of the SPA stipulated that in the event that the Litigation Portfolio generated proceeds in excess of the amount owed under the LCF Facility (including future additional funding required to progress the cases), LawFinance was to be entitled to 50% of those proceeds ("Conditional Amount 1"). The Conditional Amount 1 also included proceeds from one of the Non-LCF Funded Cases. In

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the other Non-LCF Funded case, the Company was to 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 is collectively referred to as the "Consideration".

On 26 February 2021, the Company released the notice of extraordinary general meeting ("EGM") in relation to the Proposed Transaction which contained an Independent Expert's Report ("IER") prepared by Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") which opined that Proposed Transaction was FAIR and REASONABLE to the Company's securityholders not associated with the Proposed Transaction ("Non-Associated Securityholders"). The LawFinance unitholders meeting to consider the Proposed Transaction was scheduled to be held on 29 March 2021.

On 24 March 2021, the Company announced on the ASX that it had decided to postpone the EGM to approve the Proposed Transaction after it was informed that one of the litigation cases where JKL is a co-funder had a material positive development after a federal jury in the United States decided that the plaintiff should be paid a higher amount than anticipated.

As a result of the positive development, the Company re-entered into commercial negotiations with LEP regarding the terms of the Proposed Transaction. Following those discussions, the Company and LEP entered into an amendment to the SPA ("Amended SPA"). Under the Amended SPA, the Company and LEP agreed that the Company was to receive 75% of any proceeds for the LCF Funded Cases in excess of the LCF Facility ("Amended Conditional Amount 1"). The Amended Conditional Amount 1 also included proceeds from one of the Non-LCF Funded Cases. In the other Non-LCF Funded case, the Company was to receive 75% of the proceeds net of any additional costs incurred ("Conditional Amount 2"). The nominal amount of A\$1 plus the Amended Conditional Amount 1 and Amended Conditional Amount 2 herein is collectively referred to as the "Amended Consideration".

Despite the positive development in the case, we note that the defendant has made statements to the media that it is disappointed with the ruling and that it would appeal. In addition to appeal rights, the defendant has other various procedural options to have the jury award or judgement set aside irrespective of the jury's verdict. Accordingly, there could still be a significant period of time until the conclusion of the case. Furthermore, while the jury verdict is a positive development, the outcome of the case remains uncertain and it is possible that it may not conclude in favour of the plaintiff.

Regarding the other cases, since the SPA was entered into, one of the cases in the Litigation Funding Business has had the funding arrangement successfully restructured, such that the Company is no longer required to continue to fund the case. However, in exchange, the Company's position has been subordinated to other funders and it is now only entitled to a maximum of the reimbursement of its costs, whereas previously it was also entitled to a return above its costs, depending on the size of any potential settlement. Regarding the other four cases we understand that since the release of our IER there have been no material updates to the cases.

In relation to the LCF Facility, since the release of our IER the facility amount has increased as a result of ongoing funding of the Litigation Portfolio and an increase in the estimation of the Minimum Return by Management from A\$3 million to A\$4.3 million. The LCF Facility now stands at approximately A\$12.4 million, compared to A\$10 million previously.

We note that the Independent Directors of LawFinance are expected to unanimously recommend that the “Non-Associated Securityholders vote in favour of the Amended Transaction, subject to the Independent Expert opining that the Amended 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 Amended Transaction.

In accordance with the requirements of ASIC RG 111, Grant Thornton Corporate Finance has prepared a Supplementary Independent Expert’s Report (“Supplementary IER”) in relation to the Amended Transaction. This Supplementary IER should be read in conjunction with the IER and Financial Services Guide prepared by Grant Thornton Corporate Finance. Definitions adopted in the IER apply to this letter unless otherwise stated.

Other relevant updates since the release of the IER

In forming our opinion in relation to the Amended Transaction, we have considered whether or not any other key assumptions adopted in the IER needed to be updated in any material respect having regard to changes in market conditions or the underlying circumstances of the Litigation Funding Business since the release of the IER. We make the following observations:

- *Macro update* – At the beginning of March 2021, Q4 GDP figures for 2020 were released by the Australian government with economic growth of 3.1% vs a forecast of 2.5% which provided further confidence for a quick recovery from the recession caused by the outbreak of COVID-19. Year-on-year, GDP was only 1.1% down on pre-COVID-19 level. On the back of the strong 3.4% GDP growth in Q3 2020, this was the first time in the more than 60 years that GDP has grown by more than 3 percent in two straight quarters. Household consumption was particularly strong with 4.3% growth. These strong macro-economic data should provide support for the expected recovery.
- *Full year accounts* – At the date of finalising the IER, we were only provided with draft financials as at 31 December 2020. On 26 February 2021, LawFinance released the full year reviewed accounts as at 31 December 2020 with materially the same net assets as provided to us in the draft accounts (i.e. a difference of less than 5%).

Based on the above discussions, the renegotiated terms of the Amended SPA and changes to the Litigation Funding Business since the release of our IER, below we present our updated summary of opinion.

Summary of opinion

Amended Transaction

Grant Thornton Corporate Finance has concluded that the Amended Transaction is FAIR and REASONABLE to the Non Associated Securityholders.

Fairness Assessment of the Amended Transaction

In forming our opinion in relation to the fairness of the Amended Transaction, Grant Thornton Corporate Finance has compared the fair market value of the Litigation Portfolio to the fair market value of the Amended Consideration. A summary of our assessment is set out in the table below.

Fairness assessment	Section Reference	Low	High
A\$m unless otherwise stated			
Updated Fair market value of JustKapital Litigation	6.3	(6.9)	14.4
Amended Consideration	6.4	0.0	10.2
Premium/(discount)		6.9	(4.2)
FAIRNESS ASSESSMENT		FAIR	

Source: GTCF analysis

The Amended Consideration falls within our updated Fair Market Valuation assessment of JustKapital Litigation. Accordingly, we conclude that Amended Transactions is **FAIR** to Non-Associated Securityholders.

Reasonableness Assessment of the Amended Transaction

In accordance with ASIC RG111, an offer is reasonable if it is fair. Accordingly, we have concluded that the Amended Transaction is reasonable to Non Associated Securityholders. Refer to the IER for a detailed discussions of the advantages, disadvantages and other factors.

Overall conclusion

After considering the abovementioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the Amended Transaction is **FAIR AND REASONABLE** to the Non-Associated Securityholders in the absence of a superior proposal emerging.

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
Director

19 April 2021

Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

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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 and the Amended Transaction. This Report is included in LawFinance's Supplementary Notice of Meeting.

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 the 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 Report, Grant Thornton Corporate Finance's client is LawFinance. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the Report, Grant Thornton Corporate Finance will receive from the Company 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 Report. 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 RG 112 *Independence of expert* issued by 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 unitholding in or other relationship with LawFinance (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Amended Transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Amended 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 Amended 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 RG 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 Australian Financial Complaints Authority. All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton. 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 Australian Financial Complaints Authority 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 Scheme 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.



Grant Thornton

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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.

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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

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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.

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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.

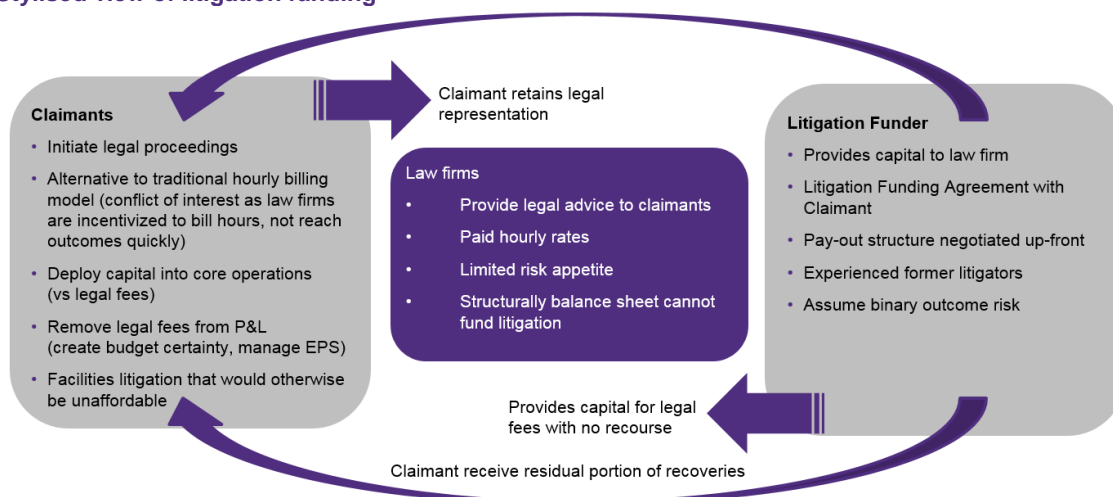
3 Profile of the industry

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

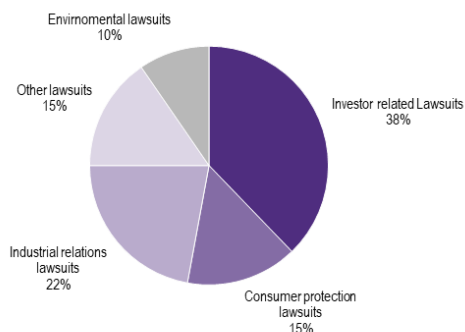
⁷ Maintenance is the intermeddling and funding of a legal case by a disinterested party, Champerty represents Maintenance for a share of any recoveries.

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

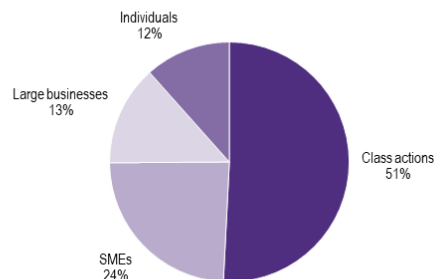
⁸ Campbells Cash and Carry Pty Limited v Fostif Pty Ltd

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

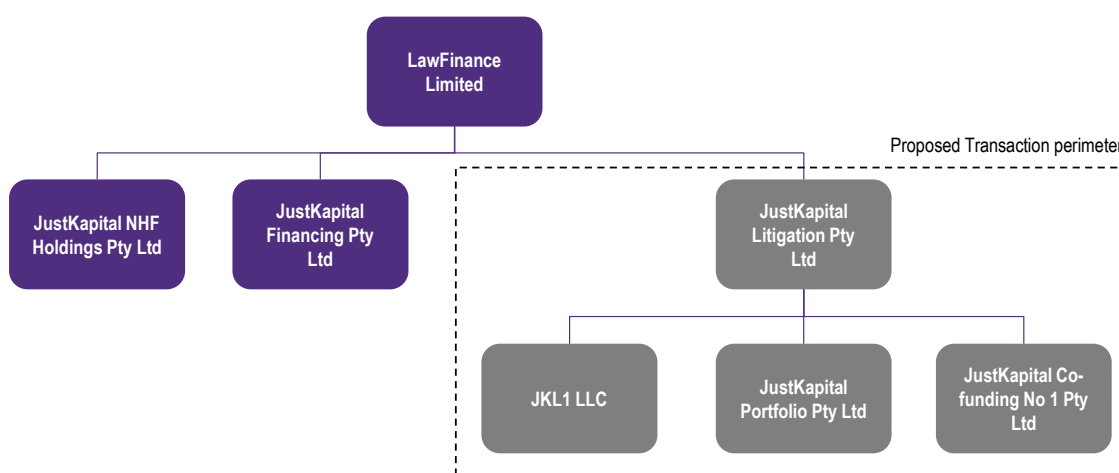
4.1 Introduction

LawFinance provides funding solutions to firms and individuals where there is a legal dispute or claim. These funding solutions can broadly 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 laws	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.

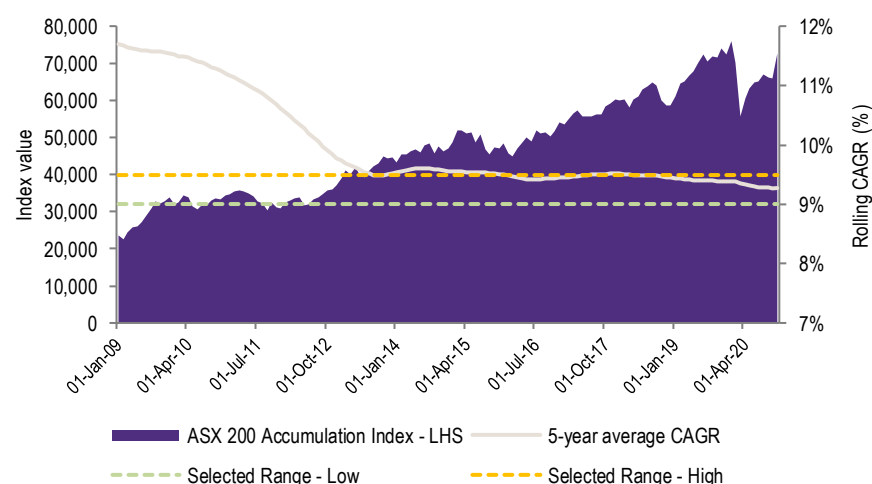
Market risk premium – 6.25%

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 C – Investor Presentation

Restructure and Capital Raising

Investor Presentation

19 April 2021

Important Notice

Summary information

The announcement (“Announcement”) and presentation have been prepared by LawFinance Limited (ABN 72 088 749 008) (“LAW” or the “Company”) in connection with its proposed corporate debt restructure (“Restructure”) and capital raising, which includes a conditional placement and the provision of a new loan at 9.5% interest p.a. and tenor of 4 years (“New Debt Facility”) (together, “Capital Raising”). It is a presentation of general background information about LAW’s activities current at the date of this presentation, which may be subject to change. The information is in a summary form and does not purport to be complete, comprehensive or to comprise all the information which a shareholder or potential investor in LAW may require in order to determine whether to deal in LAW shares, nor does it contain all the information which would be required in a disclosure document prepared in accordance with the Corporations Act 2001 (Cth) (“Corporations Act”). It is to be read in conjunction with LAW’s other announcements released to the Australian Securities Exchange (available at www.asx.com.au).

Nothing contained in this presentation constitutes financial product, investment, legal, tax or other advice or any recommendation. It does not take into account the investment objectives, financial situation or needs of any particular investor. The appropriateness of the information in this presentation should be considered by you having regard to your own investment objectives, financial situation and needs and with your own professional advice, when deciding if an investment is appropriate.

Forward-looking statements

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Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements, as well as statements about market and industry trends, which are based on interpretations of current market conditions. The forward-looking statements reflect views and assumptions with respect to future events as of the date of this presentation. However, they are not guarantees of future performance. They involve known and unknown risks, uncertainties, assumptions, contingencies and other factors, many of which are beyond the control of LAW and its related bodies corporate and affiliates and each of their respective directors, shareholders, officers, employees, partners, agents, advisers and management, and may involve significant elements of subjective judgment and assumptions as to future events that may or may not be correct. Forward-looking statements speak only as of the date of this presentation and there can be no assurance that actual outcomes will not differ materially. Past performance is not indicative of future performance. Refer to the ‘Key risks’ in the Appendix of this presentation for a summary of certain risk factors that may affect LAW.

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Financial data and rounding

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Introduction

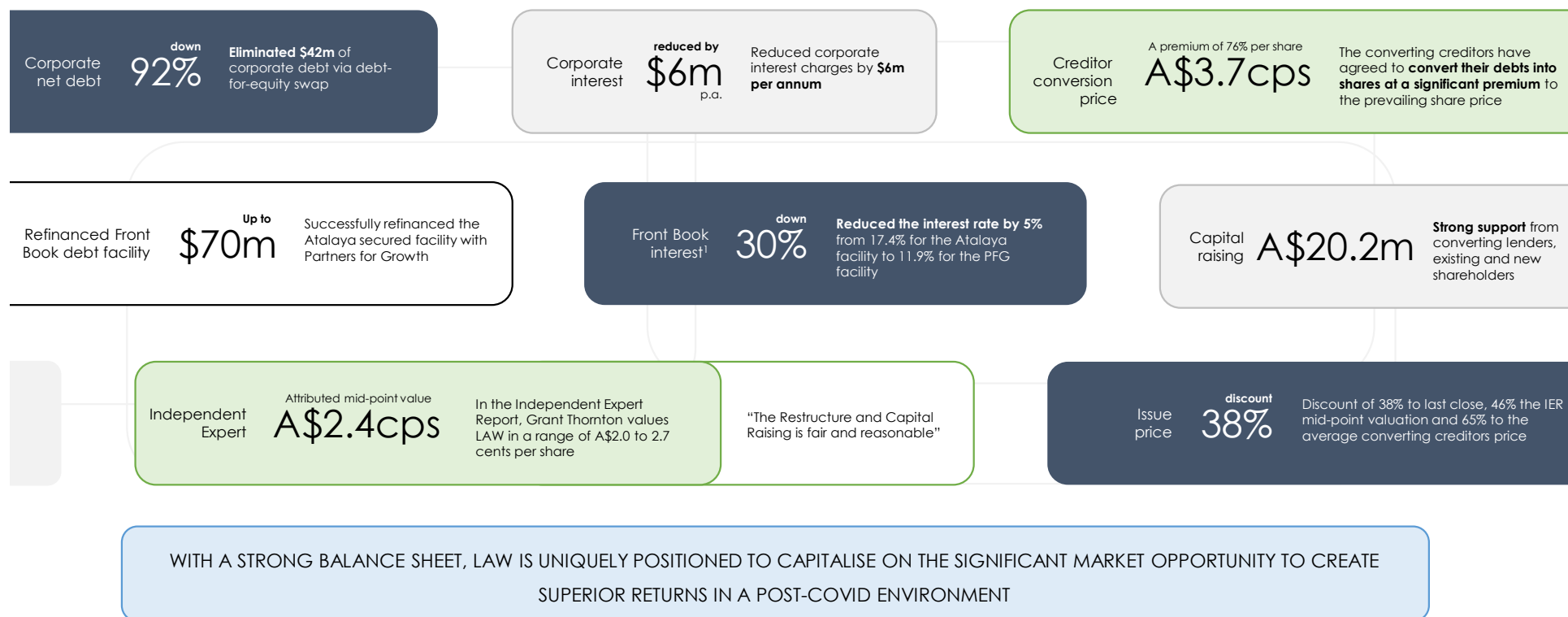
In January, LAW announced its short term strategic priorities to put the Company back on a path of sustainability and value creation

1	Restructure corporate debt	<i>Excessive debt and interest costs</i>	
2	Refinance Front Book secured facility	<i>In default and prevented profitable growth</i>	
3	Raise capital	<i>Grow Front Book to create value</i>	
4	Data capture and capability	<i>Increase quality and quantity of data to improve decision making</i>	Significant progress made
5	Pursue delinquent debtors	<i>Short term cashflow and bring legacy issues to a close</i>	Significant progress made

Creating a Platform for Growth and Value Creation



The Restructure and Capital Raising provide sufficient runway to execute on the strategy



AUD/USD exchange rate of 0.765 applied throughout this presentation.
Note that the Restructure and Capital Raising are subject to shareholder approval and the conditions set out in the Announcement.

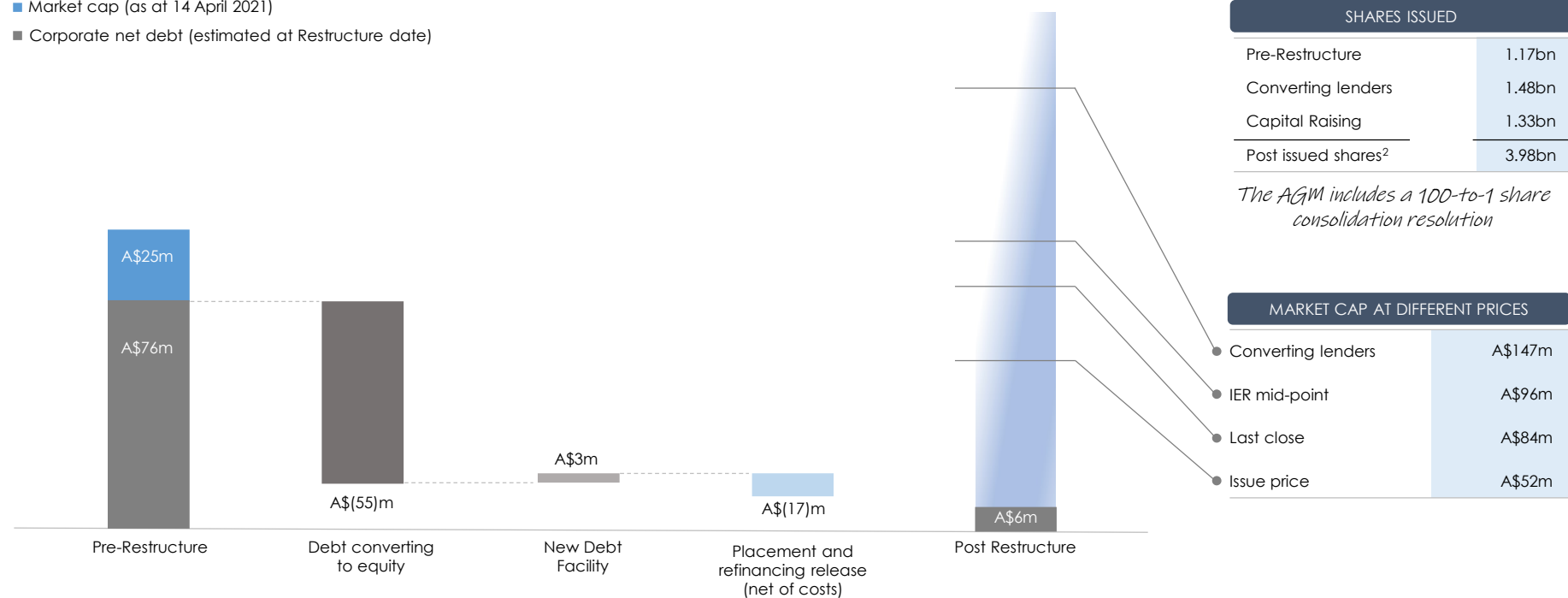
Delivering a Stronger Business Poised for Upside



The conversion of debt at a 75%+ premium to last close and issuing shares at A\$1.3cps could be an attractive proposition for investors

CAPITAL STRUCTURE SUMMARY

- Market cap (as at 14 April 2021)
- Corporate net debt (estimated at Restructure date)



Pro Forma Statement of Financial Position



The Restructure and Capital Raising significantly strengthen the balance sheet

\$ MILLIONS	31 DEC 2020	31 DEC to 17 MAY PRO FORMA	RESTRUCTURE PRO FORMA	CAPITAL RAISING PRO FORMA	PRO FORMA 17 MAY 2021
Assets					
Cash and cash equivalents ³	3.3	(3.0)	0.3	13.0	13.6
NHF Medical Receivables	53.3	(1.6)	-	-	51.7
JustKapital Finance Receivables	16.1	(1.1)	-	-	15.1
Other assets	2.0	-	-	-	2.0
JustKapital Litigation Assets ⁴	10.2	-	(10.2)	-	-
TOTAL ASSETS	84.9	(5.6)	(9.9)	13.0	82.3
Liabilities					
Trade and other payables ⁵	5.4	(0.9)	-	-	4.5
NHF Medical Receivables backed lenders ³	40.7	(1.0)	0.3	-	40.0
JustKapital Finance Receivables backed lenders	17.0	(1.0)	-	-	16.0
Corporate Debt ⁵	55.3	3.0	(42.3)	2.3	18.2
US Government debt	0.7	-	-	-	0.7
Other liabilities	3.1	-	-	-	3.1
JustKapital Litigation Liabilities ⁴	10.2	-	(10.2)	-	-
TOTAL LIABILITIES	132.4	0.2	(52.3)	2.3	82.6
NET ASSETS	(47.5)	(5.8)	42.3	10.7	(0.2)

- ✓ Strong balance sheet
- ✓ Significant reduction in interest cost
- ✓ Refinanced Front Book facility at lower cost, more flexibility and with a lender who supports the strategic plan
- ✓ Sufficient capital available to support the growth in medical receivables
- ✓ No need for external funding expected for the foreseeable future

The US Medical Receivables Market

In the US, hundreds of thousands of accident victims are left without access to appropriate healthcare every year

HEALTHCARE INSURANCE

At fault driver's insurance

- The at fault driver's insurance company is motivated to minimise and delay claims pursued by the victim
- Generally, they will not begin the assessment of the claim until a complete case file has been submitted
- This means that (all) medical costs have been incurred before the victim can be reimbursed

Medicare/ Medicaid

- Approximately 34% of the US population has public healthcare insurance⁶
- Public healthcare insurance wasn't designed motor vehicle accident ("MVA") victims (i.e. insurer of last resort and victim needs to claim against at fault driver's insurer)
- If a treatment is covered, reimbursement rates tend to be below actual cost, leaving the victim out-of-pocket

Uninsured victims

- Approximately 8% of the US population has no healthcare insurance⁶
- Uninsured victims tend to be in a lower socio-economic demographic and unlikely to be able to cover the cost of the required medical treatment without financing

THE BENEFIT FOR INVOLVED PARTIES



VICTIM

- NHF enables the patient to access premium care without the need for personal insurance
- Without financing, victims often delay seeking medical care, potentially intensifying the injury and reducing the probability of recovery in a settlement
- In addition to medical treatment, NHF financing provides the victim with the opportunity to achieve improved compensation under their claim



MEDICAL PROVIDER

- Ensures timely payment to medical providers (<30 days versus 4+ months via public health insurance, if it responds or if it is covered)
- Recovery rate from NHF tends to be better than that from public health insurance
- Eliminates the time and cost involved in managing the claim and collection
- A physician's testimony during legal examination can be called into question if payment for services is directly linked to case outcome
- Hesitation to provide care due to perceived risk on recoverability, particularly for insured victims



ATTORNEY

- Assists attorneys to obtain medical care for clients and to access expert witnesses
- The counterparty attorney can use a "gap in care" from delayed financing as leverage to minimise payment under the victim's claim.
- Lowers attorney's overhead costs as NHF takes care of the medical case management
- Without NHF, attorneys may be required to take the cost of medical care onto their balance sheet in order to pursue the case

NHF Market Opportunity

A large and growing market provides a clear path to growth

ESTIMATED ADDRESSABLE MARKET SIZE

US Market

Number of people injured as a result of an accident⁷ 2.7 million

5yr CAGR

4.5%

Injured people (victims) not at fault⁸ 1.5 million

5yr CAGR

0.7%⁹

Proportion of victims without private health insurance⁶ 42%

Average medical claim¹⁰ \$16k

Invoice level market size¹¹ \$10 billion

Pass internal grading, vetting and underwriting process¹² 67%

Average acquisition price¹³ 31%

US addressable market size per annum \$2.1bn

Initial target markets

- Arizona
- Southern California
- Indiana
- Michigan
- Tennessee
- Texas

With nearly 4,000 medical provider and attorneys in the referral network, NHF's depth in origination sources is a strong competitive advantage



NHF Target Market

Number of people injured as a result of an accident⁷ 0.9 million

Injured people (victims) not at fault⁸ 0.5 million

Proportion of victims without private health insurance⁶ 37%

Average medical claim¹⁰ \$16k

Invoice level market size¹⁴ \$3.1 billion

Pass internal grading, vetting and underwriting process¹² 67%

Average acquisition price¹³ 33%

Target market size per annum \$0.7bn

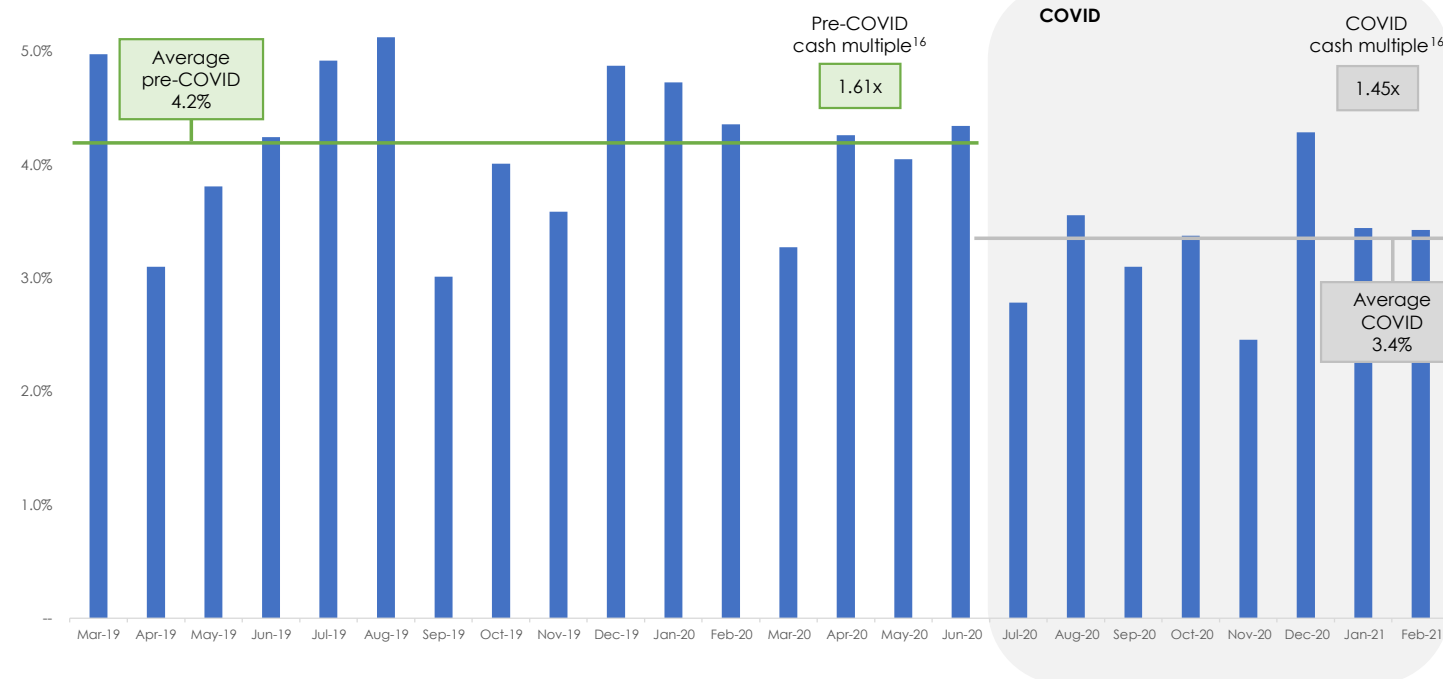
Targeting medical receivables origination of c.**\$2.5—3m** per month in the first 12 months, a level achieved in 2019 and **only a 5% market share**

The Impact of COVID

Motor vehicle insurance companies have taken advantage of COVID at the expense of victims

IMPACT OF COVID ON COLLECTIONS

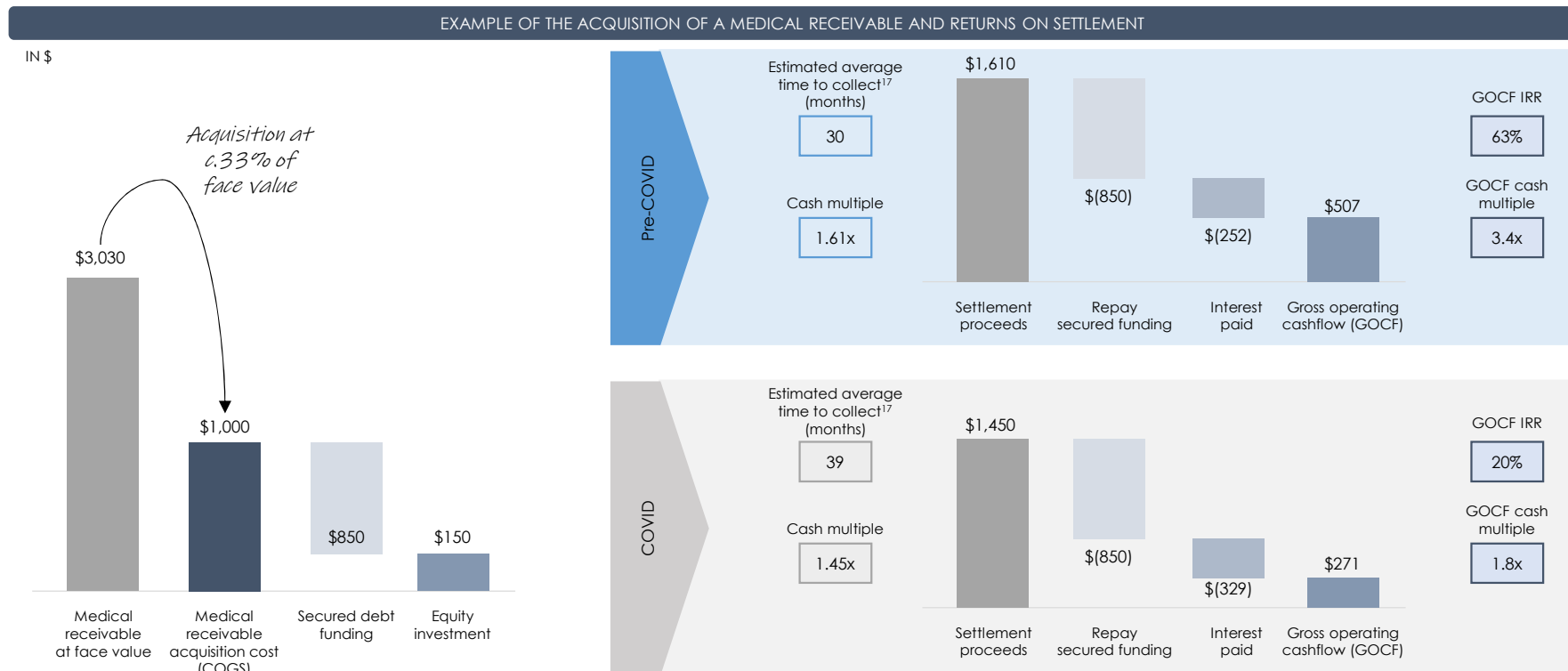
Collections as a percentage of the Front Book¹⁵ (COGS value)



- US court activity has slowed dramatically during COVID
- Motor vehicle insurers have taken the opportunity to only offer settlements at a "COVID" discount
- As a result, settlements are either delayed or agreed at lower payment amounts
- With the rate of vaccination in the US and courts beginning to increase productivity, we expect a to revert to pre-COVID trading conditions towards the end of 2021

NHF Capital Return Model

Significant returns on capital in a highly fragmented market



*Increasing the relative weight of lower case sizes and focusing on key target markets are expected to result in **cash multiple upside***

Cash multiple¹⁸ (case <\$20k)

1.77x

COVID has slowed down collections as insurers take advantage and offer lower settlements to victims

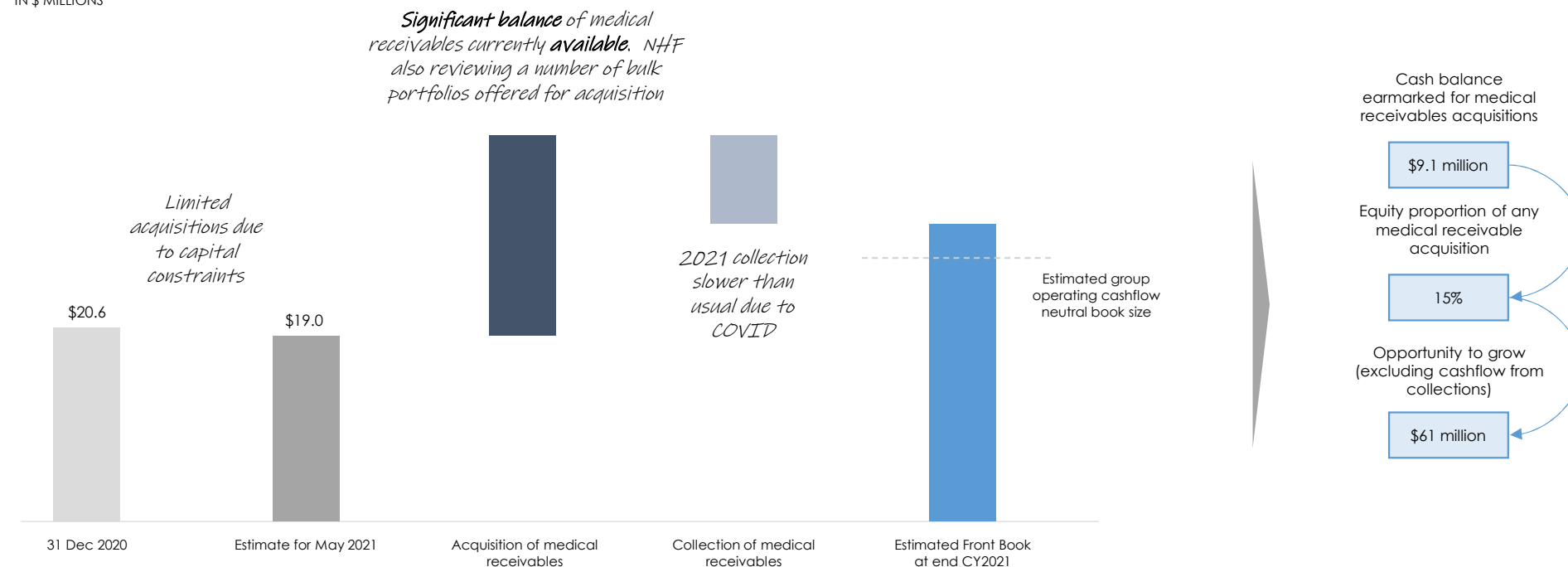
*We are expecting courts to increasingly return to normal operations during H2 2021 with **normalised productivity** starting in 2022*

NHF Focus on the Front Book

Targeting reaching critical scale before the end of 2021, and continue profitable growth thereafter

ESTIMATED FRONT BOOK PROFILE FOR 2021¹⁸

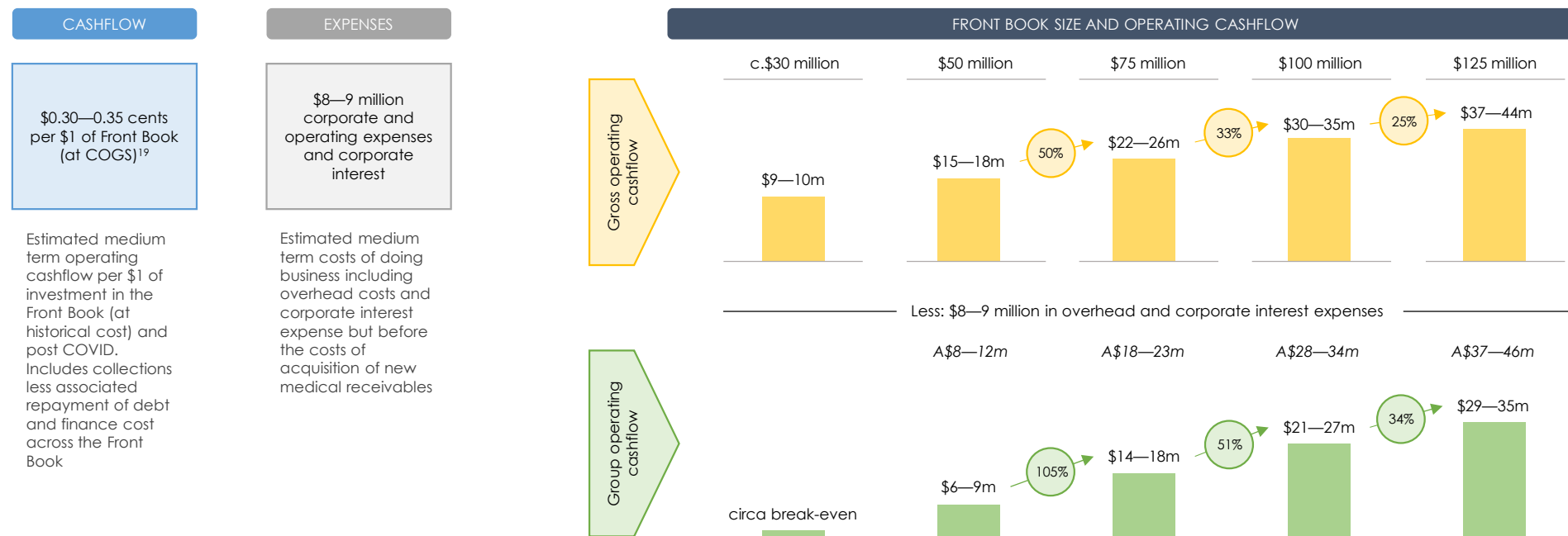
IN \$ MILLIONS



The Importance of Scale

Operating leverage is high in NHF, resulting in strong cashflows as size of the book grows

ILLUSTRATIVE RELATIONSHIP BETWEEN SCALE AND CASHFLOW — FRONT BOOK ONLY



Post Restructure Strategic Priorities

Strategic priorities to return to value creation in the short term

Priority	1	2	3	4	5	6
	Grow medical receivables portfolio	Continue to build data capability	Focus on/invest in core business	Expand funding and service capabilities	Streamline organisation	Manage capital structure
	<i>Creating scale</i>	<i>Predictability of returns</i>	<i>Reduce complexity</i>	<i>Increase market opportunity</i>	<i>Cost management and productivity</i>	<i>Optimise cost of capital</i>
Explanation	<ul style="list-style-type: none"> Financial distress and lack of investable capital has caused the growth book to run off and become subscale Sustainable growth in attractive areas essential Internal analysis shows group operating cashflow positive from c.\$30m portfolio (expect by end 2021/early 2022) 	<ul style="list-style-type: none"> 15 years of investment and operational data available Vetting process is appropriate but predictive returns analysis not historically used Reprogramming of ERP systems to capture more data to improve predictability 	<ul style="list-style-type: none"> NHF will form the core business going forward JustKapital Finance currently undergoing strategic review to assess options for the business Assessment of current processes, systems and software to determine development vs outsourcing 	<ul style="list-style-type: none"> Focus on increasing market opportunity Expand revenue streams by offering collection services to hospitals/large medical providers Consider JV opportunities on medical funding for medical providers reluctant to sell Exploring entering into pre-settlement market 	<ul style="list-style-type: none"> Company has been burdened by excessive compliance requirements Exploring automation of processes, outsourcing and standardisation Reduce corporate complexity (e.g. reducing subsidiaries) Create more agile management structure 	<ul style="list-style-type: none"> Current facilities below the size that attracts interest from US banks or the capital markets We believe that at \$50m+ drawn debt, that market is opens up to LAW, reducing interest rates to mid-to-high single digits Prudently manage capital structure and apply lessons learnt from the past
Timing	<ul style="list-style-type: none"> Immediately following Restructure Preparation complete/ready to commence 	<ul style="list-style-type: none"> Underway Process to improve over time 	<ul style="list-style-type: none"> JKF strategic review underway and JKL sale subject to approval at the AGM Process and system review to complete by end 2021 	<ul style="list-style-type: none"> Service and JV model underway Decision re pre-settlement market by mid 2022 	<ul style="list-style-type: none"> Streamline project to commence H2 2021 	<ul style="list-style-type: none"> Process, including non-deal roadshows to commence end 2022

Summary

LAW operates in a fundamentally attractive industry and the Restructure and Capital Raising provide the opportunity to return to value creation

BUSINESS REVIEW COMPLETED

- Litigation Funding business sold (subject to shareholder approval)
- Australian disbursement business to be strategically reviewed
- NHF operates in a fundamentally attractive sector with significant opportunity to create value and will be the primary focus

SIGNIFICANT OPPORTUNITY FOR GROWTH

- Core addressable market is large and competition is fragmented
- NHF is planning to enter new markets and introduce new market models to gain market share and increase cashflow
- Data capture project is expected to provide opportunity to increase returns

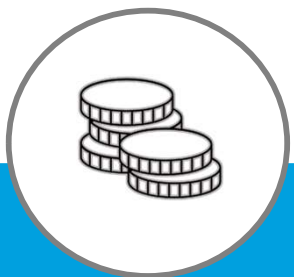
STRONG BALANCE SHEET PROVIDING AMPLE RUNWAY TO EXECUTE STRATEGIC PLAN

- Agreed plan to reduce corporate net debt by more than 90%
- Significant reduction in interest charges
- Supportive lender of the Front Book
- Capital Raising of approximately A\$20.2 million provides sufficient liquidity to implement the growth plan

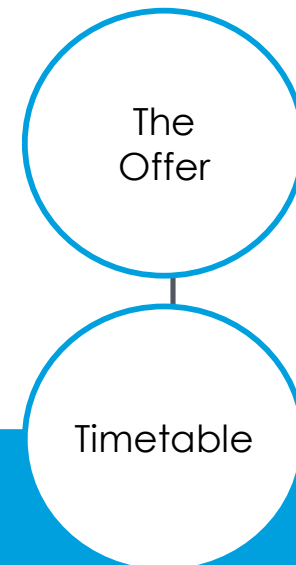


DETAILED STRATEGIC PRIORITIES AND LONG TERM PLAN

- Objective to become America's leading medical financier
- Clear strategic priorities while maintaining flexibility to capture opportunities as they arise
- Management and employees motivated and incentives to be aligned with strategy and shareholder value creation



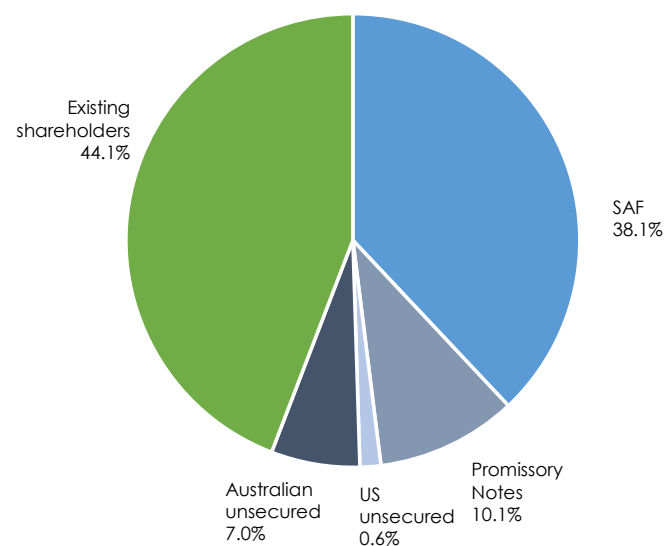
Offer Details



Post Restructure Shareholder Structure

POST RESTRUCTURE SHAREHOLDINGS AND VOLUNTARY ESCROW

Post Restructure shareholding, before the Capital Raising



	SHAREHOLDING	VOLUNTARY ESCROW ARRANGEMENT				
		3 months	12 months	18 months	24 months	30 months
AquAsia	17.2%	×	×	50%	25%	25%
Pure Asset Management	11.4%	×	×	50%	25%	25%
Other SAF ²¹	9.5%	×	33.3%	33.3%	33.3%	-
P-Notes	10.1%	Escrow for 2 months, maximum of 10% of shareholding each month thereafter ²²				
AU unsecured (A)	7.0%					
US unsecured	0.6%	No escrow				

	MARKET CAP AT DIFFERENT LEVELS			
	Issue price A\$1.3cps	Prior close A\$2.1cps	IER mid-point A\$2.4cps	Conversion A\$3.7cps
Post Restructure and Capital Raising	\$52m	A\$84m	A\$96m	A\$147m

Raising A\$20.2 million of New Capital



The placement provided an attractive opportunity to invest in LAW

- Capital Raising of approximately A\$20.2 million was undertaken by way of a conditional placement and is fully subscribed for through firm commitments by converting creditors, existing shareholders and new shareholders, and includes the New Debt Facility
- A Share Purchase Plan will also be offered to retail shareholders to raise up to a maximum of A\$1.5 million
- In addition to the conditions set out in the Announcement, the placement is conditional on shareholder approval of the Restructure and Capital Raising resolutions²⁰
- The placement was priced at A\$1.3 cent per new share and represented:
 - 38% discount to LAW's closing price on 14 April 2021
 - 46% discount to the IER valuation mid-point of LAW shares
 - 65% discount to the average conversion share price of converting creditors

SOURCES (in US\$)		USES (in US\$)	
Share placement and New Debt Facility	\$13.0m	NHF growth capital	\$9.1m
Estimated Front Book refinancing release of funds	\$0.3m	Working capital (assumes maximum raised under SPP)	\$3.2m
Maximum SPP subscription proceeds	\$1.5m	Restructure fees and expenses	\$2.5m
Total sources	\$14.8m	Total uses	\$14.8m

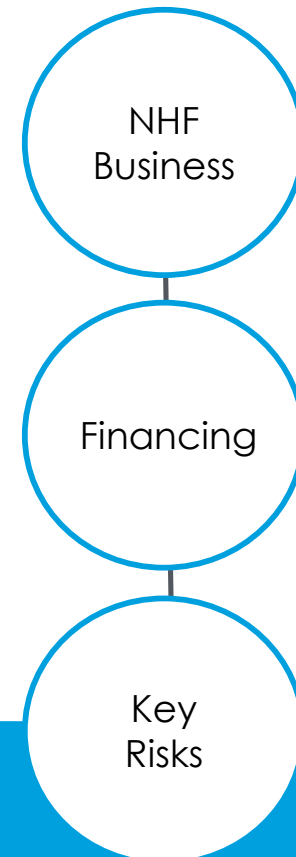
Capital Raising Timetable



Event	Date
Trading halt	Thursday, 15 April 2021
Placement books open	Thursday 15 April 2021
Record Date for SPP	Friday 16 April 2021
Trading halt lifted and announcement of the Restructure and Capital Raising	Monday 19 April 2021
Dispatch of AGM materials	Friday 23 April 2021
AGM	Tuesday, 25 May 2021
Settlement of Shares under Placement	Thursday 27 May 2021
Allotment of Shares under Capital Raising	Friday 28 May 2021
Implementation of debt for equity swap under the Restructure	Friday 28 May 2021
Normal trading of new shares under placements and Restructure	Monday 31 May 2021



Appendix



LawFinance Company Overview



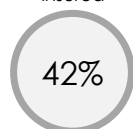
Motor vehicle injuries p.a.⁷



Average medical cost¹⁰



Proportion not or publicly insured⁶



Invoice level market size p.a.¹¹



THE PROBLEM



In the US, before a victim from an accident (e.g. motor vehicle accident ("MVA") or slip-and-fall) can receive compensation they often incur unfunded out-of-pocket expenses to cover medical treatments. This is particularly the case for publicly insured and uninsured victims.



More than 40% of US citizens are publicly insured or uninsured and face significant unfunded medical expenses even when they are not at fault.

THE MARKET



National Health Finance's ("NHF") relevant market for publicly or uninsured medical claims as a result of accidents is estimated at almost \$10 billion per annum and has been growing as a result of population growth, increasing number of cars on the road, healthcare cost increases and growing unemployment

THE NHF SOLUTION



NHF funds personal injury claims related to medical expenses incurred by an accident victim which are covered by the at fault driver's and/or the victim's automobile insurer or the property owner's insurance



Our funding results in favourable outcomes for the victims, medical providers and the attorneys when the claim gets settled both in or outside the court process



For the Front Book, returns are expected to be >1.6x of the acquisition price of the medical receivable and >3x our equity investment as per the pre-COVID period (see page 12)

PRE-RESTRUCTURE CAPITAL STRUCTURE

Share price (14 Apr 2021)	A\$2.1cps
Market capitalisation (14 Apr 2021)	A\$25m
Net corporate debt*	A\$76m

* Estimated balance immediately prior to the Restructure



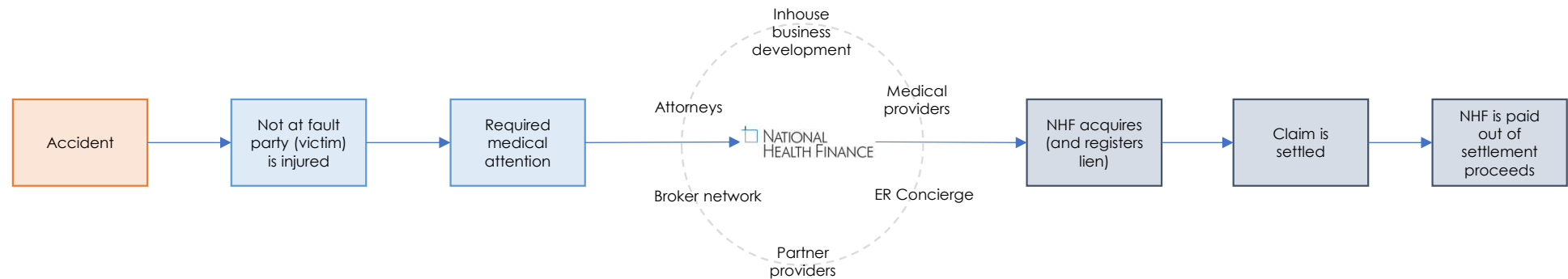
JUSTKAPITAL FINANCE

JustKapital Finance operates in Australia and funds legal disbursements in personal injury cases, primarily to fund medical expert reports. These reports assist victims to progress through the legal system.

JUSTKAPITAL LITIGATION

An agreement for the sale of JustKapital Litigation Pty Ltd and its subsidiaries has been entered into, which is conditional on (amongst other things) shareholder approval at the AGM, scheduled to be held on 25 May 2021.

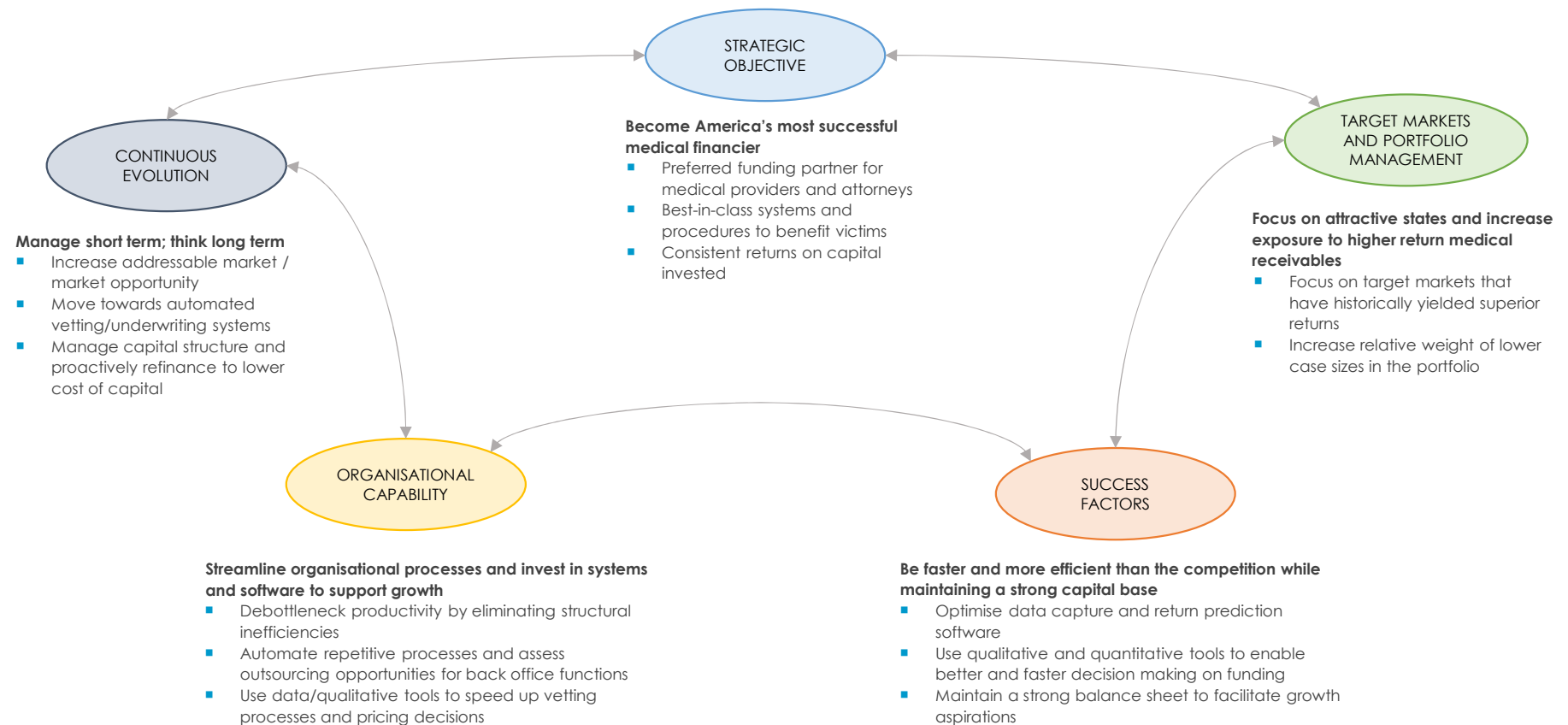
NHF Business Overview



- In the US, hundreds of thousands of accident victims are left without access to appropriate medical treatment as a result of public healthcare insurance (e.g. Medicaid/Medicare) not (fully) covering the required treatments or being uninsured
- Where the victim is unable to cover the cost of treatment, medical providers are left with outstanding invoices
 - Creates a significant working capital gap
 - Medical provider not set up to manage burdensome collection process
 - Physician's testimony during legal examination will be questioned if payment for services is directly linked to case outcome
- In our focus markets, NHF acquires the outstanding invoices from the medical provider (medical receivable), at an average discount to face value of c.67%, and registers lien
- If further care is needed, NHF becomes the central point of contact liaising with the medical facility to schedule care and obtain medical documents for the lawyer to substantiate a successful court settlement
- NHF works with the personal injury attorney to manage the victim's medical treatments. The attorney benefits from
 - NHF managing victim through the time-consuming treatment phase
 - A reduction of overhead costs
- Attorney lodges claim with Insurer. Successful claim settlement sees NHF, attorney and victim share in proceeds (generally divided 1/3, 1/3, 1/3)

Long Term Strategy

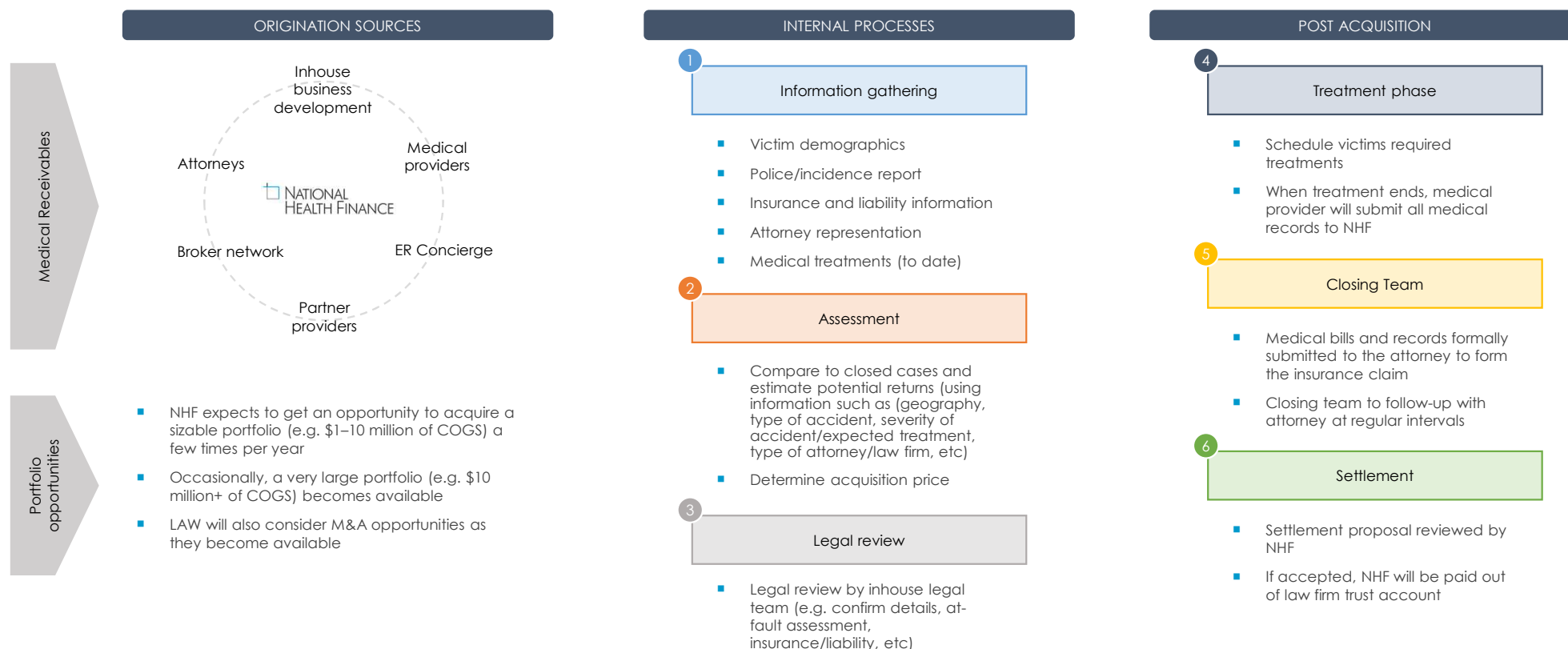
The long term strategy to support sustainable growth going forward



NHF Medical Receivable Origination and Collection Model



NHF's large and active referral network benefits from NHF's transparent decision-making process and strong case management skills



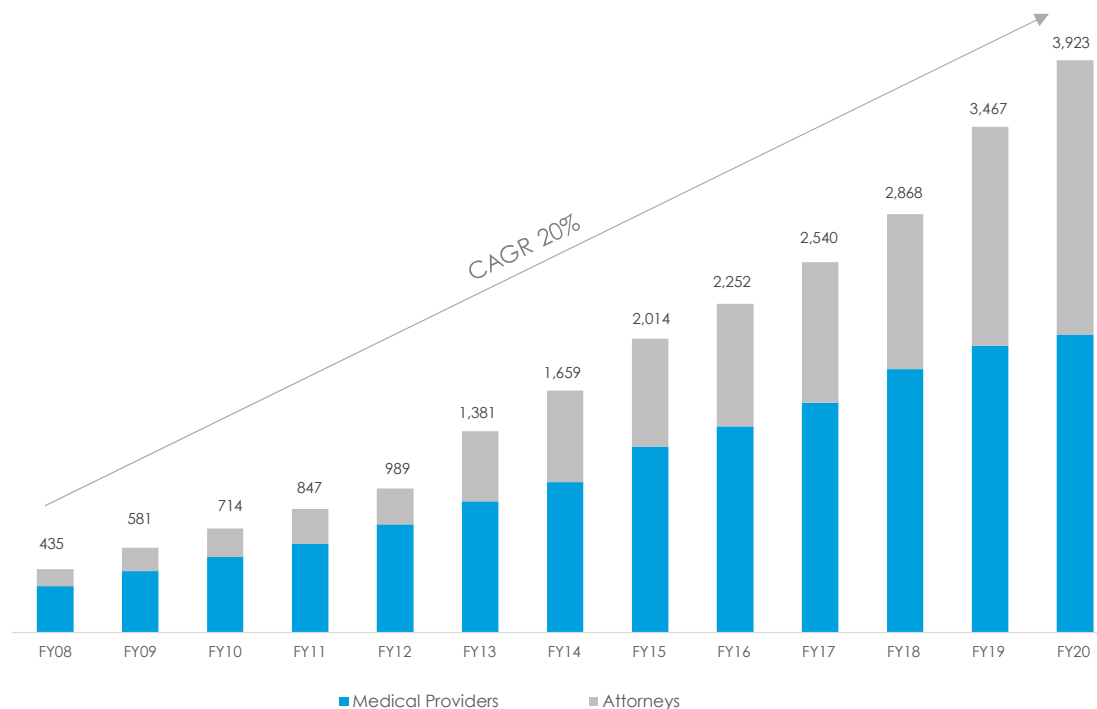
Continued Growth in Origination Network



With a referral network of almost 4,000 medical providers and attorneys, and more than 20 years of experience in the industry, NHF is well positioned to grow

NHF REFERRAL NETWORK

- NHF has been operating for 22 years and is one of the top five largest personal injury financiers in the United States
- NHF operates in a large addressable market created by an underfunded and complex US healthcare system
- The deployment of technology platform Netsuite has allowed management to harness its referral network of 3,900+ medical specialists and attorneys and more effectively manage its Front Book
- Active network with track record of previous acquisitions of medical receivables supports a network of future acquisition opportunities
- Substantial opportunities in medical receivables have been offered for funding following the Restructure
- The depth of NHF's referral network is a significant advantage versus any competitors



NHF Portfolio Collection Overview



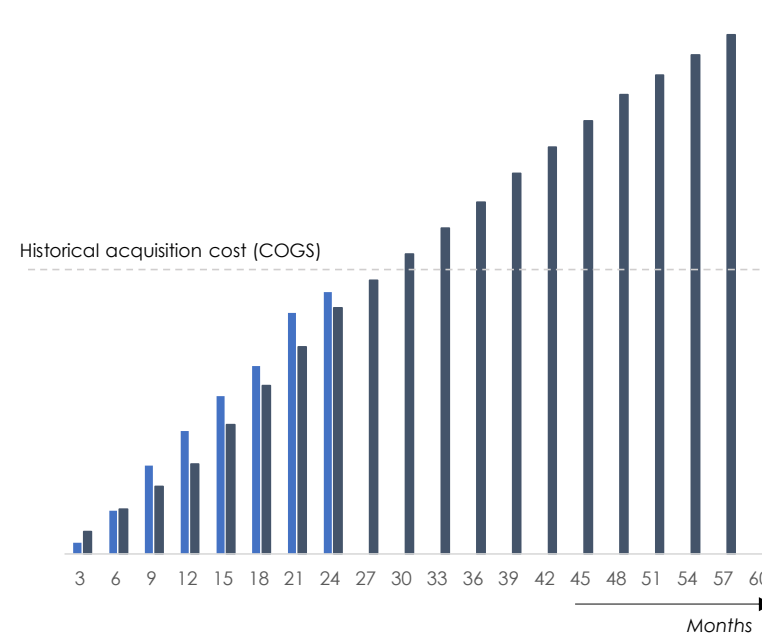
High cashflow velocity with an estimated pay-back period of less than three years

KEY DRIVERS FOR COLLECTIONS

- Duration of medical treatment
 - Severity of the injury (e.g. surgery and post surgery rehabilitation)
 - Final claim to the insurance company cannot be submitted until treatment is finalised
- State-by-state regulation
 - Statute of limitations for claims vary between states
 - It is generally in the insurers interest to settle as late as possible (time value)
 - Michigan has a different regime and settles by medical provider (not claim)
- Size of the claim
 - The size of the claim in relation to the insurance liability cap affects the cash multiple in particular
- Settlement process
 - Settlement only occurs when all parties confirm agreement (victim, medical lien holder and attorney)
- External events
 - While the business has historically seen limited impact from economic cycles, the inability for court to operate normally during COVID-19 has affected performance

OBSERVED COLLECTIONS PERFORMANCE

- Observed collection profile (pre-COVID)
- Assumed collection profile (post COVID)



Source: LAW management information systems

Corporate Debt Restructure Overview



The converting creditors have agreed to convert at a significant premium to market

- LAW negotiated with more than 40 creditors and lenders to agree a debt restructure
- The conversion share prices reflect the seniority of debt
- Following the Restructure, LAW will only have corporate debt remaining under the Syndicated Acquisition Facility, with the remainder converted to equity[#]

FACILITY	PRE-RESTRUCTURE		RESTRUCTURE		POST RESTRUCTURE	
	DRAWN AMOUNT	INTEREST RATE	AMOUNT CONVERTED TO EQUITY	CONVERSION SHARE PRICE ^{##}	AMOUNT OF DEBT REMAINING	INTEREST RATE
Syndicated Facility	\$43.2m	13.6%	\$27.2m	A\$3.52cps	\$15.9m ^{###}	9.5%
Promissory Notes	\$8.2m	12.4%	\$8.2m	A\$4.0cps	—	—
U.S. Unsecured	\$0.6m	n.a.	\$0.6m	A\$4.4cps	—	—
Australia Unsecured	\$6.3m	17.4%	\$6.3m	A\$4.4cps	—	—
Total	\$58.3m	13.7%	\$42.6m		\$15.9	9.5%

[#] LAW will have c.\$0.8m of non-asset secured corporate debt in NHF, these are largely COVID loans provided by the US government. The majority of these are expected to be forgiven in the next 12 months

^{##} The agreements with individual finance creditors on the conversion set out that the conversion terms are calculated as the debt less a discount divided by A\$2.2cps. The discounts for the different facilities are SAF, 37.5%; Promissory Notes, 45%; and the unsecured finance creditors, 50%

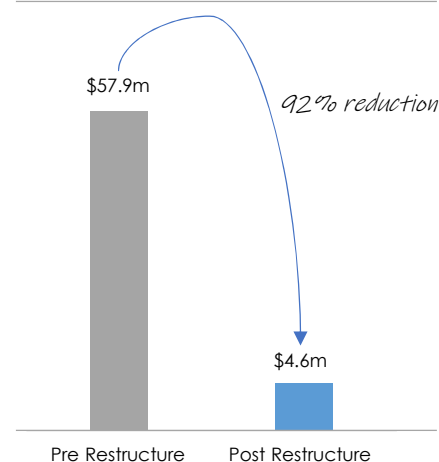
^{###} Excludes the New Debt Facility of \$2.3m, provided at announcement

Corporate Debt Restructure Highlights

Existing and new shareholders will benefit from a strong balance sheet and much lower finance costs

SUSTAINABLE CAPITAL POSITION

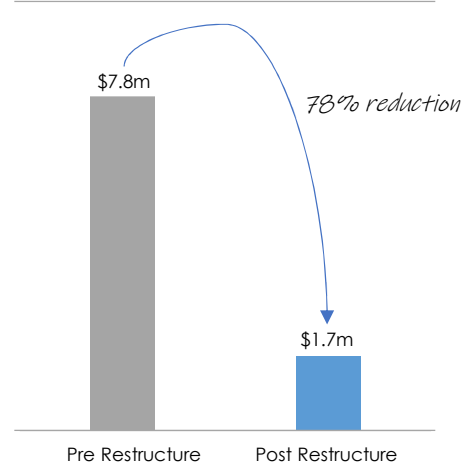
NET DEBT



- The restructure will create a sustainable capital position that will support the Post Restructure Strategic Plan
- Post restructure cash balance of c.\$14m will allow immediate recommencement of receivables origination

SIGNIFICANT COST REDUCTION

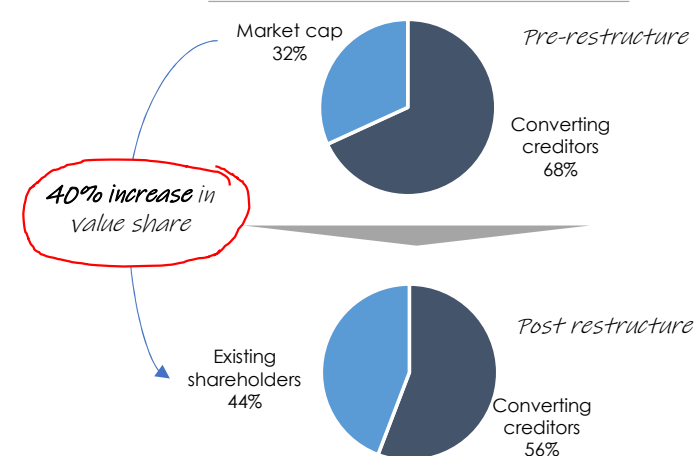
INTEREST CHARGES



- The remaining corporate debt interest rate is c.4% lower than the pre-restructure interest rate
- The reduction of c.\$6m p.a. interest¹ reduces the break-even point by c.\$20m in terms of book size

INCREASED SHAREHOLDER EXPOSURE

PERCENTAGE OF EQUITY EXPOSURE



- Increased value participation is a result of lenders agreeing to convert at a premium
- This appropriately reflects recognises existing shareholders' previous capital commitments

Successful Refinancing of the Atalaya Facility

A supportive lender at much lower cost

- As part of the Restructure, LAW has agreed to refinance the Atalaya facility that was secured over the front book
- The facility will be provided by Partners for Growth ("PFG Facility") will completely take out the Atalaya facility following shareholder approval of the Restructure resolutions, subject to shareholder approval of the Restructure and Capital Raising resolutions and the conditions set out in the Announcement
- The PFG Facility will contain all NHF's medical liens that is known as the Front Book

PFG FACILITY KEY TERMS	
Committed Facility A	\$30m
Uncommitted Facility B ^I	\$20m
Uncommitted Facility C ^I	\$20m
Advance rate	85%
Fixed interest p.a.	11.25%
Facility line fee p.a.	50bps
Tenor ^{III}	4 years
Prepayment fee ^{IV}	50bps
Commitment fee	\$750k
Warrants	104.5m @ A\$4.4cps

FACILITY COMPARISON		
	Atalaya	PFG
Facility size	\$80m	Up to \$70m
Interest rate ^V	17.4%	11.9%
Tenor	4	4
Supportive of Strategic Plan?	No	Yes

More than 5% savings per year (30% reduction)

Objective is to refinance to bank or capital markets debt in 3 years (mid-to-high single digit)

The Atalaya facility forced uneconomic origination of receivables to avoid breaching concentration and size limits

^I The uncommitted facilities are subject to Partner for Growth IC approval. Facility C can be requested from year 3 onwards

^{II} If drawn debt exceeds the 85% advance rate (but lower than 87%), then the interest rate steps up by 25bps to 11.5%

^{III} The PFG Facility operates as a revolving facility during the first 3 years and will be amortising in year 4

^{IV} The PFG Facility cannot be prepaid in the first 2 years. Thereafter at a cost of 50bps. There is no prepayment penalty at the end of year 4 or if PFG does not commit to Facility B

^V Includes annual interest, facility fees and unused line fees. Both facilities' interest rate based on annualised 2021 costs

Overview of Debt Facilities



CORPORATE AND ASSET SECURED DEBT FACILITIES			
FACILITY	ESTIMATED DRAWN AMOUNT (on or about 24 May 2021)	ESTIMATE POST RESTRUCTURE (on or about 25 May 2021)	COMMENTS
CORPORATE DEBT			
Syndicated Facility	\$43.2m	\$18.2m	Australian dollar denominated loan, A\$20m with a tenor of 5 years and A\$3.75m with a tenor of 4 years. Interest rate of 9.5%. LAW has the option to capitalise interest payments in the first 3 years. Balance converting to equity
Promissory Notes	\$7.9m	-	Converting to equity
U.S. Unsecured	\$0.6m	-	Converting to equity
Australia Unsecured	\$6.3m	-	Converting to equity
US Government loans	\$0.8m	\$0.8m	US Small Business Administration COVID Loans. LAW expects \$0.5m to be forgiven within the next 12 months and \$150k is a 30-year loan at 3.75% interest p.a.
ASSET SECURED DEBT			
Atalaya Facility	\$16.1m	-	Refinanced with Partners for Growth
Partners for Growth Facility	-	\$16.1m	Front Book secured facility. See page 30 for summary terms
AssetSecure Facility	\$16.5m	\$16.5m	Facility to fund JustKapital Finance's disbursement business in Australia. Currently in breach. LAW is in discussions with AssetSecure to limit a corporate guarantee to A\$2m and extend the guarantee standstill as mentioned in the conditions in the Announcement.
EFI Facility	\$24.8m	\$24.8m	Back Book secured facility with a corporate guarantee. LAW has committed to provide \$0.8 million to fund litigation expenses in relation to delinquent debtors. LAW will also provide second ranking security on or before 31 August 2021. The Facility expires in December 2023
JustKapital Litigation	\$7.7m	-	Assumed divested following shareholder approval at the AGM

Footnotes

No.	
1	Based on 2021 annualised interest
2	Excludes shares issued under the SPP post AGM (up to 115.4m shares). Also excludes any shares issued as a result of the CCN conversion
3	Cash and equivalents as at 31 Dec 2020 has been adjusted by removing \$1.6m of reported cash as it was collateral held prior to a cash sweep by the secured lender (NHF loan reduced by the same amount). Capital Raising of \$13.0m is net of \$2.5m in transaction related expenses
4	The pro forma statement assumes that the sale of JustKapital Litigation is approved at the AGM
5	The balance of accounts payables as at 31 Dec 2020 has been reduced by \$1.8m which has been added to corporate debt
6	US Census data, 2019
7	US Department of Transport, NHTSA Traffic Safety Facts 2019
8	US Department of Transport, NHTSA Traffic Safety Facts 2019. Based on multi vehicle accidents (MVA) and management assumptions around number injured passengers per vehicle (1.2 for single vehicle and 1.66 for MVA)
9	IBIS World, Medical Patient Financing, February 2020
10	Insurance Information Institute, 2018 data
11	Calculated by multiplying the no. of injured people not fault by the average claim size by the percentage of people that are either uninsured or publicly insured
12	Management estimate, historical pass rate for vetting new medical receivables has been closer to 90%
13	Company information, based on average acquisition price across 17 states in the US in the Front Book or target states, respectively
14	As footnote 11 but making an adjustment for Michigan which is a not at fault state (adds c.\$0.1bn to the invoice level market size)
15	Company information, collection data for the pre-COVID and COVID period are based on historical performance for closed cases of the Front Book (incl. write-offs)
16	Company information, cash multiples for the pre-COVID and COVID period are based on historical performance for closed cases of the Front Book (incl. write-offs)
17	Management estimate based on historical collection data for the Front Book
18	Assumes \$2.5—3m of acquisitions if medical receivables per month and collections of c.3.2% (COVID period) of the book size (p.11) from end-May to end-Dec 2021
19	Illustrative, based on Company information and on a run-rate basis
20	The Restructure and Capital Raising resolutions will be included at LAW's AGM to be held in May
21	For certain investors in the SAF that have invested through a syndication by Lucerne Finance Pty Ltd, LAW has agreed to reduce the voluntary escrow period to 3 months due to the small individual size of the holding
22	Corrs Chambers Westgarth are not subject to the voluntary escrow (11,205,341 shares)

Key risks

- This section sets out some of the key risks associated with any investment in the Company, together with risks relating to participating in the Capital Raising which may affect the value of securities in the Company.
- The risks are not set out in order of importance and do not constitute an exhaustive list of all risks involved with an investment in the Company.
- Before investing in the Company, you should carefully consider the risk factors and your personal circumstances. Potential investors should consider publicly available information on the Company (such as that available on the ASX website) and consult their stockbroker, solicitor or accountant before making an investment decision.
- In light of COVID-19 (pandemic) (**COVID-19**), extra caution should be taken when assessing the risks of an investment given the significant market volatility.
- Nothing in this presentation constitutes financial product advice and this document has been prepared without taking into account your investment objectives or personal circumstances.

Nature of investment	<p>Any potential investor should be aware that subscribing for shares in the Company (Shares) involves risks. The Shares to be issued pursuant to the Capital Raising carry no guarantee with respect to the payment of dividends, return on capital or the market value of those Shares. An investor may not be able to recoup their initial investment. Specifically, the risks include:</p> <ul style="list-style-type: none">• the price at which the investor is able to sell the Shares is less than the price paid due to changes in market conditions;• the investor is unable to sell the Shares; and• the Company is placed in receivership or liquidation making it reasonably foreseeable that Shareholders could receive none, or only some of their initial investment.
Economic factors	<p>The operating and financial performance of the Company is influenced by a variety of general local and global economic and business conditions including the levels of consumer confidence and spending, business confidence and investment, employment, inflation, interest rates, exchange rates, access to debt and capital markets, fiscal policy, monetary policy and regulatory policies. A prolonged deterioration in any number of the above factors may have a material adverse impact on the Company's business and financial performance.</p>
Management actions	<p>The Directors will, to the best of their knowledge, experience and ability (in conjunction with their management) endeavour to anticipate, identify and manage the risks inherent in the activities of the Company, but without assuming any personal liability for the same, with the aim of reducing, avoiding and mitigating the impact of risks on the performance of the Company and its securities.</p>

Key risks (cont.)

Insurance arrangements	The Company maintains insurance within ranges of coverage the Company believes to be consistent with industry practice and having regard to the nature of activities being conducted. No assurance, however, can be given that the Company will be able to obtain such insurance coverage at reasonable rates or that any coverage it arranges will be adequate and available to cover any such claims.
Operational risks and costs	The Company will be exposed to operational risks and costs present in the current business. Operational risk has the potential to have a material adverse effect on the Company's financial performance and position as well as reputation. The Company will endeavour to take appropriate action or obtain appropriate insurance to mitigate these risks, however certain residual risk will remain with the Company.
Currency fluctuations	Currency fluctuations may affect the Company's capital costs that the Company incurs in its operations.
Business risks	There are risks inherent in doing business, such as unexpected changes in regulatory requirements, trade barriers, longer payment cycles, problems in collecting accounts receivable, network and infrastructure issues and potentially adverse tax consequences, any of which could adversely impact on the success of the Company's operations.
Future capital needs	Further funding may be required to advance the business objectives of the Company or for working capital purposes. The business operated by the Company relies on cash collections and access to funding to grow. The collection periods of more than 12 months provide a greater reliance to the Company to access capital in order to facilitate growth of its business. There is a risk that despite efforts from the Company and its management, expansion efforts will fail, which will adversely affect the Company's growth and profitability. Moreover, there can be no assurance that additional funding will be available on satisfactory terms or at all. Any inability to obtain funding may adversely affect the financial condition of the Company and, consequently, the value of its Shares. Any additional equity financing may be dilutive to Securityholders and any debt financing, if available, may involve restrictive covenants, which may limit the Company's operations and business strategy.
Share market conditions	The price of the Company's Shares will be influenced by international and domestic factors which may cause the market price of the securities to fall and may be subject to varied and unpredictable influences on the market for equities. Shareholders should be aware that there are risks associated with any securities investment. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

Key risks (cont.)

Competition	New competitors may enter the market place in which the Company operates and affect the Company's financial performance. New or increased competition has the potential to impact the Company's relationships with its partners which may in turn reduce the funding opportunities available to the Company.
Exposure to fraudulent claims	While the Company currently has safeguards in place, there is the possibility that the Company could be exposed to potential personal injury fraud.
Reliance on debt financing	The Company is reliant on debt financing for the purchase of medical liens and funding of disbursements. The ability of the Company to continue to have access to funding for future activities is dependent on a number of factors including compliance with the covenants contained in its existing debt financing arrangements, general economic, political, capital and credit market conditions. Any breaches of existing covenants or changes in the conditions noted could adversely affect the Company's ability to operate its business or refinance its debt.
Reliance on capital	The funding business operated by the Company relies on cash collections and access to funding to grow. The Company has extended average collection periods (longer than 12 months) which results in a greater reliance on access to capital in order to facilitate growth of its business.
Recoverability of debts	There is no guarantee that all amounts that are stated as being recoverable (Accounts Receivable) will actually be recovered. Amounts not recovered will have an adverse impact on the Company's financial position.
Reliance on partner network	The Company relies on its partner provider network to facilitate relationships between it and local personal injury attorneys, medical practitioners, hospitals and patients, allowing the Company to scale rapidly. There is the risk that these relationships could deteriorate over time.

Key risks (cont.)

Key personnel	Shareholders will be dependent on the Company's management to assess financing opportunities as they arise. The continued success of the Company may be at risk if certain of these key personnel cease to be involved in the management of the Company.
Costs of being a multinational firm	<p>Following the acquisition of NHF in 2018, the Company incurs costs in complying with the reporting requirements of multiple jurisdictions, which is inherent to multinational companies such as the Company.</p> <p>The Company's operations could also be subject to a number of risks inherent in global operations, including political and economic instability in foreign markets, inconsistent product regulation by foreign agencies or governments, imposition of product tariffs and burdens, cost of complying with a wide variety of international regulatory requirements, risks stemming from the Company's lack of local business experience in specific foreign countries, foreign currency fluctuations, difficulty in enforcing intellectual property rights, foreign taxes, and language and other cultural barriers.</p>
Changes in the regulatory environment	<p>Changes to laws, regulations and accounting standards which apply to the Company from time to time could materially and adversely impact upon the operating and financial performance and cash flows of the Company. Specifically, it is possible that the law may change which may adversely impact the Company's business model and the industry in which it operates. As the industry of purchasing medical liens grows, there is the possibility that regulators will increase their level of scrutiny of the business and impose regulatory changes that may impact on the Company's business. There is no guarantee as to how existing laws and regulations will be applied in the future. The key laws and regulations governing the Company's business (in particular, the NHF business), if they were to change, are summarised as follows:</p> <ul style="list-style-type: none"> the federal Anti-Kickback Statute (42 U.S.C. § 1320a-7b) (and similar applicable US state laws) makes it a felony offence for anyone to knowingly and wilfully offer, pay, solicit or receive remuneration if one purpose of the act is to induce patient referrals or the purchase, order or the arranging for or recommending the purchase or order of items or services, for which payment may be made in whole or in part by any federal or state healthcare program. Payments or inducements offered directly to patients, such as coupons, discounts, fee waivers and giveaways are also prohibited; the Federal Stark Law (42 U.S.C. § 1395nn) prohibits physicians from referring Medicare patients for designated health services to any entity with which the physicians or an immediate family member of the physician has an interest or financial relationship, unless an exception applies. Federal Stark Law also prohibits the designated health services entity from submitting claims to Medicare for those services resulting from a prohibited referral; the Health Insurance Portability and Accountability Act of 1996 (Pub. L. No. 104-191), the Health Information Technology for Economic and Clinical Health Act (Pub. L. No. 111-5), and their implementing regulations set forth at 45 C.F.R. Part 160, 162 and 164 as amended are the mandated federal privacy regulation for medical information. As a general rule, protected health information must be kept confidential and cannot be used or disclosed without a person's authorisation; and other laws and regulations including consumer protection and usury laws, insurance laws and laws regulating security interests.

Key risks (cont.)

COVID-19	Events related to the Coronavirus pandemic (COVID-19) have resulted in significant market volatility. There is continued uncertainty as to ongoing and future response of governments and authorities globally. Given this, the impact of COVID-19 could potentially continue to be materially adverse to the Company's financial and operational performance. Further, any government or industry measures may adversely affect the Company's operations and are likely beyond the control of the Company. In compliance with its continuous disclosure obligations, the Company will continue to update the market in regard to any material impact of COVID-19 on the Company's business.
Strategies	There are no limits on strategies that the Company may pursue. The strategy may evolve over time due to, among other things, market developments and trends, technical challenges, the emergence of new or enhanced technology, changing regulation and/or industry practice, and otherwise in the Company's sole discretion. As a result, the strategy, approaches, markets and products described in this document may not reflect the strategies, approaches, markets and products relevant to, or pursued by, the Company at a later date.
Disputes	The activities of the Company may result in disputes with third parties, including, without limitation, the Company's investors, competitors, regulators, partners, distributors, customers, directors, officers and employees, and service providers. The Company may incur substantial costs in connection with such disputes. Further, a change in strategy may involve material and as yet unanticipated risks, as well as a high degree of risk, including a higher degree of risk than the Company's strategy in place as of the date hereof.
Data loss, theft or corruption	The Company will store data in its own systems and networks and also with a variety of third party service providers. Exploitation or hacking of any of the Company's systems or networks could lead to corruption, theft or loss of the data which could have a material adverse effect on the Company's business, financial condition and results. Further, if the Company's systems, networks or technology are subject to any type of 'cyber' crime, its technology may be perceived as unsecure which may lead to a decrease in the number of customers. The Company has not been hacked, but it is possible that the Company may experience negative publicity if their systems are able to be hacked at some point in the future.
Shareholder dilution	In addition, in the future, the Company may elect to issue Shares or other securities. While the Company will be subject to the constraints of the ASX Listing Rules regarding the issue of Shares or other securities, Shareholders may be diluted as a result of issues of Shares or other securities.

Annexure D – 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

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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 meeting in person, please bring this with you for Securityholder registration.

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

[HolderNumber]

Holder Number:
[HolderNumber]

Your proxy voting instruction must be received by **10.00am (AEST) on Sunday, 23 May 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/#/loginsah> 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:

WECHAT:

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

PHONE: 1300 288 664 (Within Australia)

+61 2 9698 5414 (Overseas)

