

**Navigator Resources
Limited (ASX:NAV)**
Level 5, 126 Phillip Street
Sydney NSW 2000
ACN: 063 366 487



Navigator Resources Limited

(proposed to be renamed “AF Legal Group Ltd”)

Notice of Extraordinary General Meeting Explanatory Statement | Proxy Form

8 April 2019
10:00 am AEST

Address

Automic Group
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.

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Venue and Voting Information

The Extraordinary General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 10:00am AEST on 8 April 2019 at: Automic Group, Level 5, 126 Phillip Street, Sydney NSW 2000.

Your vote is important

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

Voting in person

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

Voting by proxy

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

1. Complete and sign the enclosed Proxy Form and return the form:
 - (a) by hand to:
Boardroom Pty Limited, Level 12, 225 George Street, Sydney NSW 2000 Australia; or
 - (b) by post to:
Navigator Resources Limited, c/- Boardroom Pty Limited, GPO Box 3993, Sydney NSW 2001 Australia; or
 - (c) by fax to: (02) 9290 9655.

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.

Notice of Extraordinary General Meeting

Notice is hereby given that an Extraordinary General Meeting of Shareholders of Navigator Resources Limited ACN 063 366 487 will be held at 10:00am AEST on 8 April 2019 at the offices of 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 Extraordinary 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 Extraordinary General Meeting are those who are registered Shareholders at 10:00am AEDT on 6 April 2019. Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

Resolutions

Part A: Acquisition of AF Legal Pty Ltd

1. Resolution 1 – Consolidation of Capital

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

“That, subject to the other Acquisition Resolutions being passed, 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 twenty (20) Shares to be consolidated into one (1) Share; and*
- (b) every twenty (20) Options being consolidated into one (1) Option,*

and, where the Consolidation results in a fraction of a Share or Option being held, the Company be authorised to round that fraction down to the nearest whole Share or Option.”

Note: Resolutions 2 to 11 will be implemented after the completion of the consolidation as set out in Resolution 1.

2. **Resolution 2 – Approval of Change to Nature and Scale of Activities**

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

“That, subject to the other Acquisition Resolutions being passed, for the purposes of ASX Listing Rule 11.1.2 and for all other purposes, the Company be authorised to make a significant change to the nature and scale of its activities as set out in the Explanatory Statement which accompanies and forms part of the Notice of Meeting.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 2 by or on behalf of:

- (a) a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed; and
- (b) an Associate of any person described in (a).

However, the Company need not disregard a vote if:

- (i) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (ii) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

3. Resolution 3 – Acquisition of Relevant Interest

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

“That, subject to the other Acquisition Resolutions being passed, for the purposes of section 611 (item 7) of the Corporations Act and for all other purposes, the Shareholders of the Company approve the acquisition of relevant interests in issued voting shares of the Company by the AFL Vendor (or its nominee) and Mr Edward Finn via the issue and allotment of, on a post-Consolidation basis, up to 10,875,000 Consideration Shares at a deemed issue price of 20 cents per Consideration Share to the AFL Vendor (or its nominee), pursuant to the Proposed Acquisition, on the terms and conditions which are described in the Explanatory Statement which accompanies and forms part of the Notice of Meeting.”

Collective voting power of the AFL Vendor (or its nominee) and Mr Finn: As set out in Table 4 in the Explanatory Statement, the proposed maximum voting power of the AFL Vendor (or its nominee) and Mr Finn, (assuming that the minimum of \$4,000,000 is raised under the Capital Raising at an issue price of 20 cents per New Share), on an undiluted basis will be 21.5%.

Independent Expert’s Report: Shareholders of the Company should carefully consider the IER that has been prepared by Leadenhall before voting on this Resolution. The IER comments on the fairness and reasonableness of the Proposed Acquisition (which includes the acquisition of the voting power and relevant interests by the AFL Vendor (or its nominee) and Mr Finn) to the Shareholders of the Company. The IER has concluded that the Proposed Acquisition is fair and reasonable to Shareholders of the Company.

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 3 by or on behalf of:

- (a) the AFL Vendor and Mr Edward Finn;
- (b) Mr Edward Finn; and
- (c) an Associate of any person described in paragraph (a) or (b) above.

However, the Company need not disregard a vote if:

- (i) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (ii) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

4. **Resolution 4 – Election of Grant Dearlove as Director**

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

“That, subject to the other Acquisition Resolutions being passed, for the purposes of clause 4.4 of the Company’s Constitution and for all other purposes, Mr Grant Dearlove, having been nominated, being eligible and having consented to act, be elected as a director of the Company on and from the date of completion of the Proposed Acquisition.”

5. **Resolution 5 – Election of Edward Finn as Director**

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

“That, subject to the other Acquisition Resolutions being passed, for the purposes of clause 4.4 of the Company’s Constitution and for all other purposes, Mr Edward Finn, having been nominated, being eligible and having consented to act, be elected as a director of the Company on and from the date of completion of the Proposed Acquisition.”

6. **Resolution 6 – Re-election of Glen Dobbie as Director**

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

“That Mr Glen Dobbie, a Director who retires by rotation in accordance with the Company’s Constitution and ASX Listing Rule 14.4, and being eligible, be re-elected as a Director of the Company, effective immediately.”

7. **Resolution 7 – Change of Company Name**

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

“That, subject to the other Acquisition Resolutions being passed, for the purposes of section 157(1) of the Corporations Act and for all other purposes, the name of the Company be changed to “AF Legal Group Ltd”, effective from the date ASIC alters the details of the Company’s registration.”

Part B: Capital raising

8. **Resolution 8 – Approval of Issue of New Shares Pursuant to Capital Raising**

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

*“That, subject to the other Acquisition Resolutions being passed, for the purposes of Listing Rule 7.1 and for all other purposes, the Shareholders of the Company approve the issue and allotment of, on a post-Consolidation basis, up to 32,500,000 fully paid ordinary shares (**New Shares**) at an issue price of 20 cents (\$0.20) per New Share to raise up to \$6,500,000 (before associated costs), to investors who have been invited to subscribe for New Shares under a Prospectus to be issued by the Company, and otherwise on the terms and conditions which are described in the Explanatory Statement.”*

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 the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the entity);
- (b) a person 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 entity); or
- (c) an Associate of any person described in (a) or (b) above.

However, the Company need not disregard a vote if:

- (i) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (ii) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

9. **Resolution 9** – Approval for Gregory Ruddock to Subscribe for New Shares

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

“That, subject to the other Acquisition Resolutions being passed, for the purposes of Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue and allotment of, on a post-Consolidation basis, up to \$300,000 worth of New Shares to Mr Gregory Ruddock (or his nominee), a Director of the Company, on the terms and conditions which are described in the Explanatory Statement.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 9 by or on behalf of:

- (a) Mr Ruddock (or his nominee); or
- (b) an Associate of the person described in (a) above.

However, the Company need not disregard a vote if:

- (i) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (ii) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

10. **Resolution 10** – Approval for Joshua McKean to Subscribe for New Shares

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

“That, subject to the other Acquisition Resolutions being passed, for the purposes of Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue and allotment of, on a post-Consolidation basis, up to \$100,000 worth of New Shares to Mr Joshua McKean (or his nominee), on the terms and conditions which are described in the Explanatory Statement.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 10 by or on behalf of:

- (a) Mr McKean (or his nominee); or
- (b) an Associate of the person described in (a) above.

However, the Company need not disregard a vote if:

- (i) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (ii) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Part C: New Employee Incentive Scheme

11. Resolution 11 – Adoption of Long Term Incentive Plan

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

“That, subject to the other Acquisition Resolutions being passed, for the purposes of Listing Rule 7.2 (exception 9(b)), sections 257B(1), 259B(2) and 260C(4) of the Corporations Act and for all other purposes, the Shareholders of the Company approve the adoption of an employee incentive scheme titled the “Long Term Incentive Plan” (LTIP) and approve the issue of securities under the LTIP to eligible and invited participants, as described in the Explanatory Statement.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 11 by or on behalf of:

- (a) any director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company); or
- (b) an Associate of those persons.

However, the Company need not disregard a vote if:

- (i) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (ii) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

BY ORDER OF THE BOARD

Alistair McKeough
Company Secretary

Explanatory Statement

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Extraordinary General Meeting to be held at 10:00am AEST on 8 April 2019 at the offices of 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.

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.

Part A: Acquisition of AF Legal Pty Ltd

Background

On 19 December 2018, the Company announced that it had entered into a conditional share purchase deed (**Share Purchase Deed**) to acquire, subject to the satisfaction of a number of conditions precedent, 100% of the issued capital in AF Legal Pty Ltd (**AF Legal**).

The proposed acquisition of AF Legal by the Company is referred to as the **Proposed Acquisition** in this Notice of Meeting.

Completion of the Proposed Acquisition will be subject to a number of conditions, which includes approval from Shareholders of the Company and re-compliance with Chapters 1 and 2 of the ASX Listing Rules. Therefore, the Proposed Acquisition may not proceed if those requirements are not met. ASX takes no responsibility for the contents of this Notice of Meeting.

The material terms of the Share Purchase Deed are summarised below on pages 13-17 of this Explanatory Statement.

Rationale for Proposed Acquisition

Since recapitalisation and reinstatement to the Official List of the ASX on 31 March 2016, the Company has reviewed the relaunch of some parts of its business of minerals exploration in Western Australia. In addition, the Company has focused on a broader acquisition and investment strategy of seeking to identify and evaluate opportunities in all industries.

The Proposed Acquisition represents an opportunity to acquire a business that may transform the Company into a strong cash-generative business with significant growth potential. If the Proposed Acquisition completes, the Company will be changing its business model from a mining explorer to a professional services provider. Details of the changes and the operations of AF Legal are set out below.

Consolidation

Following completion of the Proposed Acquisition, the Company will apply for reinstatement to the Official List of the ASX.

As part of the Company's application reinstatement, the Company will need to satisfy all the conditions set out in Chapters 1 and 2 of the Listing Rules. In order to satisfy Listing Rules 1.1 (condition 12) and 2.1 (condition 2), the Company will undertake a consolidation of its existing Shares and Options on issue on a 20 for 1 basis (**Consolidation**). Shareholder approval for the Consolidation is being sought under Resolution 1 of this Notice of Meeting.

Shareholders should note the use of post-Consolidation figures throughout this Notice of Meeting, as it is intended that the Proposed Acquisition and the Capital Raising will only complete, after the Consolidation has been completed, assuming that all the Acquisition Resolutions have been approved by Shareholders of the Company.

About AF Legal

Background

AF Legal (also known as Australian Family Lawyers) is an Australian law firm that practices family and relationship law. The firm provides advice to clients in respect of divorce, separation, property and children's matters together with ancillary services such as estate planning and litigation.

In 2015, Edward Finn (Founder and Managing Director) identified an opportunity to create a disruptive law firm that challenged the conventional wisdom of relationship driven business development and developed a new model driven by data and digital marketing. As a qualified lawyer and having a background in online business, Edward combined a disruptive client acquisition model with a cost effective and scalable operating model. The initial target market selected was family law, a fast growing, less competitive and very fragmented area of law which was ripe for disruption.

AF Legal has offices in Melbourne, Sydney, Werribee and Frankston, and is currently investigating opening further offices in Greater Sydney, Brisbane and the Gold Coast. As at September 2018, the firm employed 17 staff including 15 lawyers.

Business model

As noted above, AF Legal provides family and relationship law services. Like other law firms, the business generates revenue by charging clients professional fees for work undertaken. At present, its service offering includes:

- Divorce
- Property Settlement
- Spousal Maintenance
- Children's Matters
- Family Violence
- Appeals
- Estate Challenges
- Will Disputes
- Probate
- Letters of Administration

What distinguishes AF Legal from its competitors is its marketing model which uses sophisticated and cost effective digital marketing techniques to acquire clients. This is distinct from traditional, referral-based law firms which often rely on referrals generated by senior lawyers – predominately key partners – to originate new clients. Further, the model allows senior lawyers to focus on the provision of legal services as opposed to business development activities.

AF Legal's digital marketing strategies are commonly used in retail eCommerce and online businesses and include long-term Search Engine Optimisation, Social Media Prospecting and Retargeting, Pay per Click, Programmatic and Adwords. The proprietary marketing model is managed daily to continuously optimise and improve the volume and quality of leads. Once received, the leads are screened through a conversion process to assess suitability and, if appropriate, converted into clients.

This proprietary marketing model provides the opportunity for AF Legal to scale its business in existing and new geographic regions with reduced reliance on senior lawyers generating work, which in turn enables senior lawyers to focus on file work and providing exceptional client service. This mitigates key personnel risk usually faced by law firms as the firm's revenue stream is not dependent on any single partner. As the business grows and establishes offices in new geographic regions, the existing marketing infrastructure can be rolled out in new geographies with minimal additional fixed costs.

Benefits of AF Legal's business and operational model

- ✓ Digital Marketing Model – AF Legal's marketing model utilises digital marketing techniques employed in various industries in a unique way in the context of the legal industry.
- ✓ Overhead Cost Efficiency – Staff resourcing is dictated by lead generation metrics allowing the workforce to be scaled to match volume of leads. Cost efficiencies also reduces reliance on permanent administrative staff.
- ✓ Revenue Stability and Growth Forecasting – The proprietary marketing model provides stable, predictable revenue generation and facilitates accurate growth forecasts in both existing and new markets.
- ✓ Profitability – AF Legal's business model, combining cost effective revenue generation and

operating efficiencies, achieves profitability unlikely to be achieved using the traditional models of its competitors.

- ✓ Scale – The marketing model used by AF Legal can be rolled out in multiple jurisdictions to create Australia's first national family and relationship law practice.

AF Legal directors and management team

Edward Finn – Founder and Managing Director

A summary of the qualifications, skills and experience of Edward Finn is set out on page 30 of this Notice of Meeting (which forms part of the Explanatory Statement for Resolution 5).

Peter Bergin – Chief Financial Officer

Peter is a partner of Prime Capital, the advisory division of ASX listed Prime Financial Group, and also a partner of the legal services consulting firm ECP Legal. He is an experienced Company Director (GAICD), a Chartered Company Secretary (fellow of ICOSA), a Chartered Accountant (CA ANZ) who is an accredited Business Valuation specialist, and a Fellow of CPA Australia. Peter has Bachelor of Commerce and Bachelor of Arts degrees, a Master of Business Administration, a Master of Applied Finance, a Company Directors diploma, and Graduate Diplomas in Applied Corporate Governance and in Accounting.

Melissa Muir – Head of Family Law (Melbourne)

Melissa leads the practice in Melbourne and has more than 10 years' experience in legal practice and is an accredited specialist in family law. Prior to joining AF Legal, Melissa was the Family Law Practice Manager at boutique law firm Callea Pearce, and a lawyer with Forte Family Lawyers prior to that.

Annabel Murray – Head of Family Law (Sydney)

Annabel leads the practice in Sydney and is an accredited specialist in family law. Annabel has more than 11 years' experience in family law. Prior to joining AF Legal, Annabel was formerly Head of the Family Law Department at Atkinson Vinden Lawyers. Annabel's expertise covers all areas of family law from property and maintenance for married and de facto couples, to matters with more complex structures and overseas assets, as well as parenting and child support.

Share Purchase Deed

On 19 December 2018, the Company announced that it had entered into the Share Purchase Deed with AF Legal and Oscar Churchill Pty Ltd, the sole shareholder of AF Legal (**AFL Vendor**), to acquire 100% of the issued shares of AF Legal (**AFL Shares**).

The AFL Vendor is an entity owned and controlled by Edward Finn, the proposed Managing Director and Chief Executive Officer of the Company following completion of the Proposed Acquisition. As Edward Finn is a proposed director of the Company, the AFL Vendor, as an entity associated with and controlled by Mr Finn, is a "related party" of the Company for the purposes of the Corporations Act and the ASX Listing Rules.

A summary of the material terms of the Share Purchase Deed is set out below.

Consideration

Pursuant to the Share Purchase Deed, as consideration for 100% of the issued shares of AF Legal, the Company will be:

- (a) making a cash payment of \$2,500,000 (**Cash Consideration**);
- (b) making a cash payment to extinguish the debt facility held by the AFL Vendor secured by an agreement over the business and assets of AF Legal (which must not exceed \$325,000); and
- (c) issuing on a post-Consolidation basis, based on a deemed issue price of \$0.20 per Share, 10,875,000 Shares (**Consideration Shares**) to the AFL Vendor (or its nominee).

In addition to the above, provided that AF Legal's L6M Normalised EBITDA exceeds \$1,000,000 in any half-yearly period, the Company must make an additional cash payment of \$500,000 to the AFL Vendor

(or its nominee), payable in two equal instalments once the audited accounts are finalised (**Deferred Cash Consideration**). If the Proposed Acquisition successfully completes and the Company is reinstated to the Official List of ASX, it is anticipated that the Deferred Cash Consideration, if payable, will be paid after the Company has been reinstated to the Official List of ASX.

Escrow

The AFL Vendor has acknowledged that if the ASX imposes mandatory escrow restrictions on any of the Consideration Shares or to the extent that any broker recommends in writing that the Consideration Shares should be subject of any voluntary escrow, the AFL Vendor will, and must procure that any nominee or other recipient of the Consideration Shares enters into a restriction agreement in relation to the relevant Consideration Shares.

Post-Completion Price Adjustment

Following Completion, the AFL Vendor and the Company must procure that the Completion Accounts are prepared and finalised in accordance with an agreed approach, as set out in the Share Purchase Deed, pursuant to which, certain adjustments be made as follows.

If the Completion Actual Net Debt:

- (a) exceeds the Target Net Debt, the AFL Vendor must pay the Adjustment Amount to the Company, as an adjustment;
- (b) is less than the Target Net Debt, the Company must pay the Adjustment Amount to the AFL Vendor, as an adjustment; or
- (c) equals the Target Net Debt, no adjustment will be made.

If the Completion Actual Net Working Capital:

- (a) is less than the Target Net Working Capital, the AFL Vendor must pay the Adjustment Amount to the Company, as an adjustment;
- (b) exceeds the Target Net Working Capital, the Company must pay the Adjustment Amount to the AFL Vendor, as an adjustment; or
- (c) equals the Target Net Working Capital, no adjustment will be made.

If the Related Party Loan is greater than zero, the AFL Vendor must repay the loan amount outstanding.

A party required to make a payment as a post-Completion price adjustment must make payment in immediately available funds within 10 Business Days after the finalisation of the Completion Accounts (or expert's report, as applicable). To the extent that any adjustments are required, it will be completed in cash payments. Akin to the timing of the Deferred Cash Consideration, it is anticipated that any adjustments will be made and finalised after the Company has been reinstated to the Official List of ASX.

Conditions Precedent

Completion under the Share Purchase Deed is subject to a number of conditions precedent being satisfied or waived (**Conditions Precedent**). The conditions which are still to be satisfied or waived (as of the date of this Notice of Meeting) under the Share Purchase Deed include:

- (a) the Company is satisfied in its absolute discretion with the findings of its legal due diligence investigations of AF Legal;
- (b) AFL Vendor is satisfied in its absolute discretion with the findings of its legal due diligence investigations of the Company;
- (c) AF Legal has completed audited financial statements for the years ended 30 June 2016, 30 June 2017 and 30 June 2018, and satisfies the "profit test" under ASX Listing Rule 1.2;
- (d) the Company obtaining all necessary approvals to give effect to the terms of the Share Purchase Deed including, without limitation, shareholder approvals under the ASX Listing Rules and the Corporations Act to allow the Company to acquire the AFL Shares, to issue the Consideration Shares to the AFL Vendor, to change the Company's name, and any other regulatory or shareholder approvals required to give efficacy to the Proposed Acquisition;

- (e) with the exception of the consents listed in (f) below, the parties obtaining all third-party consents or waivers and any other regulatory or government approvals under the laws and regulations of Australia that are required to give effect to the Proposed Acquisition (if any);
- (f) the AFL Vendor obtaining the relevant consent from the Legal Practitioners' Liability Committee and the Victorian Legal Services Board and Commissioner to the Proposed Acquisition;
- (g) if re-compliance with Chapters 1 and 2 of the ASX Listing Rules is required by ASX by the operation of ASX Listing Rule 11.1.3, the conditional approval by ASX to reinstate the quoted securities of the Company to trading on customary terms for such conditional approvals;
- (h) the Company acquiring 100% of the issued and outstanding share capital of AF Legal at Completion;
- (i) the Company undertaking the Consolidation, if it is required to meet the requirements of Chapters 1 and 2 of the ASX Listing Rules;
- (j) the receipt of valid applications for the minimum subscription for the capital raising under the prospectus;
- (k) the AFL Vendor entering into a restriction agreement if required to do so by ASX, or voluntary escrow provisions advised to be entered into by any broker in relation to the Consideration Shares;
- (l) that on Completion, the debt facilities that have been used in relation to AF Legal are repaid in full together with all interest accrued to the date of payment, assigned by AF Legal or the AFL Vendor or new facilities are put in place by the Company to substitute the debt facilities that currently exist in relation to the business and/or AF Legal in order to provide the relevant working capital for AF Legal that is reasonable for the operations of the business (in the Company's absolute discretion) and Edward Finn is released from all personal guarantees which have been provided by him in relation to those facilities;
- (m) appointment of AF Legal's nominated directors to the board of directors of the Company;
- (n) there being no material adverse change to the Company's expected Normalised EBITDA of \$1,400,000 for the year ended 30 June 2018 (as evidenced in the audited accounts to be prepared for the year ended 30 June 2018);
- (o) the settlement of all related party loans of AF Legal (both assets and liabilities) being settled prior to Completion, or as required under the terms of the Share Purchase Deed; and
- (p) the execution of the Share Purchase Deed and all other formal documents.

Break Fee

Payment to the Company

AF Legal must pay to the Company an amount equal to the actual third-party costs incurred and paid by the Company (excluding the costs of its due diligence investigations on AF Legal) in relation to the Proposed Acquisition (up to a maximum amount of \$75,000 (including GST)) if the Proposed Acquisition is terminated for any of the following reasons:

- (a) the Company is able to and prepared to continue to progress the Proposed Acquisition to Completion in accordance with the Share Purchase Deed and AF Legal does not continue to progress the Proposed Acquisition to Completion; or
- (b) due to certain Conditions Precedent not being satisfied or waived because AF Legal has not taken reasonable steps to try to satisfy the relevant Condition Precedent; or
- (c) prior to reinstatement to the Official List of ASX, it is determined that AF Legal cannot itself satisfy the profit test set out in Listing Rule 1.2, taking into account the financial years ending 30 June 2016, 30 June 2017 and 30 June 2018.

If the Proposed Acquisition is terminated for any of these reasons, AF Legal must make the payment within 90 days of the termination date.

Payment to AF Legal

The Company must pay to AF Legal an amount equal to the actual third-party costs incurred and paid by AF Legal (excluding the costs of its due diligence investigations on the Company) in relation to the Proposed Acquisition (up to a maximum amount of \$75,000 (including GST)) if the Proposed Acquisition is terminated for any of the following reasons:

- (a) AF Legal is able to and prepared to continue to progress the Proposed Acquisition to Completion in accordance with the Share Purchase Deed and the Company does not continue to progress the Proposed Acquisition to Completion; or
- (b) due to certain Conditions Precedent not being satisfied or waived because the Company has not taken reasonable steps to try to satisfy the relevant Condition Precedent.

If the Proposed Acquisition is terminated for any of these reasons, the Company must make the payment within 90 days of the termination date.

Termination

Termination by the Company

The Company can terminate the Share Purchase Deed if:

- (a) the AFL Vendor or AF Legal breaches the Share Purchase Deed in any material respect and such breach is not remedied within 10 business days of notice being served by the Company to the party in breach (or the breach is incapable of remedy);
- (b) any of the Conditions Precedent in the opinion of the Company (acting reasonably) becomes incapable of satisfaction before the End Date or has not been satisfied before the End Date;
- (c) an Insolvency Event occurs with respect to AF Legal; or
- (d) prior to Completion, any title warranty is found to have been incorrect or misleading when made or is incorrect or misleading on the date of Completion.

Termination by the AFL Vendor

The AFL Vendor can terminate the Share Purchase Deed if:

- (a) the Company breaches the Share Purchase Deed in any material respect and such breach is not remedied within 10 business days of notice being served by the AFL Vendor to the Company (or the breach is incapable of remedy);
- (b) any of the Conditions Precedent that are for the benefit of the AFL Vendor only becomes incapable of satisfaction before the End Date or has not been satisfied before the End Date;
- (c) an Insolvency Event occurs with respect to the Company; or
- (d) prior to Completion, any warranty set out in the schedule 4 of the Share Purchase Deed provided by the Company is found to have been incorrect or misleading when made or is incorrect or misleading on the date of Completion, and the total claim which the AFL Vendor can make in respect of all relevant breaches of warranty is reasonably likely to exceed \$250,000.

Restraint

From Completion, for a period of up to 5 years, the AFL Vendor and its related entities must not do any of the following:

- (a) induce or solicit any employee of AF Legal to leave their employment with AF Legal;
- (b) induce or solicit any customer, partner, supplier or financier of AF Legal to terminate their relationship with AF Legal or reduce their involvement with AF Legal; and
- (c) carry on, invest in or be involved in, directly or indirectly, (whether as director, shareholder, principal, agent, employee, partner, joint venture partner, consultant, advisor, trustee or financier), any restrained business, in any of the following territories:
 - (i) Australia, or in the event this area is found by a court to be unenforceable, then;
 - (ii) the states of New South Wales and Victoria, or in the event this area is found by a court to

- be unenforceable, then;
- (iii) the state of Victoria.

Other key terms

The Share Purchase Deed contains other terms considered standard for an agreement of this nature, including obligations of AF Legal, the AFL Vendor and the Company before, on and after Completion, and confidentiality, warranties, covenants and indemnities provided by the AFL Vendor and/or the Company (as applicable).

New Board of Directors of the Company

Current Board of Directors

The Board is currently comprised of:

- (a) Mr Gregory Ruddock – Non-Executive Director and Chairman
- (b) Mr Glen Dobbie – Managing Director
- (c) Mr Malcolm Keefe – Non-Executive Director
- (d) Mr Joshua McKean – Non-Executive Director

New Board of Directors

Following completion of the Proposed Acquisition, a new composition of directors will be appointed to the Board of the Company (**New Board**) to oversee the operations of the Company.

As of the date of this Notice, the New Board will consist of the following directors:

- (a) Mr Grant Dearlove – Executive Director and Chairman
- (b) Mr Edward Finn – Managing Director and Chief Executive Officer
- (c) Mr Glen Dobbie – Non-Executive Director

Shareholder approval for the election of the proposed Directors (Mr Dearlove and Mr Finn) to the New Board is being sought under Resolutions 4 and 5 of this Notice of Meeting.

Shareholder approval for the re-election of Mr Dobbie to the New Board is being sought under Resolution 6 of this Notice of Meeting.

Messrs Ruddock, Keefe and McKean will resign as Directors of the Company prior to readmission of the Company to the Official List of the ASX.

In order to incentivise and ensure that the interests of the proposed members of the New Board are aligned with Shareholders of the Company, Messrs Ruddock, Keefe and McKean have indicated that they will each transfer 166,667 Shares from their Shareholdings (for a total of 500,000 Shares on a post-Consolidation basis) to the proposed Executive Director and Chairman, Mr Dearlove, for total nominal consideration of \$1.00. Whilst this will represent a loss to the value of the existing shareholdings currently held by Messrs Ruddock, Keefe and McKean, given that each of Messrs Ruddock, Keefe and McKean will not be remaining on the Board after completion of the Proposed Acquisition, each of Messrs Ruddock, Keefe and McKean considered that it will be in the best interests of the Shareholders to ensure that the incoming directors and management hold shares in the Company without new issue to further dilute the voting power of other existing Shareholders.

Messrs Ruddock, Keefe and McKean will retain an interest in the Company following readmission to the Official List of the ASX and Messrs Ruddock and McKean may participate in the Capital Raising, subject to Resolutions 9 and 10.

Pro-Forma Capital Structure of the Company

The pro-forma capital structure of the Company at completion of the Proposed Acquisition will depend on the level of subscription achieved under the Capital Raising as follows.

Table 1 – Pro-forma capital structure (Min. \$4,000,000 raised under Prospectus)

Capital Structure	Shares	% of Total Shares
Existing number of Shares (pre-Consolidation)	393,223,695	As below
Projected number of existing Shares (post-Consolidation)	19,661,185	38.9%
\$4,000,000 raised under Capital Raising (post-Consolidation)	20,000,000	39.6%
Consideration Shares issued to AFL Vendor (post-Consolidation)	10,875,000	21.5%
Total number of Shares on issue	50,536,185	100%
Existing number of Options (pre-Consolidation)	225,000,000	
Projected number of existing Options (post-Consolidation)	11,250,000	
Projected number of existing Options to be cancelled (post-Consolidation)	(9,750,000)	
Total number of Securities (fully diluted)	52,036,185	

Table 2 – Pro-forma capital structure (Max. \$6,500,000 raised under Prospectus)

Capital Structure	Shares	% of Total Shares
Existing number of Shares (pre-Consolidation)	393,223,695	As below
Projected number of existing Shares (post-Consolidation)	19,661,185	31.2%
\$6,500,000 raised under Capital Raising (post-Consolidation)	32,500,000	51.6%
Consideration Shares issued to AFL Vendor (post-Consolidation)	10,875,000	17.3%
Total number of Shares on issue	63,036,185	100%
Existing number of Options (pre-Consolidation)	225,000,000	
Projected number of existing Options (post-Consolidation)	11,250,000	
Projected number of existing Options to be cancelled (post-Consolidation)	(9,750,000)	
Total number of Securities (fully diluted)	64,536,185	

Subject to the Proposed Acquisition completing and formal documentation being prepared, a majority of existing Optionholders have indicated that they will cancel their outstanding Options, which will result in the following existing Options being cancelled for nil consideration:

- (a) 145,000,000 unlisted Options exercisable at \$0.01 per Option on or before 18 March 2019; and
- (b) 50,000,000 unlisted Options exercisable at \$0.02 per Option on or before 18 March 2020.

Together, this represents 9,750,000 existing Options on a post-Consolidation basis to be cancelled.

Accordingly, the fully diluted calculations for Tables 1 and 2 above reflect the existing Options that will be cancelled.

Risk Factors

Shareholders should be aware that if the Acquisition Resolutions are approved and the Proposed Acquisition is completed, the Company will be changing the nature and scale of its activities which will result in it being subject to various risk factors (in addition to those that are presently applicable to the Company and its Shareholders). Based on the information available, a non-exhaustive list of these risks factors is detailed in Annexure B of this Notice of Meeting

Indicative Timetable*

The Company's Securities have been suspended from the Official List of the ASX since 27 March 2017 and will remain suspended until such time as the Proposed Acquisition has been completed and the Company has complied with all pre-quotation requirements of ASX. Accordingly, there will be no trading in the Company's Securities until the Company has been reinstated to the Official List of the ASX.

If all Resolutions under this Notice of Meeting are passed, the Company anticipates that the Company will undertake the Capital Raising and the application for re-instatement to the Official List of the ASX as follows:

Action	Date
Dispatch of Notice of Meeting	8 March 2019
Lodgement of the Prospectus with ASIC	20 March 2019
Opening date for offers under the Prospectus	28 March 2019
Extraordinary General Meeting	8 April 2019
Company tells ASX that Shareholders have approved the Consolidation	8 April 2019
Last day for Company to register transfers on a pre-Consolidation basis	11 April 2019
Record date of Consolidation	11 April 2019
First day for the Company to send notice of post-Consolidation holdings to each securityholder	12 April 2019
Closing date of offers under the Prospectus	18 April 2019
Completion of despatch of post-Consolidation notices	18 April 2019
Allotment of securities under the Prospectus (on a post-Consolidation basis)	23 April 2019
Completion of Proposed Acquisition	23 April 2019
Effective date for change of name and change of ASX code	30 April 2019
Pre-quotation disclosure to ASX	30 April 2019
Anticipated date the suspension is lifted and the Company's Securities re-commence trading on ASX under the ASX code "AFL"	6 May 2019

*** Please note that the dates are indicative only and may be subject to change without further notice to Shareholders of the Company.**

Forward looking statements

The forward-looking statements in this Notice of Meeting are based on the Company's current expectations about future events. They are, however, subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and its Board of Directors, which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by the forward-looking statements in this Notice of Meeting. These risks include but are not limited to, the risks referred to above. Forward looking statements include those containing words such as "anticipate", "estimates", "should", "will", "expects", "plans" or similar expressions.

Resolution 1 – Consolidation of Capital

General

This Resolution 1 seeks Shareholder approval to consolidate the total number of existing Securities on issue in the event that all the Resolutions under this Notice of Meeting are passed by Shareholders, on a twenty (20) for one (1) basis (**Consolidation**).

The purpose of the Consolidation is to implement a more appropriate capital structure for the Company going forward and to seek to comply with relevant Listing Rules as part of the Company's application to re-comply with Chapters 1 and 2 of the Listing Rules, should Shareholder approval be obtained for the Acquisition Resolutions.

The Directors intend to implement the Consolidation prior to completion of the Proposed Acquisition and prior to the proposed issue of any of the Securities in connection with the Proposed Acquisition, which includes the issue of the Consideration Shares and the New Shares under the Capital Raising.

Shareholder approval of Resolution 1 is subject to receipt of Shareholder approval for each of the other Acquisition Resolutions. Accordingly, if any of the Acquisition Resolutions are not passed by Shareholders of the Company, the Company will not be able to proceed with the Consolidation.

Effect of Resolution 1 on Capital Structure

A summary of the projected effect of the Consolidation on the Company's capital structure as at the date of this Notice is as follows:

Existing Securities	Pre-Consolidation	Post-Consolidation (approximate, subject to rounding)
Existing Shares	393,223,695	19,661,185
Existing Options	225,000,000	11,250,000
Total	618,223,695	30,911,185

Effect of Resolution 1 to Shareholders

As at the date of the Notice, the Company has 393,223,695 Shares on issue.

The Consolidation proposed by Resolution 1 will have the effect of reducing the number of Shares on issue to approximately 19,661,185 Shares (subject to rounding). Individual holdings will be reduced in accordance with the Consolidation Ratio.

As the Consolidation applies equally to all Shareholders of the Company (subject only to the rounding of fractions), it will have no material effect on the percentage interest of each Shareholder in the Company. Further, the aggregate value of each Shareholder's proportional interest in the Company will not materially change solely as a result of the Consolidation as the only anticipated changes, which will be a result of rounding, will be immaterial.

Theoretically, the market price of each Share following the Consolidation should increase by 20 times its current value. Practically, the actual effect on the market price of each Share will be dependent upon a number of factors which will not be within the control of the Company. Therefore, this may result in the market price of each Share following Consolidation being higher or lower than the theoretical post-Consolidation price.

Effect of Resolution 1 to Optionholders

As of the date on which this Notice is despatched to Shareholders, the Company has 225,000,000 Options on issue. In accordance with Listing Rule 7.22, and the terms of the Options currently on issue, the Consolidation will involve a corresponding adjustment to Options, having the effect that the number of Options will reduce in proportion to the ordinary share capital and the exercise price will increase in inverse proportion to the Consolidation Ratio. The projected impact of the Consolidation on the terms of the Options on issue is set out in the table below:

Table 3 – Effect of Consolidation on existing Options

Pre-Consolidation Option terms	Pre-Consolidation numbers	Post-Consolidation Option terms	Post-Consolidation numbers
Unlisted Options exercisable at \$0.01 per Option by 18 March 2019	175,000,000	Unlisted Options exercisable at \$0.20 per Option by 18 March 2019	8,750,000
Unlisted Options exercisable at \$0.02 per Option by 18 March 2020	50,000,000	Unlisted Options exercisable at \$0.40 per Option by 18 March 2019	2,500,000
Total	225,000,000		11,250,000

Whilst unrelated to the Consolidation itself, Shareholders are advised that as part of the Proposed Acquisition, the Company must, on Completion, procure the cancellation of a majority of existing Options of the Company. Further details are set out on page 18 of this Notice.

Legal Requirements

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

As noted above, the Listing Rules also require that the terms of Options be consolidated in the same ratio as the ordinary capital and the exercise price of the Options be amended in inverse proportion to that ratio.

Fractional Entitlements

Not all securityholders of the Company will hold a number of Shares or Options (as the case may be) that can be evenly divided by the Consolidation Ratio. Where a fractional entitlement occurs, the Company will round that fraction down to the nearest whole Security.

Taxation

It is not considered that any taxation implications will exist for securityholders that will arise directly from the Consolidation. However, securityholders of the Company are advised to seek their own tax advice on the effect of the Consolidation and the Company does not accept any responsibility for the individual or collective taxation implications arising from the Consolidation.

Holding Statements

From the date of the Consolidation, all holding statements for Securities will cease to have any effect, except as evidence of entitlement to a certain number of Securities on a post-Consolidation basis. After the Consolidation becomes effective, the Company will arrange for new holding statements for Securities to be issued to securityholders. It is the responsibility of each and every affected securityholder to check the number of Securities held prior to disposal or exercise (as the case may be).

Indicative Timetable

If each of the Acquisition Resolutions are passed by Shareholders of the Company, the Consolidation is proposed to take effect in accordance with the indicative timetable set out on page 19 of this Notice of Meeting.

Directors' Recommendation

The Board of Directors unanimously recommends that Shareholders vote in favour of Resolution 1.

Resolution 2 – Approval to Change to Nature and Scale of Activities

Information Required by Listing Rule 11.1.2

Pursuant to the Proposed Acquisition, the Company seeks to acquire 100% of the issued capital of AF Legal. Further details of AF Legal, its key management, its divisions and its overall operations together with a detailed description of the Proposed Acquisition are set out on pages 11-17 of the Explanatory Statement in this Notice of Meeting.

Shareholder approval of Resolution 2 is subject to receipt of Shareholder approval for each of the other Acquisition Resolutions.

Listing Rule 11.1

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

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

In the event that the Proposed Acquisition completes, there will be a significant change:

- (a) to the nature of the Company's main undertaking – from a mining exploration company to a professional services company; and
- (b) to the scale of the Company's activities, both operationally and financially.

Therefore, the practical effect of completing the Proposed Acquisition to the Company is that there will be a significant change to the nature and scale of the Company's activities.

Shareholder approval and re-compliance with Chapters 1 and 2 of the Listing Rules

ASX has indicated to the Company that given the significant change in the nature and scale of the activities of the Company upon completion of the Proposed Acquisition, it requires the Company to:

- (a) obtain the approval of its Shareholders for the proposed change of activities; and;
- (b) re-comply with the admission requirements detailed in Chapters 1 and 2 of the Listing Rules.

For this reason, the Company is seeking Shareholder approval under this Resolution 2 for the Company to change the nature and scale of its activities under Listing Rule 11.1.2.

Shareholders should be aware that the Company's Securities have been suspended from the Official List of the ASX since 27 March 2017.

The Company's Securities will continue to remain suspended until such time that Shareholders have approved all the Resolutions under this Notice of Meeting, and the Company has re-complied with Chapters 1 and 2 of the Listing Rules in accordance with Listing Rule 11.1.3. It is the Company's intention to meet these requirements as soon as practicable after the Meeting is held and following the successful completion of the Capital Raising.

Advantages of Change to Nature and Scale of Activities of the Company

The Board believes that the Proposed Acquisition offers a number of advantages to Shareholders of the Company, which can be described as follows:

- (a) **Opportunity to acquire disruptive and growing business:** The Proposed Acquisition provides an opportunity for the Company to change its business focus to a professional services business that specialises in the legal sector, which has been able to gain significant traction in the marketplace due to its effective use of its proprietary marketing model. The Directors consider

that in the current market environment there is a greater likelihood of growing Shareholder value by changing the nature of the Company's business, rather than remaining a mining exploration company.

Family and relationship law services generated revenue of approximately \$1 billion according to IBISWorld in 2017-18, representing 16% of total personal legal services industry revenue. According to the ABS, the number of divorces granted in 2017 increased by 5.2%. Rising affluence, an ageing population, increase in defacto relationships and population growth are expected to drive continued stable growth in the market, and rising house prices have driven increases in household wealth, increasing asset pools and the value of family law files.

As further described on pages 12-13 of this Explanatory Statement, AF Legal intends to capitalise on this growth through its proprietary marketing and operating model, which is capable of providing a profitable and scalable platform to create the first national firm with a focus on the lucrative family and relationship law market.

- (b) **Experienced New Board:** Grant Dearlove, proposed Executive Director and Chairman, is a lawyer and an experienced company director with a strong track record of leading strategic business growth and demonstrated legal competencies. Edward Finn, proposed Managing Director and Chief Executive Officer of the Company, who is himself a lawyer, founded the AF Legal business and has been instrumental in the development of AF Legal's disruptive proprietary marketing model that is both cost-effective and scalable. In addition, Glen Dobbie brings in excess of 10 years of private equity experience to the table having worked with many small to medium high growth businesses.
- (c) **Greater market capitalisation and trading liquidity in the Company's shares:** As a result of the issue of additional securities in the Company associated with the Proposed Acquisition and Capital Raising there will be substantially more Shares on issue after completion of the Proposed Acquisition and a larger market capitalisation for the Company. This provides potential for increased trading in the Company's shares alongside potential for greater interest by the investment community, improved access to equity capital markets and increased liquidity in the Company's shares.

Disadvantages of Change to Nature and Scale of Activities of the Company

The Board believes that the Proposed Acquisition offers a number of disadvantages to Shareholders of the Company, which can be described as follows:

- (a) **Change to nature and scale of activities of the Company:** The manner in which the change to nature and scale of the Company's activities is being achieved (i.e. to become a company focused on the provision of professional services) may not be consistent with the objective of all Shareholders of the Company.
- (b) **Dilution of existing Shareholdings in the Company:** In the event that the Proposed Acquisition completes, the issue of the Consideration Shares to the AFL Vendor and the issue of New Shares under the Capital Raising will have a significant dilutionary effect on the holdings of existing Shareholders of the Company. As such, the ability of the existing Shareholder to influence decisions, including the composition of the Board or disposal of assets, will be reduced accordingly.
- (c) **Concentration of ownership with the AFL Vendor (or its nominee):** In the event that the Proposed Acquisition completes and that the minimum of \$4,000,000 is raised under the Capital Raising at an issue price of 20 cents (\$0.20) per New Share, on an undiluted basis the AFL Vendor (or its nominee) will hold approximately 21.5% of the Company's issued capital. This may allow the AFL Vendor and Mr Finn (a proposed Director of the Company) to exert significant influence over matters relating to the Company, including the election of future Directors or the approval of future transactions involving the Company. Also, given the size of the holding, there may be an impact on the liquidity of the Company's securities.
- (d) **Possibility of unrealised potential:** Despite the potential of AF Legal and its future operations, there is no guarantee that this potential will ever be realised by the Company or that the Proposed Acquisition will result in an increase to the value of the Shares of the Company.
- (e) **Re-compliance:** The Company will seek to re-comply with the Listing Rules if Shareholders

approve all of the Acquisition Resolutions. There is no guarantee that the Company will successfully re-comply with the requirements or that the Securities will be reinstated to trading on ASX.

- (f) **Increased exposure to wider array of risks:** There are many risks associated with the Proposed Acquisition, and the broader change to the nature and scale of activities of the Company. Some of these risks (which is not exhaustive) are explored in further detail in Annexure B of this Notice of Meeting.

Risk factors

Shareholders should be aware that if each of the Acquisition Resolutions are approved and the Proposed Acquisition is completed, the Company will be changing the nature and scale of its activities which will result in it being subject to various risk factors (in addition to those that are presently applicable to the Company and its Shareholders). Based on the information available, a non-exhaustive list of these risks factors is detailed in Annexure B of this Notice of Meeting.

AF Legal's financial performance

The audited statements of financial performance for AF Legal for the years ended 30 June 2016, 30 June 2017 and 30 June 2018 are set out in the Company's announcement dated 19 December 2018.

Pro-forma balance sheet

A pro-forma balance sheet of the Company and AF Legal following completion of the Proposed Acquisition (which includes the Capital Raising) is contained in Annexure C of this Notice of Meeting.

Neither the pro-forma balance sheet nor the IER (as explained below) includes the impact of a proposed acquisition of a practice in Victoria by AF Legal. This acquisition remains subject to satisfaction of a number of conditions precedent at the date of this Notice of Meeting and therefore may or may not proceed. In any event, the impact of this proposed acquisition, were it included in the pro-forma balance sheet would not be considered to be material. Furthermore, due to the immaterial nature of the proposed acquisition, Leadenhall has confirmed that had the acquisition been considered as part of the IER, it would not have affected its conclusion.

Independent Expert's Report

The Corporations Act provides that an Independent Expert's Report (**IER**) on the Proposed Acquisition (which includes the acquisition of the relevant interest in the Company by the AFL Vendor (or its nominee) and Mr Finn and Associates in excess of the threshold prescribed by section 606(1) of the Corporations Act) must be provided to existing Shareholders of the Company. The IER provides an opinion as to whether the acquisition of the voting power and interest referred to in this Explanatory Statement for Resolution 3 by the AFL Vendor (or its nominee) and Mr Finn is fair and reasonable to the Shareholders of the Company.

Accordingly, the Company has appointed Leadenhall to produce the IER. The IER is contained in Annexure A of this Notice of Meeting.

Leadenhall has concluded that the Proposed Acquisition and the acquisition of the voting and interest by the AFL Vendor (or its nominee) and Mr Finn is fair and reasonable to the Shareholders of the Company, as of the date of the IER.

The advantages and disadvantages of the Proposed Acquisition and the acquisition of the voting power and interest by the AFL Vendor (or its nominee) and Mr Finn are outlined in the IER and are provided to enable Shareholders of the Company to determine whether they are better off if the Proposed Acquisition did not proceed.

Shareholders are urged to carefully read the IER before deciding how to vote on Resolution 2. If you have any doubt or do not understand this Resolution, it is strongly recommended that you seek advice from an accountant, solicitor or other professional advisor.

Directors' recommendation

The Board of Directors considers that it is in the best interests of the Company that it completes the Proposed Acquisition (which entails the Company significantly changing the nature and scale of its activities), and accordingly recommends that Shareholders vote in favour of Resolution 2.

Resolution 3 – Acquisition of Relevant Interest

Background

As set out in Part A of the Explanatory Statement to this Notice of Meeting, the Company proposes to acquire 100% of the issued capital of AF Legal.

The material terms of the Proposed Acquisition are contained in the Share Purchase Deed, which are summarised on pages 13-17.

As part of the Consideration for 100% of the issued capital in AF Legal, the Company proposes to issue to the AFL Vendor (or its nominee), on a post-Consolidation basis, 10,875,000 Consideration Shares on completion of the Proposed Acquisition.

As noted previously, the AFL Vendor is an entity owned and controlled by Mr Edward Finn, the proposed Managing Director and Chief Executive Officer of the Company. The AFL Vendor is an Australian company which Mr Finn is the sole shareholder and director of, accordingly, pursuant to section 608 of the Corporations Act, Mr Finn has a “relevant interest” in any securities held by the AFL Vendor.

The following Table 4 sets out the projected voting power of the AFL Vendor (or its nominee) and Mr Finn, which comprises of the total acquisition of the relevant interests in Shares by the AFL Vendor (or its nominee) on completion of the Proposed Acquisition, for the purposes of item 7 of section 611 of the Corporations Act.

Table 4 – Maximum potential voting power in NAV (post-Consolidation)

Relevant interest holders	Securities in NAV	% of NAV ^(a)	% of NAV ^(b)	% of NAV ^(c)	% of NAV ^(d)
AFL Vendor (or its nominee) and Mr Finn	10,875,000 Consideration Shares	21.5%	20.9%	17.3%	16.9%

Notes:

- (a) Following completion of the Proposed Acquisition, assuming that the **minimum of \$4,000,000** is raised under the Capital Raising and **undiluted**. These percentages are based on a total sum of 50,536,185 fully paid ordinary shares of the Company (post-Consolidation), which has been calculated as follows: 19,661,185 (existing number of Shares on issue) + 10,875,000 (Consideration Shares pursuant to the Proposed Acquisition) + 20,000,000 (New Shares pursuant to the Capital Raising to raise the minimum of \$4.0m).
- (b) Following completion of the Proposed Acquisition, assuming that the **minimum of \$4,000,000** is raised under the Capital Raising and **fully diluted**. These percentages are based on a total sum of 52,036,185 fully paid ordinary shares of the Company (post-Consolidation), which has been calculated as follows: 19,661,185 (existing number of Shares on issue) + 10,875,000 (Consideration Shares pursuant to the Proposed Acquisition) + 20,000,000 (New Shares pursuant to the Capital Raising to raise the minimum of \$4.0m) + 1,500,000 (remaining existing number of Options on issue, being exercised).
- (c) Following completion of the Proposed Acquisition, assuming that the **maximum of \$6,500,000** is raised under the Capital Raising and **undiluted**. These percentages are based on a total sum of 63,036,185 fully paid ordinary shares of the Company (post-Consolidation), which has been calculated as follows: 19,661,185 (existing number of Shares on issue) + 10,875,000 (Consideration Shares pursuant to the Proposed Acquisition) + 32,500,000 (New Shares pursuant to the Capital Raising to raise the maximum of \$6.5m).
- (d) Following completion of the Proposed Acquisition, assuming that the **maximum of \$6,500,000** is raised under the Capital Raising and **undiluted**. These percentages are based on a total sum of 64,536,185 fully paid ordinary shares of the Company (post-Consolidation), which has been calculated as follows: 19,661,185 (existing number of Shares on issue) + 10,875,000 (Consideration Shares pursuant to the Proposed Acquisition) + 32,500,000 (New Shares pursuant to the Capital Raising to raise the maximum of \$6.5m) + 1,500,000 (remaining existing number of Options on issue, being exercised).

As set out in Table 4, the AFL Vendor (or its nominee) and Mr Finn could collectively hold more than 20% of the Shares in the Company following completion of the Proposed Acquisition (up to approximately 21.5% of the issued Share capital of the Company).

Information required pursuant to Chapter 6 of the Corporations Act

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

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

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

A person (**Second Person**) will be an 'associate' of the other person (**First Person**) if one or more of the following paragraphs applies:

- (a) the First Person is a body corporate and the Second Person is:
 - (i) a body corporate the First Person controls;
 - (ii) a body corporate that controls the First Person; or
 - (iii) body corporate that is controlled by an entity that controls the First Person;
- (b) the Second Person has entered or proposes to enter into a relevant agreement with the First Person for the purpose of controlling or influencing the composition of the Company's board or the conduct of the Company's affairs; or
- (c) the Second Person is a person with whom the First Person is acting or proposed to act, in concert in relation to the Company's affairs.

A person has a relevant interest in securities if they:

- (a) are the holder of the securities;
- (b) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- (c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

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

A person also has a relevant interest in any securities that any of the following has:

- (a) a body corporate, or managed investment scheme, in which the person's voting power is above 20%; or
- (b) a body corporate, or managed investment scheme, that the person controls.

Item 7 of section 611 of the Corporations Act provides an exception to the prohibition, whereby a person may make an otherwise prohibited acquisition of a relevant interest in a company's voting shares if the acquisition is approved by Shareholders.

The following information is required to be provided to Shareholders pursuant to the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining Shareholder approval for the purposes of Item 7 of Section 611 of the Corporations Act and under this Resolution 3. Shareholders are also referred to Independent Expert's Report contained in Annexure A of this Notice of Meeting.

Shareholder approval of Resolution 3 is subject to receipt of Shareholder approval for each of the other Acquisition Resolutions.

Why is approval under the exception in Item 7 of Section 611 of the Corporations Act needed?

The AFL Vendor (or its nominee) and Mr Edward Finn (as the sole shareholder and director AFL Vendor, will have effective control over AFL Vendor) will each acquire a relevant interest in 10,875,000 Shares, representing an increase in voting power in the Company from 0% to up to 21.5%. As a result, the collective potential voting power of the AFL Vendor (or its nominee) and Mr Finn in the Company after implementation of all Resolutions may exceed 20% of the issued capital of the Company.

Accordingly, Resolution 3 seeks Shareholder approval for the purpose of Item 7 of Section 611 of the Corporations Act and all other purposes in order to permit the AFL Vendor (or its nominee) and Mr Edward Finn to increase their voting power in the Company from 0% to up to 21.5% as detailed in Table 4.

Relevant interests, voting power and proposed capital structure of the Company

As of the date of this Notice of Meeting, the Company is not aware of the AFL Vendor or Mr Finn holding any Shareholdings in the Company.

Table 4 above sets out the maximum number of Shares that the AFL Vendor (or its nominee) and Mr Finn could acquire in the Company as a result of the Proposed Acquisition.

Table 4 also sets out the maximum potential voting power in the Company that could be held by the AFL Vendor (or its nominee) and Mr Finn, which varies between 16.9% and 21.5%, depending on the level of Capital Raising completed by the Company and whether the issued capital of the Company is calculated on an undiluted or fully diluted basis.

Intentions of the AFL Vendor and Mr Finn

The Company understands that, in the event that:

- (a) all the Resolutions required to complete the Proposed Acquisition under this Notice of Meeting are passed by Shareholders;
- (b) the Capital Raising successfully closes;
- (c) the Proposed Acquisition completes; and
- (d) the Company achieves reinstatement to the Official List of the ASX,

it is the AFL Vendor's and Mr Finn's intention:

- (a) to change the current business activities of the Company to AF Legal's business activities and for the combined entity (of AF Legal and NAV) to operate the AF Legal business under AF Legal's existing management and key personnel (which includes Mr Finn);
- (b) as part of the Company's broader business strategy, the Company will consider investment and/or acquisition opportunities. If and when such opportunities are pursued by the Company, the Company may raise further capital although there are no present intentions to do so; and
- (c) to focus on building scale and reinvesting cash flow into the Company's existing business activities, accordingly, the Company is unlikely for the foreseeable future to declare a dividend following re-instatement to the Official List of ASX.

The AFL Vendor and Mr Finn do not have an intention to otherwise redeploy the fixed assets of the Company or to transfer any property between the Company and the AFL Vendor/Mr Finn or any person associated with the AFL Vendor/Mr Finn.

These intentions are based on information concerning the Company, its business and the business environment that which is known to the AFL Vendor and Mr Finn as at the date of this Notice.

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

Importantly, Mr Finn, who has been instrumental in AF Legal's growth and success, will join the New Board as the Managing Director and Chief Executive Officer of the Company.

Advantages, disadvantages and risks of the Proposed Acquisition

The current Directors of the Company considers that the Proposed Acquisition poses a number of advantages, disadvantages and risks for the Company. These are set out in further detail on pages 22-24 and Annexure B of this Notice of Meeting.

Independent Expert's Report

The Corporations Act provides that an Independent Expert's Report (**IER**) on the Proposed Acquisition (which includes the acquisition of the relevant interest in the Company by the AFL Vendor (or its nominee) and Mr Finn and Associates in excess of the threshold prescribed by section 606(1) of the Corporations Act) must be provided to existing Shareholders of the Company. The IER provides an opinion as to whether the acquisition of the voting power and interest referred to in this Explanatory Statement for Resolution 3 by the AFL Vendor (or its nominee) and Mr Finn is fair and reasonable to the Shareholders of the Company.

Accordingly, the Company has appointed Leadenhall to produce the IER. The IER is contained in Annexure A of this Notice of Meeting.

Leadenhall has concluded that the Proposed Acquisition and the acquisition of the voting and interest

by the AFL Vendor (or its nominee) and Mr Finn is fair and reasonable to the Shareholders of the Company, as of the date of the IER.

The advantages and disadvantages of the Proposed Acquisition and the acquisition of the voting power and interest by the AFL Vendor (or its nominee) and Mr Finn are outlined in the IER and are provided to enable Shareholders of the Company to determine whether they are better off if the Proposed Acquisition did not proceed.

Shareholders are urged to carefully read the IER before deciding how to vote on Resolution 3. If you have any doubt or do not understand this Resolution, it is strongly recommended that you seek advice from an accountant, solicitor or other professional advisor.

Directors' recommendation

The Board of Directors considers that it is in the best interests of the Company that it completes the Proposed Acquisition (which includes the acquisition of the relevant interest by the AFL Vendor (or its nominee) and Mr Finn), and accordingly recommends that Shareholders vote in favour of Resolution 3.

Resolutions 4 and 5 – Election of Directors

Background

As part of the Proposed Acquisition, it is proposed that each of Mr Grant Dearlove and Mr Edward Finn be appointed to the New Board.

As noted earlier in this Explanatory Statement, following completion of the Proposed Acquisition, the New Board will comprise of the following directors:

- (a) Mr Grant Dearlove, Executive Director and Chairman;
- (b) Mr Edward Finn, Managing Director and Chief Executive Officer; and
- (c) Mr Glen Dobbie, Non-Executive Director.

Shareholder approval for the election of the incoming directors (Mr Dearlove and Mr Finn) are being sought under Resolutions 4 and 5 of this Notice of Meeting. Shareholder approval of Resolutions 4 and 5 are subject to receipt of Shareholder approval for each of the other Acquisition Resolutions.

In addition, as part of his appointment as a director of the Company, Mr Dearlove has expressed his desire to be able to participate in the Public Offer and subscribe for New Shares under the Prospectus on the same terms as every other non-related party investor under the Public Offer. Under Exception 6 of ASX Listing Rule 10.12, Shareholder approval is not required for the issue of securities to a related party where that person is a related party by reason only of the transaction which is the reason for the issue of the securities and the application to it of section 228(6) of the Corporations Act. As Mr Dearlove's appointment as a director is subject to the other Acquisition Resolutions being passed, the Company relies on Exception 6 to issue Mr Dearlove up to, on a post Consolidation basis, 500,000 New Shares at an issue price of 20 cents (\$0.20) per New Share (value of up to \$100,000).

A summary of the qualifications, skills and experiences of Mr Dearlove and Mr Finn are set out below.

Mr Grant Dearlove, Executive Director and Chairman – Resolution 4

Grant has over 25 years' experience, as a lawyer and Company Director owning, leading, and growing private and ASX listed companies at 'C' suite level combining both strategic business, investment and legal competencies to deliver shareholder returns.

Grant has been a practising solicitor since 1992. He was previously an equity partner of leading Queensland firm McInnes Wilson Lawyers and for the last 9 years was Head of Growth and Markets at Shine Corporate Limited (ASX: SHJ). At Shine, Grant was responsible for expanding the firm into new areas of law (including family law) and over his tenure grew his division from \$2m to over \$50m in revenues.

Grant is currently a Non Executive Director of leading stockbroker and wealth manager Forefront Financial Services Pty Ltd - Morgans Milton, Director and Chair of the FAR Committee of the Central Queensland Primary Health Network, Non-Executive Director of Oliver Hume Corporation (Australia's leading residential fund manager and property agency) and Chair of Oliver Hume's Queensland and Agency businesses. Grant has also held Managing Director positions at Colliers International, PRDnationwide and Verifact.

Grant has a Bachelor of Laws, Master of Laws, Master of Business Administration, and a Graduate Diploma in Applied Corporate Governance. Grant is a Graduate of the Institute of Company Directors Course. He is also a Life Fellow of the Australian Institute of Management and studied "Leadership of Professional Service Organisations" at Harvard University.

Mr Edward Finn, Managing Director and Chief Executive Officer – Resolution 5

Edward is the founder and Managing Director of AF Legal Pty Ltd. He is responsible for the overall strategic direction of the firm.

Prior to founding AF Legal Pty Ltd, Edward worked as a lawyer for a general service firm with an emphasis on relationship and family law, Alpass & Associates. He also co-founded an online travel guide and an online retailer, Tomorrow's Laundry, reflecting his longstanding interest in digital marketing.

Edward completed combined Bachelor of Law/Arts (Media Communications) degrees at the University of Melbourne and is a recipient of the Grumitt Scholarship.

Edward was admitted as a Solicitor in 2012 and currently holds a Principal Practising Certificate issued by the Victorian Legal Services Board & Commissioner.

Directors' Recommendation

The Board of Directors considers that the appointments of Mr Dearlove and Mr Finn to the New Board are in the best interests of the Company and that each represent an integral component of the Company's strategy following completion of the Proposed Acquisition.

The Board of Directors unanimously recommends that Shareholders vote in favour of Resolutions 4 and 5.

Resolution 6 – Re-election of Director

Background

Rule 4.7 of the Company's Constitution restricts a director from holding office without re-election beyond the third annual general meeting at which the director was last elected or re-elected. Rule 4.9 of the Company's Constitution exempts the CEO (defined as a director appointed as the managing director and chief executive officer) from retirement under rule 4.7.

ASX Listing Rule 14.4 also provides that a Director must not hold office (without re-election) past the third annual general meeting following the Director's appointment or 3 years, whichever is longer. This rule does not apply to managing director.

Mr Glen Dobbie is currently the managing director of the Company. He was appointed as a Director of the Company on 12 February 2016, and has not been required to be re-elected since the date of appointment.

As Mr Dobbie will no longer be the managing director following completion of the Proposed Transaction, the managing director exemptions to Rule 4.7 of the Company's Constitution and ASX Listing Rule 14.4 will not apply.

Shareholder approval for the re-election of Mr Dobbie is being sought under Resolution 6 of this Notice of Meeting.

Background details for Mr Dobbie are set out below:

Glen has over 10 years' experience investing in and operating mid market private businesses across various industries. Glen is currently the Managing Partner of Auxano Asia and The Education Fund, investment firms that seek to provide mid-market businesses with whatever they need to grow. Prior to this role, Glen was formerly the Group Commercial Director at Arowana & Co, where he was primarily responsible for the investment operations of the ASX listed, Arowana International Limited. During his 7 years at Arowana & Co, the firm recorded returns of over 30% per annum and Arowana International Limited's share price rose to \$1.00 from a listing price of \$0.35.

Glen has particular experience in "hands on" operational management across a variety of industries including education, media, infrastructure, engineering, waste management and technology businesses.

Glen has been involved in various capital raising activities and held directorships across a range of sectors for listed and unlisted companies.

Glen holds a Bachelor of Commerce (Honours) degree from the University of New South Wales where he was a University Co-Op Scholar with the School of Accounting. Glen also has a Graduate Diploma of Chartered Accounting from ICAA and is a certified Gazelles business coach.

Directors' Recommendation

The Board of Directors (excluding Mr Dobbie) unanimously recommends that Shareholders vote in favour of Resolution 6.

Resolution 7 – Change of Company Name

Background

The Company proposes to change its name from “Navigator Resources Limited” to “AF Legal Group Ltd” which more accurately reflects the proposed future operations of the Company. The change of name will take effect from when ASIC alters the details of the Company’s registration.

The Company also proposes to change its ASX ticker code from “NAV” to “AFL” to reflect this change, subject to confirmation by ASX.

This change in name will not in itself, affect the legal status of the Company or any of its assets or liabilities.

The proposed name has been reserved with ASIC by the Company and if Resolution 7 is passed (along with the other Acquisition Resolutions), the Company will lodge a copy of the special resolution with ASIC following the Meeting in order to effect the change.

Pursuant to section 157(1) of the Corporations Act, a change in Company name can only be effectuated by way of a special resolution passed by its Shareholders. Therefore, this Resolution can only be passed if at least 75% of the total votes cast by Shareholders entitled to vote on this Resolution are voted in its favour.

Shareholder approval of Resolution 7 is subject to receipt of Shareholder approval for each of the other Acquisition Resolutions.

Directors’ Recommendation

The Board of Directors unanimously recommends that Shareholders vote in favour of Resolution 7.

Part B: Capital Raising and Prospectus

Details of Offers to be made under the Prospectus

As part of the Proposed Acquisition, the Company proposes to raise a minimum of \$4,000,000 and a maximum of \$6,500,000 under a Prospectus that will be lodged with ASIC by the Company (**Capital Raising**), in the event that Shareholder approval is obtained for each of the Acquisition Resolutions.

Most of the funds raised will be applied towards the consideration payable by the Company under the terms of the Share Purchase Deed to complete the Proposed Acquisition. Further details of the proposed use of funds are set out below in Table 6.

In addition to a public offer for the Capital Raising, the Prospectus may contain other offers as part of the Proposed Acquisition.

On a post-Consolidation basis, the Company proposes to make the following offer under the Prospectus:

Table 5 – Details of offers under the Prospectus

Type of Offer	Terms of Offer
Public Offer	For the offer of up to 32,500,000 fully paid ordinary shares (New Shares) at an issue price of 20 cents (\$0.20) per New Share, to investors who are invited to subscribe for New Shares under the Prospectus pursuant to the Capital Raising, to raise a minimum \$4,000,000 and maximum of \$6,500,000.
Consideration Offer	For the offer of 10,875,000 fully paid ordinary shares (Consideration Shares) at a deemed issue price of 20 cents (\$0.20) per Share, to the AFL Vendor (or its nominee) as part of the consideration payable by the Company for the acquisition of the AFL Shares.

The pro-forma capital structure of the Company at completion of the Proposed Acquisition will depend on the level of subscription achieved under the Capital Raising. The projected capital structures are set out in further detail in Tables 1 and 2 (page 18 of this Notice of Meeting).

Participation by directors in capital raising

Messrs Greg Ruddock and Joshua McKean, current Directors of the Company have expressed their desire to be able to participate in the Public Offer and subscribe for New Shares under the Prospectus on the same terms as every other non-related party investor under the Public Offer. Shareholder approval under Listing Rule 10.11 for the subscription of New Shares by Messrs Ruddock and McKean are sought under Resolutions 9 and 10 of this Notice of Meeting.

Proposed Use of Funds

The Company's proposed use of funds raised from the Capital Raising are as follows:

Table 6 – Proposed use of funds

Description	\$4.0m Capital Raising	\$6.5m Capital Raising
Payment of Cash Consideration to the AFL Vendor	\$2,500,000	\$2,500,000
Repayment of debt in the AF Legal business	-	\$1,200,000
Repayment of related party debt	\$325,000	\$325,000
Working capital	\$150,350	\$1,263,350
Transaction costs	\$1,024,650	\$1,211,650
Total	\$4,000,000	\$6,500,000

Resolution 8 – Approval for Issue of New Shares Pursuant to Capital Raising

Background

This Resolution 8 seeks Shareholder approval to issue and allot up to 32,500,000 New Shares to investors (on a post-Consolidation basis) who are invited to subscribe for New Shares in the Company, at an issue price of 20 cents (\$0.20) per New Share, to raise a minimum of \$4,000,000 and maximum of \$6,500,000 under the Prospectus pursuant to the Capital Raising.

The effect of this Resolution is for Shareholders to approve the issue of these Shares to fall within an exception to Listing Rule 7.1, which will allow the Company to issue these Shares without using the Company's annual 15% placement capacity.

Information Required by Listing Rule 7.3

The following information in relation to these New Shares (on a post-Consolidation basis) is provided to Shareholders for the purposes of Listing Rule 7.3:

- (a) On a post-Consolidation basis, the maximum number of New Shares to be issued is 32,500,000 (being the number of Shares that would be issued for a maximum raise of \$6,500,000).
- (b) These New Shares will be issued by within 3 months of Shareholder approval being obtained by the Company (or otherwise, as determined by the ASX in the exercise of their discretion).
- (c) On a post-Consolidation basis, the New Shares will be offered at an issue price of 20 cents (\$0.20) per New Share.
- (d) The allottees are investors invited to subscribe for New Shares under the Prospectus pursuant to the Capital Raising. The Capital Raising will be open to members of the public.
- (e) The New 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.
- (f) Funds raised under the Capital Raising will be applied in accordance with Table 6.

Directors' Recommendation

The Board of Directors unanimously recommends that Shareholders vote in favour of Resolution 8.

Resolutions 9 and 10 – Approval for Current Directors to Subscribe for New Shares

Background

As noted previously, Messrs Greg Ruddock and Joshua McKean, current Directors of the Company have expressed their desire to be able to participate in the Public Offer and subscribe for New Shares under the Prospectus on the same terms as every other non-related party investor under the Public Offer.

Accordingly, Shareholder approval is being sought under this Notice for Messrs Ruddock and McKean as follows:

- (a) Resolution 9: Gregory Ruddock (or his nominee) to be issued up to, on a post-Consolidation basis, 1,500,000 New Shares at an issue price of 20 cents (\$0.20) per New Shares (value of up to \$300,000); and
- (b) Resolution 10: Joshua McKean (or his nominee) to be issued up to, on a post-Consolidation basis, 500,000 New Shares at an issue price of 20 cents (\$0.20) per New Shares (value of up to \$100,000).

Related Party Approvals

Listing Rule 10.11 provides that the Company, as an ASX listed entity, must not issue equity securities to a related party without Shareholder approval.

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

A “related party” for the purposes of the Listing Rules is widely defined and includes a director of a public company or a spouse of a director of a public company. Given that Messrs Ruddock and McKean are current Directors of the Company (as of the date of this Notice), they are both a “related party” of the Company and the issue of New Shares to each of them (or their nominee) constitutes the giving of a financial benefit under Chapter 2E of the Corporations Act.

Messrs Ruddock and Mr McKean intend to resign at completion of the Proposed Transaction. However, by the time the New Shares are issued to Messrs Ruddock and McKean, given that both would have been a Director of the Company in the past 6 months, each of them would continue to be a “related party” of the Company for the purposes of the Corporations Act and the Listing Rules.

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

The New Shares proposed to be subscribed by and issued to Messrs Ruddock and McKean are on the same terms and issue price that will be offered other non-related party investors under the Public Offer.

Accordingly, for the above reason, the non-conflicted Directors of the Company (being Messrs Glen Dobbie and Malcolm Keefe) formed the view that the issue of these New Shares to Messrs Ruddock and McKean falls within the “arm’s length” exception as set out in section 210 of the Corporations Act. Accordingly, the Company relies on this exception for the purposes of Resolutions 9 and 10 under this Notice of Meeting.

Information Required by Listing Rule 10.13

The following information in relation to the issue of the New Shares to Messrs Ruddock and McKean (or their nominees) is provided to Shareholders for the purposes of Listing Rule 10.13:

- (a) The related parties are Mr Gregory Ruddock, current Director of the Company (who will resign as a Director of the Company following completion of the Proposed Transaction), and Mr Joshua McKean, current Director of the Company (who will resign at completion of the Proposed Transaction).

- (b) Based on a post-Consolidation issue price of 20 cents (\$0.20) per New Share, the maximum number of New Shares to be issued to Mr Ruddock (or his nominee) is 1,500,000 and to Mr McKean (or his nominee) is 500,000.
- (c) The New Shares will be issued within 1 month of Shareholder approval being obtained by the Company (or otherwise, as determined by the ASX in the exercise of their discretion).
- (d) On a post-Consolidation basis, the issue price of the New Shares will be 20 cents (\$0.20) per New Share.
- (e) The New 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.
- (f) Funds raised under the Capital Raising (which will include Messrs Ruddock and McKean's proposed subscription of New Shares under the Public Offer) will be applied in accordance with Table 6.

Part C: New Employee Incentive Scheme

New Employee Incentive Scheme

As part of the Proposed Acquisition, the New Board proposes to implement a new employee incentive scheme titled “Long Term Incentive Plan” (**LTIP**) under which Directors, senior management, and other key employees or contractors of the Company will be invited to share in the ownership of the Company. Under the terms of the LTIP, eligible persons may be issued options, performance rights shares and such eligible persons may be offered a loan by the Company to fund the subscription amount or exercise price for such securities.

Shareholder approval for the adoption of the LTIP is being sought under Resolution 11 of this Notice of Meeting.

Resolution 11 – Adoption of Long Term Incentive Plan

Background

This Resolution 11 seeks Shareholder approval for the Company to adopt the LTIP in accordance with Listing Rule 7.2 (exception 9(b)) and for all other purposes. This Resolution is conditional on the Acquisition Resolutions being passed (which are required to complete the Proposed Acquisition) under this Notice of Meeting.

ASX Listing Rules

The effect of this Resolution is for Shareholders to approve the issue of securities under the LTIP (**LTIP Securities**) to fall within an exception to Listing Rule 7.1 (being Listing Rule 7.2 (exception 9(b))), which will allow the Directors to issue the LTIP Securities without using the Company's 15% placement capacity for a period of 3 years from the date on which Shareholders approve the issue of securities under the relevant employee incentive scheme.

For the purposes of Listing Rule 7.2 (exception 9(b)), the Company advises as follows:

- (a) Shareholder approval for the adoption of the LTIP has not previously been sought from Shareholders under ASX Listing Rule 7.2 (exception 9(b)). Accordingly, as of the date of this Notice, no LTIP Securities have been issued.
- (b) Summary of the LTIP is set out in Annexure D of this Notice.

Following completion of the Proposed Acquisition, any future issue of LTIP Securities to a related party or a person whose relation with the Company or the related party is, in the ASX's opinion, such that approval should be obtained, will require additional Shareholder approval under Corporations Act and Listing Rules at the relevant time.

Shareholder loans

The Board may, in its discretion, also determine that the Company will provide limited recourse loans to participants to use to pay the subscription price for the purchase of loan funded shares under the LTIP, or for the exercise price for options or performance rights under the LTIP.

Permit the Company to take security over its own Shares

Section 259B(1) of the Corporations Act prohibits a company from taking security over shares in itself or in a company that controls it, unless one of the exceptions in subsections 259B(2) or 259(3) applies. Section 259(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 LTIP.

Accordingly, Shareholder approval is being sought under this Resolution to approve the LTIP in order for the Company to take security over its own Shares issued under the LTIP 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 LTIP envisages the giving of financial assistance by the Company to eligible and invited participants in the form of interest free, limited recourse loans to acquire loan funded shares in the Company.

Although the Board does not consider that the giving of financial benefit under the LTIP 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.

Employee share scheme buy-back

Section 257B(1) of the Corporations Act sets out the procedure for various forms of share buy-back, including an "employee share scheme buy-back". In order for the Company to undertake a buy-back of Shares under the LTIP using the employee share scheme buy-back procedure under the Corporations Act, the LTIP must be approved by Shareholders of the Company.

Accordingly, Shareholder approval is being sought under this Resolution to approve the LTIP in order for the Company to undertake a buy-back of Shares under the LTIP in the future using the employee share scheme buy-back procedure under the Corporations Act.

Copy of the LTIP

A copy of the full terms and conditions of the LTIP is available for review by Shareholders at the registered address of the Company until the date of the Meeting. A copy of the LTIP can also be sent to Shareholders upon a written request being made with the Company. Shareholders are invited to contact the Company if they have any queries or concerns.

Directors' recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 11.

Glossary

Acquisition Resolutions means Resolutions 1 to 11 under this Notice of Meeting.

Adjustment Amount means the amount (if any) by which the Completion Net Working Capital differs from the Target Net Working Capital, and by which the Completion Actual Net Debt differs from the Target Net Debt.

AF Legal means AF Legal Pty Ltd (ACN 604 485 154).

AFL Share means an ordinary share in the capital of AF Legal, which is proposed to be sold to the Company under the Share Purchase Deed.

AFL Vendor means Oscar Churchill Pty Ltd (ACN 603 632 560), the sole securityholder of AF Legal.

ASIC means Australian Securities and Investment Commission.

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.

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.

Cash Consideration means the \$2,500,000 cash payment to be paid to the AFL Vendor (or its nominee) by the Company as part of the consideration payable for the AFL Shares.

Capital Raising means a capital raising to be conducted by the Company under the Prospectus in accordance with Resolution 8 of this Notice of Meeting.

Chair means the person chairing the Meeting.

Company or **NAV** means Navigator Resources Limited ACN 063 366 487 (proposed to be renamed to "AF Legal Group Ltd").

Completion means the completion of the sale and purchase of all the fully paid ordinary shares in AF Legal, as contemplated by the Share Purchase Deed.

Completion Accounts means the completion accounts which are prepared in accordance with schedule 6 of the Share Purchase Deed and in the format as set out in attachment 1 to schedule 6, and delivered to the Company.

Completion Actual Net Debt means all of AF Legal's borrowings less AF Legal's cash at Completion (excluding any loans between AF Legal and its shareholders).

Completion Actual Net Working Capital means total assets with the exception of cash assets, related party loan receivables, and fixed assets, less all the total liabilities excluding borrowings as illustrated in attachment 1 to schedule 6 of the Share Purchase Deed.

Conditions Precedent means the conditions to Completion, as set out in the Share Purchase Deed.

Consideration means the consideration payable to the AFL Vendor for their shares in AF Legal under the terms of the Share Purchase Deed, which consists of the Consideration Shares and the Cash Consideration.

Consideration Shares means, on a post-Consolidation basis, up to 10,875,000 Shares to be issued to the AFL Vendor (or its nominee) at a deemed issue price of 20 cents (\$0.20) per Share as part of the consideration payable for the AFL Shares.

Constitution means the Company's constitution.

Consolidation means the 20 for 1 consolidation of the existing issued capital of the Company, which

will be implemented in accordance with Resolution 1 of this Notice of Meeting.

Consolidation Ratio means the 20 for 1 ratio of the Consolidation (20 securities being consolidated to 1 security).

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

Deferred Cash Consideration means the additional \$500,000 payable by the Company in relation to its acquisition of the AFL Shares as part of the Proposed Acquisition.

Director means a current director of the Company.

Dollar or **\$** means Australian dollars.

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

Extraordinary General Meeting or **EGM** or **Meeting** means the meeting of the Company's members convened by this Notice of Meeting.

End Date means the date that is 6 months after the execution of the Share Purchase Deed.

Independent Expert's Report or **IER** means an Independent Expert's Report prepared by Leadenhall which is contained in Annexure A of this Notice of Meeting.

Insolvency Event, in relation to a corporation, means:

- (a) the corporation resolves to wind itself up or otherwise dissolve itself, or gives notice of its intention to do so;
- (b) an order is made that the corporation be wound up;
- (c) a liquidator or provisional liquidator is appointed;
- (d) a receiver, receiver and manager or other controller (as defined in section 9 the Corporations Act) is appointed to it or any of its assets;
- (e) an administrator is appointed to the corporation under sections 436A, 436B or 436C of the Corporations Act;
- (f) an application is made to a court that the corporation be wound up, or that a provisional liquidator or receiver or receiver and manager be appointed, and that application is not withdrawn, struck out or dismissed within 20 days of it being made;
- (g) a meeting is convened or a resolution is passed to appoint an official manager, administrator, receiver or receiver manager in relation to the corporation;
- (h) the corporation enters into an arrangement or composition with one or more of its creditors, or an assignment for the benefit of one or more of its creditors, or proposes a winding up, dissolution, Deed of company arrangement, re-organisation or moratorium or other administration involving one or more of its creditors, in each case other than to carry out a reconstruction or amalgamation while solvent;
- (i) it is insolvent as disclosed in its accounts or otherwise, states that it is insolvent, is presumed to be insolvent under an applicable law (including under sub-section 459C(2) or section 585 of the Corporations Act) or otherwise is, or states that it is, unable to pay all its debts as and when they become due and payable;
- (j) the corporation takes any step to obtain protection or is granted protection from its creditors under any relevant legislation;
- (k) the corporation is taken to have failed to comply with a statutory demand as a result of sub-section 459F(1) of the Corporations Act; or
- (l) anything analogous or having a substantially similar effect to any of the above events happens in relation to the corporation under the law of any applicable jurisdiction;

and in relation to a natural person, means:

- (m) the person is or becomes an insolvent under administration as defined in the Corporations Act;
- (n) a controlling trustee is appointed in relation to the person or the person makes or proposes to

make a personal insolvency agreement;

- (o) the person is unable to pay his or her debts as they fall due; or
- (p) the person dies or becomes unable to manage his or her affairs for any reason.

L6M Normalised EBITDA means AF Legal's Normalised EBITDA assessed on a half yearly basis with the first assessment based on the audited accounts for the period ending 31 December 2018, not adjusting for Edward Finn's salary or any other employee related costs.

Leadenhall means Leadenhall Corporate Advisory Pty Ltd.

LTIP or **Long Term Incentive Plan** means the Company's proposed new employee incentive scheme that is the subject of Resolution 11.

LTIP Securities means any securities issued under the LTIP.

New Board means the proposed board of directors of the Company following completion of the Proposed Acquisition.

New Share means a Share to be offered under the Prospectus as part of the Capital Raising and which is the subject of Resolution 8 of this Notice of Meeting.

Normalised EBITDA means earnings before interest, taxes and depreciation and amortisation calculated in line with 'Australian Accounting Standards' adjusted for any reasonable one off or non-recurring items.

Notice or **Notice of Meeting** means this notice of extraordinary general meeting dated 8 March 2019, including the Explanatory Statement.

Option means an option to subscribe for 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.

Proposed Acquisition means the proposed acquisition of 100% of the issued capital in AF Legal pursuant to the Share Purchase Deed, as announced by the Company on 19 December 2018.

Prospectus means the prospectus that will be issued by the Company to conduct the Capital Raising and make other offers as required, including in relation to the Consideration Shares.

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

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

Restriction Agreement means an agreement entered into for the purposes of Chapter 9 of the ASX Listing Rules.

Securities mean Shares or any other equity interest in the Company.

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

Shareholder means a holder of a Share.

Share Purchase Deed means the conditional share purchase deed executed between the AFL Vendor, AF Legal and the Company dated 18 December 2018, which sets out the terms and conditions under which the Proposed Acquisition will complete.

Share Registry means Boardroom Pty Ltd.

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.

Target Net Debt means the amount of \$1,200,000.

Target Net Working Capital means the amount of \$500,000.

Annexure A – Independent Expert's Report



NAVIGATOR RESOURCES LIMITED

PROPOSED ACQUISITION OF AF LEGAL PTY LTD

INDEPENDENT EXPERT'S REPORT AND FINANCIAL SERVICES GUIDE
28 FEBRUARY 2019



28 February 2019

The Directors
Navigator Resources Limited
Level 29, 201 Elizabeth Street
Sydney NSW 2000

Dear Directors,

Independent Expert's Report for Navigator Resources Limited

1. Introduction

Navigator Resources Limited ("**Navigator**") is a mining exploration company listed on the Australian Stock Exchange ("**ASX**").

AF Legal Pty Ltd ("**AF Legal**") is a family and relationship law firm headquartered in Melbourne. AF Legal was established in 2015 and uses a digital marketing strategy, marketing tools and techniques for lead generation.

On 18 December 2018, Navigator, AF Legal and Oscar Churchill Pty Ltd as trustee of the Finn Family Trust ("**Finn Family Trust**") entered into a Share Purchase Deed ("**SPD**") for Navigator to acquire 100% of the securities in AF Legal ("**Proposed Transaction**"). The consideration for AF Legal is to be satisfied by \$2.5 million in cash on completion ("**Cash Consideration**"), an additional cash payment of up to \$325,000 to extinguish the debt facility held by the vendor of AF Legal, another \$0.5 million in cash payable in two instalments of \$0.25 million each, subject to AF Legal's normalised earnings before interest tax, depreciation and amortisation ("**EBITDA**") exceeding \$1 million in any half yearly period ("**Deferred Consideration**") and the issue of 10,875,000 Navigator shares ("**Share Consideration**"). The number of shares is on a post consolidation basis as discussed below.

We have defined the combined Navigator and AF Legal business after the Proposed Transaction as the ("**Proposed Merged Entity**").

In conjunction with the Proposed Transaction, Navigator is planning a one for 20 share consolidation and capital raising of between \$4.0 million and \$6.5 million through the issue of shares at \$0.20 per share ("**Planned Capital Raising**").

Further information regarding the Proposed Transaction is set out in Section 1 of this report.

2. Purpose of the report

If the Proposed Transaction is approved, the vendors of AF Legal would acquire a shareholding of 17.3% to 21.5% in Navigator, depending on the level of capital raised. An acquisition of securities that enables a shareholder to increase its relevant interests in a listed company from below 20% to above 20% is prohibited, except in certain circumstances. One of the exceptions is if the acquisition is approved at a general meeting of the target company. The approval of the Proposed Transaction is therefore being sought at a general meeting of Navigator's shareholders ("**Shareholders**").

In order to assist Shareholders evaluate the Proposed Transaction, the directors of Navigator have engaged Leadenhall Corporate Advisory Pty Ltd ("**Leadenhall**") to prepare an independent expert's report assessing whether the Proposed Transaction is fair and reasonable. This report is to be included in the notice of meeting that will be sent to Shareholders regarding the Proposed Transaction.

Further information regarding the purpose of this report is provided in Section 2 of the body of the report.

3. Basis of evaluation

In order to assess whether the Proposed Transaction is fair and reasonable we have:

- ◆ Assessed it as fair if the value of a Navigator share after the Proposed Transaction is greater than or equal to the value of a Navigator share before the Proposed Transaction.
- ◆ Assessed it as reasonable if it is fair, or despite not being fair, the advantages to Shareholders outweigh the disadvantages.

Further details of the basis of evaluation are provided in Section 2 of the body of this report.

4. The Proposed Transaction is Fair

4.1 Value of Navigator before the Proposed Transaction

We have assessed the fair market value of Navigator, based on the net asset approach, as follows:

Table 1: Valuation of Navigator

\$000	Low	High
Cash	699	699
Working capital	(30)	(30)
Net assets	669	669
Listed Shell	500	750
Subsequent expenditure	(50)	(50)
Transaction costs	(420)	(420)
Total equity value	699	949
Fully paid shares outstanding (000s) (post-consolidation)	19,661	19,661
Assessed value per share (cents) (post-consolidation)	3.56	4.83

Source: Leadenhall analysis

Further details of our valuation of Navigator are provided in Section 7 of this report.

4.2 Value of the Proposed Merged Entity

The Proposed Merged Entity's business will be focused on the provision of legal services and thus we have determined the fair market value of a share in the Proposed Merged Entity by valuing the AF Legal business post the Proposed Transaction and adding the net assets owned by Navigator. We have assessed the fair market value of AF Legal using the capitalisation of future maintainable earnings approach ("CFME"). In applying the CFME approach we have selected maintainable earnings before interest and tax ("EBIT") of \$1.6 million to \$1.7 million and an EBIT multiple of 5.0 times to 6.0 times.

The following were also deducted from the value of AF Legal to determine the value of the Proposed Merged Entity:

- ◆ Cash Consideration and Deferred Consideration
- ◆ Transaction costs and subsequent expenditure.

This assessment has been made on a minority interest basis (i.e. excluding a control premium) as Navigator's existing shareholders would be minority shareholders in the Proposed Merged Entity.

The following table shows the fair market value of the Proposed Merged Entity.

Table 2: Valuation of Proposed Merged Entity

\$000	Low	High
Assessed equity value of AF Legal on a minority basis	6,800	9,000
Navigator net assets	669	669
Cash consideration	(2,500)	(2,500)
Consideration for debt extinguishment	(325)	(325)
Deferred consideration	(451)	(451)
Transaction costs and net subsequent loss	(900)	(900)
Total equity value	3,294	5,494
Fully paid shares outstanding (000s) (post-consolidation)	30,536	30,536
Assessed value per share (cents) (post-consolidation)	10.8	18.0

Source: Leadenhall analysis

Further details of our valuation of the Proposed Merged Entity are provided in Section 8 of the body of this report. We note that the figures presented above are before the Proposed Capital Raising.

Conclusion

The Proposed Transaction is fair because the fair market value of a share in the Proposed Merged Entity (i.e. Navigator plus AF Legal after the Proposed Transaction) is greater than the fair market value of a Navigator share before the Proposed Transaction, as set out in the table below:

Table 3: Assessment of fairness

	Section	Low (cents)	High (cents)	Mid (cents)
Fair market value of a Navigator share before the Proposed Transaction	7.2	3.6	4.8	4.2
Fair market value of a share in the Proposed Merged Entity	8.5	10.8	18.0	14.4

Source: Leadenhall analysis

5. The Proposed Transaction is Reasonable

We have defined the Proposed Transaction as being reasonable if it is fair, or if despite not being fair, the overall advantages of the proposal outweigh its disadvantages to Shareholders. We have therefore considered the advantages and disadvantages to Shareholders of the Proposed Transaction.

Advantages

We have identified the following significant advantages to Shareholders of the Proposed Transaction:

Exposure to a revenue generating business

Navigator has no principal activity following the expiry of its exploration licence. By contrast, if the Proposed Transaction proceeds, Shareholders will have exposure to a profitable business that has the potential to generate significant returns over the next several years if the business is successful.

Increased liquidity

Market trading in Navigator shares is currently suspended. By acquiring AF Legal and successfully completing the Planned Capital Raising, it will facilitate the resumption of trading in Navigator shares. In the absence of the Proposed Transaction (or similar transaction), Navigator will not be able to comply with the requirement for re-admission to the ASX.

No transaction costs for Shareholders

If the Proposed Transaction is completed, Shareholders will effectively exit an illiquid position in a company with no material operating business and have exposure to an operating business without having to sell their Navigator shares. Shareholders will avoid transaction costs such as brokerage and potentially capital gains taxation that might apply if they sought alternative ways to achieve a similar result.

Disadvantages

We have identified the following significant disadvantages to Shareholders of the Proposed Transaction:

Significant change in investment risk profile

Investors who acquired Navigator shares for exposure to the mining industry may not wish to hold an investment in the Proposed Merged Entity, which would predominantly be AF Legal's business in the legal services industry. Whilst the AF Legal business would likely provide the potential for increased returns on investment, this exposure may not be desirable for some investors due to individual investment preferences.

Potential further capital requirements and further dilution

AF Legal is still at a growth stage of its development and while it is expected that the Planned Capital Raising will be sufficient to fund its capital requirements, there is a risk that additional funding will be required for further growth which may further dilute Shareholders.

Loss of control

If the Proposed Transaction is approved the vendors of AF Legal would acquire effective control of Navigator. This would include the ability to control the assets, the strategic direction of the company, and the decision of when to pay dividends. The vendors of AF Legal may not always act in the best interest of Navigator's other shareholders, subject to compliance with relevant laws and regulations.

Significant transaction costs

Transaction costs of approximately 20% of the purchase consideration for AF Legal are relatively high for transactions of this size. This therefore represents a significant dilution to Shareholders should the Proposed Transaction be approved. We understand a significant portion of these costs relate to the Proposed Capital Raising.

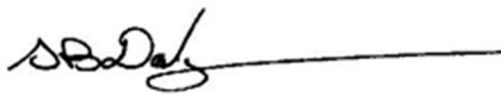
Conclusion on Reasonableness

As the Proposed Transaction is fair it is also reasonable.

6. Opinion

In our opinion, the Proposed Transaction is fair and reasonable to Shareholders. This opinion should be read in conjunction with our detailed report which sets out our scope, analysis and findings in more detail.

Yours faithfully



Simon Dalgarno
Director



Richard Norris
Director

*Note: All amounts stated in this report are in Australian dollars unless otherwise stated.
Tables in this report may not add due to rounding.*

LEADENHALL CORPORATE ADVISORY PTY LTD

ABN 11 114 534 619

Australian Financial Services Licence No: 293586

FINANCIAL SERVICES GUIDE

Leadenhall Corporate Advisory Pty Ltd ("Leadenhall" or "we" or "us" or "our" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

Financial Services Guide

In providing this report, we are required to issue this Financial Services Guide ("FSG") to retail clients. This FSG is designed to help you to make a decision as to how you might use this general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

Financial Services we are licensed to provide

We hold Australian Financial Services Licence 293586 which authorises us to provide financial product advice in relation to securities (such as shares and debentures), managed investment schemes and derivatives.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product. Our report will include a description of the circumstances of our engagement and the party who has engaged us. You will not have engaged us directly but will be provided with a copy of the report because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial service licensee authorised to provide the financial product advice contained in that report.

General financial product advice

The advice produced in our report is general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis. Leadenhall is entitled to receive a fixed fee of \$30,000 (excl. GST) for preparing this report. This fee is not contingent upon the outcome of the transaction.

Except for the fees referred to above, neither Leadenhall, nor any of its directors, consultants, employees or related entities, receive any pecuniary or other benefit, directly or indirectly, for or in connection with the provision of this report.

Remuneration or other benefits received by our employees, directors and consultants

All our employees receive a salary. Our employees are eligible for bonuses which are not based on the outcomes of any specific engagement or directly linked to the provision of this report. Our directors and consultants receive remuneration based on time spent on matters.

Associations and relationships

Leadenhall is an affiliate of the international Valuation Research Group.

Other than the benefits received for the report disclosed above, we have no other associations or relationships with the financial product issuer or otherwise which would influence or impact our ability to provide the services.

Complaints resolution

As the holder of an Australian Financial Services Licence, we are required to have a system in place for handling complaints from persons to whom we have provided reports. All complaints must be in writing, to the following address:

Leadenhall Corporate Advisory Pty Ltd
GPO Box 1572
Adelaide SA 5001
Email: office@leadenhall.com.au

We will try to resolve your complaint quickly and fairly and will endeavour to settle the matter within 14 days from the time the matter is brought to our attention.

If you do not get a satisfactory outcome, you have the option of contacting the Australian Financial Complaints Authority ("AFCA"). AFCA will then be able to advise you as to whether or not they can assist in this matter. AFCA can be contacted as follows:

Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001
Website: www.afca.org.au
Email: info@afca.org.au
Telephone: 1800 931 678 (free call)

Leadenhall's AFCA membership number is 12224

28 February 2019

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1 THE PROPOSED TRANSACTION

1.1 Acquisition of AF Legal

Navigator is an ASX listed company engaged in mining exploration activities. Until recently the company had only one mining exploration licence, the Violet Gold Project in Western Australia, which was due for renewal in November 2018 and was not renewed.

AF Legal is an Australian law firm specialising in family and relationship law, providing advice in relation to divorce, separation, property and children's matters. Ancillary services provided by AF Legal include estate planning and litigation.

On 18 December 2018 Navigator, AF Legal and Finn Family Trust entered into an SPD for Navigator to acquire 100% of the securities in AF Legal. Under the Proposed Transaction, the consideration for 100% of AF Legal is:

- ◆ \$2.5 million in cash
- ◆ An additional cash payment of up to \$325,000 to extinguish the debt facility held by the vendor of AF Legal, secured by an agreement over the business and assets of AF Legal
- ◆ \$0.5 million in cash payable in two instalments of \$0.25 million each, conditional on AF Legal's normalised EBITDA exceeding \$1 million in any half yearly period
- ◆ 10,875,000 ordinary shares in Navigator (post the share consolidation described below).

1.2 Share consolidation and cancellation of options

As a condition precedent to the Proposed Transaction, Navigator will undergo a share consolidation prior to being reinstated on the ASX. The consolidation will be on a basis of one new share for each 20 shares currently owned.

Furthermore, as part of the Proposed Transaction, Navigator intends to cancel the majority of its existing unlisted options for no consideration as agreed with the majority of option holders. It is anticipated that post the Proposed Transaction, approximately 1.5 million options (post share consolidation) will remain outstanding.

1.3 Planned capital raising

In conjunction with the Proposed Transaction, the Planned Capital Raising will raise between \$4.0 million and \$6.5 million from new investors. The Planned Capital Raising is expected to be undertaken at \$0.20 per share. The Planned Capital Raising will be used to fund the cash payment to the vendors of AF Legal, a partial debt reduction, meeting future working capital requirements and payment of transaction costs.

1.4 Board restructure

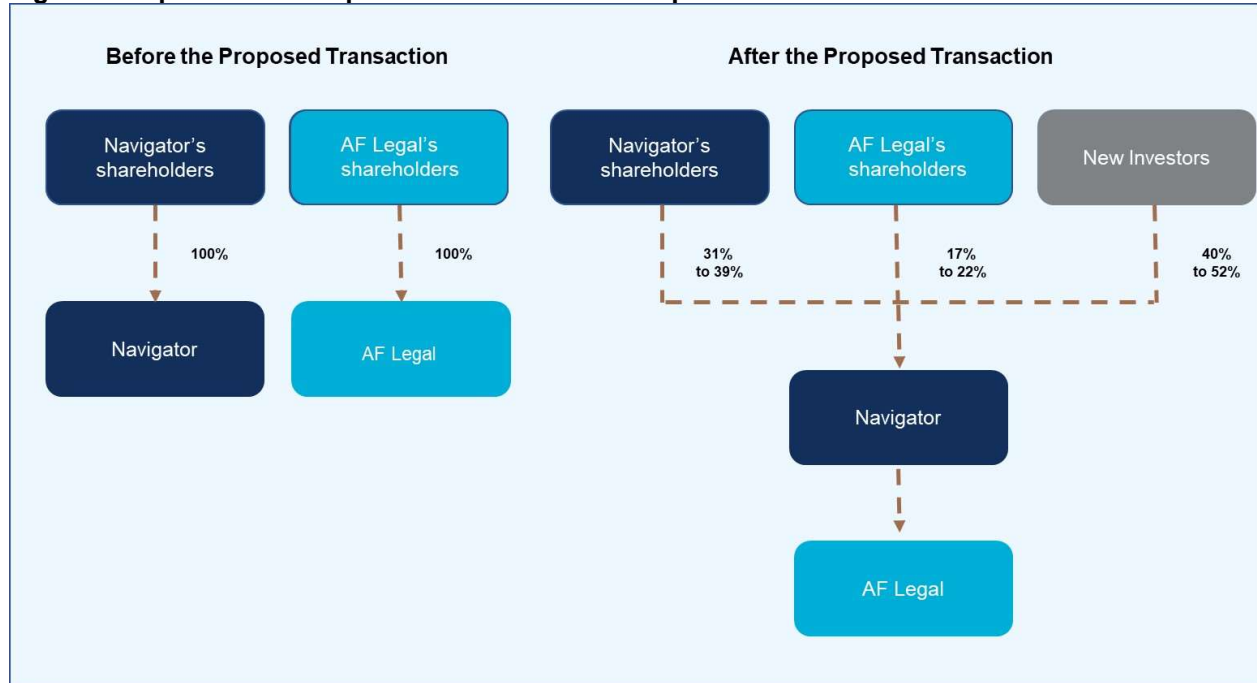
If the Proposed Transaction proceeds, there will be a restructure of Navigator's board to include one director from AF Legal, an Executive Director and Chairman and one existing Navigator director. At present the board is expected to be comprised of one AF Legal director, Edward Finn, one Navigator director, Glen Dobbie and one Executive Director and Chairman, Grant Dearlove. Peter Bergin will serve as Chief Financial Officer ("CFO").

Should the Proposed Transaction proceed, the company proposes to change its name from Navigator to AF Legal Group Ltd. The company also intends to change its ASX ticker code to "AFL".

1.5 Summary of the Proposed Transaction

The existing corporate structures of Navigator and AF Legal as well as that of the Proposed Merged Entity are outlined in the simplified diagram below.

Figure 1: Impact of the Proposed Transaction on corporate structure



Source: Leadenhall analysis

Note: The range shown in ownership of the Proposed Merged Entity is due to the low end of the Planned Capital Raising being at \$4 million and the high end being at \$6.5 million. The ownership post the Proposed Transaction is shown on an undiluted basis (i.e. not reflecting the options outstanding).

1.6 Conditions

The Proposed Transaction is subject to a number of conditions including the approval by Shareholders and receipt of approval from the ASX that Navigator has met the requirements of Chapters 1 and 2 of the Listing Rules for re-instatement on the ASX.

2 SCOPE

2.1 Purpose of the report

An acquisition of securities that enables a shareholder to increase its relevant interests in a listed company from below 20% to above 20% is prohibited under Section 606 of the Corporations Act 2001 ("**s606**"), except in certain circumstances.

One of the exceptions to s606 is where the acquisition is approved at a general meeting of the target company in accordance with item 7 ("**Item 7**") of Section 611 of the Corporations Act 2001 ("**s611**"). Approval for the Proposed Transaction is therefore being sought at a general meeting of Navigator's shareholders in accordance with Item 7.

Item 7 requires shareholders to be provided with all of the information known to the company and to the potential acquirer that is material to the shareholders' decision. *Regulatory Guide 74: Acquisitions Approved by Members* ("**RG74**") issued by the Australian Securities and Investment Commission ("**ASIC**") provides additional guidance on the information to be provided to shareholders. RG74 states that the directors of the target company should provide shareholders with an independent expert's report or a detailed directors' report in relation to transactions to be approved under Item 7. *Regulatory Guide 111: Content of Expert Reports* ("**RG111**") issued by ASIC requires an independent expert assessing a transaction that has a similar effect to a takeover bid to assess whether the transaction is fair and reasonable.

The directors of Navigator have therefore requested Leadenhall to prepare an independent expert's report assessing whether the Proposed Transaction is fair and reasonable to Navigator's Shareholders. This report has been prepared for the exclusive purpose of assisting Shareholders in their consideration of the Proposed Transaction.

2.2 Basis of evaluation

Introduction

RG111.25 requires an independent expert to evaluate an issue of securities under s611 that has a similar effect to a takeover offer as if it was a takeover offer. As the vendors of AF Legal will hold the majority of the shares outstanding in Navigator should the Proposed Transaction be approved, we have assessed the Proposed Transaction as a control transaction. RG111 requires a separate assessment of whether a control transaction under s611 is '*fair*' and whether it is '*reasonable*'. We have therefore considered the concepts of '*fairness*' and '*reasonableness*' separately. The basis of assessment selected and the reasons for that basis are discussed below.

Fairness

RG111.11 defines a takeover offer as being fair if the value of the consideration is equal to, or greater than, the value of the securities subject to the offer. Accordingly, we have assessed whether the Proposed Transaction is fair by comparing the value of a Navigator share before the Proposed Transaction with the consideration offered to Shareholders. As Shareholders would retain their Navigator shares if the Proposed Transaction proceeds (as opposed to exchanging them for cash or the acquirer's scrip as in a takeover offer) the effective consideration is the continued ownership of a Navigator share, which will become a share in the Proposed Merged Entity.

The value of a Navigator share before the Proposed Transaction has been determined on a control basis (i.e. including a control premium). This is consistent with the requirement of RG111.11 that the comparison for a takeover must be made assuming a 100% interest in the target company.

After the Proposed Transaction, a Navigator share will effectively be a share in the Proposed Merged Entity (i.e. Navigator and AF Legal combined). This has been assessed on a minority interest basis (i.e. excluding a control premium) as Shareholders would own a minority stake in the Proposed Merged Entity should the Proposed Transaction occur.

We have assessed the values of a Navigator share and a Proposed Merged Entity share at fair market value, which is defined by the International Glossary of Business Valuation Terms as:

The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.

While there is no explicit definition of value in RG111, this definition of fair market value is consistent with basis of value described at RG111.11 and common market practice.

Special value is defined as the amount a specific purchaser is willing to pay in excess of fair market value. A specific purchaser may be willing to pay a premium over fair market value as a result of potential economies of scale, reduction in competition or other synergies they may enjoy arising from the acquisition of the asset. However, to the extent a pool of hypothetical purchasers could all achieve the same level of synergies the value of those synergies may be included in fair market value. Special value is typically not considered in forming an opinion on the fair market value of an asset. Our valuations of Navigator and the Proposed Merged Entity do not include any special value.

Reasonableness

In accordance with RG111, we have defined the Proposed Transaction as being reasonable if it is fair, or if, despite not being fair, Leadenhall believes that there are sufficient reasons for Shareholders to vote for the proposal. We have therefore considered whether the advantages to Shareholders of the Proposed Transaction outweigh the disadvantages. To assess the reasonableness of the Proposed Transaction we have considered the following significant factors recommended by RG111.13:

- ◆ The liquidity of the market in Navigator's shares
- ◆ Any special value of Navigator to AF Legal
- ◆ The likely market price of Navigator shares if the Proposed Transaction is rejected
- ◆ The value of Navigator to an alternative bidder and the likelihood of an alternative offer

We have also considered other significant advantages and disadvantages to Shareholders of the Proposed Transaction.

2.3 Individual circumstances

We have evaluated the Proposed Transaction for Shareholders as a whole. We have not considered its effect on the particular circumstances of individual investors. Due to their personal circumstances, individual investors may place a different emphasis on various aspects of the Proposed Transaction from the one adopted in this report. Accordingly, individuals may reach a different conclusion to ours on whether the Proposed Transaction is fair and reasonable. If in doubt investors should consult an independent financial adviser about the impact of the Proposed Transaction on their specific financial circumstances.

3 PROFILE OF NAVIGATOR

3.1 Background

Established in 1994, Navigator is a mining exploration company listed on the ASX. On 20 February 2013, the company was suspended from official quotation on the ASX and in March 2013, the company was placed into voluntary administration. At the meeting of creditors in August 2015, the company's creditors voted in favour of a recapitalisation proposal from a syndicate. Thereafter, Navigator entered into a Deed of Company Arrangement ("**DOCA**") which was implemented in February 2016.

The company was reinstated on the ASX in March 2016. The company's principal activity at reinstatement was the exploration of the Cummins Range Project. The tenement was due for renewal in 2017, however, Navigator decided not to renew the tenement as it concluded that the project was not feasible.

On 9 December 2016, Navigator acquired the Violet Gold Project, which comprises a single prospecting licence, within the North Coolgardie Mineral field covering the Keith-Kilkenny Tectonic Zone. This is discussed further in Section 3.2 below.

On 27 March 2017, the company announced that it had entered into a binding heads of agreement for the acquisition of First Pharma Pty Limited ("**First Pharma**"), an Australian company providing over-the-counter pharmaceutical products. However, in January 2018 the owners of First Pharma notified Navigator that they had decided not to proceed with that transaction. The directors of Navigator then sought alternative investments / opportunities.

3.2 Exploration project

The Violet Gold Project was acquired by Navigator for \$22,500 and consists of a prospecting licence P40/1349. The Violet Gold Project is located 5 kilometres ("**km**") west of Kookynie, 55 km north of Menzies and 52 km south of Leonora in Western Australia. Small scale historical gold production has occurred in the late 1800s to early 1900s within the site resulting in a total of 1,566 oz being produced.

Navigator undertook geochemical exploration activities and on 23 August 2017, it announced that 84 soil geochemical samples were taken, and two discrete mineralised trends were identified which warranted further investigation. However, further investigation was not undertaken and thus the prospecting licence expired in November 2018.

3.3 Key personnel

The experience of Navigator's directors is shown below:

Table 4: Navigator Key Personnel

Name and title	Experience
Greg Ruddock Non-executive Chairman	<p>Mr Ruddock is the Joint Chief Executive Officer and founding partner of Ironbridge, an Australian private equity firm. Mr Ruddock has 19 years of private equity experience with Gresham Private Equity ("GPE") and Ironbridge.</p> <p>Prior to joining GPE in 1999, Mr Ruddock had twelve years' operational experience at Wesfarmers and with diversified listed company Avatar, where he was Managing Director of one of its major subsidiaries.</p> <p>Mr Ruddock's experience includes representing the Ironbridge Funds on the boards of Stardex, Super A-Mart, EnviroWaste, Easternwell, FleetPartners, ISG Management and Australian Offshore Solutions.</p> <p>Mr Ruddock was appointed as a director of Navigator on 12 February 2016.</p>

Name and title	Experience
<p>Glen Dobbie Managing Director</p>	<p>Mr Dobbie is the Managing Partner of Auxano LLP, an investment and advisory firm. Prior to joining Auxano, Mr Dobbie was the Group Commercial Director at Arowana & Co.</p> <p>Mr Dobbie has operational management experience across a variety of industries including education, media, infrastructure, engineering, waste management and technology businesses.</p> <p>Mr Dobbie has held directorships across a range of sectors for listed and unlisted companies as well as private equity funds.</p> <p>Mr Dobbie was appointed as a director of Navigator on 12 February 2016.</p>
<p>Josh McKean Non-executive Director</p>	<p>Mr McKean is a partner at IronBridge. Mr McKean began his private equity career at JPMorgan where he helped establish their Small Caps Mergers & Acquisitions and Private Equity practice in Sydney. He subsequently joined Cashcard as Business Development Manager.</p> <p>Mr McKean then joined the leading global private equity manager CVC Capital Partners before joining Ironbridge in October 2005.</p> <p>Mr McKean was appointed as a director of Navigator on 12 February 2016.</p>
<p>Malcolm Keefe Non-executive Director</p>	<p>Mr Keefe has over three decades' experience in general management across in a variety of businesses including education, information technology, print, and office products.</p> <p>Mr Keefe was the Non-Executive Independent Chairman and Director of Arowana International Limited from November 2011 to March 2015. He was an Executive Director and Chief Operating Officer at Corporate Express Australia Ltd until February 2010.</p> <p>Mr Keefe has also served as Chief Executive Officer of Kalamazoo (Aust) Pty Limited and he has held senior management positions with the Swire Group in Hong Kong and with Kalamazoo PLC in the United Kingdom.</p> <p>Mr Keefe was appointed as a director of Navigator on 12 February 2016.</p>

Source: Navigator

3.4 Financial performance

The financial year ("FY") for Navigator is a twelve-month period ending 30 June. The audited consolidated statements of financial performance for FY16, FY17 and FY18 are set out below.

Table 5: Statement of Financial Performance of Navigator

\$000	FY16	FY17	FY18
Revenue			
Other revenue	19,118	-	150
Total revenue	19,118	-	150
Expenses			
Exploration expenses	(75)	(12)	(12)
General and administration expenses	(390)	(235)	(218)
Total expenses	(465)	(247)	(229)
EBITDA	18,653	(247)	(79)
Depreciation and amortisation	-	-	-
EBIT	18,653	(247)	(79)
Interest income	4	6	4
Net profit before tax	18,657	(241)	(76)
Income tax expense	-	-	-
Net profit/ (loss) after tax	18,657	(241)	(76)

Source: Navigator

In relation to the financial performance of Navigator set out above, we note the following:

- ◆ There has been no revenue generated from ordinary activities in recent financial years. The other revenue in FY16 relates to the writeback of loans which were extinguished when the DOCA was implemented. The other revenue in FY18 relates to the break-fee paid by First Pharma following the cancellation of the transaction with First Pharma.
- ◆ General and administration expenses in FY17 and FY18 comprised ASX, registry and secretarial fees, in addition to legal and other professional fees as well as insurance costs and other general administrative expenses. General and administration expenses in FY16 also included \$165,000 relating to the remuneration of the company's administrators.
- ◆ The taxable loss from operations in FY16 was \$461,086 after deducting the income of \$19.1 million relating to the write-back of extinguished loans. Thus, no tax was payable in that year.

3.5 Financial position

The audited consolidated statements of financial position as at 30 June 2016, 30 June 2017 and 30 June 2018 are set out in the table below.

Table 6: Statement of Financial Position of Navigator

\$000	30-Jun-16	30-Jun-17	30-Jun-18
Current assets			
Cash and cash equivalents	984	751	699
Trade and other receivables	40	16	17
Total current assets	1,024	767	716
Non-current assets			
Exploration tenement	-	27	27
Total non-current assets	-	27	27
Total assets	1,024	794	743
Current liabilities			
Trade and other payables	19	22	47
Total current liabilities	19	22	47
Total liabilities	19	22	47
Net assets	1,005	772	696

Source: Navigator

In relation to the historical financial position of Navigator set out above, we note the following:

- ◆ The cash balance as at 30 June 2016 consisted predominantly of cash proceeds from the issue of shares (\$2,000,050) less cash outflow relating to share issue costs, cash payment relating to the DOCA and payments to suppliers and employees. Furthermore, cash outflows in subsequent periods related mostly to payments to suppliers and employees. Cash proceeds in FY18 included the break-fee from First Pharma.
- ◆ Trade and other receivables relate to goods and services tax recoverable and prepayments.
- ◆ The exploration tenement relates to the Violet Gold Exploration project licence acquired on 9 December 2016. The exploration licence expired in November 2018 and accordingly has no value.

3.6 Capital structure and shareholders

The details in this section are as at 16 October 2018, which is therefore on a pre-consolidation basis. On that date, Navigator had a total of 393,223,695 ordinary shares on issue. In addition, there were a total of 225 million share options on issue, with exercise prices between \$0.01 and \$0.02. Management of Navigator intends to cancel the majority of the share options as part of the Proposed Transaction as agreed with the majority of option holders. It is anticipated that only approximately 1.5 million options will remain outstanding (post the one for 20 share consolidation).

The following table sets out details of Navigator's substantial shareholders as at 16 October 2018:

Table 7: Navigator's top seven shareholders

Shareholder name	Number of shares	% of total shares
Glen Dobbie	41,500,000	10.6%
Malcolm Keefe	25,000,000	6.4%
Gregory Ruddock	25,000,000	6.4%
Joshua McKean	24,600,000	6.3%
Beverley Gay Richards	24,000,000	6.1%
Steve Suprpto	24,000,000	6.1%
Paul Welch	24,000,000	6.1%
Other	205,123,695	52.2%
Total ordinary shares	393,223,695	100.0%

Source: Navigator and Capital IQ

Note: Includes holdings of related entities.

We note that there are no controlling shareholders and only seven shareholders with holdings over 5%, of which four are currently directors of Navigator.

3.7 Share price performance

Navigator shares have been suspended from trading on the ASX since 27 March 2017, pending the release of an announcement in relation to a backdoor listing transaction. Navigator shares were last traded at \$0.008 per share and ranged from \$0.007 to \$0.012 with trading volumes of approximately 22.9 million shares (representing 6% of the total shares outstanding) in total from April 2016 to suspension.

4 INDUSTRY

4.1 Overview

Legal services include legal advice, legal representation and preparation of legal documents. Legal services are typically offered by solicitors, barristers and legal aid officers. Firms offering legal services may provide expertise in a range of areas or in specific areas of law, such as criminal law, corporate law, family and estate law, intellectual property law, real estate law, or tax law.

4.2 Trends in Australian Legal Industry

The Australian legal services industry¹ has been undergoing significant structural changes, characterised by changing consumer needs, increased competition, increased use of legal technology, and connectivity and globalisation.

According to The Future of Law and Innovation in the Profession report by The Law Society of New South Wales ("**Flip Report**"), clients are seeking better value for money, that is, greater value and efficiency, coupled with a deep understanding of the clients' needs. An important trend highlighted in the report is that a growing number of corporate clients are opposed to time-based billing, which is the traditional method of billing for law firms. This has prompted some law firms to respond by providing alternative arrangements such as capped fees or collared fee arrangements. Under a capped fee arrangement, the law firm and the client agree that the fees, which are worked out on an hourly basis will not exceed a certain amount. Under a collared fee arrangement, the practice keeps track of the number of hours spent and compares it to a capped fee and if actual time exceeds the cap by an agreed percentage or amount, the client agrees to pay an agreed proportion of the excess and likewise the practice refunds or credits some of the difference if the time spent is less than the cap.

Another key trend which has recently emerged, is growing competition and globalisation. Over the past five years, the big four accounting firms have expanded their legal service offerings in order to increase their client base and provide greater value to their existing clients. Industry demand and margins have also been impacted by the expansion of in-house legal teams in both Government and the private sector. Traditional law firms are also facing competition from new online players, such as LegalVision which are providing affordable services to small businesses and individuals.

Many larger Australian firms have broadened their geographical reach by expanding into international markets. Many large international law firms have also established Australian offices to strengthen their presence in the Asia-Pacific region.

According to the Flip Report, access to the right technological tools optimised to the lawyer's needs is likely to increase productivity and efficiency. Additionally, competition, lower prices and changing client expectations are driving law firms towards technological use.

4.3 Personal Legal Services

As AF Legal is a legal services firm specialising in family law, the performance and growth of its business is highly correlated with the personal legal services industry². The personal legal services industry is a sub-category of the broader legal services industry and includes provision of advice relating to family law, personal injury law, property law, class actions, and wills, estates and probate. At the beginning of 2018, IBISWorld was forecasting personal legal services industry revenue to grow at a compound annual growth rate ("**CAGR**") of 1.5% over the five years to 2018, reaching a total revenue of \$6.7 billion in 2018.

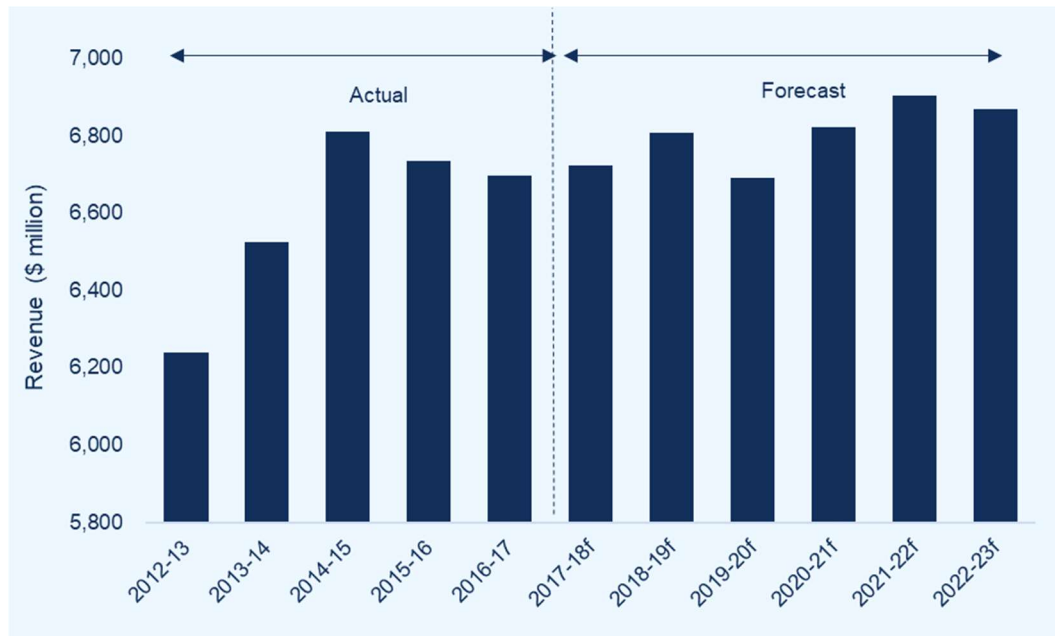
Revenue growth has been driven by an increase in class actions, alternative dispute resolution, a rise in mortality rates (leading to an increase for wills, estate and probate services) and demand for family law services. IBISWorld notes that revenue growth within the property law segment has been subdued over the past five years despite an increase in housing transfers. There has also been a decline in personal injury cases relating to vehicle accident deaths and work accidents.

¹ Sub-section based on the FLIP Report and IBISWorld "Legal Services in Australia" – July 2018.

² Sub-section based on IBISWorld "Personal Legal Services in Australia" – January 2018.

IBISWorld also notes that competition for personal injury cases has intensified over the past five years. Many large law firms offering personal injury services have either been involved in acquisitions of smaller players or have invested heavily in marketing campaigns to boost their market share.

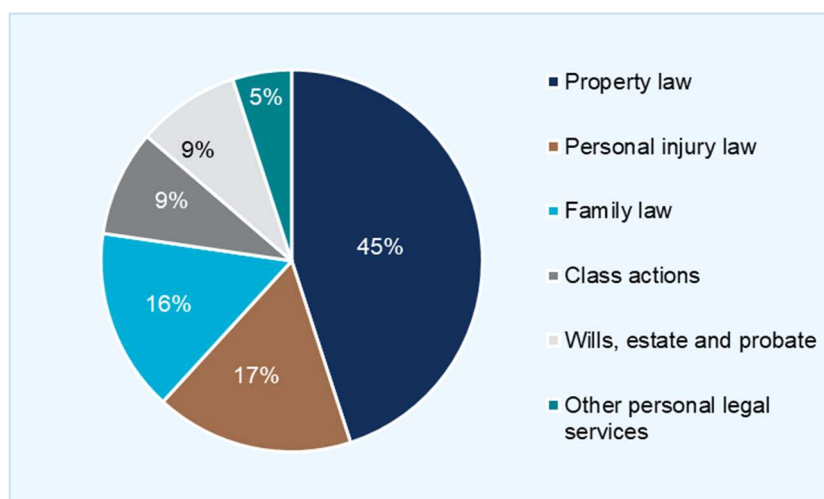
Figure 2: Revenue of Australian personal legal services industry



Source: IBISWorld

Over the past five years, property legal services such as conveyancing contributed the largest share of revenue. Personal injury and family law are other important contributors to industry revenue. Family law services generated revenue of approximately \$1 billion, representing 16% of total personal legal services industry revenue in 2017-18. A breakdown of the industry segments is set out below³:

Figure 3: Breakdown of 2017-18 industry revenue by type of legal services



Source: IBISWorld

The personal legal services industry is dominated by sole proprietorships and small firms that employ less than 20 people. However, there are several large players specialising in personal injury and class actions. These include Maurice Blackburn and the ASX listed Slater and Gordon and Shine Lawyers.

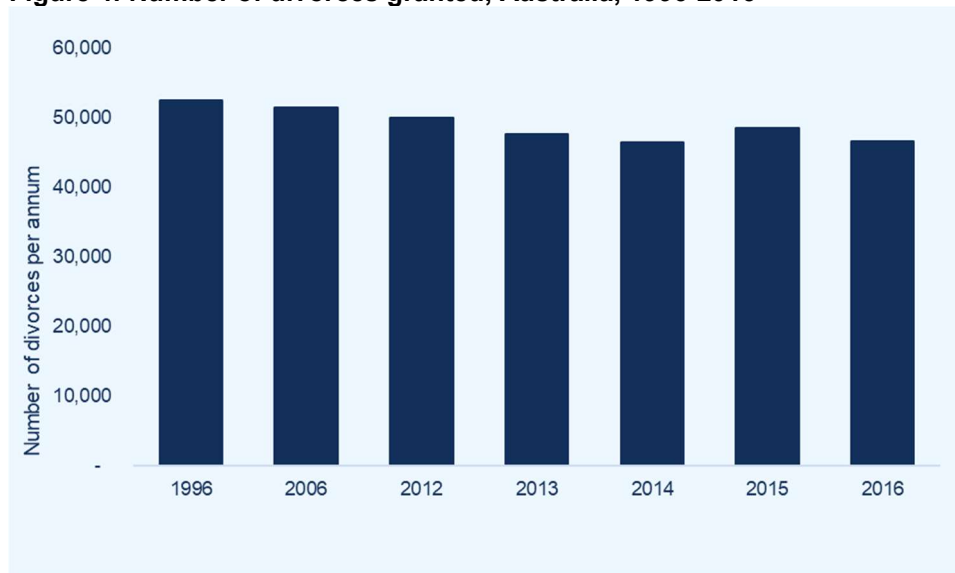
³ Sourced from IBISWorld "Personal Legal Services in Australia" – January 2018.

4.4 Family Law

The number of divorces is a key determinant of demand for family law services⁴. Divorce procedures tend to be complex legal matters and parenting arrangements, property arrangements (tied to household wealth), child support and family violence are main reasons for involving lawyers.

The number of divorces granted has fallen by an annualised rate of 0.6% over the 20-year period from 1996 to 2016. Figure 4 below exhibits the decline in the number of divorces in Australia between 1996 and 2016.

Figure 4: Number of divorces granted, Australia, 1996-2016



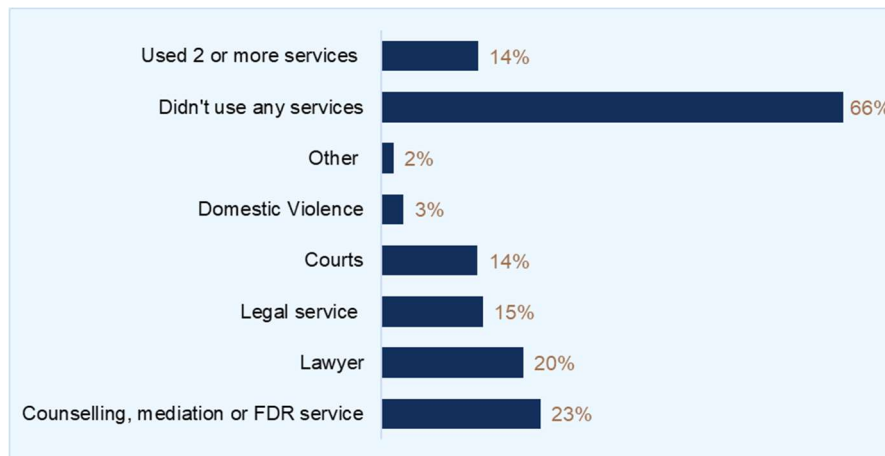
Source: Australian Bureau of Statistics ("ABS") (various years). *Marriage and divorces Australia*

In 2006, a range of family law pathway initiatives were introduced to change the ways in which separation and post-separation child-related issues were managed. The initiatives included the establishment of new service types such as Family Relationship Centres ("**FRCs**"), a telephone dispute resolution service, a national advice line and an online service as well as the expansion and integration of existing early intervention and post-separation relationship services. The changes led to diversion of some cases from litigation and litigation-driven strategies, to community-based processes that encouraged and supported cooperative approaches to parenting.

A survey undertaken by the Australian Institute of Family Studies ("**AIFS**") in 2012 showed that in the third year and fourth year following separation, 34% of separated parents made use of counselling, mediation and Family Dispute Resolution ("**FDR**") services, a lawyer, courts, legal services and domestic violence services. As shown in the chart below, a lawyer was used by 20% of parents surveyed.

⁴ Based on AIFS "Post-separation parenting, property and relationship dynamics after five years", published 2014, Australian Institute of Health and Wellbeing ("AIHW") "Family, domestic and sexual violence in Australia - 2018", statistics obtained from the Australian Bureau of Statistics, ALRC "Review of the Family Law System" and newspaper articles including <http://www.abc.net.au/news/2018-05-30/sweping-changes-to-family-court-as-broader-review-continues/9813434> and <https://www.lawyersweekly.com.au/politics/23339-family-court-federal-circuit-court-to-merge>.

Figure 5: Use of services by separated parents



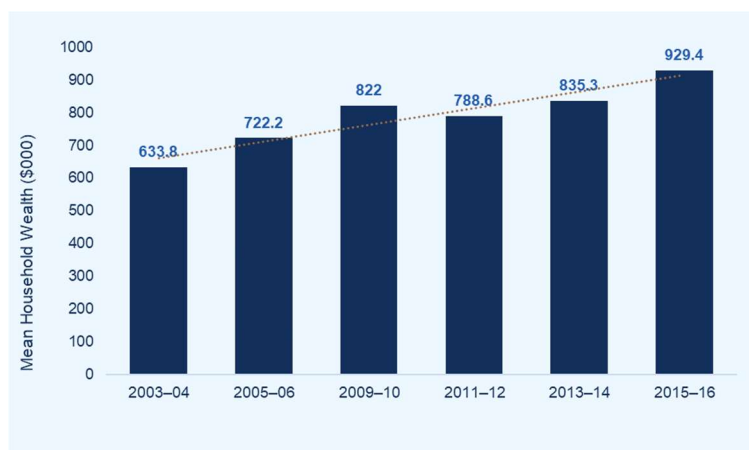
Source: AIFS "Post-separation parenting, property and relationship dynamics after five years"

Using the most recently attended service as a reference point, the most common reason for seeking access to the services was to deal with parenting arrangements (69% of parents surveyed), followed by issues of family violence/abuse (17%), child support issues (14%) and resolving property arrangements (13.5%). For those who went to lawyers, 57% stated that it was for parenting arrangements, 40% for property arrangements, 19% for child support, 13% for family violence and 10.5% for other reasons⁵.

As well as parenting arrangements and child support, the key drivers of demand for family law services include:

- ♦ **Australian household wealth:** property arrangements, which are tied to household wealth is a key reason for people to seek advice from a family lawyer. Mean household wealth has increased by a CAGR of 3% from 2003-04 to 2015-16, as shown in the figure below.

Figure 6: Average Australian household wealth 2003-04 to 2015-16



Source: ABS

- ♦ **Family Violence:** One in six Australian women and one in 16 men have been subjected, since the age of 15, to physical and/or sexual violence by a current or previous cohabiting partner. Furthermore, approximately one in four (23%) women and one in six (16%) men have experienced emotional abuse from a current or previous partner since the age of 15. One in six women reported having experienced physical and/or sexual abuse before the age of 15 and one in nine men reported having experienced this abuse when they were boys.

⁵ More than 100% because respondents were allowed multiple responses.

Family Law Reforms

In August 2017, the then Attorney-General of Australia, asked the Australian Law Reform Commission (“**ALRC**”) to conduct a review of the family law system. According to the former Attorney General “despite profound social changes and changes to the needs of families in Australia over the past 40 years, there has not been a comprehensive review of the Family Law Act 1975 (Cth) (the Act) since its commencement in 1976”. The ALRC will be submitting its report to the Attorney General by 31 March 2019.

Furthermore, in May 2018, the current Attorney-General announced the amalgamation of the Family Court and Federal Circuit Court. The Family Court is responsible for hearing family law cases involving complex financial arrangements, trusts, serious parenting arguments, allegations of child abuse in custody arrangements and protracted family disputes while the Federal Circuit Court is responsible for the rest. The changes will come into effect in January 2019 and according to the Attorney General, the changes will lead to faster dispute resolution.

4.5 Industry Outlook

According to IBISWorld revenue for the personal legal services industry is forecast to grow at a CAGR of 0.4% over the five years to 2022-23, reaching \$6.9 billion⁶. This is expected to be driven by growth in demand for family law services and wills, estates and probate services as well as a rise in class actions. However, decline in the number of workplace incidents and motor vehicle accidents are forecast to limit revenue growth.

Furthermore, the industry is being impacted by the emergence of firms offering alternative business models in comparison to traditional firms (“**NewLaw**”). This includes provision of flexible, client-focused services, alternative pricing strategy such as fixed fee models, increased flexibility and agility and, flexible working arrangements. The Benchmarks and Leading Practices Report released by the Association of Corporate Counsel (“**ACC**”) indicates that in-house legal departments budgeted to spend around 9% on NewLaw firms in 2017, representing a 7% increase from 2015. Firms such as LexVoco, LegalVision and LawPath continue to gain market share in the industry with new entrants expected to continue to rise over the next three years. The market size for NewLaw services is also expanding, with more NewLaw firms tapping into demand from small and medium enterprises.

⁶ Based on IBISWorld “Personal Legal Services in Australia” – January 2018 and the ACC “Benchmarks and Leading Practices Report - 2017”

5 PROFILE OF AF LEGAL

5.1 Background

Established in February 2015, AF Legal is an Australian law firm specialising in family and relationship law. AF Legal uses a digital marketing strategy supported by a digital marketing platform for lead generation.

The services provided by AF Legal include advice in relation to divorce, separation, spousal maintenance, children's matters, family violence, property settlements, appeals, estate challenges, will disputes, estate planning, drafting and redrawing wills, probate and letters of administration. The firm is headquartered in Melbourne and has offices in Sydney CBD, Werribee (Victoria) and Frankston (Victoria). The firm is currently considering expansion into Greater Sydney, Brisbane and the Gold Coast. As at September 2018, the firm employed 17 staff, including 15 lawyers.

5.2 AF Legal Operations

Digital strategy and client acquisition model

Large firms typically offer family and relationship law as an ancillary service due to the non-recurring nature of their work. Client acquisition costs and operational costs are high compared with the revenue generated for these matters as much of the work is done by senior staff, which makes it difficult to generate the level of profit required by large firms. Smaller firms are dependent on partners to generate work and they are often restricted to a geographic location.

AF Legal differentiates itself from traditional law firms through the use of digital marketing techniques to acquire new clients and scale its operations. This allows senior lawyers to focus on provision of legal services, as opposed to business development activities.

AF Legal employs several digital marketing tools and techniques to target potential clients. Some of the paid marketing tools used by AF Legal include long-term Search Engine Optimisation ("**SEO**"), social media, Pay-Per-Click ("**PPC**") advertising, programmatic advertising, adwords and banner placements. The marketing techniques employed by AF Legal include granular targeting on social media platforms, analysis of key market trends and optimisation of advertising based on results observed and the use of artificial intelligence in continuous data mining.

AF Legal uses the data from its digital marketing and customer relationship management systems ("**CRM**") to improve each stage of the marketing and client acquisition process, which in turn leads to higher revenue to advertising spend.

Operational Structure

The business operates a leaner structure compared with traditional law firms, by relying on technology and having limited reliance on technical and secretarial staff. The reliance on a digital strategy to acquire clients means that AF Legal's operations are more easily scalable at lower costs than traditional law firms.

Furthermore, in traditional law firms, utilisation which takes into account the number of hours billed by lawyers is the main revenue driver. In contrast, target revenue for each fee earner at AF Legal is determined on a salary multiplier basis whereby the revenue generated is based on a multiple of the salary paid to the fee earner. This allows for greater flexibility in working arrangements.

5.3 Competitive position

The table below sets out the strengths, weaknesses, opportunities and threats analysis ("SWOT") for AF Legal.

Table 8: SWOT analysis of AF Legal

Strengths	Weaknesses
<ul style="list-style-type: none"> ◆ AF Legal uses digital marketing tools and techniques to acquire new clients, reducing reliance on key senior lawyers to generate leads and thus, revenue. ◆ Less focus on business development activities allows senior staff to focus on the quality of the output/ advice. ◆ AF Legal relies heavily on technology and thus has low reliance on support staff. ◆ Ability to scale operations at lower costs than traditional law firms. 	<ul style="list-style-type: none"> ◆ Key man risk due to reliance on Mr Finn's expertise in both digital marketing and family law. ◆ As with any professional service business, the business is dependent upon the quality of output delivered by its fee earning staff and the ability to retain and motivate staff. ◆ Non-recurring nature of the work means that revenue is more volatile than in other areas of law.
Opportunities	Threats
<ul style="list-style-type: none"> ◆ Access to capital markets will allow the business to fund expansion into new geographical regions. ◆ Family law reforms will enable a more efficient process, potentially increasing demand ◆ The highly fragmented nature of the family law market, with a large number of small providers provides an opportunity for consolidation. 	<ul style="list-style-type: none"> ◆ Adoption of similar digital marketing strategies for client acquisition by competitors. Legal firms are becoming increasingly aware of the need to place heavier reliance on technology. ◆ Rapid expansion without clear strategy could impact future profitability. ◆ Operates in a highly competitive environment. ◆ Family law reforms may lead to lower requirements for legal assistance.

Source: AF Legal and Leadenhall analysis

5.4 Key personnel

The current directors and senior management team of AF Legal comprises:

Table 9: AF Legal directors and senior management team

Name and title	Experience
<p>Edward Finn Managing Director</p>	<p>Mr Finn is the founder and Managing Director of AF Legal. Mr Finn's responsibilities include operational management and setting the overall strategic direction of the firm.</p> <p>Mr Finn worked as a lawyer at Alpass & Associates, specialising in relationship and family law, prior to establishing AF Legal. He also co-founded an online travel guide and an online retailer, Tomorrow's Laundry.</p>
<p>Peter Bergin Chief Financial Officer and Company Secretary</p>	<p>Mr Bergin is the CFO of AF Legal and is a partner of Prime Capital, the advisory division of ASX listed Prime Financial Group. Mr Bergin was formerly the head of Eaton Capital Partners' (now Prime Capital) outsourced CFO practice, where he undertook several interim CFO roles.</p> <p>Mr Bergin has over 25 years' financial management experience in various industries, including professional services, health, engineering and infrastructure and telecommunications. This included roles at Cardno, WDSScott, Telstra, Cable & Wireless and OXFAM.</p>
<p>Melissa Muir Head of Family Law, Melbourne</p>	<p>Ms Muir leads the practice in Melbourne, has more than 10 years' experience in legal practice and is an accredited specialist in family law. Prior to joining AF Legal, Ms Muir was the Family Law Practice Manager at boutique law firm Callea Pearce, and a lawyer with Forte Family Lawyers prior to that.</p>
<p>Annabel Murray Head of Family Law, Sydney</p>	<p>Ms Murray leads the practice in Sydney and is an accredited specialist in family law. Ms Murray has more than 11 years' experience in family law. Prior to joining AF Legal, Ms Murray was the Head of the Family Law Department at Atkinson Vinden Lawyers.</p>
<p>Catherine Weir Special Counsel</p>	<p>Ms Weir is an experienced family law specialist with more than 30 years' experience in Family Law. Ms Weir established the Family Law practice at Moores Legal, where she was a partner. She later moved to Hogg and Reid as a partner, led the family law department at Williams Winter Solicitors and joined the Leo Cussen Institute teaching Practical Legal Training as an instructor in family law.</p>
<p>Pamela Horton Special Counsel</p>	<p>Ms Horton has 30 years' experience in the legal profession. Ms Horton's positions have ranged from corporate solicitor, sole practitioner to sessional lecturer in business and property law at R.M.I.T University. In 2008 Pamela became an Accredited Specialist in Wills and Estates. Ms Horton is responsible for the wills and estates practice.</p>

Source: AF Legal

5.5 Financial performance

The audited statements of financial performance for AF Legal for FY17 and FY18 are set out below.

Table 10: Statement of Financial Performance of AF Legal

\$000	FY17	FY18
Revenue		
Fee revenue	2,054	4,175
Total revenue	2,054	4,175
Cost of sales		
Fees and wages	(1,077)	(1,838)
Total cost of sales	(1,077)	(1,838)
Gross profit	977	2,336
Expenses		
Administrative expenses	(536)	(658)
Marketing expenses	(206)	(331)
Other expenses	(289)	(313)
Total expenses	(1,031)	(1,302)
EBITDA	(53)	1,035
Depreciation	(10)	(12)
EBIT	(63)	1,023
Interest income	17	35
Interest expense	(64)	(81)
Profit before tax	(111)	976
Income tax expense	9	(244)
Profit after tax	(102)	732
<i>Fee revenue growth</i>		103%
<i>Gross profit margin (%)</i>	48%	56%
<i>EBITDA margin (%)</i>	-3%	25%
<i>EBIT margin (%)</i>	-3%	24%

Source: AF Legal audited financial statements.

In relation to the historical financial performance of AF Legal, we note the following:

- ◆ Fee revenue grew by 103% in FY18 compared with the previous corresponding period. Management of AF Legal has indicated that the revenue growth was driven by an increase in the number of fee earning staff as a result of the opening of the Sydney office. In June 2018, there were 12.4 full time fee earners compared with 7.8 full time fee earners as at February 2017. Furthermore, according to management of AF Legal the increase in revenue was also driven by an increase in productivity of staff and hiring staff who are 'better fits' for the business in the Melbourne office as well as greater efficiency derived from the marketing tools and techniques applied by AF Legal.
- ◆ Marketing expenses as a percentage of revenue declined from 10% to 8% from FY17 to FY18.
- ◆ Administrative expenses as a percentage of revenue declined from 26% to 16%. This is partly due to a decline in the number of support staff.

5.6 Financial position

The audited statements of financial position as at 30 June 2017 and 30 June 2018 are set out in the table below.

Table 11: Statement of Financial Position of AF Legal as at 30 June 2017 and 30 June 2018

\$000	30-Jun-17	30-Jun-18
Current assets		
Cash at bank	5	-
Trade and other receivables	516	1,042
Loans to directors	752	1,055
Other assets	152	160
Total current assets	1,425	2,257
Non current assets		
Property, plant and equipment	24	27
Deferred tax assets	(19)	10
Total non current assets	6	38
Total assets	1,431	2,295
Current liabilities		
Trade and other payables	406	431
Borrowings	1,155	1,288
Current tax liabilities	(27)	124
Employee benefits	40	77
Other liabilities	4	27
Total current liabilities	1,578	1,947
Total liabilities	1,578	1,947
Net assets	(147)	348

Source: AF Legal audited financial statements.

In relation to the historical financial position of AF Legal, we note the following:

- ◆ The loan to directors relates to a seven-year term loan to Mr Finn. We understand that the loan will be settled as part of the Proposed Transaction.
- ◆ Other assets include prepayments and accrued income (work in progress).
- ◆ Borrowings includes a bank overdraft, a business loan from Westpac, credit card debt as well as other financial liabilities. The limit on the total loan facility is \$1.7 million.
- ◆ Employee benefits include provisions for long service leave and annual leave.

5.7 Capital Structure

The firm was founded by Edward Finn and Alan Alpass who each owned 50% of the business at the time of incorporation. In September 2016, Edward Finn, through his personal investment vehicle, Finn Family Trust acquired Alan Alpass' shareholding, thus making Finn Family Trust the sole shareholder in AF Legal. As at September 2018, Finn Family Trust was the sole shareholder in AF Legal.

6 VALUATION METHODOLOGY

6.1 Available valuation methodologies

To estimate the fair market value of Navigator and the Proposed Merged Entity (inclusive of AF Legal) we have considered common market practice and the valuation methodologies recommended in RG 111. There are a number of methods that can be used to value a business including:

- ◆ The discounted cash flow method ("DCF")
- ◆ The CFME method
- ◆ Asset based methods
- ◆ Analysis of share market trading
- ◆ Industry specific rules of thumb

Each of these methods is appropriate in certain circumstances and often more than one approach is applied. The choice of methods depends on several factors such as the nature of the business being valued, the return on the assets employed in the business, the valuation methodologies usually applied to value such businesses and the availability of the required information. A detailed description of these methods and when they are appropriate is provided in Appendix 2.

6.2 Selected methodology – Navigator

In selecting an appropriate valuation methodology to value Navigator, we have considered the following factors:

- ◆ Navigator is currently loss making and thus, the capitalisation of earnings method is not appropriate.
- ◆ Navigator has no principal activity following the expiry of its exploration licence.
- ◆ Share market trading in Navigator shares has been suspended since 27 March 2017. This means that an analysis of share market trading is not a reliable measure of the value of a Navigator share.
- ◆ The main assets of Navigator are cash and its status as a listed shell company. These assets can be valued individually and aggregated using an asset approach.

Accordingly, we are of the opinion that the most appropriate methodology to value Navigator is an asset based method and have considered an analysis of recent share market trading in Navigator shares as a high level cross-check.

6.3 Selection of valuation methodology – Proposed Merged Entity

The Proposed Merged Entity has been valued by assessing the AF Legal business. To that we have added the value of the net assets of Navigator. In selecting an appropriate valuation methodology to value AF Legal we have considered the following factors:

- ◆ AF Legal is neither an asset based business nor an investment holding company. It is also considered to be a going concern, thus an asset based approach is not the most appropriate.
- ◆ There are some listed companies engaged in somewhat similar businesses to AF Legal as well as companies operating in comparable industries. We are also aware of a number of comparable transactions involving similar companies. Therefore, we consider the CFME approach to be appropriate.
- ◆ AF Legal has experienced significant growth from FY16 to FY18 and is expecting strong growth to continue. A DCF approach can capture this expected earnings growth and the associated capital costs. However, we have not selected this approach as there is no reasonable basis for the preparation of forecasts beyond FY19.
- ◆ Revenue multiples are commonly used in professional services businesses.

Accordingly, we are of the opinion that the most appropriate methodology to value the AF Legal business is using the CFME method. Our assessed range for AF Legal was cross checked to the revenue multiple implied by our valuation compared to listed comparable companies.

7 VALUATION OF NAVIGATOR

7.1 Background

We have assessed the fair market value of Navigator before the Proposed Transaction using the net assets on a going concern basis, with a cross-check by reference to recent trading in Navigator shares.

7.2 Net Asset Approach

We set out below our assessment of the fair market value of Navigator, based on the net asset approach.

Table 12: Net asset based valuation of Navigator

\$'000	Low	High
Cash	699	699
Working capital	(30)	(30)
Net assets	669	669
Listed Shell	500	750
Subsequent expenditure	(50)	(50)
Transaction costs	(420)	(420)
Total equity value	699	949
Fully paid shares outstanding (000s) (post-consolidation)	19,661	19,661
Assessed value per share (cents) (post-consolidation)	3.56	4.83

Source: Navigator and Leadenhall analysis

Cash

As at 30 June 2018, Navigator held a cash balance of approximately \$0.7 million.

Working capital

As at 30 June 2018 Navigator had a net working capital liability of \$30,000, with the working capital predominantly relating to trade payables and accruals.

Exploration tenement

The exploration tenement which was due for renewal in November 2018 has now expired.

Listed shell

Navigator's listing on the ASX provides shareholder value as a potential vehicle for a backdoor listing such as the Proposed Transaction. Based on discussions we have had with stock brokers and insolvency professionals, we understand the typical value for a listed shell company is in the range of \$0.5 million to \$1.0 million. However, due to recent changes in ASX rules there is increased difficulty and cost in bringing about a backdoor listing transaction and an over-supply of shell companies. For the purpose of our analysis we have assessed the value of Navigator's shell to be \$0.5 million to \$0.75 million.

Subsequent expenditure

Navigator's loss for the three months to 30 September 2018 was \$24,680. Based on this we have estimated the net loss to completion to be \$50,000. We have deducted this from the valuation to arrive at a current fair market value of a Navigator share.

Transaction costs

The transaction costs of approximately \$420,000 comprise legal costs, ASX fees, due diligence costs, contingency transaction costs, printing costs and a maximum break fee of \$75,000 payable by Navigator to the vendors of AF Legal if Navigator decides not to proceed with the transaction or if Navigator does not satisfy relevant conditions precedent.

We have deducted these costs in calculating the fair market value of a Navigator share.

Shares outstanding

Navigator currently has 393 million ordinary shares and 225 million share options outstanding. As explained in Section 3.6, the share options outstanding currently have exercise prices between \$0.01 and \$0.02 (pre-consolidation) and are thus significantly out of the money and hence have no economic value. Therefore, we have not included these instruments in our analysis. We note however that as part of the share consolidation, the options outstanding will be reconstructed and thus will have higher exercise prices.

Following the 1:20 share consolidation there will be 19.7 million shares on issue.

Premium for control

A premium for control can be defined as an amount or a percentage by which the pro-rata value of a controlling interest exceeds the pro-rata value of a non-controlling interest in a business enterprise, to reflect the power of control. The requirement for an explicit valuation adjustment for a control premium depends on the valuation methodology and approach adopted. This valuation is based on the net assets approach, which is premised on the ability to control the assets of an entity and therefore incorporates any relevant premium for control. Thus, no further adjustment is required.

7.3 Analysis of Share Market Trading

The most recent share trading history can normally be expected to provide evidence of the fair market value of the shares in a company where they are publicly traded in an informed and liquid market. As Navigator's shares have been suspended since 27 March 2017 and as there was limited trading in Navigator shares prior to that date, we do not consider the share price to be a reliable measure of the intrinsic value of a Navigator share.

8 VALUATION OF THE PROPOSED MERGED ENTITY

8.1 Introduction

The Proposed Merged Entity's business will be focused on the provision of legal services and thus we have determined the fair market value of a share in the Proposed Merged Entity by valuing the AF Legal business post the Proposed Transaction and including Navigator's net assets as surplus assets. This assessment has been made on a minority interest basis (i.e. excluding a control premium) as Navigator's existing shareholders would be minority shareholders in the Proposed Merged Entity.

We have determined the fair market value of AF Legal using the CFME method, with a cross-check to revenue multiples.

8.2 The Capitalisation of Future Maintainable Earnings Method

The CFME approach requires consideration of the following factors:

- ◆ An appropriate level of maintainable earnings
- ◆ An appropriate earnings multiple
- ◆ The value of any non-operating assets and liabilities.

These considerations are discussed in more detail below.

Maintainable earnings

The first step in the valuation process is to determine the measure of earnings to be capitalised for valuation purposes. The following measures of earnings are often used for business valuations:

- ◆ Revenue: mostly used for companies that do not make a positive EBITDA or as a cross-check of a valuation conclusion derived using another method.
- ◆ EBITDA: most appropriate where depreciation distorts earnings, for example, in a company that has significant level of depreciating assets but intermittent ongoing capital expenditure requirement.
- ◆ Earnings before interest, tax and amortisation ("**EBITA**"): in most cases EBITA will be more reliable than EBITDA as it takes into account the capital intensity of the business.
- ◆ EBIT: while commonly used in practice, multiples of EBITA are more reliable as they remove the impact of amortisation, which is a non-cash accounting entry that does not reflect a need for future capital investment (unlike depreciation).
- ◆ Net profit after tax ("**NPAT**"): relevant in valuing businesses where interest is a major part of the overall earnings of the group (e.g. financial services such as banks).

Multiples of EBITDA, EBITA and EBIT are commonly used to value the whole business for acquisition purposes where gearing is in the control of the acquirer. In contrast, NPAT (or price earnings ("**P/E**")) multiples are often used for valuing a minority interest in a company as the investor has no control over the level of debt.

We have selected to analyse multiples of EBIT because:

- ◆ Earnings multiples based on EBITDA and EBIT are not affected by different financing structures which impact multiples of net profit after tax.
- ◆ The varying capital intensity of the comparable companies means that an analysis of EBIT is a more reliable measure than the multiples of EBITDA.
- ◆ Third party forecasts of EBITA for comparable companies are not readily available making EBITA multiples difficult to calculate without making assumptions about ongoing levels of depreciation and amortisation (i.e. most brokers do not separately forecast depreciation and amortisation).

When considering an appropriate level of future maintainable earnings, it is important to base the analysis on a maintainable level of earnings which includes adjustment for any non-recurring items as these items will not impact the ongoing earnings of the business. The following table sets out normalised EBIT for AF Legal for FY17 and FY18.

Table 13: Normalised earnings

Description \$'000	FY17	FY18
Reported EBIT	(63)	1,023
Recruitment	127	-
Bad debts	154	-
Director remuneration, annual listing fees etc.	(175)	(175)
Office establishment fees	11	8
Redundancy costs	22	-
Advisory costs	21	91
Travel expenses / other	12	31
Normalised EBIT	110	977
<i>Adjusted EBIT margin</i>	<i>5%</i>	<i>23%</i>

Source: AF Legal and Leadenhall Analysis

The 'Normalised EBIT' for FY17 and FY18 includes the following adjustments to reported EBIT:

- ◆ Recruitment fees of \$127,000 have been added back to the FY17 reported EBIT as they relate to the recruitment of staff for commencement of Sydney operations as well as replacement of Melbourne based fee earners who exited in that year.
- ◆ Bad debts of \$154,000 have been added back to the reported EBIT for FY17 as they relate to services which were rendered in previous financial years.
- ◆ Annual ASX listing fees, remuneration of company directors and additional compliance costs have been subtracted from the reported EBIT to determine a normalised EBIT if the Proposed Transaction is successful.
- ◆ Office establishment fees relate to the costs of setting up the Sydney office and relocating the Melbourne office.
- ◆ Redundancy costs relating to the payments made to employees who were made redundant during the year. We understand that during FY17 there were several employees who were considered to be "bad fits" for the business and either resigned or were asked to leave the company.
- ◆ The advisory fees relate to tax and merger and acquisition advice.
- ◆ Travel expenses were adjusted for as they relate to travel costs incurred while exploring several business opportunities such as acquisitions and potential private equity investment.

In addition to the above, we have been provided with AF Legal's financial forecasts to FY21. We have not disclosed these forecasts due to the commercially sensitive nature of the information contained. As noted in Section 5.2, the business operates a leaner structure compared with traditional law firms due to its reliance on technology which allows it to scale at lower costs compared with traditional law firms. In the forecasts to FY21 AF Legal is anticipating relatively strong organic growth. AF Legal anticipates that it will be able to generate EBIT and EBITDA growth through marketing efficiencies, that is, generating more leads through the marketing tools and techniques and hiring more staff to generate work on the matters whilst having to incur marginal additional overheads and marketing expenditure. The forecasts provided to us include the addition of four new fee earning staff members and do not include opening of additional offices. We have also been provided with AF Legal's financial performance for the first quarter of FY19 ("Q1 FY19") and compared it with the previous corresponding period ("Q1 FY18") as well as budgeted figures. We note that the business experienced solid growth in revenue in Q1 FY19 compared with Q1 FY18, and after adjusting for certain non-recurring items, the actual Q1 FY19 is broadly in line with budgeted figures for the period.

Having considered the historical earnings, forecast earnings, and margins of comparable companies we have selected the following maintainable earnings. In selecting this range, we have placed more weight on the FY19 forecasts and current run rate than the historical figures.

Table 14: Selected maintainable earnings

\$'000	EBIT	
	Low	High
Maintainable earnings	1,600	1,700

Source: Leadenhall analysis

Earnings multiple

The multiples selected to apply to maintainable earnings implicitly reflect expectations about future growth, risk and the time value of money. Multiples can be derived from three main sources:

- ◆ The trading prices of companies that are engaged in the same or similar lines of business and that are actively traded on a public stock market. We have set out our analysis of the trading multiples below.
- ◆ From transactions of significant interests in companies engaged in the same or similar lines of business.
- ◆ It is also possible to build a multiple from first principles based on an appropriate discount rate and growth expectations. This approach is generally used when the first two are not possible. We have not taken this approach in valuing AF Legal.

In respect of public company trading multiples, we note that there are no companies which specialise in family law listed on the ASX. However, there are a number of listed Australian companies that operate in the legal sector and in the broader professional services sector that have similar growth and risk factors to AF Legal. We have also considered listed law firms in the United Kingdom ("UK").

The following table sets out the historical and forecast trading EBIT multiples for the selected comparable companies. Refer to Appendix 3 for further details.

Table 15: Trading multiples of comparable companies

Summary	EBITDA multiple		EBIT multiple	
	Current	Forecast	Current	Forecast
Australian listed comparable companies				
Average				
Domestic legal firms	4.7x	4.4x	5.5x	5.1x
Domestic IP firms	9.2x	8.6x	10.3x	9.5x
Domestic accounting and advisory firms	5.1x	4.7x	5.5x	4.9x
Median				
Domestic legal firms	4.7x	4.4x	5.5x	5.1x
Domestic IP firms	8.3x	7.6x	8.9x	8.1x
Domestic accounting and advisory firms	5.1x	4.7x	5.5x	4.9x
UK listed comparable companies				
Average (UK firms)	12.9x	11.3x	15.5x	12.3x
Median (UK firms)	9.9x	9.4x	10.9x	10.2x

Source: Capital IQ and Leadenhall analysis as at 19 October 2018

Notes:

1. Current EBITDA and EBIT relate to the EBITDA and EBIT for the current financial year.

Our key considerations in selecting appropriate earnings multiples to apply to our valuation of AF Legal are summarised below:

- ◆ There are no directly comparable listed firms in Australia. The most comparable firm listed on the ASX is Shine Corporate Ltd ("**Shine**"). Shine's core services relate to personal injury matters although it also offers other legal services.
- ◆ Due to the unavailability of forecasts, we have excluded Slater & Gordon as well as ASX listed accounting and advisory firms Countplus Limited ("**Countplus**") and Prime Financial Group Limited ("**Prime**") from our analysis.
- ◆ Shine derives a significant portion of its revenue from personal injury matters, for which revenue is on a no win no fee basis, whereby fees are only paid upon achievement of a successful outcome. The other general legal services offered by Shine Corporate operate on a fixed fee, time and materials or contingent arrangement. Given the significance of Shine's personal injury practice, Shine's revenue is subject to greater volatility and uncertainty than AF Legal's revenue. This would lead to lower EBIT and EBITDA multiples than less volatile businesses such as AF Legal. On the other hand, Shine is much larger and more diverse than AF Legal and thus on that basis, we would expect it to trade on higher multiples than a smaller business such as AF Legal.
- ◆ The IP firms include Qantm Intellectual Property Limited ("**Qantm**"), IPH Limited ("**IPH**") and Xenith IP Group Limited ("**Xenith**"). There are several processes involved in the identification, registration, management, commercialisation, and enforcement of IP rights thus, IP firms are able to bill their clients at each stage of completion. Therefore, these firms have more stable revenue than the listed personal injury firms. Furthermore, unlike AF Legal, IP firms typically derive a significant portion of revenue from recurring clients and these firms are also much larger than AF Legal. Thus, we would expect these firms to trade at higher multiples than AF Legal.
- ◆ We have also considered the ASX listed accounting and advisory firm, Kelly Partners Group Holdings Limited ("**Kelly Partners**"). It has been included in the basket of comparable companies due to its similarity to law firms in terms of nature of the services provided and its broadly similar operational model. However, accounting and advisory firms have different demand drivers and are exposed to different sets of risks.
- ◆ In addition to the listed legal services, IP and accounting and advisory firms in Australia, we have also had regard to law firms listed on the Alternative Investment Market ("**AIM**") in the UK. While these firms specialise in the provision of legal services, their comparability is limited by their size and geographical location. The UK listed law firms are listed below.
 - Gateley (Holdings) Plc ("**Gateley**") primarily services corporate clients but also offers family law services
 - Keystone Law Group Plc ("**Keystone**") provides both corporate and personal legal services
 - Knights Group provides corporate and commercial legal services
 - Rosenblatt Group Plc ("**Rosenblatt**") provides a range of services, including banking and finance, corporate, IP, etc.
 - Whilst Gordon Dadds Group Plc's ("**Gordon Dadds**") core services are legal services, it also provides other professional services
 - Murgitroyd Group Plc ("**Murgitroyd**") specialises in IP services. It operates in the United Kingdom, the United States, France, the Republic of Ireland, Italy, Germany, Nicaragua, Canada, Taiwan, China, Japan, the Netherlands, and Switzerland.
- ◆ AF Legal is smaller than all of the comparable listed companies. All other things being equal, smaller companies trade on lower multiples.

In addition to our analysis of trading multiples, we have also reviewed relevant transaction multiples, for transactions involving Australian law firms. Appendix 3 sets out a summary of the historical and forecast (where available) EBITDA and EBIT multiples from relevant transactions with publicly available data. Based on the data available we note the following:

- ◆ The historical EBITDA multiple ranged from 7.6 times to 11.7 times and related to acquisition of IP firms.
- ◆ The forecast EBITDA multiple is the metric for which there were the most available datapoints from the set of comparable transactions. The multiples ranged from 3.5 times to 11.7 times. The low end of the range related to acquisitions made by the listed personal injury firms, Slater & Gordon and Shine and involved smaller targets than the transactions at the higher end of the range which related to IP firms.
- ◆ The forecast EBIT multiple was only available in relation to the acquisition of Griffith Hack Group by Xenith.

We have considered the following factors in relation to the transaction multiples from the comparable data set in determining appropriate earnings multiple to apply to the valuation of AF Legal.

- ◆ Transaction multiples incorporate varying degrees of control premium and possibly an element of special value to the extent this was paid for by the acquirers.
- ◆ The most comparable transactions are Shine's acquisition of Sciacas Lawyers and the acquisition of Schultz Toomey O'Brien Lawyers by Slater & Gordon, which had significant family law and personal injury practices. It should be noted, however that both of these transactions involve targets which were not specialist family law firms. At the announcement of the acquisition of Sciacas, Shine indicated that the initial consideration of \$8.75 million represented between 4 to 5 times FY15 EBITDA. Slater & Gordon announced that the EBITDA acquisition multiple for the acquisition of Schultz Toomey O'Brien Lawyers was between 3.5 times and 4.5 times.
- ◆ The acquisitions made by Xenith IP and IPH relate to the acquisition of IP firms, which for the reasons outlined in the analysis of the trading multiples would be expected to have higher multiples compared with a business such as AF Legal. Furthermore, we note that Xenith IP's acquisition of Griffith Hack was primarily to boost Xenith IP's market share in patent and trade marks in Australia as Griffith Hack had a larger market share than Xenith's subsidiaries at the time of the transaction.

Our key considerations in selecting appropriate earnings multiples to apply to our valuation of AF Legal are summarised below:

- ◆ We have placed more reliance on the trading multiples as the transaction multiples include a premium for control. The most comparable listed company is Shine, however, it is a much larger company compared to AF Legal thus we would expect it to have a higher multiple.
- ◆ The financial forecasts for AF Legal provided to us anticipate continuing high growth in EBIT and EBITDA, primarily resulting from efficiencies in the marketing techniques applied by AF Legal.
- ◆ There is a risk that competitors will try to emulate the strategies used by AF Legal, thus potentially dampening the growth being forecast by AF Legal.

Based on the consideration discussed above, we have selected the following earnings multiple to apply to our valuation of AF Legal (on a minority basis).

Table 16: Selected earnings multiples

Description	EBIT	
	Low	High
Selected earnings multiple	5.0x	6.0x

Source: Leadenhall analysis

We note the selection of the multiple, within a fairly broad range, does not impact our conclusion on the Proposed Transaction.

Non-operating assets and liabilities

In order to assess the value of AF Legal, it is necessary to identify any other assets and liabilities not included in the enterprise value calculated. These can be:

- ◆ **Surplus assets:** assets held by the company that are not utilised in its business operation. This could be investments, unused plant and equipment held for resale, or any other asset that is not required to run the operating business. It is necessary to ensure that any income from surplus assets (i.e. rent and dividends) is excluded from the business value. We have not identified any surplus assets relating to AF Legal.
- ◆ **Non-operating liabilities** are liabilities that are not related to the ongoing business operations, although they may relate to previous business activities, for example legal claims against the entity. We have not identified any non-operating liabilities in relation to the business of AF Legal.
- ◆ **Net debt:** the purchase price for the Proposed Transaction is based on a net debt level of \$1.2 million. To the extent actual net debt is a different amount upon completion the purchase price will be adjusted for the difference.

CFME summary

Based on the CFME analysis set out above, the value of AF Legal (on a minority basis) is as set out in the table below.

Table 17: CFME valuation summary

\$000	Low	High
Maintainable earnings	1,600	1,700
EBIT multiple	5.0x	6.0x
Enterprise value	8,000	10,200
Net debt	(1,200)	(1,200)
Equity value (minority basis)	6,800	9,000

Source: Leadenhall analysis

8.3 Cross Check to revenue multiple

The table below shows implied revenue multiples for FY18 based on our preferred valuation range for AF Legal.

Table 18: AF Legal implied revenue multiple

\$000	Low	High
FY18 revenue	4,175	4,175
FY18 revenue multiple	1.9x	2.4x

Source: Leadenhall analysis

To cross-check the assessed multiple, we have identified revenue multiples implied by the market for the comparable companies identified in Section 8.2, as set out in the table below, and compared these implied multiples to those calculated for AF Legal in the table above. The multiples set out below are based on market trading and consequently do not include the impact of a control premium, therefore they are also calculated on a minority basis, consistent with the implied AF Legal multiples in the table above.

Table 19: Revenue multiples for comparable companies

Company	Market Cap (AUD'm)	Current	Forecast
Domestic legal services firms			
Shine Corporate Ltd	152	1.0x	1.0x
Domestic IP services firms			
Qantm Intellectual Property Limited	173	1.6x	1.6x
IPH Limited	1,127	4.4x	4.3x
Xenith IP Group Limited	118	1.0x	1.0x
Average (domestic IP firms)		2.4x	2.3x
Median (domestic IP firms)		1.6x	1.6x
UK legal services and IP services firms			
Gateley (Holdings) Plc	297	1.7x	1.6x
Gordon Dadds Group plc	95	1.1x	1.0x
Keystone Law Group plc	217	2.8x	2.4x
Knights Group Holdings plc	252	3.1x	2.5x
Rosenblatt Group Plc	126	3.0x	2.6x
Murgitroyd Group PLC	102	1.1x	1.1x
Average (UK firms)		2.1x	1.9x
Median (UK firms)		2.2x	2.0x
Domestic accounting and advisory firms			
Kelly Partners Group Holdings Limited	58	1.8x	1.6x
Average (overall)		2.1x	1.9x
Median (overall)		1.7x	1.6x

Source: Capital IQ as at 19 October 2018

The revenue multiple implied by our valuation of AF Legal (on a minority basis) is within the range for the listed comparable companies. Overall, the revenue multiples provide support as a broad cross-check to our assessed valuation range.

8.4 Conclusion on the value of AF Legal

We assessed the value of 100% of the equity value of AF Legal to be in the range of \$6.8 million to \$9.0 million on a minority basis, based on a CFME approach. This was broadly supported by a crosscheck of the revenue multiple implied by the transaction compared with listed comparable companies.

8.5 Summary of the valuation of the Proposed Merged Entity

We set out below our assessment of the fair market value of a share in the Proposed Merged Entity.

Table 20: Valuation of Proposed Merged Entity

\$000	Low	High
Assessed equity value of AF Legal on a minority basis	6,800	9,000
Navigator net assets	669	669
Cash consideration	(2,500)	(2,500)
Consideration for debt extinguishment	(325)	(325)
Deferred consideration	(451)	(451)
Transaction costs and net subsequent loss	(900)	(900)
Total equity value	3,294	5,494
Fully paid shares outstanding (000s) (post-consolidation)	30,536	30,536
Assessed value per share (cents) (post-consolidation)	10.8	18.0

Source: Leadenhall Analysis

Assessed value of AF Legal on a minority basis

In Section 8.4, we valued 100% of the equity value in AF Legal at \$6.8 million to \$9.0 million on a minority basis.

Surplus Assets

Since the business is being valued post the Proposed Transaction and the business will be primarily involved in the provision of legal services, the following assets have therefore been considered surplus assets. Refer to Section 7.2.

- ◆ Cash held in Navigator prior to the Proposed Transaction
- ◆ Working capital in Navigator.

We believe that once the Proposed Transaction has been completed, Navigator would lose its value as a potential shell company. In valuing the Proposed Merged Entity, we have therefore excluded this component of Navigator's stand-alone value.

Cash consideration

A cash payment of \$2.5 million is payable to the vendors of as consideration for the Proposed Transaction. Therefore, we have included this as an outflow for the purpose of our analysis. We have also subtracted the cash payment of \$325,000 to extinguish the debt facility held by the vendor of AF Legal, secured over the business and assets of AF Legal. As stated in Section 1.1, there is also a contingent consideration of \$0.5 million in cash payable in two instalments of \$0.25 million each, conditional on AF Legal's normalised EBITDA exceeding \$1 million in any half yearly period. We have calculated the sum of the present value of these two future payments to be \$451,000.

Transaction costs and net subsequent loss

The total for transaction costs and net subsequent loss was obtained by adding:

- ◆ Navigator's transaction costs of approximately \$350,000 (excluding the break fee)
- ◆ Success related fees of approximately \$500,000 due to be paid upon completion of the Proposed Transaction
- ◆ Navigator's estimated \$50,000 loss to completion (refer to Section 7.2).

8.6 Number of shares in Proposed Merged Entity

In our consideration of the number of shares in the Proposed Merged Entity we have included:

- ◆ 19.7 million shares currently on issue
- ◆ 10.9 million shares to be issued as consideration for AF Legal

The number of shares outstanding post-transaction and after the 20:1 share consolidation is set out in the table below:

Table 21: Shares outstanding post-transaction and post consolidation

Thousands (000)	Post - consolidation
Navigator shares currently on issue	19,661
Shares to be issued as consideration	10,875
Total ordinary shares (pre-capital raising)	30,536

Source: Leadenhall analysis

As noted in Section 1.2, Navigator intends to cancel the majority of its existing unlisted options for no consideration and it is anticipated that post the Proposed Transaction, approximately 1.5 million options (post share consolidation) will remain outstanding.

8.7 Capital raising

Subject to the Shareholders' approval and pursuant to a prospectus, Navigator is intending to raise a minimum of \$4.0 million and a maximum of \$6.5 million through the issue of ordinary shares at \$0.20 each. As the Planned Capital Raising is intended to be above our assessed valuation range it would increase our assessed value per share for the Proposed Merged Entity. This would not alter our opinion on the Proposed Transaction.

9 EVALUATION

9.1 Fairness

In order to assess whether the Proposed Transaction is fair we have compared:

- ◆ Our assessed fair market value of a Navigator share before the Proposed Transaction on a control basis (i.e. including a control premium); with
- ◆ Our assessed fair market value of a share in the Proposed Merged Entity, on a minority interest basis

This comparison is set out below.

Table 22: Assessment of fairness

	Section	Low (cents)	High (cents)	Mid (cents)
Fair market value of a Navigator share before the Proposed Transaction	7.2	3.6	4.8	4.2
Fair market value of a share in the Proposed Merged Entity	8.5	10.8	18.0	14.4

Source: Leadenhall analysis

The Proposed Transaction is fair because the fair market value of a share in the Proposed Merged Entity (i.e. Navigator plus AF Legal after the Proposed Transaction) is greater than the fair market value of a Navigator share before the Proposed Transaction.

9.2 Reasonableness

We have defined the Proposed Transaction as reasonable if it is fair, or if despite not being fair, there are sufficient reasons for Shareholders to vote for the proposal. Whilst the Proposed Transaction is fair, we have also considered the following advantages and disadvantages of the Proposed Transaction to Shareholders.

We have defined the Proposed Transaction as being reasonable if it is fair, or if despite not being fair, the overall advantages of the proposal outweigh its disadvantages to Shareholders. We have therefore considered the advantages and disadvantages to Shareholders of the Proposed Transaction.

Advantages

We have identified the following significant advantages to Shareholders of the Proposed Transaction:

Exposure to a revenue generating business

Navigator has no principal activity following the expiry of its exploration licence. By contrast, if the Proposed Transaction proceeds, Shareholders will have exposure to a profitable business that has the potential to generate significant returns over the next several years if the business is successful.

Increased liquidity

Market trading in Navigator shares is currently suspended. By acquiring AF Legal and successfully completing the Planned Capital Raising, it will facilitate the resumption of trading in Navigator shares. In the absence of the Proposed Transaction, Navigator will not be able to comply with the requirement for re-admission to the ASX.

No transaction costs for Shareholders

If the Proposed Transaction is completed, Shareholders will effectively exit an illiquid position in a company with no material operating business and have exposure to an operating business without having to sell their Navigator shares. Shareholders will avoid transaction costs such as brokerage and potentially capital gains taxation that might apply if they sought alternative ways to achieve a similar result.

Disadvantages

We have identified the following significant disadvantages to Shareholders of the Proposed Transaction:

Significant change in investment risk profile

Investors who acquired Navigator shares for exposure to the mining industry may not wish to hold an investment in the Proposed Merged Entity, which would predominantly be AF Legal's business in the legal services industry. Whilst the AF Legal business would likely provide the potential for increased returns on investment, this exposure may not be desirable for some investors due to individual investment preferences.

Potential further capital requirements and further dilution

AF Legal is still at a growth stage of its development and while it is expected that the Planned Capital Raising will be sufficient to fund its capital requirements, there is a risk that additional funding will be required for growth which may further dilute Shareholders.

Loss of control

If the Proposed Transaction is approved the vendors of AF Legal would acquire effective control of Navigator. This would include the ability to control the assets, the strategic direction of the company, and the decision of when to pay dividends. The vendors of AF Legal may not always act in the best interest of Navigator's other shareholders, subject to compliance with relevant laws and regulations.

Significant transaction costs

Transaction costs of approximately 20% of the purchase consideration for AF Legal are relatively high for transactions of this size. This therefore represents a significant dilution to Shareholders should the Proposed Transaction be approved. We note that a significant portion of these costs relate to the Proposed Capital raising.

Conclusion on reasonableness

As the Proposed Transaction is fair it is also reasonable.

9.3 Opinion

The Proposed Transaction is fair and reasonable to Shareholders.

An individual shareholder's decision in relation to the Proposed Transaction may be influenced by their own circumstances. If in doubt, the shareholder should consult an independent financial adviser.

APPENDIX 1: GLOSSARY

Term	Meaning
ACC	Association of Corporate Counsel
AF Legal	AF Legal Pty Ltd
AIFS	Australian Institute of Family Studies
AIM	Alternative Investment Market
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited
ATO	Australian Taxation Office
CAGR	Compound annual growth rate
Cash Consideration	\$2.5 million payable in cash to AF Legal's vendors.
CFME	Capitalisation of future maintainable earnings method
CFO	Chief Financial Officer
Chapter 2E	Chapter 2E of the Corporations Act
Corporations Act	The Corporations Act 2001
Countplus	Countplus Limited
CRM	Customer Relationship Management
DCF	Discounted cash flow method
Deferred Consideration	\$0.5 million in cash payable to the vendors of AF Legal in two instalments of \$0.25 million each, subject to AF Legal's normalised earnings before interest tax, depreciation and amortisation ("EBITDA") exceeding \$1 million in any half yearly period
DOCA	Deed of Company Arrangement
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation
EBITDA	Earnings before interest, tax, depreciation and amortisation
Fair market value	The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arms' length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts
FDR	Family Dispute Resolution
First Pharma	First Pharma Pty Limited
Finn Family Trust	Oscar Churchill Pty Ltd as trustee of the Finn Family Trust
Flip Report	The Future of Law and Innovation in the profession report published by The Law Society of New South Wales
FOS	Financial Ombudsman Service
FRC	Family Relationship Centres
FSG	Financial Services Guide
FY	Financial year
Gateley	Gateley (Holdings) Plc
Gordon Dadds	Gordon Dadds Group Plc
GPE	Gresham Private Equity
IP	Intellectual property
IPH	IPH Limited
Item 7	item 7 of Section 611 of the Corporations Act 2001
Kelly Partners	Kelly Partners Group Holdings Limited
Keystone	Keystone Law Group Plc
km	Kilometres
Leadenhall	Leadenhall Corporate Advisory Pty Ltd

Term	Meaning
Murgitroyd	Murgitroyd Group Plc
Navigator	Navigator Resources Limited
NewLaw	Non-traditional law firms offering alternative business models
NPAT	Net profit after tax
PBT	Profit before tax
Planned Capital Raising	Minimum \$4 million public offer of new shares pursuant to a prospectus
PPC	Pay-Per-Click
Prime	Prime Financial Group Limited
Proposed Merged Entity	Combination of Navigator and AF Legal after the Proposed Transaction
Proposed Transaction	Acquisition of 100% of AF legal
P/E	Price to earnings
Qantm	Qantm Intellectual Property Limited
Q1 FY18	First quarter of FY18
Q1 FY19	First quarter of FY19
RG74	Regulatory Guide 74: Acquisitions Approved by Members
RG76	Regulatory Guide 76: Related Party Transactions
RG111	Regulatory Guide 111: Content of Expert Reports
Rosenblatt	Rosenblatt Group Plc
SEO	Search Engine Optimisation
s606	Section 606 of the Corporations Act 2001
s611	Section 611 of the Corporations Act 2001
Share Consideration	10,875,000 ordinary shares in Navigator being offered to the vendors of AF Legal as part of the purchase
Shareholders	Navigator's shareholders
Shine	Shine Corporate Ltd
SPD	Share Purchase Deed dated 18 December 2018 between Navigator, AF Legal and Oscar Churchill as trustee of the Finn Family Trust
SWOT	Strengths, weaknesses, opportunities and threats
UK	United Kingdom
Xenith	Xenith IP Group Limited

APPENDIX 2: VALUATION METHODOLOGIES

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

- ◆ The discounted cash flow method
- ◆ The capitalisation of earnings method
- ◆ Asset based methods
- ◆ Analysis of share market trading
- ◆ Industry specific rules of thumb

The selection of an appropriate valuation method to estimate fair market value should be guided by the actual practices adopted by potential acquirers of the company involved.

Discounted Cash Flow Method

Description

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

- ◆ A forecast of expected future cash flows
- ◆ An appropriate discount rate

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

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

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

Use of the Discounted Cash Flow Method

A discounted cash flow approach is usually preferred when valuing:

- ◆ Early stage companies or projects
- ◆ Limited life assets such as a mine or toll concession
- ◆ Companies where significant growth is expected in future cash flows
- ◆ Projects with volatile earnings

It may also be preferred if other methods are not suitable, for example if there is a lack of reliable evidence to support a capitalisation of earnings approach. However, it may not be appropriate if:

- ◆ Reliable forecasts of cash flow are not available and cannot be determined
- ◆ There is an inadequate return on investment, in which case a higher value may be realised by liquidating the assets than through continuing the business

Capitalisation of Earnings Method

Description

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

- ◆ A level of future maintainable earnings
- ◆ An appropriate capitalisation rate or multiple

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

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

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

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

EBIT - whilst commonly used in practice, multiples of EBITA are usually more reliable as they remove the impact of amortisation which is a non-cash accounting entry that does not reflect a need for future capital investment (unlike depreciation).

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

Multiples of EBITDA, EBITA and EBIT are commonly used to value whole businesses for acquisition purposes where gearing is in the control of the acquirer. In contrast, NPAT (or P/E) multiples are often used for valuing minority interests in a company.

The multiple selected to apply to maintainable earnings reflects expectations about future growth, risk and the time value of money all wrapped up in a single number. Multiples can be derived from three main sources. Using the guideline public company method, market multiples are derived from the trading prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market, such as the ASX. The merger and acquisition method is a method whereby multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business. It is also possible to build a multiple from first principles.

Use of the Capitalisation of Earnings Method

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

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

Asset Based Methods

Description

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

- ◆ Orderly realisation
- ◆ Liquidation value
- ◆ Net assets on a going concern basis
- ◆ Replacement cost
- ◆ Reproduction cost

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realisation costs.

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

Use of Asset Based Methods

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

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

Asset based methods are not appropriate if:

- ◆ The ownership interest being valued is not a controlling interest, has no ability to cause the sale of the company's assets and the major holders are not planning to sell the company's assets
- ◆ A business has (or is expected to have) an adequate return on capital, such that the value of its future income stream exceeds the value of its assets

Analysis of Share Trading

The most recent share trading history provides evidence of the fair market value of the shares in a company where they are publicly traded in an informed and liquid market. There should also be some similarity between the size of the parcel of shares being valued and those being traded. Where a company's shares are publicly traded then an analysis of recent trading prices should be considered, at least as a cross-check to other valuation methods.

Industry Specific Rules of Thumb

Industry specific rules of thumb are used in certain industries. These methods typically involve a multiple of an operating figure such as eyeballs for internet businesses, numbers of beds for hotels etc. These methods are typically fairly crude and are therefore usually only appropriate as a cross-check to a valuation determined using an alternative method.

APPENDIX 3: COMPARABLE COMPANIES

The following company descriptions are extracted from descriptions provided by S&P Capital IQ.

Company	Description
Slater & Gordon	Slater & Gordon, a law firm, operates legal practices in Australia.
Shine	Shine, through its subsidiaries, provides damages based plaintiff litigation legal services in Australia; and insurance recovery consulting services in New Zealand.
Qantm Intellectual Property Limited	QANTM Intellectual Property Limited providing IP services for start-up technology businesses, multinationals, public research institutions, and universities in Australia and internationally.
IPH Limited	IPH Limited, together with its subsidiaries, provides intellectual property (IP) services and products.
Xenith IP Group Limited	Xenith IP Group Limited provides intellectual property (IP) services relating to the identification, registration, management, commercialization, and enforcement of IP rights in Australia and internationally.
Gateley (Holdings) Plc	Gateley (Holdings) Plc provides legal advisory services in the United Kingdom, rest of Europe, the Middle East, North and South America, Asia, and internationally.
Gordon Dadds Group plc	Gordon Dadds Group plc provides acquisitive legal and professional services.
Keystone Law Group plc	Keystone Law Group plc provides legal services in the United Kingdom.
Knights Group Holdings plc	Knights Group Holdings plc provides legal and professional services in the United Kingdom.
Rosenblatt Group Plc	Rosenblatt Group Plc provides various legal services.
Murgitroyd Group PLC	Murgitroyd Group PLC, through its subsidiaries, provides intellectual property advisory services.
Kelly Partners Group Holdings Limited	Kelly Partners Group Holdings Limited provides chartered accounting services to private businesses and clients, and families in Australia.
Countplus Limited	Countplus Limited, together with its subsidiaries, provides accounting, business advisory, and financial planning services in Australia.
Prime Financial Group Limited	Prime Financial Group Limited provides integrated accounting and business advisory, wealth management, and capital advisory services in Australia.

The table below shows the current and forecast EBITDA and EBIT multiples for the comparable companies listed above.

Company	Market Cap (AUD'm)	EBIT growth	EBITDA multiple Current	EBITDA multiple Forecast	EBITDA margin	EBIT multiple Current	EBIT multiple Forecast	EBIT margin
Domestic legal services firms								
Shine Corporate Ltd	152	9%	4.7x	4.4x	21%	5.5x	5.1x	18%
Domestic IP services firms								
Qantm Intellectual Property Limited	173	10%	8.3x	7.6x	19%	8.9x	8.1x	17%
IPH Limited	1,127	8%	13.3x	12.4x	33%	14.2x	13.1x	30%
Xenith IP Group Limited	118	9%	6.1x	5.8x	16%	7.8x	7.2x	12%
Average (domestic IP firms)		9%	9.2x	8.6x	22%	10.3x	9.5x	20%
Median (domestic IP firms)		9%	8.3x	7.6x	19%	8.9x	8.1x	17%
UK legal services and IP services firms								
Gateley (Holdings) Plc	297	8%	8.8x	8.2x	19%	9.7x	9.0x	17%
Gordon Dadds Group plc	95	22%	8.6x	7.5x	20%	9.9x	8.0x	17%
Keystone Law Group plc	217	12%	25.8x	22.7x	11%	27.7x	24.7x	10%
Knights Group Holdings plc	252	91%	14.8x	11.4x	21%	25.2x	13.2x	17%
Rosenblatt Group Plc	126	9%	8.3x	7.5x	35%	8.4x	7.7x	34%
Murgitroyd Group PLC	102	4%	10.9x	10.5x	10%	11.9x	11.4x	10%
Average (UK firms)		24%	12.9x	11.3x	19%	15.5x	12.3x	17%
Median (UK firms)		11%	9.9x	9.4x	20%	10.9x	10.2x	17%
Domestic accounting and advisory firms								
Kelly Partners Group Holdings Limited	58	12%	5.1x	4.7x	34%	5.5x	4.9x	32%
Average (overall)		18%	10.4x	9.3x	22%	12.2x	10.2x	19%
Median (overall)		9%	8.6x	7.6x	20%	9.7x	8.1x	17%

Source: CapitalIQ.

Note: market capitalisation calculated as at 19 October 2018.

APPENDIX 4: COMPARABLE TRANSACTIONS

The table below shows the historical and forecast (where available) EBITDA and EBIT multiples from relevant transactions with publicly available data.

Target	Acquirer	Date	Purchase Consideration		EV/EBITDA multiple ⁽¹⁾				EV/EBIT multiple ⁽¹⁾			
			Low (\$m)	High (\$m)	Historical		Forecast		Historical		Forecast	
					Low	High	Low	High	Low	High	Low	High
Griffith Hack Group ⁽²⁾	Xenith IP Group Limited	Nov 16	152	172	10.3x	11.7x	10.3x	11.7x	11.1x	12.5x	n/a	n/a
Watermark Group ^{(3), (4)}	Xenith IP Group Limited	Aug 16	16	21	n/a	n/a	5.9x	8.2x	n/a	n/a	n/a	n/a
Cullens Services Pty Ltd ^{(5), (6)}	IPH Limited	May 16	36	43	7.6x	9.2x	n/a	n/a	n/a	n/a	n/a	n/a
Sciaccas Lawyers Pty Ltd and Sciaccas Family Lawyers Pty Ltd ⁽⁷⁾	Shine Corporate Ltd	Oct 14	9	11	n/a	n/a	4.0x	5.0x	n/a	n/a	n/a	n/a
All States Legal Co Pty Ltd (Nowicki Carbone) ^{(8), (9)}	Slater and Gordon Limited	Aug 14	10	45	n/a	n/a	3.5x	4.5x	n/a	n/a	n/a	n/a
Schultz Toomey O'Brien Lawyers ⁽⁹⁾	Slater and Gordon Limited	Aug 14	16	19	n/a	n/a	3.5x	4.5x	n/a	n/a	n/a	n/a
Average						9.7x		6.1x		11.8x		n/a
Median						9.7x		4.8x		11.8x		n/a

Source: Capital IQ, company announcements and annual reports and Leadenhall analysis

Notes:

1. Multiples calculated based on the enterprise value of the acquired business for the acquisitions of Griffith Hack, Watermark and Cullens. Multiples for the other acquisitions based on the initial consideration and multiple announced by the acquirer.
 2. The high end of the transaction value includes the earn-out of \$20 million.
 3. The high end of the transaction value includes the maximum earnout of \$5.6 million.
 4. Forecast EBITDA based on announcement made by Xenith.
 5. The high end of the transaction value includes earnout and deferred consideration
 6. Historical EBITDA based on announcement made by IPH that the initial consideration of \$35.6 million represents 7.9 times FY15 EBITDA. The multiples shown above are calculated based on the enterprise value.
 7. The announced value of the transaction was \$8.75 million (Initial consideration). Based on the company announcement, the Initial consideration represents between 4 to 5 times FY15 EBITDA.
 8. The amount actually paid was \$10 million. Amount at announcement was \$45 million including \$10 million cash, \$ 15 million equity (subject to restraint conditions) and \$20 million deferred consideration and earnout.
 9. Slater & Gordon indicated that the EBITDA acquisition multiples paid for All States Legal Co Pty Ltd and Schultz Toomey O'Brien Lawyers was in the range of 3.5 times to 4.5 times.
- n/a: not available.

APPENDIX 5: QUALIFICATIONS, DECLARATIONS AND CONSENTS

Responsibility and purpose

This report has been prepared for Navigator's shareholders for the purpose of assessing the fairness and reasonableness of the Proposed Transaction. Leadenhall expressly disclaims any liability to any shareholder, or anyone else, whether for our negligence or otherwise, if the report is used for any other purpose or by any other person.

Reliance on information

In preparing this report we relied on the information provided to us by Navigator and AF Legal being complete and accurate and we have assumed it has been prepared in accordance with applicable Accounting Standards and relevant national and state legislation. We have not performed an audit, review or financial due diligence on the information provided. Drafts of our report were issued to Navigator's management and AF Legal's management for confirmation of factual accuracy.

Prospective information

To the extent that this report refers to prospective financial information, we note that the forecasts and projections supplied to us are, by definition, based upon assumptions about events and circumstances that have not yet transpired. Actual results in the future may be different from the prospective financial information of AF Legal referred to in this report and the variation may be material, since anticipated events frequently do not occur as expected. Accordingly, we give no assurance that any forecast results will be achieved. Any future variation between the actual results and the prospective financial information utilised in this report may affect the conclusions included in this report.

Market conditions

Leadenhall's opinion is based on prevailing market, economic and other conditions as at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon the conclusion reached in this report. As a valuation is based upon expectations of future results it involves significant judgement. Although we consider the assumptions used and the conclusions reached in this report are reasonable, other parties may have alternative expectations of the future, which may result in different valuation conclusions. The conclusions reached by other parties may be outside Leadenhall's preferred range.

A substantially complete draft of our report was provided for regulatory review on 21 December 2018. Due to the significant delay between that date and finalisation of this report we have obtained information regarding recent trading performance for Navigator and AFL as well as reviewing movements in market multiples. We did not identify anything in this additional information that would result in a changed opinion.

Indemnities

In recognition that Leadenhall may rely on information provided by Navigator and AF Legal and their officers, employees, agents or advisors, Navigator has agreed that it will not make any claim against Leadenhall to recover any loss or damage which it may suffer as a result of that reliance and that it will indemnify Leadenhall against any liability that arises out of Leadenhall's reliance on the information provided by Navigator and AF Legal and their officers, employees, agents or advisors or the failure by Navigator and AF Legal and their officers, employees, agents or advisors to provide Leadenhall with any material information relating to this report.

Qualifications

The personnel of Leadenhall principally involved in the preparation of this report were Simon Dalgarno, B.Ec, FCA, F.FINSIA, Richard Norris, BA (Hons), FCA, M.App.Fin, F.Fin, Tim Lebbon, FCPA, FAICD, F.FINSIA and Risha Pursem, B.Fin, M.Fin.

This report has been prepared in accordance with "APES 225 – Valuation Services" issued by the Accounting Professional & Ethical Standards Board and is a valuation engagement in accordance with that standard.

Independence

Leadenhall has acted independently of Navigator. Compensation payable to Leadenhall is not contingent on the conclusion, content or future use of this report.

Annexure B – Risk Factors

SPECIFIC RISKS RELATING TO THE COMPANY AND AF LEGAL

1. Reliance on marketing strategy

A key pillar underpinning AF Legal's business model is its unique digital marketing strategy. AFL uses sophisticated and cost-effective digital marketing techniques to acquire clients. There is no guarantee, however, that AF Legal's marketing strategy will continue to be successful and lead to attracting clients. If the strategy (or subsequent revised strategies) are not successful, AF Legal's future profitability will be adversely impacted.

2. Regulatory environment and legal reform

AF Legal operates in the legal industry, which is subject to significant regulatory and legal oversight. It's business operations could be adversely affected by actions of State, Territory and Commonwealth governments as well as other regulatory bodies.

Changes in government legislation, guidelines and regulations in the areas of law in which the firm practises, such as decreases in the maximum amount of legal fees which can be recovered could also adversely affect the Company. The Australian Government has already announced a proposal for structural reforms to the federal courts (including the Family Court of Australia). This is expected to remove the backlog of cases currently in the system and allow a smoother passage of cases through the Family Court.

3. Conflict of duties

Lawyers have a primary duty to the Courts and a secondary duty to their clients. There could be circumstances in which the lawyers of AF Legal are required to act in accordance with these duties and contrary to other corporate responsibilities and against the interests of Shareholders and the short-term profitability of the Company. An example is in settlement negotiations where AF Legal's duty to its client would be favoured over any short-term cash flow or funding needs of AF Legal's business.

4. Reliance on key personnel

AF Legal relies on the experience and knowledge of its management team. In particular, AF Legal is substantially dependent on the continued service of its founder and Managing Director, Edward Finn, as well as other existing legal personnel. AF Legal is also dependent on its ability to recruit and retain suitably qualified personnel, including lawyers with the requisite experience in AF Legal's practice areas. If such key personnel leave their employment or engagement with AF Legal, or AF Legal was unable to recruit suitable replacements or attract additional personnel when required, such loss or inability to attract new personnel could have a materially adverse effect on AF Legal's business and operational performance and financial results.

5. Professional liability and uninsured risks

The provision of legal advice by AF Legal gives rise to the risk of potential liability for negligence or other similar client claims. Any such claims may cause financial and reputational damage to AF Legal. Although AF Legal maintains professional liability insurance to mitigate the financial risk, AF Legal's profitability may be adversely affected in the event that the insurance does not cover a potential claim (e.g. due to some disqualifying act of the lawyer involved), the claim exceeds the coverage available or the deductible on numerous claims in a period is material.

6. Reliance on third party service providers

AF Legal's competitive edge is its innovative digital marketing strategy that is distinct from how traditional law firms acquire clients. However, in implementing this strategy, AF Legal relies on third parties to provide paid marketing services. If there was a significant disruption to, or decline in the quality of, these services, it is likely that AF Legal would suffer a disruption to its operations and financial performance could be adversely impacted.

7. Failure to retain or attract clients

AF Legal's business depends on its ability to retain existing clients and, more importantly, attract new clients. There is a risk that AF Legal's clients reduce the use of its services or that AF Legal fails to attract new clients, both of which will have an adverse impact on revenue and growth. This is exacerbated by the non-recurrent nature of family law work, meaning successful attraction of new clients is paramount to the viability of the AF Legal business.

AF Legal's ability to retain existing clients and attract new ones depends on many factors including the effectiveness of its digital marketing strategy, the quality of its service, cost-effectiveness and pricing compared to its competitors. In addition, clients' use of AF Legal's services may be affected by external factors including changes to laws and regulations which affect the family and relationship law landscape.

8. Changes in technology

The use of technology in the legal industry has evolved in recent years. In particular, advances in artificial intelligence threaten to replace many functions traditionally performed by lawyers (e.g. discovery and contract drafting), which has increased the pressure on law firms to provide more innovative and cost-effective services. AF Legal's success will depend, in part, on its ability to expand its services and grow its business in response to changing technologies, client and/or user demands and competitive pressures. Failure to do so may impact the success of AF Legal's business. Further, the cost of responding to changing technologies is unpredictable and may impact AF Legal's profitability.

9. Competition

The legal industry is a highly competitive global industry. There is a risk that existing or new global and domestic competitors could gain market share through product innovation, price discounting or aggressive marketing campaigns which would have an adverse impact on AF Legal's revenue and profitability. AF Legal does not have any control over the conduct of its competitors. In addition, there is a risk that AF Legal could lose clients and market share if it fails to adapt to technological and regulatory changes or client expectations at the same rate as its competitors.

10. Brand and reputation

AF Legal believes that establishing and maintaining its brand in the family law sector is critical to growing its business. This will depend largely on its ability to deliver successful marketing campaigns and produce outstanding results within its existing client base. A number of factors may impact negatively on the AF Legal brand including the actions of its employees and external industry participants. If AF Legal fails to successfully establish and maintain its brand, its business and operating results could be adversely affected.

11. Data loss or corruption and security breaches

AF Legal's computer systems and the systems of its service providers are integral to its business operations. The provision of legal services is dependent on the proper functioning of these systems. Failures or breaches of those computer systems have the ability to cause disruptions to AF Legal's business operations. It could also lead to unauthorised disclosure of clients' data, resulting in reputational damage, claims from clients and regulatory scrutiny and fines. This could adversely affect AF Legal's revenue and financial performance.

Although AF Legal has strategies and protections in place to minimise security breaches and to protect data, these strategies might not be successful.

12. Concentration of ownership

In the event that the Proposed Acquisition completes, there will be a concentration of ownership with AF Legal (or its nominee) and Mr Edward Finn, the proposed Managing Director and Chief Executive Officer of the Company. Assuming all New Shares and all other Securities to be issued as part of the Proposed Acquisition are issued, Mr Finn will hold (via his entity, the AFL Vendor, of which he is the sole shareholder and director) approximately 21.5% of the Company's issued capital on an undiluted basis. This may allow the AFL Vendor (or its nominee) and Mr Finn to exert significant influence over matters relating to the Company, including the election of future

Directors or the approval of future transactions involving the Company.

13. Additional requirements for capital

While the Board of the Company believes that it will have sufficient funds to meet its growth strategy in relation to the AF Legal business and has sufficient working capital for the near term, there can be no assurance that such growth strategies can be met without further financing. The Company may also seek to exploit opportunities of a kind that will require it to raise additional capital from equity or debt sources.

Accordingly, the Company may need to engage in equity or debt financing to secure additional funds. There can be no assurance that the Company will be able to obtain additional capital from equity or debt sources on favourable terms or at all. If the Company is unable to raise capital if and when needed, this could delay, suspend or reduce the scope of the Company's business strategy and could have a material adverse effect on the Company's activities which could adversely affect its business, financial condition and operating results.

In addition, any additional equity financing may be dilutive to existing Shareholders and any debt financing, if available, may involve restrictive covenants, which limit the Company's operations and business strategy.

14. Future profitability or dividends are not assured

No assurance as to future profitability or dividends can be given as these are dependent on future earnings and working capital requirements of the Company and AF Legal, which are affected by factors beyond the Company's and AF Legal's control.

Potential investors should note that there can be no guarantees with respect to the payment of dividends and return of capital.

15. Change in strategy

AF Legal's strategy may evolve over time due to a review and assessment of, among other things, market trends, technical challenges, changes in regulations, the level of market acceptance in particular jurisdictions or markets and the emergence of new or improved technology. As a result, the current strategies, approaches, market, products and plans of AF Legal may not reflect the strategies, approaches, markets, products and plans in this document and may be changed without notice.

16. Contractual and Acquisition Risk – Share Purchase Deed

Pursuant to the Share Purchase Deed (SPD), the material terms of which are summarised on pages 13 – 17, the Company has agreed to acquire 100% of the issued capital of AFL subject to the fulfillment of certain conditions. There is a risk that the SPD conditions cannot be fulfilled and, in turn, the Proposed Transaction is not completed.

If the Proposed Transaction is not completed, the Offers and listing of the Company will not proceed, and funds will be returned in accordance with the Corporations Act.

There are execution, due diligence and liability risks associated with the Proposed Transaction. The SPD contains obligations on the parties and conditions which, if not complied with or satisfied, could delay or prevent the Proposed Transaction from completing.

The Company has performed due diligence in respect of the Proposed Transaction and sought certain warranty and indemnity protections under the SPD. However, the Company may also suffer loss or damage flowing from historical events and operations of the business acquired, which the Company may be unable to recover from the AFL Vendor under the terms of the SPD.

GENERAL RISKS RELATING TO THE COMPANY AND AF LEGAL

1. Economic and government risk

The future viability of the Company after completion of the Proposed Acquisition depends upon a number of factors affecting performance of all industries including, but not limited to, the following:

- general economic conditions in jurisdictions in which the Company and AF Legal operate;

- the strength of the equity and share markets in Australia and throughout the world, and in particular investor sentiment towards the legal or professional services sector;
- movement in, or outlook on, interest rates and inflation rates in jurisdictions in which the Company and AF Legal operate; and
- natural disasters, social upheaval, terrorism or war in jurisdictions in which the Company and AF Legal operate.

A prolonged deterioration in any number of the above factors may have a material adverse effect on the financial performance, financial position, cash flows, distribution, growth prospects and share price of the Company.

2. Taxation

There is a potential for changes in Australia's tax laws. Any current rate of taxes imposed on the Company and AF Legal is likely to affect returns to Shareholders. An interpretation of taxation laws by the relevant tax authority that is contrary to the Company's view of those laws may increase the amount of tax to be paid. The Company obtains external expert advice on the application of tax laws to its operations.

3. General economic conditions

Both Australian and world economic conditions may negatively affect the Company's and AF Legal's performance. Any slowdown in economic conditions or factors such as the level of production in the relevant economy, inflation, currency fluctuation, interest rates, taxation legislation, supply and demand and industrial disruption may have a negative impact on the Company's and AF Legal's costs and revenue. These changes may adversely affect the Company's and AF Legal's financial performance and/or financial position.

4. Accounting standards

Changes in accounting standards or the interpretation of those accounting standards that occur after the date of this presentation may adversely impact on the Company's reported financial performance and/or financial position.

5. Force majeure events

Events such as acts of terrorism, an outbreak of international hostilities or natural disasters may occur within or outside Australia that have an impact on the Company's and AF Legal's business. Any such force majeure events may have a negative impact on the value of an investment in shares in the Company.

Annexure C – Pro-Forma Balance Sheet

28 February 2019

The Shareholders,
Navigator Resources Ltd
(To be renamed AF Legal Limited)
c/o Whittens & McKeough
Level 29, 201 Elizabeth Street
Sydney NSW 2000

Dear Shareholder

Re: Proforma Statement of Financial Position – Navigator Resources Ltd

In support of the Director's Explanatory Memorandum contained herein, please find attached in Appendix 1 the condensed consolidated (pro-forma) statement of financial position (Balance Sheet) of NAV as at 30 June 2018 incorporating adjustments for the proposed acquisition of AF Legal Pty Ltd ("AFL").

This report has been prepared based on information derived from the audited accounts of both NAV and AFL, to provide a consolidated pro-forma statement of financial position of NAV as detailed in Appendix 1. The pro-forma statement shows the financial position of NAV on the basis that the proposed acquisition of AFL, the subsequent re-listing on the ASX, and the foreshadowed raising of investor capital had occurred on 30 June 2018. The pro-forma statement shows the position that would have arisen on both a \$4,000,000 (minimum level) and \$6,500,000 (maximum level) raise.

The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial reports in accordance with the Corporations Act 2001.

The contents of this report should be read in conjunction with the report of factual findings which precedes this report, prepared by the Investigating Accountants, Moore Stephens.

Yours faithfully,



Joshua McKean
Director
Navigator Resources Ltd

2. **Actual and Proposed Transactions to arrive at Proforma (Unaudited) Condensed Consolidated Statement of Financial Position**

Actual and proposed transactions adjusting the 30 June 2018 audited consolidated condensed Statement of Financial position of NAV in the pro-forma consolidated Statement of Financial Position of NAV are as follows.

- a) The consolidation of capital on a 1 for 20 basis;
- b) The declaration of a dividend payable 'in-specie' by AF Legal of \$347,936 as contemplated by the Share Purchase Deed between NAV and AF Legal dated 13 December 2018.
- c) The repayment of a shareholder loan of \$707,013 following the 'in-specie' dividend in g) above as contemplated by the Share Purchase Deed between NAV and AF Legal dated 13 December 2018.
- d) The issue of 20,000,000 new shares raising the amount of \$4,000,000 from the capital raising at 20 cents each at the proposed minimum raise level, or the issue of 32,500,000 new shares raising the amount of \$6,500,000 from the capital raising at 20 cents each at the proposed maximum raise level;
- e) The incurring of capital raising costs estimated at \$438,694 net of GST based on a \$4,000,000 Capital Raising; and \$635,710 net of GST based on a \$6,500,000 Capital Raising. The incurring of accounting, legal and advisory costs (transaction Costs) estimated at \$501,306 (net of GST) based on a \$4,000,000 Capital Raising, and at \$478,540 (net of GST) based on a \$6,500,000 Capital Raising.
- f) The acquisition of all the shares in AF Legal Pty Ltd for a total target equity consideration of \$5,500,000. This is comprised of \$2,825,000 cash consideration at completion, contingent cash consideration at a deemed fair value of \$500,000, and the issue of 10,875,000 new shares (\$2,175,000 value) in NAV as share consideration. Cash consideration at completion is also subject to a Purchase Price Adjustment mechanism based upon delivery of threshold levels of Net Working Capital and Net Debt in the completion Balance Sheet. The adjustment mechanism has been applied to the 30 June 2018 audited Balance Sheet of AF Legal resulting in total consideration on a proforma basis of \$6,172,223.
- g) The repayment of the Westpac Overdraft and Business Loan amounting to \$1,200,991 should \$6.5m be raised.
- h) Using IFRS 3, business combination principles, the recognition of goodwill of \$6,172,123 representing the difference between the net assets of AF Legal and the consideration in f) above. As IFRS 3 enables the Purchase Price Allocation to be undertaken on a provisional basis in the first year following the business combination, no attempt has been made to allocate the premium over net assets between Goodwill and Identifiable Intangible Assets; and
- i) The impairment of a tenement right in respect of the Violet Gold project recorded at a fair value of \$27,118 at 30 June 2018.

APPENDIX 1 – AUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (PRO-FORMA UNAUDITED)

	Note	NAV 30 June 18 - Audited	NAV Pro-forma Unaudited Consolidated - 30 June 2018 \$4m Minium Raise	NAV Pro-forma Unaudited Consolidated - 30 June 2018 \$6.5m Max. Raise
		2018 \$	2018 \$	2018 \$
CURRENT ASSETS				
Cash and Cash Equivalents	3	699,450	885,047	1,997,056
Trade and other receivables	4	16,889	1,168,079	1,168,079
Other current assets	5		51,287	51,287
TOTAL CURRENT ASSETS		716,339	2,104,413	3,216,422
NON-CURRENT ASSETS				
Exploration tenement	6	27,118	-	-
Loans to Directors	7		-	-
Property, Plant & Equipment	8		27,214	27,214
Deferred Tax Assets	9		10,360	10,360
Goodwill	10		6,172,123	6,172,123
Investment in Subsidiary			-	-
TOTAL NON-CURRENT ASSETS		27,118	6,209,697	6,209,697
TOTAL ASSETS		743,457	8,314,110	9,426,119
CURRENT LIABILITIES				
Trade and other payables	11	47,081	393,920	381,170
Borrowings	12		1,287,694	86,703
Current Tax Liabilities	13		124,170	124,170
Provisions - Short Term	14		96,756	96,756
Deferred Consideration	15		500,000	500,000
TOTAL - CURRENT LIABILITIES		47,081	2,402,540	1,188,799
NON-CURRENT LIABILITIES				
Provisions - Long Term	16		7,312	7,312
TOTAL NON- CURRENT LIABILITIES		-	7,312	7,312
TOTAL LIABILITIES		47,081	2,409,852	1,196,111
NET ASSETS		696,376	5,904,258	8,230,008
EQUITY				
Issued Capital	17	115,267,665	121,003,971	123,306,955
Accumulated losses		- 114,571,289	- 115,099,713	- 115,076,947
TOTAL EQUITY		696,376	5,904,258	8,230,008

	Note 2	Audited NAV 30-Jun-18 \$	Unaudited Consolidated NAV Proforma 30-Jun-18 \$4m Min Raise \$	Unaudited Consolidated NAV Proforma 30-Jun-18 \$6.5m Max Raise \$
3. Cash and Cash Equivalents				
The movements in cash assets are as				
Audited 30 June 2018 - Cash at Bank		699,450	699,450	699,450
Repayment of Shareholder Loan	c)	-	707,013	707,013
Issue of New Shares	d)	-	4,000,000	6,500,000
Capital Raising & Transaction Costs	e)	-	1,024,650	1,211,650
Cash Consideration for AF Legal	f)	-	3,497,223	3,497,223
Repayment of Bank Debt	g)	-	-	1,200,991
Cash of AF Legal	18	-	457	457
		699,450	885,047	1,997,056
4. Trade and Other Receivables				
Goods and services tax recoverable		6,106	6,106	6,106
Prepayments		10,783	10,783	10,783
Trade and Receivables of AF Legal	18	-	1,030,679	1,030,679
Work in Progress of AF Legal	18	-	108,748	108,748
GST Recoverable of AF Legal	18	-	11,763	11,763
		16,889	1,168,079	1,168,079
5. Other Current Assets				
Other Current Assets of AF Legal	18	-	51,287	51,287
		-	51,287	51,287
6. Exploration Tenement				
Violet Gold Project		27,118	27,118	27,118
Impairment of Tenement Right	i)	-	27,118	27,118
		27,118	-	-
7. Loans to related Parties				
Related Party Loans of AF Legal	18	-	1,054,949	1,054,949
Declaration of Dividend 'in specie'	b)	-	347,936	347,936
Repayment of related party loan	c)	-	707,013	707,013
		-	-	-

	Note 2	Audited NAV 30-Jun-18 \$	Unaudited Consolidated NAV Proforma 30-Jun-18 \$4m Min Raise \$	Unaudited Consolidated NAV Proforma 30-Jun-18 \$6.5m Max Raise \$
8 . Property Plant & Equipment				
Furniture & Fixtures of AF Legal	18		18,436	18,436
Computer Equipment of AF Legal	18		7,715	7,715
Low Value Pool Assets of AF Legal	18		1,063	1,063
		<u>-</u>	<u>27,214</u>	<u>27,214</u>
9 . Deferred Tax Assets				
Deferred Tax Assets of AF Legal	18		10,360	10,360
		<u>-</u>	<u>10,360</u>	<u>10,360</u>
10 . Goodwill and Identifiable Intangible				
Acquisition of AF Legal	f)		6,172,123	6,172,123
		<u>-</u>	<u>6,172,123</u>	<u>6,172,123</u>
11 . Trade and other payables				
Trade payables and accruals		47,081	47,081	47,081
Trade payables and accrual of AF Legal	18	-	431,489	431,489
GST Recoverable on Transaction and Capital Raising Costs	e)	-	- 84,650	- 97,400
		<u>47,081</u>	<u>393,920</u>	<u>381,170</u>
12 . Borrowings				
Bank Loan of AF Legal	18	-	1,050,840	1,050,840
Business Overdraft of AF Legal	18	-	150,151	150,151
Credit Card and Other Finance of AF Legal	18	-	86,703	86,703
Repayment of Bank Loan and Overdraft	g)			- 1,200,991
		<u>-</u>	<u>1,287,694</u>	<u>86,703</u>

	Note 2	Audited NAV 30-Jun-18 \$	Unaudited Consolidated NAV Proforma 30-Jun-18 \$4m Min Raise \$	Unaudited Consolidated NAV Proforma 30-Jun-18 \$6.5m Max Raise \$
13 . Current Tax Liabilities				
Provision for Income Tax of AF Legal	18	-	124,170	124,170
		<u>-</u>	<u>124,170</u>	<u>124,170</u>
14 . Provisions - Short term				
Provision for Annual Leave of AF Legal	18	-	69,784	69,784
Provision for Straight Line Lease of AF Legal	18	-	26,972	26,972
		<u>-</u>	<u>96,756</u>	<u>96,756</u>
15 . Deferred Consideration				
Fair Value of Deferred Contingent Consideration on the acquisition of AF Legal	f)	-	500,000	500,000
		<u>-</u>	<u>500,000</u>	<u>500,000</u>
16 . Provisions - Long term				
Provision for Long Service Leave of AF Legal	18	-	7,312	7,312
		<u>-</u>	<u>7,312</u>	<u>7,312</u>
17 . Issued Capital				
393,223,695 Ordinary Shares as at 30 June 2018 in NAV				
19,661,185 Post Consolidation Shares on Issue	f)	115,267,665	115,267,665	115,267,665
Ordinary Shares on Issue in AF Legal	18	-	100	100
Reversal of Ordinary Shares on Issue in AF Legal	f)	-	- 100	- 100
Issue of 10,875,000 Ordinary Shares consideration for the acquisition of AF legal	f)	-	2,175,000	2,175,000
Issue of 20,000,000 Ordinary Shares as part of \$4m Capital Raise (32,500,000 \$6.5 Raise)	d)	-	4,000,000	6,500,000
Less : estimated new share issue costs	e)	-	- 438,694	- 635,710
		<u>115,267,665</u>	<u>121,003,971</u>	<u>123,306,955</u>

**18 . Summary of AF Legal Pty Ltd from
audited Statement of Financial Position at
30 June 2018**

	Audited 30-Jun-18 \$
Assets	
Cash and Cash Equivalents	457
Trade and other receivables	1,151,190
Loans to Directors	1,054,949
Other current assets	51,287
Property, Plant & Equipment	27,214
Deferred Tax Assets	10,360
Total Assets	<u>2,295,457</u>
Liabilities	
Trade and other payables	431,489
Borrowings	1,287,694
Current Tax Liabilities	124,170
Provisions - Short Term	96,756
Provisions - Long Term	7,312
Total Liabilities	<u>1,947,421</u>
Net Assets	<u>348,036</u>
Equity	
Issued Capital	100
Retained Profits	347,936
Total Equity	<u>348,036</u>

Annexure D – Summary of Long Term Incentive Plan

Subject to the Acquisition Resolutions being approved, the Company intends to adopt the LTIP to assist in the reward, retention and motivation of the Company's Directors, senior management, and other key employees.

Under the rules of the LTIP, the Board has a discretion to offer any of the following awards to senior management, directors or other nominated key employees:

- options to acquire Shares;
- performance rights to acquire Shares; and/or
- Shares, including to be acquired under a limited recourse loan funded arrangement,

In each case subject to service-based conditions and/or performance hurdles (collectively, the **Awards**).

The terms and conditions of the LTIP are set out in comprehensive rules. A summary of the rules of the LTIP is set out below:

- The LTIP is open to Directors, senior management, and any other employees of the Company, as determined by the Board. Participation is voluntary.
- The Board may determine the type and number of Awards to be issued under the LTIP to each participant and other terms of issue of the Awards, including:
 - what service-based conditions and/or performance hurdles must be met by a participant in order for an Award to vest (if any);
 - the fee payable (if any) to be paid by a participant on the grant of Awards;
 - the exercise price of any option granted to a participant;
 - the period during which a vested option can be exercised; and
 - any forfeiture conditions or disposal restrictions applying to the Awards and any Shares that a participant receives upon exercise of their options or performance rights.
- The Board may, in its discretion, also determine that the Company will issue limited recourse loans to participants to use for the purchase of Shares as part of a Share Award under the LTIP.
- When any service-based conditions and/or performance hurdles have been satisfied, participants will receive fully vested Shares, or their options/performance rights will become vested and will be exercisable over Shares (as applicable).
- Each vested option and performance right enables the participant to be issued or to be transferred one Share upon exercise, subject to the rules governing the LTIP and the terms of any particular offer.
- Participants holding options or performance rights are not permitted to participate in new issues of securities by the Company but adjustments may be made to the number of Shares over which the options or performance rights are granted and/or the exercise price (if any) to take into account changes in the capital structure of the Company that occur by way of pro rata and bonus issues in accordance with the rules of the LTIP and the Listing Rules.
- The LTIP limits the number of Awards that the Company may grant (pursuant to the terms of the LTIP) without Shareholder approval, such that the sum of all Awards on issue (assuming all options and performance rights were exercised) do not at any time exceed in aggregate 10% of the total issued capital of the Company as at the date of commencement of the LTIP.
- The Board may delegate management and administration of the LTIP, together with any of their powers or discretions under the LTIP, to a committee of the Board or to any one or more persons

selected by them as the Board thinks fit.



All Correspondence to:

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia

📠 **By Fax:** +61 2 9290 9655

💻 **Online:** www.boardroomlimited.com.au

☎ **By Phone:** (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 10:00am AEDT on Saturday 6 April 2019.**

🖥 TO VOTE ONLINE

STEP 1: VISIT <https://www.votingonline.com.au/navegm2019>

STEP 2: Enter your Postcode OR Country of Residence (if outside Australia)

STEP 3: Enter your Voting Access Code (VAC):

📱 BY SMARTPHONE



Scan QR Code using smartphone
QR Reader App

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy, you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities, your vote on that item will be invalid.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders should sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director, who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **10:00am AEDT on Saturday 6 April 2019**. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Envelope or:

💻 **Online** <https://www.votingonline.com.au/navegm2019>

📠 **By Fax** + 61 2 9290 9655

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia

👤 **In Person** Boardroom Pty Limited
Level 12, 225 George Street,
Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

☐

Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes.

Please note, you cannot change ownership of your securities using this form.

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of **Navigator Resources Limited** (Company) and entitled to attend and vote hereby appoint:

☐

the **Chair of the Meeting** (mark box)

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Extraordinary General Meeting of the Company to be held **at the Offices of Automic Group, Level 5, 126 Phillip Street, Sydney NSW 2000 on Monday, 8 April 2019 at 10:00am AEST** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

Chair of the Meeting authorised to exercise undirected proxies on remuneration related matters: If I/we have appointed the Chair of the Meeting as my/our proxy or the Chair of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Resolution 11, I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of this Resolution even though Resolution 11 is connected with the remuneration of a member of the key management personnel for the Company.

The Chair of the Meeting intends to vote undirected proxies in favour of each of the items of business (including Resolution 11). If you wish to appoint the Chair of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that resolution.

STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		FOR	AGAINST	ABSTAIN*			FOR	AGAINST	ABSTAIN*
Res 1	Consolidation of Capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 7	Change of Company Name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 2	Approval of Change to Nature and Scale of Activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 8	Approval of Issue of New Shares Pursuant to Capital Raising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 3	Acquisition of Relevant Interest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 9	Approval for Gregory Ruddock to Subscribe for New Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 4	Election of Grant Dearlove as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 10	Approval for Joshua McKean to Subscribe for New Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 5	Election of Edward Finn as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 11	Adoption of Long-Term Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 6	Re-election of Glen Dobbie as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					

STEP 3 SIGNATURE OF SECURITYHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2019