Finalisation of Strategic and Operational Review and Equity Raising

Monday, 12 December 2016

Estia Health Limited (EHE)

Photo: Golden Grove, South Australia

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All dollar values are in Australian dollars (A$) unless otherwise stated. All references starting with “FY” refer to the financial year ended 30 June. All references starting with “1H FY” refer to the financial half year ended 31 December.

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A number of figures, amounts, percentages, estimates, calculations of value and fractions in this presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Presentation.

CONTENTS

Executive summary

Strategic and operational review
1. Management structure
2. Operational structure
3. Occupancy
4. Resident mix
5. Impact of resident mix on RADs
6. Care, quality and compliance
7. Operational efficiencies
8. Earnings initiatives
9. Acquisitions
10. Brownfield and greenfield development
11. Significant refurbishment
12. Non-core assets

Equity raising details
1. Offer details
2. Leverage and liquidity
3. Summary pro forma balance sheet
4. Entitlement offer timetable

Appendix A – Estia overview

Appendix B – Development pipeline

Appendix C – Key risks

Appendix D – Selling restrictions

Executive summary

EXECUTIVE SUMMARY

Estia has finalised its strategic and operational review

- **Estia Health Limited ("Estia") announced a strategic and operational review on 6 October 2016**
  - An update was provided at Estia's Annual General Meeting ("AGM") on 23 November 2016

- **The strategic and operational review is now finalised**
  - A number of key initiatives have been implemented or are in the process of being actioned to ensure Estia continues to provide quality services to its residents and to maximise returns to its shareholders, including:
    - Regeneration of leadership and management structure
    - Enhanced operational structure
    - Comprehensive operational, financial and business system review
    - Reconfirmed greenfield and brownfield development pipeline and significant refurbishment opportunities
    - Assessment of asset portfolio complete, but will be reviewed on an ongoing basis

- **Estia also announced at the AGM, as part of the strategic and operational review, that it was in the process of assessing a range of options to facilitate a reduction in core debt[1] over the medium term**
  - Assessment of those options is now complete

- **The range of options included:**
  - Alternative capital raising methods (including equity and hybrid capital raising and DRP underwriting)
  - Amendments to dividend payout policy
  - Review of development program and associated capex
  - Sale and leaseback of facilities
  - Going concern facility sales

1. "Core debt" refers to total debt less debt for development purposes ("Development Debt").

EXECUTIVE SUMMARY

Estia is undertaking an underwritten $136.8 million equity raising to reduce core debt

- **Estia has concluded that in the current operating environment its optimal maximum leverage position should be in the range of 1.5x - 1.8x EBITDA and therefore is undertaking the following initiatives to facilitate a reduction in core debt over the medium term:**
    - An underwritten $136.8 million non-renounceable entitlement offer of 1 New Share for every 3 existing shares at an offer price of $2.10 ('Entitlement Offer')
    - No interim dividend to be paid in March 2017 in respect of the first half of FY17
    - Thereafter, the expectation is that Estia's dividend policy will be to pay at least 70% of net profit after tax for the period to which the dividend relates[1]
- **Proceeds from the Entitlement Offer will be used to reduce core debt by ~$131.0 million and pay transaction costs of ~$5.8 million**
- **The equity raising announced today will allow Estia to:**
    - Reduce leverage in the business to within revised target levels
    - Operate at all times within its revised lower leverage guidelines
    - Continue to pursue Estia's preferred business strategy, including greenfield and brownfield development pipeline and significant refurbishment, over the period to the end of FY18 and beyond
    - Operate with a management team focused on optimising core business

1. The payment of a dividend is at the discretion of the Directors and the level of dividend payout ratio may vary depending on a range of factors including general business and financial conditions; Estia's cash flows including consideration of net RAD cash flows; capital expenditure and working capital requirements; potential acquisition opportunities; taxation requirements; and other factors that the Directors consider relevant.

EXECUTIVE SUMMARY

Estia re-confirms its EBITDA guidance range of $86 million - $90 million

- **Guidance for FY17 underlying EBITDA of $86 million – $90 million re-confirmed**
  - This guidance range was previously based on an assumed occupancy for the full FY17 year of 93.7%
  - Guidance is re-affirmed based on year to date results and recently observed performance across key areas of the business, including occupancy (slide 12), resident mix (slide 13), average revenue rates, wage costs and non-wage costs
    - Estia expects overall occupancy levels for the remainder of the year to increase from its current level of 92.8% as a result of targeted initiatives at under-performing NSW facilities aimed at bringing their performance closer to the level of the broader portfolio
    - Estia also expects improved earnings performance resulting from a range of initiatives identified as part of the strategic and operational review and outlined in more detail in this presentation
  - EBITDA to 31 October 2016 was $28.5 million

Strategic and operational review

MANAGEMENT STRUCTURE

Leadership regeneration and management structure transition significantly advanced

- **Board changes**
  - Mr Pat Grier will retire as Estia Chairman on 31 December 2016 and will continue in a Non-Executive Director role
  - Dr Gary Weiss will replace Mr Grier as Chairman

- **Senior management changes**
  - Appointment of Norah Barlow as CEO and Ian Thorley as COO
  - A search for a permanent CFO is underway
  - New Head of Quality role established with Quality Managers and Clinical Educators in each State
  - Creation of Chief Policy and Regulatory Officer role
  - The cost of management changes is reflected within the existing cost structure of the business and is incorporated in FY17 guidance

OPERATIONAL STRUCTURE

Operational review complete, and implementation underway

- **Operational restructure**
  - Led by Ian Thorley (appointed as COO in October 2016)
  - Replaced matrix structure with a regional structure based around major states in which Estia operates
    - Will improve alignment of accountability, operational focus and role clarity
    - Structure designed for executing strategy, and implementing policies and the key business priorities developed at a corporate level
    - Key priority is whole of business standardisation
  - Improved sales and client relations to drive occupancy uplift (see over page)
  - Rollout of home level profit and loss (P&L) reporting from mid December 2016
    - Suite of 23 key performance indicators developed to support the P&L and to assist Executive Directors to undertake rate and volume analysis of key revenue and expense items
    - Increases financial accountability
  - Improved roster to commence mid December 2016, expected to:
    - Better align roster with model of care
    - Increase focus on roster efficiency through introduction of key performance indicators
    - Increased focus on efficient labour mix

OCCUPANCY

Measures in place to improve portfolio occupancy

- **Estia's average occupancy for the FY17 year to 30 November 2016 was 93.1%, down from an average of 94.4% across FY16**
    - Actual occupancy at 30 November 2016 was 92.8%
    - Decline primarily driven by the underperformance of newly acquired homes
    - 14 homes have been identified as underperforming in occupancy

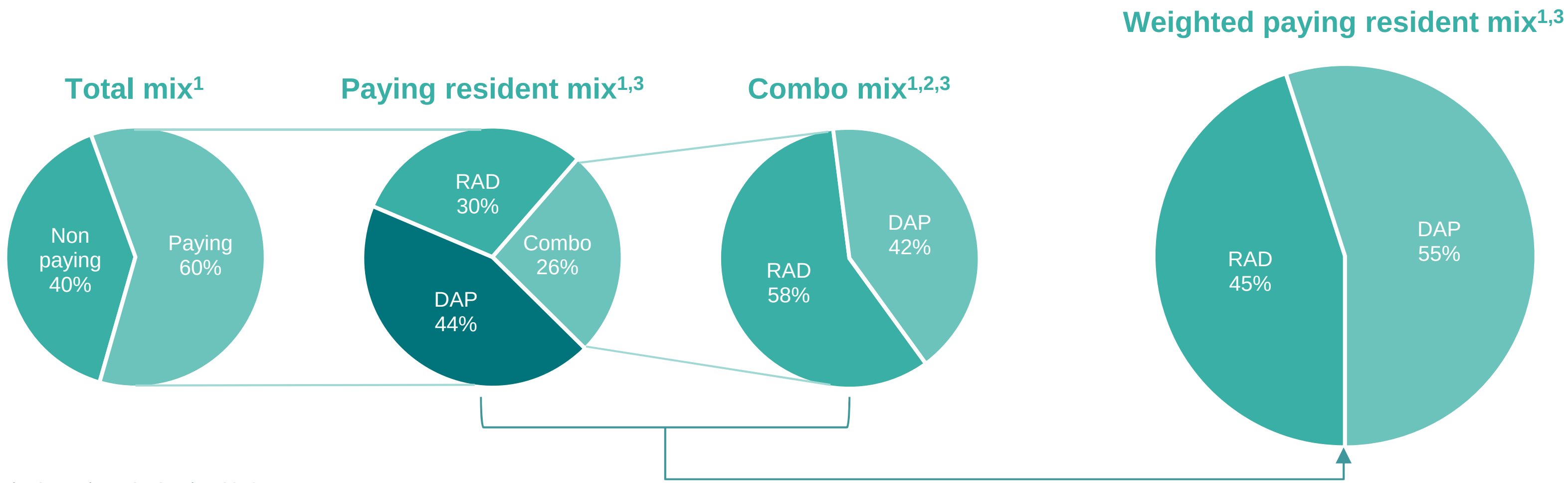
- **New processes put in place to improve portfolio occupancy**
    - Establishment of a specialised occupancy team as part of operational restructure
    - Formal sales and client relations structure established and resources appointed with additional support being provided by high performing Executive Directors with immediate focus on occupancy uplift
        - Immediate focus on 14 underperforming homes with action plans in progress
        - Key priority to re-engage with the 5 top referrers in all Estia markets
        - Respite initiative launched to mitigate typical seasonal downturn
        - Overhaul of enquiry management system underway

RESIDENT MIX

Changes in the incoming resident mix have been observed in recent months

- **Based on recent trends[1]:**
  - Approximately 60% of incoming residents (excluding respite residents) have been paying (or non-concessional) residents, consistent with the mix of the overall portfolio in place at 31 October 2016
  - Approximately 45%[2,3] of paying residents pay a RAD (either in full or as an element of a combination payment)
    - This mix has been consistent across the three months to 31 October 2016
    - This compares with approximately 70% of the overall portfolio in place at 31 October 2016 paying a RAD

- **Management believes that these observations are broadly consistent with observed incoming resident mix trends across the industry**



1. Reflects the 3 months to 31 October 2016.
2. Breakdown of combination payments reflects the weighted average proportion of combination payments made as a RAD compared with a DAP. For example, a resident who elects to pay 20% of their assessed entry value as a RAD would be reflected as 20% RAD and 80% DAP.
3. Excludes conversions from DAPs to RADs following the 30 day resident selection period (estimated to be approximately 5% based on prior experience).

IMPACT OF RESIDENT MIX ON RADS

Refundable Accommodation Deposit (RAD) receipts continue to generate positive inflows for the business

- **The cash flow impact of the increased proportion of incoming residents electing to pay for accommodation via DAPs instead of RADs is mitigated by:**
  - Indicative new incoming RAD prices of ~$371,000 compared with outgoing RAD prices of ~$299,000 (based on recent trends)
  - The positive EBITDA impact from increased DAPs which add approximately $21,400 annual EBITDA per resident (at current average prices)
  - New RAD inflows from greenfield and brownfield facilities

- **In aggregate, Estia continues to experience positive net RAD inflows**
  - $76.4 million in FY16 as disclosed in its annual results release
  - $28.5 million of net RAD inflows in the FY17 year to 30 November 2016

- **Estia also has a Liquidity Management Policy which is to notionally reserve 5% of the balance of outstanding RADs in undrawn debt capacity or cash**
  - Voluntary prudential measure customary in the Australian aged care industry

- **If the recently observed resident mix preferences continue, Estia does not anticipate net RAD outflows, even before new inflows from development activities**

CARE, QUALITY & COMPLIANCE

Estia is committed to excellence in quality of care and compliance at all times

- **Estia is focused on and committed to providing high quality care to its 5,500 residents**
  - Every home is under the leadership of an Executive Director and Care Director supported by a team of registered nurses
  - New Head of Quality role established with Quality Managers and Clinical Educators in each State
  - Systems and audit processes are in place to support quality and compliance throughout the portfolio
  - 18 homes re-accredited over the last 12 months
  - Restructure of quality and operations teams to strengthen local and national support

- **Estia remains committed to excellence in quality of care and compliance at all times**
  - As of 7 December, 2016, all 68[1] homes are accredited by the Australian Aged Care Quality Agency ("Quality Agency") and all meet all accreditation standards
  - There have been 87 audit visits across 63 of Estia's homes between 1 July 2016 and 7 December 2016
    - 74 of these visits were for the purposes of assessment contacts by the Quality Agency. While a number of these visits were notified by the Quality Agency in advance, 62 of these visits were unannounced.
    - There were nine reaccreditation audits. All of these homes were assessed as meeting all expected outcomes and accredited for three years
    - Four of the audits were review audits
      - In relation to the review audits, two homes met all expected outcomes as determined by the Quality Agency, following application for reconsideration of the first decision
      - Following remedial action at one home, the Quality Agency has determined that all 44 expected outcomes have been met
      - One home met all expected outcomes, requiring no action, and consequently had no change in accreditation
  - Estia is confident that the business has sufficiently robust procedures in place to enable the company to deliver the appropriate quality of care required

1. There were 69 homes as at 30 June 2016. Subsequent to that date, the licences of two homes have been merged resulting in Estia now operating 68 homes.

OPERATIONAL EFFICIENCIES

Estia has performed a detailed review of its operating systems and procurement practices

- **Business and operating system optimisation**
  - Market standard business systems have been fully deployed across the portfolio, including (but not limited to):
    - Epicor
    - Healthmetrics
    - Time Target
    - ARM Procurement
    - ELMO (online training)
    - Injury Connect and Safety Max (WHS)
  - Optimisation opportunities have been identified which remain ongoing and are expected to take between 6 – 12 months
    - Maximising technology efficiencies
    - Enhancing quality of information for improved analysis and evaluation of key business drivers

- **A plan is being implemented to review and secure procurement process improvements**
  - Renegotiation of significant contracts such as food, physiotherapy and medical supplies
  - Rationalising product lines and supplier base
  - Improving inventory management and reporting within homes
  - Ensuring compliance to group preferred supplier arrangements

EARNINGS INITIATIVES

A range of measures are being adopted to enhance earnings

- **Impact of Government funding cuts**
  - Changes to government funding will increasingly impact Estia's business over coming years, particularly in relation to complex health care funding and ACFI indexation
    - Impact more significant in FY18 and FY19
  - The management team is implementing a range of strategies to mitigate the impact on revenues
    - Increased significant refurbishment activity
    - Increased additional services penetration and pricing
    - Maximising occupancy
    - Ensuring ACFI claims align with resident needs
    - Government advocacy
  - The Department of Health released a statement on 2 September 2016 regarding permitted additional charges under the Aged Care Act
    - Estia has ceased charging the Asset Replacement Charge in response to the Department's advice

- **Additional services**
  - While Estia has a range of additional service offerings, these services are currently not fully developed or marketed well
  - As a result, Estia has lower penetration of the sale of additional services than other leading market participants
  - Estia intends further developing and marketing the additional service offerings across a higher proportion of its facilities
  - Estia believes a more sophisticated and complete range of additional services will be well received by its resident population

ACQUISITIONS

Significant acquisitions in FY16

- **Acquisition of 1,920 places completed in FY16**
  - Integration of Kennedy acquisition near complete
  - All FY16 single site acquisitions fully integrated
  - All prior year acquisitions integrated and operational
- **No remaining deferred consideration payments post October 2016**
- **Future acquisition opportunities to be assessed on their merits, however, no further acquisitions anticipated in the short to medium term**

Photo: Bexley Park, New South Wales


Render: Kogarah, New South Wales

BROWNFIELD AND GREENFIELD DEVELOPMENT

Reconfirmed greenfield and brownfield development pipeline which is progressing according to plan

- **Brownfield development**
  - 330 new places (net 108) opened in FY17 YTD
  - FY17 capex of $3 million – $4 million
  - FY18 capex of $20 million – $24 million

- **Greenfield development**
  - 186 new places (net 123) expected to open in FY18
  - FY17 capex of $35 million – $40 million
  - FY18 capex of $40 million – $46 million

- **Construction of a further 718 new places (net 546) anticipated to commence from FY18**

- **Estia will periodically review its brownfield and greenfield development pipeline beyond FY18. Decisions about timing and quantum of further development will be based around market demand, the level of additional bed licences secured or available and the detailed analysis of benefits and risks associated with these developments, together with Estia's financial capacity to execute on these developments at the time**

Render: Twin Waters, Queensland

Aerial photo: Twin Waters, Queensland

SIGNIFICANT REFURBISHMENT

Estia has identified a number of significant refurbishment opportunities

- **Program to provide enhanced accommodation and living environment to residents and enable higher supplements**
- **Six significant refurbishment projects representing approximately 330 concessional places complete**
  - Four homes now receiving significant refurbishment subsidies
  - Two further applications submitted on completed homes
  - Expected to deliver approximately $2 million of annual EBITDA on a stabilised basis from FY18
- **A further six "Phase One" homes identified as eligible for significant refurbishment**
  - To be refurbished during FY17 for estimated capex of ~$9 million
  - Expected to generate additional annual EBITDA of ~$2 million on a stabilised basis
- **Process of identification and execution of "Phase Two" opportunities underway**
  - Expectation that a further 16 homes representing ~671 places may be eligible
  - Anticipated capex of $20 million – $25 million and stabilised incremental annual EBITDA contribution expected to be ~$5 million

Home	State	Status
Completed		
Bexley Park	NSW	Receiving subsidy
Craigmore	SA	Receiving subsidy
Gold Coast	QLD	Receiving subsidy
Kadina	SA	Receiving subsidy
Encounter Bay	SA	Completed and application submitted
Mudgeeraba	QLD	Completed and application submitted
Phase One[1]		
Burton	SA	Phase one (underway)
Melton South	VIC	Phase one (yet to commence)
Dandenong	VIC	Phase one (yet to commence)
Mt Coolum	QLD	Phase one (yet to commence)
Salisbury	SA	Phase one (yet to commence)
Tuncurry	NSW	Phase one (yet to commence)
Phase Two[1]		
16 additional facilities		Phase two

1. The actual timing of the Phase One and Phase Two significant refurbishment is subject to a range of factors that may influence the timing of completion. This list should be regarded as indicative.

NON-CORE ASSETS

Estia operates a significant portfolio of strategic assets that it wishes to retain

- **A comprehensive review of Estia's assets has been completed**
- **An assessment of each asset considered a number of factors including:**
  - Strategic nature of the asset
  - Current or potential future value
  - Saleability and current market value
- **Estia has determined that a significant portion of the portfolio comprises key strategic assets**
- **An initial suite of 9 non-core assets with a total value of ~$6 million has been identified as suitable for sale in the short term**
  - Primarily residential property and surplus land
  - An agent has been instructed in relation to the sale of each of these properties
- **Ongoing process of evaluation**
  - Any other assets that are identified as no longer meeting Estia's ongoing strategic criteria and are saleable will be divested

Equity raising details

OFFER DETAILS

The Entitlement Offer comprises a 1 for 3 Entitlement Offer of $136.8 million

Entitlement Offer price	• Equity raising will be conducted at $2.10 per New Share (Offer Price) • 21.6% discount to the last closing price of $2.68[1] • 17.2% discount to TERP[2] of $2.54[1]
Entitlement Offer	• Record date Wednesday, 14 December 2016 • Eligible institutional shareholders may choose to take up part, all or none of their entitlements • Eligible retail shareholders may choose to take up part, all or none of their entitlements
Ranking	• New Shares issued will rank pari passu with existing shares
Underwriting	• The equity raising is underwritten by Macquarie Capital (Australia) Limited[3]

1. As at 9 December 2016.
2. Theoretical ex-rights price ("TERP") is the theoretical price at which Estia shares should trade after the ex-date for the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which Estia shares should trade immediately after the ex-date for the Entitlement Offer depends on many factors and may not equal TERP.
3. The underwriter may terminate the underwriting agreement on the occurrence of specified events (see slide 44). Those events include where either of two shareholder groups (holding approximately 11% of Estia's shares in aggregate) who have provided binding commitments to subscribe for their full pro-rata entitlement fail to take up their full pro-rata entitlement in accordance with those commitments.

LEVERAGE AND LIQUIDITY

Net leverage ratio to reduce on a pro forma basis to 1.62x EBITDA

- **Proceeds from the Entitlement Offer will be used to reduce core debt by ~$131.0 million and pay transaction costs of ~$5.8 million**
- **Net leverage and interest coverage ratios significantly improved**
  - Core debt reduces to $85.5 million and net debt reduces to $143.0 million on a pro forma basis[2]
  - Pro forma net leverage ratio for covenant purposes of 0.83x[2,3] (covenant limit of 3.50x)
  - Pro forma interest coverage ratio of 26.73x[1,8]
- **Provides additional Balance Sheet strength and flexibility to pursue business strategy including greenfield and brownfield development pipeline and significant refurbishment opportunities**
- **Target maximum leverage range of 1.5x – 1.8x EBITDA**
- **Immediately following the receipt of the proceeds of the equity raising, Estia expects its net debt position to be less than approximately $145 million**
- **Prudential reserve to be maintained for RAD liquidity at 5% of the balance of outstanding RADs in undrawn debt capacity or cash**

Debt facility ($m)	30 Jun 16	31 Oct 16	Pre entitlement offer	Entitlement offer	Post entitlement offer
	Actual	*Actual*	*Pro-forma*[2]	*Pro-forma*	*Pro-forma*[2]
Available	330.0	330.0	330.0	-	330.0
Undrawn[5,6]	76.5	43.5	43.5	131.0	174.5
Drawn down	253.5	286.5	286.5	(131.0)	155.5
Core debt	*183.5*	*216.5*	216.5	(131.0)	85.5
Development debt	*70.0*	*70.0*	*70.0*	-	*70.0*
Cash	29.8	31.8	12.5[7]	-	12.5
Net debt	223.7	254.7	274.0	(131.0)	143.0
Acquisition payable (non interest bearing)	84.5	-	-	-	-
Net leverage ratio (NLR)					
NLR (total)	2.41x	2.89x	3.11x	*n/a*	1.62x
NLR (covenant calculation)[2]	1.66x	2.10x	2.32x	*n/a*	0.83x
NLR (covenant limit)	3.50x	3.50x	3.50x	*n/a*	3.50x
NLR (covenant headroom)	1.84x	1.40x	1.18x	*n/a*	2.67x
Interest coverage (ICR)					
ICR	12.88x	11.28x[6]	11.28x[1,4]	*n/a*	26.73x[1,8]
ICR (covenant limit)	3.00x	3.00x	3.00x	*n/a*	3.00x
ICR (headroom)	9.88x	8.28x	8.28x	*n/a*	23.73x

(1). Based on mid point of FY17 guidance range (EBITDA: $86m - $90m) (2). Pro forma as at 31 October 2016 (3) Net leverage ratio for covenant purposes is calculated per Estia's Syndicated Facility Agreement (4). Estimated based on actual interest expense for the prior 12 month period (5). $3.6m is currently used for bank guarantees for rental properties (6). Estimated based on actual total drawn debt of $286.5m as at 31 October 2016 and a weighted average cost of debt of 3.18% (7). Adjusted to reflect the dividend payment made on 7 November 2016 (8). Reflects actual interest expense for the prior 12 month period less pro forma annualised interest savings based on a weighted average cost of debt for the prior 12 months of 3.44%.

SUMMARY PRO FORMA BALANCE SHEET

$ millions	30 June 2016	YTD movement	Payment of deferred consideration	Share issue	31 October 2016	Dividends Paid	Pro forma (pre Entitlement Offer)	Entitlement Offer	Pro forma (post Entitlement Offer)
Cash	29.8	30.0	(43.0)	15.0	31.8	(19.3)	12.5		12.5
PPE	711.4	6.8	-	-	718.2		718.2		718.2
Intangibles	934.2	4.3	-	-	938.5		938.5		938.5
Other assets	23.2	(4.7)	-	-	18.5		18.5	1.7	20.2
Total assets	**1,698.6**	**36.4**	**(43.0)**	**15.0**	**1,707.0**	**(19.3)**	**1,687.7**	**1.7**	**1,689.4**
RADs	652.7	20.7	-	-	673.4		673.4		673.4
Debt	253.5	(10.0)	43.0	-	286.5		286.5	(131.0)	155.5
Acquisition payable	84.5	1.5	(86.0)	-	-		-		-
Other liabilities	116.2	10.8	-	-	127.0		127.0		127.0
Total liabilities	**1,106.9**	**23.0**	**(43.0)**	-	**1,086.9**	-	**1,086.9**	**(131.0)**	**955.9**
Net assets	**591.7**	**13.4**	**-**	**15.0**	**620.1**	**(19.3)**	**600.8**	**132.7**	**733.5**
Shares on issue	188.2	188.2	188.2	5.5	193.7	1.8	195.5	65.1	260.6

Basis of preparation

The Pro-forma Balance Sheet has been prepared for illustrative purposes only, to show the impact on the actual historic balance sheet as at 30 June 2016 of the following events:

- trading conditions and estimated financial performance during the period 1 July 2016 to 31 October 2016 (unaudited)
- final payments made to the Kennedy family as deferred consideration for the acquisition of the Kennedy aged care business
- Subscription by the Kennedy family of $15 million shares at the DRP price resulting in the issue of 5.49 million shares
- adjustments for the payment in November 2016 of the final dividend reflecting a dividend of $24.1 million less $4.8 million participation in Estia's dividend reinvestment plan (DRP) resulting in the issue of 1.77 million shares
- gross underwritten proceeds from the capital raising of ~$136.8 million less expected costs of ~$5.8 million applied to reduce core debt and adjustment for the tax effect of transaction costs

The Pro-forma Balance Sheet is presented in abbreviated form and does not contain disclosures that are usually provided in a financial report prepared in accordance with the Corporations Act.

The Pro-forma Balance Sheet is not represented as being indicative of Estia's view of its future financial position. The Pro-forma Balance Sheet is presented based on the specific pro-forma adjustments and transactions, and except as disclosed above does not take account of the financial performance, cash flows or other movements in balance sheet items of Estia for the period 30 June 2016 to the date of this Presentation.

ENTITLEMENT OFFER TIMETABLE

Event	Date
Entitlement Offer announcement and Institutional Entitlement Offer conducted	Monday, 12 December 2016
Trading in Estia shares resumes on an ex-entitlement basis	Tuesday, 13 December 2016
Record date for determining entitlements for the Entitlement Offer	7:00pm on Wednesday, 14 December 2016
Dispatch of Retail Information Booklet and Retail Entitlement Offer opens	Monday, 19 December 2016
Institutional entitlement offer settlement	Tuesday, 20 December 2016
Allotment and normal trading of New Shares issued under the Institutional Entitlement Offer	Wednesday, 21 December 2016
Retail Entitlement Offer closing date	Wednesday, 11 January 2017
Settlement of Retail Entitlement Offer	Wednesday, 18 January 2017
Allotment of New Shares issued under the Retail Entitlement Offer and despatch of holding statements	Thursday, 19 January 2017
Normal trading of New Shares issued under the Retail Entitlement Offer	Friday, 20 January 2017

These dates are indicative and subject to change. All dates and times refer to Sydney, Australia time.

Appendix A: Estia overview

ESTIA OVERVIEW

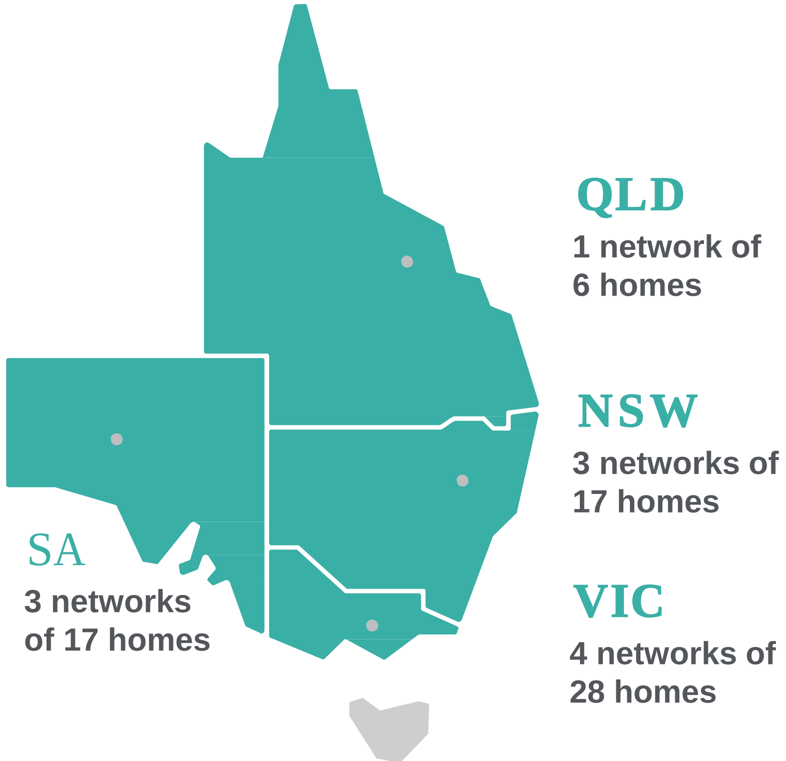
Estia Health is one of the largest private providers of residential aged care services in Australia

Estia Health (ASX: EHE) is one of the largest private providers of residential aged care services in Australia. Estia aims to provide its residents with the highest standards of aged care services in a supportive and caring environment.

Estia is focused on improving and expanding its portfolio to meet the growing demand for residential aged care services in Australia, underpinned by an ageing population and increasing demand for higher care services.

Underlying financial and operational performance	FY16	FY15
Number of homes	68[1]	48[3]
Total operational places	5,782[2]	4,010[3]
Average occupancy	94.4%	93.6%
Total revenue ($m)	446.5	297.5
EBITDA ($m)	92.7	69.7
NPAT ($m)	51.8	44.6
EPS (per share)	28.3 cents	24.5 cents
Net RAD flows ($m)	76.4	88.5[4]

5,782 operating places in **68** homes[1]



1. There were 69 homes as at 30 June 2016. Subsequent to that date, the licences of two homes have been merged resulting in Estia now operating 68 homes.
2. As at 30 June 2016.
3. As at 30 June 2015.
4. Pro forma net RAD flow.

Appendix B: Development pipeline

DEVELOPMENT PIPELINE

Estia has opened five facilities YTD and commenced construction of a further 186 new places

Development	State	Type	Land owned	Development approval	Licenses held	Total new places built	Net new places	Single bed rooms	Additional services	Construction start	Construction completion	First resident expected
Epping	NSW	Brownfield	Yes	Yes	Yes	2	2	100%	Yes		Jun-16	Jul-16
Gold Coast	QLD	Brownfield	Yes	Yes	Yes	84	56	100%	Yes		Jun-16	Jul-16
Encounter Bay	SA	Brownfield	Yes	Yes	Yes	66	2	100%	Yes		Jul-16	Jul-16
Tea Gardens	NSW	Brownfield	Yes	Yes	Yes	106	36	100%	Yes		Jul-16	Jul-16
Kadina	SA	Brownfield	Yes	Yes	Yes	72	12	77%	Yes		Sep-16	Sep-16
Completed						**330**	**108**	**95%**				
Twin Waters	QLD	Greenfield	Yes	Yes	Yes	114	114	100%	Yes	Feb-16	FY18	Q1 FY18
Kogarah	NSW	Greenfield	Yes	Yes	Yes	72	9	97%	Yes	May-16	FY18	Q1 FY18
Underway						**186**	**123**	**99%**				

DEVELOPMENT PIPELINE

Further pipeline of 718 new potential places with construction commencement anticipated post FY18

Development	State	Type	Land owned	Development approval	Licenses held	Total new places built	Net new places	Single bed rooms	Additional services	Construction start	Construction completion	First resident expected
Southport	QLD	Brownfield	Yes	DA submitted	72	111	51	100%	Yes	FY18	FY19	FY19
St Ives	NSW	Greenfield	Yes	DA submitted	0	120	120	100%	Yes	FY18	FY19	FY19
Sunshine Cove	QLD	Greenfield	Yes	DA approved	8	108	108	100%	Yes	FY18+	FY19+	FY20
Ryde	NSW	Brownfield	Yes	DA submitted	40	58	18	100%	Yes	FY19	FY20	FY20
DA approved or submitted						**397**	**297**	**100%**				
Blakehurst	NSW	Brownfield	Yes	DA not submitted	72	108	36	100%	Yes	FY18+	FY20+	FY20+
Wollongong	NSW	Greenfield	Yes	DA not submitted	0	108	108	100%	Yes	FY19+	FY20+	FY20+
Wombarra	NSW	Greenfield	Yes	DA not submitted	0	105	105	100%	Yes	FY19+	FY21+	FY21+
No formal decision to proceed						**321**	**249**	**100%**				
Total projects not yet commenced						**718**	**546**	**100%**				
Total projects not completed						**904**	**669**	**99%**				

Appendix C: Key risks

KEY RISKS

Estia is subject to various risk factors. Some of these are specific to its business activities while others are of a more general nature. Individually, or in combination, these risk factors may affect the future operating and financial performance of Estia, its investment returns and the value of shares in Estia.

The risks listed in this section are not an exhaustive list of risks associated with an investment in Estia, either now or in the future, and this information should be considered in conjunction with Estia's other periodic and continuous disclosure announcements lodged with ASX (including all information in this Presentation). There is no guarantee or assurance that the importance of different risks will not change or other risks will not emerge. Additional risks and uncertainties that Estia is unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect Estia's operating and financial performance and the value of an investment in Estia.

Before investing in Estia, you should consider whether such an investment is suitable investment for you, having regard to publicly available information (including this Presentation) and your own investment objectives, financial circumstances and taxation position. You should also consider seeking professional guidance from your stockbroker, solicitor, accountant or other professional adviser before deciding whether to invest.

Operating risks

The regulatory or funding framework may change in ways that harm Estia's business

The Australian aged care industry is highly regulated and subject to change. The way that the industry is regulated and funded by the Australian Government has a fundamental influence on Estia's business model. From 1 July 2014, the Australian Government's Living Longer Living Better aged care reform package took effect, and has subsequently been subject to a number of further legislative, regulatory and policy changes.

More recently, changes in government policy, particularly in relation to aged care funding, have been more unpredictable. Any further regulatory change for the industry, or any change in the level of government funding or the funding model, may have an adverse impact on the way Estia promotes, manages and operates its facilities, and its financial performance. Examples of these adverse changes may include:

- policy initiatives by the Australian Government to limit or reverse increases in subsidy payments (potentially through the modification of Aged Care Funding Instrument (ACFI) fee schedules or other methods) to stem growth to historical levels. For example, in May 2016, the Government announced in the 2016 Budget its proposed initiatives to stem higher than expected growth in ACFI expenditure through amendments to the ACFI scoring matrix, particularly to the Complex Health Care component of the ACFI;
- increased focus on a "user pays" model of aged care with more limited Australian Government funding;
- reductions in, or the elimination of, Australian Government subsidies and other financial support resulting from an Australian Government objective of reducing the level of Government spending;
- limits on amounts that can be charged, or restrictions upon the receipt, replacement and refunding of, refundable deposits, or limits and restrictions on charges for extra services provided to residents;
- prudential or regulatory restrictions on the use of RADs;
- increased funding for home and community care packages by the Australian Government with a view to having elderly people continue to live in their homes which may result in reduced demand for residential aged care facilities;
- increased funding for not-for-profit operators compared to for-profit operators;
- changes to the physical building and structure requirements for aged care facilities, resulting in increased capital expenditure requirements;

KEY RISKS

- deregulation of approved places by the Australian Government leading to a rapid increase in the supply of places;
- restrictions or requirements placed on the allocation of any new approved places by the Australian Government; and
- changes to accreditation standards, which have the effect of increasing compliance costs.

In addition, there is a risk that other participants in the industry may, through their actions and business practices cause future regulatory changes that will have an adverse impact on Estia's financial performance. Any further regulatory restrictions or changes in Australian Government policies in relation to any or all of the existing regulatory areas could adversely impact on the financial performance and position and future prospects of Estia. There is also a risk that regulatory restrictions may become more burdensome in the future. If this were to happen, Estia may be required to dedicate more time and expenditure to ensuring that it complies with these regulations, which could also adversely affect its financial performance and position and future prospects.

Repayment and value of RADs / accommodation bonds

Estia is exposed to risks associated with the repayment of refundable deposits (including RADS) and accommodation bonds and future receipt of refundable deposits (including RADs), as the value of, and returns from, Estia's accommodation bonds and refundable deposits may fluctuate depending on investment market conditions and general investment risk. Estia's current practice is to ensure that approximately 5% of RAD liabilities are retained in the form of available cash (either cash at hand or through undrawn debt facilities).

Estia also needs to be able to liquidate accommodation bond / refundable deposit balances quickly as they are repayable as follows:

- within 14 days of the resident ceasing to receive care at the facility;
- (where a resident moves to another facility) on the day on which the resident ceases to receive care at the facility (if notice was given more than 14 days prior to departure);
- (where a resident moves to another facility) within 14 days of a resident giving notice of their departure (if notice was given within 14 days prior to departure);
- (where a resident moves to another facility) within 14 days of a resident leaving the facility (if no notice of the move was given to the provider by the resident); or
- within 14 days of the provider being shown the probate of the resident's will (or letters of administration) following the resident's death,

and within 14 to 90 days (depending on the particular circumstances) of an approved provider ceasing to be an approved provider with respect to the facility.

If a larger than expected number of bond / refundable deposit paying residents were to leave Estia's aged care facilities (for example because a facility lost its accreditation, or suffered a clinical issue, or if Estia decided to renovate or develop its existing facilities and needed its residents to vacate its facilities), Estia would be required to repay a large sum of accommodation bonds/refundable deposits, all of which may not be able to be replaced immediately. There is a risk that if Estia does not have sufficient capital to replace the bonds / refundable deposits immediately, Estia may be required to borrow funds at terms that are unfavourable to Estia, or (in extreme circumstances) may not be able to borrow funds at all.

Estia is exposed to risks that may adversely affect the future value of Estia's total accommodation bonds / refundable deposits including:

- specific issues arising in Estia's business, such as a non-compliance or loss of certification at a facility. A sanction could prohibit the admission of new residents and collection of ACFI funding from existing residents. In addition, a sanction could prohibit the charging of accommodation payments or accommodation contributions that Estia could typically charge for a place;

KEY RISKS

- a general reduction in the price that can be achieved for new refundable deposits, which may result from falls in residential property prices, lower levels of personal wealth or a deterioration of market conditions in the areas surrounding Estia's facilities. As incoming residents typically move into a facility after selling their family homes, there is a risk that a downturn in the property market may limit potential residents' ability to relocate into a facility. Specifically, such a downturn may affect the ability of potential incoming residents to sell their own homes or sell them at prices that allow them to pay the facility's minimum accommodation payment amount;
- a failure of Estia's pricing models to determine a competitive or market pricing of refundable deposits, which may deter prospective residents from entering into Estia's facilities;
- the offer by competitor facilities of places at more attractive facilities or places comparable to Estia's (and/or with lower refundable deposits), within catchment areas in which Estia operates, resulting in residents choosing an alternative facility;
- demand for Estia's aged care services changing over time due to general economic factors impacting the ability of prospective residents to pay for such services (such as economic downturns, softness in the housing market, unemployment among a resident's family members, lower levels of consumer confidence and personal wealth, and share market volatility) and social factors (such as population demographics and an increased demand for home and community care); and
- regulatory changes that limit Estia's ability to acquire replacement or new RADs.

Any one or a combination of these events could result in a reduction in the price and amount of new refundable deposits received, or the length of time it takes for Estia to reach agreement with new residents or collect new refundable deposits, which would have an adverse impact on Estia's liquidity and funding, and may adversely affect Estia's financial performance, financial position and future prospects.

A failure to meet clinical care standards may damage Estia's business

Aged care providers require an effective system of clinical governance to promote the health, safety and quality of care of their residents, and to ensure compliance with applicable legislation and departmental policy requirements.

Estia may experience a decline in its clinical outcomes in circumstances where:

- clinical incidents are not identified, assessed or reported appropriately (including due to ineffective communication from individual facilities to management at the regional or national level, or delays in implementing Estia's quality assurance systems across newly acquired facilities);
- Estia's employees do not follow processes and/or procedures, whether inadvertently or deliberately;
- external health consultants do not provide services they were engaged to provide or do not provide them at the expected level of service; or
- residents and/or their relatives or friends do not follow Estia's instructions or guidelines.

In addition, in the event that a resident or visitor is injured at an Estia facility, or an Estia employee or contractor is injured in the course of their employment, Estia may be liable for penalties, sanctions or damages.

Any failure to meet clinical care standards may attract adverse publicity and damage Estia's reputation, and limit Estia's ability to market its facilities on the basis of high quality clinical care.

Clinical care failures may also constitute breaches of Estia's regulatory compliance obligations, which could lead to a loss of accreditation or approved provider status.

Such a decline in clinical outcomes or clinical failures could adversely impact Estia.

KEY RISKS

Estia may fail to comply with legislation, regulation and other professional standards

Failure to comply with legislation, regulation and other professional standards and accreditation (including because of a decline in clinical outcomes) could have an adverse impact on Estia's reputation, and ability to accept new residents, claim ACFI funding, attract residents and operate its business.

Aged care facilities need to be accredited by the Australian Aged Care Quality Agency in order to receive Commonwealth Subsidies and are subject to periodic audits. These audits are an assessment of performance against the residential aged care standards. In particular, facilities are assessed against four key standards – management systems, staffing and organisational development; health and personal care; care recipient lifestyle; and physical environment and safe systems, under which there are 44 expected outcomes to be met.

Accreditation may be revoked following a review audit.

Estia is also required to maintain its approved provider status in order to receive Commonwealth subsidies and must hold licences for its places. In addition, aged care facilities are required to hold other permits and licences, such as controlled substance licences, food licences and fire safety approvals. If Estia does not comply with regulations, maintain its approved provider status or accreditations, or comply with the terms of its licences, this could result in the following:

- Estia's existing approvals or accreditations may be adversely amended or revoked and Estia may be unable to continue to operate its aged care facilities;
- Estia's facilities could become subject to sanctions by the Department of Health;
- Estia may be unable to secure approvals for the operation of any new additional aged care facilities;
- Estia may not be able to secure resident places in Aged Care Approvals Rounds (ACARs) in the future; and
- Estia may not be able to obtain timely approval from the Australian Government to transfer places obtained via an asset acquisition,

each of which could adversely impact Estia's ability to operate its facilities and Estia's financial performance and position and future prospects.

Four of Estia's homes were recently subject to review audits by the Australian Aged Care Quality Agency. One home was found to be compliant at the audit. The other three homes were determined compliant following successful applications for review of the first decision. All of Estia's aged care homes are accredited.

Further, if Estia is required to undertake facility refurbishments or make significant structural changes to facility buildings to retain its approvals, the cost of these works may impact its profitability.

A loss of accreditation or approved provider status will also result in a review event under Estia's debt facilities which may lead to an acceleration of the debt or cancellation of the facilities, and could adversely impact the financial performance and position and future prospects of Estia.

KEY RISKS

Occupancy levels may fall

Estia's occupancy levels may fall below expectations as a result of factors such as increased competition in the residential aged care industry, specific issues arising at any of Estia's facilities which adversely impact its reputation and/or perceptions of the quality of clinical care provided, loss of accreditation, any trend towards home and community care, a deterioration in general economic and housing market conditions, or a decline in referrals from hospitals and other referral sources. The resident turnover rates in Estia's facilities are difficult to predict and multiple residents may leave Estia's facilities at or around the same time.

Government subsidies, and resident contributions, constitute substantially all of Estia's revenue. Reduced occupancy levels may adversely affect Estia's financial performance as it would reduce:

- the amount of Australian Government funding to which Estia is entitled, which is calculated per resident, and accounts for a large proportion of Estia's revenue;
- resident contributions; and
- the level of accommodation bonds and RADs held.

To the extent a decrease in occupancy levels resulted in a reduction in the level of Estia's accommodation bonds and RADs, Estia's financing costs could increase. Any of these occurrences could adversely affect Estia's financial performance, financial position and future prospects.

Estia's reputation may be damaged

Estia's reputation could be adversely impacted if it, or the aged care sector generally, suffers from any adverse publicity. Examples of adverse publicity may include reports of inappropriate care of residents, inquiries or investigations relating to the operation of aged care facilities or incidents at aged care facilities, health and safety issues affecting residents, staff or visitors or poor maintenance of, or delivery of services at, aged care facilities. Any such adverse publicity could result in declining occupancy, increased regulatory scrutiny or increases compliance costs at Estia's facilities which could adversely impact Estia's financial performance and position and future prospects.

Estia may have to pay a levy under the Government's Guarantee Scheme

If an approved provider becomes insolvent and is unable to refund accommodation payment balances (including RAD or accommodation bond balances) that are owing to its residents, the Government may repay the outstanding balances to affected residents under the Accommodation Payment Guarantee Scheme ("Guarantee Scheme").

The Aged Care (Accommodation Payment Security) Levy Act 2006 (Cth) allows the Government to recover the costs of refunding these accommodation payment balances (along with interest and administrative costs incurred by the Government in administering the default event) from approved providers via a levy. If a levy is imposed in these circumstances, this may require significant cash outlays, which would adversely impact on Estia's cash flows. The regulations imposing the levy may provide different rates (including a zero rate) of the levy for different classes of approved providers, but must not otherwise discriminate between different approved providers.

The Government could choose to recover costs from approved providers in instalments over several years to minimise the potential impact on approved providers. The Australian Government is currently reviewing the effectiveness of the existing Guarantee Scheme, however no proposed amendments have been announced to date.

KEY RISKS

Past acquisitions

Historically, Estia has grown primarily through acquisitions of aged care facilities. Most recently, these included the acquisition of the Kennedy Health Care Group in February 2016 and 13 other single facility acquisitions over FY2016. At the time each aged care facility was acquired, Estia conducted due diligence enquiries. Notwithstanding this due diligence, it is possible that one or more material issues or liabilities may not have been identified, or are of an amount that is greater than expected, and that the standard protections (in the form of representations, warranties and indemnities) negotiated by Estia prior to the relevant acquisition are inadequate in the circumstances. Past acquisitions may also give rise to integration risks, such as challenges in implementing a consistent culture across the business, the loss of key personnel, higher than anticipated integration costs, delays in achieving integration and the realisation of lower than anticipated synergies. Each of these factors could adversely affect Estia's financial performance and position and future prospects.

Increased competition may affect Estia's competitive position

Estia operates in a sector with established competitors, including a number of other residential aged care providers with a large number of facilities across multiple jurisdictions. Estia may face increased competition from these established competitors, for example, through:

- competitors undertaking aggressive marketing campaigns or price discounting strategies;
- new competitors that enter the market;
- consolidation between existing competitors; or
- existing competitors upgrading or expanding their facilities.

There is also the possibility of a competitor introducing new technology or products in connection with their aged care facilities which could impact demand for places at Estia's facilities.

A substantial increase in the level of competition could result in, among other things, Estia experiencing lower occupancy rates than anticipated, revenue reductions, reduced operating margins, lower RAD levels and loss of market share.

Each of these factors may adversely affect Estia's business, financial performance and position and future prospects.

KEY RISKS

Estia may lose key personnel

Estia has recently undergone several key changes in its senior management team, including the recent appointments of a new CEO, interim CFO and Chief Operating Officer.

Estia relies on a high quality management team with significant aged care industry experience.

The loss of key personnel could undermine Estia's ability to operate its facilities and its business to the current standard, and to effectively comply with regulations. This may, in turn, result in a reduction in demand for Estia's aged care services from new and existing residents and could adversely impact Estia's financial performance and position and future prospects.

The loss of key personnel could also jeopardise Estia's approved provider status if they are not replaced promptly with other approved individuals.

Estia may experience a shortage of employees and/or upward wage pressure

Estia's business depends on a specialised health and aged care workforce. There is a risk that Estia may not be able to retain or expand a workforce that is appropriately skilled and trained to meet the existing or future demands of residents at its facilities and/or a risk that a shortage of employees leads to upward wage pressure which may adversely affect Estia's business, financial performance and position and future prospects. This may arise as a result of:

- increases in wages which Estia is unable to pass on to residents or is not recognised in full in the ACFI consumer price index adjustments;
- a general industry shortage of staff in key areas, such as nurses and other skilled staff. This may increase the bargaining power of medical professionals and can lead to upward pressure on applicable wages and salaries;
- competition from other health care providers, such as hospitals and nursing homes, for appropriately skilled staff; and
- increases in the use of agency staff, which typically results in higher staffing costs to Estia.

In addition, many of Estia's employees are covered by collective enterprise bargaining agreements. Disputes may arise in the course of the periodic renegotiation and replacement of such agreements, or in connection with issues arising at certain facilities, which may lead to strikes and other forms of industrial action that could disrupt Estia's operations.

Staff costs represented approximately 63% of Estia's total revenue as at 31 October 2016. As a result, if any of the above events were to occur, Estia's cost structure or financial performance and position and future prospects may be adversely impacted.

KEY RISKS

The value of Estia's facilities portfolio may decline

The value of Estia's portfolio, including any other facilities held by Estia in the future, may be impacted by a number of risks affecting Estia and the property market generally, including:

- changes in property yields;
- fluctuating occupancy levels;
- a downturn in the property markets in general;
- changes in prices of comparable facilities; and
- increased competition from new or existing facilities.

A reduction in the value of Estia's portfolio may adversely impact on Estia's ability to procure debt financing arrangements, which could, in turn, adversely impact on Estia's financial performance and position and future prospects.

Estia's portfolio may be subject to impairments

Estia is required to monitor the carrying value of its assets to ensure that the values represented on its balance sheet are appropriate. There is a risk that the carrying value of Estia's assets may be higher than their value in use or fair value less costs to sell. In such a case, Estia would be subject to impairments which may impact upon its balance sheet position and profitability, including amounts available for dividends.

Construction and property development

Estia's performance relies in part on its ability to identify existing sites on which to develop or expand new brownfield facilities or acquire suitable sites on which to develop new greenfield facilities. However, there is no assurance that Estia will be able to develop new brownfields sites or secure new greenfield sites, on favourable economic terms or at all.
Estia also faces construction and property development risks when developing new facilities or expanding existing facilities, including:

- construction risk arising from unexpected cost increases, latent conditions, quality issues, delays in obtaining or failure to obtain regulatory approvals (such as required permits, development approvals and relocation of easements), and delays in the completion of its projects due to weather or unforeseen events;
- changes in laws and governmental regulations including zoning, planning and environmental laws;
- default risk arising from participants in the construction process, including construction contractors, defaulting in the performance of their respective obligations;
- marketing risk arising from changing market conditions, design expectations or sentiment affecting property prices, and payment expectations for and in respect of accommodation bonds/RADs;
- industrial relations risk affecting construction progress;
- the internalisation of development capabilities which may not result in the advantages that Estia expects will be achieved; and
- an inability to finance construction and property development.

In addition, poor site selection may result in Estia developing a brownfield or greenfield facility at a site that is not attractive to potential residents.

KEY RISKS

Any of the above factors could adversely impact Estia's financial performance and position and future prospects.

Estia's portfolio is illiquid

Estia's portfolio is, by its nature, comprised of illiquid assets. Estia may not be able to realise the value of the facilities within its portfolio within a short period of time or at valuation.

In particular, the risks generally associated with acquiring property assets can be greater for special purpose assets such as aged care facilities. If a facility cannot be sold as an aged care facility, any purchaser may need to incur extensive capital expenditure (for example to rezone the land) in order for a facility to be suitable for other commercial purposes. This may affect Estia's ability to sell its facilities to third parties who intend to use the land for an alternative use, and this could have an adverse impact on Estia's future financial performance and position.

Estia's fixed costs may impact its flexibility

Estia's capital expenditure includes fixed costs pertaining to property ownership, such as maintenance costs, property rates and taxes. Because of those fixed costs, a reduction in revenue as a result of reduced demand for Estia's facilities, together with the illiquid nature of property investments (including an inability to sell facilities quickly if required), could adversely impact on Estia's financial performance and position and future prospects.

Estia leases certain of its properties from third party lessors

Estia currently leases eleven properties from third party lessors. Estia may also lease additional properties from third parties in the future. Failure of a third party lessor to discharge its obligations as agreed with Estia or vice versa, or failure by Estia to exercise remaining options or renew any leases when such leases are due to expire, could adversely affect Estia's operations and financial performance.

Estia may be subject to litigation (including medical indemnity claims)

Health care providers are exposed to the risk of litigation, medical indemnity claims and coronial inquests. Subject to the insurance arrangements that Estia has in place, any future medical malpractice litigation, or threatened litigation, against Estia could have an adverse impact on the financial performance and position and future prospects of Estia.

While Estia believes that it holds appropriate insurance cover, there can be no assurance that such litigation would not have an adverse impact on Estia. Further, if the costs of medical malpractice insurance were to rise (which may occur if the frequency of medical malpractice litigation were to increase or as a result of other factors), this could also have an adverse impact on Estia's financial performance and position and future prospects. If Estia is involved in actual or threatened litigation or coronial enquiries, the cost of such actions may also adversely affect Estia's financial performance and give rise to adverse publicity.

KEY RISKS

Estia may be unable to refinance debt or access debt markets on attractive terms

Estia may require funding or working capital in the future in order to fund its operations. Given the nature of Estia's revenue profile and the potentially capital intensive nature of its business, there is no assurance that any such additional capital or funding will be available on favourable terms or at all and that Estia will be able to comply with the terms of such facilities. If adequate funds are not available, Estia may not be able to achieve its performance targets or respond to competitive pressures.

Estia may finance its investment in new facilities or in construction and property development with borrowed funds or gearing. Geared assets magnify investment gains or losses and increase the volatility of returns to movements in interest rates and property values.

In addition, bad debts or delays in receiving expected revenue could impact on the financial performance and position and future prospects of Estia.

Environmental issues or incidents may affect facilities or the buildings and structures

There is a risk that the land on which one of Estia's facilities operates and/or the buildings and structures may be or become contaminated, and that environmental authorities may require such contamination to be remedied. To the extent that Estia is required to undertake any remedial work at its own cost, this could adversely impact Estia's financial performance and position and future prospects.

In addition, environmental laws impose penalties for environmental damage and contamination which can be material. If a person is exposed to a hazardous substance at a facility, they may make a personal injury claim against Estia. Such a claim could be for an amount that is greater than the value of the contaminated facility.

An environmental issue may also result in interruptions to the operations of a facility. Any income lost as a result of such an interruption may not be recoverable.

Estia and its operations are subject to environmental legislation. While environmental issues are continually monitored, there is no assurance that the operation of any of Estia's facilities will not be affected by an environmental incident or subject to environmental liabilities, which could adversely impact Estia's financial performance and position and future prospects.

Estia may lose or be unable to secure insurance and may be subject to increases in insurance rates

Estia currently maintains insurance within ranges of coverage consistent with industry practice, including professional indemnity, worker's compensation and general liability insurance. However, no guarantee can be given that such insurance will be available in the future on commercially attractive terms, or that such cover will be adequate and available to cover claims. Estia may be unable to secure insurance to satisfactorily cover all anticipated risks or the cost of insurance may increase above anticipated levels. This may result in increased insurance payments by Estia or Estia being unable to insure certain business risks, which could adversely impact its operations.

KEY RISKS

Estia's IT systems may fail

Estia relies on a number of IT systems to support its business operations including:

- to record and manage resident data;
- labour and roster management; and
- accounting and financial reporting systems.

Any fraud, equipment faults, data integrity risk, or other failure of Estia's information systems, technology or business continuity planning could adversely affect Estia's operations, and therefore its financial performance and position and future prospects.

Adverse interest rate movements may affect Estia's performance

Under Estia's existing debt facilities, Estia has floating rate borrowings, part of which may be required to be hedged by way of interest rate swaps into fixed rate payments. Changes in interest rates will affect Estia's borrowings which bear interest at floating rates. Any increase in interest rates will affect Estia's cost of servicing these borrowings and could adversely affect its financial performance and position and future prospects. In addition, interest rates will impact any return on surplus RADs held by Estia and fluctuations will impact the interest revenue received which will impact on the financial performance of Estia.

Adverse movements in operating costs may affect Estia's performance

Estia incurs various expenses which may be outside its control in operating residential aged care facilities. Examples include electricity, gas and water charges. Due to supply and demand issues affecting Estia's operating costs, Estia may be subject to increased costs which could lead to adverse effects on Estia's business and its financial performance.

Catastrophic events could damage facilities

Insured or uninsured catastrophic events such as fires, floods, earthquakes, widespread health emergencies, pandemics, epidemics, wars and strikes could affect the value of Estia's facilities and the conduct of its business operations. Some events of this type are uninsurable. To the extent they do occur, there may be adverse effects on Estia's business and its financial performance.

Dividends

The payment of dividends on Estia's shares is dependent on a range of factors including Estia's profitability, the availability of cash and capital requirements. Any future dividend levels will be determined by the Estia board having regard to its operating results and financial position at the relevant time. There is no guarantee that any dividend will be paid by Estia or, if paid, that they will be paid at previous levels.

KEY RISKS

Entitlement Offer and general risks

Dilution

Your percentage shareholding in Estia will be diluted if you do not participate to the full extent in the Entitlement Offer and you will not be exposed to future increases or decreases in Estia's share price in respect of the New Shares which would have been issued to you had you taken up your full entitlement.

Underwriting risk

The underwriting agreement relating to the Entitlement Offer sets out various events, the occurrence of which will entitle the underwriter to terminate the underwriting agreement. Accordingly, there is a risk that the underwriter may terminate its obligations under the underwriting agreement if any such events occur. These events include (but are not limited to the following):

- Estia ceases to be admitted to the official list of ASX or Estia's shares are suspended from quotation on ASX;
- Estia or one of its subsidiaries becomes insolvent;
- (*) Estia is in breach of the underwriting agreement or any of the representations or warranties given by it under the underwriting agreement;
- any statement in the materials published in connection with the Entitlement Offer becomes misleading or deceptive, or is likely to mislead or deceive, or a matter required to be included in such materials was omitted from those materials;
- (*) there is an adverse change (or an event that is likely to lead to an adverse change) in the assets, liabilities, financial position or performance, profits, losses or prospects of Estia or any member of the Estia group (insofar as the position in relation to that group member affects the overall position of Estia), from the position disclosed in the materials on announcement of the Entitlement Offer, or as otherwise disclosed to ASX prior to the date of the underwriting agreement;
- the ASX/S&P 200 Index falls to a level that is 10% or more below the level at market close on the business day immediately preceding the date of the underwriting agreement and is at or below that level at close of trading: (1) for 2 consecutive business days during the period until completion; or (2) on the business day immediately prior to the settlement date for the Institutional Entitlement offer and the Retail Entitlement offer;
- where either of two shareholder groups (holding approximately 11% of Estia's shares in aggregate) who have signed binding commitments to subscribe for their pro rata entitlement in full fail to take up their full pro-rata entitlement in accordance with those commitments;
- (*) any of Estia's debt facilities are withdrawn, reviewed, breached or challenged or there is an event of default under any debt facility;
- Estia receives a non-compliance notice or a sanction from the Department of Health or a new non-compliance notice is listed on the Department of Health register of non-compliances and sanctions; and
- ASIC makes an order or issues or gives notice of an intention to issue proceedings or commences any inquiry or investigation in relation to the Entitlement Offer or materials published in connection with the Entitlement Offer.

The ability of the underwriter to terminate the underwriting agreement in respect of some events (denoted with an asterisk (*) above) will depend on whether the underwriter has reasonable and bona fide grounds to believe, and does believe, that the event has given or is likely to give rise to a liability of the underwriter under any law or regulation, or has or is likely to have a materially adverse effect on the marketing, settlement or outcome of the Entitlement Offer or the likely trading price of shares in Estia.

KEY RISKS

Investment in capital markets

The price of Estia shares on the ASX may rise or fall due to numerous factors, including:

- Australian and international general economic conditions, including inflation rates, the level of economic activity, interest rates and currency exchange rates;
- tensions and acts of terrorism in Australia and around the world; and
- investor perceptions in the local and global markets for listed securities.

Estia shares may trade below the offer price and no assurances can be given that Estia's market performance will not be materially adversely affected by any such market fluctuations or factors. Neither Estia, nor any of its directors or any other person, guarantees Estia's market performance.

Changes to accounting standards

Australian accounting standards are set by the Australian Accounting Standards Board (AASB). Changes to accounting standards issued by the AASB could materially adversely affect Estia's reported results in any given period or Estia's financial condition from time to time.

Tax changes

Any change to the taxation of shares (including the taxation of dividends) and the taxation of companies (including the existing rate of company income tax) may adversely impact on Estia shareholder returns, as may a change to the tax payable by Estia shareholders in general. Any other changes to Australian tax law and practice that impact Estia, or the aged care industry generally, could also have an adverse effect on Estia shareholder returns.

General economic risks

The operating and financial performance of Estia is influenced by a variety of general economic and business conditions, including inflation, interest rates and exchange rates, supply and demand, industrial disruption, access to debt and capital markets and government fiscal, monetary and regulatory policies. Changes in general economic conditions could adversely impact the operating and financial performance of Estia.

Appendix D: Selling restrictions

SELLING RESTRICTIONS

This document does not constitute an offer of new ordinary shares ("New Shares") of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

Denmark

The information in this document has been prepared on the basis that all offers of New Shares will be made pursuant to an exemption under the Directive 2003/71/EC ("Prospectus Directive"), as amended and implemented in Denmark, from the requirement to publish a prospectus for offers of securities.

An offer to the public of New Shares has not been made, and may not be made, in Denmark except pursuant to one of the following exemptions under the Prospectus Directive as implemented in Denmark:

- to any legal entity that is authorized or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000; and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, "MiFID"); or
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID.

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Ireland

The information in this document does not constitute a prospectus under any Irish laws or regulations and this document has not been filed with or approved by any Irish regulatory authority as the information has not been prepared in the context of a public offering of securities in Ireland within the meaning of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005, as amended (the "Prospectus Regulations"). The New Shares have not been offered or sold, and will not be offered, sold or delivered directly or indirectly in Ireland by way of a public offering, except to "qualified investors" as defined in Regulation 2(l) of the Prospectus Regulations.

SELLING RESTRICTIONS

Japan

The New Shares have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the "FIEL") pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, the New Shares may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors. Any Qualified Institutional Investor who acquires New Shares may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of New Shares is conditional upon the execution of an agreement to that effect.

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act").

The New Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the transitional provisions of the FMC Act and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

Other than in the entitlement offer, the New Shares may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Malaysia

This document may not be distributed or made available in Malaysia. No approval from, or recognition by, the Securities Commission of Malaysia has been or will be obtained in relation to any offer of New Shares. The New Shares may not be offered or sold in Malaysia except pursuant to, and to persons prescribed under, Part I of Schedule 6 of the Malaysian Capital Markets and Services Act.

Norway

This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007.

The New Shares may not be offered or sold, directly or indirectly, in Norway except to "professional clients" (as defined in Norwegian Securities Regulation of 29 June 2007 no. 876 and including non-professional clients having met the criteria for being deemed to be professional and for which an investment firm has waived the protection as non-professional in accordance with the procedures in this regulation).

SELLING RESTRICTIONS

Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Sweden

This document has not been, and will not be, registered with or approved by Finansinspektionen (the Swedish Financial Supervisory Authority). Accordingly, this document may not be made available, nor may the New Shares be offered for sale in Sweden, other than under circumstances that are deemed not to require a prospectus under the Swedish Financial Instruments Trading Act (1991:980) (*Sw. lag (1991:980) om handel med finansiella instrument*). Any offering of New Shares in Sweden is limited to persons who are "qualified investors" (as defined in the Financial Instruments Trading Act). Only such investors may receive this document and they may not distribute it or the information contained in it to any other person.

Switzerland

The New Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the New Shares may be publicly distributed or otherwise made publicly available in Switzerland. The New Shares will only be offered to regulated financial intermediaries such as banks, securities dealers, insurance institutions and fund management companies as well as institutional investors with professional treasury operations.

Neither this document nor any other offering or marketing material relating to the New Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA).

This document is personal to the recipient only and not for general circulation in Switzerland.

SELLING RESTRICTIONS

United Arab Emirates

Neither this document nor the New Shares have been approved, disapproved or passed on in any way by the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other governmental authority in the United Arab Emirates, nor has the Company received authorization or licensing from the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other governmental authority in the United Arab Emirates to market or sell the New Shares within the United Arab Emirates. No marketing of any financial products or services may be made from within the United Arab Emirates and no subscription to any financial products or services may be consummated within the United Arab Emirates. This document does not constitute and may not be used for the purpose of an offer or invitation. No services relating to the New Shares, including the receipt of applications and/or the allotment or redemption of New Shares, may be rendered within the United Arab Emirates by the Company.

No offer or invitation to subscribe for New Shares is valid in, or permitted from any person in, the Dubai International Financial Centre.

United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Shares.

This document is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of the FSMA) in the United Kingdom, and the New Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

Photo: Golden Grove, South Australia