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4 January 2021

FOR IMMEDIATE RELEASE TO THE MARKET

Dear Sirs

Bidder's Statement – Magnolia Equities III Pty Ltd's all cash takeover bid for all shares in The Agency Group Australia Limited

We act for Magnolia Equities III Pty Ltd ACN 634 968 657 (**Magnolia**).

We attach, by way of service pursuant to item 5 of section 633(1) of the *Corporations Act 2001* (Cth) (**Act**), a copy of Magnolia's bidder's statement (**Bidder's Statement**) in relation to its off-market takeover bid for all of the ordinary shares in The Agency Group Australia Ltd ACN 118 913 232 (ASX:AU1) (**AU1**).

The Bidder's Statement was lodged with the Australian Securities and Investments Commission last night, and served on AU1 in accordance with item 3 of section 633(1) and section 109X(1)(b) of the Act this morning.

Yours faithfully

Trevor Withane

Partner

Encl.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

YOU SHOULD READ THIS DOCUMENT IN ITS ENTIRETY. IF YOU ARE IN ANY DOUBT AS TO HOW TO DEAL WITH IT, YOU SHOULD CONSULT YOUR LEGAL, FINANCIAL OR OTHER PROFESSIONAL ADVISOR AS SOON AS POSSIBLE

BIDDER'S STATEMENT

ACCEPT

THE OFFER

by: Magnolia Equities III Pty Limited (**Magnolia**) ACN 634 968 657

to purchase: all your ordinary shares in THE AGENCY GROUP AUSTRALIA LIMITED
(ASX:AU1) ABN 52 118 913 232

for a price of: 4.0 Cents cash per AU1 Share

contact: Please contact Magnolia on the AU1 Offer Helpline on 1300 160 792 or email
au1@magnoliacapital.com.au if you require assistance with your acceptance.



Magnolia Capital



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LEGAL ADVISER

THE OFFER TO ACQUIRE YOUR AU1 SHARES EXPIRES AT 5:00PM [PERTH] TIME ON
[CLOSE] 2021, UNLESS WITHDRAWN OR EXTENDED

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KEY DATES

Date of announcement of Offer	4 December 2020
Bidder's Statement lodged with AU1, ASIC and ASX	3 and 4 January 2021
Commencement of Offer Period	[Open] 2021
Close of Offer Period (unless extended or withdrawn) 5:00pm (Perth Time)	[Close] 2021

ACCEPTANCE

To accept the Offer, you should follow the instructions set out in Section 8.15 of this Bidder's Statement.

QUESTIONS

If you have any questions in relation to this document, the Offer or how to accept the Offer, please contact your professional advisors.

You may also contact Magnolia on the AU1 Offer Helpline on 1300 160 792 from Monday to Friday between 9:00 am and 5:00 pm (Sydney Time) or email Magnolia at au1@magnoliacapital.com.au.

KEY CONTACTS

Magnolia Equities III Pty Ltd

Level 9
300 George Street
Sydney NSW 2000
www.magnoliacapital.com.au

Blackwattle Legal

Level 13
111 Elizabeth Street
Sydney NSW 2000
02 8005 3057
www.blackwattlelegal.com.au



IMPORTANT INFORMATION AND NOTICES

(a) Bidder's Statement

This Bidder's Statement is given by Magnolia to AU1 under Part 6.5 of the Corporations Act and relates to the Offer. This Bidder's Statement is dated 3 January 2021 and a copy was lodged with ASIC on 3 January 2021.

Neither ASIC nor any of its officers takes any responsibility for the contents of this Bidder's Statement.

The Offer relates to all AU1 Shares on issue as at the date of the Bidder's Statement.

(b) Foreign Jurisdictions

The distribution of this Bidder's Statement may, in some countries, be restricted by law or regulation. Accordingly, persons who come into possession of this Bidder's Statement should inform themselves of, and observe, those restrictions.

This Bidder's Statement has been prepared having regard to Australian disclosure requirements, which may differ from those of other countries.

(c) Disclosure regarding forward-looking statements

This Bidder's Statement includes certain forward-looking statements and statements of current intention (which include those in Section 3 (Magnolia's Intentions)). As such statements relate to future matters, they are subject to inherent risks and uncertainties.

These risks and uncertainties include factors and risks specific to the industries in which Magnolia and AU1 operate as well as matters such as general economic conditions, many of which are outside the control of Magnolia and its director.

These factors may cause the actual results, performance or achievements of Magnolia or AU1 to differ, perhaps materially, from the results, performance or achievements expressed or implied by those forecasts or forward-looking statements.

The past performance of Magnolia and AU1 is not a guarantee of future performance.

The forward-looking statements do not constitute a representation that any such matter will be achieved in the amounts or by the dates indicated and are presented as a guide to assist you in

assessing the Offer. The forward-looking statements are based on information available to Magnolia at the date of this Bidder's Statement.

(d) Investment decisions

This Bidder's Statement does not take into account your individual investment objectives, financial situation or particular needs. It is not financial, investment or taxation advice. You should therefore seek your own financial, investment and taxation advice before deciding whether or not to accept the Offer.

(e) Information on AU1

All information in this Bidder's Statement relating to AU1 has been prepared by Magnolia using information included in public documents filed by AU1 with ASX or ASIC or published by AU1 on its website. None of the information in this Bidder's Statement relating to AU1 has been verified by AU1 or its directors or independently verified by Magnolia or its director. Accordingly, subject to the Corporations Act, Magnolia does not make any representation or warranty, express or implied, as to the accuracy or completeness of this information. The information on AU1 in this Bidder's Statement should not be considered comprehensive. In addition, the Corporations Act requires the directors of AU1 to provide a Target's Statement to AU1 Shareholders in response to this Bidder's Statement, setting out certain material information concerning AU1.

(f) Privacy

Magnolia will collect your information from the register of AU1 Shareholders for the purposes of making the Offer. The Corporations Act requires the names and addresses of AU1 Shareholders to be held in a public register. Your information may be disclosed on a confidential basis to Magnolia's related bodies corporate and external service providers, and may be required to be disclosed to regulators, such as ASIC.

(g) Websites

References to AU1's websites (www.theagency.com.au), (investors.theagency.com.au) and Magnolia's website (www.magnoliacapital.com.au) are for your reference only. Information contained in or otherwise accessible from either website is not incorporated by reference into this Bidder's Statement.



(h) Rounding

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

(i) Estimates and assumptions

Unless otherwise indicated, all references to estimates, assumptions and derivations of the same in this Bidder's Statement are references to estimates, assumptions and derivations of the same by Magnolia management. Management estimates reflect, and are based on, views as at the date of this Bidder's Statement, and actual facts or outcomes may materially differ from those estimates or assumptions.

(j) Currencies

In this Bidder's Statement, references to "Australian dollars", "AUD", "\$", "A\$" or "cents" are to the lawful currency of Australia.

(k) Defined terms and interpretation

Unless otherwise noted, capitalised terms and certain abbreviations used in this Bidder's Statement are defined in the Glossary in Section 9. That Section also sets out certain rules of interpretation which apply to this Bidder's Statement.

(l) Appointment of Magnolia as attorney on acceptance of Offer

By accepting the Offer, you irrevocably appoint Magnolia and each of its nominees as your attorney, with effect from the time on which all the Conditions have been fulfilled or freed, to exercise all your powers and rights in relation to your AU1 Shares to requisition, convene, attend and vote at all general meetings of AU1, until such time as AU1 is registered as the holder of your AU1 Shares.



LETTER FROM MAGNOLIA

Dear AU1 Shareholder,

We are pleased to enclose this Bidder's Statement in relation to an Offer from Magnolia Equities III Pty Limited (**Magnolia**) to acquire all of your ordinary shares in The Agency Group Australia Ltd (**AU1**).

Magnolia is offering 4.0 cents for each of your AU1 Shares which Magnolia considers is a superior alternative to the current Peters Proposal, set out in the Notice of Annual General Meeting dated 23 November 2020 (and appearing on the ASX MAP on 24 November 2020) and subsequent announcement(s) because, amongst other things (see also the section below titled "Reasons Why You Should Accept The Offer"):

1. it represents a premium of 0.7 cents (21%) to the value of your AU1 Shares when compared with the resulting "preferred" value following the completion of the Peters Proposal (as estimated by AU1's independent expert, Nexia);
2. it provides an all cash exit opportunity to shareholders in what would be considered to be an illiquid market for AU1 Shares; and
3. it provides a realistic means by which shareholders are able to mitigate their exposure to the serious risks associated with the areas for concern raised by Magnolia in Section 1.7.

For the avoidance of doubt, the Offer is for 100% of your AU1 Shares, although you can accept for fewer if you want. The Offer does not extend to any AU1 Rights that you may hold.

The Offer is subject to a number of conditions which are set out in Section 8.7.

The Offer will remain open until **[Close]** 2021, unless extended or withdrawn.

If you wish to accept this Offer please follow the process at Section 8.15.

Magnolia recommends that **YOU ACCEPT THE OFFER.**

If you have any questions about the Offer, please contact your broker or financial adviser or call Magnolia on the AU1 Offer Helpline on 1300 160 792 or email to au1@magnoliacapital.com.au.

Yours faithfully,



Mitchell Atkins
Sole Director
Magnolia Equities III Pty Limited



REASONS WHY YOU SHOULD ACCEPT THE OFFER

There are a number of important reasons why you should accept Magnolia's Offer. These include:

- (1) **If the Offer is accepted, AU1 Shareholders can expect to receive a 0.7 cents premium compared to the "preferred" value of their shares if the alternative Peters Proposal is implemented (as estimated by AU1's independent expert, Nexia).**

Nexia has reported that the value of AU1 Shares, if the Peters Proposal is implemented is between 2.80 cents and 3.90 cents with a "preferred" value of 3.30 cents. Thus, Magnolia is offering you the opportunity to see your AU1 Shares sold for cash at a 21% premium to that value as summarised below:

AU1 Equity Valuation Comparison	Share Price (Cents)
1. Nexia's Fair value of an AU1 Share on a minority basis after the Proposed Peters Transaction	3.30
2. Market value of an AU1 Share on a minority basis after the Proposed Peters Transaction	2.70
3. Magnolia Offer Price for 100% of the outstanding AU1 Shares	4.00
Notes: Magnolia's cash Offer Price of 4 cents per share provides 48.1% premium when compared to the estimated market value of an AU1 Share after the Proposed Peters Transaction and 21.2% premium compared to Nexia's preferred valuation of an AU1 Share after the Proposed Peters Transaction	

Source: Nexia Report (dated 23 November 2020)

- (2) **The Offer represents a sound exit opportunity for shareholders who are not able to otherwise sell their unmarketable parcels of shares in what could be considered to be an illiquid market for AU1 shares.**

Nexia's report of 23 November 2020 demonstrates (see section 5.8 of that report) the very small numbers of AU1 Shares that have been traded on ASX in the last 12 months ending 30 September 2020. While the last sale price of AU1 Shares is \$0.051 (Prior to

date of Bidder's Statement), there is no evidence that suggests there is sufficient buyer interest to allow you to sell your AU1 Shares at that price or even at the Offer Price.

- (3) **The provision of cash consideration provides certainty of value for your AU1 Shares in circumstances where there are real risks inherent with your investment in AU1.**
- (4) **The future of AU1 is highly uncertain given the concerns relating to financial performance and management, corporate governance, and conflict management of the current AU1 Board.**

These concerns are more fully described in Section 1.7 below.

- (5) **If the Offer is not accepted, the market price of AU1 Shares may fall.**

While there are many factors that will influence the market price of AU1 Shares, in the absence of the Offer or a competing bid, it is possible that after the close of the Offer the AU1 Share price may fall below the value of the Offer, given that the Offer represents a premium to the likely value of AU1 shares should the Peters Proposal proceed.

- (6) **No brokerage or other sale fees are involved for Accepting AU1 Shareholders.**

If your holding of AU1 Shares is an Issuer-Sponsored Holding you will not pay any brokerage in accepting the offer for the whole or part for your AU1 shares.

- (7) **You may risk becoming a minority AU1 Shareholder if you do not accept the Offer.**

If the Peters Proposal is implemented, Peters will have a controlling interest in AU1 and you will be part of an effective minority, thereby leaving your investment at significant risk with Company/Board decision making controlled by a single majority shareholder and the concerns raised by Magnolia in Section 1.7 will remain unaddressed. You can avoid this by accepting the Offer from Magnolia.

- (8) **Nexia, AU1's own independent expert, has concluded that the Peters Proposal is NOT FAIR.**



FREQUENTLY ASKED QUESTIONS

What is the Offer?

Magnolia is making an Offer to acquire all your AU1 Shares. The Offer Price is 4.0 cents cash for each AU1 Share.

What are my choices about the Offer?

You may:

- accept the Offer for all of your AU1 Shares;
- accept the offer for some only of your AU1 Shares;
- retain your AU1 Shares; or
- sell your AU1 Shares to another party.

How do I accept the Offer?

This depends on whether your holding of AU1 Shares is a "CHESS Holding" or an "Issuer-Sponsored Holding". Your personalised Acceptance Form sent with this Bidder's Statement shows which kind of shareholding you have.

- If your holding of AU1 Shares is a CHESS Holding either:
 - (a) complete, sign and return the Acceptance Form; or
 - (b) instruct your Broker to initiate acceptance of the Offer on your behalf, in sufficient time for the acceptance to be received and processed before the end of the Offer Period.
- If your holding of AU1 Shares is an Issuer-Sponsored Holding, complete, sign and return the Acceptance Form so that it is received before the end of the Offer Period.

Detailed instructions on how to accept the Offer are set out on the Acceptance Form.

What if I don't accept the Offer?

If you don't accept the Offer you will continue to hold your AU1 Shares unless Magnolia becomes entitled to compulsorily acquire remaining AU1 Shares under Part 6A.1 of the Corporations Act.

What is this Bidder's Statement?

This Bidder's Statement was prepared by Magnolia for distribution to AU1 Shareholders. This Bidder's Statement describes the terms of the Offer for your AU1 Shares and information relevant to your decision whether or not to accept the Offer. Should you have any doubt as to how to deal with this document, you should consult your financial, legal or other professional advisors.

Who is Magnolia?

Magnolia is a private company ultimately owned by Mr Mitchell Atkins and his wife through a family trust. It is managed by Mr Atkins, who is its sole director. More details about Magnolia and its related companies are contained in Section 5.

What is Magnolia's current interest in AU1 Shares?

Magnolia currently holds 49,763,017 (16.65%) AU1 Shares.

Who may accept the Offer?

Any person who, during the Offer Period, is capable of transferring good title to a parcel of AU1 Shares that are on issue as at the date of the Bidder's Statement.

If you have accepted another offer to buy your AU1 Shares or have otherwise agreed to sell any of your AU1 Shares to another person you will not be able to accept the Offer for those AU1 Shares, unless you have exercised a right to withdraw that acceptance or agreement.

What if I acquired my AU1 Shares after the Register Date?

You may still sell those AU1 Shares to Magnolia under the Offer provided that they were on issue on the Register Date, any person who held them on or after the Register Date has not accepted the Offer for them and you comply with the acceptance procedures in Section 8.15 by the time specified in that Section.

Can I accept the Offer for some only of my AU1 Shares?

Yes. If you wish to accept the Offer you may accept for all or some of the AU1 Shares that you hold.



Are there any conditions of the Offer?

Yes. The Offer is subject to a number of conditions. The conditions to which the Offer is subject (**Conditions**) are set out in full in Section 8.7 and include (in summary):

- 90% acceptance level;
- The Peters Proposal not being approved;
- AU1's target statement dealing with certain information issues;
- No material new transactions;
- Key Persons (as defined in Section 3.2) agreeing to continue with AU1 after the Bid;
- No legal proceedings being threatened or commenced against the AU1 Group involving a monetary claim of greater than \$100,000;
- No material defects in AU1 filings;
- No rights arising on change of control;
- No break fees or inducements;
- No Material Adverse Change occurring in relation to AU1 at any time between the Announcement Date and the end of the Offer Period; and
- None of the Prescribed Occurrences occurring between the Announcement Date and the end of the Offer Period.

Magnolia will inform AU1 Shareholders by announcement on ASX if Conditions are satisfied or if it decides to free the Offer from any Conditions.

What happens if the Offer is not freed from any Condition and it is not satisfied?

If any Condition is not satisfied and Magnolia does not free the Offer from that Condition by the end of the Offer Period (or, in the case of the no Prescribed Occurrences condition – by three (3) Business Days after the end of the Offer Period) the Offer will lapse. If you have accepted the Offer for some or all of your AU1 Shares and this happens Magnolia will not purchase your AU1 Shares and all Rights attaching to your AU1 Shares will revert to you.

Can I withdraw my acceptance?

You may only withdraw your acceptance if, after you have accepted the Offer, the Offer remains subject to Conditions and Magnolia varies the Offer in a way that postpones the time when it has to meet its obligations under the Offer for more than one (1) month.

When can I accept the Offer?

You may accept the Offer at any time from **[Open]** 2021 until the end of the Offer Period, in accordance with the procedure in Section 8.15.

When does the Offer close?

The Offer is scheduled to close at 5:00pm (Sydney time) on **[Close]** 2021, unless extended or withdrawn in accordance with the Corporations Act.

Can the Offer Period be extended?

Yes, Magnolia may extend the Offer Period in accordance with the Corporations Act. If you remain a AU1 Shareholder and have not already accepted the Offer, Magnolia will give you notice of any extension as required by the Corporations Act. AU1 Shareholders should not assume that the Offer Period will be extended.

Will I need to pay brokerage if I accept the Offer?

If your AU1 Shares are registered in an Issuer-Sponsored Holding you will not incur any brokerage fees.

If your AU1 Shares are registered in a CHESS Holding, or if you are a beneficial owner whose AU1 Shares are registered in the name of a Broker, bank, custodian or other nominee you should ask your Broker or nominee whether it will charge any transactional fees or service charges in connection with acceptance of the Offer.

If you sell your AU1 Shares on-market during the Offer Period, you may have to pay Broker's commission or brokerage.

If I accept the Offer, when will I be paid?

If you accept the Offer, you will be paid the Consideration by the earlier of:

- One month after you have accepted the Offer or, if the Offer is still subject to a Condition, within one month after the Offer becomes unconditional; and
- 21 days after the end of the Offer Period.

The Consideration will be paid at the time and in the amount specified in the Offer, set out in full in Section 8.



What are the tax implications of accepting the Offer?

A general description of the Australian taxation treatment for AU1 Shareholders accepting the Offer is set out in Section 6. You should consult your taxation advisor for detailed taxation advice before making a decision as to whether or not to accept the Offer for all or any of your AU1 Shares.



1. INFORMATION CONCERNING AU1

The information in this Section has been prepared based on a review of publicly available information including the independent expert reports from Nexia dated 23 November 2020 and 10 December 2020 concerning AU1. It has not been verified and Magnolia does not make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

Further information concerning AU1 may be included in its Target's Statement in relation to the Offer.

Being a company listed on the ASX, AU1 is subject to periodic and continuous disclosure requirements and accordingly, further information concerning AU1 are contained in their ASX releases which may be accessed via the ASX website (www.asx.com.au) under ASX Code "AU1" or AU1's website (<https://investors.theagency.com.au/>)

The table below summarises AU1's ASX releases since 1 July 2020:

Date of Release	AU1 ASX Announcement Title
31-Dec-20	Suspension from Official Quotation
29-Dec-20	Postponement of AGM to 4 January 2021
29-Dec-20	Trading Halt
29-Dec-20	Pause in Trading Halt
29-Dec-20	Takeovers Panel interim orders - Response by Nexia
24-Dec-20	AU1 ASX Announcement Nexia Response
22-Dec-20	48 Postponement of AGM
22-Dec-20	47 Media Release - Panel Makes Interim Orders
21-Dec-20	46 Expiry of Options
18-Dec-20	45 Notice of Change of Interests of Substantial Holder
17-Dec-20	44 Media Release
11-Dec-20	ADDENDUM TO NOTICE OF ANNUAL GENERAL MEETING AND SUPPLEMENTARY INDEPENDENT EXPERT'S REPORT
9-Dec-20	43 Media Release

8-Dec-20	42 Receipt of Letter
7-Dec-20	41 Market Announcement
24-Nov-20	40 Shareholder letter – AGM
24-Nov-20	39 Notice of Annual General Meeting/Proxy Form
4-Nov-20	38 Proposed Issue of Securities
29-Oct-20	37 Appendix 4C and Quarterly Update
29-Oct-20	36 11m Funding Packages sets foundation for growth
26-Oct-20	35-AU-Request for Extension to Voluntary Suspension
8-Oct-20	33-au1-request-for-extension-to-voluntary-suspension
1-Oct-20	32-au1-trading-halt
30-Sep-20	29-au1-appendix-4g
21-Sep-20	28-au1-proposed-issue-of-securities-au1
16-Sep-20	27-au1-change-in-substantial-holding
9-Sep-20	26-au1-strategic-partnership-as-part-of-west-coast-rent-roll-sale
31-Aug-20	25-au1-delivers-1st-full-year-ebitda-cashflow
31-Jul-20	23-au1-appendix-4c-and-quarter-update

If you would like to receive a copy of any of those releases (free of charge) during the Offer Period, please contact Magnolia on the AU1 Offer Helpline on 1300 160 792 or by email to au1@magnoliacapital.com.au.

1.1 Profile of AU1

AU1 is a publicly listed company headquartered in Perth, Australia (ASX code: **AU1**) that was registered with ASIC on 21 March 2006. Its primary business is to provide real estate and financial services including but not limited to the purchase and sale of properties, the purchase and management of rent roll portfolios, property management and mortgage and finance services. A detailed summary of AU1's group is contained in 1.4.



1.2 Business Activities and Operations

The AU1 Group has three main operating divisions:

- (a) property sales;
- (b) property management; and
- (c) ancillary services

1.2.1. Property Sales

This division is an agent recruitment model, conducting sales of residential properties on behalf of property vendors. AU1 has reported that as at 6 November 2020 it had 281 real estate agents situated in 10 hubs across Australia, including Perth WA, Hawthorn VIC, Albert Park VIC, Wamberal NSW, Bondi Beach NSW, Neutral Bay NSW, Annandale NSW, Wollongong NSW, and Canberra ACT.

1.2.2. Property Management

This division manages residential and commercial properties on behalf of property owners. As at September 2020, the Group reported having the following portfolio of properties under management:

Portfolio	Properties Under Management	Annual Management Fees
New South Wales	3,457	\$5,844,078
Victoria	100	\$195,516
Queensland	26	\$44,186
Total	3,583	\$6,083,780

Source: Nexia Report (dated 23 November 2020)

1.2.3. Ancillary Services

This division's ancillary services include mortgage broking, conveyancing and settlement services. As at 31 March 2020, the Group reported having a mortgage loan book with approximately 4,300 loans and \$1.9 million in annualised trail income.

1.3 AU1's Directors

As at the date of this Bidder's Statement, the Directors and Key Management Personnel of AU1 are:

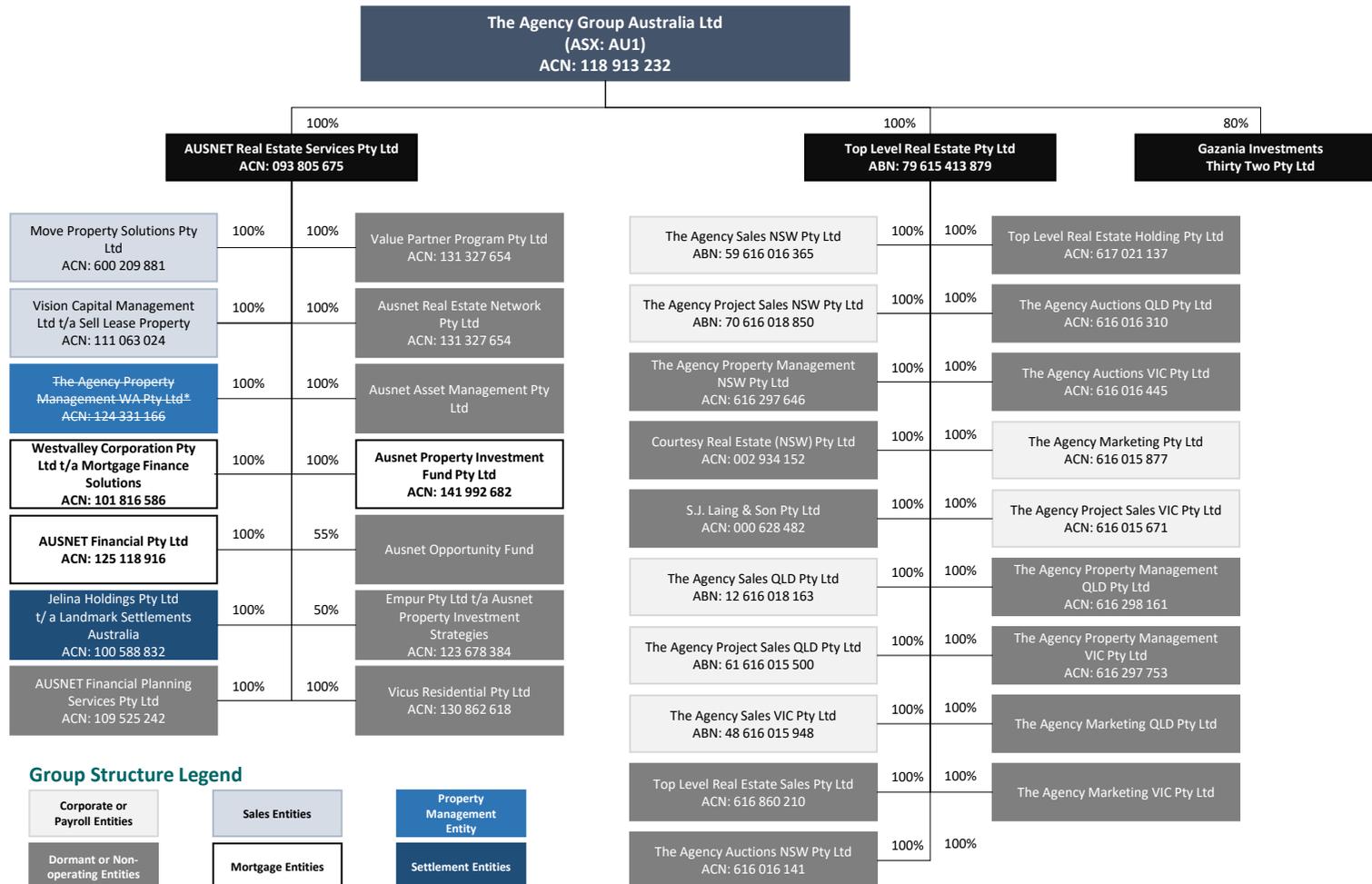
Director / Key Management Personnel	Position
Andrew Jensen	Executive Chairman and Chief Operations Officer
Paul Niardone	Managing Director (appointed 19 December 2016)
Matthew Lahood	Executive Director (appointed 17 January 2019)
Adam Davey	Non-executive Director (appointed 19 December 2016)
Arjan van Ameyde	Chief Financial Officer (appointed 1 February 2020)
Stuart Usher	Company Secretary (appointed 28 December 2016)

Source: AU1's 30 June 2020 audited financial statements.



1.4 AU1 Group Structure

Magnolia understands that AU1's current group structure includes the following entities:



Source: Nexia Report (dated 23 November 2020)



1.5 AU1's Historical Statements of Financial Position

AU1's Consolidated Statement of Financial Position as at the end of the financial year on 30 June 2020 (audited) is:

(\$'000)	FY 2018	FY 2019	FY 2020
	Audited	Audited	Audited
Current Assets			
Cash and cash equivalents	1,022	2,597	2,724
Trade and other receivables	2,743	4,080	4,601
Financial assets	-	-	1,600
Current tax asset	191	-	-
Other current assets	254	413	550
Total Current Assets	4,210	7,091	9,476
Current Liabilities			
Trade and other payables	7,379	13,556	9,773
Borrowings	1,100	21,127	13,843
Provisions	388	1,113	2,287
Leases	-	-	1,980
Total Current Liabilities	8,867	35,795	27,883
Net Current Liabilities	-4,657	-28,704	-18,407
(Net Working Capital Deficit)			
Non-Current Assets			
Trade and other receivables	-	283	270
Financial assets	408	1,142	170
Property, plant, and equipment	521	2,578	2,040
Right of use asset	-	-	4,645
Intangible assets	4,648	39,036	30,376
Total Non-Current Assets	5,577	43,039	37,502

Non-Current Liabilities			
Trade and other payables	-	35	-
Provisions	64	600	337
Leases	-	-	3,895
Deferred tax liabilities	296	4,668	3,251
Total Non-Current Liabilities	360	5,304	7,483
Net Non-Current Assets	5,217	37,735	30,019
Total assets	9,787	50,130	46,977
Less: Total liabilities	-9,227	-41,099	-35,366
Net Assets	560	9,031	11,611
Equity			
Issued capital	11,480	27,765	39,396
Reserves	566	583	929
Accumulated losses	-11,487	-19,317	-28,713
Total Equity	560	9,031	11,611
Net cash and financial assets / (borrowings)	330	-17,387	-8,806

Source: Nexia Report (dated 23 November 2020)

A complete version of the above financial statements are contained in AU1's 2020 Annual Report (released on ASX on 30 September 2020).



1.6 Financial Performance

1.6.1. AU1's Historical Statements of Profit or Loss

AU1's Consolidated Statement of Profit or Loss and Other Comprehensive Income for the financial year ended 30 June 2020 (audited) is:

(\$'000)	FY 2018	FY 2019	FY 2020
	Audited	Audited	Audited
Revenue	16,768	28,338	41,862
Other income	46	165	994
Total revenue and other income	16,814	28,503	42,856
Gain on acquisition	78	-	-
Advertising and promotion expenses	-479	-670	-1,242
Computers and information technology expenses	-432	-1,006	-1,330
Consultancy, legal and professional fees	-2,406	-3,103	-2,917
Occupancy costs	-516	-2,178	-984
Salaries and employment costs	-14,608	-24,024	-31,070
Share-based payments expense	-	-134	-
Other expenses	-1,422	-1,768	-2,649
EBITDA	-2,971	-4,381	2,663
Depreciation and amortization	-495	-2,267	-6,039
Impairment	-200	-1,378	-5,230
EBIT	-3,666	-8,026	-8,606
Interest income	9	13	18
Interest and finance costs	-224	-1,243	-1,769

¹ Services include "professional services", "licence fees", "public relations", "placement fees/transaction fees", "advance commissions/future fund"



Net loss from ordinary activities before income tax expense	-3,881	-9,255	-10,357
Income tax benefit/(expense)	139	1,425	1,292
Net loss from ordinary activities	-3,742	-7,831	-9,065

Source: Nexia Report (dated 23 November 2020)

A complete version of the above financial statements are contained in AU1's 2020 Annual Report (released on ASX on 30 September 2020).

1.7 Magnolia's concerns relating to AU1

1.7.1. Financial Performance Concerns

Magnolia, having reviewed the financial information available to it from ASX lodgements has serious concerns for the managerial competence displayed by the Board to date. Of significance:

- (A) The Board has paid a significant proportion of capital raised in the last two financial years to Key Management Personnel, related parties thereof or directly to its directors. More specifically:
- (i) AU1 received cash injections by way of capital issues into the business of \$5,611,773 in FY20 and \$8,650,000 in FY19;
 - (ii) Of this \$413,017 (FY20) and \$613,160 (FY19) was paid either directly to Key Management Personnel or related parties thereof for services¹ provided; and
 - (iii) A further \$535,980 (FY20) and \$484,000 (FY19) was paid to directors in directors fees.

These figures show that in FY20:

16.91% of the total capital raised by AU1 was spent on Key Management Personnel or related parties.

- (B) The Board has, to date, failed to satisfy its primary lender, Macquarie Bank Limited (**Macquarie**), of its ability to meet its obligations under its loan and security documents, most notably by allowing the Macquarie Facility to expire. This has ultimately led to action by Macquarie, which suggests a lack of confidence by Macquarie in AU1.

In light of this, the Board has also seriously misrepresented to the market their dealings with Macquarie, including:

- (i) On 31 March 2020, AU1 failed to repay its loan to Macquarie by the termination date under the terms of the Macquarie Facility;²
- (ii) On 9 April 2020, Macquarie issued a letter of default to AU1;
- (iii) However, on 15 April 2020, AU1 reported that *“its current primary debt provider (“Debt Funder”), a tier one investment bank, has agreed to extend the term of the current facility by a further 10 days (to 24 April 2020).”*³ This was despite Macquarie terminating the Macquarie Facility and instead agreeing to forbear from exercising its right to enforce for a further 10 days;
- (iv) Again, on 27 April 2020, AU1 reported that *“its current funder, a tier one Australian bank (“the Debt funder”), has remained supportive of the Company and has further extended the facility to 1 May 2020 pending the formalisation of agreements to extend to the 30 September 2020...”*⁴ This announcement misled the market by failing to inform it that it was an extension of the forbearance period offered by Macquarie rather than an extension of the term of the Macquarie Facility;
- (v) On 5 May 2020, AU1 entered into a deed of forbearance with Macquarie with a forbearance period end date of 30 September 2020⁵;

- (vi) However, on 11 May 2020, AU1 reported that it *“has entered into an agreement with its current funder Macquarie Bank Limited (“the Funder”) in relation to the repayment of its primary bank debt on or before 30 September 2020”* suggesting that the term of the Macquarie Facility had been extended rather than the forbearance period, as was the actual case; and

- (vii) Again, on 30 September 2020, AU1 reported that the Macquarie Facility was due to expire on 30 September 2020, *“The facility expires on 30 September 2020, and as at the date of this report, the Group is in the process of finalising an Amendment Deed to revise the terms and extend the facility”*, when in fact it was the forbearance period that was due to expire on that date.

- (C) Macquarie’s position, according to the Board, has been one of support and collaboration with AU1, when in fact, negotiations with Macquarie seem to have been turbulent, unsatisfactory and premised on Macquarie having a presently enforceable right to enforce under the Macquarie Facility.

This is further supported by the mischaracterisation of the BDO report and the public announcements made in connection with same. In particular:

- (i) On 30 April 2020 and on 11 May 2020, AU1 reported that BDO was appointed by AU1 to review the *“financial model and advise on operational improvements and corporate structure”*. This was around the same time that forbearance terms were being negotiated with Macquarie;

Magnolia understands that in fact BDO was appointed at the insistence of Macquarie for the purposes of providing an independent review of the AU1 Group’s business operations and financial position and to provide a proposal for the repayment of

² Fourth Amendment Deed

³ ASX Announcement dated 15 April 2020

⁴ ASX Announcement dated 27 April 2020

⁵ Forbearance Deed dated 5 May 2020



all amounts owing by AU1 to Macquarie. If this is the case, the Board mischaracterised the true nature of BDO's appointment;

- (ii) The only conclusions announced to the public in respect of the BDO report was that announced on 29 October 2020, that *"The positive findings of the recently completed BDO report, together with an independent valuation of the company's assets, assisted the board to determine the most optimal funding package to fund its future growth."*; and
- (iii) Details surrounding the context in which the BDO report was prepared have never been disclosed to the market or shareholders, nor has any of the findings in that report. It also appears that the BDO Report was not provided to Nexia.

(D) The AU1 Board has failed to properly secure critical assets of the business which would otherwise be expected of a public company. Significantly:

- (i) the lease (AM826614E) in respect of the primary office premises, located at L104B and L105B, 184 Campbell Parade, Bondi Beach, is held in the name of lessee, and Key Management Personnel, John Kolenda. It is for a term of 7 years, terminating on 30 November 2023.⁶ It is unclear from any title search of the premises, whether AU1 has any legal right to occupy this space which could have very serious ramifications for any change to AU1 which Mr John Kolenda does not support; and
- (ii) The domain name "theagency.com.au" is currently registered to Daring Investments Pty Ltd (an entity apparently controlled by John Kolenda), which has and continues to receive annual licence fees, presumably in connection with the right to use the domain name.⁷

1.7.2. Related Party Transaction Concerns

A review of publicly available information reveals that Key Management Personnel and their respective entities have failed to adequately keep shareholders updated in respect of key associations, substantial holdings and interparty arrangements between those parties. The result of these failings can have serious ramifications for voting, and for an informed, competitive and efficient market for AU1 Shares. It suggests that AU1 is not a widely held company but rather is closely held by the directors and their respective entities who cooperate with each other and their respective entities in relation to the conduct of AU1's affairs.

For ease of reference, the connection between the Key Management Personnel of AU1 and their respective entities is summarised below:

Key Management Personnel	Associated Entity	Further comment about the associated entity
Philip Re	Regency Partners ¹	Regency Partners provided professional services to AU1 and, Philip Rei was previously a director of AU1.
John Kolenda	Daring Investments Pty Ltd (Daring) ² Aura Group Holdings Pte Ltd (Aura Group) ² Aura Private Wealth Pty Ltd (Aura Private Wealth) ² Aura Principal Investments Pty Ltd (Aura Principal Investments) ² Aura Capital Pty Ltd (Aura Capital) ²	Daring charges licence fees to AU1. It is presumed that these licence fees are in connection with the domain name, however it is unclear what the legal relationship between the entities is. Daring owns 24.3% of the shares issued in the Aura Group. Aura Group is the 100% ultimate shareholder of Aura Private Wealth. The Aura Group owns 100% owned of Aura Principal Investments. Aura Principal Investments is a shareholder of AU1. Aura Capital is owed placement fees by AU1.

⁶ Lease Dealing AM826614E

⁷ Domain Name search 30/12/2020



Paul Niardone	Chapter One Advisers Pty Ltd (Chapter One) ³ Capulet Capital Limited (Montagu) ⁴	Mr Niardone is a director and beneficiary of Chapter One. Chapter One receives fees for public relations services it provides to AU1. It is not clear whether this agreement nor the fees paid are arm's length dealings. These arrangements appear to date back to 2018. ⁸ Mr Niardone is an ex-director and shareholder of Montagu. Although this entity was acquired by Patersons in 2008, Montagu remains an active shareholder of AU1 and despite being recorded by ASIC as deregistered.
Matthew Lahood	Teldar Real Estate Pty Ltd (Teldar) ⁵	Mr Lahood has personally received advance commissions / future fund. Ms Connie Lahood, Mr Lahood's wife, is a director and shareholder of Teldar, which owns shares in AU1.
Adam Davey	Canaccord Genuity (Australia) Limited (Canaccord) ⁶ Patersons Securities Limited (Patersons) Montagu Capital Limited (Montagu)	Mr Davey is an ex-director and shareholder of Montagu. Although this entity was acquired by Patersons in 2008, Montagu remains an active shareholder of AU1 and despite being deregistered with ASIC. Patersons was mandated by AU1 to provide corporate services in respect for which it received fees from AU1. Patersons was acquired by Canaccord in October 2019. As advised in an ASX announcement dated 15 May 2020 "Peters Investments Pty Ltd was introduced to AU1 by its recently appointed mandated corporate advisor Canaccord Genuity (Australia) Limited.". Adam Davey is a Private Clients & Institutional Director at Canaccord and stands to benefit from the Peters transaction. ⁹
Tony Leibowitz ⁷	Kalonda Pty Ltd (Kalonda)	Tony Leibowitz via Kalonda Pty Ltd as trustee for the Leibowitz Super Fund holds 2.13% of the issued capital of AU1. Kalonda has also provided

		AU1 a \$750k loan secured by shares held by a director and substantial shareholder.
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1. FY20 Annual Financial Statements and ASIC company Search
2. ASIC Company searches and ASIC personal name extract
3. FY20 Annual Financial Statements and ASIC company Search
4. ASIC Directors searches, AU1 Shareholder register dated 17 December 2020, ASIC Document Search and Australian Financial Review article dated 6 February 2009 titled "Brunei acquires a slice of Patersons"
5. ASIC Company searches and ASIC personal name extract
6. ASIC Company searches and ASIC personal name extract
7. FY20 Annual Financial Statements, ASIC Company searches and ASIC personal name extract

⁸ AU1's 30 June 2020 audited financial statements.

⁹ AU1's 30 June 2020 audited financial statements.



1.7.3. Links to Peters Investments

A review of publicly available information reveals that Key Management Personnel including but limited to their Related Entities have current and historical links to Peters and its related parties. Magnolia does not suggest any wrongdoing by Peters and or Key Management Personnel. However, it is important to consider this background in assessing the Peters Proposal and whether to support it or accept the Offer.

	Paincheck Limited (ASX:PCK)	Memphasys Ltd (ASX:MEM)	Ensurance Limited (ASX:ENA)	The Agency Group Australia Limited (ASX:AU1)	NCML Holdings Limited ¹⁸
Robert Peters	Largest shareholder ¹	Largest shareholder ²	Top 20 shareholder ³	Proposed largest shareholder ⁴	Top 20 shareholder FY01 to FY04 ⁵
Adam Davey	Non Executive Director 30/09/14 to current Shareholder ¹	Top 20 shareholder ²	Director: 17/08/12 to Current ³ Chairman 13/05/15 to 29/09/17 Shareholder ⁶	Director 19/12/2016 to current Shareholder ⁴	Director: 10/04/2000 to 26/11/2003 Top 20 Shareholder FY00 to FY04 ⁵
Paul Niardone	Director 12/11/14 to 30/09/16 Chairman 2/09/16 to 30/09/16 ⁸ Shareholder	Previous (FY19) top 20 shareholder ⁷		Director 19/12/2016 to current Shareholder ⁴	Director 10/04/2000 to 27/11/2002 ⁹ Top 20 Shareholder FY00 to FY04 ¹⁷
Michael Atkins		Top 20 shareholder ²		Previous Director 22/03/2006 to 25/08/2007 ¹⁰ Shareholder ¹¹	Top 20 Shareholder FY00 to FY04 ¹⁷
Arjan Van Ameyde			Chief Financial Officer & Chief Operating Officer 1/02/2018 to 31/1/2020 ³ Shareholder ³	Chief Financial Officer 1/02/20 to current ⁴	
Antony Leibowitz			Director 27/09/2017 to current ³ Largest shareholder	Top 20 shareholder ⁴ \$750k loan ⁴	Director 04/07/2002 to 01/12/2006 ⁹ Top 20 shareholder FY03 to FY05 ¹²
Patersons Securities Limited/Canaccord Genuity	Joint Lead Manager ¹³	Corporate Advisor ¹⁴	Lead Manager ¹⁵	Lead Manager ¹⁶	Via Montagu Capital Ltd ¹⁷
1.	FY20 Annual Financial Statements for ASX:PCK		11.	AU1 Shareholder register dated 17 December 2020	
2.	FY20 Annual Financial Statements for ASX:MEM		12.	NCML Holdings Limited 2005 Annual Financial Statements	
3.	FY20 Annual Financial Statements for ASX:ENA		13.	ASX:PCK ASX Announcement dated 11 August 2020	
4.	Nexia Report (dated 23 November 2020)		14.	ASX:MEM Rights issue prospectus dated 01/03/2019	
5.	NCML Holdings Limited FY00 to FY04 Annual Financial Statements, ASIC Company searches and ASIC personal name extract		15.	Patersons Securities acted as lead manager for ASX:ENA \$800k entitlement offer refer to ASX announcement dated 23 April 2018.	
6.	FY18 Annual Financial Statements for ASX:ENA		16.	ASX:AU1 ASX Announcement dated 11 May 2020	
7.	FY19 Annual Financial Statements for ASX:MEM via Assert Corporate & Investor Relations Pty Ltd		17.	Via Montagu Capital Ltd 100% interest in Blackmort Nominees Pty Ltd which held shares directly. Montagu Capital Ltd was acquired by Patersons in 2008. Australian Financial Review article dated 6 February 2009 titled "Brunel acquires a slice of Patersons"	
8.	EPAT Technologies Limited (Known ASX:PCK) FY17 Annual Report		18.	Historical & current names include, Chandler Macleod Ltd, MCML (Holdings) Ltd and Todehouse International Ltd	
9.	ASIC Company searches and ASIC personal name extract				
10.	ASIC Company searches and ASIC personal name extract				



1.7.4. Fit and Proper Personnel Concerns

A review of publicly available information has revealed that Key Management Personnel have been directors of failed companies. Under section 206F of the Corporations Act, ASIC may disqualify a person from managing a corporation for up to five years provided a person has been the director of two or more failed corporations within seven years that have been wound up and their liquidator has lodged a report with ASIC regarding the corporation's inability to pay its debts.

Key Person	Company	Appointed	Resigned	Comment
Andrew Jensen	Freedom Insurance Group Ltd (In Liquidation) ¹ (Freedom)	18/10/16	29/4/19	Freedom was involved in Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry ⁴ Freedom's shares were suspended on 6 February 2019 as the company could not detail its financial position ⁵ Freedom was placed into liquidation on 21 February 2020 ⁶ Freedom was exposed in 2018 selling life insurance by telesales to a man with Down syndrome.
Paul Niardone	Concannon Capital Pty Ltd ²	24/2/10		In Liquidation 5 March 2020
Stuart Usher	ACN 081 990 552 Proprietary Limited (Formally Known as Hire Access Proprietary Limited) ³ (Proprietary)	20/12/10	17/09/14	Administrators appointed to Proprietary 27 August 2012 Receiver & Managers appointed 04 October 2012

Note:

1. ASIC Company search and ASIC document searches including historical ASIC Form 484s
2. ASIC Company searches and ASIC personal name extract
3. ASIC Company search and ASIC document searches including historical documents lodged by insolvency professionals
4. Royal Commission website www.royalcommission.gov.au
5. ASX:FIG announcement dated 6 February 2019

6. ASIC company search
7. ABC article dated 3 October 2018 titled "Banking royal commission: Freedom Insurance shares plummet as it stops direct phone sales"

1.7.5. Highly Leveraged Shareholders Concerns

A review of publicly available information has revealed that Key Management Personnel including their Related Entities have obtained financing via their shareholding entities secured by their shares held in AU1. Whilst this is not a breach of the law or the Listing Rules, it could have a material impact on the share price should the third-party lender take enforcement action. The enforcement could lead to the third party liquidating the relevant AU1 Shares to recoup its funds.

Shareholder/Borrower	Number of Shares	% of Issued Capital	Security Held by
Matthew Lahood	24,349,790	8.14%	Macquarie Bank MCL 108 Pty Ltd (Discharged 8 December 2020) ABC Credit SPV 2 Pty Ltd
John Kolenda	24,749,544	8.28%	Kalonda Pty Ltd Macquarie
Paul Niardone	4,239,023	1.42%	Kalonda Pty Ltd
Ben Collier	27,060,515	9.05%	Macquarie
Steven Chen	24,475,530	8.19%	Macquarie
Shad Hassen	25,690,547	8.59%	Macquarie
Aura Principal Investments Pty Ltd	Unknown	Unknown	Macquarie
Aura Private Wealth Pty Ltd	Unknown	Unknown	Westpac Banking Corporation
Finsure Holdings Pty Ltd	2,175,000	0.73%	Goldfields Money Limited One Managed Investment Funds Limited
Total	132,739,949	44.40%	

Source: Nexia Report (dated 23 November 2020), PPSR searches, ASIC company searches and AU1 shareholder listing



1.7.6. Discrepancy in reporting suggests the sale of assets below market value

Despite having reported and acknowledged the market value of a key asset, the West Coast Rent Roll, the Board resolved to dispose of that asset at a value below the previously reported market value.

The AU1 Board entered into an agreement with Managex Funds Management Pty Ltd for the sale of the West Coast Rent Roll. In the investor presentation dated 4 March 2020, the West Coast Rent Roll asset had a reported value of \$4.9M being \$1.64M higher than what the asset was actually sold for and reported in the ASX Announcement on 9 September 2020. The difference between the public statements in this regard is summarised in the table below. It is unclear why such a significant reported valuation in respect of the West Coast Rent Roll existed but may be due to poor financial controls.

WA PUM		31/12/19	9/9/20	Difference
Number of properties	#	1,122	1,173	+51
Value of Rent Roll	\$m	4.9	3.26*	-1.64

*Final adjusted sale price

Source: AU1 FY20 Financial Statements and ASX Announcement Dated 9 September 2020

Notes:

Despite having 51 additional properties the rent roll was sold for \$1.64m less than the amount represented to investors in the investor presentation dated 4 March 2020.

1.7.7. Misrepresentation of financial information may be an indication of poor financial controls

Two separate ASX announcements, disclosing the Half Yearly Report and Account on 30 December 2019 and the December Quarterly 4C report on 30 January 2020, being financial reports for the same period, demonstrate a significant disparity between that which auditors of AU1 have determined and that which the Board have reported only 30 days later.

	HY EBITDA	HY Revenue	Cash Receipts	Cash & cash equivalents
30 December 2019 Half Yearly Report and Accounts	\$1.5m ¹	\$25.6m ¹	\$25.0m ²	\$3.7m ²
30 January 2020 December Quarterly 4C report (Unaudited)	in excess of A\$0.5 ⁴	\$25.2m ⁴	\$28.5m ⁴	\$5.15m ⁴
Difference	~\$1.0m	\$0.4m	(\$3.5m)	(\$1.45m)

1. "In a significant milestone, the Group reported earnings before interest tax depreciation and amortisation (EBITDA) of \$1.5 million, a significant turn-around." Section 2.1 of the Directors' Report
2. Receipts from customers – Condensed consolidated statement of cash flows
3. Cash and cash equivalents - Condensed consolidated statement of financial position
4. Under "Key Points" of the ASX Release dated 30 January 2020

Further evidence of the continued mismanagement of the financial reporting, can be ascertained upon review of the 30 June 2020 Annual Report and Accounts compared with the June quarterly 4C Report which are summarised below:

	Receipts from Customers	Net Cash from Operating	Transaction costs related to issues of equity securities or convertible debt securities	Transaction costs related to loans and borrowings
30 June 2020 Annual Report and Account	\$42.5m	\$334k	(\$397k)	-
31 July 2020 June Quarterly 4C Report	\$56.2m	(\$307k)	(\$514k)	(\$243k)
Difference	(\$13.7m)	\$641k	\$117k	\$243K

Source: AU1 FY20 Financial Statements, ASX Announcement Dated 9 September 2020 and AU1 June Quarterly 4C lodged 31 July 2020

Review of these, again illustrate a significant discrepancy between the reported figures for the same period, in a short time frame. It is unclear what the reason for these differences could be.



1.7.8. Misrepresentation of key assets may indicate poor financial controls

AU1 has reported its ownership of its Rent Roll and Mortgage Book assets across WA, NSW, Vic and Qld in numerous ASX announcements. This has included:

- as contained in an ASX announcement dated 15 February 2018, it was reported that the rent roll and mortgage book were valued at \$24m and \$4.0m respectively;
- as contained in an ASX announcement dated 19 September 2018, it was reported that the rent roll and mortgage book were valued at \$27.9m and \$4.8m respectively;
- as contained in an ASX announcement dated 30 August 2019, AU1 stated “In addition, the value of the key assets (mortgage book and rent roll) that sit off balance sheet continues to rise and is in excess of \$31 million.”;
- as contained in an ASX announcement lodged on 16 October 2019 and dated September 2019, it was reported that the rent roll and mortgage book were valued at \$23.5m and \$4.6m respectively;
- as contained in an ASX announcement dated 30 January 2020, AU1 stated that “The Company boasts significant assets, with a rent roll valued at ~\$23.5 million and mortgage book valued at ~\$4.6 million”;
- as contained in an ASX announcement dated 4 March 2020, it was reported that the rent roll and mortgage book were valued at \$24.24m and \$4.8m respectively;
- as contained in an ASX announcement dated 30 March 2020, it was reported that the rent roll and mortgage book were valued at ~\$23.50m and ~\$5.2m respectively;
- as contained in an ASX announcement dated 30 April 2020, AU1 stated that “The Agency continues to boast significant assets with a rent roll valued at ~\$23.5M and mortgage book valued at ~\$5.2M”;
- as contained in a ShareCafe “Hidden Gems” presentation dated 31 July 2020, Paul Niardone advised that the rent roll and mortgage book were valued at ~\$23m;
- as contained in an ASX announcement dated 31 August 2020, AU1 stated “There remain significant intangible assets off the balance sheet, these include the rent roll and the Mortgage Book. These assets contribute an annuity income to the

business in excess of \$10 million per annum. Total estimated market asset value of rent roll and loan book is in excess of \$27.0 million”;

- as contained in ASX Announcement dated 29 October 2020, AU1 stated that “A recent valuation conducted by leading experts in property management portfolio valuations, Jemmeson Fisher, valued The Agency’s property management portfolio at +\$23 million alone;”;
- as contained in an ASX release dated 6 November 2020 (containing a “ShareCafe Hidden Gems Webinar Investor Presentation” dated 6 November 2020), AU1 stated that the Group Total Assets were \$27m. The \$27m figure was referenced as follows “The Agency’s East Coast rent roll valued at in excess of \$23 million. Combined with mortgage book brings The Agency’s total assets to in excess of \$27 million.”

Significantly, though, these valuations have failed to account for the basis on which these valuations were ascertained.

Upon closer review of the relevant ASX announcements to date, it has become evident that the multiples used to calculate the value of the Rent Roll asset has differed dramatically between states and across time periods thereby raising concern that the latest reported valuation of \$23m as at 6 November 2020 is significantly overstated.

This can be deduced from analysis of the valuation multiples used to value the Rent Roll asset in the September 18, September 19 and March 20 Investor Presentations when compared to the actual properties under management in the same periods. The figures reported in the respective presentations are summarised below”

Summary of Properties Under Management

	September 18 Investor Presentation ¹	September 19 Investor Presentation ²	March 20 Investor Presentation ³	Nexia Report ⁴
Number of Properties				
Western Australia		940	1,122	0
New South Wales	4,175	3,355	3,437	3,457
Victoria		70	89	100
Queensland		32	30	26
Total		4,175	4,397	4,678



Annualised Management Fee				
Western Australia	7.70	1.2	1.39	0
New South Wales		5.3	5.37	5.84
Victoria		0.1	0.11	0.19
Queensland		0.04	0.05	0.04
Total	7.70	6.64	6.92	6.08
Valuation				
Western Australia	27.90	3.3	4.9	Not disclosed
New South Wales		19.6	18.8	
Victoria		0.5	0.39	
Queensland		0.1	0.18	
Total	27.90	23.50	24.27	

Sources:

1. ASX lodged Shareholder Presentation dated September 2018.
2. ASX lodged Shareholder Presentation dated September 2019. Figures are as at 30 September 2019.
3. ASX lodged Shareholder Presentation dated 4 March 2020. Figures are as at 31 December 2019.
4. Nexia Report dated 23 November 2020. Figures are as at September 2020.

Summary of Valuation Multiples

	September 18 Investor Presentation ¹	September 19 Investor Presentation ²	March 20 Investor Presentation ³	Nexia Report ⁴
Valuation Multiple				
Western Australia	3.62	2.75	3.53	Not disclosed
New South Wales		3.70	3.50	
Victoria		5.00	3.55	
Queensland		2.50	3.60	
Overall Business multiple	3.62	3.54	3.50	

Sources:

1. ASX lodged Shareholder Presentation dated September 2018.
2. ASX lodged Shareholder Presentation dated September 2019. Figures are as at 30 September 2019.
3. ASX lodged Shareholder Presentation dated 4 March 2020. Figures are as at 31 December 2019.

4. Nexia Report dated 23 November 2020. Figures are as at September 2020.

As can be seen in the above tables, the Board has used multiples that have changed significantly (e.g. from 2.75 to 3.53 in respect of the West Coast Rent Roll and 5.00 to 3.55 in respect of the Victorian Rent Roll) without any clear basis. It is Magnolia's opinion that the West Coast Rent Roll discrepancy may be linked with the Managex sale at a multiple closer to 2.75. It can be deduced from this, that either, the West Coast Rent Roll was sold at market value and the latest reported multiple used as at March 2020 is incorrect or alternatively, the latest reported multiple is correct, but the sale to Managex was at a value below market value.

Importantly and in reliance on the above shown properties under management, Magnolia estimates the actual value of the Rent Roll Asset to be in the range of \$21.28m (3.5x) to \$22.49 (3.7x) based on the latest multiples used to value the East Coast Rent Roll to date, rather than the last reported valuation of \$23m in the Investor Webinar Presentation dated 6 November 2020.

1.7.9. Incorrect disclosure of directors and substantial positions suggests poor internal controls:

A review of publicly available information and a review of the members register provided by AU1 has revealed that Key Management Personnel and a number of shareholders have not accurately reported their substantial holdings.

Person	Link to AU1	Description
Paul Niardone	Director ¹	Adam Davey, Michael Atkins and Paul Niardone were all directors and shareholder of Capulet Capital Limited formally known as Montagu Capital Limited (Name Changed 06/02/2009). Magnolia understands that on or around December 2008, Canaccord acquired the business of Montagu. Montagu is currently shown as a shareholder of AU1 even though ASIC records show this entity as currently deregistered.
Matthew Lahood	Director ²	The last substantial holder notice of 1/10/2019 of Teldar Real Estate Pty Ltd does not disclose that Mr Lahood's wife is a director and shareholder of the entity and so has a substantial holding.



Adam Davey	Director ³	See Paul Niardone above The substantial holder notice of 16/08/2019 given by Daring Investments Pty Ltd ATF Kolenda Family Trust and Daring Investments Pty Ltd does not disclose that Mr Kolenda's wife is a 50% shareholder and director of Daring Investments Pty Ltd and so has a substantial holding.
John Kolenda	Previous Director ⁴	No substantial holder notice lodged with ASX shows the relevant interest that Daring Investments Pty Ltd has in the AU1 Shares held by Aura Principal Investments Pty Ltd and Aura Private Wealth Pty Ltd. Those relevant interests arise because those two shareholders are controlled by Aura Group Holdings Pte Ltd, and Daring Investments Pty Limited holds 24.34% of the shares in Aura Group Holdings Pte Ltd.
Michael Atkins	Advisor to the ⁵ company via Canaccord	Michael Atkins and Susan Atkins are equal shareholders of Windamurah Pty Ltd. Its directors are Michael Atkins, Susan Atkins, Matthew Atkins and Emily Salom (formally Emily Atkins). Windamurah is a shareholder of AU1 Emily Salom is currently a director of OMG Pty Ltd which is currently a shareholder of AU1. Michael Atkins is also a previous director AU1 having been a director from 22/03/2006 to 25/08/2007
Fan Cheung	Substantial Shareholder ⁶	Fan Cheung has not lodged an updated substantial shareholder notice since 11/01/19. Fan Cheung is not the shareholder of Hanzheng KSW Pty. Ltd, Wai Ying Wong is. Wai Ying Wong is also a director of Hanzheng.
Anthony Leibowitz ⁷		Anthony Leibowitz via Kalonda Pty Ltd <Leibowitz Super Fund A/C> is a 2.13% shareholder of AU1. Kalonda has also provided a \$750k loan to AU1 and has security over Paul Niardone's and John Kolenda's shares in AU1.

Source: ASX Substantial shareholder notices as detailed in Section 2.2 below.

1. ASIC Directors searches, AU1 Shareholder register dated 17 December 2020, ASIC Document Search and Australian Financial Review article dated 6 February 2009 titled "Brunei acquires a slice of Patersons"
2. Company search of Teldar Real Estate Pty Ltd
3. ASIC Directors searches and ASIC Document Search

4. ASIC Directors searches, ASIC Document Search and ASIC personal name searches
5. ASIC Directors searches, ASIC Document Search and ASIC personal name searches
6. ASIC Company searches
7. ASIC Directors searches, ASIC Document Search and ASIC personal name searches. AU1 FY20 Financial Statements

1.7.10. Poor strategic management and related party advisors leading to uncommercial debt facilities

On 11 May 2020 via an ASX announcement the Board announced "To assist in corporate advisory, and to identify and evaluate available opportunities in relation to refinancing the current primary bank debt facilities, The Agency has mandated Canaccord Genuity (Australia) Limited. Canaccord Genuity is a global investment bank and one of Australia's premium financial services firms with over \$15bn in funds under management." On review of Canaccord's website (<https://www.psl.com.au/>) it is unclear if the funds under management as Canaccord directly or third party money that they manage on behalf of clients. The website is also unclear on Canaccord's experience with fixed income transactions.

On 15 May 2020 via an ASX announcement the Board announced that it had secured a \$1m standby working capital facility from Peters Investments Pty Ltd. Peters was introduced to AU1 by its recently appointed mandated corporate advisor Canaccord Genuity (Australia) Limited. The key terms of the convertible note were:

Interest rate:	9%
Security:	Second security ranking behind Macquarie Bank
Free attaching Options:	Two (2) million Options exercisable at the lower of 4 cents and a 20% discount to 15 day volume-weighted average trading price of shares ("VWAP") prior to the date of issue of the Options, on or before 2 years from date of issue.
Term of Converting Loan:	Unless converted to shares (as below) the Notes will be repaid in cash on the earlier of 31 December 2020 or when all amounts owing by the Company to Macquarie Bank have been repaid ("Maturity Date").
Conversion:	At the Noteholders election the Notes can be converted into shares in The Agency at the lower of \$0.04 per share and a 20% discount to the 15 day VWAP prior to the conversion date, up until the Maturity Date.



Other Conditions:	The Noteholder will have the first right of refusal to replace the Macquarie Bank loan on commercial terms and conditions to be reasonably agreed between the Noteholder and The Agency.
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Source: ASX announcement 15 May 2020

The Board's decision to provide Peters Investment with the first right of refusal to replace the Macquarie Facility on an exclusive basis is undermined by the fact that based on publicly available materials it appears that Peters has provided a number of convertible note facilities, but has not provided any fixed income transactions. It was unclear from the announcement if the further facility to be provide by Peters Investment was in the form of a convertible note or fixed income transaction.

On 29 October 2020, via an ASX announcement (*in italics set out below*) the Board advised shareholders that:

- *Peters Investments had agreed to provide a further \$5m convertible note to AU1 increasing their position from \$1m to \$6m;*
- The Macquarie Facility was not being replaced by Peters, it was simply being reduced using a combination of capital from the sale of the West Coast Rent Roll and some of the funds from the Peters Investment notes;
- *That Managex Funds Management Pty Ltd had secured a facility from Judo Bank to acquire the WA rent roll.* The announcement is unclear on why the Board did not approach Judo Bank to fund AU1. The announcement is also not clear if a formal asset sale campaign was conducted to allow AU1 to achieve the highest possible price; and
- the terms of Peters Investment's previous \$1m convertible note facility had changed substantially including the reduction in the conversion price from \$0.04 per share to \$0.027 per share. This represents a discount of 48.1%.

The 29 October 2020 announcement did not disclose any involvement from Canaccord therefore it is unclear if they will be receiving a fee for the further facility arranged from Peters Investment.

On 23 November AU1 annexed an independent expert's report from Nexia, which included information relating to amendments to terms of the May 2020 Options. The

report again did not disclose any involvement from Canaccord therefore it is unclear if they will be receiving a fee for the further facility arranged from Peters Investment.

1.7.11. High salaries of Key Management Personnel and Directors despite financial condition

Despite the difficulties AU1 was facing in connection with existing loan obligations and the negative cash flow it reported until 31 Dec 2019, the Board resolved to pay annual compensation for to Directors/KMP as disclosed in its FY20 Financial Statements. The Estimated annual estimated compensation for FY21 is:

Director / Key Management Personnel	Salary	Directors Fees	Superannuation	Additional Payments	Total
Andrew Jensen	319,635	60,000	36,065		415,700
Paul Niardone	390,000		37,050		427,050
Matthew Lahood	500,000	36,000	50,920	22,000 ¹	608,920
Adam Davey		48,000	4,560		52,560
Total	1,209,635	144,000	128,595	22,000	1,504,230

Source FY20 Financial Statements

Notes:

1. Matthew Lahood also receives a car payment of \$22,000 in addition to his salary

1.7.12. Potential Litigation Risk

Magnolia is investigating a number of claims against AU1, its directors and agents. These claims concern (non-exhaustively):

- (A) various representations which were made by AU1 and or its agents, and on which Magnolia relied, in acquiring shares in AU1 and which Magnolia considers were misleading and deceptive. These representations primarily concern the status of Macquarie Facility;
- (B) AU1's entry into various financing mandates at uncommercial rates, and in circumstances where more economic and viable alternatives existed;



- (C) entry by AU1 into the convertible notes agreement with Peters, in circumstances where there were alternative, less dilutive, financing options available to AU1; and
- (D) the sale of the WA rent roll below the stated market value by the Company.

These claims are being actively investigated by Magnolia, but nevertheless Magnolia expects that these claims could result in significant liabilities of AU1 (being several million Australian dollars). Magnolia has not computed the quantum of these liabilities.

Magnolia further understands that one of its related entities has a claim against AU1 for unpaid fees under a financing term sheet. This claim is likely result in liabilities to AU1 of around \$354,471.99 (as at 25 Nov 2020) excluding interest and costs which continue to accrue. This excludes any further fees payable under the mandate due to breach of exclusivity.



2 INFORMATION ON AU1 SECURITIES

2.1 Issued securities

There are 298,954,431 **AU1 Shares** at the date of this Bidder's Statement. The Australian Stock Exchange ticker is AU1:

Range	No. of holders	Shares	% Total
1 – 1,000	221	36,127	0.01%
1,001 – 5,000	124	347,216	0.12%
5,001 – 10,000	107	790,246	0.26%
10,001 – 100,000	332	12,435,669	4.16%
100,001 and over	137	285,345,173	95.45%
Total	921	298,954,431	100.00%

Source: Nexia Report (dated 23 November 2020)

AU1 has 11,162,892 unlisted options on issue at the date of this Bidder's Statement.

Optionholder	Exercise Price	Expiry Date	Optionholding
Mr Adam Stuart Davey <Shenton Park Investment A/C>	\$0.30	11-Jan-22	333,333
Peters Investments Pty Ltd	\$0.03	25-May-22	2,000,000
Peters Investments Pty Ltd	\$0.03	31-Mar-23	8,829,559
Total unlisted options			11,162,892

Source: AU1 FY20 Annual report and recent ASX Announcements

AU1 has 5 incentive performance shareholders at the date of this Bidder's Statement.

Incentive Performance Share Holder	Holding
Adam Davey (current director)	1
Paul Niardone (current director)	1
John Kolenda (previous director)	1
Philip Re (previous director)	1
Ross Cotton (previous director)	1
Total incentive performance shares	5

Source: AU1 FY20 Annual report

AU1 has 0 listed options on issue at the date of this Bidder's Statement.



AU1 Directors' Relevant Interests and Voting Power in AU1 Securities

Director / Key Management Personnel	Ordinary Shares	Performance Shares	Options	% of Company
Andrew Jensen	1,903,492			0.64%
Paul Niardone	4,239,023	411,111	99,142	1.42%
Matthew Lahood	24,804,398		9,622,044	8.30%
Adam Davey	1,064,307	266,667	388,095	0.36%
Total	32,011,220	677,778	10,109,281	10.71%

Source: AU1's 30 June 2020 audited financial statements.

2.2 Substantial shareholders of AU1

Based on material lodged with the ASX as at the date of this Bidder's Statement pursuant to section 671B of the Corporations Act and information otherwise known to Magnolia, each of the following persons have a substantial shareholding in AU1 Shares:

Shareholder	Shareholding	% Total
Magnolia Equities III Pty Ltd (A)	49,763,017	16.65%
Ben Collier Investments Pty Ltd <Ben Collier Investments P/L> (B)	27,060,515	9.05%
MAK Property Group Pty Ltd <MAK A/C> I	25,690,547	8.59%
SEMC 2 Pty Limited <The Chen Asset A/C> (D)	24,475,530	8.19%
Teldar Real Estate Pty Ltd <MJ Lahood Family A/I(E)	24,349,790	8.14%
Hanzheng KSW Pty Ltd <Hanzheng KSW Unit A/C> (F)	16,666,667	5.57%
Daring Investments Pty Ltd (G)	13,770,150	4.61%
Daring Investments Pty Ltd <Kolenda Family A/C> (G)	10,979,394	3.67%
Honan Insurance Group Pty Ltd (H)	7,692,308	2.57%
Nutsville Pty Ltd <Indust Electric Co S/F A/C> (I)	6,763,230	2.26%
Top ten shareholders	207,211,148	69.30%
Other	91,743,283	30.70%
Total shares	298,954,431	100.00%

Source: AU1's share registry as of 5 November 2020. Nexia Report (dated 23 November 2020)

Notes:

- (A) Based on the substantial holder notices lodged by Mitchell Atkins dated 17 December 2020 (updated to reflect current Relevant Interest and Voting Power).
- (B) Based on the substantial holder notices lodged by Ben Collier dated 8 October 2019 (updated to reflect current Relevant Interest and Voting Power).
- (C) Based on the substantial holder notices lodged by Shad Hassen dated 4 October 2019 (updated to reflect current Relevant Interest and Voting Power).
- (D) Based on the substantial holder notices lodged by Steven Adam Chen dated 4 October 2019 (updated to reflect current Relevant Interest and Voting Power).
- (E) Based on the substantial holder notices lodged by Matt Lahood dated 8 October 2019 (updated to reflect current Relevant Interest and Voting Power).
- (F) Based on the substantial holder notices lodged by Fan Cheung dated 29 January 2019 (updated to reflect current Relevant Interest and Voting Power).
- (G) Based on the substantial holder notices lodged by John Kolenda dated 8 October 2019 (updated to reflect current Relevant Interest and Voting Power).
- (H) Based on the substantial holder notices lodged by Laurence Basell dated 9 August 2019 (updated to reflect current Relevant Interest and Voting Power).
- (I) Based on the Nexia Report dated 23 November 2020] (updated to reflect current Relevant Interest and Voting Power).

Movements of less than 1% in Voting Power are not required to be disclosed to ASX via an updated substantial shareholding notice and accordingly, there may be variances between the Relevant Interests and Voting Powers recorded in the table above and the most recent substantial shareholding notices lodged on ASX. Current Relevant Interests and Voting Powers have been disclosed (where applicable).

2.3 Takeovers Panel Applications

There are two current Takeovers Panel proceedings concerning the affairs of AU1. These are:

- application from AU1 concerning Magnolia's announcement of 4 December 2020 and its financial capacity to carry out the Bid (Takeovers Panel Media Release of 9 December 2020); and
- application from Magnolia concerning issues with the Nexia Report, and



operation of the voting exclusions application to resolution 6 approving the Peters Proposal for the purposes of section 611 item 7 of the *Corporations Act 2001* (Takeovers Panel Media Release of 17 December 2020).

The Takeovers Panel made interim orders (Takeovers Panel Media Release of 22 December 2020) as a result of which Nexia responded to certain issues concerning the Nexia Report which were appended to the interim orders (AU1 ASX Announcement dated 29 December 2020) (**Nexia Response**). Magnolia has reviewed the Nexia Response and does not consider that it sufficiently addresses the issues raised in the Annexure to the interim orders. Accordingly, it appears that these Panel proceedings will continue after the date of this Bidder's Statement and notwithstanding the outcome of voting on the Peters Proposal at the AU1 AGM (currently scheduled to be held on 4 January 2021).

As at the date of this Bidder's Statement, the Takeovers Panel has not announced its decisions in respect of these applications.

Magnolia will lodge a Supplementary Bidder's Statement to provide an update on the outcomes of these proceedings as announced by the Takeovers Panel (if necessary).

2.4 Relevant interest in AU1 securities and voting power

As at the date of this Bidder's Statement:

- Magnolia has a Relevant Interest in AU1 Shares and Voting Power in AU1 as detailed in Section 5.3.
- None of the Directors or Officers of Magnolia have a Relevant Interest in AU1 Shares or AU1 Rights, except as detailed in Section 5.4.

2.5 Consideration provided for AU1 securities during the previous four months

Neither Magnolia (nor any of its associates) has acquired AU1 Shares during four months ending on the day immediately before the date of this Bidder's Statement.

2.6 AU1 Share price history

A summary table of rolling data on the trading volumes and values of AU1 Shares on ASX (as of 31 December 2020) is as follows:

Periods	High (cents)	Low (cents)	Volume	Value (\$)	Date High	Date Low
Week Rolling	5.10	5.10	3,200	\$163	29-Dec-20	29-Dec-20
Month Rolling	5.40	4.90	1,248,503	\$62,561	3-Dec-20	23-Dec-20
6 Month Rolling	5.80	2.80	8,670,103	\$335,485	30-Nov-20	31-Aug-20
Year Rolling	6.10	2.80	14,096,733	\$589,831	15-Jan-20	31-Aug-20

Source: Refinitiv Eikon market data

A summary of the last sale price of AU1 Shares prior to the Announcement Date and the date of this Bidder's Statement is as follows:

Last sale price of AU1 Shares	Date	Closing Price (cents)
Prior to Announcement Date	3 December 2020	5.00
Prior to date of Bidder's Statement	31 December 2020	5.10

Source: Refinitiv Eikon market data

A summary of the highest and lowest price of AU1 Shares during the 4 months prior to the Announcement Date and the date of this Bidder's Statement is as follows:



Highest and lowest closing AU1 Share prices during the 4 months:	Lowest Price		Highest Price	
	Date	Cents	Date	Cents
Prior to Announcement Date	31-Aug-20	2.80	01-Dec-20	5.60
Prior to date of Bidder's Statement	31-Aug-20	2.80	01-Dec-20	5.60

Source: Refinitiv Eikon market data

A summary of various periods' VWAP of AU1 Shares is as follows:

Period ending 31 December 2020	Lowest Price (cents)	Highest Price (cents)	Volume	Value (\$)	VWAP (cents)	No. of Trades
1 month	4.90	5.10	1,248,503	\$62,561	5.02	43
2 months	3.50	5.60	2,916,040	\$141,590	4.78	116
3 months	3.50	5.60	3,136,040	\$150,519	4.72	123
4 months	3.30	5.60	4,397,524	\$194,773	4.49	146
6 months	2.80	5.60	8,670,103	\$335,485	4.10	246
9 months	2.80	5.60	10,917,809	\$426,021	4.08	341
12 months	2.80	6.10	14,096,733	\$589,831	4.33	446

Source: Refinitiv Eikon market data

A monthly shareholding summary of top 23 shareholders is as follows:

#	Investor Name	Shareholding Position (AU1 Shares in millions)												
		24-Dec-20	30-Nov-20	31-Oct-20	30-Sep-20	31-Aug-20	31-Jul-20	30-Jun-20	31-May-20	30-Apr-20	31-Mar-20	29-Feb-20	31-Jan-20	31-Dec-19
1	Magnolia Equities III Pty. Ltd.	49.76	49.76	49.76	49.76	10.70	10.70	10.70	10.70	10.70	10.70	10.70	10.70	10.70
2	Ben Collier Investment Pty. Ltd.	27.06	27.06	27.06	27.06	27.06	27.06	27.06	27.06	27.06	27.06	27.06	27.06	27.06
3	Mak Property Group Pty. Ltd.	25.69	25.69	25.69	25.69	25.69	25.69	25.69	25.69	25.69	25.69	25.69	25.69	25.69
4	Semc2 Pty. Ltd.	25.60	25.60	25.60	25.60	25.60	25.60	25.60	25.60	25.60	25.60	25.60	25.60	25.60
5	Daring Investments Pty. Ltd.	24.75	24.75	24.75	24.75	24.75	24.75	24.75	24.75	24.75	24.75	24.75	24.75	24.75
6	Teldar Real Estate Pty. Ltd.	24.68	24.68	24.68	24.68	24.35	24.35	24.35	24.35	24.35	24.35	24.35	24.35	24.35
7	Hanzheng Ksw Pty. Ltd.	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67	16.67
8	Honan Insurance Group Pty. Ltd.	7.69	7.69	7.69	7.69	7.69	7.69	7.69	7.69	7.69	7.69	7.69	7.69	7.69
9	Nutsville Pty. Ltd.	6.76	6.76	6.76	6.76									
10	Kalonda Pty. Ltd.	6.36	6.36	6.36	6.36	7.69	7.69	7.69	7.69	7.69	7.69	7.69	7.69	7.69
11	Niardone (Paul)	4.24	4.24	4.24	4.24	4.24	4.24	4.24	4.24	4.24	4.24	4.24	4.24	4.24
12	Crossbay Pty. Ltd.	4.22	4.22	4.22	4.22									
13	On Time Taxis Pty. Ltd.	4.00	4.00	4.00	4.00									
14	Trindis Pty. Ltd.	3.19	3.19	3.19	3.19	1.39	1.39	1.39	1.39	1.39	1.39	1.39	1.39	1.39
15	Goodall (Andrew Ernest)	3.00	3.00	3.00	3.00									
16	Big Leap Super Pty. Ltd.	2.83	2.83	2.83	2.83									
17	Kode (Subodh Raja)	2.21	2.21	2.21	2.21									
18	Finsure Holdings Pty. Ltd.	2.18	2.18	2.18	2.18	2.28	2.28	2.28	2.28	2.28	2.28	2.28	2.28	2.28
19	Appwam Pty. Ltd.	2.00	2.00	2.00	2.00									
20	Furore Pty. Ltd.	1.96	1.96	1.96	1.96									
21	Jensen (Andrew Paul)	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90
22	Davey (Adam)	1.06	1.06	1.06	1.06	1.06	1.06	1.06	1.06	1.06	1.06	1.06	1.06	1.06
23	Lahood (Matthew)	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.36	0.36	0.36

Source: Refinitiv Eikon market data

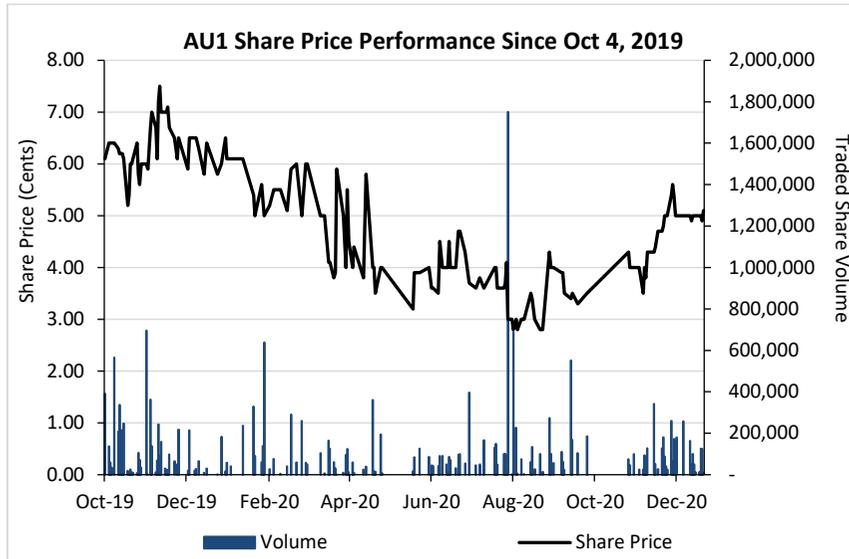
Notes

Kalonda Pty Ltd and Finsure Holdings Pty Ltd, the long standing major shareholders of AU1 partly exited their holdings in between August 2020 and September 2020, which had an impact on overall shareholder sentiments

The sale of shares by key shareholders and funders of AU1 is a sign that they may have lost confidence in AU1 and its management



2.7 AU1 share price performance since October 4, 2019

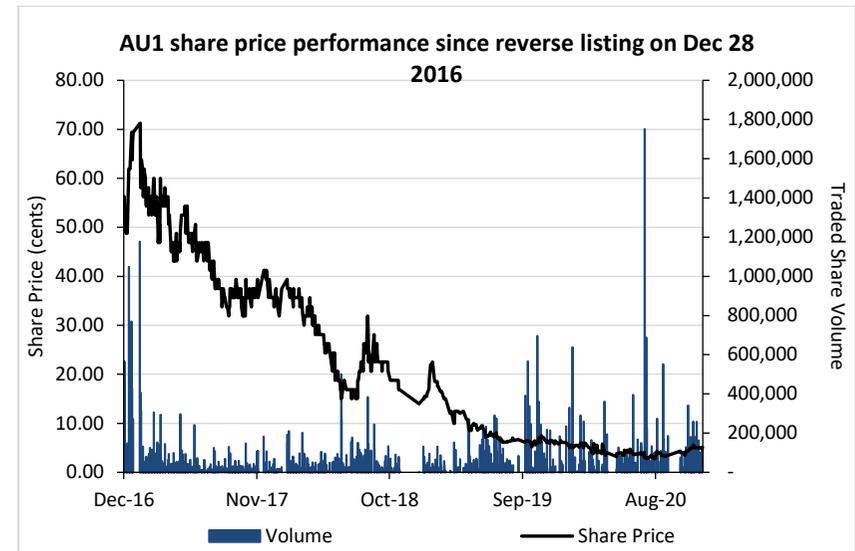


Source: Refinitiv Eikon; market data as of 24 December 2020

Notes:

- For the period between 4 October 2019 to 30 September 2020 (the period analysed by Nexia, see section 5.8 of the Reports), Magnolia traded 4,743,855 AU1 shares, which represents circa 29% of all AU1 trades during that period
- Magnolia traded over 1.59% of AU1's issued capital (298,954,431 shares) which shows that AU1 shares were illiquid during the 12-month period ending on 30 September 2020.
- Additionally, the largest single volume day was 31 July 2020, wherein 1,751,749 AU1 shares were traded and Magnolia's traded volume (1,397,618) was 79.8% on this day

2.8 AU1 share price performance since reverse listing on December 28, 2019



Source: Refinitiv Eikon; market data as of 24 December 2020

Notes:

- Since reverse listing of AU1 on 28 Dec 2016, the share price has continued to decline

As permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, ASX securities trading price and volume data within this Bidder's Statement has been sourced from Refinitiv Eikon without its consent.



3 MAGNOLIA'S INTENTIONS

3.1 Overview

This section sets out Magnolia's intentions, on the basis of the facts and information concerning AU1 known to Magnolia as at the date of this Bidder's Statement, in relation to the following:

- the continuation of the business of AU1;
- any major changes to the business of AU1 and any redeployment of the fixed assets of AU1; and
- the future employment of the present employees of AU1.

These intentions have been formed by the Sole Director of Magnolia. Magnolia and its advisers have reviewed information concerning AU1 and its businesses and assets that is publicly available. Despite repeated requests to AU1 for access to allow this, Magnolia has not undertaken any formal due diligence in relation to AU1's business in connection with the Offer.

In light of the above information limitations, Magnolia is not aware of all material information, facts and circumstances that may be necessary to enable it to form complete or definitive intentions or to assess all of the operational, commercial, taxation and financial implications of its current intentions. Consequently, the statements set out in this section are statements of Magnolia's current intention only, which may change as new information becomes available or circumstances change, including from the information provided by AU1 in its Target's Statement. The statements in this section should be read in this context.

Magnolia's intentions generally are to privatise AU1 to preserve its value and to allow for it to continue to operate into the future. It intends to achieve this by:

- (a) Immediately engaging a suitable accounting/advisory firm (e.g. BDO, Deloitte, McGrathNicol etc) to conduct an independent review of the business and its operations (discussed further in Section 3.2). Magnolia has had preliminary discussions with the parties;
- (b) taking steps to remove AU1 from the official list of the ASX; and

- (c) refinancing the Macquarie Bank Facility on terms no less favourable to AU1. Please refer to Sections 4.3 and 4.5 – the funds for which commitments have been received by Magnolia referred to in those sections will be available for this purpose.

Magnolia notes that any AU1 Directors nominated by Magnolia will act at all times in accordance with their statutory and fiduciary duties and in the interests of AU1 and its Shareholders as a whole.

3.2 Intentions upon acquiring 90% or more of the AU1 Shares

Magnolia's intentions if at the end of the Offer Magnolia has a Relevant Interest in more than 90% of AU1's Shares and is entitled to proceed to compulsory acquisition of the outstanding AU1 Shares are set out below.

Compulsory acquisition

If it becomes entitled to do so under the Corporations Act, Magnolia intends to exercise its rights to proceed to compulsory acquisition of AU1 Shares in accordance with Section 661A of the Corporations Act.

If it is required to do so under Sections 662A and 663A of the Corporations Act, Magnolia will give notice to AU1 Shareholders and holders of AU1 Rights offering to acquire their AU1 Shares and AU1 Rights in accordance with Sections 662B and 663B of the Corporations Act, respectively.

ASX Listing

At the conclusion of the compulsory acquisition process, Magnolia intends to arrange for AU1 to be removed from the official list of ASX.

Directors

Magnolia intends to deal with Key Management Personnel as follows:



Director / Key Management Personnel	Position
Andrew Jensen	Terminate
Paul Niardone	Terminate
Matthew Lahood	Continue employment
Adam Davey	Terminate
Arjan van Ameyde	Continue employment
Stuart Usher	Terminate

The replacement directors would include Mr Atkins (details of which are set out in Section 5). If accepted, Matthew Lahood and Arjan van Ameyde (together, **Key Persons**) will continue in their current role.

AU1's businesses, assets and employees

Once the condition has been met, Magnolia will immediately engage an accounting/advisory firm to conduct an independent expert report on the business operations of AU1. The accounting/advisory firm will review several aspects of AU1 and its operations, assets, liabilities and employees, with a view to determining the extent to which and how Magnolia's general intentions set out in Section 3.1 might be achieved. This review will include:

1. review of the historical affairs of AU1;
2. the conducting of an independent valuation of the assets of AU1 including but not limited to the property management portfolio and mortgage book;
3. review of all related party transactions and agreements and advise on which of these should be terminated;
4. consideration of ways that corporate and administration expenses of AU1 might be reduced;
5. review of the contents of the BDO Report;
6. developing ways to reduce the other expenses, and increase the revenue, of the AU1 business to seek to achieve improved performance as soon as possible and profitability within a reasonable period – this will encompass a review of the following matters and the underlying strategy and objectives related thereto:

- a. consideration of existing advisory mandates including but not limited to Canaccord and Aura Capital;
 - b. advising on steps to privatise the business and operations;
 - c. advising on dealing with all outstanding taxation and employee liabilities;
 - d. reviewing all existing material agreements;
7. identifying any other strategic and operational matters that may enhance commercial returns including the possibility of disposing of the AU1 business;
 8. reviewing the performance and roles of all AU1 employees; and
 9. identifying other investment opportunities (including the acquisition of additional property management portfolios) which may provide commercial returns and profitability from the assets of AU1 including its cash reserves.

Magnolia anticipates that final decisions will only be reached by the AU1 Board after that formal review and in light of all material facts and circumstances. Following this, Magnolia will encourage the AU1 Board to adopt a plan to implement, as quickly as possible, the steps which the review indicates should be taken to achieve the intentions set out in Section 3.2.

While Magnolia does not currently have any specific intentions in relation to this review or its outcomes, its current expectation is that the review will focus on identifying the most effective means of enhancing the value of AU1's assets and utilising AU1's assets to maximise the returns to AU1 Shareholders. As a consequence, the strategic direction of AU1 may remain or may shift away from the sector in which it currently operates, and may involve capital returns, dividends or buy-backs to return a portion of the cash reserves to AU1 Shareholders.

For the avoidance of doubt, the business will continue as a going concern while the above is being undertaken.



3.3 Intentions upon acquiring less than 90% of the AU1 Shares

Magnolia's specific intentions if at the end of the Offer AU1 is a controlled entity of Magnolia but AU1 is not a wholly owned subsidiary of Magnolia (which will only occur where Magnolia has acquired a Relevant Interest in more than 90% of AU1's Shares and has completed the compulsory acquisition process to gain an interest in 100% of AU1 Shares) are set out below.

Directors

Magnolia will make the changes in the same way as is described in Section 3.2.

AU1's businesses, assets and employees

Magnolia will make the changes in the same way as is described in Section 3.2, bearing in mind the interests of other shareholders and the constraints and requirements of directors' duties, the Corporations Act and the Listing Rules.

ASX Listing

Magnolia will maintain the current listing of AU1 on the ASX until a delisting is approved by the ASX and shareholders (if required by ASX).

3.4 Limitations on intentions

Magnolia will comply with all requirements of law, including the AU1 Constitution, the Corporations Act and the Listing Rules in pursuing the intentions referred to above. As a result of these requirements the approval of AU1 Shareholders as well as approvals from regulators or third parties may be required for the implementation of some or all of these intentions.



4 CONSIDERATION AND FUNDING

4.1 Consideration payable

The issued capital of AU1 consists of 298,954,431 fully paid ordinary shares of which Magnolia holds 49,763,017 (representing 16.65% of the AU1 Shares). Magnolia is accordingly offering to acquire the remaining 249,191,414 AU1 Shares.

The total amount of the Consideration which Magnolia will be required to provide if all the Offers are accepted is \$9,967,656.56.

Having regard to the matters set out in this section, Magnolia is of the opinion that it has a reasonable basis for forming, and it holds, the view that it will be able to pay the maximum Consideration payable under the Offer.

4.2 Form of Consideration payable

The Consideration will be paid in cash. The amount payable to each Accepting AU1 Shareholder will be rounded to the nearest cent.

4.3 Funding of Cash Consideration

Magnolia has access to \$10,000,000 in cash to pay the Consideration from the following sources:

Its Controllers:

- Mr Atkins has \$7.5 million standing to the credit of a bank account with a major Australian ADI which he has undertaken to make available to Magnolia by way of interest-free loan or capital subscription to meet Magnolia's obligations under the Bid;
- Mr Atkins has \$3.5m in liquid listed equities (excluding AU1 Shares) which can be readily sold to fund the Bid in the event that it is required; and
- The Controllers have agreed with Magnolia to support it to perform its obligations under the Bid. Their net asset position (which has been verified by a qualified accountant) includes:

- net assets (including the repayment to it by the Magnolia Group of liabilities owed by the Magnolia Group to them but excluding the value of their equity investments in the Magnolia Group) of no less than A\$20 million.

Its Investors:

- Magnolia has also obtained not less than \$18 million in commitments from various wholesale investors known to Magnolia. One of the commitments, is subject to final board approval (ASX listed company), will be triggered in the event that the Offer is accepted and becomes unconditional.

Magnolia Group:

The Magnolia Group has undertaken to make available to Magnolia by way of an interest-free loan or capital subscription to meet Magnolia's obligations under the Bid.

The Magnolia Group:

- has \$5 million standing to the credit of a bank account with a major Australian ADI;
- has gross assets of approximately \$373 million as at 31 December 2020 comprising cash, listed and unlisted investments, investments in managed funds and loan receivable assets;
- net assets as at 31 December 2020 are \$40 million, which has been verified by a qualified accountant;
- has investments in listed securities (excluding AU1 Shares), managed funds, and loan receivables that are due to be repaid in the next two months – these are liquid assets that are realisable into cash to supplement existing cash reserves; and
- has undrawn facilities with major Australian ADIs (including a \$5m debt facility with BT Financial) and investors which are available to it on demand and for which there are no unsatisfied conditions precedent to drawdown.

If the Offer is unconditional, Magnolia and its Controllers have agreed immediately to deposit any required funding into a bank account in the name of the Bidder.



4.4 AU1's Existing Debt Funders

Magnolia has spoken with a number of senior funders that have existing agreements in place with AU1, as outlined below:

Funder	Status
Macquarie	In AU1's ASX announcement dated 29 October 2020 and the Nexia Report dated 23 November 2020, AU1 advised that Macquarie is willing to extend the Macquarie Facility for a further 24 months if the debt under that facility is reduced to \$5m. Magnolia's lawyers have written to the lawyers for Macquarie to discuss Macquarie's interest in continuing to be a funder of AU1 after the Bid. Macquarie's lawyers who have requested consent from the AU1 Board to discuss future funding negotiations with Magnolia. As at the date of the Offer, the AU1 Board has not consented.
Kalonda Pty Ltd	On 30 December 2020, Magnolia's legal advisors wrote to Kalonda requesting clarification on its position and if it would be interested in assigning the debt or would be interested in continuing its funding. On 31 December 2020, Kalonda responded asking that Magnolia contacts it directly. As at the date of this Offer, Magnolia and Kalonda have not agreed terms or a position.
SME Cash (Funded by Nomura)	On 15 December 2020, the CEO of this entity advised Magnolia that it had offered a debt facility to AU1 and continued to have great faith in the ability of their facility to assist AU1 to exit its existing and proposed debt arrangement. The CEO of this entity has indicated to Magnolia that it would continue negotiations in this respect once the Bid goes unconditional or should AU1 provide its consent. As at the date of the Offer, AU1 has not provided its consent. Magnolia discussed the SME Cash offer with an AU1 director in October this year.
Peters Investments Pty Ltd	Magnolia has written to Peters asking if it would assign the rights under its existing facility with AU1 to Magnolia and if Peters would consent to the Bid should the Peters Proposal be approved at the AGM. Peters is not prepared to consent to assigning its rights under its existing facility nor would it consent to the Magnolia Proposal.

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4.5 Funding of Macquarie Facility Replacement

Despite repeated requests to AU1 for access to allow Magnolia and its funders to undertake formal due diligence in relation to AU1's business in connection with the Offer, the access needed for such due diligence has not been provided. Accordingly, alternative funding options for the Macquarie Facility have been limited. Once this access has been provided, Magnolia considers that additional funders will respond positively to proposals to refinance the Macquarie Facility. Despite this, Magnolia has spoken with a number of alternative senior funders as outlined below:

Funder	Funder Description	Status
Samuel Terry Asset Management (STAM)	STAM manages the Samuel Terry Absolute Return Fund, which invests in a portfolio of equity and debt securities in Australia and internationally. Its objective is to generate double-digit annual returns for our clients, while trying to minimise the risk of permanent loss of their capital. Magnolia was introduced to STAM by one of the directors of AU1.	Conditionally approved awaiting payment of the commitment fee.
SME Cash (Funded by Nomura Holdings)	Has at least A\$100 million of assets under management and is supported by Nomura.	Has provided a commitment to Magnolia to fund no less than \$8 million. Mr Atkins has had conversations with this Funder's CEO in this regard, including most recently on 9 December 2020. Following this conversation, Mr Atkins has been in daily communication with the account manager under the CEO's supervision to negotiate terms. Subject to the



		termination of any existing mandates (to the extent these exist), Magnolia proposes to continue with negotiations with this funder who has already expressed interest in the unique funding opportunity.
Macquarie	See Section 4.4 above	
Large asset manager	One of the world's largest asset managers	The funder was introduced to a director of AU1 in July 2020 to finalise discussions. The Funder is open to reengaging in discussions once a data room can be provided by AU1.
Institutional Asset Manager	Is an institutional asset manager that provides creative solutions for those seeking capital in special situations. The firm employs 50+ people globally, where the investment leadership team has an average of 20+ years of experience. Since inception in 2015, the funder has deployed over \$2 billion into investments that typically range from \$5 to \$50 million.	Magnolia has been in discussions with the funder regarding a convertible bond financing facility.
Funder backed by Softbank	Working capital financier that in 2019, extended \$143bn of financing to 10m-plus customers and suppliers in more than 175 countries.	Magnolia has had historical discussions with the funder and their credit committee has reviewed the transaction that indicated that a facility can be made available subject to a review of the property management agreements. This was conveyed to the AU1 Board and its legal advisors earlier this year.

advanced in two tranches. The offered facility was for a term of 2 years subject to annual review and standard conditions to be expected of a such a facility. AU1 as borrower and its 28 subsidiaries as corporate guarantors (**Obligors**), executed the Letter of Offer.

Under the Letter of Offer the Obligors provided information undertakings to assist the lender in completing its due diligence process. The Obligors failed to comply with this undertaking despite numerous requests for information. Magnolia has been in communication with AU1's solicitors in relation to this offer.

Should the above debt facilities not be made available to Magnolia and given AU1's low net debt position of \$3.9m (as advised in the Nexia Report), Magnolia clearly has the ability to repay the Macquarie Facility in cash.

4.6 Magnolia Facility

By Letter of Offer dated 30 January 2020, Magnolia Private Capital Pty Ltd (a related entity of Magnolia) made available to AU1, a facility of up to \$15,000,000 to be



5 PROFILE OF MAGNOLIA

5.1 Overview of Magnolia

Founded in 2015, the Magnolia Group provides a premium range of fixed income, equities and advisory products and services to High Net Worth and Family Office Wholesale Clients. It does so as a result of its extensive referral network, access to a strong deal flow and the industry experience of its staff. The Magnolia Group is an Asia-Pacific focussed financial services business, operating primarily through its 5 offices located in Sydney, Central Coast (NSW), Melbourne, Hong Kong and Singapore.

Division	Description
Fixed Income	<ul style="list-style-type: none"> Launched in 2015 Over A\$1.5 billion invested 300+ transactions 11%+ returns generated Always lender on record
Listed Equities	<ul style="list-style-type: none"> ~\$43 million turnover 149%¹ growth in Consolidated Equities NAV since inception <ul style="list-style-type: none"> 161%+ in large-cap equities 79%+ in small-cap equities ~\$5 million invested by MC (including profit reinvestment)
Advisory	<ul style="list-style-type: none"> Over 200 clients serviced Services include <ul style="list-style-type: none"> Business advisory Business compliance and taxation Self-managed super funds Valuations, mergers & acquisitions
Real Estate	<ul style="list-style-type: none"> Over \$550m invested \$1b+ advised 60+ active properties

1. Listed Equities returns are the consolidated pre-tax returns (before any fees) of parties related to the Magnolia Capital since inception on 31 March 2020 and as of 30 November 2020.

Magnolia is the entity in the Magnolia Group that holds the Magnolia Group's equity interest in AU1.

5.2 Ownership of Magnolia

Magnolia is 100% owned by the Controllers through a family trust.

5.3 Magnolia's Relevant Interest and Voting Power in AU1

As at the date of this Bidder's Statement, Magnolia has a Relevant Interest in AU1 Shares and Voting Power in AU1, as follows:

Holder of AU1 Shares	Magnolia Relevant Interests	Magnolia Voting Power
Magnolia Equities III Pty Ltd	49,763,017	16.65%
Total	49,763,017	16.65%

Source: Nexia Report (dated 23 November 2020)

5.4 Magnolia's Officers and their interests in AU1

As at the date of this Bidder's Statement, the Sole Director and Sole Secretary of Magnolia is Mr Atkins. His qualifications and experience can be summarised as follows:

Mitchell Atkins has over 10 years financial services experience both in Australia and internationally. He has worked with some of the world's largest professional services firms including Big-4 accounting firms and private equity firms. His financial services and product expertise covers debt, equity, mergers and acquisitions and corporate workouts. Mitchell has managed investments in, and acted as an independent director of, ASX listed and non-listed companies and provided transaction advice to a broad range of Australian SMEs. Mitchell holds a Bachelor of Business majoring in Accounting and Finance.

Mr Atkins has the same relevant interest in AU1 shares as Magnolia because he exercises control over Magnolia. He has no relevant interest in any other AU1 shares.



6 TAXATION IMPLICATIONS

6.1 No tax advice given

Acceptance of the Offer may have taxation implications. You should seek professional advice regarding the taxation implications of accepting the Offer.

Magnolia and its advisors do not accept any liability or responsibility for any taxation implications arising from the acceptance of the Offer by Australian resident and non-resident AU1 Shareholders or for the summary below.

This summary is of a general nature and is not intended to address the circumstances of any particular individual or entity.

The summary is not exhaustive of all possible Australian income tax considerations that could apply and, in particular, does not address the tax considerations applicable to investors that may be subject to special tax rules. Nor does it address the various exemptions and specific rules that might apply to non-resident pension plans and sovereign funds.

This summary is based upon the legislation and established interpretation of legislation as at the date of this Bidder's Statement but is not intended to be an authoritative or complete statement of the law as relevant to the circumstances of each AU 1 Shareholder.

AU1 Shareholders should obtain independent Australian (and, if relevant, foreign) advice on the taxation consequences of the Offer before accepting. Shareholders not resident in Australia for tax purposes should also seek advice from their taxation adviser as to the taxation implications of accepting the Offer in their country of residence.

6.2 Australian taxation issues for Accepting AU1 Shareholders

It is not possible to cover all AU1 Shareholder situations in the Australian taxation summary that follows (which, except where otherwise expressly stated, applies only to Australian tax-resident taxpayers) and the taxation implications of the decision by a AU1 Shareholder whether or not to accept the Offer will depend on the particular circumstances of each AU1 Shareholder.

The Australian taxation summary that follows is based on the law, and interpretation thereof, in force as at the date of the Bidder's Statement.

Australian-resident AU1 Shareholders

AU1 Shares held on revenue account

For AU1 Shareholders who are tax resident in Australia, any gain or loss from the disposal of their AU1 Shares will be assessed as ordinary income or may be claimed as a revenue deduction where the shares are held on revenue account. For example shares in AU1 that were acquired as part of entering into a profit making transaction or were acquired for the purposes of resale at a profit probably will be treated as being on revenue account. The CGT discount is not available to reduce that gain.

AU1 Shares held on capital account

AU1 Shareholders may realise a capital gain or capital loss in respect of the disposal of their AU1 Shares where the AU1 Shares are held on capital account. The acceptance of this Offer would constitute the disposal of AU1 Shares by the AU1 Shareholder, which in turn would constitute a CGT event for Australian taxation purposes. CGT roll-over relief will not be available to the AU1 Shareholders.

For AU1 Shareholders who are tax resident in Australia, a capital gain should arise on disposal of their AU1 Shares to the extent that the capital proceeds from the disposal (being the cash consideration received under the Offer) exceed the cost base of their AU1 Shares. The cost base of the AU1 Shares is broadly the amount paid to acquire the shares plus certain non-deductible incidental costs such as brokerage fees.

The taxation treatment of the gain will depend on the date of acquisition of the AU1 Shares, the AU1 Shareholder's cost base and the nature and tax attributes of the AU1 Shareholder.

For AU1 Shares disposed of within 12 months of acquisition, the full amount of the capital gain realised would be assessable. If a AU1 Shareholder (being an individual, trust or superannuation fund) has held their AU1 Shares for at least 12 months, the AU1 Shareholder may apply the CGT discount. The CGT discount is used to reduce the assessable capital gain by one half (i.e. 50%) for individuals and trusts, and by one third



(i.e. 33 1/3%) for superannuation funds. Companies are not entitled to the CGT discount.

A capital gain from a disposal of AU1 Shares, is aggregated with other capital gains made by the Shareholder in the same income year. Any available capital losses of the Shareholder from the same or previous income years may then be offset against the capital gains (subject to satisfaction of loss recoupment tests). If there is a capital gain remaining after application of available capital losses, the Shareholder may be entitled to apply a discount (as above).

AU1 Shareholders who are tax resident in Australia may realise a capital loss on disposal of their AU1 Shares to the extent the amount of the capital proceeds received is less than the cost base of the AU1 Shares. The AU1 Shareholder may utilise the capital loss against any available capital gains of the current year in working out their net capital gains for the income year for inclusion in their assessable income. Any excess capital loss may be carried forward to be offset against any capital gains made by the AU1 Shareholder in a future year.

If for any reason the conditions of the Offer are not satisfied or waived, no disposal will occur, and no CGT implications should arise.

Non-resident AU1 Shareholders

AU1 Shares held on revenue account

If an AU1 Shareholder who is not resident in Australia enters into a profit-making transaction in Australia with respect to their AU1 Shares, the profit on disposal of the AU1 Shares may be included in its assessable income as ordinary income. However the Australian taxation implications will depend on the source of the gain and whether there is a double-tax agreement between the non-resident AU1 Shareholder's country of residence and Australia.

AU1 Shares held on capital account

AU1 Shareholders who are not resident in Australia will generally not be subject to Australian CGT on acceptance of the Offer unless they, together with their Associates, directly own at least 10% or more of the AU1 Shares and more than 50% of the value

of AU1's assets are attributable to Australian real property (which the Bidder understands is not the case).

If a capital gain were made, the CGT discount is not available for non-residents.

6.3 Foreign taxation issues for Accepting AU1 Shareholders

The foreign taxation implications of non-resident AU1 Shareholders disposing of AU1 Shares will be a function of the taxation laws (foreign and Australian) as they apply to those AU1 Shareholders. It is not possible to address these situations as they will be specifically dependent on the taxation laws of the applicable jurisdictions, any relevant double-tax agreements and the particular circumstances of the AU1 Shareholder.

6.4 Stamp duty

Stamp duty is not payable on the transfer of the Shares to the Bidder

6.5 GST

Dealings in securities are not subject to GST. Shareholders will not, therefore, be liable for GST.



7 ADDITIONAL INFORMATION

7.1 Date for determining identity of AU1 Shareholders

For the purposes of item 6 of section 633(1) of the Corporations Act, this Bidder's Statement will be sent to persons who held AU1 Shares at the Register Date.

7.2 ASIC modifications

Magnolia has not obtained from ASIC any modifications of or exemptions from the Corporations Act in relation to the Offer. Magnolia has relied on class order relief granted by ASIC which applies generally to all persons, including Magnolia.

7.3 No benefits during previous four months

Neither Magnolia nor any of its Associates has, during the period of four months ending on the day immediately before the date of the Bidder's Statement, given, or offered or agreed to give, a benefit to another person, which benefit was likely to induce the other person, or an Associate, to accept an offer or dispose of AU1 Shares and which benefit was not offered to all holders of AU1 Shares.

7.4 No escalation agreements

Neither Magnolia nor any Associate of Magnolia has entered into any escalation agreement in respect of AU1 Shares that is prohibited by section 622 of the Corporations Act.

7.5 Status of Conditions

The Conditions of the Offer are set out in Section 8.7.

As at the date of this Bidder's Statement, Magnolia is not aware of any events that would result in a breach of or inability to satisfy the Conditions, except that it is concerned that some of the ASX filings of Magnolia may be inaccurate, as discussed elsewhere in this Bidder's Statement.

Magnolia will give a notice of the status of the Conditions in accordance with the Corporations Act on [Status] 2021 (subject to extension if the Offer Period is extended).

7.6 Consents to be named

The Bidder's Statement includes statements which are made in, or based on statements made in, documents lodged with ASIC or given to ASX. Under the terms of *ASIC Corporations (Consents to Statements) Instrument 2016/72*, the parties making those statements are not required to consent to, and have not consented to, inclusion of those statements in this Bidder's Statement. If you would like to receive a copy of any of those documents (free of charge) during the Offer Period, please contact Magnolia on the AU1 Offer Helpline on 1300 160 792 or by email to au1@magnoliacapital.com.au.

As permitted by *ASIC Corporations (Consents to Statements) Instrument 2016/72*, this Bidder's Statement contains ASX securities trading price and volume data sourced from IRESS Limited without its consent.

7.7 No other material information

There is no information that:

- (a) is material to the making of the decision by a holder of AU1 Shares whether or not to accept the Offer; and
- (b) which is known to Magnolia,
other than:
 - (i) as set out or incorporated in this Bidder's Statement; or
 - (ii) information which it would be unreasonable to require Magnolia to disclose because the information has previously been disclosed to holders of AU1 Shares.



8 TERMS OF OFFER

This section contains the terms of the Offer. If you accept the Offer, a binding contract arises between you and Magnolia for you to sell to Magnolia and for Magnolia to purchase the AU1 Shares to which your acceptance relates (**Acceptance Shares**) on the terms of this section.

The terms of the Offer in this section prevail, to the extent of any inconsistency, over any descriptions in any other part of this Bidders' Statement of any matter that is included in this section.

Descriptions in any other part of this Bidders' Statement of any matter that is included in this section do not add to the terms of the Offer as set out in this section.

8.1 Identity of Company making Offer

Magnolia is making the Offer.

8.2 Date of the Offer

The Offer is dated [OPEN] 2021.

8.3 Offer

- (a) Magnolia offers to acquire all of your AU1 Shares from you on the terms of the Offer.
- (b) You may accept the Offer in respect of some or all of your AU1 Shares.
- (c) It is a term of the Offer that:
 - (i) Magnolia will be entitled to, and you agree to transfer to Magnolia, all Rights attaching to or arising from your Acceptance Shares acquired by Magnolia pursuant to the Offer; and
 - (ii) the Offer will not vary as a result of the declaration, payment or existence or accrual of any Rights.

- (d) An Offer in this form is being made to each AU1 Shareholder registered in the Register on the Register Date. The Offer also extends to any AU1 Shares held by any person other than Magnolia, who becomes registered as a holder of your AU1 Shares during the Offer Period (provided you have not already accepted the Offer in respect of those AU1 Shares), and is also made to all persons holding such AU1 Shares during the Offer Period.
- (e) If at any time during the Offer Period, another person becomes registered as the holder of some or all of your AU1 Shares to which the Offer relates:
 - (i) a corresponding offer on the same terms and conditions as the Offer will be taken to have been made to that other person in respect of those AU1 Shares;
 - (ii) a corresponding offer on the same terms and conditions as the Offer will be taken to have been made to you in respect of any remaining AU1 Shares you hold to which the Offer relates; and
 - (iii) the Offer to you will be deemed to have been withdrawn immediately at that time in relation to any AU1 Shares that you have ceased to hold.

8.4 Consideration

The Consideration Magnolia offers you, as a AU1 Shareholder, is payment of the Offer Price for each of your Acceptance Shares.

8.5 Benefit of improved Consideration

If Magnolia increases the Offer Price, the Corporations Act requires it to ensure that any AU1 Shareholder who has already accepted the Offer receives the benefit of the increase.

8.6 Offer Period

The Offer will, unless withdrawn, remain open for acceptance during the period commencing on the date of the Offer, being [Open] 2021, and ending at 5:00pm (Sydney time) on the later of:

- (a) [Close] 2021; or



- (b) any date to which the period of the Offer is extended in accordance with the Corporations Act.

Magnolia reserves the right, exercisable in its sole discretion, to extend the Offer Period in accordance with the Corporations Act.

If Magnolia varies the Offer by increasing the Offer Price within the last 7 days of the Offer Period or Magnolia's Voting Power in AU1 increases to more than 50% within the last seven days of the Offer Period, the Offer Period will automatically be extended to end 14 days after the day on which the Offer was varied by increasing the Consideration or the date Magnolia's Voting Power in AU1 increased to more than 50%.

8.7 Conditions of the Offer

The Offer and any contract arising from acceptance of the Offer is subject to fulfilment or waiver by Magnolia (which in relation to each condition may be in whole or in part) of each of the following Conditions:

(a) 90% minimum acceptance

During or at the end of the Bid's bid period, Magnolia and its Associates have Relevant Interests in 90% (by number) of the AU1 Shares subject to the Bid.

(b) No approval of the Peters Proposal

During the period starting on the Announcement Date and ending at the end of the Offer Period, none of the proposed resolutions numbered 3-7 in the AGM Materials (i.e. Agenda items 4 – 8) is moved and passed by the AU1 shareholders in general meeting.

(c) Provision of material information

In its Target's Statement AU1 specifically addresses:

1. the Listed Documents (including whether there are any documents in each category of the Listed Documents); and

2. whether any of the Listed Documents discloses that any condition other than this condition would be triggered by material contained in in the Listed Documents (or any of them) or by performance of any or all of them.

(d) No Prescribed Occurrences between Announcement Date and the end of the Offer Period

During the period starting on the Announcement Date and ending at the end of the Offer Period, no Prescribed Occurrence occurs.

(e) No material transactions

Except for any proposed transaction reasonably full details of which are publicly announced by AU1 before the Announcement Date, none of the following events occurs during the period starting on the Announcement Date and ending at the end of the Offer Period without the written consent of Magnolia:

- (a) AU1, or any subsidiary of AU1, acquires, offers to acquire or agrees to acquire one or more companies or assets (or an interest in one or more companies or assets) for an amount in any single transaction of more than A\$1 million or an amount in aggregate in any series of transactions of more than A\$0.5 million, or makes an announcement about such an acquisition or acquisitions;
- (b) AU1, or any subsidiary of AU1, enters into, offers to enter into or announces that it proposes to enter into any joint venture, partnership or dual listed company structure involving a commitment of greater than A\$0.5 million in any single transaction or an amount in aggregate in any series of transactions of more than A\$0.25 million, or makes an announcement about such a commitment; or
- (c) AU1, or any subsidiary of AU1, incurs or commits to, or grants to another person a right the exercise of which would involve AU1 or any subsidiary of AU1 incurring or committing to any capital expenditure or liability for one or more related items of greater than A\$0.5 million, or makes an announcement about such a commitment.



(f) No material adverse change

During the period starting on the Announcement Date and ending at the end of the Offer Period, no change occurs, is discovered (including where Magnolia becomes aware that information publicly filed is, or is likely to be, incomplete, incorrect or untrue or misleading) or becomes public which has or could reasonably be expected to have a material adverse effect on the assets, liabilities, financial position, performance, profitability or prospects of AU1 including no material adverse change to the value of the AU1's group total assets (Rent Roll and Mortgage Book) (**Assets**). For the avoidance of doubt, the Assets are valued at no less than \$27million as described in the ASX Announcement made by AU1 on 29 October 2020.

(g) No material failings in filings

Magnolia does not become aware, during the period starting on the Announcement Date and ending at the end of the Offer Period, that:

1. any document (including the AGM Documents) filed by or on behalf of AU1 with ASX, ASIC or any other regulator or given to AU1 shareholders contains a statement which is incorrect or misleading in any material particular or from which there is a material omission; or
2. there has been an omission by AU1 to give any material information to ASX, ASIC or any other regulator or AU1 shareholders required by the ASX Listing Rules, the Corporations Act or any other applicable law.

(h) No persons exercising rights under certain agreements or instruments

Before the end of the Offer Period, there is no person exercising or purporting to exercise or stating an intention to exercise any rights under any provision of any agreement or other instrument to which AU1 is a party or by or to which AU1 or any of its assets may be bound or be subject, which results, or could result, to an extent to which is material in the context of AU1 taken as a whole, in:

1. any money borrowed by AU1 being or becoming repayable or being capable of being declared repayable immediately or earlier than the repayment date stated in such agreement or other instrument;

2. any such agreement or other such instrument being terminated or modified or any action being taken or arising thereunder;
3. the interest of AU1 in any firm, joint venture, trust corporation or other entity (or any arrangements relating to such interest) being terminated or modified; or
4. the business of AU1 with any other person being adversely affected.

(i) Conduct of AU1's business

During the period starting on the Announcement Date and ending at the end of the Offer Period, none of AU1 nor any body corporate which is or becomes a subsidiary of AU1, without the written consent of Magnolia:

1. declares, or distributes any dividend, bonus or other share of its profits or assets except for a dividend by a wholly-owned subsidiary of AU1;
2. alters the rights attached to any of its shares or other securities or proposes to do so;
3. makes any change to its constitution or passes any special resolution or proposes to do so;
4. gives or agrees to give any encumbrance (including a security interest or mortgage) over any of its assets otherwise than in the ordinary course of business;
5. increases the aggregate limit of AU1 and its subsidiaries' bank facility limit, or draws down on that facility or otherwise borrows other than in the ordinary course of the business of AU1 and its subsidiaries taken as a whole;
6. releases, discharges or modifies any substantial obligation to it of any person, firm or corporation or agrees to do so;
7. appoints any additional director to its board of directors whether to fill a casual vacancy or otherwise;



8. enters or agrees to enter into any contract of service or varies or agrees to vary any existing contract of service with any director or manager, enters or agrees to enter into any contract for service or varies or agrees to vary any existing contract for service with any consultant or contractor or other person for the provision of the services of a director or manager or the provision of services the same as or substantially similar to those provided (or that otherwise would be provided) by a director or manager, or pays or agrees to pay any retirement benefit or allowance to any director, manager or other employee or consultant or contractor, or makes or agrees to make any substantial change in the basis or amount of remuneration of any director, manager or other employee or consultant or contractor (except as required by law or provided under any superannuation, provident or retirement scheme as in effect on the Announcement Date);
9. conducts its business otherwise than in the ordinary course; or
10. executes a deed of company arrangement or passes any resolution for liquidation, or has appointed or becomes susceptible to the appointment of an administrator, a receiver, a receiver and manager or a liquidator, or becomes subject to an investigation under the Australian Securities and Investments Commission Act 2001 (Cth) or any corresponding legislation involving a contravention of the Corporations Act by AU1 or a subsidiary of AU1.

(j) Conduct of AU1 Key Persons

During the period starting on the Announcement Date and ending on the expiry of the Offer Period, either of the Key Persons who are currently employed by AU1 fail to enter into an agreement to remain employed by AU1 for a period of 12 months from the completion of the takeover on terms no less favourable than their current terms of employment.

(k) No break/inducement fees

During the period starting on the Announcement Date and ending at the end of the Offer Period, none of AU1 and any body corporate which is or becomes a

subsidiary of AU1, pays or provides or agrees (whether conditionally or contingently) to pay or provide any benefit to any person, or foregoes or otherwise reduces any payment or benefit or agrees to forgo or reduce any payment or benefit to which it would otherwise be entitled, in connection with any person making or agreeing to participate in, or enter into negotiations concerning:

1. a takeover bid for AU1 or any body corporate which is or becomes a subsidiary of AU1; or
2. any other proposal to acquire any interest (whether equitable, legal, beneficial or economic) in shares in, or assets of, AU1 or any body corporate which is or becomes a subsidiary of AU1, or to operate AU1 as a single economic entity with another body corporate;
except for a payment, benefit or agreement:
3. for providing professional advisory services to AU1;
4. which is approved in writing by Magnolia;
5. which is approved by a resolution passed at a general meeting of AU1; or
6. which is made to, provided to, owed by or made with Magnolia.

(l) No force majeure event

During the period starting on the Announcement Date and ending at the end of the Offer Period, no act of war (whether declared or not) or terrorism, mobilisation of armed forces, civil commotion or labour disturbance, fire or natural disaster, infectious disease or other event beyond the control of AU1 or the relevant subsidiary occurs which has an adverse effect or is likely to have an adverse effect on the assets, liabilities, financial position, performance, profitability or prospects of the AU1 Group taken as a whole.



(m) Non-existence of certain rights

During the period starting on the Announcement Date and ending at the end of the Offer Period, no person has any right (whether subject to conditions or not) as a result of Magnolia acquiring AU1 Shares:

1. to acquire, or require AU1 or a subsidiary of AU1 to dispose of, or offer to dispose of, any material asset of AU1 or a subsidiary of AU1; or
2. to terminate or vary any material agreement with AU1 or a subsidiary of AU1.

(n) No superior alternative proposal

No alternative proposal to Magnolia's takeover bid is announced during the Offer Period that:

1. is recommended by any AU1 Director; or
2. offers consideration that is equal or higher than the consideration offered under the Offer valued, as far as practicable, in accordance with the principles applying under section 621(3) of the Corporations Act and ASIC Regulatory Guide 9: Takeover bids.

(o) Market movement (10% fall)

During the period starting on the Announcement Date and ending at the end of the Offer Period:

1. the All Ordinaries Index is 10% or more below its level as at the close of trading immediately preceding the Announcement Date; or
2. The S&P/ASX 200 Index is 10% or more below its level as at the close of trading immediately preceding the Announcement Date, for a duration of longer than 3 consecutive ASX trading days.

(p) No material litigation

During the period starting on the Announcement Date and ending at the end of the Offer Period:

1. none of AU1 and any body corporate which is or becomes a subsidiary of AU1 has threatened or commenced against it any material claims or proceedings in any court or tribunal (and a claim or proceeding is taken to be material if it may reasonably result in a judgment of A\$100,000 or more), other than that which has been fully and fairly publicly disclosed to ASX prior to the Announcement Date;
2. the consideration under the Bid is required to be increased or Magnolia or an associate of Magnolia is required or reasonably likely to be required to pay any amount to any one or more AU1 shareholders in connection with the Bid as a result of:
 - (A) any litigation that is commenced, is threatened to be commenced, announced or is made known to AU1 (whether or not becoming public); or
 - (B) any preliminary or final decision or order of any regulator or other government agency, other than as a result of Magnolia publicly undertaking to increase the consideration under the Bid or Magnolia lodging a notice of variation under section 650D of the Corporations Act relating to an increase of the consideration under the Bid; or
3. the aggregate liability of AU1 and any body corporate which is a subsidiary of AU1 under or in connection with any existing claim or proceeding in any court or tribunal is or is likely to be materially more than the provision made for the claim or proceeding in AU1's last audited annual financial statements or, if no provision has been made, is or likely to be more than \$100,000.



8.8 The nature and benefit of the Conditions

Each of the Conditions described in Sections 8.7 is a condition subsequent. The non-fulfilment of any Condition does not, until the end of the Offer Period, or, in the case of the Condition described in Section 8.7(d), until the third Business Day after the Offer Period, prevent a contract to sell your Acceptance Shares resulting from your acceptance of the Offer.

Subject to the Corporations Act, Magnolia alone is entitled to the benefit of the Conditions in Section 8.7, or to rely on any non-fulfilment of any of them.

Each Condition in Section 8.7 is a separate, several and distinct condition. No Condition will be taken to limit the meaning or effect of any other Condition.

If something happens that means that a Condition to which this Offer (or the contract resulting from your acceptance of this Offer) is subject, at the time that thing happens, would not be fulfilled, each Condition set out in Section 8.7 affected by that thing becomes two separate Conditions on identical terms except that one relates solely to that thing and the other specifically excludes that thing. Magnolia may declare the Offer free one of those Condition under Section 8.9 without declaring it free from the other and may subsequently declare the Offer free of the latter Condition.

8.9 Freeing the Offer from the Conditions

Subject to Section 650F of the Corporations Act, Magnolia may, at any time and at its sole discretion, declare that the Offer is to be freed from any or all of the Conditions.

Magnolia may declare the Offer free from any or all of the Conditions either generally or by reference to a specific fact, matter, event, omission, occurrence or circumstance (or class thereof), by giving notice in writing to AU1. This notice must be given:

- (a) in the case of the Condition described in Section 8.7(d), no later than 3 Business Days after the end of the Offer Period; and
- (b) in the case of all other Conditions, not less than 7 days before the end of the Offer Period.

If at the end of the Offer Period (or in the case of the Condition described in Section 8.7(d), 3 Business Days after the end of the Offer Period) the Conditions in Section 8.7 have not been fulfilled and Magnolia has not declared the Offer free from the Conditions that have not been fulfilled, all contracts resulting from the acceptance of the Offer will be automatically void.

8.10 Notice on the status of the Conditions

The date for giving the notice on the status of the Conditions required by Section 630(3) of the Corporations Act is [Status] 2021, subject to variation in accordance with Section 630(2) of the Corporations Act if the Offer Period is extended.

8.11 Variation of the Offer

Magnolia may at any time vary the Offer in accordance with the Corporations Act.

8.12 Withdrawal of the Offer

Magnolia may withdraw the Offer at any time with the written consent of ASIC and subject to the conditions (if any) specified in such consent. Notice of withdrawal of the Offer must be given by Magnolia to ASX.

8.13 Payment of Consideration

- (a) **(Time of payment of Consideration)** Subject to this Section 8.13 and the Corporations Act, if you accept the Offer, and the Conditions of the Offer and of the contract resulting from acceptance of the Offer are satisfied or waived, Magnolia will pay the Consideration for your Acceptance Shares on or before the earlier of:
 - (i) one (1) month after the date the Offer is validly accepted by you, or if the Offer is subject to a defeating Condition when accepted, within one month after the contract resulting from your acceptance of the Offer becomes unconditional; and
 - (ii) 21 days after the end of the Offer Period.



- (b) **(Where additional documents are required)** Where the Acceptance Form requires additional documents to be given to Magnolia with your acceptance of the Offer to enable Magnolia to become the holder of your Acceptance Shares:
- (i) if the documents are given with your acceptance, Magnolia will pay the Consideration in accordance with paragraph (a) above;
 - (ii) if the documents are given after acceptance and before the end of the Offer Period and the Offer is subject to a defeating Condition at the time that Magnolia is given the documents, Magnolia will provide the Consideration by the end of whichever period ends earlier:
 - A. within one month after the contract resulting from your acceptance of the Offer becomes unconditional; or
 - B. 21 days after the end of the Offer Period;
 - (iii) if the documents are given after acceptance and before the end of the Offer Period and the Offer is unconditional at the time that Magnolia is given the documents, Magnolia will provide the Consideration by the end of whichever period ends earlier:
 - A. one month after Magnolia is given the documents; and
 - B. 21 days after the end of the Offer Period; or
 - (iv) if the documents are given after the end of the Offer Period, and the Offer is unconditional at that time, Magnolia will provide the Consideration within 21 days after the documents are given.
- If you do not provide Magnolia with the required additional documents within one month after the end of the Offer Period, Magnolia may, in its sole discretion, rescind the contract resulting from your acceptance of the Offer.
- (c) **(Interest is not payable)** Magnolia will not pay interest on the Consideration, regardless of any delay in paying the Consideration or any extension of the Offer.

- (d) **(Method of paying)** Payment of the Cash Component will be by cheque in Australian currency. The cheque will be sent by prepaid ordinary mail at your risk to you at your address shown in the copy of the register of AU1 Shareholders that Magnolia last received from AU1 or, in the case of addresses outside Australia, by prepaid airmail.
- (e) **(Rights)** Where Magnolia becomes entitled to any Rights on acceptance of the Offer, you must give Magnolia all documents that Magnolia needs to give Magnolia title to those Rights, except where Magnolia has waived its entitlement to a Right. If you do not give those documents to Magnolia, or if you have received the benefit of those Rights before Magnolia provides the Consideration to you, Magnolia will deduct from the Consideration otherwise due to you under the Offer the amount (or value, as reasonably assessed by Magnolia) of those Rights. If Magnolia does not, or cannot, make such a deduction, you must pay that amount to Magnolia.

8.14 Who may accept

- (a) **(During the Offer Period)** Any person who is able to give good title to a parcel of your AU1 Shares may accept (if they or any other person have not already accepted an Offer in the form of the Offer) as if an offer on the terms of the Offer had been made to them.
- (b) **(Registered holders)** A person is taken to hold AU1 Shares if the person is registered as the holder of those AU1 Shares. If a person is registered as the holder of AU1 Shares and they hold them on trust or as nominee or custodian for another person (**Beneficial Owner**), and the Beneficial Owner wishes the Offer in respect of those Shares to be accepted, the Beneficial Owner must (subject to the terms of any trust, nominee or custody deed, agreement or arrangement with the registered holder) have the registered holder accept the Offer.
- (c) **(Holders of two or more parcels)** A person may accept the Offer under this Section 8.14 separately for each of two or more parcels of AU1 Shares that they hold or together, as if there had been a single offer for a separate parcel consisting of all those parcels. Where a person holds at least one parcel of AU1 Shares that is in a CHES Holding and another parcel of AU1 Shares which is in an Issuer-Sponsored Holding, the person must follow the separate acceptance



procedures applicable to CHESS Holdings and Issuer-Sponsored Holdings in relation to each of those parcels.

8.15 How to accept the Offer

- (a) **(All or Some of your AU1 Shares)** The Offer is for all of your AU1 Shares, however, you may accept it for all or some of your AU1 Shares.
- (b) **(Acceptance procedure)** To validly accept the Offer:
- (i) ***For Issuer-Sponsored Holdings of AU1 Shares (Security holder Reference Number (SRN) beginning with "I" - as shown on your personalised Acceptance Form):***
- A. complete and sign the Acceptance Form in accordance with the terms of the Offer and the instructions on the Acceptance Form; and
- B. ensure that the Acceptance Form (including any documents required by the terms of the Offer and the instructions on the Acceptance Form) is sent to the address specified on the Acceptance Form so that it is received before the end of the Offer Period; or
- (ii) ***For CHESS Holdings of AU1 Shares (Holder Identification Number (HIN) beginning with "X" - as shown on your personalised Acceptance Form):***
- A. if you are not a Participant, you must instruct your Controlling Participant to initiate acceptance of the Offer on your behalf in sufficient time that it can process that instruction before the end of the Offer Period; or
- B. if you are a Participant, you should initiate acceptance of the Offer in accordance with rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period.

Alternatively, you may sign and complete the Acceptance Form in accordance with the terms of the Offer and the instructions on the

Acceptance Form and ensure that it (including any documents required by the terms of the Offer and the instructions on the Acceptance Form) is sent so that it is received before the end of the Offer Period to the address specified on the Acceptance Form.

If your AU1 Shares are held in your name in a CHESS Holding (as indicated on your personalised Acceptance Form), you must comply with the ASX Settlement Operating Rules. Your Controlling Participant (usually your Broker) should ensure that your acceptance complies with these rules or advise you what you need to do to ensure that it complies.

- (c) **(Mailing/broker instruction procedure)** AU1 Shareholders with Australian addresses should return their completed Acceptance Form by post or delivery to the address shown on the Acceptance Form. Shareholders sending a completed Acceptance Form from outside Australia should return it by airmail, or if the AU1 Shares are in a CHESS Holding, make contact with their Controlling Participant about the form of instructions that are required.
- As between an Accepting AU1 Shareholder and Magnolia, the Accepting Shareholder bears the risk that their Acceptance Form is not received or that their instructions are not acted upon by their Controlling Participant.
- (d) **(Acceptance Form)** You must follow the requirements on the Acceptance Form in accepting the Offer in respect of your AU1 Shares, including sending in any required additional documents (for example, a power of attorney where you are signing on behalf of another person or a certified copy of a grant of probate where you are executor of a deceased estate) or your acceptance will be invalid.
- (e) **(When acceptance is complete)** Acceptance of the Offer is complete once the completed Acceptance Form (together with all other documents required by the instructions on it) has been received at the address specified in the Acceptance Form and the requirements of this Section 8.15 have been met, provided that Magnolia may in its sole and unfettered discretion waive any or all of those requirements at any time. If Magnolia does waive an irregularity in any purported acceptance for any AU1 Shareholder it is not obliged to act similarly in relation to any other AU1 Shareholder.



8.16 The effect of acceptance

- (a) **(Effect of Acceptance Form)** By signing and returning the Acceptance Form in accordance with Section 8.15:
- (i) you authorise Magnolia and each of officers and agents, including Security Transfer Australia, to correct any errors in, or omissions from the Acceptance Form necessary to:
 - A. make it an effective acceptance of the Offer in relation to your Acceptance Shares which are not in a CHESS Holding; and
 - B. enable the transfer of your Acceptance Shares to Magnolia; and
 - (ii) if any of your Acceptance Shares are in a CHESS Holding, you authorise Magnolia and each of its officers and agents, including Security Transfer Australia, to:
 - A. instruct your Controlling Participant to give effect to your acceptance of the Offer for those Acceptance Shares under Rule 14.14 of the ASX Settlement Operating Rules; and
 - B. instruct your Controlling Participant on your behalf in relation to those Acceptance Shares in any way contemplated by the sponsorship agreement between you and your Controlling Participant and are necessary or appropriate to facilitate your acceptance of the Offer.
- (b) **(Binding contract)** Once you have accepted this Offer, and subject to fulfilment of all of the Conditions (unless some or all of those Conditions are waived in accordance with the terms outlined in this Offer) a binding contract with Magnolia will result.
- (c) **(lapse on non-fulfilment of Conditions)** If:
- (i) the Condition referred to in Section 8.7(d) has not been satisfied or the Offer has not been freed from that Condition no later than three (3) Business Days after the end of the Offer Period; or
 - (ii) the other Conditions have not been satisfied or the Offer has not been freed from those Conditions by the end of the Offer Period,
- this Offer and any contract resulting from the acceptance of the Offer will automatically terminate and your Acceptance Shares will be retained by you.
- (d) **(Right to withdraw acceptance)** If the Offer Period is varied in any way that postpones for more than one (1) month the time for Magnolia to meet its obligations under the Offer you may be able to withdraw your acceptance in accordance with section 650E of the Corporations Act. Magnolia will give the notice required by the Corporations Act at the time explaining your rights in that regard.
- (e) **(Your agreement)** By returning a correctly completed Acceptance Form, or initiating or causing acceptance of this Offer under the ASX Settlement Operating Rules:
- (i) you irrevocably accept the Offer (and any variation of it) in respect of and agree to transfer to Magnolia your Acceptance Shares, subject to the Conditions being fulfilled or the Offer being freed from some or all of them;
 - (ii) you represent and warrant to Magnolia, as a fundamental condition of the contract resulting from your acceptance of the Offer, that:
 - A. your Acceptance Shares will at the time of your acceptance and transfer to Magnolia be fully paid up;
 - B. you have not previously accepted the Offer;
 - C. Magnolia will acquire good title to and beneficial ownership of all of your Acceptance Shares, free from Encumbrances;
 - D. you have full power and capacity to accept the Offer and to sell and transfer the legal and beneficial ownership in your Acceptance Shares to Magnolia; and
 - E. any attorney that accepts this Offer for you is empowered to delegate powers under the power of attorney under any Section of this Offer under which you authorise Magnolia or any of its officers, agents, nominees (including Security Transfer Australia) to do anything on your behalf;



- (iii) you irrevocably authorise Magnolia to notify AU1 on your behalf that your address for the purpose of serving notices upon you in respect of your Acceptance Shares is the address specified by Magnolia in the notification;
 - (iv) you will transfer, or consent to the transfer in accordance with the ASX Settlement Operating Rules, all of your Acceptance Shares to Magnolia subject to the conditions of the constitution of AU1 on which they were held immediately before your acceptance of the Offer and acknowledge that your Acceptance Shares will, at the time of transfer of them to Magnolia, subject to you receiving the Consideration payable to you under the Offer, vest in Magnolia free of Encumbrances and the name of Magnolia will be entered in the AU1 members' register in respect of those Acceptance Shares;
 - (v) you will be deemed to have irrevocably authorised and directed AU1 to pay to Magnolia, or to account to Magnolia for all Rights in respect of your Acceptance Shares, except in relation to any Rights which Magnolia has waived;
 - (vi) with effect from the time on which all the Conditions have been fulfilled or freed, you irrevocably appoint Magnolia and each of its nominees as your attorney (acting by its sole signature or execution) to:
 - A. exercise all your powers and rights in relation to your Acceptance Shares to requisition, convene, attend and vote in respect of your Acceptance Shares at all general and other shareholder meetings of AU1 or appoint a proxy to attend and vote in the manner directed by Magnolia on your behalf in respect of your Acceptance Shares at any such meeting;
 - B. execute all forms, notices, documents (including a document appointing a director of Magnolia as a proxy for any of your Acceptance Shares) and resolutions relating to your Acceptance Shares and generally to exercise all powers and rights which you have as a registered holder of AU1 Shares; and
- C. authorise and direct AU1 to pay to Magnolia, or to account to Magnolia for, all Rights attaching to your Acceptance Shares, subject however to any such Rights received by Magnolia being accounted for by Magnolia to you, in the event that the Offer is withdrawn or avoided;
- (vii) you agree that in exercising the powers conferred by the power of attorney set out in Section 8.16(e)(vi), Magnolia and its nominees are each entitled to act in the interest of Magnolia alone;
 - (viii) you agree to do all such acts, matters and things that Magnolia may require to give effect to the matters the subject of this section (including the execution of a written form of proxy to the same effect as this section which complies in all respects with the requirements of the constitution of AU1) if requested by Magnolia;
 - (ix) with effect from the time on which all the Conditions have been fulfilled or freed you agree not to attend or vote in person at any general meeting or meeting of a class of security holders of AU1 or to exercise or to purport to exercise, in person, by proxy or otherwise, any of the powers conferred on Magnolia and its nominees by Section 8.16(e)(vi) above, unless specifically authorised in writing by Magnolia to do so and on such terms and conditions as Magnolia may direct;
 - (x) if and when the contract resulting from your acceptance of the Offer becomes unconditional (even though Magnolia has not yet paid you the Consideration) you authorise Magnolia or its nominee to transmit a message to ASX Settlement in accordance with Rule 14.17.1 of the ASX Settlement Operating Rules to request the entry of any of your Acceptance Shares which are in a CHESS Holding, into Magnolia's Takeover Transferee Holding;
 - (xi) if and when the contract resulting from your acceptance of the Offer becomes unconditional (even though Magnolia has not yet paid you the Consideration) you authorise Magnolia to enter those of your Acceptance Shares which are an Issuer-Sponsored Holding into Magnolia's name; and



- (xii) you agree to indemnify and keep indemnified and hold harmless Magnolia and each of its agents from and against any claim or action against it or any loss, damage or liability whatsoever incurred by it as a result of you not producing your Holder Identification Number or Security Reference Number or in consequence of the transfer of your Acceptance Shares being registered by AU1 without production of your Holder Identification Number or Security Reference Number.

To the extent that they are still capable of applying, the undertakings and authorities referred to in this section will remain in force after you receive the Consideration for your Acceptance Shares and after Magnolia becomes registered as the holder of your Acceptance Shares.

- (f) **(Powers of attorney)** If the Acceptance Form is signed under power of attorney, the attorney declares that the attorney has no notice of revocation of the power and is empowered to delegate powers under the power of attorney which under any Section of this Offer you authorise Magnolia or any of its officers, agents, nominees (including Security Transfer Australia) to do anything on your behalf.
- (g) **(Validation of otherwise ineffective acceptances)**
- (i) Despite anything else in this Section 8 if Magnolia or its agent on its behalf (including Security Transfer Australia) receives an Acceptance Form in relation to a CHESS Holding:
- A. it is taken to be an instruction to which section 7 of *ASIC Class Order 13/521* applies;
- B. Magnolia may treat it as an acceptance of the Offer in accordance with section 7 of *ASIC Class Order 13/521*;
- C. Magnolia or its agent may give any instructions under the ASX Settlement Operating Rules authorised by section 7 of *ASIC Class Order 13/521*; and
- D. Magnolia may waive any matter in or in connection with the Acceptance Form that it would be entitled to waive if Section 11.17(g)(ii) of this Bidder's Statement applied.

- (ii) In relation to Acceptance Shares in an Issuer-Sponsored Holding, Magnolia may treat the receipt by it of a signed Acceptance Form as a valid acceptance of the Offer even though it does not receive the other documents required by the instructions on the Acceptance Form or there is not compliance with any one or more of the other requirements for acceptance. If Magnolia does treat such an Acceptance Form as valid, subject to Section 8.13, Magnolia will not be obliged to give the Consideration to you until Magnolia receives all those documents and all of the requirements for acceptance referred to in the Acceptance Form have been met.

8.17 Notices

Any notice or other communication to be given by Magnolia to you under the Offer will be deemed to be duly given if it is given in writing and is signed or purports to be signed (whether in manuscript, printed or reproduced form) on behalf of Magnolia by any of its directors and is delivered to or sent by post in a pre-paid envelope or by courier to your address as recorded on the last copy of the Register supplied to Magnolia.

Any notice or other communication to be given by Magnolia to AU1 may be given by leaving it or sending it by mail to AU1's registered office.

You or AU1 may give a notice to Magnolia in relation to the Offer or this Bidder's Statement by leaving it or sending it by mail to Magnolia's registered office which, at the date of the Offer, is Shop 2, 80 Terrigal Esplanade, Terrigal NSW 2260, AUSTRALIA.

8.18 Governing law

The Offer and any contract that results from your acceptance of the Offer are governed by the laws in force in New South Wales, other than rules as to choice of law to the extent they are inconsistent with this clause. Magnolia and you submit to the exclusive jurisdiction of the courts of New South Wales and of the Federal Courts of Australia.

8.19 Glossary and interpretation

Section 9 of this Bidder's Statement is taken to be part of the Offer.



9 GLOSSARY AND INTERPRETATION

9.1 Glossary

The following terms have the meanings set out below unless the context requires otherwise:

Acceptance Form means the acceptance and transfer form sent with this Bidder's Statement.

Acceptance Shares means those of your AU1 Shares the subject of an acceptance of the Offer.

Accepting AU1 Shareholder means a AU1 Shareholder that accepts the Offer for some or all of their AU1 Shares.

Accounting Standards means the rules about how a company must prepare its accounts in, prescribed by or specified in or under, the Corporations Act.

AGM means annual general meeting.

AGM Materials means the notice of meeting and all accompanying documents dated 23 November 2020 sent to AU1 Shareholders concerning AU1's AGM.

Announcement Date means 4 December 2020, being the date Magnolia announced to AU1 its intention to make the Offer.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given to that term in sections 12 and 16 of the Corporations Act.

ASX means ASX Limited (A.B.N. 98 008 624 691) or the Australian Securities Exchange it operates.

ASX Settlement means ASX Settlement Pty Limited (A.B.N. 49 008 504 532).

ASX Settlement Operating Rules means the operating rules of ASX Settlement.

AU1 means The Agency Group Australia Ltd (ASX Code:AU1).

AU1 Board means the Board of Directors of AU1.

AU1 Director means a director of AU1.

AU1 Group means AU1 and its Controlled Entities.

AU1 Share means each fully paid ordinary share in AU1 on issue on the Register Date.

AU1 Shareholder or **Shareholder** means a person shown as the holder of AU1 Shares in the Register.

Bid means the takeover bid constituted by the Offers made to the AU1 Shareholders.

Bid Period means the period commencing on the date the Bidder's Statement is given to AU1 and ending one month later if no Offers are made under the bid or at the end of the Offer Period.

Bidder's Statement means this document, being the bidder's statement of Magnolia under Part 6.5 of the Corporations Act relating to the Offer.

Broker means a person who is a share broker and a Participant.

Business Day means a day on which banks are open for general banking business in Perth (not being a Saturday, Sunday or public holiday in that place).

CGT means Australian capital gains tax.

CHES means the Clearing House Electronic Sub-Register System operated by ASX Settlement, which provides for the electronic transfer, settlement and registration of securities in Australia.

CHES Holding means a holding of AU1 Shares on the CHES sub register of AU1.

Condition means each condition of the Offer in Section 8.7.



Consideration means the sum of cash payable by Magnolia to an Accepting Shareholder equal to the number of AU1 Shares for which the Accepting Shareholder accepted the Offer multiplied by the Offer Price.

Controlled Entity has the meaning given in the Accounting Standards.

Controllers means, in relation to Magnolia, Mr Atkins and his spouse, Ms Camilla Overgaard.

Controlling Participant has the same meaning as in the ASX Settlement Operating Rules and, without affecting that meaning, means, in relation to a AU1 Shareholder, the Participant in CHESS who is designated as the Controlling Participant for that AU1 Shareholder's CHESS Holding of AU1 Shares (for example, that AU1 Shareholder's sponsoring Broker).

Corporations Act means the *Corporations Act (Cth) 2001* and any regulations and other instruments made under that Act.

Encumbrance means:

- (a) a security interest to which the Personal Property Securities Act (Cth) 2009 applies;
- (b) any other mortgage, charge, pledge or lien;
- (c) any other interest or arrangement of any kind that in substance secures the payment of money or the performance of an obligation, or that gives a creditor priority over some or all unsecured creditors in relation to any property (including a right to set off or withhold payment of any money);
- (e) a right of any person to purchase, occupy or use an asset (including under an option, agreement to purchase or security lending agreement);
- (f) any other agreement or without limitation other circumstance or thing that prevents, restricts or delays the exercise of a right over property, the use of property or the registration of an interest in or dealing with property, including an injunction or other court order; or

- (g) an agreement to create anything referred to above or to allow anything referred to above to exist.

GST means the goods and services tax imposed under the *A New Tax System (Goods and Services Tax) Act 1999 (Cth)*.

Holder Identification Number or **HIN** means the number used to identify a AU1 Shareholder on the CHESS sub-register of AU1.

Insolvency Event means any of the events set out in section 652C(2) of the Corporations Act.

Issuer-Sponsored Holding means a holding of AU1 Shares on AU1's issuer-sponsored sub-register.

Key Management Personnel means the persons described as such in the 2020 Annual Report of AU1.

Key Persons has the meaning given to that term in Section 3.2.

Listed Documents means the following:

- (a) Unaudited income statement of AU1 for the 3 months ended 30 September 2020;
- (b) Unaudited balance sheet of AU1 as at 30 September 2020;
- (c) AU1's share and option registries at 4 November 2020;
- (d) AU1's group structure as provided by management;
- (e) Draft October 2020 Convertible Note Agreement in connection with the Peters Proposal;
- (f) Final Convertible Note Agreement in connection with the Peters Proposal;



- (g) Copies of any and all mandates which have not been disclosed in the Independent Expert's Report and Financial Services Guide dated 23 November 2020 (**Report**) prepared by Nexia Perth Corporate Finance Pty Ltd (**Nexia Australia**);
- (h) Management Information relied on by Nexia Australia in the Report;
- (i) Any and all non-public contracts or arrangements which would have rights of termination or which would impose material obligations or penalties on AU1 if Magnolia made the Bid and the condition in clause 8.7(a) is satisfied; and
- (j) Any and all other non-public material information which would impact a valuation of AU1.

Listing Rules means the listing rules of ASX as amended or varied from time to time.

Macquarie means Macquarie Bank Limited.

Macquarie Facility means the current senior debt facility between Macquarie and the AU1 Group.

Magnolia means Magnolia Equities III Pty Limited.

Magnolia Group means Magnolia and all its related bodies corporate.

Nexia means Nexia Perth Corporate Finance Pty Ltd

Nexia Report means the report by Nexia in the AGM Materials and Nexia's supplementary report attached to AU1's announcement to ASX dated 11 December 2020.

Offer means the offer to acquire AU1 Shares under the terms and conditions contained in Section 8, as varied in accordance with the Corporations Act, and includes where the context admits each separate offer on those terms to each person who is a AU1 Shareholder during the Offer Period.

Offer Period means the period commencing on **[Open]** 2021 and ending on **[Close]** 2021, or such later date to which the Offer has been extended.

Offer Price means 4.0 cents per AU1 Share.

Participant has the meaning given in the ASX Settlement Operating Rules.

Peters means Peters Investments Pty Limited.

Peters Proposal means the proposal for the issue of AU1 shares and other securities the subject of the proposed resolutions numbered 3-7 in the AGM Materials (i.e. Agenda items 4 – 8) as otherwise described in the AGM Materials.

Proposed Peters Transaction means the transaction resulting in the completion of the Peters Proposal.

Prescribed Occurrence means any of the following events or occurrences:

- (a) AU1 converts all or any of the AU1 Shares into a larger or smaller number of shares;
- (b) AU1 or one of its Subsidiaries reduces its share capital in any way;
- (c) AU1 or one of its Subsidiaries:
 - (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (d) AU1 or one of its Subsidiaries issues shares, or grants an option over its shares, or agrees to make an issue or grant an option over its shares (other than the issue of AU1 Shares upon conversion of AU1 Rights);
- (e) AU1 or one of its Subsidiaries issues, or agrees to issue, convertible notes;
- (f) AU1 or one of its Subsidiaries disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;



- (g) AU1 or one of its Subsidiaries grants, or agrees to grant, a security interest in the whole, or a substantial part, of its business or property;
- (h) AU1 or one of its Subsidiaries resolves to be wound up;
- (i) a liquidator or provisional liquidator is appointed to AU1 or one of its Subsidiaries;
- (j) a court makes an order for the winding up of AU1 or one of its Subsidiaries;
- (k) an administrator of AU1, or of one of its Subsidiaries, is appointed under Section 436A, 436B or 436C the Corporations Act;
- (l) AU1 or one of its Subsidiaries executes a deed of company arrangement; or
- (m) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of AU1 or one of its Subsidiaries, provided that a Prescribed Occurrence will not include any matter that is approved in writing by Magnolia.

Register means the register of holders of AU1 Shares maintained by AU1 in accordance with the Corporations Act.

Register Date means [Register] 2021.

Regulatory Authority includes:

- (a) any Commonwealth, State or local government anywhere in the world;
- (b) any minister, executive delegate or agency of any such government;
- (c) ASIC; and
- (d) ASX and any other regulatory organisation established under statute or the rules of any Financial Market (as defined in the Corporations Act).

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

Rights means all accretions and rights attaching to or arising from AU1 Shares, directly or indirectly, at or after the Announcement Date (including dividends and all rights to receive them, bonuses or other shares of its profits or assets, as well as rights to receive or subscribe for shares, notes, bonds, options, or other securities and all other distributions or entitlements declared, paid, made or issued by AU1 or any of its Subsidiaries).

Securityholder Reference Number or **SRN** means the number allocated by AU1 to identify a AU1 Shareholder on its issuer-sponsored sub-register.

Subsidiary has the meaning given in the Corporations Act.

Takeover Transferee Holding means the CHESS Holding to which AU1 Shares on the CHESS subregister are to be transferred after acceptance of the Offer.

Target's Statement means a Target's Statement issued by AU1 under sections 638 to 640 of the Corporations Act as supplemented.

Trading Day has the meaning given to it in the Listing Rules.

VWAP means volume weighted average price.

Voting Power has the meaning given to it in section 610 of the Corporations Act.

your AU1 Shares means such AU1 Shares as you were able to give good title to as at the date of the Bidder's Statement but excludes any AU1 Shares that you transfer or agree to transfer before you have accepted the Offer.

9.2 Interpretation

- (a) Annexures to this Bidder's Statement form part of this Bidder's Statement.
- (b) Words and phrases to which a meaning is given by the Corporations Act, the Listing Rules or the ASX Settlement Operating Rules have that meaning in this Bidder's Statement unless that meaning is inconsistent with the context in which the word or phrase is used.



- (c) Headings are for convenience only and do not affect the interpretation of this Bidder's Statement.
- (d) The singular includes the plural and vice versa and words importing any gender includes the other gender, and references to persons include corporations.
- (e) References to Sections are to sections of this Bidder's Statement.
- (f) References to paragraphs are references to paragraphs within the Section in which the reference to the paragraph is made.
- (g) References to time are references to Sydney Time, unless stated otherwise.
- (h) References to "dollars", "\$" or "cents" are to Australian currency, unless stated otherwise.
- (i) The word "includes" is not a word of limitation.
- (j) No ambiguity in any provision of the Offer or any contract formed as a result of acceptance of the Offer will be construed against the interest of Magnolia as a result of the fact that Magnolia was responsible for drafting that provision.



10. APPROVAL OF BIDDER'S STATEMENT

This Bidder's Statement has been approved by a resolution of the sole director of Magnolia dated 3 January 2021.

Signed for and on behalf of Magnolia by:



Mitchell Atkins
Sole Director
Magnolia Equities III Pty Limited

