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**ASX MARKET RELEASE**  
**19 September 2018**

## **Top Level Acquisition Proceeding, \$13.4m in new equity secured** ***\$8.4m share placement, \$5m Top Level debt conversion***

### **Highlights**

- Execution of further Amended and Restated Option Agreement to acquire all Top Level shares held by the majority shareholders (and offer to acquire all other Top Level shares from those shareholders other than the majority shareholders);
- As part of the amended transaction, The Agency Group Australia Ltd to conduct:
  - a 1:30 consolidation of capital;
  - a bonus issue of shares to current shareholders (equivalent to 6 for 10 on a pre-consolidation basis), totalling 13,675,861 shares on a post-consolidation basis;
  - a capital raising of \$8.4 million via a share placement;
- Firm commitments received to raise A\$8.4 million via a share placement;
- \$5 million of Top Level debt to be converted into shares at deemed issue price of \$0.01 per share (subject to shareholder approval);
- Funds to be used for Top Level Pty Ltd acquisition, debt reduction and expansion of The Agency and Sell Lease Property businesses nationally;
- Placement strongly supported by existing shareholders and new investors, with Non-Executive Director John Kolenda to have a relevant interest (including related parties) of 19.9% (subject to shareholder approval);
- Board to be strengthened with appointment of prominent real estate leader Matt Lahood as Executive Director;
- Post fundraising and completion of Top Level acquisition, The Agency market capitalisation (at A\$0.30 per share) will be ~A\$30 million; and
- On completion, The Agency comprise a national real estate business having two prominent brands (The Agency and Sell Lease Property), with ~300 sales representatives across Perth, Sydney, Melbourne and the Gold Coast, +4,000 properties under management and a mortgage book of +A\$1.1 billion.

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The Agency Group Australia (ASX: AU1) (“The Agency” or “the Company”) refers to its ASX announcement dated 12 February 2018, pursuant to which the Company confirmed that it had exercised its option to acquire high-growth east coast real estate firm Top Level Real Estate Pty Ltd (“Top Level”).

### Further Amended and Restated Option Agreement

The Company, Ausnet Financial Services Pty Ltd (**Ausnet**), Top Level and the majority shareholders of Top Level (“Majority Shareholders”) have executed a further amended and restated option agreement (“Amended Option Agreement”), replacing the Option Agreement previously announced on 12 February 2018. The Company has also received firm commitments of A\$8.4 million for the capital raising by way of share placement (“Placement”) which is one of the conditions precedent to settlement of the acquisition of Top Level.

Refer to item 1 of Annexure A for a summary of the key terms of the Amended Option Agreement.

### Placement

The Placement will be undertaken subject to receipt of shareholder approval and will be made to domestic and international institutional and sophisticated investors. It will be offered at an issue price of \$0.01 per new share (or \$0.30 per new share on a post-consolidation basis).

Commenting on the firm funding commitments, The Agency Managing Director Paul Niardone said:

*“This Placement is a major step forward for The Agency, strengthening our balance sheet while providing us with the funds to progress the Top Level acquisition and expand The Agency and Sell Lease Property businesses nationally.”*

*“It also provides funds for further acquisition opportunities in Western Australia and Sydney, where we have attracted a number of enquiries from Real Estate businesses wishing to merge into The Agency.”*

The Placement has been strongly supported by both existing shareholders and new investors, including The Agency’s Non-Executive Director, Mr John Kolenda, who will have a relevant interest in the Company of 19.9% post transaction (subject to shareholder approval).

On his continued support for The Agency, John Kolenda, who is also Managing Director Finsure Group, said:

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“I am delighted to be supporting a business such as The Agency and I’m excited about its potential as a significant disruptive force in Australian real estate.”

The Agency is changing the traditional real estate market and launched successfully last year by recruiting some of the most talented agents in Australia. Through its expansion in the Sydney and broader east coast markets, The Agency is on track to become the nation’s leading disruptive, high-growth real estate group. The Agency is shaking up the Australian real estate industry and offering consumers a new and viable alternative to the established property companies.”

The Company will be well positioned going forward with a 1-for-30 share consolidation providing a tighter capital structure and stronger balance sheet with a \$5 million reduction in Top Level debt via a debt-to-equity conversion.

Mr Niardone added:

*“The acquisition of Top Level will result in the addition of a highly experienced east coast real estate sales and project marketing team, significant property management portfolio and extensive sales pipeline.*

*“It is a game-changer for The Agency and will further cement our position as the fastest growing disruptive real estate group in the country.*

*“Top Level, which has been trading as ‘The Agency’ on the east coast of Australia since launching in March last year, has established, with our support, a significant business in a short period of time, surpassing our recruitment and sales targets.*

*“Combined, its founders - Matt Lahood, Ben Collier, Steven Chen, Shad Hassen and John Kolenda - bring over 100 years of real estate and finance experience to the business.”*

In the space of 15 months, Top Level has recorded 693 residential sales (with a combined value of ~ A\$1.4Bn), built a property management portfolio in excess of 3,300 properties, recruited a team of approximately 160 staff and sales agents and established seven offices positioned in blue chip locations across the eastern suburbs, inner west and lower north shore of Sydney. It also has offices on the Gold Coast and in the Melbourne CBD which are operated under Joint Venture with AU1.

*“Post the Top Level acquisition, the Company will have a strong footprint in the Perth and Sydney residential property markets, with offices in Melbourne and on the Gold Coast and plans to expand into Canberra, South Australia and further expand its Western Australian options,”* Mr Niardone concluded.

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Following completion of the acquisition of Top Level, The Agency will be the only single owner national real estate business having two prominent brands (The Agency and Sell Lease Property), with ~300 sales representatives across Perth, Sydney, Melbourne and the Gold Coast (across nine offices). It will also have over 4000 properties under management, listings of over 1100 and a mortgage book of over A\$1.1 billion.

In addition to funding the acquisition of Top Level, funds will also be used to expand The Agency and the Sell Lease Property (SLP) businesses into NSW, Victoria, South Australia and Queensland.

Top Level CEO Matt Lahood, who will join The Agency Board as an Executive Director, sees many benefits of linking the two businesses.

*“The past 15 months has been a period of exceptional growth for both businesses, and we look forward to continuing on this upward trajectory with The Agency to become Australia’s leading disruptive, high-growth real estate agency,”* Mr Lahood said.

*“The whole industry is watching and talking about us, because of what we have achieved, and I expect that interest to only intensify as the combined, well-funded, entity continues its growth momentum.”*

### **Consideration**

Consideration for the acquisition of all of the issued capital in Top Level has not been changed under the Amended Option Agreement. 550,000,000 fully paid ordinary shares in the capital of AU1 at a deemed issue price of \$0.01 per share on a pre-consolidation basis (18,333,333 shares at a deemed issue price of \$0.30 per AU1 Share on a post-Consolidation basis) will be issued amongst all Top Level shareholders.

### **Consolidation and Bonus Issue of Shares**

As part of the conditions precedent to settlement of the acquisition, and in addition to the Placement (to be completed on a post-consolidation basis), The Agency will undertake a Consolidation of the issued capital of the Company on a 1 for 30 basis (“Consolidation”) (i.e. the 683,790,034 shares currently on issue will be consolidated to 22,793,101 shares). The Board believes the consolidation will provide the best platform for continued growth, a capital structure that is more in line with the Company’s size and a share price level that is more attractive to institutional investors.

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The Agency also intends to conduct a bonus issue of shares following the Consolidation. The record date for the bonus issue is intended to be the date of The Agency's upcoming shareholder meeting where matters relating to the acquisition of Top Level will be considered. Based on the number of shares on issue as at the date of this announcement, and taking into account the effect of the Consolidation, 13,675,861 shares will be issued pursuant to exception 1 of Listing Rule 7.2 immediately prior to the time the consideration for the Top Level acquisition is issued. The Company will seek a waiver of the timetable requirements in the ASX Listing Rules in order to complete the bonus issue as contemplated.

### Indicative capital structure

Refer to item 2 of Annexure A for an indicative capital structure setting out the effect of the Top Level transaction, consolidation and bonus issue.

### Shareholder Approvals and Meeting

The Company is currently finalising a Notice of Meeting for shareholders to vote on a range of resolutions regarding the Top Level transaction (which includes approvals for the Consolidation and Placement). A copy of the Notice of Meeting will be sent to shareholders in due course, but it is expected the meeting will be held in late October 2018.

### Application of Chapter 11 of the ASX Listing Rules

Based on submissions made to ASX, ASX has confirmed that the Company must comply with Listing Rule 11.1.2 and seek shareholder approval for the Top Level acquisition (based on the Amended Option Agreement).

Ends

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## ANNEXURE A

### 1. Key terms of Amended Option Agreement

The key terms of the Amended Option Agreement are set out below, with new / revised terms of noted in *italics*.

(a) **(Conditions Precedent):**

- (i) **(Shareholder Approvals):** the shareholders of the Company approving the transactions contemplated by the Amended and Restated Option Agreement at a general meeting, including, if required, resolutions authorising:
- (A) *consolidation of the Company's issued capital on the basis that every 30 (thirty) Shares be consolidated into one (1) Share (Consolidation);*
  - (B) *the issue of 410,275,820 Shares on a pre-Consolidation basis (13,675,861 Shares on a post-Consolidation basis) to the existing shareholders of the Company (to be issued at the same time as the Consideration Shares);*
  - (C) the issue of the Consideration Shares in accordance with the ASX Listing Rules and the Corporations Act 2001 (Cth) (**Corporations Act**), including without limitation Corporations Act section 611 paragraph 7;
  - (D) *the acquisition of the Top Level Shares pursuant to ASX Listing Rule 11.1.2;*
  - (E) the issue of the Shares in the capital of the Company the subject of the Capital Raising (as defined below);
  - (F) *the issue of Shares to offset of the Top Level loans described below;*
  - (G) *the issue of 833,333 Shares (on a post Consolidation basis) to Paul Niardone;*
  - (H) *the issue of 333,333 options (on a post Consolidation basis) to acquire AU1 Shares to Adam Davey.*

The Company has confirmed that no Listing Rule 10.1 approval will be required for the acquisition of the Top Level Shares.

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- (ii) **(Independent Expert's Report):** any independent expert's report prepared for the purpose of the shareholder approvals set out above concluding that the transactions contemplated by this Option Agreement are either fair and reasonable or not fair but reasonable to the non-associated AU1 shareholders;
- (iii) **(Regulatory Approvals):** Ausnet and the Company obtaining all necessary regulatory approvals or waivers pursuant to the ASX Listing Rules, Corporations Act or any other law to allow Ausnet lawfully to complete the matters set out in the Amended and Restated Option Agreement;
- (iv) **(Minority Shareholder Offer):** Ausnet making a separate offer, under a more short form agreement such as a share transfer form (**Minority Shareholder Offer**) and all shareholders in Top Level (other than the Majority Shareholders) (**Minority Shareholders**) accept the Minority Shareholder Offer.
- (v) **(AU1 Capital Raising):** The Company completing a capital raising of *no less than \$8,400,000 via the issue of Shares at an issue price of no less than \$0.30 per AU1 Share* to ensure the Acquisition is funded (**Capital Raising**);
- (vi) **(New Board members):**
  - (A) Matt Lahood entering into an executive services agreement in agreed form with the Company and consenting to act as an executive director of Company; and
  - (B) the appointment by the board of the Company of an additional, non-executive director nominated by Top Level prior to Settlement (as defined below);
- (vii) **(Top Level debt):** immediately prior to Settlement, the total debts of Top Level are *no more than \$26,993,812*, and, for the avoidance of doubt, the debts of Top Level immediately following Settlement will *therefore be \$18,760,100*;
- (viii) **(Loan agreements):** execution of:
  - (A) *amended and restated loan agreements between certain Majority Shareholders (Shareholder Lenders) and Top Level (in a form agreed to by the Company)*;





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- (B) *letters to amend the amended and restated loan agreements between each of the Shareholder Lenders, Top Level and the Company in agreed form pursuant to which, subject to settlement of the acquisition, part of the debt currently owed by Top Level to the Shareholder Lenders will be repaid by the issue by the Company of 16,666,667 Shares at a deemed issue price of \$0.30 per Share (on a post-Consolidation basis) at settlement; and*
  - (C) *loan agreements between certain Majority Shareholder (in a form agreed to by the Company) pursuant to which each agrees to loan Top Level \$500,000.*
- (ix) **(Transfer of Daring Investments' Top Level Shares):** the following is delivered or caused to be delivered to MAK Property Group Pty Ltd and Ben Collier Investments Pty Ltd:
- (A) share certificates in respect of the Top Level shares held by Daring Investments Pty Ltd;
  - (B) instruments of transfer in registrable form for the Top Level shares held by Daring Investments Pty Ltd in favour of MAK Property Group Pty Ltd and Ben Collier Investments Pty Ltd as transferees which have been duly executed by Daring Investments Pty Ltd (as transferor); and
- (x) **(Execution of deeds of amendment and novation):** *The Company, Top Level, John Kolenda, Shad Hassan, Steven Chen, Ben Collier and Matt Lahood executing deeds of amendment and novation with various parties in relation to loan agreements currently in place between the parties;*
- (xi) **(Re-compliance conditions):** If ASX determines that the acquisition of the Top Level Shares requires the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules:
- (A) Top Level having its accounts audited for the previous three years and delivering those accounts to Ausnet;
  - (B) in addition to the shareholder approvals set out in paragraph 3(c)(i), the Company obtaining shareholder approval for the change of scale of its activities and the Capital Raising (as defined below);
  - (C) the Company preparing a full form prospectus in accordance with section 710 of the Corporations Act and raising such amount as required to meet the assets test admission criteria of ASX) **(Capital Raising)**;

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(D) re-compliance by the Company with Chapters 1 and 2 of the ASX Listing Rules and the Company receiving a letter from ASX confirming that ASX will reinstate the Company's quoted securities to the official list of ASX following Settlement on conditions satisfactory to Ausnet and the Company (acting reasonably),

(together, the **Conditions**).

- (b) (**Consideration**): The Company will issue *18,333,333 Shares (on a post Consolidation basis)* (**Consideration Shares**) amongst the Top Level shareholders for their Top Level Shares;
- (c) (**Settlement**): Settlement of the Acquisition (**Settlement**) will occur on that date (**Settlement Date**) which is 5 business days after the satisfaction (or waiver by Ausnet or the Majority Shareholders, as permitted by the Amended and Restated Option Agreement) of the Conditions;
- (d) (**Escrow**): *At Settlement, the Majority Shareholders, must deliver or cause to be delivered to Ausnet signed restriction agreements relating to:*
- (A) *the Consideration Shares issued to the Majority Shareholders in accordance with the ASX Listing Rules (to the extent that ASX requires the Consideration Shares to be escrowed beyond any escrow or restriction agreement the Majority Shareholders have entered into on or before the date of the Amended Option Agreement; and*
- (B) *Shares issued to certain Majority Shareholders pursuant to the loan agreements described above (Loan Repayment Shares) to the extent that ASX requires the Loan Repayment Shares to be escrowed.*

### Pro forma capital structure

The pro forma capital structure of the Company following completion of the Consolidation, the bonus issue of shares to current shareholders, completion of the Top Level acquisition and the Placement, the issue of shares to Paul Niardone, the issue of options to Adam Davey and the acquisition of Vicus Capital (as previously announced), is set out below):

SHARES	
Shares currently on issue	683,793,034
Shares on issue following Consolidation	22,793,101

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Bonus offer to existing Shareholders	13,675,861
Shares to be issued to the Top Level Shareholders	18,333,333
Shares to be issued for Top Level loans	16,666,667
Shares to be issued for the Placement <sup>1</sup>	28,000,000
Issue of Shares to Paul Niardone	833,333
Shares to be issued to the Vicus Residential Pty Ltd vendors	2,666,667
Shares to be issued to advisors to the Placement	840,000
<b>TOTAL<sup>3</sup></b>	<b>103,808,962</b>

**Notes:**

1. This assumes the amount of \$8,400,000 at \$0.30 per Share is raised under the Placement.
2. This assumes that no Options in the Company are exercised.

OPTIONS	
Unquoted Options currently on issue <sup>1,2</sup>	162,666,667
Quoted Options currently on issue <sup>3,4</sup>	24,076,072
<b>Unquoted and Quoted Options on issue following Consolidation</b>	<b>6,224,759</b>
Unquoted Options to be issued to Adam Davey	333,333
<b>TOTAL<sup>5</sup></b>	<b>6,558,092</b>

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**Notes:**

1. 5,000,000 Options exercisable at \$0.15 per Option on or before 30 April 2019, 51,666,667 Options exercisable at \$0.04 per Option on or before 19 December 2019, 96,000,000 Options exercisable at \$0.02 per Option on or before 2 years from the date of issue, 2,000,000 Options exercisable at \$0.04 on or before 20 December 2020 and 8,000,000 Options exercisable at \$0.025 on or before 20 December 2020.
2. After the Consolidation of capital the subject of Resolution 1, the unquoted Options will be exercisable as follows: 166,667 Options exercisable at \$4.50 per Option on or before 30 April 2019, 1,722,222 Options exercisable at \$1.20 per Option on or before 19 December 2019, 3,200,000 Options exercisable at \$0.60 per Option on or before 2 years from the date of issue, 66,667 Options exercisable at \$1.20 per Option on or before 20 December 2020 and 266,667 Options exercisable at \$0.75 on or before 20 December 2020.
3. Options currently exercisable at \$0.15 per option on or before 30 April 2019.

PERFORMANCE SHARES	
Performance Shares currently on issue	113,333,334
<b>Performance Shares on issue following Consolidation</b>	<b>3,777,778</b>
<b>TOTAL</b>	<b>3,777,778</b>

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