

Wentworth Holdings Limited
ACN 080 167 264

Notice of annual general meeting

Notice is given that the annual general meeting of Wentworth Holdings Limited (**Company**) will be held at Level 23, 459 Collins Street, Melbourne, Victoria, 3000 on 21 November 2013 at 10:00 am (Melbourne time).

Ordinary business

Annual financial and other reports

To receive the Company's financial report, directors' report and auditor's report for the financial year ended 30 June 2013.

Resolution 1 — adoption of remuneration report

To consider and if thought fit pass the following resolution as an **ordinary resolution**:

"That the remuneration report for the year ended 30 June 2013 be adopted."

Note: The remuneration report is set out in pages 8 to 10 of the Company's 2013 annual report. The vote on this resolution is advisory only and does not bind the directors of the Company.

Resolution 2 — increase in maximum annual remuneration of directors

To consider and if thought fit pass the following resolution as an **ordinary resolution**:

"That the maximum total remuneration of the directors in any year currently fixed at \$225,000 be increased by \$175,000 to \$400,000 for the purpose of rule 6.3(a) of the Company's constitution, rule 10.17 of the ASX Listing Rules and for all other purposes."

Special business

Resolution 3 — adopt new constitution

To consider and if thought fit pass the following resolution as a **special resolution**:

"That the existing constitution of the Company be repealed and in its place a constitution in the form presented to the meeting, and signed by the chair for the purpose of identification, be adopted as the Company's new constitution, effective at the close of this meeting."

Resolution 4 — share consolidation

To consider and if thought fit pass the following resolution as an **ordinary resolution**:

"That the issued shares in the Company be consolidated with effect at 9:00 am (Melbourne time) on the 7th business day after this resolution is passed on the basis that all of the shares held by each shareholder of the Company at that time be converted into a smaller number of shares equal to one-seventh of the number of the shareholder's shares, or if that is a fractional number, the next whole number above that fractional number."

Resolution 5 — approval of issue of shares under placement offer

To consider and if thought fit pass the following resolution as an **ordinary resolution**:

"That, subject to:

- (a) the issued shares in the Company being consolidated in accordance with resolution 4; and
- (b) resolutions 6 and 9 to 12 being passed;

the issue of up to 112.4 million ordinary shares in the Company that:

- (c) are offered under a placement offer that does not need disclosure under part 6D.2 of the Corporations Act; and

- (d) are issued after the share consolidation has been effected;

to sophisticated and/or professional investors as fully paid shares (representing up to approximately 77.89% of the Company's issued shares on a fully diluted basis assuming no other issues) at the price of \$0.50 each and otherwise on the terms summarised in the explanatory statement accompanying the notice of this meeting, to raise up to \$56.2 million, be approved for the purpose of rule 7.1 of the ASX Listing Rules, as a significant change for the purpose of rule 11.1 of the ASX Listing Rules and for all other purposes."

Resolution 6 — approval of issue of shares to Thorney Holdings under placement offer

To consider and if thought fit pass the following resolution as an **ordinary resolution**:

"That, subject to:

- (a) the issued shares in the Company being consolidated in accordance with resolution 4; and
 (b) resolutions 5 and 9 to 12 being passed;

the issue of up to 42.2 million of the shares offered under the placement offer after the share consolidation has been effected, to Thorney Holdings as fully paid shares (representing up to approximately 29.25% of the Company's issued shares on a fully diluted basis assuming no other issues apart from the issue of 112.4 million placement offer shares in total) on terms the same as the terms of issue of all other placement offer shares except as noted in the explanatory statement accompanying the notice of this meeting, and on the condition that Thorney Holdings' voting power in the Company does not exceed 36% in consequence of the issue:

be approved:

- (c) as an acquisition of shares by Thorney Holdings for the purpose of item 7 of the table in section 611 of the Corporations Act 2001;
 (d) as the giving of a financial benefit to a related party for the purpose of section 208 of the Corporations Act 2001; and
 (e) for the purpose of rule 10.11 of the ASX Listing Rules and for all other purposes."

Resolution 7 — approval of issue of shares to Colin Cowden (or his controlled entity) under placement offer

To consider and if thought fit pass the following resolution as an **ordinary resolution**:

"That, subject to:

- (a) the issued shares in the Company being consolidated in accordance with resolution 4; and
 (b) resolutions 5, 6 and 9 to 12 being passed;

the issue of up to 1,055,000 of the shares offered under the placement offer after the share consolidation has been effected, to Colin Cowden (or his controlled entity) as fully paid shares (representing up to approximately 0.74% of the Company's issued shares on a fully diluted basis assuming no other issues apart from the issue of 112.4 million placement offer shares in total) on terms the same as the terms of issue of all other placement offer shares except as noted in the explanatory statement accompanying the notice of this meeting, be approved:

- (c) as the giving of a financial benefit to a related party for the purpose of section 208 of the Corporations Act 2001; and
 (d) for the purpose of rule 10.11 of the ASX Listing Rules and for all other purposes."

Resolution 8 — approval of issue of shares to Henry Lanzer (or his controlled entity) under placement offer

To consider and if thought fit pass the following resolution as an **ordinary resolution**:

"That, subject to:

- (e) the issued shares in the Company being consolidated in accordance with resolution 4; and
- (f) resolutions 5, 6 and 9 to 12 being passed;

the issue of up to 100,000 of the shares offered under the placement offer after the share consolidation has been effected, to Henry Lanzer (or his controlled entity) as fully paid shares (representing up to approximately 0.07% of the Company's issued shares on a fully diluted basis assuming no other issues apart from the issue of 112.4 million placement offer shares in total) on terms the same as the terms of issue of all other placement offer shares except as noted in the explanatory statement accompanying the notice of this meeting, be approved:

- (g) as the giving of a financial benefit to a related party for the purpose of section 208 of the Corporations Act 2001; and
- (h) for the purpose of rule 10.11 of the ASX Listing Rules and for all other purposes."

Resolution 9 — approval of investment management agreement with Thorney Management

To consider and if thought fit pass the following resolution as an **ordinary resolution**:

"That, subject to resolutions 4 to 6 and 10 and 12 being passed, the entry by the Company into an investment management agreement with Thorney Management in the form or substantially in the form of the investment management agreement presented to the meeting and signed by the chair for the purpose of identification the terms of which are summarised in the explanatory statement accompanying the notice of this meeting, the consequential broadening of the Company's investment policy and objectives, and the appointment by the Company of Thorney Management as manager on the terms of the investment management agreement, be approved:

- (a) as the giving of a financial benefit to a related party for the purpose of section 208 of the Corporations Act 2001; and
- (b) as a significant change for the purpose of rule 11.1 of the ASX Listing Rules and for all other purposes."

Resolution 10 — approval of issue of shares under retail offer

To consider and if thought fit pass the following resolution as an **ordinary resolution**:

"That, subject to:

- (a) the issued shares in the Company being consolidated in accordance with resolution 4; and
- (b) resolutions 5, 6, 9, 11 and 12 being passed;

the issue of up to 24 million ordinary shares in the Company that:

- (c) are offered under a retail offer that needs disclosure under part 6D.2 of the Corporations Act on terms that the allocation and acceptance of applications for shares will be at the discretion of the board of directors of the Company having regard to the policy that:
 - (1) subject to the other provisions of the policy, 20 million of the offered shares will be available for issue to those persons who:
 - (A) hold shares in the Company with registered addresses in Australia or New Zealand (or any other jurisdiction the directors determine) at 7:00 pm (Melbourne time) on the 8th business day after this resolution is passed; and
 - (B) do not participate in the placement offer;

in priority to any other applicant such that applications for shares from such priority shareholders will be accepted in priority to all other applications for shares, and to the extent those applications are for more shares than the maximum number of offered shares they will be scaled back in a manner that the board of directors of the Company determines will result in those priority shareholders being allocated the number of shares that best approximates a pro rata allocation of the shares by reference to their respective holdings of shares;

- (2) the Company will limit the number of shares it allocates and issues to a holder of shares under the priority entitlement to the higher of 5% of all of the shares offered and the number the holder would be entitled to under an issue of those shares had they been offered to all holders of shares on a pro rata basis; and
- (3) the Company will not allocate or issue shares where it is aware that to do so would result in a breach of the Corporations Act, the ASX Listing Rules or any other relevant legislation or law; and
- (d) are issued after the share consolidation has been effected;

to investors as fully paid shares (representing up to approximately 14.26% of the Company's issued shares on a fully diluted basis assuming no other issues apart from the issue of 112.4 million placement offer shares in total) at the price of \$0.50 each and otherwise on the terms summarised in the explanatory statement accompanying the notice of this meeting, to raise up to \$12 million, be approved for the purpose of rule 7.1 of the ASX Listing Rules, as a significant change for the purpose of rule 11.1 of the ASX Listing Rules and for all other purposes."

Resolution 11 — approval of acquisitions of shares by or on behalf of Thorney Holdings in consequence of exercise of options issued under bonus option issue

To consider and if thought fit pass the following resolution as an **ordinary resolution**:

"That, subject to:

- (a) the issued shares in the Company being consolidated in accordance with resolution 4;
- (b) resolutions 5, 6, 9, 10 and 12 being passed; and
- (c) the Company making a 1 for 2 pro rata bonus issue of options, each to subscribe for 1 share in the Company at \$0.53 by the 1st anniversary of the date of issue of the option, and otherwise on and subject to the terms summarised in the explanatory statement accompanying the notice of this meeting, on the basis that:
- (1) each person holding shares in the Company with a registered address in Australia or New Zealand (or any other jurisdiction the directors determine) at a time determined by the board of directors of the Company which is approximately 4 months after the issue of the placement offer shares approved for issue in accordance with resolution 6, is entitled to be issued for no consideration 1 option for every 2 shares held at that time subject to fractional entitlements being rounded up to the nearest whole number; and
- (2) otherwise on the terms summarised in the explanatory statement accompanying the notice of this meeting;

acquisitions of ordinary shares in the Company by Thorney Holdings in consequence of the exercise of the options issued to Thorney Holdings under the bonus option issue on condition that:

- (d) Thorney Holdings' voting power in the Company does not exceed 44.73% in consequence of any exercise of the options;

be approved for the purpose of item 7 of the table in section 611 of the Corporations Act 2001 and for all other purposes.

Resolution 12 – change of name

To consider and if thought fit pass the following resolution as a **special resolution**:

"That, subject to resolutions 4 to 6 and 9 to 11 being passed, the name of the Company be changed to Thorney Opportunities Ltd, and the Company adopt that name as its new name."

Resolution 13 – election of Alex Waislitz as a director

To consider and if thought fit pass the following resolution as an **ordinary resolution**:

"That, subject to resolutions 4 to 6 and 9 to 12 being passed, Alex Waislitz be elected a director of the Company pursuant to rule 6.1(c) of the Company's constitution, having been nominated by the directors for election at this meeting and a signed consent to act from him having been received by the Company."

Resolution 14 – election of Henry Lanzer as a director

To consider and if thought fit pass the following resolution as an **ordinary resolution**:

“That, subject to resolutions 4 to 6 and 9 to 12 being passed, Henry Lanzer be elected a director of the Company pursuant to rule 6.1(c) of the Company’s constitution, having been nominated by the directors for election at this meeting and a signed consent to act from him having been received by the Company.”

Resolution 15 – election of Gary Weiss as a director

To consider and if thought fit pass the following resolution as an **ordinary resolution**:

“That, subject to resolutions 4 to 6 and 9 to 12 being passed, Gary Weiss be elected a director of the Company pursuant to rule 6.1(c) of the Company’s constitution, having been nominated by the directors for election at this meeting and a signed consent to act from him having been received by the Company.”

Resolution 16 – election of Ashok Jacob as a director

To consider and if thought fit pass the following resolution as an **ordinary resolution**:

“That, subject to resolutions 4 to 6 and 9 to 12 being passed, Ashok Jacob be elected a director of the Company pursuant to rule 6.1(c) of the Company’s constitution, having been nominated by the directors for election at this meeting and a signed consent to act from him having been received by the Company.”

Resolution 17 – Removal of auditor

To consider and if thought fit pass the following resolution as an **ordinary resolution**:

“That Deloitte Touche Tohmatsu be removed as the auditor of the Company, under section 329 of the Corporations Act 2001.”

Note: Deloitte Touche Tohmatsu has informed the Company that it has applied to ASIC requesting its consent to resign from the office of auditor of the Company, and that it will provide formal written notification of resignation in accordance with section 329(5) of the Corporations Act 2001 once ASIC’s consent is received. If ASIC’s consent and Deloitte Touche Tohmatsu’s resignation is received before the meeting, thereby making resolution 16 unnecessary, the resolution will be withdrawn.

Resolution 18 – Appointment of auditor

To consider and if thought fit pass the following resolution as a **special resolution**:

“That, subject to resolution 17 being passed (or the Company receiving written notification of resignation as auditor of the Company from Deloitte Touche Tohmatsu with the consent of ASIC before the date of the meeting), the firm Ernst & Young be appointed as auditor of the Company in place of Deloitte Touche Tohmatsu, under section 327D(2) of the Corporations Act 2001 (if resolution 17 is passed) or under section 327B(1) of the Corporations Act 2001 (if the Company receives Deloitte Touche Tohmatsu’s written notification of resignation with the consent of ASIC before the date of the meeting).”

Dated: 21 October 2013

By order of the board



.....
Ron Hollands - Company Secretary

Notes:

1. A member entitled to attend and vote at this meeting is entitled to appoint one proxy or, if the member is entitled to cast two or more votes at the meeting, two proxies to attend and vote on behalf and instead of the member.
2. Where two proxies are appointed and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half of the votes.
3. A proxy need not be a member.
4. A proxy form accompanies this notice. To be valid it must be received by the Company's share registrar, Boardroom Pty Ltd, or by the Company at its registered office, together with the power of attorney or other authority (if any) under which the form is signed, or a certified copy of that power or authority, not less than 48 hours before the time for holding the meeting, namely by 10:00 am (Melbourne time) on Tuesday 19 November 2013. Delivery details are as follows:
 - (a) To the Company's share registrar:
 - (1) By hand delivery to:
Wentworth Holdings Limited
c/o Boardroom Pty Ltd
Level 7, 207 Kent Street
Sydney, New South Wales, 2000
 - (2) By post to:
Wentworth Holdings Limited
c/o Boardroom Pty Ltd
GPO Box 3993
Sydney, New South Wales, 2001
 - (3) By facsimile on +61 2 9290 9655
 - (b) To the Company's registered office:
 - (1) By hand delivery or post to:
Wentworth Holdings Limited
c/o Norton Gledhill
Level 23, 459 Collins Street
Melbourne, Victoria, 3000
 - (2) By facsimile on 03 9629 1415
5. Regulation 7.11.37 determination: A determination has been made by the board of directors of the Company under regulation 7.11.37 of the *Corporations Regulations* 2001 (Cth) that those persons who are registered as the holders of shares in the Company as at 7:00 pm (Melbourne time) on Tuesday 19 November 2013 will be taken to be the holders of shares for the purposes of determining voting entitlements at the meeting.

Voting exclusion statement:

The Company will disregard any votes cast on:

1. resolution 1 (adoption of remuneration report) by or on behalf of a member (**KMP Member**) of the key management personnel for the Company (details of whose remuneration are included in the remuneration report, and includes each director of the Company), or a closely related party of a KMP Member;
2. resolution 2 (increase in maximum annual remuneration of directors) by:
 - (a) a director of the Company or an associate of a director;
 - (b) a person appointed as a proxy if the person is either a KMP Member or a closely related party of a KMP Member, and the appointment does not specify the way the proxy is to vote on the resolution;
3. resolution 5 (approval of issue of shares under placement offer) by any person who may participate in the issue or might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary shares) if the resolution is passed, or an associate of any such person;

4. resolution 6 (approval of issue of shares to Thorney Holdings under placement offer) by or on behalf of Thorney Holdings or Colin Cowden or Henry Lanzer (or the entity controlled by Colin Cowden or Henry Lanzer that is participating in the placement offer), or an associate of any of those persons;
5. resolution 7 (approval of issue of shares to Colin Cowden (or his controlled entity) under placement offer) by or on behalf of Thorney Holdings or Colin Cowden or Henry Lanzer (or the entity controlled by Colin Cowden or Henry Lanzer that is participating in the placement offer), or an associate of any of those persons;
6. resolution 8 (approval of issue of shares to Henry Lanzer (or his controlled entity) under placement offer) by or on behalf of Thorney Holdings or Colin Cowden or Henry Lanzer (or the entity controlled by Colin Cowden or Henry Lanzer that is participating in the placement offer), or an associate of any of those persons;
7. resolution 9 (approval of investment management agreement with Thorney Management) by or on behalf of Thorney Management), or an associate of Thorney Management;
8. resolution 10 (approval of issue of shares under retail offer) by any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary shares) if the resolution is passed, or an associate of any such person;
9. resolution 11 (approval of acquisitions of shares by or on behalf of Thorney Holdings in consequence of exercise of options issued under bonus option issue) by Thorney Holdings or an associate of Thorney Holdings.

However, the Company need not disregard a vote:

- (a) in relation to resolution 1, 2, 5, 7, 8, 9 or 10, if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) in relation to resolution 1, 2, 5, 7, 8, 9 or 10, if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides (and the appointment expressly authorises the chair to vote in accordance with a direction on the proxy form to vote as the proxy decides, even if the resolution is connected directly or indirectly with the remuneration of a KMP Member).

The chair of the meeting intends to vote undirected proxies held by him in favour of each resolution. Please refer to the proxy form accompanying this notice of meeting for more information.

Shareholders must not cast a vote on a resolution that the Company must disregard. If votes are cast in favour of resolution 6 or 11 by a person whose votes must be disregarded, the resolution may be invalid for the purpose of item 7 of the table in section 611 of the Corporations Act 2001 even if the resolution is passed disregarding those votes.

**WENTWORTH HOLDINGS LIMITED
ACN 080 167 264**

Explanatory Statement

In relation to the ordinary business at Wentworth Holdings Limited's annual general meeting and special business for the proposed recapitalisation of Wentworth Holdings Limited

YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR OF ALL RESOLUTIONS RELATING TO THE THORNEY PROPOSAL, IN THE ABSENCE OF A SUPERIOR PROPOSAL

This Explanatory Statement is an explanation of, and contains information about, the resolutions to be considered at the Annual General Meeting. It is given to shareholders of Wentworth Holdings Limited to help them determine how to vote on the resolutions set out in the accompanying Notice of Annual General Meeting.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION

IF YOU DO NOT UNDERSTAND ITS CONTENTS OR ARE NOT SURE WHAT TO DO, PLEASE CONSULT YOUR LEGAL, FINANCIAL OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

For personal use only

IMPORTANT NOTICES

This explanatory statement is an important document and should be read carefully. It comprises part of, and should be read in conjunction with, the notice of the AGM of Wentworth Holdings Limited (**Company**) to be held at Level 23, 459 Collins Street, Melbourne, Victoria, 3000 on 21 November 2013 at 10:00 am (Melbourne time).

Shareholders are encouraged to read this explanatory statement and the accompanying material in its entirety before making a decision on how to vote on any of the proposed resolutions.

Disclaimer

The information in this explanatory statement should be read in conjunction with the Company's other periodic and continuous disclosure announcements and other announcements to ASX which are available at www.asx.com.au.

In preparing this explanatory statement, the Company has not taken into account the investment objectives, financial situation or particular needs of any particular person. Accordingly, before acting on this explanatory statement, you may need to obtain independent legal, financial and/or taxation advice in light of your own financial circumstances.

Responsibility for information

The information in this explanatory statement has been prepared by the Company partly from information provided by the Thorney Group. Except as outlined below, no member of the Thorney Group or any of its directors, officers, employees, agents or advisers assumes any responsibility for the accuracy or completeness of any information in this explanatory statement. The Company has assumed for the purpose of preparing this explanatory statement that the information in sections 3.4, 3.7, 6 and 9.3, and in statements attributed or relating to any member of the Thorney Group or its intentions, business or affairs and other information provided to the Company by the Thorney Group (**Thorney Statements**) is correct. The Thorney Statements are the responsibility of the Thorney Group. None of the Company, or any of its directors, officers, employees, agents, advisers and persons engaged by the Company in the preparation of this explanatory statement takes responsibility for anything in the Thorney Statements or anything else prepared or distributed by the Thorney Group, except to the extent required by law.

Lawler Corporate Finance has provided and is responsible for the information contained in its independent expert report set out in appendix 1 of this explanatory statement. Lawler Corporate Finance does not assume any responsibility for the accuracy or completeness of any information in this explanatory statement other than that contained in the independent expert report.

Forward looking statements

The forward looking statements contained in this explanatory statement have been based on expectations at the date of preparation of this explanatory statement about future events. They are, therefore, subject to risks, uncertainties and

assumptions that could cause actual results to differ materially from the expectations. These factors may include matters not yet known or not currently considered material. Nothing contained in this explanatory statement is, or may be relied on as, a promise or representation as to the accuracy or likelihood of fulfilment of any forward looking statement, except to the extent required by law. You are therefore cautioned not to place undue reliance on any such forward looking statement.

Unless otherwise stated, a monetary reference in this explanatory statement is a reference to Australian currency.

Defined terms

A number of terms used in this explanatory statement are defined in the glossary at the end of this explanatory statement.

Prospectus statement

A Prospectus for the Retail Offer will be made available when the Shares are offered by the Company under the Retail Offer. Any person interested in acquiring Shares to be offered under the Retail Offer should consider the Prospectus in deciding whether to acquire the Shares, and anyone who wants to acquire the Shares will need to complete the application form that will be in or will accompany the Prospectus. A copy of the Prospectus will be sent to the Company's shareholders who have a priority entitlement to participate in the Retail Offer after the record date to determine which shareholders have priority entitlements. Anyone else will be able to obtain a copy of the Prospectus by contacting the company secretary, Ron Hollands, by telephone on + 61 420 961 617, by facsimile on +61 3 8692 1122, by email at ron.hollands@wentworthholdings.com.au, or by downloading a copy from the Company's website at www.wentworthholdings.com.au.

A copy of the Prospectus for the Option Issue will be sent to the Company's shareholders who are entitled to Options under the Option Issue after the record date to determine their pro rata entitlements. As the Option Issue is a pro rata bonus issue restricted to those shareholders, the Prospectus will not be made available to anyone else.

Contact details

If you have any questions regarding the matters set out in this explanatory statement (or elsewhere in the notice of AGM), you may contact the company secretary, Ron Hollands, by telephone on + 61 420 961 617, by facsimile on +61 3 8692 1122, by email at ron.hollands@wentworthholdings.com.au, or the Company's share registrar Boardroom Pty Limited as follows:

Telephone: 1300 737 760 (within Australia)
+61 2 9290 9600 (outside Australia)
between 8:30 am and 5:00 pm (Melbourne time)
Monday to Friday

TABLE OF CONTENTS

	IMPORTANT NOTICES	2
	CHAIRMAN'S LETTER.....	6
1	OVERVIEW OF BUSINESS OF THE MEETING.....	8
2	DESCRIPTION OF THE THORNEY PROPOSAL	9
3	ADVANTAGES OF THE THORNEY PROPOSAL.....	15
4	DISADVANTAGES OF THE THORNEY PROPOSAL.....	17
5	OVERVIEW OF WENTWORTH.....	18
6	OVERVIEW OF THORNEY GROUP	23
7	RISK FACTORS.....	27
8	FINANCIAL INFORMATION.....	30
9	ADDITIONAL INFORMATION.....	33
10	DETAILS OF THE PROPOSED RESOLUTIONS	38
	APPENDIX 1 - INDEPENDENT EXPERT REPORT.....	61
	APPENDIX 2 - INVESTMENT MANAGEMENT AGREEMENT	142
	APPENDIX 3 - SUMMARY OF NEW CONSTITUTION	183
	APPENDIX 4 – NOMINATION OF AUDITOR	191
	GLOSSARY	192
	CORPORATE DIRECTORY.....	194

For personal use only

KEY DATES AND TIMETABLE

Event	Date
Latest date for receipt of proxy forms	Tuesday 19 November 2013 at 10:00 am (Melbourne time)
Determine voting entitlement at general meeting	Tuesday 19 November 2013 at 7:00 pm (Melbourne time)
Hold general meeting	Thursday 21 November 2013 at 10:00 am (Melbourne time)
Lodge notice of resolution to change to the new name with ASIC	Thursday 21 November 2013
Last day for trading in pre-consolidated shares	Friday 22 November 2013
Trading in consolidated shares on a deferred settlement basis starts	Monday 25 November 2013
Register share transfers on a pre-consolidation basis	Friday 29 November 2013
Effective date of Share Consolidation (and shareholdings adjusted to reflect Share Consolidation)	Monday 2 December 2013 at 9:00 am (Melbourne time)
Send notice to Shareholders of number of shares held pre- and post-Share Consolidation	Monday 2 December 2013
Lodge Prospectus for Retail Offer with ASIC and provide a copy to ASX	Monday 2 December 2013 after 9:00 am (Melbourne time)
Normal trading commences (provided the Company has told ASX that updating of shareholdings to reflect Share Consolidation has occurred by 12 noon on Monday 2 December November 2013)	Tuesday 3 December 2013
Record date to determine priority entitlements of Shareholders under Retail Offer	Tuesday 3 December 2013 at 7:00 pm (Melbourne time)
ASX updates platform with new company name (provided the Company has given notice to ASX of ASIC confirmation of the change to the new name before 12 noon on Thursday 28 November 2013)	Tuesday 3 December 2013
Trading on deferred settlement basis ends	Wednesday 4 December 2013
Despatch Prospectus for Retail Offer to Shareholders	Wednesday 4 December 2013
Issue Shares under Placement Offer	Thursday 5 December 2013
Closing date of Retail Offer	Wednesday 18 December 2013 at 5:00 pm (Melbourne time)
Issue Shares under Retail Offer	Tuesday 24 December 2013
Record date to determine pro rata entitlements of Shareholders under Option Issue	at a time determined by the board of directors of the Company which is approximately 4 months after

Event	Date
Despatch Prospectus for Option Issue to Shareholders	the issue of the placement offer shares approved for issue in accordance with resolution 6
Issue Options under Option Issue	at a time determined by the board of directors of the Company which is approximately 4 months after the issue of the placement offer shares approved for issue in accordance with resolution 6
	at a time determined by the board of directors of the Company which is approximately 4 months after the issue of the placement offer shares approved for issue in accordance with resolution 6

Dates and times are indicative only and subject to change. The Company reserves the right, subject to the *Corporations Act 2001* (Cth) and the ASX Listing Rules, to change any date. If the Company decides to change the above timetable it will be announced through ASX. Further details of the timing of the Retail Offer and Option Issue will be set out in the Prospectus to be despatched to relevant Shareholders after the general meeting, if resolutions 4 to 6 and 9 to 12 (**Key Thorney Proposal Resolutions**) are passed.

For personal use only

CHAIRMAN'S LETTER

21 October 2013

Dear Shareholders

On 3 September 2013, the Company announced that it had entered into an implementation deed with Thorney Holdings to implement a proposal that will result in a transformation and recapitalisation of the Company. The proposal will involve a new strategic direction for the Company's investment portfolio with the appointment of Thorney Management to source and manage investments for the Company under an investment management agreement.

Since the announcement of the proposal on 3 September 2013, three further significant aspects of the proposal have been agreed by the Company and Thorney Holdings. First, the total to be raised under the capital raising has increased from \$50 million to \$66.2 million, plus under the Retail Offer component of the capital raising, the Company will reserve the right to accept oversubscriptions to raise up to an additional \$2 million which will be allocated at the discretion of the Board. Secondly, a restructure of the Board is proposed at the AGM. Mr Henry Lanzer, Dr Gary Weiss and Mr Ashok Jacob have agreed to join the Board (together with Mr Waislitz) and the existing Directors of the Company have advised the Company that they will resign from their positions if the new appointments are approved by Shareholders. Thirdly, it is proposed that the Company's existing auditor, Deloitte Touche Tohmatsu, be replaced by Ernst & Young.

Thorney Holdings has been a long-term shareholder in the Company, and currently has voting power in the Company of approximately 26.22%. Thorney Holdings is a member of the Thorney Group, which was founded by its Executive Chairman, Mr Alex Waislitz.

Mr Waislitz has indicated to the Company that Thorney Group's rationale for the proposal is to enable Thorney Group to pursue investments through a public vehicle and that Thorney Management's intention is to pursue absolute returns for shareholders over the medium to long term.

For the reasons set out in this explanatory statement, the Thorney Proposal (together with the other ordinary business of the AGM) requires shareholder approval. Your Directors are therefore requesting that Shareholders vote on the resolutions set out in the notice of meeting accompanying this explanatory statement to implement the Thorney Proposal.

The Company has retained Lawler Corporate Finance, to provide an independent expert report on the proposed increase in the Thorney Holding's voting power in the Company, exercise of Options and on the proposed investment management agreement. A copy of the report is set out in appendix 1 of this explanatory statement. Lawler Corporate Finance has concluded that those transactions are not fair, but reasonable.

Having considered the independent expert report, your Directors unanimously recommend that Shareholders vote in favour of the resolutions relating to the Thorney Proposal, in the absence of a superior proposal.

Your Directors consider that the Company has a positive future and the Thorney Proposal provides Shareholders with the opportunity to participate in the Company's future growth.

This explanatory statement, and specifically sections 2 and 7, contains detailed information about the Thorney Proposal and, importantly, associated risks. I encourage you to read this explanatory statement in full.

Your Directors encourage all Shareholders to attend the AGM and vote on the proposed resolutions.

Yours faithfully



Vaughan Webber
Non-executive Chairman – Wentworth Holdings Limited

For personal use only

1 OVERVIEW OF BUSINESS OF THE MEETING

1.1 Overview of ordinary business

As part of its ordinary business at the AGM, the Company will be seeking:

- (a) the adoption of the Company's remuneration report for the year ended 30 June 2013; and
- (b) an increase in the maximum total annual remuneration that may be payable to Directors, from \$225,000 to \$400,000.

Further detail in respect of each of these resolutions is set out in section 10 of this explanatory statement.

1.2 Overview of special business - Thorney Proposal

In relation to the special business of the meeting, the Company is seeking the approval of Shareholders of the Thorney Proposal.

A summary of the Thorney Proposal is set out in section 2 of this explanatory statement. Full details of the resolutions being put before shareholders in relation to the Thorney Proposal are included in the notice of meeting and section 10 of this explanatory statement.

1.3 Director's recommendations for business of the meeting

All Directors have approved this explanatory statement.

Subject to the below and after having considered the Lawler Corporate Finance report, **the Directors unanimously recommend** that Shareholders not precluded from voting:

- (a) **vote in favour** of resolutions 1, 3 and 4; and
- (b) **vote in favour** of resolutions 5 to 18, in the absence of a proposal that is superior to the Thorney Proposal.

As the Directors may be entitled to an increase in their remuneration if resolution 2 is passed, they do not consider it appropriate for them to make a recommendation in relation to resolution 2. Further:

- (c) as Colin Cowden is proposing to participate in the Placement Offer and cannot do so unless resolution 7 is passed, he does not consider it appropriate for him to make a recommendation in relation to that resolution; and
- (d) although Vaughan Webber will not receive fees as an employee of Wilson HTM in relation to the capital raising the subject of the Thorney Proposal, as Mr Webber is an employee of Wilson HTM, and Wilson HTM has been appointed by the Company as lead manager in respect of the capital raising the subject of the Thorney Proposal (and will be receiving fees based on the success of the capital raising), he does not consider it appropriate for him to make a recommendation in relation to resolutions 5 to 16.

2 DESCRIPTION OF THE THORNEY PROPOSAL

2.1 Overview

You should read this explanatory statement, including the risks set out in section 7, in its entirety before making a decision in relation to the Thorney Proposal.

The key terms of the Thorney Proposal are:

- (a) Thorney Management, a wholly owned subsidiary of Thorney Holdings, will be appointed by the Company as its investment manager pursuant to an Investment Management Agreement.
- (b) Pursuant to the Investment Management Agreement, Thorney Management will adopt a broader investment objective and pursue an absolute return strategy over the medium to long term for the Company and its Shareholders.
- (c) Mr Alex Waislitz, founder and Executive Chairman of the Thorney Group, will be appointed as non-executive Chairman of the Company.
- (d) In addition, Mr Henry Lanzer, Dr Gary Weiss and Mr Ashok Jacob have agreed to join the Board.
- (e) The Company will seek to raise up to \$66.2 million ("**Capital Raising**") through a placement of Shares at \$0.50 each to raise up to \$56.2 million from sophisticated and professional investors (the "**Placement Offer**") and a subsequent offer of Shares at \$0.50 each to raise up to \$10 million under a Prospectus from investors generally, where eligible Shareholders on Tuesday 3 December 2013 at 7:00 pm (Melbourne time) will be afforded priority to participate in the offer (the "**Retail Offer**"). Further, under the Retail Offer the Company will reserve the right to accept oversubscriptions to raise up to an additional \$2 million which will be allocated at the discretion of the Board.
- (f) Thorney Holdings has committed to participate in the Placement Offer by agreeing to subscribe \$21.1 million for new Shares, subject to a commensurate reduction if not all of the Shares offered under the Placement Offer are issued so that Thorney Holdings' voting power in the Company would not exceed 36% (the "**Thorney Commitment**").
- (g) Prior to completing the Capital Raising, the Company will undertake a share consolidation of the existing Shares on issue on a 1 for 7 basis ("**Share Consolidation**").
- (h) The Company will undertake a 1 for 2 pro rata bonus option issue ("**Option Issue**") to the Company's Shareholders at a record date expected to be set approximately 4 months after the issue of the Shares under the Placement Offer.
- (i) The Company will adopt a new constitution.
- (j) The Company will be renamed as "Thorney Opportunities Ltd".

The Thorney Proposal is subject to a number of shareholder approvals which are contained in the notice of meeting and which are further described and explained in section 10 of this Explanatory Statement.

For personal use only

2.2 Appointment of Thorney Management as the Company's investment manager

Under the Investment Management Agreement, Thorney Management is to be appointed by the Company to source and manage investments for the Company.

The proposed investment strategy to be adopted by the Company, pursuant to the terms of the Investment Management Agreement, will be to pursue absolute returns over the medium to long term and in doing so to seek to deliver superior returns through capital growth and the payment of dividends. This is to be achieved by Thorney Management seeking opportunities from a wide range of asset classes, including investments in:

- (a) securities, whether or not quoted on a securities exchange, including notes, options, partly paid securities and convertible notes;
- (b) various derivative contracts including foreign exchange;
- (c) interests in unit trusts, managed investment schemes or joint venture arrangements;
- (d) participation in underwriting and sub-underwriting of securities and units;
- (e) corporate debt securities and other fixed interest securities;
- (f) cash and bank deposits; and
- (g) other financial products to manage the Company's investment portfolio.

The proposed investment philosophy is broader than the policy previously approved by Shareholders on 6 August 2012.

The primary focus of Thorney Management is expected to be investments in small to medium sized companies whose shares are quoted on the ASX but this may extend to large cap opportunities. Thorney Management may pursue concentrated investment positions.

The Company may, subject to the ASX Listing Rules, cease being an investment entity at some point in the future. Upon ceasing to be an investment entity, the Company and Thorney Management may also pursue investments with an objective to exercise control over or manage an entity, in which it invests.

A summary of the Investment Management Agreement is contained in section 9.7.

A copy of the Investment Management Agreement is contained in appendix 2.

2.3 Share Consolidation

The Company proposes to undertake the Share Consolidation in order for the price of the Company's Shares to be a meaningful value, and at least the minimum of \$0.20 prescribed by ASX. As the number of ordinary shares in the Company on issue will reduce by a ratio of one-seventh (subject to the rounding up of fractional entitlements), the Company's share price is expected to increase in inverse proportion to that ratio following the Share Consolidation being implemented.

Further details of the Share Consolidation are set out in section 10.4 of this explanatory statement.

For personal use only

2.4 Capital Raising

The Company intends to undertake a capital raising of up to \$66.2 million through the issue of Shares (with the ability to accept oversubscriptions under the Retail Offer to raise up to an additional \$2 million).

The offer size and structure of the Capital Raising may be subject to change at the discretion of the Board.

Wilson HTM has been appointed as lead manager to the Capital Raising.

The Capital Raising consists of the following components:

(a) Placement Offer

At the date of this notice of meeting, the Company has received firm commitments from sophisticated investors and professional investors of \$56.2 million to subscribe for 112.4 million Shares in the Placement Offer. This includes the Thorney Commitment to subscribe \$21.1 million for 42.2 million new Shares under the Placement Offer (after the Share Consolidation has been completed).

Thorney Holdings' commitment to subscribe \$21.1 million is subject to the other commitments for Shares under the Placement Offer being fulfilled such that all 112.4 million Shares are issued following the Share Consolidation. In that case, Thorney Holdings' voting power in the Company would increase from its current level of approximately 26.22% to approximately 35.05%, assuming no other change to Thorney Holdings' current voting power in the Company or to the Company's issued share capital. However, if not all of the Shares offered under the Placement Offer are issued (e.g. because other commitments for Shares are not fulfilled), the Thorney Commitment would be reduced so that Thorney Holdings' voting power would not exceed 36% following the issue of all of the Shares offered under the Placement Offer.

The issue price for Shares under the Placement Offer will be at a fixed price of \$0.50 each.

The Thorney Commitment is subject to the terms of the Implementation Deed and, in particular, is subject to Thorney Holdings and the Company having the right to terminate the Implementation Deed (and consequently the Thorney Commitment) in certain circumstances, namely termination by either party where resolutions relating to the Thorney Proposal are not obtained, termination by Thorney Holdings where the Company is in material breach of the Implementation Deed or any law, or an insolvency event occurs in relation to the Company, termination by the Company where Thorney Holdings is in material breach of the Implementation Deed or any law, or an insolvency event occurs in relation to Thorney Holdings or termination by mutual agreement.

The other commitments under the Placement Offer are also subject to the satisfaction of certain conditions and rights of termination, including termination where resolutions relating to the Thorney Proposal are not passed.

If the resolutions necessary to implement the Thorney Proposal are passed, Shares under the Placement Offer will be issued after the Share Consolidation has been completed.

All Shares issued under the Placement Offer will rank equally with existing shares on issue.

(b) Retail Offer

The purpose of the Retail Offer is partly to provide Shareholders on the register on Tuesday 3 December 2013 at 7:00 pm (Melbourne time) with the opportunity to participate in the recapitalisation of the Company as part of the Thorney Proposal. These Shareholders will be provided with a priority allocation in relation to the \$10 million being sought under the Retail Offer. Any part of the \$2 million oversubscription facility that forms part of the Retail Offer will be allocated at the discretion of the Board.

If the resolutions necessary to implement the Thorney Proposal are passed, Shares under the Retail Offer will be issued after the Share Consolidation has been effected and Shares under the Placement Offer have been issued.

The Retail Offer is to be made in a way and on terms to be determined by the Board such that Shareholders of the Company and other investors who may not be able to participate in the Placement Offer have the opportunity to apply for Shares on terms that are the same as the terms of the Placement Offer.

The allocation and acceptance of applications for Shares under the Retail Offer will be at the discretion of the board of directors of the Company having regard to the policy that:

- (i) subject to the other provisions of the policy, 100% of the offered Shares (excluding the \$2 million of Shares available under the oversubscription facility) will be available for issue to shareholders with a registered address in Australia or New Zealand (or any other jurisdiction as the Board determines) and who hold Shares on Tuesday 3 December 2013 at 7:00 pm (Melbourne time) and who did not participate in the Placement Offer (**Priority Shareholders**) in priority to any other applicant such that applications for Shares from Priority Shareholders will be accepted in priority to all other applications for Shares, and to the extent those applications are for more Shares than the maximum number of offered Shares they will be scaled back in a manner that the Board of the Company determines will result in those Priority Shareholders being allocated the number of Shares that best approximates a pro rata allocation of the Shares by reference to their respective holdings of Shares;
- (ii) the Company will limit the number of Shares it allocates and issues under (i) above to a holder of Shares to the higher of 5% of all of the Shares offered and the number the holder would be entitled to under an issue of those Shares had they been offered to all holders of Shares on a pro rata basis;
- (iii) any Shares that are not allocated to Priority Shareholders, and any part of the \$2 million oversubscription facility that forms part of the Retail Offer will be allocated at the discretion of the Board; and
- (iv) the Company will not allocate or issue Shares where it is aware that to do so would result in a breach of the Corporations Act, the ASX Listing Rules or any other relevant legislation or law.

For personal use only

All new Shares issued under the Retail Offer will rank equally with existing Shares on issue.

The issue price for Shares under the Retail Offer will be at a fixed price of \$0.50 each.

A copy of the Prospectus will be sent to all eligible Shareholders on the register on Tuesday 3 December 2013 at 7:00 pm (Melbourne time).

Anyone else will be able to obtain a copy of the Prospectus by contacting the company secretary, Ron Hollands, by telephone on + 61 420 961 617, by facsimile on +61 3 8692 1122, by email at ron.hollands@wentworthholdings.com.au, or by downloading a copy from the Company's website at www.wentworthholdings.com.au.

2.5 Option Issue

If the resolutions necessary to implement the Thorney Proposal are passed, and after completion of the Capital Raising, the Company intends to undertake a bonus option issue for Shareholders.

The Option Issue will involve the issue of one Option for every two Shares held by eligible Shareholders as follows:

- (a) each Option will be issued for nil consideration; and
- (b) each Option will entitle the holder to subscribe for 1 Share at an exercise price of \$0.53 by the first anniversary of the date of issue of the option, and otherwise on and subject to terms to be determined by the Board.

The record date for determining the eligibility for Shareholders will be at a time determined by the Board which is approximately 4 months after the issue of Shares under the Placement Offer. Shareholders registered on the Company's share register on the record date for the Option Issue with a registered address in Australia or New Zealand (or any other jurisdiction as the Board determines will be issued the Options based on their shareholding as at that date.

If at the time of the Option Issue there are 168,307,320 Shares held by eligible Shareholders (which assumes that the Share Consolidation has been implemented, 136.4 million Shares are issued under the Placement Offer and the Retail Offer and there are no other changes to the share capital structure of the Company) 84,153,660 bonus Options will be issued. If all the bonus Options are exercised, the Company will receive approximately \$44.60 million.

A copy of the Prospectus for the Option Issue will be sent to eligible Shareholders after the record date set in respect of the Option Issue. The Options will be issued on terms that comply with the requirements of rule 6 of the ASX Listing Rules and otherwise on and subject to terms determined by the Board. It is the intention of the Board that the Options will be transferable and quoted on ASX.

2.6 Adoption of new constitution

The Company proposes to adopt a new constitution to bring the Company's constitution into line with current law and corporate governance practice.

The key terms of the new constitution are summarised in appendix 3 of this explanatory statement.

For personal use only

2.7 Change of name to Thorney Opportunities Ltd

As part of the Thorney Proposal, the Company intends to change its name to Thorney Opportunities Ltd. The purpose of the change of name is to represent the Company's new relationships with the Thorney Group. In anticipation of this change of name, the ASX has advised the Company that it has reserved the ticker 'TOP' for the Company pending the outcome of the AGM.

2.8 Alternatives to the Thorney Proposal considered by the Board

The Directors have considered a number of options for the Company following the divestment of its property asset management services business in December 2011.

Through this process, and against a background of continuing economic uncertainty, it became apparent to the Board that:

- (a) there are limited quality businesses suitable for the Company to invest in as the Company's main undertaking;
- (b) those businesses that are available and potentially suitable for investment by the Company, are considered by the board of directors to be overvalued, particularly given the current economic outlook; and
- (c) opportunities existed for the Company to invest on a portfolio basis, that would likely provide more reliable longer term returns (capital and revenue) and less volatility than a concentrated holding, given the ability for the Company to diversify risk with available capital in pursuing this strategy.

Your Directors consider that the Thorney Proposal provides a superior outcome to Shareholders relative to the alternatives considered and currently available.

2.9 Consequences if the Thorney Proposal does not proceed

If the Thorney Proposal does not proceed the Company will consider the options that are available to it at that time. These will include one or more of the following:

- (a) continuing to operate as an investment company using the skills of the existing directors and management of the Company;
- (b) pursuing other proposals for the recapitalisation of the Company as they emerge;
- (c) undertaking a return of capital to Shareholders; or
- (d) undertaking the winding up of the Company.

See also section 12.3 of the Lawler Corporate Finance report.

3 ADVANTAGES OF THE THORNEY PROPOSAL

The following are reasons why the Directors consider you may choose to vote in favour of the resolutions necessary to implement the Thorney Proposal:

3.1 **Directors' unanimously recommend that you vote in favour of the resolutions relating to the Thorney Proposal, in the absence of a superior proposal**

The Board has been assessing a number of options for the Company to ensure that the Company is being managed in a way that meets its strategic investment objectives and is conducted in the best interests of its Shareholders. Further details of the alternative strategies considered by the Board are set out in section 2.8 of this explanatory statement.

The Board has concluded that the Thorney Proposal is in the best interests of the Company and its Shareholders. The Directors unanimously recommend that Shareholders vote in favour of the resolutions necessary to implement the Thorney Proposal, in the absence of a superior proposal.

In considering whether you wish to follow the Directors' recommendation, you should:

- (a) read this explanatory statement, including the Lawler Corporate Finance independent expert report set out in appendix 1 of this explanatory statement;
- (b) consider your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- (c) consult your legal, financial or other professional adviser if you believe that is necessary.

3.2 **The Company will adopt a broader investment policy**

Under the proposed investment management of Thorney Management, the Company will be in a position to pursue a broader investment strategy.

Further details of this proposed investment strategy are set out in section 2.2 of this explanatory statement.

3.3 **Enlarged capital base to pursue investments**

After the implementation of the Thorney Proposal, including the completion of the Capital Raising, the Company will have an enlarged capital base to deploy, providing greater opportunity and flexibility to pursue opportunities pursuant to the Investment Management Agreement.

3.4 **Appointment of Thorney Management to manage and implement investments on behalf of the Company**

Thorney Management, a wholly owned subsidiary of Thorney Holdings and part of the Thorney Group, will be responsible for identifying investment opportunities and deploying the Company's capital.

The Thorney Group has over 20 years' experience in its capacity as a principal investing in the Australian market, across a variety of asset classes. If the Thorney Proposal is

approved the Company will have access to the expertise, experience and resources of the Thorney Group through the Investment Management Agreement with Thorney Management.

A brief summary of the key members of the Thorney Group team is contained in section 6.2 of this explanatory statement.

3.5 Shareholders have a priority opportunity to participate in the Retail Offer

Shareholders on the register on Tuesday 3 December 2013 at 7:00 pm (Melbourne time) with registered addresses in Australia or New Zealand (or any other jurisdiction as the Board determines), excluding those sophisticated or professional investors who have participated in the Placement Offer, will be afforded a priority over other applicants to participate in the Retail Offer.

3.6 Improved liquidity in the Company's Shares

By virtue of the expanded capital base which will eventuate following completion of the Capital Raising, it is expected that the liquidity in the Company's Shares will improve.

3.7 Appointment of new Directors

The Thorney Proposal includes the retirement of the existing Directors and the appointment of 4 new Directors, Alex Waislitz, Henry Lanzer, Gary Weiss and Ashok Jacob, all of whom possess the requisite experience and expertise to supervise the business and affairs of the Company. In addition, 2 of the proposed new Directors (Gary Weiss and Ashok Jacob) are independent of the Thorney Group and the Company (having regard to the guidance on the independence set out in the Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council).

Further details of each proposed new Director are set out in sections 10.12 to 10.15 of this explanatory statement.

3.8 Independent expert has concluded

The Board has commissioned an independent expert, Lawler Corporate Finance, to provide an independent expert report on the proposed increase in the Thorney Group's voting power in the Company in consequence of the Thorney Commitment and exercise of Options and the entry by the Company into the Investment Management Agreement.

Lawler Corporate Finance has determined that the transactions are not fair but reasonable. The Board believes that Lawler Corporate Finance' conclusions support its unanimous recommendation to vote in favour of the resolutions.

A copy of the Lawler Corporate Finance report is set out in appendix 1 of this explanatory statement.

4 DISADVANTAGES OF THE THORNEY PROPOSAL

The following are reasons why the Directors consider you may choose to vote against the resolutions necessary to implement the Thorney Proposal:

4.1 Existing Shareholders who do not participate in the Capital Raising will be diluted

Existing Shareholders who do not participate in the Placement Offer or the Retail Offer will be likely to have their shareholding in the Company diluted as a consequence of the Thorney Proposal.

4.2 Thorney Management will have responsibility to identify and manage investments on behalf of the Company

The Company is appointing Thorney Management to be exclusively responsible for the identification and management of the Company's investments, pursuant to the terms of the Investment Management Agreement and so will no longer have direct control over that process.

4.3 Thorney Management will be entitled to management fees

Under the terms of the Investment Management Agreement, the Company will be required to pay Thorney Management fees, including a base fee and, in certain circumstances, a performance fee and a termination fee. At present, no such fees are paid or payable by the Company.

4.4 Investments undertaken by Thorney Management may not result in an absolute return to Shareholders and may result in a reduction in the net asset value of the Company

The investments undertaken by Thorney Management may not result in an absolute return to Shareholders, and may result in a reduction in the net asset value of the Company.

4.5 Tax losses may no longer be available

The Company has carry forward income tax losses, comprising both revenue and capital losses that were not brought to account as a deferred tax asset in the Company's 30 June 2013 Statement of Financial Position. The Company has not obtained specific advice concerning whether any or all of those losses may be available for use if the Thorney Proposal is implemented. Accordingly, there is a risk that some or all of such tax losses may not be available if the Thorney Proposal is implemented.

4.6 Risks associated with the Thorney Proposal

See section 7 which contains detailed information about the risks associated with the Thorney Proposal.

5 OVERVIEW OF WENTWORTH

5.1 Background and history

The Company was listed on the ASX in March 2000.

From 2003 until December 2011 the Company operated a broad based real estate business incorporating real estate sales, residential (including holiday letting) and commercial property management. The Company progressively divested assets in 2007 and 2008 to reduce debt and subsequently operated a primarily residential property management business, located in Victoria, Western Australia and New South Wales. This business was sold in December 2011 with the approval of Shareholders.

Following the sale of the business, the Company pursued a number of potential transactions, ultimately seeking and obtaining shareholder approval to change its main undertaking to that of an investment company on 6 August 2012. By reason of the investment mandate of the Company, the Company was consequently designated as an 'Investment Entity' under the ASX Listing Rules.

Following the 6 August 2012 approval, the Company subsequently announced on 15 November 2012 a potential merger with Australian Renewable Fuels Limited ("**ARW**"), and on 18 December 2012 ARW made a takeover offer for the Shares of the Company.

On 18 January 2013, the Company announced to the ASX that Thorney Holdings had communicated to the Company that it wished to explore a proposal for a recapitalisation of the Company and a change in its investment strategy.

On 7 February 2013, the Company announced that it had agreed to participate in a capital raising proposal by ARW, and also announced that ARW had indicated that it did not expect the conditions of its takeover offer to be satisfied, and in due course the takeover offer lapsed.

The Company subsequently participated in the capital raising proposal by ARW, and announced on 19 March 2013 that it had obtained a substantial shareholding in ARW of 387,214,691 ordinary shares, representing approximately 9.23% of the issued share capital of ARW then on issue.

On 22 July 2013 the Company announced to the ASX that it had entered into a non-binding agreement with Thorney Holdings to pursue the Thorney Proposal, and then on 3 September 2013 the Company announced to the ASX that it has entered into the Implementation Deed with Thorney Holdings.

The Company currently has 223,351,239 Shares on issue.

5.2 Current operations

The Company's current operation consist of investment activities.

In consequence of those activities, as at 30 September 2013, the Company held:

- (a) an investment in ASX listed company Australian Renewable Fuels Limited (**ARW**), being 4,272,147 ordinary shares in ARW. The ASX closing price of ARW shares on 30 September 2013 was \$0.93. Based on this closing price, the Company's investment in ARW is worth \$3.973 million;

- (b) an investment in Anaeco Limited (**ANQ**), another ASX listed company, being 29,141,700 ordinary shares in ANQ. The ASX closing price of ANQ shares on 30 September 2013 was \$0.008. Based on this closing price, the Company's investment in ANQ is worth \$0.233 million; and
- (c) cash at bank of approximately \$10.4 million.

5.3 Board and management

The Board currently comprises:

Mr Vaughan Webber	Non-Executive Chairman
Mr Colin Cowden	Non-Executive Director
Mr Nigel Sharp	Non-Executive Director

The management of the Company currently comprises:

Mr Ron Hollands	Company secretary/Chief Financial Officer
-----------------	---

5.4 Board changes

Subject to shareholders approving the Thorney Proposal, the following new Directors will be elected:

Mr Alex Waislitz
 Mr Henry Lanzer
 Dr Gary Weiss
 Mr Ashok Jacob

Alex Waislitz, if appointed to the Board, will be appointed Chairman following the AGM.

Further details of each of the proposed new Directors are set out in section 10 of this explanatory statement.

Mr Nigel Sharp will retire as a Director at the AGM under the rotation provisions in rule 6.1(f) of the Company's constitution, and the other current Directors have advised the Company that they will resign following the AGM if the Thorney Proposal is approved. If the Thorney Proposal is not approved, Mr Vaughan Webber and Mr Colin Cowden will remain as Directors of the Company and they intend to appoint Mr Ron Hollands to fill the casual vacancy on the board of Directors (and Mr Ron Hollands has provided his consent to that appointment).

5.5 Effect of Thorney Proposal on share capital structure

If:

- (a) the Share Consolidation, Placement Offer and Retail Offer are approved;
- (b) the Share Consolidation is implemented by reference to the holdings of Shares on the register as at 30 September 2013 with any fractions being rounded up;

For personal use only

- (c) the Placement Offer and Retail Offer are fully subscribed (including the oversubscription allocation of \$2 million) and in consequence 136.4 million new Shares are issued;
- (d) Thorney Holdings subscribes for and is issued 42.2 million Shares pursuant to the Thorney Commitment; and
- (e) 84,153,660 bonus Options are issued under the Option Issue and all of those Options are exercised and new Shares issued in respect of those Options at an exercise/issue price of \$0.53 each;

the effect on the Company's share capital of the Thorney Proposal will be as follows:

Details	Total Shares on Issue	Shares held by Thorney Holdings or in which it has a relevant interest	% of Total Shares on Issue held by Thorney Holdings or in which it has a relevant interest (rounded to the second decimal place)
As at the date of the notice of meeting	223,351,239	58,567,978	26.22
Post Share Consolidation (at 1 for 7)	31,907,320	8,366,854	26.22
Post Placement Offer (assuming 112.4 million Shares are issued and Thorney Holdings subscribes for 42.2 million of those Shares)	144,307,320	50,566,854	35.05%
Post Retail Offer (assuming 24 million Shares are issued)	168,307,320	50,566,854	30.05%
Post issue of Options (assuming all Options are exercised)	252,460,980	75,850,281	30.05%

5.6 Top-10 Shareholders pre-Thorney Proposal

As at 30 September 2013, the top-10 Shareholders on the register of members of the Company are:

	Shareholder	Number	% (rounded to the second decimal place)
1	UBS NOMINEES PTY LTD	45,301,042	20.28
2	RUBI HOLDINGS PTY LTD <JOHN	33,245,743	14.89

	Shareholder	Number	% (rounded to the second decimal place)
	RUBINO SUPER FUND A/C>		
3	THORNEY HOLDINGS PTY LTD	13,266,936	5.94
4	THIRTY-FIFTH CELEBRATION PTY LTD <JC MCBAIN SUPER FUND A/C>	9,801,467	4.39
5	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	8,582,413	3.84
6	AUSTIN SUPERANNUATION PTY LTD <THE BRIAN AUSTIN S/F A/C>	7,259,573	3.26
7	N SHARP SUPERANNUATION PTY LTD <N SHARP SUPER FUND A/C>	5,380,724	2.41
8	BERNE NO 132 NOMINEES PTY LTD <W 1253672 A/C>	5,244,535	2.35
9	BERNE NO 132 NOMINEES PTY LTD <625340 A/C>	5,000,000	2.24
10	BUNGEELTAP PTY LTD <H & B ROBERTSON S/F A/C>	4,147,962	1.86

5.7 Effect of Thorney Proposal on top-10 Shareholders

The Share Consolidation will reduce the Shares on issue from 223,351,239 to 31,907,320 (by reference to the holdings of Shares on the register as at 30 September 2013 with any fractions being rounded up).

The effect of the Thorney Proposal on the top-10 Shareholders will depend on their participation in the Capital Raising (including the exercise of any Options they are issued) and the participation of other parties (including other Shareholders). Thorney Holdings has committed to participate in the Placement. Detail of the effect of Thorney Holdings' participation is set out in sections 10.6 and 10.10 of this explanatory statement.

5.8 Future intentions concerning the Company

Introduction

This section sets out the Company and Thorney Holdings' intentions concerning the Company if the Thorney Proposal is implemented in relation to the following:

- (a) the continuation of the Company's business;
- (b) any major changes to be made to the Company's business; and
- (c) the employees of the Company.

Statements set out in this section are statements of current intention only which may change as new information becomes available or circumstances change. The statements in this section should be read in this context.

Assuming that shareholder approval is obtained for all aspects of the Thorney Proposal, it is intended that a number of aspects of the Company's business will change, namely:

Board of Directors

Subject to shareholders approving the Thorney Proposal, Mr Alex Waislitz, Mr Henry Lanzer, Dr Gary Weiss and Mr Ashok Jacob will be elected as new Directors at the AGM. It is intended that Mr Waislitz will be appointed Chairman. Further, the current Directors are expected to retire or resign at or following the AGM.

Management

The Management of the Company's capital will become the responsibility of Thorney Management, pursuant to the Investment Management Agreement.

It is intended that the services currently provided by Mr Ron Hollands as Chief Financial Officer and Company Secretary will initially be assumed by the Thorney Group, subject to a potential transitional arrangement and assistance from Mr Hollands. It is initially intended that Thorney Management will provide certain services to the Company, but over time the Board of the Company may determine that some of those services should be assumed by the Company, or that new arrangements might be negotiated with Thorney Management.

Head Office

The registered head office of the Company will be moved to Level 39, 55 Collins Street, Melbourne, 3000, being the head office of the Thorney Group.

Intended Use of Funds

Assuming that \$68.2 million of new capital is raised under the Placement Offer and Retail Offer, and the total costs and expenses incurred by the Company in connection with the Thorney Proposal do not exceed \$1.6 million, the Company is expected to have total deployable new capital of approximately \$66.6 million following the Capital Raising. The deployment of this new capital (as well as the Company's existing capital) will be the responsibility of Thorney Management, pursuant to the Investment Management Agreement.

The funds to be raised will enable the Company to pursue new investments pursuant to the Investment Management Agreement, as well as to meet the working capital requirements and other expenses of the Company (including expenses of implementing the Thorney Proposal and raising new capital). No particular investments have been identified at this stage, and this will be the role of Thorney Management upon commencement of the Investment Management Agreement.

Dividend Policy

It is intended that the Company, under the investment management of Thorney Management pursuant to the Investment Management Agreement, will pursue an absolute return strategy over the medium to long term. Depending on the performance of these investments and income earned by the Company, it is the current intention that, where appropriate, dividends will be paid to Shareholders.

Accounting Policies

No significant changes in accounting policies are anticipated should the Thorney Proposal be approved.

6 OVERVIEW OF THORNEY GROUP

6.1 About Thorney Group, Thorney Holdings and Thorney Management

The Thorney Group was founded in 1992 by Alex Waislitz. Mr Waislitz has acted as the Executive Chairman of the Thorney Group throughout this period, over which it has invested across a broad range of asset classes including equities, property and debt instruments.

As at 30 June 2013 the Thorney Group equities portfolio (including cash positions) was valued in excess of \$750 million.

Thorney Holdings is a member of the Thorney Group and has been a shareholder in the Company since 2004.

Thorney Management is a wholly-owned subsidiary of Thorney Holdings, and was incorporated on 18 July 2013 for the purpose of acting as the investment manager for the Company pursuant to the proposed Investment Management Agreement.

At the date of this explanatory statement Thorney Management has applied for an Australian Financial Services Licence (**AFSL**) to enable it to provide the services under the Investment Management Agreement. If an AFSL has not been granted to Thorney Management by the commencement of the Investment Management Agreement, Thorney Management will enter into arrangements to act as a corporate authorised representative of a third party's AFSL to enable it to provide the services under the Investment Management Agreement pending the grant of its own AFSL.

Under the Investment Management Agreement, Thorney Management has an obligation to ensure that it has available resources to perform its functions. Thorney Management does not have its own employees or resources, but will utilise the resources of the Thorney Group, including leveraging off the team within Thorney Group in order to satisfy the obligations under the Investment Management Agreement.

6.2 Investment Management team of Thorney Group

The following are key employees of Thorney Group, who have involvement in Thorney Group's equities portfolio. It is expected that the resources of the Thorney Group will be relevant for Thorney Management to perform its services under the Investment Management Agreement.

As at the date of the notice of meeting to which this explanatory statement relates, employees of the Thorney Group with involvement in the management of Thorney's private equities portfolio were:

Alex Waislitz

Alex founded Thorney Investment Group in 1992, and is Executive Chairman. Prior to establishing Thorney, Alex had a number of operational roles within the Pratt Group of Companies having worked for Robert Holmes à Court in New York early in his career. Alex has been the key driver in Thorney Investment Group's growth into a large, diversified, private investment house with interests in equities, property and other investments.

For personal use only

Peter Landos

Peter joined Thorney in 2000, and is the Chief Operating Officer of the Thorney Investment Group. Prior to joining Thorney, Peter worked for an international investment bank specialising in public company mergers and acquisitions, having commenced his career with an international accounting firm.

Craig Smith

Craig joined Thorney in 2008, and is the Chief Financial Officer and Company Secretary of the Thorney Investment Group. Prior to joining Thorney, Craig held a number of finance and operational roles, including with a stockbroking firm and with a listed public company.

Avee Waislitz

Avee commenced with Thorney in 1994. Prior to joining Thorney, Avee commenced his career with a major financial institution in business banking. Avee is part of the investment management team at Thorney.

John Cathcart

John joined Thorney in 2004. Prior to joining Thorney, John held roles as a research analyst with a number of stockbroking firms, was responsible for the banking relationship for several large resources companies for a large investment bank and commenced his career as a mining geologist with a large Australian resources company. John is part of the investment management team at Thorney.

Margaret Ross

Margaret commenced with Thorney in 2005. Prior to joining Thorney, Margaret worked as a research analyst at a number of stockbroking firms. Margaret is part of the investment management team at Thorney.

Dean Higgins

Dean joined Thorney in 2006 and is chiefly responsible for trading and execution of equities trades at Thorney. Prior to joining Thorney, Dean worked at a number of international investment banks in a variety of trading and equity capital markets roles.

Jeremy Davis

Jeremy commenced with Thorney in 2012 and is a member of the investment management team. Prior to joining Thorney, Jeremy worked for several funds management organisations over the past 17 years. Jeremy commenced his career with an international accounting firm.

Martin Pretty

Martin joined Thorney in early 2013. Prior to joining Thorney, Martin has acted as a research analyst at a number of stockbroking firms, as well as a financial journalist with a major Australian financial newspaper. Martin is part of the investment management team at Thorney.

The Thorney Group will continue to manage, and invest in its own equities portfolio and other investments, in addition to Thorney Management performing its role under the

Investment Management Agreement. Also, there is no restriction on Thorney Management at a future time performing investment management services for other parties, in addition to its role under the Investment Management Agreement.

6.3 Thorney Group's Shareholding in the Company

Thorney Holdings has been a Shareholder in the Company since December 2004, when it acquired, on-market, an initial interest of approximately 9.0%. Since 2004, Thorney Holdings has increased its shareholding interest through participation in various capital raisings and on-market purchases.

As at the date of the notice of meeting to which this explanatory statement relates, Thorney Holdings owns or has a relevant interest in 58,567,978 Shares, representing 26.22% (rounded to the second decimal place) of the total number of Shares on issue.

6.4 Thorney Group and the Company

The Thorney Group is a diversified investment company with exposure across various asset classes and geographies. Following implementation of the Thorney Proposal, the Thorney Group will continue to pursue its own investment strategy and hold investments separate from the Company. Thorney Management may provide services for other persons that are the same as or similar to the services to be provided to the Company under the Investment Management Agreement.

Thorney Management, pursuant to the Investment Management Agreement, will be responsible for the identification and management of investments for the Company and will have a broad discretion to do so. In certain circumstances Thorney Management may make investments for the Company in which members of the Thorney Group also invest. However, Thorney Management has no obligation to recommend any investment for the Company which Thorney Management or any other client of Thorney Management or member of the Thorney Group invests in. Further, Thorney Management may give advice and take action for other clients which differ from advice given and action taken in respect of the Company's investment portfolio.

6.5 Investment philosophy of Thorney Management

Under the Investment Management Agreement, Thorney Management have a very broad investment mandate, and wide investment discretions. It is expected that Thorney Management will adopt an initial focus on small to mid-cap listed Australian companies. It is expected that Thorney Management will adopt an investment focus of seeking to identify investments where value can be unlocked or grown, or both.

Thorney Management may in certain circumstances seek to exert influence in respect of particular investments to assist in unlocking or growing value in that investment.

In certain circumstances, Thorney Management may initiate shareholder actions seeking to maximise value, including influencing management to alter the company's capital structure, re-orienting the operational focus of a company, initiating the sale of certain assets or divisions, or, ultimately, initiating the sale of the company to a third party.

Thorney Management will continue to assess and refine its investment thesis and, where latent value is no longer identifiable, will look to exit efficiently.

Thorney Management anticipates that from time to time, its core focus will be on concentrated investment positions, but this may extend to holding a number of other investments or adopting an alternative investment approach.

For personal use only

Under the Investment Management Agreement, Thorney Management and the Board may agree, from time to time, particular investment parameters or decisions that should be referred to the Board for its input and consideration. However, in the absence of agreement on this from time to time, Thorney Management's investment mandate under the Investment Management Agreement is broad.

6.6 Persons who will have a relevant interest in the Shares issued under the Thorney Commitment

The 42.2 million Shares to be issued under the Thorney Commitment will be issued to Thorney Holdings, as will any Shares that are issued on exercise by Thorney Holdings of any Options issued to it under the Option Issue. Upon issue of these Shares, the following persons will also have a relevant interest in them:

Thorney Investment Group Australia Pty Ltd
Jamahjo Pty Ltd
Alex Waislitz

For personal use only

7 RISK FACTORS

There are a number of risks, both specific to the Company and general investment risks, which may materially and adversely affect the future operating and financial performance of the Company and the value of the Company's shares. Shareholders should be aware of these risks in considering the Board's recommendation contained in this explanatory statement.

While the Company believes that prudent management of the Company's affairs will minimise the risks to holders of shares in the Company, the business activities of the Company, particularly as those activities are primarily in the nature of financial investments, will be subject to a number of risks that may impact on its future performance. All Shareholders should be aware that an investment in securities involves various risks. There are general risks associated with owning securities in publicly listed entities. The price of securities can go down as well as up due to factors outside the control of the Company.

This section describes risks associated with the Company's shares and risks which are relevant to your consideration of the Thorney Proposal and the Board's recommendation. Shareholders should note that the list of risks in this explanatory statement is not exhaustive. Shareholders should read this explanatory statement in its entirety.

7.1 Specific risks

Business specific risks that may impact significantly on the Company following the implementation of the Thorney Proposal, and the performance and price of the Options and Shares in the Company include the following:

(a) **Investment strategy**

The risks inherent in the investment strategy that Thorney Management will pursue for the Company pursuant to the Investment Management Agreement. If the Thorney Proposal is approved, the success and profitability of the Company depends almost entirely on the ability of Thorney Management to identify, execute and manage investments which increase in value over time. The performance fees payable to Thorney Management under the Investment Management Agreement may create an incentive for Thorney Management to make investments that are riskier or more speculative than would be the case in the absence of any performance fees.

(b) **Retention of Key Personnel within the Thorney Group**

The risk that following the implementation of the Thorney Proposal the Thorney Group may not be able to retain, nor replace, key investment management personnel and thus the experience and expertise of those people will not be available to the Company through its relationship with Thorney Management.

(c) **Investment returns**

The risk that the investments pursued and managed by Thorney Management pursuant to the Investment Management Agreement may not result in an absolute return to the Company and Shareholders, and may result in a reduction in the net asset value of the Company and potentially in the value of Shares in the Company.

There is also a risk that Thorney Management may not deploy the capital of the Company on a timely basis thereby reducing the investment returns of the Company.

(d) **Timing of investments**

The risk that the investments pursued and managed by Thorney Management pursuant to the Investment Management Agreement may not result in an absolute return to the Company and Shareholders, and may result in a reduction in the net asset value of the Company and potentially in the value of Shares in the Company.

(e) **Lack of diversification**

The risk that the investment portfolio of the Company managed by Thorney Management pursuant to the Investment Management Agreement may be less diversified than the investment portfolios of other listed entities investing in international and Australian entities.

(f) **Future events**

The risk that future events may have a negative effect on the value of all types of investments within a particular market, including the investment portfolio of the Company managed by Thorney Management pursuant to the Investment Management Agreement. These events may include changes in economic, social, technological or political conditions, as well as market sentiment.

(g) **Termination of the Investment Management Agreement**

The risk that the Investment Management Agreement between Thorney Management and the Company may be terminated in certain circumstances (including where Thorney Management does not obtain an AFSL or ceases to hold an AFSL), and another party may be responsible for the management of the Company's capital. The financial performance of the Company may be different in these circumstances.

(h) **Borrowings**

The risk that Thorney Management may under the Investment Management Agreement expose the Company's investment portfolio to an investment by way of borrowings or an investment in financial products such as derivatives which give the effect of using borrowings. Actual or effective borrowing will magnify the impact of any movements in the prices of the underlying investments of the Company. It may also create theoretically unlimited losses and positions that cannot be hedged.

(i) **Liquidity of investments**

The risk that Thorney Management may under the Investment Management Agreement include unlisted equity investments and derivative contracts trade over-the-counter in the Company's investment portfolio, which are not traded in an organised public market and which may be illiquid. As a result, the Company may not be able to promptly liquidate some of its investments in these instruments at an amount close to their fair value in order to respond to specific events.

For personal use only

7.2 General risks

General risks that may impact significantly on the Company following the implementation of the Thorney Proposal, and the performance and price of the Shares and Options in the Company include:

- (a) economic conditions in Australia and internationally;
- (b) investor sentiment and share market conditions;
- (c) changes in fiscal and monetary policy;
- (d) changes in relevant taxation and other legal regimes; and
- (e) availability of credit.

The above risk factors should not be taken as exhaustive of the risks faced by the Company or investors in the Company in connection with the implementation of the Thorney Proposal. Those risk factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of any Shares or Options.

For personal use only

8 FINANCIAL INFORMATION

8.1 Historical financial information

The historical financial information below has been extracted from the Company's audited financial statements for the financial year ended 30 June 2013. It is a summary only and does not contain the disclosures provided in annual financial reports in accordance with the Corporations Act. This information does not reflect the impact of the Thorney Proposal.

Statement of financial position

	\$000's
Assets	
Cash	11,116
Receivables and other	37
Investments – at market value	3,360
Total assets	14,513
Liabilities	
Trade and other payables	62
Dividend provision	10
Total liabilities	72
Net assets	<u>14,441</u>
Equity	
Issued capital (net of capital raising costs)	79,109
Reserves	300
Accumulated (losses)	(64,968)
Total equity	14,441

Statement of profit and loss and other comprehensive income

	\$000's
Revenue	566
Employee benefits	(344)
Administration	(475)
Other	(305)
(Loss) before income tax	(558)
Income tax expense	-
(Loss) after income tax	(558)
Other comprehensive income	
Available for-sale investments - Net fair value on available-for-sale financial assets during the year	300
Total comprehensive income for the year	<u>(258)</u>

8.2 Material changes to financial position since balance date

To the knowledge of the Directors, the only material changes to the financial position of the Company between 30 June 2013 and 30 September 2013 have been:

- (a) the costs incurred or likely to be incurred by the Company in connection with the Thorney Proposal which are estimated to be \$1.6 million assuming the Thorney Proposal is approved by Shareholders and a total of 136.4 million Shares are issued under the Capital Raising;

For personal use only

- (b) the acquisition of further ARW shares at a cost of \$562,000; and
- (c) a net increase of \$846,000 in the value recorded in the Company's accounts for its investments in ARW and ANQ as a consequence of the acquisition of further ARW shares and movements in the ASX closing share price for ARW shares (\$0.93 as at 30 September 2013) and ANQ shares (\$0.008 as at 30 September 2013).

8.3 Pro-forma statement of financial position

If:

- (a) the Share Consolidation, Placement Offer and Retail Offer are approved;
- (b) the Share Consolidation is implemented;
- (c) the Placement Offer and Retail Offer are fully subscribed (including the oversubscription allocation of \$2 million) and in consequence 136.4 million new Shares are issued; and
- (d) Thorney Holdings subscribes for and is issued 42.2 million Shares pursuant to the Thorney Commitment;

the effect on the Company's financial position of the Thorney Proposal (excluding the Option Issue but incorporating the post balance date material changes identified in section 8.2) will be as follows:

	Pre-adjustments	Adjustments	Post-adjustments
	\$000's	\$000's	\$000's
Assets			
Cash	11,116	66,038	77,154
Receivables and other	37		37
Investments – at market value	3,360	846	4,206
Total assets	14,513		81,397
Liabilities			
Trade and other payables	62		62
Dividend provision	10		10
Total liabilities	72		72
Net assets	14,441		81,325
Equity			
Issued capital (net of capital raising costs)	79,109	66,600	145,709
Reserves	300	284	584
Accumulated (losses)	(64,968)		(64,968)
Total equity	14,441		81,325

Further, if 84,153,660 bonus Options are issued under the Option Issue and all of those Options are exercised and new Shares issued in respect of those Options at an exercise/issue price of \$0.53 each, additional share capital of approximately \$44.60 million would be raised by the Company resulting in a commensurate increase in the Company's net assets and total equity.

For personal use only

8.4 Basis of preparation

The above pro-forma statement of financial position has been prepared using the summary historical financial information from the Company's audited financial statements for the financial year ended 30 June 2013 set out in section 8.1 adjusted to reflect the post balance date material changes identified in section 8.2 and the effect of the Thorney Proposal as noted in sections 8.3(a) to (d). It is a summary only and does not contain the disclosures provided in annual financial reports in accordance with the Corporations Act.

For personal use only

9 ADDITIONAL INFORMATION

9.1 Directors' relevant interests in Shares of the Company

At the date of this explanatory statement, the Directors have the following relevant interests in Shares of the Company:

Director	Relevant interest in this number of Shares (pre-Consolidation)
Mr Vaughan Webber	216,424
Mr Colin Cowden	5,982,009
Mr Nigel Sharp	5,380,724

9.2 Interests of Directors

Mr Vaughan Webber is an employee of Wilson HTM which has been engaged by the Company as lead manager to the capital raising under the Placement Offer and the Retail Offer. However Mr Webber is not acting for Wilson HTM with respect to the Thorney Proposal in his capacity as an employee of Wilson HTM and Mr Webber will not receive fees as an employee of Wilson HTM in relation to the capital raising the subject of the Thorney Proposal.

In recognition of the increased workload placed on Mr Webber in evaluating, negotiating and implementing the transaction contemplated by the Thorney Proposal, the Company has agreed to pay a related company of Mr Webber an amount of \$70,000 (plus GST) in addition to his director fees. This payment is not contingent on the success of the Thorney Proposal or the passing of any resolutions.

Mr Colin Cowden has committed to subscribe \$527,500 in the Placement Offer for 1,055,000 Shares (following the implementation of the Share Consolidation).

9.3 Interests of Thorney Group

As noted in section 2, the Implementation Deed sets out the terms of the Thorney Commitment and requires the Investment Management Agreement to be executed if the resolutions necessary to implement the Thorney Proposal are passed. In addition, subject to Shareholders approving the Thorney Proposal, Thorney Holdings will be entitled to be reimbursed from the Company its reasonable costs and expenses in relation to the Thorney Proposal and any associated documentation, up to \$250,000.

Other than the components of the Thorney Proposal (including the Implementation Deed, Investment Management Agreement and Thorney Commitment) and the relevant interest in Shares of Thorney Holdings and other members of the Thorney Group, as disclosed in this explanatory statement, there are no other commercial arrangements between the Company and the Thorney Group.

9.4 Interests of proposed Directors

Mr Alex Waislitz controls Thorney Holdings and Thorney Management. Mr Waislitz has a relevant interest in the Shares in which Thorney Holdings has or acquires a relevant interest e.g. under the Placement Offer or through the exercise of any bonus Options.

For personal use only

Apart from these relevant interests, Mr Waislitz does not currently have a relevant interest in any other Shares and will not be participating directly in the Placement Offer or the Retail Offer.

Mr Henry Lanzer does not currently have a relevant interest in any Shares, however, he has through his controlled entity committed to subscribe \$50,000 in the Placement Offer for 100,000 Shares (following the implementation of the Share Consolidation).

Dr Gary Weiss does not currently have a relevant interest in any Shares and will not be participating in the Placement Offer or the Retail Offer.

Mr Ashok Jacob has a relevant interest in 7,244,535 Shares at the date of this explanatory statement, and will not be participating in the Placement Offer or the Retail Offer.

9.5 Wilson HTM

Wilson HTM has been appointed by the Company as intermediary and lead manager in respect of the Placement Offer and the Retail Offer.

Wilson HTM will receive a 2.5% fee on the proceeds raised under the Placement Offer other than the amount (expected to be \$29.1 million) that has been agreed to be subscribed by Thorney Holdings and some of its contacts, and a 2.5% fee on all proceeds raised under the Retail Offer. In addition, Wilson HTM will receive a \$150,000 fixed fee upon successful completion of the Placement Offer, and is entitled to reimbursement of its reasonable costs and expenses in relation to the capital raising.

Wilson HTM and its associates may hold Shares or acquire Shares in these capital raisings. Mr Hugh Robertson is former non-executive director of the Company and an independent contractor and authorised corporate representative of Wilson HTM. Mr Robertson will receive fees in relation to the capital raising. An entity controlled by Mr Robertson is a shareholder of the Company.

9.6 Consents

Thorney Holdings and Thorney Management have consented to the Thorney Statements being included in this explanatory statement in the form and context in which they are included, and has not withdrawn their consent before the date of this explanatory statement.

Wilson HTM has consented to the statements attributed or relating to, or referencing, Wilson HTM or any agreement to which Wilson HTM is a party being included in this explanatory statement in the form and context in which they are included, and has not withdrawn its consent before the date of this explanatory statement.

Lawler Corporate Finance has consented to the independent expert report in appendix 1 being included in this explanatory statement in the form and context in which it is included, and has not withdrawn its consent before the date of this explanatory statement.

9.7 Summary of Investment Management Agreement

The key provisions of the Investment Management Agreement are summarised below. A full copy of the Investment Management Agreement is also included in appendix 2 of this explanatory statement.

Appointment and services

For personal use only

Under the Investment Management Agreement, the Company appoints Thorney Management as the manager of the Company for the purposes of exclusively sourcing, investing, managing and reviewing all investments for the Company.

For the purposes of carrying out its functions and duties under the Investment Management Agreement, Thorney Management has the powers in respect of the investment portfolio that it would have if it were the absolute owner of the investment portfolio and acting in its personal capacity.

Investment policy and investment objectives

Thorney Management must manage the investment portfolio and make investments in accordance with the Company's investment policy and investments objectives, of which further details are set out in section 2.2 of this explanatory statement.

Term

The Investment Management Agreement will have a fixed initial term of 10 years (**Initial Term**) and Thorney Management may elect to extend the term of the agreement for further periods of 7 years (provided it is not in breach and it has given the Company at least nine months' written notice of that election) (each an **Extended Term**).

Rule 15.16(b) of the ASX Listing Rules restricts the maximum fixed term of a management agreement with an investment entity (such as the Company) to 5 years. ASX has granted the Company a waiver from this rule to allow the fixed initial term to be 10 years.

Termination by Thorney Management

- (a) Thorney Management may terminate the Investment Management Agreement:
 - (i) following the third anniversary of the commencement of the Investment Management Agreement by giving the Company not less than six months' written notice;
 - (ii) if there is a change of control of the Company by giving the Company not less than three months' written notice.
- (b) Either party may terminate the Investment Management Agreement by giving not less than three months' written notice to the other party if the other party commits a material breach or an insolvency event occurs in relation to the other party.
- (c) The Company may terminate the Investment Management Agreement if:
 - (i) while the Company is an investment entity under the ASX Listing Rules, it provides 3 months' prior written notice to Thorney Management following expiry of the Initial Term and approval of the Shareholders to do so; or
 - (ii) if Thorney Management extends the Initial Term, at the end of the expiry of the initial Extended Term (that is, 17 years after the commencement of the Investment Management Agreement) or the expiry of any subsequent Extended Term by giving Thorney Management at least 3 months' written notice of termination following approval of the Shareholders to do so.

For personal use only

Fees and expenses

In consideration for Thorney Management providing the service specified under the Investment Management Agreement, Thorney Management will be entitled to:

- (d) a base management fee equal to 0.75% of the value of the gross assets of the Company that are managed by Thorney Management in each half financial year (plus GST).
- (e) a performance fee for each financial year during the term of the Investment Management Agreement, calculated as the greater of zero and 20% of the increase in the net asset value in each financial year, plus GST, (after having first deducted the value of the base fee from that increase in value).

In addition to the fees, Thorney Management is entitled to be reimbursed for reasonable expenses incurred by it in performing its functions under the Investment Management Agreement.

Fees on termination

Thorney Management will be entitled to additional fees in the event of the Investment Management Agreement being terminated in the following circumstances:

- (f) In the event of termination by Thorney Management as a result of material breach by the Company or an insolvency event in relation to the Company or the unlawful termination by the Company, the Company must pay a lump sum payment equal to:
 - (i) the average base fee for the previous two financial years multiplied by six; and
 - (ii) the average performance fee for the previous two financial years multiplied by three.
- (g) In the event of termination by Thorney Management as a result of a change of control of the Company, the Company must pay a fee equal to the average base fee for the previous two financial years.
- (h) In the event of termination at the request of Shareholders and where the Company has provided 3 months' written notice to Thorney Management, the Company must pay a fee equal to the average base fee for the previous two financial years.

Licence

As the proposed change of name for the Company (as describe in resolution 8) includes the word "Thorney", the Manager has agreed to grant a non-exclusive non-transferable licence to the Company to use the word "Thorney" as part of its name.

The Licence is royalty free during the period of the Investment Management Agreement. Upon termination of the Investment Management Agreement, if the Company continues to use in its name the word "Thorney", then a royalty fee agreed by the parties or be determined by an independent expert will be payable. The Company may change its name, with shareholder approval so as not to include the word "Thorney", in which case the licence will cease and no royalty will be payable.

For personal use only

9.8 Summary of New Constitution

The material provisions of the proposed new constitution of the Company is summarised in appendix 3 of this explanatory statement.

If further information is required, the proposed new constitution and/or existing constitution should be consulted, a copy of which can be obtained by contacting the company secretary, Ron Hollands, by telephone on + 61 420 961 617, by facsimile on +61 3 8692 1122, by email at ron.hollands@wentworthholdings.com.au, or by downloading a copy from the Company's website at www.wentworthholdings.com.au. The Corporations Act, ASX Listing Rules and general law also govern the rights of Shareholders.

For personal use only

10 DETAILS OF THE PROPOSED RESOLUTIONS

Ordinary business

10.1 Resolution 1 - adoption of remuneration report

There will be an opportunity for Shareholders at the meeting to comment on and ask questions about the remuneration report, which appears on pages 8 to 10 of the Company's 2013 annual report.

The vote on the proposed resolution adopting the remuneration report is advisory only and will not bind the Company or its Directors. However, the Board will take the outcome of the vote into consideration when reviewing the Company's remuneration policy and practices.

The Corporations Act contains a 'two strikes' rule in relation to remuneration reports. Briefly, if at two consecutive annual general meetings 25% or more votes were cast against the resolution that the Company's remuneration report be adopted, a 'spill resolution' must be put to the vote at that annual general meeting. The spill resolution is that another meeting of Shareholders be held within 90 days to consider the appointment of new directors in place of those directors (other than the managing director) who were directors at the time the resolution was passed to make the directors' report (including the remuneration report).

At the Company's 2012 annual general meeting, less than 25% of votes were cast against the resolution that the remuneration report be adopted. Accordingly, there is no requirement to allow for a possible spill resolution at this year's annual general meeting.

10.2 Resolution 2 - increase in maximum annual remuneration of Directors

The maximum total remuneration of the Directors in any year is currently fixed at \$225,000 (which has not changed since 2006). The Company seeks Shareholder approval for this amount to be increased by \$175,000 to \$400,000.

Fees for Directors are set at a level to attract and retain directors with the necessary skills and experience to allow the Board to have a proper understanding of, and competence to deal with, current and emerging issues for the Company's business and to undertake the strategic investment objectives of the Company.

The Board also seeks to attract directors with different skills, experience and abilities that allow it to oversee and challenge the performance of management. Additionally, when setting fee rates, the Board takes into account factors such as external market data on fees and the size, complexity and nature of the Company's operations.

An increased limit on director remuneration will allow the Board to continue to retain and attract appropriately qualified directors and provide the Board with flexibility to manage any future changes in its membership and composition, as appropriate.

Rule 10.17 of the ASX Listing Rules and rule 6.3(a) of the Company's constitution require Shareholder approval for an increase in the maximum total remuneration of the directors in any year.

If resolution 2 is passed, the maximum total remuneration of the Directors in any year will be increased to \$400,000.

For personal use only

The Company notes that since 30 June 2013 the Company has paid its Directors a one-off payment (in addition to their annual fees) in part in recognition of the Directors being paid fees that were considered below market for the year ending 30 June 2013. The aggregate payment was \$120,000.

Special business

10.3 Resolution 3 - adopt new constitution

Reasons for adopting a new constitution

The Company's current constitution was adopted before 2001. It has not been amended since that time, apart from a handful of changes in 2006. However, there have been amendments to the Corporations Act and other developments in corporate governance since that time.

In the circumstances, the Directors propose to adopt a new constitution to replace the existing constitution in its entirety. This is intended to bring the Company's constitution into line with current law and corporate governance practice.

A summary of the new constitution is set out in appendix 3 of this explanatory statement.

A company may adopt a new constitution by passing a special resolution. A special resolution requires at least 75% of the votes cast by Shareholders entitled to vote on the resolution to be in favour of it.

Differences between existing constitution and new constitution

The proposed new constitution does not change the principal rights Shareholders enjoy under the existing constitution. For example, Shareholders will continue to be entitled to:

- (a) receive notice of meetings of the Company;
- (b) attend, speak and vote at meetings (or appoint a proxy or representative to do so);
- (c) receive dividends paid or other distributions made by the Company; and
- (d) participate in any surplus assets of the Company on a winding up.

However, there are differences between the existing constitution and the proposed new constitution, some of which simply reflect the age of the existing constitution. If further information is required, the proposed new constitution and/or existing constitution should be consulted, a copy of which can be obtained by contacting the company secretary, Ron Hollands, by telephone on + 61 420 961 617, by facsimile on +61 3 8692 1122, by email at ron.hollands@wentworthholdings.com.au, or by downloading a copy from the Company's website at www.wentworthholdings.com.au.

Some key differences between the constitutions are as follows:

- (e) The new constitution contemplates the issue of preference shares that may be convertible into ordinary shares on a basis decided by the directors of the Company under the terms of issue. No such provision exists under the existing constitution.

For personal use only

- (f) The new constitution contemplates the directors of the Company implementing one or more employee share plans or employee option plans. No such provision exists under the existing constitution.
- (g) Under the new constitution, unless the directors of the Company determine otherwise, a quorum of 20 members will be required for a general meeting proposing the removal of a director that is not endorsed by the directors, or the appointment of a director that is not endorsed by the directors. Under the existing constitution, the quorum for such a meeting is 2 members (where the company has more than 1 member). Under the new constitution, the quorum for any other general meeting is the same as the existing constitution, being 2 members (where the company has more than 1 member).
- (h) If an appointment of a proxy is executed under a power of attorney or other authority, the existing constitution requires evidence of the appointment to be forwarded to the Company with the appointment. This may not be practicable or necessary, e.g. if the power of attorney or other authority has previously been provided to the Company or if it needs to be sent to the Company separately to the appointment. The new constitution gives the Directors some discretion in relation to the provision of powers of attorney or other authority, which is designed to ensure that Shareholders are not unreasonably restricted from appointing proxies.
- (i) Under the existing constitution, the minimum number of directors of the Company is 3, and the maximum number of directors is 12, unless the company in general meeting decides. Under the new constitution, the directors of the Company will, subject to the Corporations Act, have the power to reduce the minimum and maximum number of directors.
- (j) Under the existing constitution, where a member seeks to nominate a person for election as a director of the Company who has not been nominated by the board, a notice of that nomination must be given to the Company at least 30 business days before the meeting at which the nomination is to be considered. Under the new constitution, the period of notice for a nominee who has not been nominated by the board will be 45 business days (or such other period that is fixed by the directors of the Company and notified to the ASX).
- (k) Under the new constitution, a person seeking to be appointed as a director that has not been endorsed by the directors must be a member of the Company. There is no equivalent requirement under the existing constitution.
- (l) Under the existing constitution, one-third of the directors (rounded down, if necessary, to the nearest whole number) and any other director who will at the conclusion of the meeting have been in office for three or more years, or for three or more annual general meetings since they were last appointed to office, must retire by rotation at each annual general meeting, in addition to any directors who were appointed by the board to fill casual vacancies and who must also retire at that annual general meeting. These provisions are broader than those required by the Corporations Act and the ASX Listing Rules. The directors do not believe it is appropriate for a board the size of the Company's to be subject to such a significant change in the composition of the board of directors at once. The new constitution contains retirement by rotation provisions which reflect the ASX Listing Rules. Under these provisions, potentially only 1 director would need to retire by rotation each year at the AGM.

Proportional takeover rule

The proposed new constitution contains (in rule 5.7) a proportional takeover approval provision (**Approval Provision**). The existing constitution also contains a proportional takeover bid approval provision (in clause 14), but the application of this provision has expired pursuant to section 648G of the Corporations Act.

If the constitution is adopted, the Approval Provision will enable the Company to refuse to register shares acquired by a bidder under a proportional takeover bid unless a resolution approving the bid (**Approval Resolution**) has been passed at a meeting of Shareholders. A proportional takeover bid is an off-market takeover offer sent to all Shareholders but only in respect of a specified proportion of each Shareholder's shares in the Company. If a Shareholder were to accept a proportional takeover bid, the Shareholder would dispose of the specified proportion of their shares to the bidder, but would retain the balance of the shareholding.

If a company proposes to adopt a constitution which contains an Approval Provision, the Corporations Act requires the Company to provide certain information to Shareholders. The Company provides the following information for this purpose:

<p><i>Effect of Approval Provision</i></p>	<p>If a person makes a proportional takeover bid to Shareholders, the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under the off market bid is prohibited unless and until the Approval Resolution has been passed at a meeting of Shareholders.</p> <p>For the Approval Resolution to be passed, more than 50% of the votes validly cast on the resolution must be in favour of the resolution. The bidder and any associates of the bidder are not entitled to vote on the Approval Resolution.</p> <p>If the Approval Resolution is not voted on within 15 days before the offer period for the bid closes, the Approval Resolution is deemed to have been passed. In those circumstances, the Company would be obliged to register transfers of shares acquired by the bidder under the proportional takeover bid. Therefore, Shareholders can collectively only prohibit a proportional takeover bid by voting to reject the Approval Resolution.</p> <p>If the constitution is adopted, the Approval Provision ceases to apply on the 3rd anniversary of the date the constitution was adopted (but it can be renewed with Shareholder approval).</p>
<p><i>Reasons for Approval Provision</i></p>	<p>The Directors believe it is important for Shareholders to have the opportunity to consider and vote on a proportional takeover bid because it may result in:</p> <ul style="list-style-type: none"> • the effective control of the Company changing without the Shareholders being able to dispose of all of their shares; • Shareholders being left with a minority interest in the Company; and • control of the Company passing to a person who has not paid an adequate premium to Shareholders to obtain that control

For personal use only

<p><i>Potential advantages</i></p>	<ul style="list-style-type: none"> • Enables Shareholders to have the opportunity to consider and vote on any proposed proportional takeover bid. • Enables Shareholders to prevent a proportional takeover bid from proceeding if they believe that control of the Company should not be permitted to pass under the bid. • Likely to encourage any proportional bid to be structured so as to be attractive to a majority of Shareholders (and potentially on terms superior to those the bidder would have offered had the constitution not contained an Approval Provision). • Enables the Board to formally ascertain the views of Shareholders in respect of any proportional takeover bid.
<p><i>Potential disadvantages</i></p>	<ul style="list-style-type: none"> • May make the Company a less likely target for a bidder, because a bidder may be less inclined to bid for a company where it will be necessary to obtain Shareholder approval of the bid, which is not guaranteed (in addition to having Shareholders accept the bid). • May deter potential bidders from making proportional takeover bids which may in turn reduce the likelihood of Shareholders receiving a premium for ceding control of the Company. • May restrict the ability of individual Shareholders to deal freely with their shares in some circumstances. • Will increase the costs to the Company to convene and hold a meeting each time an Approval Resolution needs to be put to Shareholders.
<p><i>Present acquisition proposals</i></p>	<p>As at the date of the notice of meeting to which this explanatory statement relates, none of the Directors are aware of a proposal by a person to acquire, or to increase the extent of, a substantial interest in the Company.</p>

If resolution 3 is passed, the existing constitution of the Company will be repealed and will be replaced by the new constitution.

10.4 Resolution 4 - Share Consolidation

In order for the sale price of the Company's ordinary shares to be a meaningful value, and at least the minimum of \$0.20 prescribed by ASX, the Directors propose to consolidate the Company's share capital on a 1 for 7 basis.

Section 254H of the Corporations Act states that a company may convert all or any of its shares into a smaller number of shares by an ordinary resolution of Shareholders passed at a general meeting.

If resolution 4 is passed as proposed, the Share Consolidation will take effect at 9:00 am (Melbourne time) on Monday 2 December 2013 on the basis that all of shares in the Company held by each Shareholder at that time will be converted into a smaller number of shares equal to one-seventh of the number of the Shareholder's shares. Where that

For personal use only

results in a fractional entitlement, the number of shares will be rounded up to the next whole number.

There is not expected to be any material effect on the percentage interest of each individual Shareholder, or on the control of the Company, in consequence of the Share Consolidation.

The Company currently has 223,351,239 ordinary shares on issue. If resolution 4 is passed and the Share Consolidation proceeds, the number of ordinary shares in the Company on issue will reduce by a ratio of one-seventh (subject to the rounding up of fractional entitlements) to 31,907,320 (by reference to the holdings of Shares on the register as at 30 September 2013), and immediately following the Share Consolidation, the Company's share price is expected to increase in inverse proportion to that ratio.

From the date of the Share Consolidation all existing holding statements for Shares will cease to have any effect, except as evidence of entitlement to a certain number of Shares on a post-Share Consolidation basis. After the Share Consolidation becomes effective, the Company will arrange for new holding statements to be issued to Shareholders.

Shareholders are advised to seek their own tax advice on the effect of the Share Consolidation and neither the Company nor the Directors (nor the Company's advisers) accept any responsibility for the individual taxation implications arising from the Share Consolidation.

10.5 Resolution 5 - approval of issue of Shares under Placement Offer

Background

As part of the Thorney Proposal, the Company will undertake a Placement Offer pursuant to which the Company will seek to raise up to \$56.2 million from sophisticated and/or professional investors. As at the date of the notice of meeting, the Company has obtained commitments from select sophisticated and professional investors to participate in the Placement Offer and to subscribe \$56.2 million for 112.4 million new Shares in total (after the Share Consolidation has been effected).

Further details of the Placement Offer are set out in section 2.4 of this explanatory statement.

ASX Listing Rule 7.1

Listing Rule 7.1 limits the number of equity securities that a company may issue without shareholder approval during any 12 month period to 15% of:

- (a) the total number of the company's fully paid ordinary shares on issue at the start of the 12 month period; plus
- (b) any fully paid ordinary shares issued during the period with shareholder approval or under an exception in rule 7.2.

The number of equity securities that the company issues or agrees to issue under rule 7.1 without shareholder approval during the period uses up the 15% capacity for that period and is subtracted from the above calculation. The 15% limit is further adjusted where partly paid ordinary shares become fully paid, or fully paid ordinary shares are cancelled, during the period.

For personal use only

If resolution 5 is passed (and the other Key Thorney Proposal Resolutions are also passed), the Company will issue up to 112.4 million Shares pursuant to the Placement Offer (after the Share Consolidation has been effected). The Company will then have the flexibility to issue additional equity securities in the next 12 months up to 15% of the Shares in the Company currently on issue (including those issued under the Placement Offer).

Listing Rule 7.3 requires the following information to be provided to Shareholders when seeking approval for the purposes of Listing Rule 7.1:

- ***Maximum number of securities to be issued***

The maximum number of Shares to be issued under the Placement Offer is 112.4 million (on a post-Share Consolidation basis).

- ***Date by which the entity will issue the securities***

The Shares will be issued by Thursday 5 December 2013.

- ***The issue price of the securities***

The Shares under the Placement Offer will be issued at \$0.50 each.

- ***Names of allottees (if known) or the basis upon which those allottees will be identified or selected***

The Shares under the Placement Offer will be issued to select sophisticated investors and professional investors who are clients of Wilson HTM or contacts of the Thorney Group.

- ***Terms of securities***

The Shares to be issued under the Placement Offer will rank equally with all other existing Shares from the date of issue.

- ***Intended use of the funds raised***

Refer to section 5.8 of this explanatory statement.

- ***Voting exclusion statement***

A voting exclusion statement relating to this resolution is included in the notice of meeting.

ASX Listing Rule 11.1

Listing Rule 11.1.2 provides that the Company must obtain the approval of Shareholders where the Company proposes a significant change to the nature or scale of its activities. The Company wishes to, and has confirmed to ASX that it will, seek Shareholder approval under Listing Rule 11.1.2 to change the scale of the Company's activities as a result of the Placement Offer.

If resolution 5 is passed (and the other Key Thorney Proposal Resolutions are also passed), the approval of Shareholders will be obtained to allow the Company to issue up to 112.4 million Shares pursuant to the Placement Offer.

For personal use only

10.6 Resolution 6 - approval of issue of Shares to Thorney Holdings under Placement Offer

Background

Resolution 6 seeks approval from Shareholders for the issue of up to 42.2 million Shares to Thorney Holdings pursuant to the Thorney Commitment. Resolution 6 seeks approval for the purposes of item 7 of section 611 of the Corporations Act, section 208 of the Corporations Act and Listing Rule 10.11.

Further details relating to the Thorney Commitment is set out in section 2.4 of this explanatory statement.

Approval for the purpose of item 7 of section 611 of the Corporations Act

(a) Prohibition under section 606 of the Corporations Act

Section 606 of the Corporations Act prohibits a person from acquiring a relevant interest in shares in a listed company which results in that person's or some other person's voting power in the company increasing from a starting point of 20% or below to more than 20%, or from a starting that is above 20% and below 90%.

A person's voting power in a company is the percentage of the total number of votes attached to all voting shares in the company that the person or an associate has a relevant interest in, compared to the total number of votes attached to all voting shares in the company.

The Company only has fully paid ordinary shares on issue, and 1 vote attaches to each ordinary share.

(b) Voting power of Thorney Holdings

As at the date of the notice of meeting to which this explanatory statement relates, Thorney Holdings has voting power in the Company of 26.22% (rounded to the second decimal place).

(c) Voting power of Thorney Holdings as a result of the Thorney Commitment

Assuming:

- (i) the Share Consolidation is effected;
- (ii) the total maximum number of 112.4 million Shares are issued under the Placement Offer;
- (iii) 42.2 million Shares are issued to Thorney Holdings under the Placement Offer; and
- (iv) there is no other change to Thorney Holdings' current voting power in the Company of 26.22% (rounded to the second decimal place), or to the Company's issued share capital,

Thorney Holdings' voting power in the Company will increase to 35.05% (rounded up to the second decimal place) immediately following the Placement Offer. The issue of Shares to Thorney Holdings will be issued at the same time as other Shares are issued under the Placement Offer. This is expected to occur on Thursday 5 December 2013.

For personal use only

The Company notes, however, that if Shareholders and/or other investors participate in the Retail Offer, Thorney Holdings' voting power in the Company following the Placement Offer will be diluted. The level to which Thorney Holdings' voting power will be diluted by the Retail Offer will depend on the participation of Shareholders and other investors in the Retail Offer. As an example, should the Retail Offer raise \$10 million, then Thorney Holdings' voting power in the Company following the Retail Offer will reduce to 30.78% (rounded up to the second decimal place).

(d) Exception to the prohibition - item 7 of section 611 of the Corporations Act

The prohibition under section 606 of the Corporations Act is subject, however, to certain exceptions set out in section 611 of the Corporations Act.

Item 7 of section 611 of the Corporations Act provides that no breach of section 606 occurs in relation to an acquisition of relevant interests in a company's voting shares approved previously by a resolution passed at a general meeting of the company at which no votes are cast in favour of the resolution by either

- (i) the person proposing to make the acquisition and their associates; or
- (ii) the person from whom the acquisition is to be made and their associates.

(e) Information required by item 7 of section 611 of the Corporations Act

Item 7 of section 611 requires the following information to be provided to Shareholders:

- (i) *The identity of the person proposing to make the acquisition and their associates*

Up to 42.2 million Shares will be issued to Thorney Holdings under the Thorney Commitment.

The associates of Thorney Holdings are as follows:

Entity
Jamahjo Pty Ltd ACN 117 488 696
Thorney International Pty Ltd ACN 132 886 698
Thorney Investment Group Australia Pty Ltd ACN 117 488 892
Thorney Alpha Pty Ltd ACN 162 820 537
Thorney Beta Pty Ltd ACN 162 828 677
Thorney Management Services Pty Ltd ACN 164 880 148
Thorney Omega Pty Ltd ACN 163 964 636
Thistle Custodians Pty Ltd ACN 078 027 193
Thistle Holdings Pty Ltd ACN 075 051 464
TIGA Trading Pty Ltd ACN 118 961 210
TIGA Property Pty Ltd ACN 117 811 453
TIGA (Ballarat) Pty Ltd ACN 117 812 030
TIGA (Hawthorn) Pty Ltd ACN 126 952 663
TIGA Tails Pty Ltd ACN 080 534 416
TIGA Finance Pty Ltd ACN 118 521 412

For personal use only

- (ii) *The maximum extent of the increase in that person's voting power in the Company that would result from the acquisition*

See section 10.6(c) above.

Thorney Holdings' commitment to subscribe for up to 42.2 million Shares under the Placement Offer is subject to the other commitments for Shares under the Placement Offer being fulfilled such that all 112.4 million Shares are issued following the Share Consolidation. In that case, the maximum extent of the increase in Thorney Holdings' voting power in the Company as a result of the issue of the Shares under the Thorney Commitment would be 8.83% (rounded up to the second decimal place) i.e. the increase from Thorney Holdings' current level of approximately 26.22% to 35.05% (rounded up to the second decimal place), assuming no other change to Thorney Holdings' current voting power in the Company or to the Company's issued share capital.

If not all of the Shares offered under the Placement Offer are issued (e.g. because other commitments for Shares are not fulfilled), the Thorney Commitment would be reduced so that Thorney Holdings' maximum voting power in the Company, and maximum increase in voting power, as a result of the issue of Shares under the Thorney Commitment, would not exceed 36% and 9.78% respectively.

- (iii) *The voting power that person would have as a result of the acquisition*

See section 10.6(c) and (ii) above.

- (iv) *The maximum extent of the increase in the voting power of each of that person's associates that would result from the acquisition*

If the total maximum number of 112.4 million Shares are issued under the Placement Offer and the maximum Thorney Commitment of 42.2 million Shares are issued to Thorney Holdings following the Share Consolidation, the maximum extent of the increase in voting power in the Company of each associate of Thorney Holdings as a result of the issue of the Shares under the Thorney Commitment would be 8.83% (rounded up to the second decimal place) i.e. the increase from the associate's current level of approximately 26.22% to 35.05% (rounded up to the second decimal place), assuming no other change to the associate's current voting power in the Company or to the Company's issued share capital.

As noted in (ii) above, if not all of the Shares offered under the Placement Offer are issued (e.g. because other commitments for Shares are not fulfilled), the Thorney Commitment would be reduced so that Thorney Holdings' maximum voting power in the Company, and maximum increase in voting power, as a result of the issue of Shares under the Thorney Commitment, would be 36% and 9.78% respectively. In that case, the maximum voting power in the Company, and maximum increase in voting power, of each associate of Thorney Holdings as a result of the issue of Shares under the Thorney Commitment, would also be 36% and 9.78% respectively.

- (v) *The voting power that each of that person's associates would have as a result of the acquisition*

See (iv) above.

For personal use only

(f) Independent expert opinion

The Board commissioned Lawler Corporate Finance to prepare a report which assesses whether the issue of the Shares under the Thorney Commitment is fair and reasonable to Shareholders who are not associated with Thorney Holdings.

The independent expert report has concluded that the issue is not fair, but reasonable.

Lawler Corporate Finance' report is set out in appendix 1.

Approval for the purpose of section 208 of the Corporations Act

Section 208 of the Corporations Act sets out rules requiring approval by the Shareholders of a public company (such as the Company) to give a financial benefit to a related party of the Company.

A "related party" includes (i) entities that control the company; (ii) directors of the company; and (iii) entities controlled by the people referred to in items (i) and (ii) (section 228 of the Corporations Act).

A "financial benefit" includes the issue of securities.

Thorney Holdings is a related party of the Company because of its relationship with Mr Alex Waislitz (who is a proposed director of the Company pursuant to resolution 12 of this notice of meeting). The issue of the Shares to Thorney Holdings pursuant to the Thorney Commitment will constitute a financial benefit being given to Thorney Holdings pursuant to section 208 of the Corporations Act.

The Company is seeking the approval of Shareholders, for the purposes of section 208 of the Corporations Act, to the issue of the Shares to Thorney Holdings under the Thorney Commitment.

Section 219 of the Corporations Act requires that the following information is set out in this explanatory statement in respect of the Shareholder approval that is being sought:

(g) *The related parties to whom the proposed resolution would permit the financial benefits to be given*

Thorney Holdings.

(h) *The nature of the financial benefits*

Subject to the approval of Shareholders, the issue of up to 42.2 million Shares pursuant to the Thorney Commitment.

(i) *In relation to each Director of the Company:*

- *if the Director wanted to make a recommendation to Shareholders about the proposed resolution - the recommendation and his or her reasons for it;*
- *if not, why not; or*
- *if the Director was not available to consider the proposed resolution - why not.*

See section 1.3.

For personal use only

(j) *In relation to each such Director:*

- *whether the Director has an interest in the outcome of the proposed resolution; and*
- *if so, what it is.*

See section 1.3.

(k) *All other information that:*

- *is reasonably required by Shareholders in order to decide whether or not it is in the Company's interests to pass the proposed resolution; and*
- *is known to the Company or any of its Directors.*

Shareholders are advised to carefully and fully read the notice of meeting and this explanatory statement, including all appendices to this explanatory statement.

Approval for the purpose of Listing Rule 10.11

ASX Listing Rule 10.11 requires shareholder approval for the issue of securities by a company to a related party or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained.

As discussed above, Thorney Holdings is a related party of the Company and so the issue of the Shares under the Thorney Commitment will require the approval of Shareholders under ASX Listing Rule 10.11.

Listing Rule 10.13 requires certain information concerning the issue of the Shares to Thorney Holdings be included in the explanatory statement. Please refer to the information included in relation to this resolution under the heading '*Approval for the purpose of item 7 of section 611 of the Corporations Act*'.

If resolution 6 is passed (and the other Key Thorney Proposal Resolutions are also passed), the approval of Shareholders will be obtained to allow the Company to issue the Thorney Shares to Thorney Holdings under the Placement Offer.

10.7 Resolutions 7 and 8 - approval of issue of Shares to other related parties under Placement Offer

Background

Resolutions 7 and 8 seek approval from Shareholders for the issue of Shares to certain related parties (other than Thorney Holdings) of the Company under the Placement Offer. Resolutions 7 and 8 seek approval for the purposes of section 208 of the Corporations Act and Listing Rule 10.11.

Further details relating to the Placement Offer is set out in section 2.4 of this explanatory statement.

Approval for the purpose of section 208 of the Corporations Act

Refer to section 10.6 of this explanatory statement for a summary of the 'related party' provisions under the Corporations Act.

For personal use only

The Company understands that the following persons may subscribe for the following Shares under the Placement Offer:

- (a) An entity controlled by Mr Colin Cowden has committed to subscribe \$527,500 in the Placement Offer for 1,055,000 Shares (following the implementation of the Share Consolidation) representing 0.74% (rounded up to the second decimal place) of the Company's Shares on a fully diluted basis following the Share Consolidation and assuming no other issues apart from the issue of 112.4 million Shares under the Placement Offer in total.; and
- (b) An entity controlled by Mr Henry Lanzer has committed to subscribe \$50,000 in the Placement Offer for 100,000 Shares (following the implementation of the Share Consolidation) representing 0.07% (rounded up to the second decimal place) of the Company's Shares on a fully diluted basis following the Share Consolidation and assuming no other issues apart from the issue of 112.4 million Shares under the Placement Offer in total.

These persons are related part of the Company for the following reasons:

- (c) Mr Colin Cowden is a Director of the Company; and
- (d) Mr Henry Lanzer is a proposed Director of the Company under resolution 13.

Accordingly, the issue of the Shares to Mr Colin Cowden and Mr Henry Lanzer's controlled entities will constitute a financial benefit being given to related parties of the Company as regulated by section 208 of the Corporations Act.

The issue of the Shares will be issued at the same time as other Shares are issued under the Placement Offer. This is expected to occur on Thursday 5 December 2013.

The Company is seeking the approval of Shareholders, for the purposes of section 208 of the Corporations Act, to the issue of Shares to the related parties under the Placement Offer as set out above.

Section 219 of the Corporations Act requires that the following information is set out in this explanatory statement in respect of the Shareholder approval that is being above:

- (e) *The related parties to whom the proposed resolution would permit the financial benefits to be given*

See above.

- (f) *The nature of the financial benefits*

Subject to the approval of Shareholders, the related parties will be issued Shares in the amounts set out above pursuant to the terms of the Placement Offer.

- (g) *In relation to each Director of the Company:*

- *if the Director wanted to make a recommendation to Shareholders about the proposed resolution - the recommendation and his or her reasons for it;*
- *if not, why not; or*
- *if the Director was not available to consider the proposed resolution - why not.*

See section 1.3.

For personal use only

(h) *In relation to each such Director:*

- *whether the Director has an interest in the outcome of the proposed resolution; and*
- *if so, what it is.*

See section 1.3.

(i) *All other information that:*

- *is reasonably required by Shareholders in order to decide whether or not it is in the Company's interests to pass the proposed resolution; and*
- *is known to the Company or any of its Directors.*

The Board is not aware of any additional information not set out in this explanatory statement that would be relevant to Shareholders in deciding how to vote on this resolution.

Shareholders are advised to carefully and fully read the notice of meeting and this explanatory statement, including all appendices to this explanatory statement.

Approval for the purpose of Listing Rule 10.11

ASX Listing Rule 10.11 requires shareholder approval for the issue of securities by a company to a related party or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained.

As discussed above, Mr Colin Cowden and Mr Henry Lanzer's controlled entities are related parties of the Company and so the issue of Shares under the Placement Offer will require the approval of Shareholders under ASX Listing Rule 10.11.

Listing Rule 10.13 requires certain information concerning the issue of shares to related parties be included in the explanatory statement. Please refer to the information included in relation to this resolution under the heading '*Approval for the purpose of section 208 of the Corporations Act*'.

If resolutions 7 and 8 are passed (and the Key Thorney Proposal Resolutions are also passed), the approval of Shareholders will be obtained to allow the Company to issue the Shares to the identified related parties of the Company under the Placement Offer.

10.8 Resolution 9 - approval of Investment Management Agreement with Thorney Management

Background

As part of the Thorney Proposal, the Company is to appoint Thorney Management to exclusively source and manage investments for the Company pursuant to the Investment Management Agreement.

A summary of the Investment Management Agreement, the Company's proposed investment strategy and the types of investments expected to be made, and a full extract of the Investment Management Agreement are set out in sections 2.2 and 9.7 and appendix 2, respectively, of this explanatory statement.

For personal use only

Approval is being sought for the entry into the Investment Management Agreement by the Company as the giving of a financial benefit to Thorney Management for the purposes of section 208 of the Corporations Act. Approval is also being sought pursuant to Listing Rule 11.1 for a change of the nature of the Company's activities as a result of its broader investment policy and the entry into the Investment Management Agreement.

Approval for the purpose of section 208 of the Corporations Act

Refer to section 10.6 of this explanatory statement for a summary of the 'related party' provisions under the Corporations Act.

Thorney Management is a related party of the Company because of its relationship with Mr Alex Waislitz (who is a proposed director of the Company pursuant to resolution 14 of this notice of meeting).

The grant of contractual rights and benefits to Thorney Management under the Investment Management Agreement will constitute a financial benefit being given to Thorney Management pursuant to section 208 of the Corporations Act.

The giving of a financial benefit does not require shareholder approval under section 208 if it is given on reasonable arm's length terms.

The terms of the Investment Management Agreement have been negotiated between the Company and Thorney Management at arm's length and, therefore, may constitute reasonable arm's length terms.

Nevertheless, the Company is seeking the approval of Shareholders, for the purposes of section 208 of the Corporations Act, to the entry into the Investment Management Agreement.

Section 219 of the Corporations Act requires that the following information is set out in this explanatory statement:

- (a) *The related parties to whom the proposed resolution would permit the financial benefits to be given*

Thorney Management.

- (b) *The nature of the financial benefits*

A summary and copy of the terms of the Investment Management Agreement is set out in section 9.7 and appendix 2 of this explanatory statement. In addition to other rights for Thorney Management under the Investment Management Agreement, Thorney Management will be entitled to receive base fees and performance fees for its services.

- (c) *In relation to each Director of the Company:*

- *if the Director wanted to make a recommendation to Shareholders about the proposed resolution - the recommendation and his or her reasons for it;*
- *if not, why not; or*
- *if the Director was not available to consider the proposed resolution - why not.*

See section 1.3.

For personal use only

(d) *In relation to each such Director:*

- *whether the Director has an interest in the outcome of the proposed resolution; and*
- *if so, what it is.*

See section 1.3.

(e) *All other information that:*

- *is reasonably required by Shareholders in order to decide whether or not it is in the Company's interests to pass the proposed resolution; and*
- *is known to the Company or any of its Directors.*

The Board is not aware of any additional information not set out in this explanatory statement that would be relevant to Shareholders in deciding how to vote on this resolution.

Shareholders are advised to carefully and fully read the notice of meeting and this explanatory statement, including all appendices to this explanatory statement.

Approval for the purpose of Listing Rule 11.1

ASX Listing Rule 11.1.2 provides that the Company must obtain the approval of Shareholders where the Company proposes a significant change to the nature or scale of its activities. The Company proposes to adopt a broad investment strategy (which will be implemented by Thorney Management) and to enter into the Investment Management Agreement.

A summary of the Investment Management Agreement, the Company's proposed investment strategy and the types of investments expected to be made, and a full extract of the Investment Management Agreement are set out in sections 2.2 and 9.7 and appendix 2, respectively, of this explanatory statement.

The Company wishes to, and has confirmed to ASX that it will, seek Shareholder approval under Listing Rule 11.1.2 to change the nature of the Company's activities as a result of its broader investment policy and the entry into the Investment Management Agreement.

If resolution 9 is passed (and the other Key Thorney Proposal Resolutions are also passed) the approval of Shareholders will be obtained to allow the Company to enter into the Investment Management Agreement with Thorney Management.

10.9 Resolution 10- approval of issue of Shares under Retail Offer

Background

As part of the Thorney Proposal, the Company will undertake a Retail Offer pursuant to which the Company will seek to raise \$10 million from Shareholders and new investors (and also has a facility to issue up to a further \$2 million for oversubscriptions). Further details of the Retail Offer are set out in section 2.4 of this explanatory statement.

For personal use only

Listing Rule 7.1

Shareholder approval is being sought under Listing Rule 7.1 as the issue of Shares under the Retail Offer will exceed 15% of the number of Shares on issue on the date that is 12 months prior to the Retail Offer.

Refer to section 10.5 of this explanatory statement for a summary of the application of Listing Rule 7.1.

If resolution 10 is passed, the Company may issue up to 24 million Shares pursuant to the Retail Offer (after the Share Consolidation has been effected) assuming the maximum permitted oversubscriptions under the Retail Offer are received and accepted. The Company will then have the flexibility to issue additional equity securities in the next 12 months up to 15% of the Shares in the Company currently on issue (including those issued under the Placement Offer and Retail Offer).

Listing Rule 7.3 requires the following information to be provided to Shareholders in relation to the issue of Shares under the Retail Offer when seeking approval for the purposes of Listing Rule 7.1:

- ***Maximum number of securities to be issued***
The maximum number of Shares to be issued will be 24 million (on a post-Share Consolidation basis).
- ***Date by which the entity will issue the securities***
The Shares will be issued by Tuesday 24 December 2013.
- ***The issue price of the securities***
The Shares will be issued at \$0.50 each.
- ***Names of allottees (if known) or the basis upon which those allottees will be identified or selected***
See section 2.4.
- ***Terms of securities***
The Shares to be issued will rank equally with all other existing Shares from the date of issue.
- ***Intended use of the funds raised***
Refer to section 5.8 of this explanatory statement.
- ***Voting exclusion statement***
A voting exclusion statement relating to this resolution is included in the notice of meeting.

ASX Listing Rule 11.1

ASX Listing Rule 11.1.2 provides that the Company must obtain the approval of Shareholders where the Company proposes a significant change to the nature or scale of its activities. The Company wishes to, and has confirmed to ASX that it will, seek

For personal use only

Shareholder approval under Listing Rule 11.1.2 to change the scale of the Company's activities as a result of the Retail Offer.

If resolution 10 is passed (and the other Key Thorney Proposal Resolutions are also passed), the approval of Shareholders will allow the Company to issue up to 24 million Shares pursuant to the Retail Offer. This will be in addition to any Shares that are issued under the Placement Offer.

10.10 Resolution 11 - approval of acquisition of Shares by or on behalf of Thorney Holdings in consequence of exercise of Options issued under Option Issue

Background

As at the date of the notice of meeting to which this explanatory statement relates, Thorney Holdings has voting power in the Company of 26.22% (rounded to the second decimal place).

Resolution 11 seeks approval from Shareholders for Thorney Holdings to have the ability to exercise any Options issued to it under the Option Issue, and for the Company to issue Shares to Thorney Holdings following the exercise of those Options. Approval is not required, and is not being sought, in relation to the issue of any Options to Thorney Holdings.

Further details relating to the Option Issue is set out in section 2.5 of this explanatory statement.

Approval for the purposes of item 7 of section 611 of the Corporations Act

Resolution 11 seeks approval for the purposes of item 7 of section 611 of the Corporations Act.

(a) Prohibition under section 606 of the Corporations Act

Refer to section 10.6 of this explanatory statement in relation to resolution 6 for a description of the prohibition under section 606 of the Corporations Act.

(b) Voting power of Thorney Holdings prior to exercise of Options

As at the date of the notice of meeting, Thorney Holdings has voting power in the Company of 26.22% (rounded to the second decimal place).

If:

- (i) the Share Consolidation occurs;
- (ii) Thorney Holdings is issued the maximum of 42.2 million Shares pursuant to its Thorney Commitment;
- (iii) the total number of Shares issued under the Placement Offer is 112.4 million;
- (iv) no Shares are issued under the Retail Offer; and
- (v) up to the record date for the Option Issue there is no other change to Thorney Holdings' voting power in the Company, or to the Company's issued share capital;

then:

For personal use only

- (vi) Thorney Holdings' voting power in the Company at the record date for the Option Issue will be 35.05% (rounded up to the second decimal place); and
- (vii) Thorney Holdings will be issued with 25,283,427 Options.

(c) Voting power of Thorney Holdings as a result of the exercise of its Options

If all Shareholders issued with Options under the Option Issue exercise all of their Options, there will be not likely be any material increase of Thorney Holdings' voting power in the Company if Thorney also exercises its Options.

However, if Shareholders do not exercise all of their Options, there will be a dilutionary effect on Shareholders' proportionate shareholding in the Company if Thorney Holdings exercises all of its Options.

Further, Thorney Holdings' voting power in the Company if it exercises all of its Options will depend on the participation of Shareholders and other investors in the Retail Offer and, therefore, the total number of Options issued by the Company.

If:

- (i) the Share Consolidation occurs;
- (ii) Thorney Holdings is issued the maximum of 42.2 million Shares pursuant to its Thorney Commitment;
- (iii) the total number of Shares issued under the Placement Offer is 112.4 million;
- (iv) no investor or Shareholder participates in the Retail Offer;
- (v) up to the record date for the Option Issue there is no other change to the Thorney Holdings' voting power in the Company; and
- (vi) Thorney Holdings exercises all of its Options issued under the Option Issue and no other Options are exercised, and there is no other change to Thorney Holdings' voting power in the Company or to the Company's issued share capital,

then:

- (vii) Thorney Holdings' voting power in the Company following exercise of its Options will increase to 44.73% (rounded up to the second decimal place); and
- (viii) Thorney Holdings will hold or have a relevant interest in 75,850,281 Shares.

It is possible that Thorney Holdings' voting power in the Company as a result of the exercise of the Options could increase to more than 44.73% e.g. if its voting power in the Company at the record date for the Option Issue were more than 35.05% and it was, therefore, issued more than 25,283,427 Options. However, the approval being sought under resolution 11 is only to allow Thorney Holdings to acquire additional Shares through the exercise of Options on condition that Thorney Holdings' voting power does not exceed 44.73% in consequence.

For personal use only

(d) Exception to the prohibition - item 7 of section 611 of the Corporations Act

Refer to the section 10.6 of this explanatory statement in relation to resolution 6 for a description of the exception to the prohibition under section 606 of the Corporations Act pursuant to item 7 of section 611 of the Corporations Act.

(e) Information required by item 7 of section 611 of the Corporations Act

Item 7 of section 611 requires the following information to be provided to Shareholders:

- (i) *The identity of the person proposing to make the acquisition and their associates*

Refer to section 10.6 of this explanatory statement in relation to resolution 6.

- (ii) *The maximum extent of the increase in that person's voting power in the Company that would result from the acquisition*

As described in section 10.10(c) above, if resolution 10 is passed and Thorney Holdings acquires Shares through the exercise of Options issued to it under the Option Issue to the maximum extent permitted by resolution 10, Thorney Holdings' maximum voting power as a result of the issue of Shares following the exercise of the Options will be 44.73%. Assuming a starting point of 35.05% before the exercise of the Options, this represents a maximum increase in voting power of 9.68%.

- (iii) *The voting power that person would have as a result of the acquisition*

See (ii) above.

- (iv) *The maximum extent of the increase in the voting power of each of that person's associates that would result from the acquisition*

If resolution 11 is passed and Thorney Holdings acquires Shares through the exercise of Options issued to it under the Option Issue to the maximum extent permitted by resolution 10, the maximum voting power in the Company and maximum extent of the increase in the voting power of each associate of Thorney Holdings as a result of the issue of Shares following the exercise of the Options will also be 44.73% and 9.68% respectively (assuming no other change to the associate's voting power in the Company or to the Company's issued share capital).

- (v) *The voting power that each of that person's associates would have as a result of the acquisition*

See (iv) above.

(f) Independent expert opinion

The Board commissioned Lawler Corporate Finance to prepare a report which assesses whether the issue of the Options to Thorney Holdings is fair and reasonable to Shareholders who are not associated with Thorney Holdings.

Lawler Corporate Finance has concluded that the issue is not fair, but reasonable.

For personal use only

The Lawler Corporate Finance report is set out in appendix 1.

If resolution 11 is passed (and the other Key Thorney Proposal Resolutions are also passed), the approval of Shareholders will be obtained to allow the Company to issue the Thorney Shares to Thorney Holdings in consequence of exercise of Options issued under the Option Issue.

10.11 Resolution 12 - change of the Company's name to Thorney Opportunities Ltd

As part of the Thorney Proposal, the Company intends to change its name to "Thorney Opportunities Ltd". As the proposed name for the Company includes the word "Thorney", the Company requires a licence from Thorney Management to use the word in its name.

Further details of the rationale for the change of name is set out in section 2.7 of this explanatory statement. Further details of the terms of the licence are set out in section 9.7 of this explanatory statement.

Resolution 12 is a special resolution (pursuant to section 157(1) of the Corporations Act) and requires the approval of at least 75% of the votes cast by Shareholders entitled to vote. If Shareholders approve Resolution 12 (and the other Key Thorney Proposal Resolutions are also passed), the Company will apply to ASIC to change its name to Thorney Opportunities Ltd.

10.12 Resolution 13 - election of Alex Waislitz as a Director

Pursuant to rule 6.1(c) of the Company's constitution, having been nominated by the Directors for election at this meeting and a signed consent to act from him having been received by the Company, Mr Alex Waislitz has been nominated by the Directors for election at the AGM.

If appointed, Mr Waislitz has agreed that he will only receive nominal remuneration in respect of his holding office as a director.

Mr Waislitz founded Thorney Investment Group in 1992, and is Executive Chairman. Prior to establishing Thorney, Mr Waislitz had a number of operational roles within the Pratt Group of Companies having worked for Robert Holmes à Court in New York early in his career. Mr Waislitz has been the key driver in Thorney Investment Group's growth into a large, diversified, private investment house with interests in equities, property and other investments.

If resolution 13 is passed (and the Key Thorney Proposal Resolutions are also passed), Mr Waislitz will be appointed as a Director.

10.13 Resolution 14 – election of Mr Henry Lanzer

Pursuant to rule 6.1(c) of the Company's constitution, having been nominated by the Directors for election at this meeting and a signed consent to act from him having been received by the Company, Mr Henry Lanzer has been nominated by the Directors for election at the AGM.

Mr Lanzer is managing partner of Arnold Bloch Leibler – a leading Australian commercial law firm – and has over 25 years experience in providing legal and strategic advice to some of Australia's leading companies. He is a director of Premier Investments Limited, Just Group Limited and also the TarraWarra Museum of Art. He is a Life Governor of the Mount Scopus College Council and President of the Mount Scopus College Foundation.

For personal use only

If resolution 14 is passed (and the Key Thorney Proposal Resolutions are also passed), Mr Lanzer will be appointed as a Director.

10.14 Resolution 15 – election of Dr Gary Weiss

Pursuant to rule 6.1(c) of the Company's constitution, having been nominated by the Directors for election at this meeting and a signed consent to act from him having been received by the Company, Dr Gary Weiss has been nominated by the Directors for election at the AGM.

Dr Weiss is chairman of ClearView Wealth Limited and Secure Parking Pty Ltd. He is also a director of Ariadne Australia Limited, Premier Investments Limited, Ridley Corporation Ltd, Mercantile Investment Company Limited, Pro-Pac Packaging Limited and Tag Pacific Limited and sits on the boards of the Victor Chang Cardiac Research Institute and The Centre for Independent Studies.

If resolution 15 is passed (and the Key Thorney Proposal Resolutions are also passed), Mr Weiss will be appointed as a Director.

10.15 Resolution 16 – election of Mr Ashok Jacob

Pursuant to rule 6.1(c) of the Company's constitution, having been nominated by the Directors for election at this meeting and a signed consent to act from him having been received by the Company, Mr Ashok Jacob has been nominated by the Directors for election at the AGM.

Mr Jacob is the Chairman and CIO of Ellerston Capital. He is a director of Crown Limited, Consolidated Press Holdings Limited and MRF Limited. He is also a member of the Visy Family Advisory Board. Mr Jacob holds a Master of Business Administration from the Wharton School, University of Pennsylvania and a bachelor of Science from the University of Bangalore.

If resolution 16 is passed (and the Key Thorney Proposal Resolutions are also passed), Mr Jacob will be appointed as a Director.

10.16 Resolution 17 – removal of auditor

The Company's auditor is currently Deloitte Touche Tohmatsu.

Ernst & Young have been the auditors of Thorney Holdings since 2008 and for administrative reasons shareholder approval is sought for their appointment as auditor of the Company in place of Deloitte Touche Tohmatsu.

Section 329(1) of the Corporations Act states that an auditor of a company may be removed from office by resolution of the company passed at a general meeting, provided that notice of the intention to remove the current auditor has been given to the company before the company calls the general meeting.

The Company has received a notice of intention to remove Deloitte Touche Tohmatsu as its auditor. The Company has provided a copy of that notice of intention to Deloitte Touche Tohmatsu and ASIC, as required by the Corporations Act.

The purpose of resolution 17 is to remove Deloitte Touche Tohmatsu as the Company's auditor. This resolution is not conditional on any other resolutions also being passed. Accordingly, the proposed removal of Deloitte Touche Tohmatsu will occur if resolution 16 is passed.

For personal use only

Note: Deloitte Touche Tohmatsu informed the Company that they have applied to ASIC requesting its consent to resign from the office of auditor of the Company, and that it will provide formal written notification of resignation in accordance with section 329(5) of the Corporations Act 2001 once ASIC's consent is received. If ASIC's consent and Deloitte Touche Tohmatsu's resignation is received before the meeting, thereby making resolution 17 unnecessary, the resolution will be withdrawn.

10.17 Resolution 18 – appointment of auditor

Section 327D(2) of the Corporations Act states that a company which has removed its auditor at a general meeting may pass a special resolution to appoint a replacement auditor at that same meeting, provided that a copy of the notice of nomination of the auditor has previously been sent to the proposed replacement auditor (as well as to the current auditor and each person entitled to receive a notice of meeting).

Where an auditor of a company ceases to hold office before an annual general meeting of the company, the company may by resolution appoint an auditor to fill the vacancy under section 327B(1) of the Corporations Act, provided that a copy of the notice of nomination of the auditor has previously been sent to the proposed new auditor (as well as to each person entitled to receive a notice of the meeting).

Further, section 328A states that a company must not appoint an auditor unless the auditor has first consented to act as auditor and has not withdrawn that consent before the appointment is made.

A notice of nomination of Ernst & Young as the new auditor of the Company has been received by the Company and a copy has been sent to Ernst & Young and Deloitte Touche Tohmatsu. A copy of the notice of nomination is set out in appendix 4 of this explanatory statement.

Ernst & Young has given its written consent to act as auditor and, as at the date of the notice of meeting to which this explanatory statement relates, has not withdrawn that consent.

The purpose of resolution 18 (which is to be passed as a special resolution either for the purpose of section 327D(2) or section 327B(1) of the Corporations Act) is to appoint Ernst & Young as auditor of the Company. This resolution is stated to be subject to resolution 16 also being passed or the Company receiving written notification of resignation as auditor of the Company from Deloitte Touche Tohmatsu with the consent of ASIC before the date of the meeting. Accordingly, the proposed appointment of Ernst & Young will only occur if Deloitte Touche Tohmatsu is removed as auditor by resolution 17 or resigns from office with ASIC's consent.

APPENDIX 1 - INDEPENDENT EXPERT REPORT



Wentworth Holdings Limited

Thorney Transaction

Independent Expert's Report

3 October 2013

For personal use only

3 October 2013

The Independent Directors
Wentworth Holdings Limited
Level 23,
459 Collins Street
MELBOURNE VIC 3000

Dear Sirs

INDEPENDENT EXPERT'S REPORT IN RELATION TO MANAGEMENT AGREEMENT WITH THORNEY INVESTMENT GROUP AND PROPOSED CAPITAL RAISING

Introduction

On 3 September 2013 and 18 September 2013 Wentworth Holdings Limited ("**WWM**") announced that it had entered into an Implementation Deed ("**Implementation Deed**") with Thorney Holdings Pty Limited ("**Thorney**") which provided for, amongst other matters, the following proposals (collectively referred to as the "**Thorney Transaction**"):

- WWM will appoint Thorney Management Services Pty Limited ("**Thorney Management**") as the investment manager of WWM under an investment management agreement ("**IMA**");
- WWM will undertake a broader investment strategy than currently and will pursue an absolute return investment strategy over the medium to long term;
- WWM will appoint Mr. Alex Waislitz as a director and chairman of directors; and
- WWM will seek to raise up to approximately \$68.2 million (before estimated costs of up to \$1.6 million) by undertaking two issues of WWM fully paid ordinary shares ("**Shares**") (collectively are referred to as the "**Capital Raising**"):
 - an offer to select professional investors at \$0.50 per WWM Share to raise approximately \$56.2 million ("**Placement Offer**"); and
 - a subsequent offer under a prospectus to investors generally at \$0.50 per WWM Share to raise up to \$12.0 million ("**Retail Offer**"). This will be completed following the WWM 2013 Annual General Meeting ("**AGM**");
- WWM Shareholders on the register after the shareholder approvals necessary to implement the Thorney Transaction have been obtained, who do not participate in the Placement Offer will be offered a priority allocation under the proposed Retail Offer of 20 million Shares (out of the 24 million Shares available under the Retail Offer) ("**Priority Offer**");
- under the Implementation Deed Thorney has provided a commitment to participate in the Placement Offer ("**Thorney Participation**"). Currently, Thorney is the largest Shareholder in WWM with a Shareholding of approximately 26.2%, which will increase to approximately 35.04% following the Placement Offer and to between 30.04% and 35.04% on completion of the Capital Raising;

Lawler Corporate Finance Pty Ltd
ABN 65 097 893 957
AFSL 295 872

Sydney
Level 9, 1 O'Connell Street
Sydney NSW 2000 Australia
GPO Box 5446 Sydney NSW 2001

telephone 02 8346 6000
facsimile 02 8346 6099

www.lawlerof.com.au

info@lawlerof.com.au

Newcastle
763 Hunter Street
Newcastle West NSW 2302, Australia
PO Box 2368 Dangar NSW 2309

telephone 02 4962 2688
facsimile 02 4962 3245
DX 4303

mail@lawlerof.com.au



For personal use only



- prior to the Capital Raising, WWM will undertake a share consolidation such that all existing Shares are converted into one seventh of the existing number of Shares (“**Share Consolidation**”);
- following the Capital Raising, WWM will undertake pro-rata bonus issue of options over unissued WWM Shares to all then existing WWM Shareholders on the basis of one (1) option for every two (2) Shares held (“**Options Issue**”). Under the Options Issue, Thorney will be issued options (“**Thorney Options**”); and
- WWM will be renamed as “Thorney Opportunities Ltd”.

The Placement Offer was increased from an initially proposed amount of approximately \$40.0 million to approximately \$56.2 million after WWM received applications (after a scale-back and before the Thorney Participation) for 70.2 million Shares raising \$35.1 million. Consequently, the Thorney Participation will increase to approximately \$21.1 million.

The Thorney Transaction is subject to the approval by the shareholders of WWM that are not precluded from voting (“**Non-associated Shareholders**”) of various resolutions set out in the Notice of General Meeting (“**Notice of Meeting**”) to be sent to WWM Shareholders and certain regulatory and other conditions being satisfied.

Some further information on the proposals is set out in **Section 1** of this report (“**Report**”). Details of the Thorney Transaction are set out in the Notice of Meeting and Explanatory Statement (together, the “**Documents**”) issued by WWM and which accompany this Report.

Requirement for an Independent Expert’s Report

There is no requirement for an independent expert’s report. However, this Report has been prepared to accompany the Documents to assist the independent directors of WWM in relation to their obligations arising under:

- **Sections 606 and 611** of the Corporations Act (Cth) (“**Corporations Act**”), relating to approval by Non-associated Shareholders of Thorney’s increased voting power from a starting point already above 20%, resulting from the Thorney Participation and, potentially, as a result of exercise of the Thorney Options. We are not required to provide an opinion on the issue of the Thorney Options, as they will be issued as part of a pro-rata issue of options. We have been requested to provide our opinion in relation to the potential future exercise of the Thorney Options; and
- **Chapter 2E** of the Corporations Act, which deals with the provision of a financial benefit to a director. In the present case, Mr. Waislitz will be a common director of WWM and Thorney and will have an interest in the IMA.

This Report has also been prepared to assist Non-associated Shareholders in considering how to vote on the various resolutions.

Further details of the above regulatory requirements can be found in **Section 2.2** of this Report.

Summary of Conclusions

In summary, our opinion is that the Thorney Transaction as a whole is “**not fair**”, but is “**reasonable**”, to the Non-associated Shareholders as a whole.

The Thorney Transaction comprises the following inter-related elements that are relevant to be addressed by an independent expert report:

- the Thorney Participation;
- the exercise of the Thorney Options; and
- the IMA.



We assessed the individual fairness of each of the above components of the Thorney Transaction.

As the Thorney Participation, the exercise of the Thorney Options and the IMA are inter-related, we assessed the reasonableness of the Thorney Transaction by considering the advantages and disadvantages of all elements of the Thorney Transaction together.

Set out below are our conclusions in relation to the individual elements of the Thorney Transaction.

Thorney Participation

In summary, our opinion is that the Thorney Participation is “not fair”, but is “reasonable” to the Non-associated Shareholders as a whole.

Section 9 of this Report contains LCF’s analysis and reasons for this opinion. A summary of our reasons is set out below.

Fairness

In assessing the fairness of the Thorney Participation, we considered the fair market value of a WWM Share from the viewpoint of a Non-associated Shareholder, before and after implementing the Thorney Participation.

Before implementing the Thorney Transaction, the Non-associated Shareholders collectively own approximately 73.78% of WWM Shares. Collectively, the Non-associated Shareholders have control of WWM. We assessed the value of a Share on a controlling interest basis immediately prior to the Thorney Transaction (given that the Non-associated Shareholders collectively have control of WWM at that time).

We assessed the fair market value of a WWM Share (on a controlling interest basis) at Valuation Date (that is, before implementing the Thorney Participation) as being within the range of \$0.486 to \$0.565 per Share, with a mid-point of \$0.525 per Share (after allowing for the proposed Share Consolidation) (refer **Section 9.2.5**).

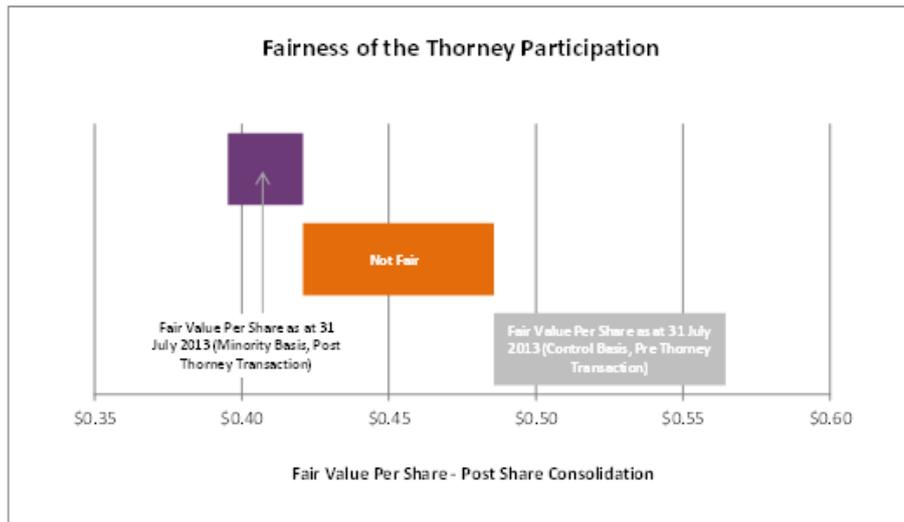
After implementing the Thorney Participation, the Non-associated Shareholders will collectively own between approximately 16.31% and 25.87% of WWM Shares (refer to **Section 1.2** below for further explanation). Collectively, the Non-associated Shareholders will not have control of WWM and will have only a minority interest in WWM Shares.

We assessed the fair market value of a Share (on a minority interest basis) immediately after the Thorney Transaction (given that the Non-associated Shareholders collectively will have only a minority interest in WWM at that time) as being within the range of \$0.396 to \$0.422 per Share, with a mid-point of \$0.409 per Share (after allowing for the proposed Share Consolidation) (refer **Section 9.4**).

Set out below is our valuation comparison:

For personal use only

Table 1: Fairness Assessment of the Thorney Participation



Based on the above, as the value of a WWM Share held by the Non-associated Shareholders after implementing the Thorney Participation (assessed on a minority interest basis) is less than the value of a WWM Share held by the Non-associated Shareholders before implementing the Thorney Participation (assessed on a controlling interest basis), we conclude that the Thorney Participation is “not fair” to the Non-associated Shareholders as a whole.



Reasonableness

As the Thorney Participation, the Thorney Options and the IMA are interrelated, we assessed the advantages and disadvantages of the Thorney Participation considering all elements of the Thorney Transaction together. Set out below is our assessment of the advantages and disadvantages of the Thorney Transaction:

Table 2: Advantages & Disadvantages of the Thorney Transaction

Advantages of the Thorney Transaction (Refer to Section 12.1 for further detail)	Disadvantages of the Thorney Transaction (Refer to Section 12.2 for further detail)
<ul style="list-style-type: none"> • The consideration of \$0.50 per Share to be paid by Thorney falls within our assessed range of the fair market value of a Share on a control basis (before the Thorney Transaction and after the Share Consolidation) of \$0.486 to \$0.565 with a mid-point value of \$0.525 (refer Section 9.2.5). Accordingly, a comparison of the consideration to be paid by Thorney under the Thorney Participation with the controlling interest value of Share before implementing the Thorney Participation (by itself) would be considered to be "fair", if the amount was paid to the Non-associated Shareholders in a takeover offer. However, this is not the case in the Thorney Transaction and this comparison alone is not the relevant test for assessing the overall fairness of the Thorney Transaction to Non-associated Shareholders as a whole. • The Thorney Transaction increases the financial strength of WWM (as a result of the Capital Raising) and provide WWM with a more diversified investment portfolio. • The Thorney Participation will be in line with the Placement Offer and Retail Offer and as such will not be dilutive. • Thorney has a record of successful investment in public companies in the small to mid-market sector in Australia. • The Thorney Participation will result in Thorney remaining a major shareholder of WWM, which should ensure stability of the Share price in the short to medium term. • The Thorney Participation will align the interests of Thorney and Thorney Management with those of other Shareholders of WWM. • WWM will have access to an experienced management team. 	<ul style="list-style-type: none"> • The Thorney Participation will result in a dilution of the voting and equity interests in WWM of Non-associated Shareholders. • The increase in Thorney's Shareholding may reduce the liquidity of WWM's Shares. However, this may be mitigated by the fact that the number of Shares held by other Shareholders may also increase. • Potentially, a large termination fee is payable under the IMA, should WWM wish to end this agreement (refer Section 3.1).

For personal use only



Investment Management Agreement

Conclusion

In summary, our opinion is that the IMA is “not fair”, but is “reasonable” to the Non-associated Shareholders as a whole.

Section 10 of this Report contains LCF’s analysis and reasons for this opinion. A summary of our reasons is set out below.

Fairness

In assessing whether the IMA is “fair” to the Non-associated Shareholders, we compared the terms contained in the IMA with the terms contained in similar agreements in the industry, of which we are aware.

In our opinion, the overall terms of the IMA are less advantageous to WWM than those of similar agreements, including the following:

- **Period of the agreement** – the IMA has an initial term of ten (10) years, with an option at the discretion of Thorney Management (only) to extend for a further seven (7) years at the end of the initial term and also at the end of each subsequent extension period. We note that this is very favourable to Thorney Management and not in line with similar agreements in the industry, of which we are aware;
- **Base fee** – the IMA provides for an annual base fee of 1.5% of gross assets, which falls within a range of industry practice; and
- **Performance fee** – the IMA provides for a performance fee of 20% of the annual growth in the net asset value of WWM. The net asset value is calculated after making provision for the base fee of 1.5%. The Performance Fee cannot be less than zero, and if there is no increase in Net Assets for a financial year, then no Performance Fee is payable for that year. No shortfall is relevant for the calculation of Performance Fees for subsequent financial year(s).

Whilst the amount of the performance fee falls within a range of industry practice, in our opinion the performance hurdle is low when compared to industry practice and the lack of consideration of shortfalls in calculating the fee is not consistent with our understanding of general industry practice.

- **Termination fee** – the IMA provides for a termination fee to Thorney Management for specified events, including default by WWM and termination of the IMA at the option of WWM, of up to:
 - the average Base Fee for the previous two (2) financial years multiplied by six (6); plus
 - the average Performance Fee for the previous two (2) years multiplied by three (3).

In our opinion, the Termination Payment is high when compared with our understanding of industry practice.

Having regard to the above, whilst it is difficult to quantify the exact impact, we consider that these key elements of the IMA are less favourable to the Non-associated Shareholders than general industry practice, if the agreement had been entered into with an unrelated party. Accordingly, our opinion is that the IMA is “not fair” to the Non-associated Shareholders as a whole.

Reasonableness

Our opinion is that the IMA is “reasonable” to the Non-associated Shareholders for the reason that the entry into the IMA is part of the overall Thorney Transaction and to that extent, the same advantages and disadvantages as those outlined in **Table 2** above also apply to the IMA.



Future Exercise of Thorney Options

Conclusion

In summary, our opinion is that the future exercise of Thorney Options is “not fair”, but is “reasonable” to the Non-associated Shareholders as a whole.

Section 11 of this Report contains LCF’s analysis and reasons for this opinion. A summary of our reasons is set out below.

Fairness

We assessed whether the exercise of the Thorney Options is “fair” to the Non-associated Shareholders by comparing:

- the fair market value of a WWM Share on a controlling interest basis prior to the Thorney Transaction as at the Valuation Date; with
- the fair market value of a WWM Share on a minority interest basis immediately following the Thorney Transaction (assuming the Thorney Transaction is approved and immediate exercise of only the Thorney Options). In undertaking this analysis, we determined the maximum Shareholding that Thorney could achieve following the completion of the Capital Raising and exercising its Thorney Options.

Based on the analysis set out in **Section 11.2.1**, the fair value of a WWM Share on a minority interest basis after the Thorney Transaction and after exercise of all Thorney Options (on the basis of the assumptions made) is less than the fair value of a WWM Share on a controlling interest basis before the Thorney Transaction as at Valuation Date. This analysis assumes that all the Thorney Options are immediately exercised upon issue and that no other Option holder exercises any Options.

Based on the above analysis, we conclude that the exercise of the Thorney Option is “**not fair**” to the Non-associated Shareholders as a whole.

Reasonableness

In order to assess whether the exercise of the Thorney Options is “reasonable”, we considered whether the exercise of the Thorney Options is “fair” and if it is not, whether we believe that there are sufficient reasons for the Non-associated Shareholders to approve the exercise of the Thorney Options. This assessment has largely been undertaken by considering whether in our opinion, the advantages of approving the exercise of the Thorney Options sufficiently outweigh the disadvantages for the Non-associated Shareholders as a whole.

As the Options Issue is part of the overall Thorney Transaction, the same advantages and disadvantages as those outlined in **Table 2** above also apply in relation to the Thorney Options.

Further, the issue of Thorney Options will be part of the pro-rata Options Issue, in which all Shareholders will be entitled to participate equally. Accordingly, Thorney is not receiving any favourable treatment as compared with Non-associated Shareholders.

On the above basis, our opinion is that the future exercise of the Thorney Options is “reasonable” to the Non-associated Shareholders.

Implications for Non-associated Shareholders of Rejecting the Thorney Transaction

Currently, WWM’s business is that of an investment company, which is limited to the level of capital currently held and its assets are slowly being eroded by ongoing corporate costs (approximately \$0.25 million before tax in FY13). Given the amount of net assets currently available (approximately \$16.76 million as at 31 July 2013), proceeding with any significant alternative corporate transaction, such as an acquisition, is likely to require Shareholder funding and /or approval in some form.



In considering the Thorney Transaction, a relevant factor is that Thorney does not have a history of operating as an investment manager of public funds. However, as outlined in **Section 7** below, Thorney has been actively involved in investment in public companies for some time and appears to have a demonstrated track record of successful investing.

Set out below are the key implications for Non-associated Shareholders of rejecting the Thorney Transaction:

- Thorney currently has a 26.22% shareholding in WWM. This Shareholding can prevent the passage of special resolutions, and depending upon the Shareholding composition at the time, would also allow influence over ordinary resolutions. If the Thorney Transaction is rejected, this Shareholding could impact the WWM board's ability to implement alternative transactions, if Thorney was opposed;
- Non-associated Shareholders will not benefit from the expertise of Thorney Management under the proposed IMA;
- in our opinion, the Non-associated Shareholders will face uncertainty in relation to the future of WWM; and
- Thorney may decide to divest its interest in WWM, placing downward pressure on WWM's Share price, at least for a time.

On the other hand, rejecting the Thorney Transaction preserves the opportunity for a potentially more attractive proposal to be considered. However, it is emphasised that no alternative proposal currently exists, and may never exist in the future.

Conclusion as to reasonableness

In view of the above, and notwithstanding the conclusions that the Thorney Participation, the IMA and exercise of the Thorney Options are considered to be "not fair", given the inter-dependency of each element of the proposed transactions, it is our opinion, that the overall advantages to the Non-associated Shareholders of the Thorney Transaction exceed the disadvantages.

However, there may be some Non-associated Shareholders who believe that the proposed investment strategy of WWM following implementation of the Thorney Transaction does not suit their investment and/or risk profile.

For the reasons stated above, we believe that there are sufficient reasons for the Non-associated Shareholders to approve the Thorney Transaction and therefore, in our opinion, the overall Thorney Transaction is considered to be "reasonable" to the Non-associated Shareholders as a whole.

Other matters

Summary

This section sets out a summary of our Report and its conclusions. You should read our complete Report, which sets out in full the purpose, scope, sources of information, basis of evaluation, limitations, analysis and our findings.

Scope, limitations and use of this Report

Full details of the scope, limitations and other qualifications to this Report are set out in **Section 4**.

The scope of the procedures undertaken in preparing this Report does not include verification work nor constitute an audit or review in accordance with Australian Auditing and Assurance Standards.

The Report was prepared in accordance with APES 225 *Valuation Services* issued by the Accounting Professional and Ethical Standards Board Limited.



The Report has been prepared at the request, and for the benefit, of the Independent Directors of WWM and for the benefit of the Non-associated Shareholders of WWM. The Report was not prepared for any purpose or for the benefit of any other party, other than that stated in this Report.

Investors' individual circumstances

Our analysis has been undertaken, and our conclusions are expressed, at an aggregate level. LCF has not considered the effect of the proposals on the particular circumstances of individual Non-associated Shareholders. Some individual Non-associated Shareholders may place a different emphasis on various aspects of the proposals from that adopted in this Report. Accordingly, individual Non-associated Shareholders may reach different conclusions as to whether or not the Thorney Transaction is "fair" and "reasonable" in their individual circumstances. As the decision of individual Non-associated Shareholders in relation to the Thorney Transaction may be influenced by their particular circumstances (including their taxation position), Non-associated Shareholders are advised to seek their own independent advice.

Financial Services Guide

A financial services guide is attached to this Report.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Vince Fayad', is positioned above the name and title of the signatory.

Vince Fayad
Director

A handwritten signature in black ink, appearing to read 'Peter Cornell', is positioned above the name and title of the signatory.

Peter Cornell
Director

For personal use only



Table of Contents

1.	The Thorney Transaction	12
1.1.	Components	12
1.2.	Impact on Shareholder Interests	14
2.	Regulatory requirements	15
2.1.	Shareholder Approvals Required	15
2.2.	Capital Raising	15
2.3.	Investment Management Agreement	16
3.	Key Agreements	18
3.1.	Investment Management Agreement	18
3.2.	Implementation Deed	20
4.	Purpose, Scope & Reliance on Information	21
4.1.	Purpose	21
4.2.	Scope	21
5.	Basis of assessment	24
5.1.	“Fair” and “Reasonable”	24
5.2.	LCF approach	24
6.	Profile of Wentworth Holdings Limited	27
6.1.	Background	27
6.2.	Directors	27
6.3.	Historical Income Statements	28
6.4.	Historical Statements of Financial Position	29
6.5.	Historical Statements of Cash Flow	30
6.6.	Ownership	31
7.	Profile of Thorney	35
7.1.	Background	35
7.2.	Portfolio Overview	35
7.3.	Thorney Management	37
7.4.	Personnel	37
8.	Industry Overview	39
8.1.	Listed Investment Companies & Trusts	39
8.2.	Funds Management	40
8.3.	Conclusion	42
9.	Assessment of Thorney Participation	43
9.1.	Approach	43
9.2.	Valuation of WWM – Prior to the Thorney Transaction	43
9.3.	Valuation of WWM post Thorney Transaction	47
9.4.	Fairness of the Thorney Participation	52
9.5.	Reasonableness of the Thorney Participation	52
9.6.	Overall conclusion	52
10.	Assessment of the Investment Management Agreement	53
10.1.	Approach	53
10.2.	Overview of the Investment Management Agreement	53



10.3.	Review of Comparable Agreements	53
10.4.	Fairness of the Investment Management Agreement	54
10.5.	Reasonableness of the Investment Management Agreement	55
10.6.	Overall Conclusion re the Investment Management Agreement	55
11.	Assessment of the Exercise of Thorney Options	56
11.1.	Approach	56
11.2.	Valuation of WWM Shares	56
11.3.	Reasonableness of the exercise of the Thorney Options	60
12.	Advantages and disadvantages of the Thorney Transaction	62
12.1.	Advantages of the Thorney Transaction	62
12.2.	Disadvantages of the Thorney Transaction	63
12.3.	Implications for Non-associated Shareholders of Rejecting the Thorney Transaction	63
12.4.	Overall Conclusion	64
13.	Qualifications, Independence and Disclaimer	65
13.1.	Qualifications	65
13.2.	Independence	65
Appendix 1	Glossary of terms	66
Appendix 2	Sources of Information	68
Appendix 3	Valuation methods	69
Appendix 4	Comparable Investment Management Agreements	71
	Financial Services Guide	78

For personal use only



1. The Thorney Transaction

1.1. Components

On 3 September 2013, WWM announced on the Australian Securities Exchange (“ASX”) that it had entered into an Implementation Deed with Thorney in relation to a proposed transformation and recapitalisation of WWM (i.e. the Thorney transaction).

The key proposals of the Thorney Transaction are:

- Thorney Management will be appointed as the investment manager of WWM pursuant to the IMA. Refer to **Section 3.1** of this Report for further details and an analysis regarding the IMA;
- WWM to appoint Mr. Waislitz (Thorney’s founder) as a director and chairman of directors of WWM. Further details regarding Mr. Waislitz are set out in **Section 7.4.1** of this Report;
- Pursuant to the IMA, WWM will adopt a broader investment objective and will pursue an absolute return strategy over the medium to long term by investing principally in Australian securities. Consideration may also be given to special opportunity investments which may not be investments in Australian securities. The investment policy is to pursue these objectives through investments in a variety of instruments including equity, debt, hybrid instruments, derivatives and foreign exchange. These instruments will mostly be public and Australian but may be private or international.
- WWM will undertake a 1 for 7 Share Consolidation prior to the Capital Raising.
- WWM will seek to undertake the Capital Raising. All new Shares issued under the Capital Raising (Placement Offer and Retail Offer) will be issued on a post consolidation basis.
- WWM Shareholders (on a record date to be finalised but which will be after the shareholder approvals necessary to implement the Thorney Transaction have been obtained), who do not participate in the Placement Offer will be offered a priority allocation under the proposed Retail Offer.
- Thorney has committed to participate in the Placement Offer (i.e. the Thorney Participation) (which Placement Offer has been fully subscribed, subject to approval by Non-associated Shareholders), so that Thorney will have a Shareholding in WWM of 35.04% following the Placement Offer and between 30.04% and 35.04% on completion of the Capital Raising (i.e. the Placement Offer and the Retail Offer) (currently, its Shareholding is approximately 26%);
- WWM will undertake a 1 for 2 pro-rata bonus option issue (“Option Issue”) to all WWM Shareholders at a record date expected to be set approximately four (4) months after the issue of the shares under the Placement Offer;

Under the Option Issue:

- Options are to be issued to WWM Shareholders at a record date expected to be set approximately four (4) months after the issue of the Shares under the Placement Offer;
 - basis of issue is to be 1 Option for every 2 Shares held (1:2);
 - each Option will be issued for nil consideration; and
 - each Option will entitle the holder to subscribe for one (1) Share;
 - the exercise price of each Option will be \$0.53 per Share (on and subject to the terms of the Option); and
 - the expiry date of the Options will be the first anniversary of the date of the issue of the Option.
- WWM will adopt a new constitution; and



- WWM will be renamed as “Thorney Opportunities Ltd”.

WWM has advised that the Placement Offer, Retail Offer and Option Issue size and structure may change. Wilson HTM Corporate Finance Limited has been appointed as Lead Manager to the Capital Raising. Transaction costs are estimated to be up to \$1.6 million (including the Lead Manager’s fees and costs).



On 18 September 2013, WWM announced that the Placement Offer had been increased from \$40.0 million to approximately \$56.2 million after receipt of applications (after a scale-back and before the Thorney Participation) for 70.2 million Shares raising \$35.1 million. Consequently, the Thorney Participation will increase to approximately \$21.1 million.

1.2. Impact on Shareholder Interests

Implementation of the Thorney Transaction will have a material impact on existing Shareholders' voting and equity participation interests in WWM and the impact will vary, depending upon the circumstances.

Set out below is an analysis of various potential outcomes.

Table 3: Impact of the Thorney Transaction on Existing Shareholder's Voting & Equity Interests

Ordinary Shareholder	Current Position (Post Share Consolidation)		Post Placement Offer		Post Retail Offer				Post Option Exercise			
			Placement Offer Raising \$56.2m Through the Issue of 112.4m Shares		Minimum Retail Offer Subscriptions (i.e. Zero Acceptance)		Maximum Retail Offer Subscriptions (i.e. 100% Acceptance)		Minimum Retail Offer Subscriptions & Options Only Exercised by Thorney		Maximum Retail Offer Subscriptions & All Options Exercised	
	# Held ('000)	%	# Held ('000)	%	# Held ('000)	%	# Held ('000)	%	# Held ('000)	%	# Held ('000)	%
Thorney Holdings Pty Limited	8,367	26.22%	50,567	35.04%	50,567	35.04%	50,567	30.04%	75,850	44.73%	75,850	30.04%
Non-Associated Shareholders	23,540	73.78%	23,540	16.31%	23,540	16.31%	43,540	25.87%	23,540	13.88%	65,311	25.87%
New Shareholders	-	0.00%	70,200	48.65%	70,200	48.65%	74,200	44.09%	70,200	41.39%	111,300	44.09%
Total	31,907	100.00%	144,307	100.00%	144,307	100.00%	168,307	100.00%	169,591	100.00%	252,461	100.00%

Source: Notice of Meeting & Explanatory Statement; Management of WWM; LCF analysis



2. Regulatory requirements

2.1. Shareholder Approvals Required

Implementing the Thorney Transaction is subject to a number of Shareholder approvals which are to be considered at WWM's 2013 Annual General Meeting ("2013 AGM") expected to be held in mid-November 2013. Details of the approvals required are set out in the Documents accompanying this Report.

This Report has been prepared in relation to the following required approvals:

- the issue of Shares to Thorney under the Placement Offer, for the purpose of Item 7 of Section 611 of the Corporations Act (Resolution 6 set out in the Notice of Meeting);
- the issue of Shares to Thorney and other related parties under the Placement Offer, for the purpose of Section 208 of the Corporations Act (Resolution 6 set out in the Notice of Meeting);
- the agreement by WWM to the IMA with Thorney Management, for the purpose of Section 208 of the Corporations Act (Resolution 8 set out in the Notice of Meeting); and
- the acquisition of Shares by Thorney as a consequence of Thorney exercising Thorney Options obtained from its participation in the Option Issue, for the purpose of Item 7 of Section 611 of the Corporations Act (Resolution 10 set out in the Notice of Meeting).

2.2. Capital Raising

2.2.1. Section 606 of the Corporations Act

Subsection 606(1) ("s606(1)") of the Corporations Act prohibits a person acquiring a relevant interest in voting securities of a listed entity if the acquisition would increase a person's voting power in the entity:

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

If the Thorney Participation proceeds, then Thorney will increase its holding of WWM voting shares from 26.22% currently to 35.04% (before the effect, if any, of the Retail Offer).

If Thorney exercises the Thorney Options, it may increase its holding of WWM voting shares beyond the statutory allowance of 3% every six (6) months ("creep" provisions), depending upon circumstances at the time.

Sub-section 611(7) of the Corporations Act ("s611 (7)") allows a transaction prohibited by s606 (1) to be approved by shareholders not having an interest in the transaction (i.e. Non-associated Shareholders). Accordingly, approval by Non-associated Shareholders of the Thorney Participation and the exercise of the Thorney Options is being sought by Resolutions 6 and 10, pursuant to s611 (7).

2.2.2. Chapter 2E Corporations Act

If the Thorney Transaction proceeds, WWM and Thorney will share a common director, Mr. Waislitz, who is proposed to join the board of WWM.

Under Chapter 2E of the Corporations Act the entry into the Capital Raising is considered to be the provision of a financial benefit by WWM to a related party, namely Mr. Waislitz.

Section 228 of the Corporations Act defines a "related party" of a public company as including (among others):

- directors and their spouses;



- an entity (including an individual) that has reasonable grounds to believe it will become related party in future (such as an individual intending to become a director); and
- an entity (including an individual) if the entity acts in concert with a related party of the public company on the understanding that the related party will receive a financial benefit if the public company gives the entity a financial benefit.

The provision of a financial benefit to a related party by WWM is prohibited, except in certain circumstances, including:

- where approval is received by way of an ordinary resolution passed by WWM's Shareholders (other than any party who would obtain a financial benefit (such as Mr. Waislitz) or any associate of Mr. Waislitz (such as Thorney); or
- where the arrangement is on arm's length terms (or less favourable to the related party than arm's length terms).

Resolution 8 set out in the Notice of Meeting seeks approval of the related party aspects of the IMA from Non-associated Shareholders as required by Chapter 2E.

2.2.3. Requirement for an independent expert report

There is no requirement under ss611 (7) for an independent expert report in relation to the Capital Raising or exercise of the Thorney Options.

However, ss611 (7) requires that notice of a resolution by members of a company in relation to a shareholder increasing its voting interest in the company starting from an interest that is over 20%, must be accompanied by all information known to the person proposing to make the acquisition that is material to the decision on how to vote on the resolution.

There is no requirement in Chapter 2E of the Corporations Act for an independent expert report in relation to the related party aspects of the Capital Raising or exercise of the Thorney Options.

However, Regulatory Guide 76 *Related party transactions* ("RG76") issued by the Australian Securities and Investments Commission ("ASIC") indicates that meeting materials provided to shareholders must provide sufficient information to enable them to decide whether or not the financial benefit to be given to the related party is in the interests of the company.

The independent directors of WWM have requested that LCF prepare this Report to assist them and Non-associated Shareholders in relation to their assessment of the Thorney Transaction.

2.3. Investment Management Agreement

2.3.1. Overview

Under Chapter 2E of the Corporations Act the entry into the IMA is considered to be the provision of a financial benefit by WWM to a related party, namely Mr. Waislitz.

Resolution 8 set out in the Notice of Meeting seeks approval of the related party aspects of the IMA from Non-associated Shareholders as required by Chapter 2E.

2.3.2. Requirement for an independent expert report

There is no requirement in Chapter 2E of the Corporations Act for an independent expert report in relation to the related party aspects of the IMA.

However, RG76 indicates that meeting materials provided to shareholders must provide sufficient information to enable them to decide whether or not the financial benefit to be given to the related party is in the interests of the company.



The independent directors of WWM have requested that LCF prepare this Report to assist them and Non-associated Shareholders in relation to their assessment of the Thorney Transaction.

For personal use only

3. Key Agreements

3.1. Investment Management Agreement

As set out in **Section 1.1** of this Report, the Thorney Transaction will result in Thorney Management being appointed as the investment manager of WWM pursuant to the IMA, the key terms of which are set out below.

Table 4: Key Terms of Investment Management Agreement

Term	Details
Commencement Date	Within 14 days of relevant approvals being obtained or waived by the Shareholders of WWM.
Initial Term	<ul style="list-style-type: none"> • While WWM is an "Investment Entity" as defined by the ASX Listing Rules, the date that is the later of: <ul style="list-style-type: none"> ○ the tenth (10th) anniversary of the Commencement Date; and ○ any date approved by the ASX pursuant to a waiver of the ASX Listing Rules. • In all other circumstances, the date that is the tenth (10th) anniversary of the Commencement Date.
Extension Term	At the option of Thorney Management only, an additional seven (7) years at the end of the Initial Term and at the end of each Extension Term (i.e. this right to extend may be exercised repeatedly by Thorney Management).
Base Fee	<p>A fee equal to 0.75% per each Half Year period of the Gross Asset Value of WWM calculated as at the last business day of the relevant Half Year period, where:</p> <ul style="list-style-type: none"> • "Gross Asset Value" means the total assets of WWM as determined by Thorney Management in accordance with Australian Accounting Standards and other relevant accounting standards and generally accepted and consistently applied principles and practices in Australia in relation to entities similar to that of WWM, or operating in the industry in which WWM operates (the "Accounting Standards"); and • "Half Year" means each period of six (6) consecutive months ending on 30 June or 31 December in any financial year.
Performance Fee	<p>In respect of a financial year, a fee the greater of zero and 20% of the Increase Amount, where:</p> <ul style="list-style-type: none"> • "Increase Amount" equals: <ul style="list-style-type: none"> ○ the Increased Net Asset Value in respect of a financial year; <i>less</i> ○ the Net Asset Value as at the close of business on the last business day in respect of the previous financial year; <i>less</i> ○ the value of any Base Fee paid/and or accrued with respect to the financial year. • "Increase Net Asset Value" equals WWM's Net Asset Value as at the last business day of that financial year adjusted as follows: <ul style="list-style-type: none"> ○ <i>plus</i> any Performance Fee paid and/or accrued in respect of the financial year which has already been taken into account for the purpose of calculating the Increased Net Asset Value for that financial year; <i>plus</i> ○ the aggregate of all dividends or distributions in respect of Shares paid or payable to Shareholders or the value of other entitlements where those other entitlements are given or due to Shareholders in respect of that financial year; <i>plus</i> ○ the value of any Base Fee paid and/or accrued in respect of the financial year which has already been taken into account for the purpose of calculating the Increased Net Asset Value in respect of that financial year; <i>plus</i> <p>the aggregate dollar value of any buy-back of Shares or capital reduction or capital return during that financial year; <i>less</i></p>



Term	Details
	<ul style="list-style-type: none"> ○ the aggregate dollar value of any new capital subscribed for Shares during that financial year (net of any expenses incurred in relation to the new capital); in each case determined and calculated by Thorney Management in accordance with the Accounting Standards. ▪ "Net Asset Value" means at any time, the total assets less the total liabilities of WWM as determined in accordance with the Accounting Standards.
Termination Entitlement	<p>Where the Investment Management Agreement is terminated due to a material breach by WWM or where an insolvency event occurs in relation to WWM; then the Termination Entitlement will be:</p> <ul style="list-style-type: none"> ▪ the average Base Fee for the previous two (2) financial years multiplied by six (6); <i>plus</i> ▪ the average Performance Fee for the previous two (2) years multiplied by three (3), <p>except in the case where such termination occurs at a time after which Thorney Management ceases to be entitled to exercise its right to extend the term of the Investment Management Agreement, then:</p> <ul style="list-style-type: none"> ▪ the average Base Fee for the previous two (2) financial years multiplied by the proportion of six (6) months represented by the length of the period remaining until the end of the term that the IMA would otherwise have if it ended in its normal operation; <i>plus</i> ▪ the average Performance Fee for the previous two (2) financial years multiplied by the proportion of twelve (12) months represented by the length of the period remaining until the end of the term that the IMA would otherwise have if it ended in its normal operation. <p>Potentially, the Termination Entitlement could be large.</p>
Investment Objectives & Permitted Investments	<ul style="list-style-type: none"> ▪ The investment policy of WWM is to acquire (including by way of cash and/or debt) and manage a portfolio of investments to seek absolute returns over the medium to long term. ▪ WWM and Thorney Management will consider investments principally in Australian securities and potentially special opportunity investments which WWM and Thorney Management have determined to pursue and which are not investments in Australian securities. ▪ The investment strategy of WWM will cover a range of items, including: <ul style="list-style-type: none"> ○ securities (including shares, notes, options, partly paid securities and convertible notes), whether or not quoted on a securities exchange; ○ warrants, options, and other derivative contracts; ○ interests in unit trusts, managed investment schemes or joint venture arrangements; ○ participation in underwriting and sub-underwriting of securities and units; ○ foreign exchange transactions or other hedging arrangements; ○ corporate debt securities and other fixed interest securities; and ○ cash bank deposits; and ○ any other financial products which Thorney Management may use in the management of the portfolio. <p>The investment strategy is very broad.</p>



Term	Details
Obligations of Thorney	<p>A number of obligations have been imposed on Thorney Management, including:</p> <ul style="list-style-type: none"> • obtaining an Australian Financial Services Licence (“AFSL”) or some suitable form of corporate authorisation to act as an Authorised Representative; • exercising due care; • maintaining proper records; • ensuring that Thorney Management has appropriate staff; and • having its own professional indemnity insurance.
Obligations of WWM	<p>WWM has the following obligations under the agreement:</p> <ul style="list-style-type: none"> • provide reasonable assistance to Thorney Management; and • if, after satisfying the fiduciary obligations of the directors, implement what is necessary so as to fulfil the investment objectives of WWM as set out in the IMA. <p>The IMA acknowledges the directors’ powers to manage the business of WWM.</p>

3.2. Implementation Deed

The Implementation Deed sets out the terms of the approvals/commitments between Thorney and WWM, as reflected in this Report and the Notice of Meeting. It also sets out the process for the parties working together, including the timing for effecting the Thorney Transaction and changes in WWM’s corporate activities.



4. Purpose, Scope & Reliance on Information

4.1. Purpose

This Report has been prepared at the request, of and for the benefit, of the independent directors of WWM and for the benefit of the Non-associated Shareholders of WWM, to assist the independent directors in fulfilling their obligation to provide Shareholders with full and proper disclosure to enable them to assess the merits of the Thorney Transaction and to decide whether to agree by the various resolutions set out in the Notice of Meeting to implement the Thorney Transaction. This Report is to accompany the Documents to be provided to the Shareholders of WWM.

This Report was not prepared for any other purpose or for use by any other person. LCF does not accept any responsibility to any person other than the independent directors and Non-associated Shareholders of WWM or for the use of the Report outside the stated purpose without the written consent of LCF. Except in accordance with the stated purpose, no extract, quote or copy of this Report, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

LCF has provided its consent to the Report accompanying the Documents. Apart from the Report, LCF is not responsible for the contents of the Documents, or any other document or announcement associated with the Thorney Transaction. LCF acknowledges that its Report may be lodged with regulatory bodies.

Approval or rejection of the Thorney Transaction is a matter for individual Non-associated Shareholders based on their expectations as to various factors including the value and future prospects of WWM, the skills of Thorney Management, the terms of the Thorney Transaction, market conditions and their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. Non-associated Shareholders should carefully consider the Documents. Non-associated Shareholders who are in doubt as to the action they should take in relation to the Thorney Transaction should consult their professional adviser.

4.2. Scope

The scope of the procedures we undertook in forming our opinions was limited to those procedures we believe are required in order to form our opinion.

4.2.1. Sources of Information

Appendix 2 identifies the information referred to, and relied upon, by LCF during the course of preparing this Report and forming our opinion.

4.2.2. Reliance on Information

The statements and opinions contained in this Report are given in good faith and are based upon LCF's consideration and assessment of information provided by WWM and Thorney. LCF believes the information provided to be reliable, complete and not misleading, and we have no reason to believe that any material facts have been withheld.

The information provided has been evaluated through analysis, inquiry and review for the purpose of forming our opinion. The procedures adopted by LCF in forming our opinion may have involved an analysis of financial information and accounting records. This did not include verification work nor constitute an audit or review in accordance with Australian Auditing and Assurance Standards and consequently does not enable us to become aware of all significant matters that might be identified in an audit or review. Accordingly, we do not express an audit or review opinion.

For personal use only



It was not LCF's role to undertake, and LCF has not undertaken, any commercial, technical, financial, legal, taxation or other due diligence, or other similar investigative activities in respect of the Thorney Transaction. LCF understands that the WWM directors have been advised by legal, accounting and other appropriate advisors in relation to such matters, as necessary.

LCF does not provide any warranty or guarantee as to the existence, extent, adequacy, effectiveness and/or completeness of any due diligence or other similar investigative activities by the WWM directors and/or their advisors.

An opinion as to whether a corporate transaction is "fair" and/or "reasonable" is in the nature of an overall opinion, rather than an audit or detailed investigation and it is in this context that LCF advises that it is not in a position, nor is it practical for LCF, to undertake a detailed investigation or extensive verification exercise.

It is understood that, except where noted, the accounting information provided to LCF was prepared in accordance with generally accepted accounting principles (including adoption of Australian Equivalents to International Financial Reporting Standards) and prepared in a manner consistent with the method of accounting used by WWM in previous accounting periods.

In accordance with normal practice, prior to finalising the Report, we confirmed facts with WWM. This was undertaken by means of providing WWM with a draft report. LCF obtained a representation letter from WWM confirming that, to the best knowledge of WWM, the information provided to, and relied upon by, LCF was complete and accurate, and that no significant information essential to the Report was withheld.

WWM agreed to indemnify LCF and Lawler Partners and their partners, directors, employees, officers and agents (as applicable) against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided to LCF by WWM and/or Thorney, which is false and misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

4.2.3. Valuation Date

The opinion expressed in this Report is made as at 31 July 2013 ("**Valuation Date**").

4.2.4. Valuation

Fair market value

The assessment of whether the Thorney Transaction is "fair" and "reasonable" necessarily involves determining the "fair market value" of various securities, assets and interests.

For the purposes of our opinion, the term "fair market value" is defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser, and a knowledgeable, willing, but not anxious vendor, acting at arm's length.

By its very nature, the formulation of a valuation assessment necessarily contains significant uncertainties and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgement. Therefore, there is no indisputable value and we normally express our valuation opinion as falling within a likely range.

Special value

We have not considered special value in forming our opinion as to whether the Thorney Transaction is "fair". Special value is the amount that a potential acquirer may be prepared to pay for an asset in excess of the fair market value. This premium represents the value to the particular potential acquirer of various factors that may include potential economies of scale, reduction in competition, other synergies and cost savings arising from the acquisition under consideration not available to likely purchasers generally. Special value is not normally



considered in the assessment of fair market value as it relates to the individual circumstances of special purchasers.

4.2.5. Current Market Conditions

Our opinion is based on economic, market and other conditions prevailing at the Valuation Date. Such conditions can change significantly over relatively short periods of time. Changes in those conditions may result in any valuation or other opinion becoming quickly out dated and in need of revision. LCF reserves the right to revise any valuation or other opinion in the light of material information existing at the Valuation Date that subsequently becomes known to LCF.

4.2.6. Assumptions

In forming our opinion, we made certain assumptions, including the following:

- other than as publicly disclosed, all relevant parties have complied, and will continue to comply, with all applicable laws and regulations and existing contracts are in good standing, and will remain so and there is no alleged or actual material breach of the same or dispute in relation thereto (including, but not limited to, legal proceedings), and that there has been no formal or informal indication that any relevant party wishes to terminate or materially renegotiate any aspect of any existing contract, agreement or material understanding;
- that Thorney Management will be able to obtain an appropriate AFSL;
- that matters such as retention of key personnel and ownership of assets are in good standing, and will remain so;
- any public information used in relation to WWM and Thorney and any other publicly available information relied on by us, is accurate and not misleading and up to date;
- information in relation to the Thorney Transaction that is distributed to Shareholders, or any information issued by a statutory body is complete, accurate and fairly presented in all material respects;
- the legal mechanisms proposed to implement the Thorney Transaction are valid and effective; and
- if the Thorney Transaction is implemented, it will be implemented in accordance with the draft transaction documents provided to us.

For personal use only

5. Basis of assessment

5.1. "Fair" and "Reasonable"

In preparing this Report we considered the Regulatory Guides issued by ASIC and in particular, RG 76 and Regulatory Guide 111 *Content of Expert Reports* ("RG 111").

RG 111 indicates that, in the context of a "control transaction", the words "fair" and "reasonable" establish two distinct criteria:

- is the offer "fair"; and
- is it "reasonable".

RG 111 states that:

- an offer is considered "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. The comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length, 100% ownership of the 'target' company irrespective of whether the consideration offered is scrip or cash and without consideration of the percentage holding of the offeror or its associates in the 'target' company; and
- an offer is considered to be "reasonable" if it is "fair". If the offer is "not fair" it may still be "reasonable", if the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher offer.

ASIC has identified a number of factors which an expert might consider when determining whether an offer is "reasonable", including the following:

- the offeror's existing voting power in securities of the 'target';
- other significant security holding blocks in the 'target';
- the liquidity of the market in the 'target's' securities;
- taxation losses, cash flow or other benefits through achieving 100% ownership of the 'target' (if relevant);
- any special value of the 'target' to the offeror, such as particular technology or the potential to write off outstanding loans from the 'target'; and
- the value of the 'target' to an alternative offeror and the likelihood of an alternative offer being made.

5.2. LCF approach

LCF has undertaken the following in assessing each element of the Thorney Transaction.

5.2.1. "Fair"

Thorney Participation

Currently, the Non-associated Shareholders collectively own approximately 73.78% of WWM. Assuming the Thorney Participation is implemented and the Placement Offer is fully subscribed, before the Retail Offer, the Non-associated Shareholders collectively will own approximately 16.31% of WWM. Following the Retail Offer, assuming that it is fully subscribed, the Non-associated Shareholders collectively will own between approximately 16.31% of WWM (assuming that none participate in the Retail Offer) and approximately 25.87% (assuming that the Non-associated Shareholders collectively take up the Priority Offer in full) (refer Section 1.2).



While there are a number of circumstances in which Thorney will not have outright Shareholding control of WWM (refer **Section 1.2**), having regard to the following factors:

- the increase in Thorney's shareholding;
- the current spread of shareholdings, where the next major shareholder has a shareholding of approximately 14%;
- the provisions of the IMA; and
- the reduction of the collective Shareholding of the Non-associated Shareholder to below a controlling interest level,

in our opinion, the Thorney Transaction passes control of WWM from the Non-associated Shareholders collectively before the Thorney Participation to Thorney following implementing the Thorney Participation.

The theoretical highest collective percentage shareholding of the Non-associated Shareholders following the Thorney Transaction will be 25.87% (assuming that the Retail Offer is fully subscribed and Non-associated Shareholders collectively take up the Priority Offer in Full) (refer **Section 1.2**). In this case Thorney will have a 30.04% Shareholding.

Therefore, in any event, the Non-associated Shareholders will lose their current collective Shareholding control of WWM (i.e. 73.78% Shareholding).

Accordingly, for the purposes of ASIC RG 111, this Report, we have assessed the Thorney Participation as a "control" transaction. ASIC RG 111 considers any increases in a shareholding already above 20% to be a "control" transaction for the purposes of the application of the requirements of RG 111.

Therefore, for the purposes of assessing whether the Thorney Participation is "fair" to Non-associated Shareholders as a whole, we compared:

- the fair market value of a WWM Share on a control basis immediately prior to the Thorney Participation as at the Valuation Date (as the Non-associated Shareholders collectively control WWM at this time); with
- the fair market value of a WWM Share on a minority interest basis immediately following the Thorney Participation, (assuming that it is implemented) (as the Non-associated Shareholders collectively do not control WWM at this time).

If the latter exceeds the former, then the Thorney Participation will be assessed to be "fair" to the Non-associated Shareholders as a whole. Conversely, if the latter is less than the former, then the Thorney Participation will be assessed to be "not fair" to the Non-associated Shareholders.

Investment Management Agreement

In our opinion, the IMA will be "fair" if the terms of the IMA are no less favourable to WWM than the likely terms of a similar agreement entered into with an unrelated party (determined on the basis of industry practice).

Thorney Option Issue

The exercise of the Thorney Options will be "fair" if the value of the consideration to be paid for the exercise of an Option equals or exceeds the assessed fair market value of the Share into which the Option converts upon exercise, assessed on a controlling interest basis.

In assessing the exercise of the Thorney Options, we have taken into consideration the maximum possible shareholding position that Thorney could achieve after exercising its entitlement to Options and assuming that Thorney achieves a 35% Shareholding after the completion of the Placement Offer and that there are no subscribers to the Retail Offer.



5.2.2. "Reasonable"

Under RG 111, the Thorney Participation, Thorney Option Issue and the IMA will be "reasonable" if they are "fair". They may also be "reasonable" if, despite being "not fair", there are sufficient reasons for security holders to approve the Thorney Participation, Thorney Option Issue and IMA in the absence of any better opportunities at the time of voting.

Having regard to the factors listed by ASIC in RG 111.12, we considered the following factors in assessing the reasonableness of the Thorney Transaction:

- the pre-existing voting power of Thorney, and other significant security holdings, in WWM;
- the liquidity of the market in WWM's securities;
- taxation losses, cash flow or other benefits of the Thorney Participation, Thorney Option Issue and IMA;
- any special value of the Thorney Participation, Thorney Option Issue or IMA to Thorney;
- the likely market price of WWM's securities, if the Thorney Transaction does not proceed; and
- the value of WWM to an alternative party and likelihood of an alternative offer being made.

Given the inter-dependency of the elements of the Thorney Transaction, we have assessed the reasonableness of all elements of the Thorney Transaction together and in overall terms.

For personal use only



6. Profile of Wentworth Holdings Limited

6.1. Background

WWM is an Australian based public company listed on the ASX (ASX: WWM), with a market capitalisation of approximately \$16.5 million as at 31 July 2013 and \$15.2 million as at 31 August 2013.

Previously, WWM was engaged in real estate sales and property management in Western Australia, Victoria and New South Wales. In December 2011 WWM divested its main undertaking and following approval at an Extraordinary General Meeting of shareholders on 6 August 2012, changed its main undertaking to that of an Investment Company.

As at 31 July 2013, WWM's assets consisted mainly of cash. However, WWM also owned approximately 9.2% of the total issued shares of Australian Renewable Fuels Limited ("ARW") and approximately 1.1% of the total issued shares of AnaeCo Limited ("AnaeCo").

6.2. Directors

As at the date of this Report, the Directors of WWM are as follows:

Table 5: Directors of WWM

Director	Background
Vaughan Webber Non-Executive Chairman	Mr. Webber is an experienced finance professional with a background in chartered accounting at a major international accountancy firm and more recently in corporate finance servicing Australian capital markets. Mr. Webber is a director of Anchor Resources Limited (appointed 19 August 2011) and HUB24 Limited (appointed 19 October 2012). Mr. Webber is chair of the Nominations and Remuneration Committee and a member of the Audit and Risk and Investment Committees. Mr. Webber holds 216,424 Shares in WWM.
Colin N Cowden Non-Executive Director	Mr. Cowden is an Associate of the Institute of Chartered Secretaries, a Certified Practising Accountant and is a Fellow of the Australian and New Zealand Institute of Insurance and Finance. Mr. Cowden has over 40 years' experience in the insurance industry and in the management of private and public companies. Mr. Cowden was a director of Centamin Egypt Limited until 26 May 2011. Mr Cowden is a member of the Audit and Risk and Investment Committees. Mr. Cowden holds 5,982,009 Shares in WWM.
Nigel W Sharp Executive Director	Mr. Sharp has over 30 years' experience in the property industry including property management, property development, listed property trust management, property valuations and sustainability solutions for property. Mr. Sharp is chair of the Investment Committee and a member of the Nomination and Remuneration Committee. Mr. Sharp holds 5,380,724 Shares in WWM.

For personal use only

6.3. Historical Income Statements

The historical audited consolidated income statements of WWM for the years ended 30 June 2011, 2012 and 2013, are summarised in the table below:

Table 6: WWM Historical Consolidated Income Statements

\$'000	Year Ended 30 June		
	2011 (Audited)	2012 (Audited)	2013 (Audited)
Revenue	16	442	566
Employee benefits expense	(80)	(82)	(344)
Finance costs	(398)	(166)	-
Administrative expense	(208)	(1,175)	(475)
Other expenses	-	(39)	-
Profit/(loss) before income tax	(670)	(1,020)	(253)
Income tax (expense)	1,009	(1,009)	-
Profit/(loss) for the year from continuing operations	339	(2,029)	(253)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	137	4,621	(305)
Profit/(loss) for the year	476	2,592	(558)
Other comprehensive income			
Realisation of reserve following sale of investments	(218)	-	-
Net value gain/(loss) on available for sale financial asset	(59)	-	300
Other comprehensive income for the year, net of tax	(277)	-	300
Total comprehensive income for the year	199	2,592	(258)

Source: Annual Reports of WWM for the years ended 30 June 2012 and 2013; LCF Analysis

In relation to the above financial information, we note that WWM does not currently trade and its previous business activities have been sold.

6.4. Historical Statements of Financial Position

The historical audited consolidated statements of financial position of WWM as at 30 June 2011, 2012 and 2013 are summarised in the table below:

Table 7: WWM Historical Consolidated Statements of Financial Position

\$'000	As at 30 June		
	2011 (Audited)	2012 (Audited)	2013 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	740	13,937	11,116
Trade and other receivables	255	780	20
Other current assets	325	174	17
Total Current Assets	1,320	14,891	11,153
Non-Current Assets			
Plant and equipment	230	-	-
Goodwill	9,801	-	-
Other intangible assets	6,003	-	-
Other financial assets	4	-	3,360
Deferred tax assets	1,585	-	-
Total Non-Current Assets	17,623	-	3,360
TOTAL ASSETS	18,943	14,891	14,513
LIABILITIES			
Current Liabilities			
Trade and other payables	796	157	62
Borrowings	648	-	-
Provisions	1,562	11	10
Income tax	576	-	-
Total Current Liabilities	3,582	168	72
Non-Current Liabilities			
Borrowings	3,042	-	-
Provisions	86	-	-
Total Non-Current Liabilities	3,128	-	-
TOTAL LIABILITIES	6,710	168	72
NET ASSETS	12,233	14,723	14,441
EQUITY			
Issued Shares	78,763	78,602	79,109
Reserves	472	531	300
Accumulated losses	(67,002)	(64,410)	(64,968)
Equity attributable to owners of the Company	12,233	14,723	14,441
TOTAL EQUITY	12,233	14,723	14,441

Source: Annual Reports of WWM for the years ended 30 June 2012 and 2013; LCF Analysis

6.5. Historical Statements of Cash Flow

The historical audited consolidated cash flow statements of WWM for the years ended 30 June 2011, 2012 and 2013 are summarised in the table below:

Table 8: WWM Historical Consolidated Statements of Cash Flow

	Year Ended 30 June		
	2011 (Audited)	2012 (Audited)	2013 (Audited)
Cash Flows from Operating Activities			
Receipts from customers	14,718	6,514	71
Payments to suppliers and employees	(12,383)	(6,414)	(742)
Interest and other costs of finance paid	(398)	(166)	-
Interest received	16	248	607
Net Cash Generated by Operating Activities	1,953	182	(64)
Cash Flows from Investing Activities			
Proceeds from disposal of non-current assets	1,676	16,854	-
Loans repaid by other entities	98	1,192	328
Receipts/(payments) for investment	(218)	179	(3,060)
Payment for plant and equipment	(83)	(31)	-
Net Cash Used in Investing Activities	1,473	18,194	(2,732)
Cash Flows from Financing Activities			
Dividends	(1,155)	(1,127)	(1)
Share buy back and associate costs	(1,110)	(161)	(24)
Loans to related parties	-	(201)	-
Repayment of borrowings	(1,046)	(3,690)	-
Net Cash Provided by Financing Activities	(3,311)	(5,179)	(25)
Net increase/(decrease) in cash and cash equivalents	115	13,197	(2,821)
Cash and cash equivalents at the beginning of the financial year	625	740	13,937
Cash and Cash Equivalents at the end of the Financial Year	740	13,937	11,116

Source: Annual Reports of WWM for the years ended 30 June 2012 and 2013; LCF Analysis

For personal use only

6.6. Ownership

6.6.1. Overview

As at 15 August 2013, WWM had the following securities on issue:

Table 9: Issued Securities of WWM as at 15 August 2013

Description	Number
Fully paid ordinary shares	223,351,239

Source: Annual Report of WWM for the year ended 30 June 2013

Since 15 August 2013 to the date of this Report, no additional securities have been issued by WWM.

On completion of the proposed Share Consolidation on a 1:7 basis, WWM will have 31,907,320 Shares on issue.

6.6.2. Top Twenty Ordinary Shareholders of Wentworth Holdings

Presented below are the top twenty (20) Shareholders of WWM as at 15 August 2013 as contained in WWM's Annual Report for the year ended 30 June 2013.

Table 10: Top twenty (20) Shareholders of WWM as at 15 August 2013

#	Ordinary Shareholder	Number of Ordinary Shares Held	% Held of Ordinary Capital
1	UBS NOMINEES LIMITED	45,301,042	20.28%
2	RUBI HOLDINGS PTY LTD	30,745,743	13.77%
3	THORNEY HOLDINGS PTY LIMITED	13,266,937	5.94%
4	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	11,975,168	5.36%
5	THIRTY-FIFTH CELEBRATIONS PTY LTD	10,386,446	4.65%
6	BERNE NO. 132 NOMINEES PTY LIMITED (W1253672 A/C)	7,692,308	3.44%
7	AUSTIN SUPERANNUATION PTY LTD	7,259,573	3.25%
8	TICUDI PTY LTD	6,058,083	2.71%
9	N. SHARP SUPERANNUATION FUND PTY LIMITED	5,380,724	2.41%
10	BUNGEELTAP PTY LIMITED	4,147,962	1.86%
11	BELL POTTER NOMINEES LTD	3,503,992	1.57%
12	SUVALE NOMINEES PTY LIMITED	3,500,000	1.57%
13	CHAMELEON SUPER PTY LIMITED	3,358,082	1.50%
14	CROFTON PARK DEVELOPMENTS PTY LTD	3,023,335	1.35%
15	MR A.R. SPYKES & MRS E.A. SPYKES	2,940,000	1.32%
16	BERNE NO. 132 NOMINEES PTY LIMITED (W1253671 A/C)	2,552,227	1.14%
17	DEASIL TRADING PTY LTD	2,500,000	1.12%
18	U NO C PTY LTD	2,500,000	1.12%
19	INCUBATOR CAPITAL LTD	2,017,555	0.90%
20	BALLINA GROUP PTY LTD	1,600,000	0.72%
	Total Top 20 Shareholders	169,709,177	75.98%
	Other Shareholders	53,642,062	24.02%
	All Shareholders	223,351,239	100.00%

Source: Annual Report of WWM as at 30 June 2013

6.6.3. Major Investors

Presented below are the substantial shareholders of WWM:

Table 11: Substantial Shareholders

Shareholder	Number of Ordinary Shares Held	% Held of Ordinary Capital
THORNEY HOLDINGS PTY LIMITED	58,567,978	26.22%
JOHN RUBINO SUPERANNUATION FUND	30,745,743	13.77%
TICUDI PTY LIMITED	16,716,165	7.48%
Total	106,029,886	47.47%

Source: Annual Report of WWM as at 30 June 2013; Management of Thorney

6.6.4. Wentworth Holdings Security Trading Analysis

Set out below is a chart setting out movements in the share price and trading volumes pertaining to the ordinary shares of WWM during the period 1 August 2012 to 31 August 2013:

Figure 1: WWM Share Price and Trading Volumes



Set out below is a summary of the trading volumes, volume weighted average trading prices ("VWAP") and turnover of WWM's securities during the period 1 August 2012 to 31 August 2013:

Table 12: WWM Trading Analysis

Period	Volume	Value (\$)	VWAP	Shares on Issue	Turnover
1 Month	3,757,534	251,977	0.0671	223,351,239	1.68%
3 Months	13,587,347	878,079	0.0646	223,351,239	6.08%
6 Months	21,042,273	1,375,115	0.0654	223,351,239	9.42%
12 Months	36,094,574	2,334,181	0.0647	223,351,239	16.16%

Source: Capital IQ; WWM Annual Report; WWM announcements lodged with the ASX; LCF analysis

In relation to the above, we make the following observations:

- during the 12 months to 31 August 2013, WWM's shares had a low price of \$0.05 on 4 October 2012 and a high price of \$0.085 on 8 February 2013;

- on a daily basis, the trading volume of WWM's Shares during the 12 months to 31 August 2013 has been volatile; and
- throughout each of the periods analysed above, the overall trading volumes of WWM's Shares has been low compared to other listed companies. It is LCF's view that overall, the liquidity is not sufficient to warrant reliance on WWM's Share price as a primary valuation methodology.

6.6.5. Wentworth Holdings Net Tangible Assets

Set out below is a chart setting out movements in WWM's month-end NTA per Share and Share price during the period 31 August 2012 to 31 August 2013.

Figure 2: WWM NTA and Share Price



The following table analyses the premiums and discounts at which WWM's Shares traded compared to the NTA per Share:

Table 13: WWM NTA & Share Price Analysis

Month Ended	NTA per share (\$)	Closing Share Price (\$)	Premium / (Discount) over NTA
31 August 2012	0.0667	0.055	(17.5%)
30 September 2012	0.0667	0.055	(17.5%)
31 October 2012	0.0640	0.052	(18.8%)
30 November 2012	0.0640	0.055	(14.1%)
31 December 2012	0.0634	0.054	(14.8%)
31 January 2013	0.0634	0.070	10.4%
28 February 2013	0.0629	0.080	27.2%
31 March 2013	0.0650	0.073	12.3%
30 April 2013	0.0646	0.066	2.2%
31 May 2013	0.0614	0.063	2.6%
30 June 2013	0.0647	0.052	(19.6%)
31 July 2013	0.0750	0.074	1.3%
31 August 2013	0.0700	0.068	2.9%

Source: Capital IQ; WWM Annual Report; WWM announcements lodged with the ASX; LCF analysis

In relation to the above, we note the following:



- for the months of August 2012 to December 2012, WWM's Shares consistently traded at a significant discount to the NTA per Share. These discounts ranged between 14.1% and 18.8%, averaging 16.5%;
- for the months of January 2013 to May 2013, WWM's Shares traded at a premium to the NTA per Share. These premiums ranged between 2.2% and 27.2%, averaging 10.9%;
- the change from WWM's Share price trading at a consistent discount to the NTA per Share to trading at a premium, coincides with an announcement to the ASX on 18 January 2013 that WWM had received a letter from Thorney containing details of an indicative, incomplete proposal for a transaction for Wentworth;
- a significant decline in WWM's Share price to \$0.052 (from \$0.063 at 31 May 2013) during June 2013, resulted in WWM's Shares trading at a discount of 19.6% to NTA per Share as at 31 June 2013;
- as at 31 July 2013 and 31 August 2013, WWM's Shares were trading at a premium to the NTA per Share of 1.3% and 2.9%, respectively, which appears to have been impacted by an announcement during July 2013 confirming receipt from Thorney of an indicative, non-binding proposal; and
- given the nature of WWM's activities during the period under review (i.e. it was an Investment Company holding assets primarily in cash), together with the low traded share volumes, the discrepancies between the Share price at its NTA further supports our view that it is not appropriate to place reliance on WWM's Share price as a primary valuation methodology.

For personal use only



7. Profile of Thorney

7.1. Background

Thorney is an Australian private company based in Melbourne, operating under its parent and investment holding company, Thorney Investment Group Australia Pty Ltd. Thorney has operated as a principal investor since it was founded in 1992, primarily investing in ASX listed companies as well as other asset classes. Since establishment, Thorney has not acted as an investment manager for clients.

We have been advised that as at 30 June 2013, Thorney's equities portfolio (including cash positions) had a market value in excess of \$750.0 million and included exposure across a diverse range of companies and sectors. Additionally, Thorney has a number of other private investments in unlisted companies, properties and other financial instruments.

We have also been advised that:

- Thorney has achieved overall financial success with its investment activities since establishment. As a result of its own investment activities, Thorney has accumulated a number of relationships in the investment and business community;
- Thorney's investment philosophy has been focussed on identifying value, adopting a long term investment strategy and being actively involved with a number of its investee companies; and
- the investment mandate proposed to be pursued by Thorney Management on behalf of WWM is intended to be broad, and may include concentrated positions.

7.2. Portfolio Overview

We have been advised that included in Thorney's private equities portfolio are approximately thirty substantial shareholding positions where Thorney has a beneficial interest in excess of 5% and has lodged a substantial shareholder notice.

As at 30 June 2013, the value of these substantial shareholdings, based on the number of shares held at the time of the last ASX substantial shareholder filing, was in excess of \$500.0 million. In addition to substantial shareholdings, Thorney has a number of investments where it holds a position of less than 5%.

We have been provided with examples of some of the investments currently held by Thorney where it has lodged a substantial shareholding notice. These are provided for illustration purposes only to reflect the investment philosophy adopted by Thorney in certain circumstances. These examples do not necessarily reflect the type of investments that might be pursued by Thorney Management as the proposed investment manager of the WWM. However, the examples are considered to be useful in demonstrating Thorney's background and experience in the management of investments.

Table 14: Example Investments held by Thorney

Company Name	Details
Wentworth Holdings Limited	Thorney first acquired a substantial interest in WWM in 2004. The latest substantial shareholder's notice lodged by Thorney in January 2013 disclosed a substantial shareholding interest of 26.22% in WWM.
Australian Renewable Fuels Limited	Thorney holds a substantial interest in ARW. Thorney acquired its shareholding in ARW through a number of transactions including on-market purchases as well as by participating in capital raisings conducted by ARW. By way of example, in early 2013, Thorney underwrote and participated in a significant capital raising for



Company Name	Details
	<p>ARW at an issue price of \$0.007 per share. Since this capital raising, ARW has consolidated its shares on a 1 for 100 basis, so an issue price of \$0.007 would be equivalent to \$0.70 on a post consolidation basis. This compares to ARW's closing share price on 18 September 2013 of \$1.14.</p> <p>WWM also participated in the capital raising concurrently with Thorney, and due to Thorney's shareholding in WWM, Thorney lodged a substantial shareholder's notice of 15 March 2013 disclosing a combined relevant interest of 25.09%, comprising a direct interest of Thorney of 15.85% plus WWM's holding of 9.23%.</p>
Skilled Engineering Limited	<p>Thorney lodged an initial substantial shareholder notice in October 2009 with an 8.05% interest in Skilled Engineering Limited, following participation in a capital raising conducted by the company. The issue price of the capital raising conducted in August 2009 was \$1.50, which compares to a closing share price on 18 September 2013 of \$3.29.</p> <p>Thorney's last updated substantial shareholder's notice was lodged on 9 August 2013 disclosing a shareholding of 6.03%.</p>
HUB24 Limited	<p>Thorney first lodged a substantial shareholder's notice in April 2011 after acquiring shares on market. Since then, Thorney has acquired further shares on market as well as through capital raisings undertaken by HUB24 Limited.</p> <p>By way of example, Thorney Holdings Ltd participated in a placement by HUB24 Limited as disclosed to the ASX on 7 August 2012, whereby Thorney acquired 70,000,000 shares at an issue price of 1.5c. Thorney lodged a substantial shareholder notice on 4 September 2012 with a shareholding of 17.23%. Since this placement, HUB24 Limited has consolidated its shares on a 1 for 40 basis so an issue price of 1.5c would be equivalent to \$0.60 per share. This compares to a closing share price as at 18 September 2013 of \$1.46.</p>
Redflex Holdings Limited	<p>Thorney has held a substantial shareholding position in Redflex Limited for a number of years.</p> <p>In 2009, Thorney led a public proxy battle to effect changes to the board of directors. Action taken by Thorney included requisitioning a shareholders' meeting and co-ordinating a share-proxy battle. On the day before the proposed shareholder's meeting which was to vote on board changes, Redflex announced to the ASX that a majority of proxy votes lodged supported the proposals put forward by Thorney and other shareholders and Redflex's board agreed to implement board changes.</p>
Gale Pacific Limited	<p>Thorney has been a substantial shareholder in Gale Pacific for a number of years and during that time has participated in a number of capital raisings. For example, in 2009, Thorney partially underwrote a rights issue at an issue price of \$0.035 per share. The share price of Gale Pacific as at 18 September 2013 was \$0.29.</p>
Webjet Limited	<p>Thorney first acquired a substantial shareholding position in Webjet in 2005. Thorney's most recent substantial shareholder notice lodged on 2 August 2013 disclosed a substantial shareholding interest in 11.78%. Thorney has acquired shares in Webjet through a number of transactions including on-market purchases as well as participation in capital raisings conducted by Webjet.</p>



Company Name	Details
Mesoblast Limited	Thorney was an early stage investor in Mesoblast, prior to its listing on the ASX. The most recent substantial shareholder notice lodged on 15 March 2013 disclosed a substantial shareholding interest in 5.59% of the issued capital of Mesoblast.

Source: Management of Thorney

We note that the above background on, and experience of, Thorney has been provided to assist in evaluating Thorney Management's potential ability to perform under the proposed IMA. It should be emphasised that the above examples and Thorney's overall performance as a private investor is not indicative of the future performance of the WWM.

7.3. Thorney Management

Thorney Management has had no history of trading in its own right.

As at the date of this Report, Thorney Management has applied for an AFSL, however an AFSL has not as yet been granted to Thorney Management. Thorney's management advised that it expects an AFSL will be issued to Thorney Management by mid-November 2013, when its role as investment manager of WWM is expected to commence.

We note that there is a risk that an AFSL will not be granted to Thorney Management prior to the commencement of the IMA (or potentially, at all) and in such a case, Thorney Management is contemplating several alternative arrangements, including an agreement with a third party holding an AFSL, to be appointed as an authorised representative of that third party, at Thorney Management's election.

Whilst the above arrangement provides comfort that a suitable alternative is available, Thorney Management may pursue other alternatives in the event that there is a delay in obtaining its own AFSL.

In carrying out the IMA, Thorney Management will use the services of staff employed by Thorney and these persons are set out in Section 7.4.2 below.

7.4. Personnel

7.4.1. Director

Mr. Alex Waislitz is the Executive Chairman and Founder of Thorney.

Mr. Waislitz has extensive business and capital markets experience, having served as a Vice President of Robert Holmes a' Court's Bell Resources in New York and in corporate finance.

Mr. Waislitz also serves as a director of various Pratt Group companies, has acted as a director of a number of other companies, including public companies, and is currently Vice President and a director of Collingwood Football Club.

7.4.2. Other Key Management Personnel

Set out below is a summary of other key management personnel of Thorney who are proposed to be part of the investment management team:

Table 15: Other Key Management Personnel of Thorney



Key Management Personnel	Background
Peter Landos Chief Operating Officer	Mr. Landos joined Thorney in 2000. Prior to joining Thorney, Mr. Landos worked for an international investment bank specialising in public company mergers and acquisitions, having commenced his career with a major accounting firm.
Craig Smith Chief Financial Officer & Company Secretary	Mr. Smith joined Thorney in 2008. Prior to joining Thorney, Mr. Smith has held a number of finance and operational role, including with a stockbroking firm and a listed public company.
Investment management team	
Avee Waislitz	Mr. Waislitz commenced with Thorney in 1994. Prior to joining Thorney, Mr. Waislitz commenced his career with a major financial institution in business banking.
John Cathcart	Mr. Cathcart joined Thorney in 2004. Prior to joining Thorney, Mr. Cathcart held roles as a research analyst with a number of stockbroking firms, having commenced his career as a mining geologist with a large resources company.
Margaret Ross	Ms. Ross commenced with Thorney in 2004. Prior to joining Thorney, Ms. Ross worked as a research analyst at a number of stockbroking firms.
Dean Higgins	Mr. Higgins joined Thorney in 2006 and prior to that worked in a number of investment banks in a variety of trading and equity capital markets roles.
Jeremy Davis	Mr. Davis commenced with Thorney in 2012. Prior to joining Thorney, Mr. Davis worked for a significant funds management business with portfolio management responsibilities.
Martin Pretty	Mr. Pretty joined Thorney in early 2013. Prior to joining Thorney, Mr Pretty was a research analyst at a number of stockbroking firms, as well as a financial journalist with a major Australian financial newspaper.

Source: Management of Thorney

8. Industry Overview

8.1. Listed Investment Companies & Trusts

8.1.1. Overview

A subcategory of the investment management industry, listed investment companies ("LIC") and listed investment trusts ("LIT") enable investors to invest in a diverse and professionally managed portfolio of assets which can include shares, property and interest bearing deposits.

LICs are classified into four broad categories, depending upon the primary assets in which they invest:

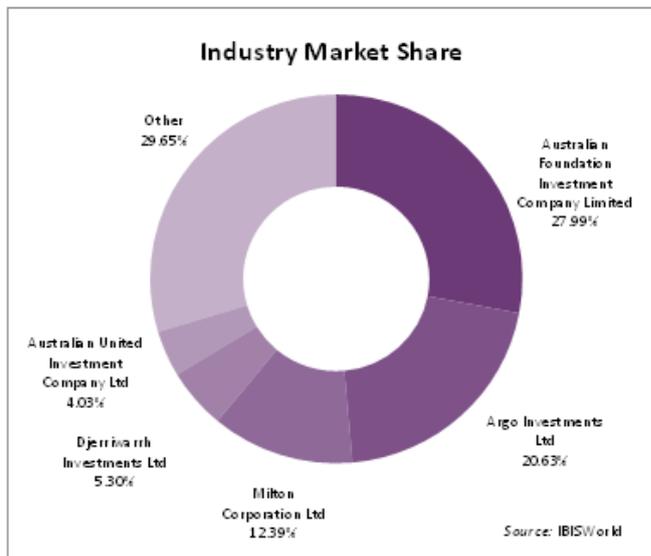
- Australian Shares - investing principally in shares listed on ASX;
- International Shares - investing principally in shares listed on international stock exchanges;
- Private equity - investing in Australian or international unlisted private companies; and
- Specialist - investing in special assets or investment sectors such as wineries, technology companies, resources, and telecommunications.

LICs in Australia primarily invest in Australian or international shares and offer investors exposure to the same universe of assets that can be accessed through many unlisted managed funds. Within the Australian sphere, there are approximately 59 LICs and LITs with a total market capitalisation of \$35.59 billion.

8.1.2. Largest ASX-listed LICs

The following figure sets out the largest ASX listed LICs by their weight to the ASX LIC Index:

Figure 3: Largest ASX-listed LICs



For personal use only

8.2. Funds Management

8.2.1. Introduction

As of March 2013, the Australian managed funds industry had approximately \$2,094.0 billion funds under management ("FUM"), an increase of \$69.4 billion (3%) from 31 December 2012 of \$2,024.5 billion.

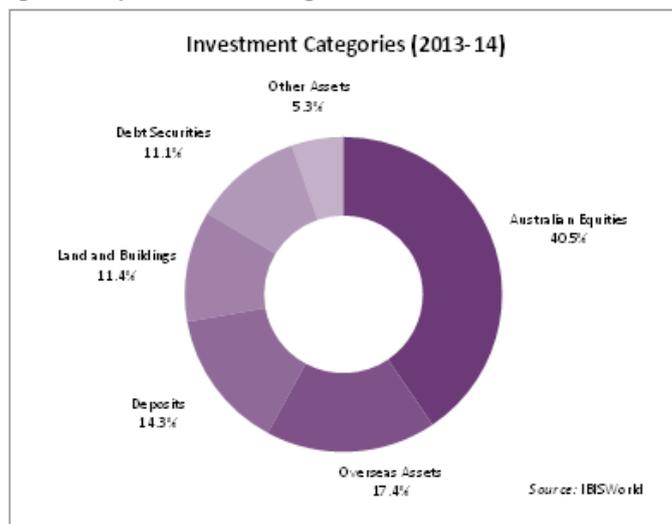
There are over 130 investment management firms in Australia, as well as approximately 200 smaller hedge and boutique fund managers. The top 30 investment firms control over than 85% of the industry's FUM. Fund managers may offer several products and different levels of service depending on a clients' size and risk profile, including tailored mandate solutions to larger clients.

The industry comprises large institutional fund managers and smaller boutique investment managers, with their size typically defined by the value of FUM held. A large fund manager can have up to \$300.0 billion in FUM, while smaller managers with limited capabilities may manage anywhere between \$300.0 million and \$2.0 billion. Of the total industry FUM, two-thirds are sourced from wholesale investors, such as pension funds and insurance firms, and one-third from retail investors. Boutiques, hedge funds, public offer unit trusts and government funds also make up part of Australia's investment management industry.

Fund managers offer the opportunity to invest in a wide variety of investments with varying investment strategies. These strategies differ depending on the level of risk and return sought by investors, the investment approach adopted and whether the investment is in domestic, regional or global assets.

Set out below is a breakdown of the investment categories to which FUM are directed by the Australian managed fund industry:

Figure 4: Analysis of Investment Categories



8.2.2. Industry Drivers

The key drivers of growth in the funds management industry are the nation's universal pension system, a strong insurance sector and a growing high-net-worth and retail investor sector.

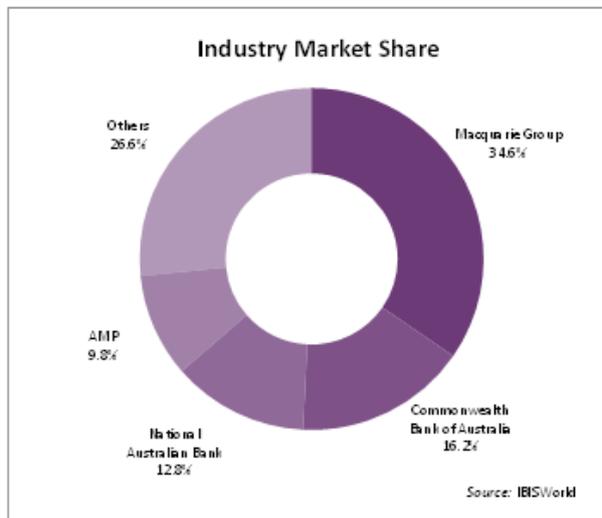
Stronger returns of the All Ordinaries index, improving MSCI World Index and increasing investor confidence all contribute.

The industry is highly competitive and is in a mature phase and the industry experienced consolidation during the recent GFC. The industry, like many financial services around the world, is becoming increasingly globalised. While the size and growth of the industry in Australia draws overseas fund managers to set up operations in Australia, Australian fund managers are also extending their reach overseas. Industry globalisation is expected to increase further with improvements in telecommunications technology and improving conditions in the financial markets.

8.2.3. Main Industry Players

The following table sets out the market share of industry participants in the Australian funds management industry:

Table 16: Industry Market Share



Macquarie Group is an Australian investment bank servicing corporate and institutional clients. Macquarie offers full-service stockbroking to individuals, including advice, recommendations and access to shares and managed funds. The bank also offers a broad range of investment opportunities to businesses, including infrastructure investment services, managed funds, money market products, property trusts, private equity and venture capital investments. It holds 34.6% market share.

The Commonwealth Bank of Australia participates in the Funds Management Services industry through its subsidiaries CFS Global Asset Management and Colonial First State. The bank is the second largest player within Australia, holding 16.2% of the market.

National Australia Bank Limited is one of Australia's largest banks. The bank is involved in the industry through its NAB Wealth operating segment. NAB Wealth provides superannuation, investments, insurance, financial advice and private wealth services. NAB has maintained its position in the industry of 12.8% market share.

AMP Limited with a market share of 9.8% is a diversified financial services company that operates in the Funds Management Services industry through its wholly owned subsidiary, AMP



Capital Investors. In addition to managing investments across all major asset classes, AMP Capital Investors provides commercial, industrial and retail property management services.

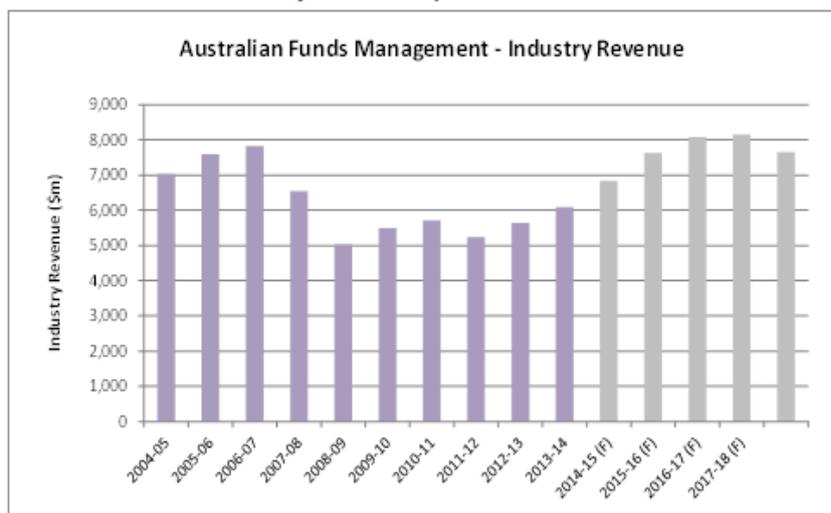
8.2.4. Industry Performance

During the period 2007 to 2009, FUM significantly declined as FUM values fell and investors redeemed their funds as stock markets around the world plunged by about 40% in 2008. Since management fees are substantially calculated based on the value of FUM, industry revenue also declined. During the period of negative investments returns, some fund managers continued to earn performance fees while producing negative returns, so long as they performed above performance benchmarks.

Although the financial markets have had many false starts, 2012-13 has been a strong year for stock market returns. Confidence is returning to the markets and industry activity is increasing. Overall, IBISWorld forecasts industry revenue to grow by 7.9% to \$6.1 billion in 2013-14.

The table below sets out historical and projected industry revenue:

Table 17: Historical & Projected Industry Revenue



Source: IBISWorld

8.3. Conclusion

Based on the above, the immediate future prospects of the Australian funds management industry and the LIC industry appear to be sound.



9. Assessment of Thorney Participation

9.1. Approach

As set out in **Section 5**, in order to assess whether the Thorney Participation is “fair”, we compared:

- the fair market value of a WWM Share on a control basis prior to the Thorney Transaction as at the Valuation Date; with
- the fair market value of a WWM Share on a minority interest basis, immediately following the Thorney Transaction, (assuming that it is approved).

In order to assess whether the Thorney Participation is “reasonable”, we considered whether the Thorney Participation is “fair” and if it is not, whether we believe that there are sufficient reasons for the Non-associated Shareholders to approve the Thorney Participation. This assessment has largely been undertaken by considering whether in our opinion, the advantages of the Thorney Participation sufficiently outweigh its disadvantages for the Non-associated Shareholders as a whole.

9.2. Valuation of WWM – Prior to the Thorney Transaction

9.2.1. Valuation methodology

In selecting an appropriate methodology to estimate the value of WWM Shares, we considered common market practice and the valuation methodologies recommended by RG 111. **Appendix 3** summarises various valuation methodologies.

Our assessment of the value of the WWM Shares is based on the net assets on a going concern valuation methodology, which we consider the most appropriate methodology for valuing WWM. Our assessment of the value of the WWM Shares is set out below.

The net assets on a going concern methodology considers the value of the net assets of WWM on a going concern basis, excluding the costs of realising the same. The net assets on a going concern methodology is usually used as a primary valuation technique where businesses are not currently making a profit but may do so in the future, or where the Discounted Cash Flow (“DCF”) or capitalisation of future maintainable earnings (“CFME”) methodologies yield a lower value than that of the net assets on a going concern methodology. The net assets on a going concern methodology is usually used as a primary valuation technique in the case of investment holding companies where there is no active business being carried on.

Our selection of the net assets on a going concern methodology has been determined after considering the following:

- WWM does not have an active business and is an investment company, with net assets composed primarily of cash and passive investments in Australian listed companies. Accordingly, an earnings or cash flow based valuation methodology is not appropriate;
- whilst WWM’s Shares are traded on the ASX, trading activity is not sufficiently liquid, so that a valuation based on the Share market trading prices would not yield a reliable valuation result (refer to **Section 6.6.4** of this Report for further information). Accordingly, we have not used market trading as our primary valuation methodology; and
- the assets and liabilities of WWM as at the Valuation Date are easily identified and their individual fair market values can be readily and reliably determined, suiting a net assets on a going concern methodology.



9.2.2. Balance Sheet of WWM as at the Valuation Date

Set out below is the balance sheet of WWM as at the Valuation Date, together with audited comparatives as at 30 June 2013:

Table 18: Balance Sheet of WWM as at 31 July 2013

\$'000	Note	As at 31 July 2013 (Management Accounts)	As at 30 June 2013 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	1	11,110	11,116
Trade and other receivables		36	20
Other current assets		33	17
Total Current Assets		11,179	11,153
Non-Current Assets			
Other financial assets	2	5,683	3,360
Deferred tax assets		-	-
Total Non-Current Assets		5,683	3,360
TOTAL ASSETS		16,863	14,513
LIABILITIES			
Current Liabilities			
Trade and other payables		97	62
Provisions		10	10
Total Current Liabilities		107	72
Non-Current Liabilities			
-		-	-
Total Non-Current Liabilities		-	-
TOTAL LIABILITIES		107	72
NET ASSETS		16,755	14,441
EQUITY			
Issued Shared		79,109	79,109
Reserves		2,623	300
Accumulated losses		(64,977)	(64,968)
Equity attributable to owners of the Company		16,755	14,441
TOTAL EQUITY		16,755	14,441

Source: Management accounts of WWM for the month of July 2013; Annual Report of WWM for the year ended 30 June 2013; LCF Analysis

Set out below is an analysis of material assets and liabilities of WWM as at 31 July 2013:

Note 1: Cash & Cash Equivalents

As at 31 July 2013, cash and cash equivalents had decreased by approximately \$6,000 when compared to the balance as at 30 June 2013. We from the 2013 Annual Report of WWM disclosed that cash and cash equivalents had a weighted-average interest rate of 3.87% p.a.

Note 2: Other Financial Assets

As at the Valuation Date, other financial assets comprised of two (2) minority investments in Australian publicly-listed companies, classified as "available-for-sale" financial assets.

We have been advised by WWM Management that these investments are measured at their fair market value based on the last traded share price. This reflects the minority status of such



investments. We are of the view that a valuation of these investments on such a basis is appropriate.

Set out below is a summary of other financial assets as at 31 July 2013 together with comparative figures as at 30 June 2013:

Table 19: Other Financial Assets as at 31 July 2013

	As at 31 July 2013			As at 30 June 2013			Mvmt
	Shares Held	Closing Price	Fair Value	Shares Held	Closing Price	Fair Value	
Australian Renewable Fuels Limited (ASX:ARW)	387,214,691	0.014	5,421,006	387,214,691	0.008	3,097,718	2,323,288
Anaeco Limited (ASX:ANQ)	29,141,700	0.009	262,275	29,141,700	0.009	262,275	0
TOTAL			5,683,281			3,359,993	2,323,288

Source: 2013 Annual Report of WWM; Management of WWM; Capital IQ; LCF analysis

As can be seen in the above table, the value of other financial assets has increased by \$2.32 million (or 69.15%) as a result of an increase in the share price of ARW from \$0.008 to \$0.014 during the month of July 2013.

Note 3: Carried Forward Tax Losses & Deferred Tax Assets

As at 31 July 2013, WWM had carried forward tax losses and deferred tax losses as follows:

Table 20: Deferred Tax Losses

	Carried Forward Tax Losses
Tax losses as at 30 June 2013:	
- Revenue tax losses	\$20.682m
- Capital tax losses	\$30.714m
Total tax losses	\$51.396m
Add: Revenue tax losses for the month of July 2013	\$0.103m
Total tax losses as at 31 July 2013	\$51.499m
Tax effect @ 30%	\$15.450

Source: 2013 Annual Report of WWM, Management of WWM, LCF analysis.

As at 30 June 2013 and 31 July 2013 and in accordance with WWM's accounting policy, WWM had not recognised a deferred tax asset in relation to the above carried forward tax losses on the basis that as at those dates, it was not probable that sufficient future taxable amounts would be available against which unused tax losses could be utilised.

Moreover, we note that utilisation of the carried forward losses is subject to the same ownership and business test. WWM has not obtained advice in relation to whether or not it meets those tests and in the absence of such advice and having regard to the broad principles associated with satisfying the two tests, it is our view that there is risk associated with whether or not such losses can be carried forward.

Based on the above, we have attributed a nil value to the carried forward income and capital tax losses as at 31 July 2013. In any event, a value for such losses is generally assessed to be fairly low (approximately 3% of the value of the losses), due to the risks associated with being able to use those losses in the future.

9.2.3. Issued Capital

As at the Valuation Date, WWM had 223,351,239 Shares on issue.



Subject to the Share Consolidation being approved by Shareholders, WWM will have 31,907,320 Shares on issue prior to the Placement Offer and Retail Offer being implemented.

Table 21: WWM Shares as at 31 July 2013 Pre and Post-Share Consolidation

Description	Number
Fully paid ordinary shares (pre-Share Consolidation)	223,351,239
Consolidation basis	1:7
Fully paid ordinary shares (post-Share Consolidation)	31,907,320

Source: Annual Report of WWM for the year ended 30 June 2013; LCF analysis

9.2.4. Valuation

Paragraph 62 of RG 111 states that an expert should usually give a range of values to reflect that the value of securities is typically subject to uncertainty and volatility, and placing a precise dollar value on them is likely to imply a misleading accuracy to the valuation.

The valuation methodology adopted does not result in a valuation range. Accordingly, we have provided a range of values applicable to the Shares by presenting a sensitivity analysis.

The sensitivity analysis has been undertaken by adjusting the assessed fair market value of net assets of WWM as at 31 July 2013 by +/-7.5%. This level of sensitivity has been adopted after taking into consideration the following:

- cash and cash equivalents accounted for approximately 66% of the total net assets of WWM as at the Valuation Date, which are unlikely to be particularly volatile;
- the volatility of the investment in ARW which as at 31 July 2013, accounted for approximately 32% of the total net assets of WWM as at the Valuation Date; and
- the volatility of the investment in AnaeCo, which as at the Valuation Date, accounted for approximately 2% of the total net assets of WWM as at 31 July 2013.

The fair market value of the WWM Shares as at 31 July 2013 (on a controlling interest and post-consolidation basis) has been determined as set out in the following table:

Table 22: WWM Shares Value basis of WWM (controlling interest and post-consolidation basis) as at 31 July 2013

	Ref	As at 31 July 2013		
		Low (-7.5%)	Mid-Point (Actual NTA)	High (+7.5%)
Net Assets as at 31 July 2013	7.2.2	15,498,727	16,755,381	18,012,034
Ordinary Shares on Issue as at 31 July 2013 (Post-Share Consolidation on a 1:7 Basis)	4.6.1	31,907,320	31,907,320	31,907,320
Equity Value Per Share (Control Basis, Post Consolidation Basis)		0.486	0.525	0.565

Source: Management accounts of WWM for the month of July 2013; LCF analysis

9.2.5. Valuation Conclusion

Based on our assessment above, we are of the view that the fair market value of WWM Shares (on a controlling interest basis and post-consolidation basis) falls within the range of \$0.486 to \$0.565 per Share, with a mid-point of \$0.525 per Share.



9.2.6. Valuation Cross-Check

We have performed a valuation cross check based on the closing share price of WWM Shares as at 31 July 2013 and the VWAP of WWM's Share price up to 31 July 2013. This analysis is set out in the following table:

Table 23: Valuation Cross-Check

	As at 31 July 2013		
	-7.5%	Assessed Fair Value	+7.5%
Closing Share Price as at 31 July 2013			
Equity Value Per Share (Control Basis, Post Consolidation Basis)	0.486	0.525	0.565
Closing Share Price as at 31 July 2013 (Pre-Share Consolidation)	0.074	0.074	0.074
Closing Share Price as at 31 July 2013 (Post-Share Consolidation on a 1:7 Basis)	0.518	0.518	0.518
Premium / (Discount) to Closing Share Price	-6.23%	1.38%	8.98%
1 Month VWAP to 31 July 2013			
Equity Value Per Share (Control Basis, Post Consolidation Basis)	0.486	0.525	0.565
1 Month VWAP to 31 July 2013 (Pre-Share Consolidation)	0.066	0.066	0.066
1 Month VWAP to 31 July 2013 (Post-Share Consolidation on a 1:7 Basis)	0.464	0.464	0.464
Premium / (Discount) to 1 Month VWAP	4.68%	13.17%	21.66%

Source: Management accounts of WWM for the month of July 2013; Capital IQ; LCF analysis

In relation to the above analysis, we make the following observations:

- compared to the closing price of WWM's Shares as at 31 July 2013, our valuation conclusion set out in Section 9.2.5 of this Report varies by between (negative) 6.23% and (positive) 8.98%, with a mid-point varying by (positive) 1.38%;
- compared to the one month VWAP of WWM's Shares to 31 July 2013, our valuation conclusion set out in Section 9.2.5 of this Report varies by between (negative) 4.68% and (positive) 21.66%, with a mid-point varying by 13.17%; and
- we note that the variation of (positive) 13.17% between the one month VWAP and the mid-point assessed value was largely impacted by the significant increase in WWM's share price during the month of July 2013.

We are of the view that the observations noted above support our valuation conclusion as set out in Section 9.2.4 of this Report.

9.3. Valuation of WWM post Thorney Transaction

9.3.1. Valuation methodology

The immediate effect of the Thorney Transaction is to increase the amount of cash that is available for future investment. Accordingly, for the purposes of assessing the value of WWM



post the Thorney Transaction, we have adopted the same valuation methodology as set out in Section 9.2.1.

9.3.2. Pro-forma Balance Sheet as at the Valuation Date

Set out below is a pro-forma balance sheet for WWM as at the Valuation Date:

Table 24: Pro-Forma Balance Sheet of WWM as at 31 July 2013

\$'000	Note	As at 31 July 2013 (Management Accounts)	Pro-Forma as at 31 July 2013 (Post Placement & Retail Offer)	
			Minimum Subscription Scenario	Maximum Subscription Scenario
ASSETS				
Current Assets				
Cash and cash equivalents	1	11,110	66,008	77,708
Trade and other receivables		36	36	36
Other current assets		33	33	33
Total Current Assets		11,179	66,077	77,777
Non-Current Assets				
Other financial assets		5,683	5,683	5,683
Deferred tax assets		-	-	-
Total Non-Current Assets		5,683	5,683	5,683
TOTAL ASSETS		16,863	71,760	83,460
LIABILITIES				
Current Liabilities				
Trade and other payables		97	97	97
Provisions		10	10	10
Total Current Liabilities		107	107	107
Non-Current Liabilities				
Total Non-Current Liabilities		-	-	-
TOTAL LIABILITIES		107	107	107
NET ASSETS		16,755	71,653	83,353
EQUITY				
Issued Shares	2	79,109	134,437	146,137
Reserves		2,623	2,623	2,623
Accumulated losses	3	(64,977)	(65,407)	(65,407)
Equity attributable to owners of the Company		16,755	71,653	83,353
TOTAL EQUITY		16,755	71,653	83,353

Source: Management accounts of WWM for the month of July 2013; LCF Analysis

The following key assumptions have been made in formulating the pro-forma balance sheet of WWM as at 31 July 2013:

- the completion of the Placement Offer and Retail Offer;
 - the "Minimum Subscription Scenario" assumes that:
 - WWM raises \$56.2 million (before costs) through the issue of 112.4 million (post Share Consolidation) new WWM Shares at \$0.50 per Share; including
 - Thorney subscribing for 42.2 million new Shares to Thorney (post Share Consolidation) at \$0.50 per Share, raising \$21.1 million before costs; and
 - there are no subscribers under the Retail Offer.



- o the "Maximum Subscription Scenario" assumes that:
 - WWM raises \$56.2 million (before costs) through the issue of 112.4 million (post Share Consolidation) new WWM Shares at \$0.50 per Share; including
 - Thorney subscribing for 42.2 million new Shares to Thorney (post Share Consolidation) at \$0.50 per Share, raising \$21.1 million before costs; and
 - the Retail Offer is fully subscribed, resulting in WWM issuing a further 24 million Shares (post Share Consolidation) at \$0.50 per Share, raising up to a further \$12.0 million (before costs); and
- costs of the Capital Raising and Thorney Transaction being as follows:

Table 25: Costs of the Capital Raising and Thorney Transaction

COSTS OF THE CAPITAL RAISING & THORNEY TRANSACTION (\$'000)	Minimum Subscription Scenario	Maximum Subscription Scenario
Costs of the Capital Raising		
Base fee	150	150
Brokerage fees @ 2.5% of funds raised (excluding Thorney Participation)	678	978
Legal costs	45	45
TOTAL COSTS OF THE CAPITAL RAISING	873	1,173
Costs of the Thorney Transaction		
Legal and other professional fees	430	430
TOTAL COSTS OF THE THORNEY TRANSACTION	430	430
TOTAL	1,303	1,603

Source: Management of WWM; LCF Analysis

For personal use only

Set out below are notes accompanying the pro-forma balance sheets:

Table 26: Note 1 to the Pro-Forma Balance Sheet – Cash & Cash Equivalents

Note 1: Cash & Cash Equivalents (\$'000)	Note	Minimum Subscription Scenario	Maximum Subscription Scenario
Cash and cash equivalents as at 31 July 2013	a	11,110	11,110
Shares to be issued under the Placement Offer		112,400,000	112,400,000
Shares to be issued under the Retail Offer		-	24,000,000
Total Shares to be issued		112,400,000	136,400,000
Issue price		0.50	0.50
Total proceeds received from Capital Raising	b	56,200	68,200
Less: costs of the Capital Raising and Thorney Transaction	c	(1,303)	(1,603)
Pro-forma cash and cash equivalents	a+b-c	66,008	77,708
<i>Net movement</i>		<i>54,898</i>	<i>66,598</i>

Source: Annual Reports of WWM for the year ended 30 June 2013; management accounts of WWM for the month of July 2013; Implementation Deed; LCF Analysis

Table 27: Note 2 to the Pro-Forma Balance Sheet – Issued Shares

Note 2: Issued Shares (\$'000)	Note	Minimum Subscription Scenario	Maximum Subscription Scenario
Issued shares as at 31 July 2013		79,109	79,109
Total proceeds received from Capital Raising		56,200	68,200
Costs of the Capital Raising		(873)	(1,173)
Pro-forma Issued shares		134,437	146,137
<i>Net movement</i>		<i>55,328</i>	<i>67,028</i>

Source: Annual Reports of WWM for the year ended 30 June 2013; management accounts of WWM for the month of July 2013; Implementation Deed; LCF Analysis

Table 28: Note 3 to the Pro-Forma Balance Sheet – Accumulated Losses

Note 3: Accumulated Losses (\$'000)	Note	Minimum Subscription Scenario	Maximum Subscription Scenario
Accumulated losses as at 31 July 2013		(64,977)	(64,977)
Costs of the Capital Raising & Thorney Transaction		(430)	(430)
Pro-forma accumulated losses		(65,407)	(65,407)
<i>Net movement</i>		<i>(430)</i>	<i>(430)</i>

Source: Annual Reports of WWM for the year ended 30 June 2013; management accounts of WWM for the month of July 2013; Implementation Deed; LCF Analysis



9.3.3. Pro-forma Issued Capital

Below is the pro-forma issued capital of WWM assuming completion of the Capital Raisings:

Table 29: Note 3 to the Pro-Forma Balance Sheet – Retained Earnings

	Note	Minimum Subscription Scenario	Maximum Subscription Scenario
Ordinary Shares on Issue as at 31 July 2013 (Post-Share Consolidation)	(a)	31,907,320	31,907,320
Shares to be issued under the Placement Offer		112,400,000	112,400,000
Shares to be issued under the Retail Offer		-	24,000,000
Total Shares to be Issued	(b)	112,400,000	136,400,000
Ordinary Shares on Issue as at 31 July 2013 (Post-Share Consolidation, Post Capital Raising)	(a)+(b)	144,307,320	168,307,320

Source: Implementation Deed; LCF Analysis

9.3.4. Valuation

Based on the above, set out below is our valuation of WWM on a minority interest basis, following implementation of the Thorney Transaction:

Table 30: Value of WWM Shares as at 31 July 2013 – Post Thorney Transaction

	As at 31 July 2013		
	Minimum Subscription Scenario	Mid-Point	Maximum Subscription Scenario
Pro-Forma Net Assets as at 31 July 2013	71,652,881		83,352,881
Pro-Forma Ordinary Shares on Issue as at 31 July 2013 (Post-Share Consolidation on a 1:7 Basis)	144,307,320		168,307,320
Pro-Forma Equity Value Per Share (Control Basis, Post Consolidation Basis)	0.497	0.496	0.495
Minority Discount	-15.00%		-20.00%
Pro-Forma Equity Value Per Share (Minority Basis, Post Consolidation Basis)	0.422	0.409	0.396

Source: Management accounts of WWM for the month of July 2013; Implementation Deed; LCF analysis

Note 1: Minority Discount

In arriving at the selected minority discount, we had regard to:

- in the case of Australian publicly listed companies, minority discounts are typically in the range of 30% to 40%; and
- following the Thorney Transaction and assuming that there is no emergence of a major shareholder, the level of control that is likely to be enjoyed by Thorney will not in our opinion, be to such a level typically enjoyed by a major shareholder.

On this basis, we have selected a minority discount in the range of 15% to 20%.

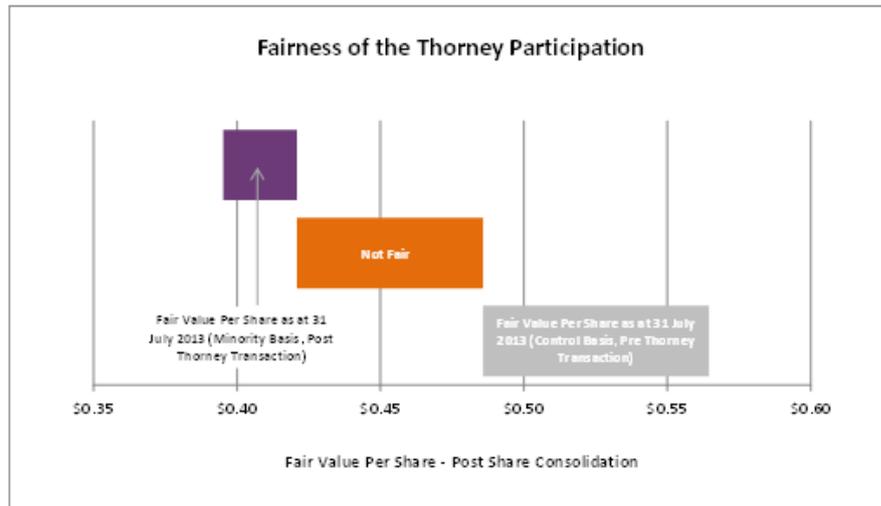
We note that a discount in this range corresponds with the discount at which WWM's Share price was trading compared to its NTA prior to the first announcement by WWM in January

2013 of a proposed transaction with Thorney (refer to Section 6.6.4 of this Report for further details).

9.4. Fairness of the Thorney Participation

Based on the above, we have assessed the Thorney Participation to be “not fair” to the Non-associated Shareholders given that the value of a WWM Share before the Thorney Transaction on a controlling interest basis is greater than the value following the Thorney Transaction (representing a minority interest value). The above is best described by the below graph:

Table 31: Fairness Assessment of the Thorney Participation



9.5. Reasonableness of the Thorney Participation

We have considered advantages and disadvantages of the Thorney Participation in context of the other elements of the Thorney Transaction and these are set out in Section 12 below. Based on this assessment, we have formed the opinion that the Thorney Participation is “reasonable”.

9.6. Overall conclusion

Based on the above, we have formed the view that the Thorney Participation in context of the other elements of the Thorney Transaction is “not fair” but “reasonable”.



10. Assessment of the Investment Management Agreement

10.1. Approach

We assessed whether the IMA is “fair” to the Non-associated Shareholders by comparing the terms of the IMA with the terms of similar agreements that are publicly available and to the extent necessary, we have reflected LCF’s own experience.

We assessed whether the IMA is “reasonable” to the Non-associated Shareholders, by considering the advantages and disadvantages of the IMA, including its interaction with the overall Thorney Transaction.

10.2. Overview of the Investment Management Agreement

As set out in **Section 2.3** of this Report, the Thorney Transaction will result in Thorney Management being appointed as the investment manager of WWM pursuant to the IMA.

Details of the key terms of the Investment Management Agreement have been set out in Section 2.3 and include:

- initial term of up to ten (10) years;
- seven (7) year extension period at the end of the first period and each subsequent extension period – which extensions are at the election of Thorney Management;
- base fee of 1.5% per annum on gross assets;
- performance fee of 20% of the increase in the value of the net assets, after deducting the base fee; and
- termination fee – 6 times the base fee plus 2 times the performance fee.

10.3. Review of Comparable Agreements

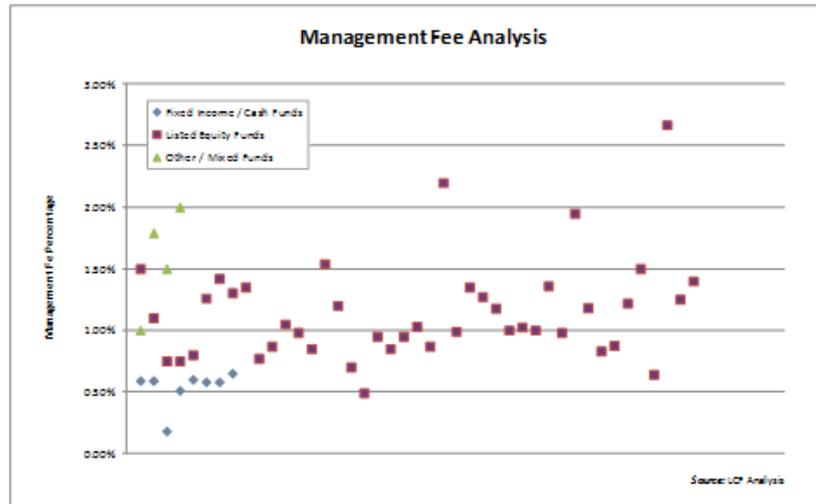
Set out in Appendix 4 is an analysis of a number of comparable investment management agreements which we have identified. Observations from our analysis follow.

Term of agreements

- for the majority of agreements analysed, the term (including any relevant options) was not disclosed;
- of the 51 disclosure documents reviewed, only six (6) disclosed the terms of the investment management agreements;
- of those funds which disclosed the terms of the investment management agreement, four of the funds had initial terms of five (5) years, while two of the funds had initial terms of ten (10) years; and
- where an option of renewal existed, extension was at the option of the company, rather than the manager.

Base management fees payable

- set out below is a plot graph that presents the distribution of the level of base fees payable under the agreements analysed:

Table 32: Distribution of Base Fees Payable

- for fixed income funds, base management fees ranged between 0.18% and 0.65%, averaging 0.54%;
- for listed equity and other non-fixed income funds, base management fees ranged between 0.49% and 2.67%, averaging 1.18%; and
- for listed equity and other non-fixed income funds where a performance fee component was applicable, base management fees ranged between 0.85% and 1.79%, averaging 1.22%.

Performance fees payable

- of the agreements reviewed, for non-fixed income funds, approximately 40% incorporated a performance fee component;
- where such a component existed for listed and other non-fixed income funds, performance fees ranged between 10.25% and 20.50%, averaging 18.15%;
- where such a component existed for listed and other non-fixed income funds, approximately 65% of the agreements incorporate a performance fee of 20% or higher; and
- in all cases where a performance fee component existed, it was only payable where a certain performance benchmark was achieved. These performance benchmarks varied and included fixed performance benchmarks and variable performance benchmarks linked to specific stock exchange indices or reserve bank cash rates.

10.4. Fairness of the Investment Management Agreement

Our assessment as to whether or not the IMA is "fair" to the Non-associated Shareholders has been based on a comparison of the terms contained in the IMA to the terms contained in comparable agreements. In this regard, we note the following:



Term

The initial term of the IMA is up to ten (10) years with options to extend for further terms of seven (7) years at the end of the initial term and each extension term, at the option of Thorney Management.

It is our view that this component of the Investment Management Agreement is not in line with industry practice and is favourable to Thorney Management as it essentially provides Thorney Management with an unlimited term.

Base fee

The base management fee payable under the IMA is 0.75% per each half year (1.5% per annum). This level of base management fee falls within an acceptable range when compared to the comparable agreements, particularly those that included a performance fee component.

Performance fee

The performance fee payable under the IMA is 20%.

At a high level, this level of performance fee falls within an acceptable range when compared to the comparable agreements. However, we note that it is subject to a performance benchmark of 1.5% p.a. which appears low when compared to industry practice.

We note that a performance fee benchmark of 1.5% p.a. is likely to be less than the RBA cash rate at any time.

Termination Fee

The Termination fee payable under the IMA (refer **Section 3.1**) is potentially up to:

- the average Base Fee for the previous two (2) financial years multiplied by six (6); plus
- the average Performance Fee for the previous two (2) years multiplied by three (3).

In our opinion, the Termination Payment is high when compared with our understanding of industry practice.

Fairness Assessment

Whilst the percentage amounts of the base fee and performance fee of the IMA fall within industry practice, we are of the view that the very favourable (to Thorney Management) term of the agreement and low performance fee benchmark, on balance, result in the Investment IMA being “not fair” to the Non-associated Shareholders.

10.5. Reasonableness of the Investment Management Agreement

We considered the advantages and disadvantages of the IMA in the context of the other elements of the Thorney Transaction and these are set out in **Section 12** below.

Based on the above, we have formed the opinion that the IMA is “reasonable”.

10.6. Overall Conclusion re the Investment Management Agreement

In our opinion, for the reasons stated above, the IMA is “not fair” but is “reasonable” to the Non-associated shareholders

11. Assessment of the Exercise of Thorney Options

11.1. Approach

11.1.1. Fair

We have assessed whether the exercise of the Thorney Options is “fair” to the Non-associated Shareholders by comparing:

- the fair market value of a WWM Share on a controlling interest basis prior to the Thorney Transaction as at the Valuation Date; with
- the fair market value of a WWM Share on a minority interest basis immediately following the Thorney Transaction and assuming immediate exercise of only the Thorney Options, (assuming that the Thorney Transaction is approved). In undertaking this analysis, we determined the maximum Shareholding that Thorney could achieve following the completion of the Capital Raising and exercising its Thorney Options.

11.1.2. Reasonable

In order to assess whether the exercise of the Thorney Options is “reasonable”, we considered whether the exercise of the Thorney Options is “fair” and if it is not, whether we believe that there are sufficient reasons for the Non-associated Shareholders to approve the exercise of the Thorney Options. This assessment has largely been undertaken by considering whether in our opinion, the advantages of approving the exercise of the Thorney Options sufficiently outweigh the disadvantages for the Non-associated Shareholders as a whole.

11.2. Valuation of WWM Shares

In selecting an appropriate methodology to estimate the value of WWM Shares, we considered common market practice and the valuation methodologies recommended by RG 111. Some valuation methodologies are summarised in **Appendix 3**. Consistent with the methodology described in **Section 9.2.1**, we valued WWM before and after the Thorney Transaction and assuming immediate exercise of only the Thorney Options, using the net assets on a going concern method of valuation.

In order to undertake a valuation of WWM, we considered the pro forma balance sheet of WWM that takes into account the following assumptions:

- subscription to the Placement Offer by parties other than Thorney of 70.2 million Shares to raise \$35.1 million;
- Thorney takes up 42.2 million Shares to raise \$21.1 million;
- there is no subscription to the Retail Offer;
- Thorney exercises all its 25,283,427 Options (note: this includes the existing Shareholding entitlement plus the Thorney Participation); and
- no other Shareholder exercise any Options.

Based on the above, Thorney’s shareholding would be 44.73%.



Set out below is a proforma balance sheet based on the above assumptions:

Table 33: Proforma balance sheet after the Thorney Transaction and exercise of all Thorney Options

	Note	As at 31 July 2013 (Management Accounts)	Pro-Forma as at 31 July 2013 (Post-Option Exercise)
\$'000			
ASSETS			
Current Assets			
Cash and cash equivalents	1	11,110	79,408
Trade and other receivables		36	36
Other current assets		33	33
Total Current Assets		11,179	79,477
Non-Current Assets			
Other financial assets		5,683	5,683
Deferred tax assets		-	-
Total Non-Current Assets		5,683	5,683
TOTAL ASSETS		16,863	85,160
LIABILITIES			
Current Liabilities			
Trade and other payables		97	97
Provisions		10	10
Total Current Liabilities		107	107
Non-Current Liabilities			
Total Non-Current Liabilities		-	-
TOTAL LIABILITIES		107	107
NET ASSETS		16,755	85,053
EQUITY			
Issued Shares	2	79,109	147,837
Reserves		2,623	2,623
Accumulated losses	3	(64,977)	(65,407)
Equity attributable to owners of the Company		16,755	85,052
TOTAL EQUITY		16,755	85,052

Source: Management accounts of WWM for the month of July 2013; LCF Analysis

Below are the notes to the above pro forma balance sheet:

For personal use only


Table 34: Note 1 to the Pro-Forma Balance Sheet – Cash & Cash Equivalents

Note 1: Cash & Cash Equivalents (\$'000)	Note	Pro-Forma as at 31 July 2013 (Post-Option Exercise)
Cash and cash equivalents as at 31 July 2013	a	11,110
Shares to be issued under the Placement Offer		112,400,000
Shares to be issued under the Retail Offer		-
Total Shares to be issued		112,400,000
Issue price		0.50
Total proceeds received from Capital Raising	b	56,200
Less: costs of the Capital Raising and Thorney Transaction	c	(1,303)
Exercise of Options by Thorney		13,400
Pro-forma cash and cash equivalents	a+b-c	79,408
<i>Net movement</i>		<i>68,298</i>

Source: Annual Reports of WWM for the year ended 30 June 2013; management accounts of WWM for the month of July 2013; Implementation Deed; LCF Analysis

Table 35: Note 2 to the Pro-Forma Balance Sheet – Issued Shares

Note 2: Issued Shares (\$'000)	Note	Pro-Forma as at 31 July 2013 (Post-Option Exercise)
Issued shares as at 31 July 2013		79,109
Total proceeds received from Capital Raising		56,200
Costs of the Capital Raising		(873)
Exercise of Options by Thorney		13,400
Pro-forma Issued shares		147,837
<i>Net movement</i>		<i>68,728</i>

Source: Annual Reports of WWM for the year ended 30 June 2013; management accounts of WWM for the month of July 2013; Implementation Deed; LCF Analysis

Table 36: Note 3 to the Pro-Forma Balance Sheet – Accumulated Losses

Note 3: Accumulated Losses (\$'000)	Note	Pro-Forma as at 31 July 2013 (Post-Option Exercise)
Accumulated losses as at 31 July 2013		(64,977)
Costs of the Capital Raising & Thorney Transaction		(430)
Pro-forma accumulated losses		(65,407)
<i>Net movement</i>		<i>(430)</i>

Source: Annual Reports of WWM for the year ended 30 June 2013; management accounts of WWM for the month of July 2013; Implementation Deed; LCF Analysis



Consistent with the methodology and approach set out in Section 9.2.4, we adopted a range of +/-7.5% of the net assets in order to come-up with a valuation range.

Set out below is our valuation of WWM incorporating the Thorney Options and based on the assumptions set out above:

Table 37: Valuation of WWM after the Thorney Transaction and exercise of all Thorney Options

	As at 31 July 2013		
	Low (-7.5%)	Mid-Point (Actual NRVA)	High (+7.5%)
Pro-Forma Net Assets as at 31 July 2013 (Post-Share Consolidation, Post Capital Raising* & Post Exercise of Options by Thorney Only)	78,674,115	85,053,097	91,432,079
Pro-Forma Ordinary Shares on Issue as at 31 July 2013 (Post-Share Consolidation, Post Capital Raising* & Post Exercise of Options by Thorney Only)	169,590,747	169,590,747	169,590,747
Pro-Forma Equity Value Per Share (Control Basis, Post-Share Consolidation, Post Capital Raising* & Post Exercise of Options by Thorney Only)	0.464	0.502	0.539
Minority Discount	-15.00%	-17.50%	-20.00%
Pro-Forma Equity Value Per Share (Minority Basis, Post-Share Consolidation, Post Capital Raising* & Post Exercise of Options by Thorney Only)	0.394	0.414	0.431
* Assumes \$35.1m sophisticated investor subscriptions, \$21.1m Thorney's subscription & zero retail subscribers Source: Management accounts of WWM for the month of July 2013; Implementation Deed; LCF analysis			

11.2.1. Conclusion as to Fairness of the exercise of the Thorney Options

Based on the analysis set out in Table 38, the fair value of a WWM Share on a minority interest basis after the Thorney Transaction and after exercise of all Thorney Options (on the basis of the assumptions made) is less than the fair value of a WWM Share on a controlling interest basis before the Thorney Transaction as at Valuation Date.

Accordingly, we have determined that the exercise of the Thorney Options is "not fair" to the Non-associated Shareholders as a whole.

Our assessment has been determined as follows:

Table 38: Fairness assessment of the exercise of the Thorney Options

	As at 31 July 2013		
	-7.5%	Assessed Fair Value	+7.5%
Equity Value Per Share as at 31 July 2013 (Control Basis, Post Consolidation & Pre-Thorney Transaction Basis)	0.486	0.525	0.565
Pro-Forma Equity Value Per Share (Minority Basis, Post-Share Consolidation, Post Capital Raising & Post Exercise of Options by Thorney Only)	0.394	0.414	0.431
Fair / (Not Fair) - \$	(0.091)	(0.111)	(0.133)
Fair / (Not Fair) - %	-23.18%	-26.92%	-30.88%
Source: LCF analysis			



11.3. Reasonableness of the exercise of the Thorney Options

We have considered advantages and disadvantages of the exercise of the Thorney Options in the context of the other elements associated with the Thorney Transaction and these are set out in **Section 12** below. In addition, we have considered the following advantages and disadvantages which arise from the exercise of the Thorney Options.

11.3.1. Advantages

Thorney Option Issue on same terms as offered to all other Shareholders

As set out in the Documents, the Option Issue consists of a 1 for 2 pro-rata bonus issue of Options to all Shareholders, following the Capital Raising. Accordingly, the terms available to Thorney under the Option Issue are not more favourable to Thorney than those that are available to all other Shareholders.

Opportunity for WWM to raise additional capital at minimal cost

Depending on the outcome of the Retail Offer (refer scenarios set out in **Section 1.2**), should all of the Options issued under the Option Issue be exercised, then WWM will raise additional capital ranging between approximately \$38.2 million and \$44.6 million.

The scenario under which the fairness of the exercise of the Thorney Options is assessed, would result in additional capital of \$13.4 million being raised from the exercise of only the Thorney Options. Set out below is the expected shareholder structure of WWM under this scenario:

Table 39: Shareholder Structure

Ordinary Share holder	Current Position (Post Share Consolidation)		Post Placement Offer		Post Retail Offer		Post Option Exercise	
			Placement Offer Raising \$56.2m Through the Issue of 112.4m Shares		Minimum Retail Offer Subscriptions (i.e. Zero Acceptance)		Minimum Retail Offer Subscriptions & Options Only Exercised by Thorney	
	# Held ('000)	%	# Held ('000)	%	# Held ('000)	%	# Held ('000)	%
Thorney Holdings Pty Limited	8,367	26.22%	50,567	35.04%	50,567	35.04%	75,850	44.73%
Non-Associated Shareholders	23,540	73.78%	23,540	16.31%	23,540	16.31%	23,540	13.88%
New Shareholders	-	0.00%	70,200	48.65%	70,200	48.65%	70,200	41.39%
Total	31,907	100.00%	144,307	100.00%	144,307	100.00%	169,591	100.00%

Source: Notice of Meeting & Explanatory Statement; Management of WWM; LCF analysis

The costs associated with raising additional capital through Option holders' exercise of the Options will be significantly less than if WWM sought to raise capital through some other mechanism (e.g. placement or raising under a prospectus).

The funds raised will be available to WWM to make additional investments.

Value of the consideration to be paid for the exercise of an Option

The value of the consideration to be paid for the exercise of a Thorney Option equals or exceeds the assessed fair market value of the Share into which the Option converts upon exercise, assessed on a controlling interest basis.

The exercise price of an Option is \$0.53. While this is payable up to one (1) year after issue of the Options, (and therefore could have a lower present value) we adopted this amount as the maximum present value amount (assuming an Option is exercised immediately upon issue).

We assessed the value of a WWM Share on a controlling interest basis, after implementing the Thorney Transaction, (but before exercise of any Options) as being within the range of \$0.495 to \$0.497 per Share, with a mid-point of \$0.496 per Share (refer to **Section 9.3.4**).

For personal use only



As the assessed fair market value of the Share to be received by Thorney upon exercise of a Thorney Option (\$0.496 at the mid-point) is less than the assessed fair market value of the consideration to be paid by Thorney to exercise an Option (\$0.53), in our opinion, the exercise of the Thorney Options may be considered advantageous to the Non-associated Shareholders of WWM.

11.3.2. Disadvantages

In our opinion, there are additional disadvantages to those set out in **Section 12** in relation to the Thorney Transaction as a whole.

11.3.3. Conclusion as to Reasonableness of the exercise of the Thorney Options

In our opinion, for the reasons set out, the exercise of the Thorney Options is “not fair” but is “reasonable” to the Non-associated Shareholders as a whole.

For personal use only



12. Advantages and disadvantages of the Thorney Transaction

12.1. Advantages of the Thorney Transaction

Thorney Participation would otherwise be "fair"

Paragraph 10 of RG 111 requires that our assessment of the Thorney Participation be undertaken assuming 100% ownership of WWM, irrespective of the percentage shareholding holding of Thorney. However, if we compared:

- the fair market value of a WWM Share on a control basis before implementing the Thorney Transaction, (that we assess to be in the range of \$0.486 to \$0.565 and a mid-point value of \$0.525) (refer to Section 9.2.5); with
- the value per Share being paid by Thorney, which is \$0.50 per Share,

the result is that Thorney is paying more than fair market value.

Thorney Transaction conditional on approval of Thorney Participation, which will result in a number of benefits to WWM

The Thorney Transaction is conditional on each element being approved. The Thorney Transaction will, amongst other things:

- increase the financial strength, including the cash position, of WWM through a capital injection of up to \$56.2 million;
- provide WWM with a more diversified investment portfolio; and
- provide WWM with access to an experienced Chairman and investment team.

Thorney Participation terms equal to those for other participants in the Placement Offer and the Retail Offer

As is typical in placement capital raisings, securities are usually issued at a discount to their fair market value (and market trading values) as an incentive for major shareholders to participate, as well as recognising the lower costs and risks associated with a placement capital raising compared to a retail offer.

In the case of the Thorney Participation, Shares will be issued to Thorney at the same price as is being offered to other participants in the Placement Offer and the Retail Offer.

The consideration of \$0.50 per Share to be paid by Thorney falls within our assessed range of the fair market value of a Share on a control basis (before the Thorney Transaction and after the Share Consolidation) of \$0.486 to \$0.565 with a mid-point value of \$0.525 (refer Section 9.2.5). Accordingly, a comparison of the consideration to be paid by Thorney under the Thorney Participation with the controlling interest value of Share before implementing the Thorney Participation (by itself) would be considered to be "fair", if the amount was paid to the Non-associated Shareholders in a takeover offer. However, this is not the case in the Thorney Transaction and this comparison alone is not the relevant test for assessing the overall fairness of the Thorney Transaction to Non-associated Shareholders as a whole.

Track record in investing in public companies

As noted in Section 7.2, Thorney has had a long history in investing in public companies, including as an advocate for all shareholders in investee companies.

Retention of major shareholder

Thorney currently has a 26.22% shareholding in WWM. Should the Thorney Participation not be approved, there is a possibility that Thorney may seek to divest its shareholding in WWM. Given the substantial shareholding of Thorney, such a divestment may put downward pressure on



WWM's Share price, at least for a time, until the divestment is completed. Approval of the Thorney Participation will provide an incentive to Thorney to remain as a substantial shareholder of WWM.

Alignment of interests of Thorney Management and other Shareholders

Approval of the Thorney Transaction will assist in aligning the interests of Thorney Management with those of other Shareholders of WWM.

Access to an experience investment management team

Whilst Thorney Management as a manager has no trading history, the key personnel have had a successful track record in investing, particularly in the middle market. This provides WWM with access to a team with a sound investment background, which should translate into increased shareholder wealth.

12.2. Disadvantages of the Thorney Transaction

Dilution of Non-associated Shareholders' interest in WWM

Should the Thorney Participation and the Thorney Transaction be approved, Non-associated Shareholders' voting interest in WWM will be diluted.

Section 1.2 sets out the potential movements in Shareholders' voting interests under various scenarios as to the outcome of the Thorney Transaction. As can be seen from **Section 1.2**, Non-associated Shareholders currently hold a collective 73.78% voting interest in WWM. Subsequent to successful completion of the Capital Raising, the voting interests of Non-associated Shareholders will decrease to a minimum of 16.31% (assuming no Non-associated Shareholder takes up any Shares in the Retail Offer).

Reduced liquidity of WWM Shares

As set out in **Section 1.2**, subsequent to successful completion of the Capital Raising, Thorney's Shareholding in WWM will increase from 26.22% currently, to 35.04%. As a result, the market trading liquidity of the Shares may reduce, as a result of the increased concentration of Shareholdings.

However, this concentration effect may be mitigated as a result the increased number of Shares held by Shareholders other than Thorney.

Costs associated with the Investment Management Agreement

As set out in **Section 2.3**, WWM will be liable to pay certain base management fees and performance fees in relation to the IMA. In addition, in certain circumstances, WWM could become liable to incur substantial termination fees should the IMA end.

WWM has the option of employing directly, an investment management team with similar experience to that of the Thorney Management team. Costs associated with this option would likely be less than costs associated with the IMA.

12.3. Implications for Non-associated Shareholders of Rejecting the Thorney Transaction

In our opinion, in the event the Thorney Transaction was rejected, Non-associated Shareholders of WWM would be subject to the following issues:

- Thorney will continue to own a 26.22% Shareholding, which may affect the implementation of any alternative transaction;
- Non-associated Shareholders will face uncertainty in relation to the future of WWM:
 - WWM would not have any operating business;

For personal use only



- any future activities by WWM designed to raise funds and expand its operations would be likely to require Shareholder approval, and potentially require the support of Thorney;
- Non-associated Shareholders will not benefit from the expertise of Thorney Management under the proposed IMA;
- Thorney, may decide to divest of its Shareholding in WWM, placing downward pressure on WWM's Share price, at least until the divestment is completed.

12.4. Overall Conclusion

For the reasons state above, it is our opinion that the advantages of the Thorney Transaction exceed the disadvantages and therefore it is **"reasonable"** to the Non-associated Shareholders as a whole.



13. Qualifications, Independence and Disclaimer

13.1. Qualifications

LCF is the licensed corporate advisory arm of Lawler Partners. LCF provides advice in relation to all aspects of valuations and its personnel have extensive experience in the valuation of corporate entities.

Mr Vince Fayad B.Bus, CA, is a Director of LCF. Mr Fayad has been actively involved in the preparation of this Report.

Mr Fayad has over 30 years' experience in a number of specialist corporate advisory activities including company valuations, due diligence investigations, preparation and review of business feasibility studies, public company floats, accounting, advising on mergers and acquisitions, advising on independence expert reports, preparation of information memoranda and other corporate investigations.

Mr Peter Cornell B.Com, LLB, is a Director of LCF. Mr Cornell has been reviewed this Report.

Mr Cornell has over 30 years' experience in law, business valuation, corporate planning and corporate advisory activities. He has had extensive experience in the areas of preparation and review of independent expert's reports, litigation support activities, business feasibility studies, financial investigations, business valuations and due diligence reviews.

Mr Nick Navarra B.Bus, CA is a Manager of LCF. Mr Navarra was actively involved in the preparation of this Report.

Mr Navarra has over 11 years' experience in accounting, audit and corporate advisory activities including business, company and intangible asset valuations, the preparation of independent expert's reports, due diligence reviews, litigation support activities, capital raisings and the provision of advice in relation to merger, acquisition and divestment transactions.

Based on their experience, Messrs Cornell, Fayad and Navarra are considered to have the appropriate experience and professional qualifications to provide the advice offered.

13.2. Independence

LCF is not aware of any matter or circumstance that would preclude it from preparing this Report on the grounds of independence, either under regulatory or professional requirements. In particular, we had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and ASIC.

LCF does not have any shareholding in, or other relationship WWM or Thorney (including any of their related parties or associates) that could be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the proposals.

LCF considers itself to be independent in terms of ASIC Regulatory Guide 112 *Independence of Experts* ("RG 112"), issued by ASIC.

LCF will receive a fee based on the time spent in the preparation of this Report. LCF will not receive any fee contingent upon the outcome of the Thorney Transaction.

Drafts of this Report were provided to the Directors of WWM and Thorney for review of factual accuracy. Certain changes were made to the Report as a result of the circulation of the drafts of the Report. However, our approach, valuation method and overall conclusions were not affected by the circulation of the draft reports.

Appendix 1 Glossary of terms

Set out below is a glossary of terms used in this Report.

Table 40: Glossary

Term	Definition
2013 AGM	The 2013 annual general meeting of Wentworth Holdings Limited Shareholders
AnaeCo	AnaeCo Limited, ACN 087 244 228
ASIC	Australian Securities & Investments Commission
ARW	Australian Renewable Fuels Limited, ACN 096 782 188
ASX	Australian Securities Exchange
Capital Raising	Comprising the Placement Offer and the Retail Offer
DCF	Discounted cash flow
Documents	Comprising the Notice of Meeting and the Explanatory Statement
Explanatory Statement	The explanatory statement to accompany the Notice of Meeting
FUM	Funds under management
IMA	The investment management agreement between Wentworth Holdings Limited and Thorney Management Services Pty Limited in relation to proposed investment management services to be provided to Wentworth Holdings Limited
LCF, us, we or our	Lawler Corporate Finance Pty Limited, ACN 097 893 957, AFSL 295872
Non-associated Shareholders	Shareholders of Wentworth Holdings Limited who are excluded from voting in relation to the Thorney Transaction including Thorney Holdings Pty Limited and any related individuals or body corporate(s) of Thorney Holdings Pty Limited
Notice of Meeting	The notice of meeting issued by Wentworth Holdings Limited in relation to WWM 2013 AGM
NRVA	Net realisable valuation of assets
NTA	Net tangible assets
Options	Options to be issued under the Option Issue, including options to be issued under the Thorney Option Issue
Option Issue	The proposed pro-rata bonus issue of options on a one (1) for two (2) basis, to each person holding shares on the date approximately four (4) months after the issue of the Placement Offer Shares, exercisable within one (1) of issue at an exercise price of \$0.53
Placement Offer	The proposed issue of up to 80,000,000 Shares in Wentworth Holdings Limited at an issue price of \$0.50 per share to sophisticated and professional investors
Retail Offer	The proposed issue of up to 20,000,000 Shares in Wentworth Holdings Limited at an issue price of \$0.50 per share under a prospectus as it is defined in the <i>Corporations Act 2001</i>

Term	Definition
RG76	ASIC Regulatory Guide 76 <i>Related Party Transactions</i>
RG111	ASIC Regulatory Guide 111 <i>Content of Expert Reports</i>
RG112	ASIC Regulatory Guide 112 <i>Independence of Experts</i>
Shareholders	Holders of ordinary shares of Wentworth Holdings Limited
Share Consolidation	The proposed consolidation on a one (1) for seven (7) basis, of the Shares on issue by Wentworth Holdings Limited to take place prior to the initiation of the Thorney Transaction
Thorney	Thorney Holdings Pty Limited, ACN 006 262 835
Thorney Management	Thorney Management Services Pty Limited, ACN 164 880 148
Thorney Option Issue	Options to be issued to Thorney under the Option Issue
Thorney Participation	The participation of Thorney in the Placement Offer so that Thorney acquires a post-Placement Offer shareholding interest in Wentworth Holdings Limited of between 30% and 35%.
Thorney Transaction	The transaction comprising the following components: <ul style="list-style-type: none"> • the Share Consolidation; • the Investment Management Agreement; • the appointment of Mr. Alex Waislitz as Chairman of Wentworth Holdings Limited; • the Placement Offer, including the Thorney Participation; • the Retail Offer; • the Thorney Option Issue; • the adoption by Wentworth Holdings Limited of a new constitution; and • the renaming of Wentworth Holdings Limited to "Thorney Opportunities Ltd".
VWAP	Volume weighted average price
Valuation Date	31 July 2013
WWM	Wentworth Holdings Limited, ACN 080 167 264

For personal use only



Appendix 2 Sources of Information

In preparing this Report we have had access to and relied upon the following principal sources of information:

- Annual Reports of Wentworth Holdings Pty Limited for the years ended 30 June 2012 and 2013;
- Management Accounts of Wentworth Holdings Limited for the month ended 31 July 2013;
- Other information published by Wentworth Holdings Limited on the Australian Securities Exchange;
- Information available on the website of Wentworth Holdings Limited, www.wentworthholdings.com.au;
- Draft Notice of Annual General Meeting and Explanatory Statement;
- Copy of the Implementation Deed between Wentworth Holdings Limited and Thorney Holdings Pty Ltd dated 3 September 2013;
- Copy of the draft Investment Management Agreement between Wentworth Holdings Limited and Thorney Management Services Pty Ltd;
- Information regarding Thorney Holdings Pty Limited (and its associated entities) provided by management of Thorney Holdings Pty Limited;
- Publicly available information regarding the investment management agreements relating to listed investment companies, listed investment trusts and other unlisted investment vehicles where disclosure documents are publicly available;
- IBISWorld Industry report, "Funds Management Services in Australia", July 2013;
- S&P Capital IQ;
- other publicly available information.

In addition to the above, LCF has had various discussions with the management of Wentworth Holdings Limited and Thorney Holdings Pty Limited regarding the nature and prospects of their respective businesses and financial position.

For personal use only



Appendix 3 Valuation methods

In conducting our assessment of the fair market value of WWM Shares, the following commonly used business valuation methods have been considered:

Discounted Cash Flow Method

The discounted cash flow ("DCF") method is based on the premise that the value of a business or any asset is represented by the present value of its future cash flows. It requires two essential elements:

- the forecast of future cash flows of the business asset for a number of years (usually five to 10 years); and
- the discount rate that reflects the riskiness of those cash flows used to discount the forecast cash flows back to net present value ("NPV").

DCF is appropriate where:

- the businesses' earnings are capable of being forecast for a reasonable period (preferably five to 10 years) with reasonable accuracy;
- earnings or cash flows are expected to fluctuate significantly from year to year;
- the business or asset has a finite life;
- the business is in a 'start up' or in early stages of development;
- the business has irregular capital expenditure requirements;
- the business involves infrastructure projects with major capital expenditure requirements; or
- the business is currently making losses but is expected to recover.

Capitalisation of Future Maintainable Earnings Method

This method involves the capitalisation of estimated future maintainable earnings by an appropriate multiple. Maintainable earnings are the assessed sustainable profits that can be derived by the vendor's business and excludes any one off profits or losses. An appropriate earnings multiple is assessed by reference to market evidence as to the earnings multiples of comparable companies.

This method is suitable for the valuation of businesses with indefinite trading lives and where earnings are relatively stable or a reliable trend in earnings is evident.

Value of Assets

Asset based valuations involve the determination of the fair market value of a business based on the net value of the assets used in the business.

Valuation of net assets involves:

- separating the business or entity into components which can be readily sold, such as individual business units or collection of individual items of plant and equipment and other net assets; and
- ascribing a value to each based on the net amount that could be obtained for this asset if sold.

The value of the net assets can be determined on the basis of:

- *orderly realisation*: this method estimates fair market value by determining the net assets of the underlying business including an allowance for the reasonable costs of carrying out the sale of assets, taxation charges and the time value of money assuming the business is wound up in an orderly manner. This is not a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value;

For personal use only



- *liquidation*: this is a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value; or
- *going concern*: the net assets on a going concern basis estimates the market value of the net assets but does not take into account any realisation costs. This method is often considered appropriate for the valuation of an investment or property holding company. Adjustments may need to be made to the book value of assets and liabilities to reflect their going concern value.

The value of a trading company's net assets will generally provide the lowest possible value for the business. The difference between the value of the company's identifiable net assets (including identifiable intangibles) and the value obtained by capitalising earnings is usually attributable to intangible assets such as goodwill.

The value of net assets is relevant where a company is making sustained losses or profits at a level less than the required rate of return, where it is close to liquidation, where it is an asset holding company, or where all its assets are liquid. It is also relevant to businesses that are being segmented and divested and to value assets that are surplus to the core operating business. The net assets value methodology is also used as a check for the value derived using other methods.

These approaches ignore the possibility that the company's value could exceed the value of its net assets.

Security Market Trading History

The application of the price that a company's shares trade on the ASX is an appropriate basis for valuation where:

- the shares trade in an efficient market place where 'willing' buyers and sellers readily trade the company's shares; and
- the market for the company's shares is active and liquid.

Constant Growth Dividend Discount Model

The dividend discount model works best for:

- firms with stable growth rates;
- firms which pay out dividends that are high and approximate free cash flow to equity;
- firms with stable leverage; and
- firms where there are significant or unusual limitations to the rights of Investors.

Special Value

Special value is the amount that a potential acquirer may be prepared to pay for a business in excess of the fair market value. This premium represents the value to the potential acquirer of potential economies of scale, reduction in competition or other synergies arising from the acquisition of the asset not available to likely purchases generally. Special value is not normally considered in the assessment of fair market value as it relates to the individual circumstances of special purchases.

Appendix 4 Comparable Investment Management Agreements

Set out below is a summary of the comparable investment management agreements referred to in Section 10 of this Report:

Table 41: Comparable Investment Management Agreements

Name of Fund	Date of Inception/PDS	Term	Options of Term	Base Fee	Performance Fee	Benchmark Hurdle	Type of Fund
Fixed Income / Cash Funds							
Australian Masters Yield Fund 1	25-Oct-10	5 Years + successive further terms of 1 year each	Following the final capital return, the Board will put to Shareholders the option of undertaking a voluntary winding up of the Company. This will be subject to shareholders in a general meeting approving the winding up by special resolution (being 75% of votes cast being in favour of the resolution) and otherwise in accordance with Corporations Act requirements.	0.59% (excluding GST) per annum	None	Not Applicable	Invests in fixed income securities.
Australian Masters Yield Fund 2	23-Mar-11	5 Years + successive further terms of 1 year each	Following the final capital return, the Board will put to Shareholders the option of undertaking a voluntary winding up of the Company. This will be subject to shareholders in a general meeting approving the winding up by special resolution (being 75% of votes cast being in favour of the resolution) and otherwise in accordance with Corporations Act requirements.	0.59% (excluding GST) per annum	None	Not Applicable	Invests in fixed income securities.
BetaShares Australian High Interest Cash ETF (AAA)	7-Aug-13	Not Available	Silent	0.18% per annum of Net Asset Value	None	Not Applicable	Invests in bank deposit accounts maintained with Australian banks.
Aberdeen Australian Fixed Income Fund	20-Jun-12	Not Available	Silent	0.51% per annum (capped) of Net Asset Value	None	Not Applicable	Invests in Australian fixed income securities.
Aberdeen Diversified Fixed Income Fund	20-Jun-12	Not Available	Silent	0.60% per annum (capped) of Net Asset Value	None	Not Applicable	A portfolio of primarily fixed income assets including Australian and international fixed income as well as a number of credit funds.
Aberdeen Global Investment Grade Credit Bond Fund 1	20-Jun-12	Not Available	Silent	0.58% per annum (capped) of Net Asset Value	None	Not Applicable	A portfolio of global investment grade debt securities



Name of Fund	Date of Inception/PDS	Term	Options of Term	Base Fee	Performance Fee	Benchmark Hurdle	Type of Fund
Aberdeen Global Government Bond Fund	20-Jun-12	Not Available	Silent	0.58% per annum (capped) of Net Asset Value	None	Not Applicable	A portfolio of primarily global government bonds.
Aberdeen Total Return Fixed Income Fund	10-Apr-13	Not Available	Silent	0.65% per annum (capped) of Net Asset Value	None	Not Applicable	Invested in Australian and global fixed income strategies using a wide range of instruments, including derivatives.
Listed Equities Funds							
8IP Asia Pacific Equity Fund	9-Nov-12	Not Available	Silent	Class A (USD): 1.5%; Class A (GBP): 1.5%; Class B (USD): 1.1%; Class C (USD): 0.75%; Class D (USD): 0.75%	Class B (USD): 10% of outperformance of index; Class C (USD): 10% of outperformance of index	MSCI All Country Asia Pacific Net USD Total Return Index	Ireland UCITS IV listed on the Irish Stock Exchange (open-ended umbrella type investment)
Aberdeen Australian Equities Fund	20-Jun-12	Not Available	Silent	0.80% per annum (capped) of the Net Asset Value	None	Not Applicable	Invests in a concentrated portfolio of around 20-40 companies that are primarily listed on the Australian Securities Exchange (ASX)
Aberdeen Australian Small Companies Fund	20-Jun-12	Not Available	Silent	1.26% per annum (capped), of the Net Asset Value	None	Not Applicable	Invests in a portfolio of mainly Australian (primarily outside of the S&P/ASX 100 Accumulation Index) and New Zealand listed companies that have the potential for capital growth and increased earning potential.
AMP Capital Asian Equity Growth Fund	25-Jun-13	Not Available	Silent	1.42% per annum	None	Not Applicable	Invests in markets such as Hong Kong, Korea, Singapore, Taiwan and Indonesia, and has significant exposure to companies operating in China and India.
AMP Capital Australian Equity Opportunities Fund	11-Jun-13	Not Available	Silent	1.305% per annum	Up to 20% (exc GST) per annum	S&P/ASX 200 Accumulation Index plus 1%.	Invests in a portfolio of Australian companies listed, or about to be listed, on the Australian Securities Exchange (ASX).
AMP Capital Australian Equity Concentrated Fund	28-Feb-13	Not Available	Silent	1.35% per annum	None	Not Applicable	Invests in Asian equities (ex-Japan), diversified by sector and geography.



Name of Fund	Date of Inception/PDS	Term	Options of Term	Base Fee	Performance Fee	Benchmark Hurdle	Type of Fund
AMP Wholesale Australian Equity – Value Fund	12-Nov-12	Not Available	Silent	0.77% per annum	None	Not Applicable	Invests in Australian stocks listed on the Australian Securities Exchange.
Antares Australian Equities Fund	26-Mar-12	Not Available	Silent	0.87% of Net Asset Value	None	Not Applicable	Invests in Australian stocks listed on the Australian Securities Exchange.
Antares High Growth Shares Fund	26-Mar-12	Not Available	Silent	1.05% of Net Asset Value	20%	S&P/ASX 200 Accumulation Index + 5.0%	A portfolio of Australian listed shares investing in both long and short positions
Antares Small Companies Fund	26-Mar-12	Not Available	Silent	0.98% of Net Asset Value	None	Not Applicable	Invests in up to 60 small companies listed outside the S&P/ASX 100 Index.
Ashburton SA Equity Fund	31-Jul-13	Not Available	Silent	0.85% of Net Asset Value	None	Not Applicable	An Equity Fund; however, permitted to invest in fixed income securities and offshore investments as allowed by legislation
Aurora Fortitude Absolute Return Fund	7-Oct-10	Not Available	Silent	1.54% (inc GST) of Net Asset Value	20.5% (inc GST) of gross performance (net of fees) over the Benchmark	RBA Cash Rate	Invest in Australian equities
Ausbil Micro Cap Fund	19-Nov-12	Not Available	Silent	1.20% of Net Asset Value	20.5% of Fund Returns exceeding Benchmark Index	S&P/ASX Emerging Companies Accumulation Index	Portfolio of listed small and micro cap Australian equities
Australian Enhanced Income Fund	26-Jun-12	Not Available	Silent	0.70% per annum (exc GST)	None	Not Applicable	Invests primarily in fixed interest and hybrid debt / equity securities listed on the Australian Stock Exchange
Australian Governance Masters Index Fund	10-Feb-10	5 years	Unless terminated during the initial term, the Management Agreement will be automatically extended for successive further terms of 5 years. The Company may terminate the Management Agreement after the initial 5 year period on 3 months' written notice.	0.49% (exc GST) of the gross value of the portfolio	None	Not Applicable	Invests in companies within the S&P ASX 100 Index
Bennelong Australian Equities Fund	8-Oct-12	Not Available	Silent	0.95% (inc GST) of Net Asset Value	None	Not Applicable	Invest in Australian equities



Name of Fund	Date of Inception/PDS	Term	Options of Term	Base Fee	Performance Fee	Benchmark Hurdle	Type of Fund
Bennelong Concentrated Australian Equities Fund	8-Oct-12	Not Available	Silent	0.85% (inc GST) of Net Asset Value	15.0% (inc GST) of returns exceeding Hurdle	S&P ASX 300 Accumulation Index	Invest in Australian equities
Bennelong ex-20 Australian Equities Fund	8-Oct-12	Not Available	Silent	0.95% (inc GST) of Net Asset Value	15.0% (inc GST) of returns exceeding Hurdle	The Fund uses the S&P/ASX 300 Accumulation Index excluding that part of the return that is generated by the stocks comprised in the S&P/ASX 20 Leaders Index.	Invest in Australian equities
Clime Australian Value Fund (CAVF)	24-Jun-13	Not Available	Silent	Retail accounts: 1.03% per annum Wholesale accounts: 0.87% per annum	If earned, this is 15.38% of any amount by which the Fund outperforms the rate of 12% per annum	12% per annum with a high water mark	A concentrated portfolio (approximately 25 securities) of Australian Securities Exchange (ASX) listed securities
Emerging Markets Masters Fund	5-Apr-13	Not Available	Silent	2.2% per annum (inc GST)	None	Not Applicable	Exposure to currencies and securities of emerging markets
Hunter Hall Australian Equities Fund (AEF)	16-Jul-13	Not Available	Silent	0.99% per annum	None	Not Applicable	Invests in Australian shares and cash. Maximum cash limit 10%. S&P/ASX Index Futures and exchange traded stock options are permitted.
Morphic Global Opportunities Fund	31-Jul-12	Not Available	Silent	1.35% of Net Asset Value	15.38% of returns exceeding Hurdle	MSCI All Countries Total Return	Actively managed portfolio of Global listed companies
Naos Emerging Companies Long Short Equity Fund	3-Jan-12	Not Available	Silent	1.271% per annum	20.5% of the excess return above the percentage return of the Benchmark Index.	S&P/ASX Small Ordinaries Accumulation Index	Invests in stocks outside S&P/ASX 100 Accumulation Index. Short Portfolio Inclusive of ASX-100.
Naos Long Short Equity Fund	1-Jul-13	Not Available	Silent	capped at 1.17875% per annum	20.50%	S&P/ASX All Ordinaries Accumulation Index.	Generally the ASX All Ordinaries Index (XAO)



Name of Fund	Date of Inception/PDS	Term	Options of Term	Base Fee	Performance Fee	Benchmark Hurdle	Type of Fund
Optimal Fund Management Australia	Sep-08	Not Available	Silent	1.0% of Net Asset Value	20.00%	NAV per unit exceeds high water mark	Invests in listed securities in Australia and New Zealand, but may include fixed interest and money market instruments, and derivative contracts.
Pengana Australian Equities Fund	1-Jul-08	Not Available	Silent	1.025% (inc GST) of Net Asset Value	10.25% (inc GST) of increase in Net Asset Value exceeding Benchmark	RBA Cash Rate	Invest in Australian equities
Watermark Funds Management Pty Limited	14-Jun-13	10 years	The Manager is entitled to terminate the Management Agreement on 6 months' notice at any time after the fifth anniversary of the Management Agreement.	1% per annum (exc GST) if Net Asset Value	20% (exc GST) of the increase exceeding the Benchmark	Reserve Bank of Australia's cash-rate	Invest in Australian equities
90 West Global Natural Resources Fund	8-May-12	Not Available	Silent	1.36% (exc GST) per annum of Net Asset Value	15.1% (exc GST)	S&P Global Natural Resources Accumulation Index	Invest in a portfolio of global natural resource companies operating in the mining, energy and agriculture natural resource sectors and across the upstream, midstream and downstream segments of the natural resources utilisation chain.
Aberdeen Actively Hedged International Equities Fund	20-Jun-12	Not Available	Silent	0.98% per annum (capped) of Net Asset Value	None	Not Applicable	The Fund invests primarily in a concentrated portfolio of around 40-60 listed international securities (other than those listed on the Australian Stock Exchange)
Aberdeen China Opportunities Fund	20-Jun-12	Not Available	Silent	1.95% per annum (capped) of Net Asset Value	None	Not Applicable	The Fund invests primarily in a concentrated portfolio of securities listed on the China (including Hong Kong) securities exchanges
Aberdeen Asian Opportunities Fund	20-Jun-12	Not Available	Silent	1.1811% per annum (capped) of Net Asset Value	None	Not Applicable	The Fund invests primarily in a concentrated portfolio of around 35-55 Asian (excluding Japan) listed securities



Name of Fund	Date of Inception/PDS	Term	Options of Term	Base Fee	Performance Fee	Benchmark Hurdle	Type of Fund
Aberdeen Classic Series Australian Equities Fund	20-Jun-12	Not Available	Silent	0.83% per annum (capped) of Net Asset Value	None	Not Applicable	Invest in a concentrated portfolio of around 20-40 companies that are primarily listed on the Australian Securities Exchange (ASX)
Aberdeen Financials Fund	20-Jun-12	Not Available	Silent	0.875% per annum (capped) of Net Asset Value	None	Not Applicable	Concentrated portfolio of around 5-20 financial securities (primarily banks and insurance companies) that are listed on the Australian Securities Exchange
Acadian Wholesale Global Equity Funds	11-Jun-13	Not Available	Silent	1.22% per annum	None	Not Applicable	Invests in Global equities
Acadian Wholesale Global Equity Long Short Fund	11-Jun-13	Not Available	Silent	1.50% per annum	None	Not Applicable	Invests in undervalued stocks and short selling overvalued stocks from around the world
Acadian Global Managed Volatility Equity Fund – Class A	11-Jun-13	Not Available	Silent	0.64% per annum	None	Not Applicable	The fund captures returns similar to those of a global equity index but with significantly lower absolute volatility and superior downside protection
Acadian Wholesale Geared Global Equity Fund 5	11-Jun-13	Not Available	Silent	1.26% of Gross Assets Value or 2.67% of Net Asset Value	None	Not Applicable	The fund borrows and invest in stocks from around the world
BlackRock Multi Opportunity Fund	30-Jul-04	Not Available	Silent	1.25% per annum (exc GST)	None	Not Applicable	Exposures to Australian and International Equity Long/Short, Global Fixed Income, Long/Short, Global Macro, Commodity Alpha, and Alpha Transport
BlackRock Multi Opportunity Absolute Return Fund	28-Jun-13	Not Available	Silent	1.4% per annum	20%	RBA Cash Rate Target	Invests in both fixed income and equity markets
Others							
Global Resource Masters Fund	11-Dec-08	5 years	Unless terminated during the initial term, the Management Agreement will be automatically extended for successive further terms of 1 year each. The Company may terminate the Management Agreement after the initial 5 year period on 3 months' written notice.	1% (exc GST)	None	Not Applicable	Fund-of-funds



Name of Fund	Date of Inception/PDS	Term	Options of Term	Base Fee	Performance Fee	Benchmark Hurdle	Type of Fund
Odyssey Private Equity Fund 1	1-Jul-11	10 years	The Fund will terminate on the tenth anniversary of the Final Closing unless Investors by Special Resolution resolve to extend the term following a request from the Manager.	1.79% of Funds Under Management	20% of profit after the return of capital and payment of a hurdle to investors	12.00%	Private equity investment class
Pengana Asia Special Events Fund	1-Sep-10	Not Available	Silent	1.50% of Net Asset Value	20.5% of any increase in Net Asset Value exceeding Hurdle	HFR event driven index	Participate in corporate events - Event-driven or catalyst-driven strategies and relative-value strategies
US Select Private Opportunities Fund	29-Jun-12	Not Available	Silent	2.00% per annum (exc GST)	None	Not Applicable	Exposure to a portfolio of investments in small and mid-market private investment funds and privately held companies predominantly focused in the US



Financial Services Guide

3 October 2013

What is a Financial Services Guide?

This Financial Services Guide ("FSG") is an important document, the purpose of which is to assist you in deciding whether to use any of the general financial product advice provided in the form of an independent expert report by Lawler Corporate Finance Pty Limited (ABN 65 097 893 957) ("Lawler Corporate Finance"). The use of "we", "us" or "our" is a reference to Lawler Corporate Finance as the holder of Australian Financial Services Licence ("AFSL") No. 295872.

The contents of this FSG include:

- who we are and how we can be contacted;
- what services we are authorised to provide under our AFSL;
- how we (and any other relevant parties) are remunerated in relation to any general financial product advice we may provide;
- details of any potential conflicts of interest; and
- details of our internal and external dispute resolution systems and how you can access them.

Information about us

We have been engaged by the independent directors of Wentworth Holdings Limited ("WWM") to prepare an independent expert's report providing our opinion as to whether a proposal to enter into an investment management agreement and a proposed capital raising with Thorney Holdings Pty Limited are "fair" and "reasonable" to the Non-associated Shareholders of WWM ("Report").

The terms of the proposal are set out in the Explanatory Statement accompanying the Notice of General Meeting to be dated on or around the date of the Report. You are not the party or parties who engaged us to prepare the Report. We are not acting for any person other than the party or parties who engaged us. We are required by law to give you an FSG because the Report is being provided to you. You may contact us using the details located below.

Lawler Corporate Finance provides services primarily in the area of corporate finance and is

partly owned by partners of the Australian partnership of Lawler Partners. Lawler Partners and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services. Our directors may be partners in the partnership of Lawler Partners.

The financial product advice in the Report is provided by Lawler Corporate Finance and not by the partnership of Lawler Partners.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and the partnership of Lawler Partners (and its related bodies corporate) may from time to time provide professional services to financial product issuers in the ordinary course of business.

What financial services are we licensed to provide?

The AFSL we hold authorises us to carry on a financial services business to:

- (a) provide financial product advice for the following classes of financial products:
 - (i) deposit and payment products limited to:
 - (A) basic deposit products;
 - (B) deposit products other than basic deposit products;
 - (ii) debentures, stocks or bonds issued or proposed to be issued by a government;
 - (iii) interests in managed investment schemes excluding investor directed portfolio services; and
 - (iv) securities; and
 - (b) deal in a financial product by:
 - (i) arranging for another person to apply for, acquire, vary or dispose of financial products in respect of the following classes of financial products:
 - (A) securities;
- to retail and wholesale clients.



Information about the general financial product advice we provide

The financial product advice provided in the Report is known as "general advice" because it does not take into account your personal objectives, financial situation or needs. You should consider whether the general advice contained in the Report is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is being provided to you in connection with the acquisition or potential acquisition of a financial product issued by another party, we recommend you obtain and read carefully the relevant offer document provided by the issuer of the financial product. The purpose of the offer document is to help you make an informed decision about the acquisition of a financial product. The contents of the offer document will include details such as the risks, benefits and costs of acquiring the particular financial product.

How are we and our employees remunerated?

We charge fees for providing Reports. Fees are agreed with the party or parties who engages us, and we confirm our remuneration in a written letter of engagement to the party or parties who engage us.

Our fees are usually determined on an hourly basis. However they may be a fixed amount or derived using another basis. We may also seek reimbursement of any out-of-pocket expenses incurred in providing the services. The fee payable for this report is \$35,000 plus GST.

Neither Lawler Corporate Finance, nor its directors and officers, receive any commissions or other benefits arising directly from providing Reports to you. The remuneration paid to our directors and staff reflects their individual contribution to the company and covers all aspects of performance.

We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Responsibility

The liability of Lawler Corporate Finance is limited to the contents of this FSG and the Report referred to in this FSG.

What compensation arrangements do we have?

Lawler Corporate Finance holds professional indemnity insurance that covers the financial services provided by us. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

What should you do if you have a complaint?

If you have any concerns regarding the Report, you may wish to advise us. Our internal complaint handling process is designed to respond to your concerns promptly and equitably. Please address your complaint in writing to:

AFS Compliance Manager
Lawler Corporate Finance Pty Limited
GPO Box 5446
SYDNEY NSW 2001
Telephone: +61 2 9008 1404 Fax: +61 2 8346 6099

If you are not satisfied with the steps we have taken to resolve your complaint, you may contact the Financial Ombudsman Service ("FOS"). FOS provides free advice and assistance to consumers to help them resolve complaints relating to members of the financial services industry.

Complaints may be submitted to FOS at:

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Telephone: (03) 9613 7366 Fax: (03) 9613 6399
Internet: <http://www.fos.org.au>

If your complaint relates to the professional conduct of a person who is a Chartered Accountant, you may wish to lodge a complaint in writing with the Institute of Chartered Accountants in Australia ("ICAA"). The ICAA is the professional body responsible for setting and upholding the professional, ethical and technical standards of Chartered Accountants and can be contacted at:

The Institute of Chartered Accountants
GPO Box 9985
Sydney NSW 2001
Telephone: +61 2 9290 1344 Fax: +61 2 9262 1512



Specific contact details for lodging a complaint with the ICAA can be obtained from their website at <http://www.charteredaccountants.com.au/The-Institute/Member-complaints-and-discipline/How-to-make-a-complaint.aspx>

The Australian Securities and Investments Commission ("ASIC") regulates Australian companies, financial markets, financial services organisations and professionals who deal and advise in investments, superannuation, insurance, deposit taking and credit. Their website contains information on lodging complaints about companies and individual persons and sets out the types of complaints handled by ASIC. You may contact ASIC as follows:

Info line: 1 300 300 630

Email: info@asic.gov.au

Internet: <http://www.asic.gov.au/asic/asic.nsf>

APPENDIX 2 - INVESTMENT MANAGEMENT AGREEMENT

Wentworth Holdings Limited
ACN 080 167 264

and

Thorney Management Services Pty Ltd
ABN 88 164 880 148

Investment Management Agreement

ABL/2703985v20
Ref: JDL: SXG 011752109

For personal use only

TABLE OF CONTENTS

		Page no.
1	Definitions and interpretation.....	1
1.1	Definitions.....	1
1.2	Words and expressions.....	8
1.3	Other rules of interpretation.....	9
2	Conditions	9
2.1	Conditions precedent.....	9
2.2	Non-satisfaction.....	9
2.3	Termination.....	9
2.4	Notice of satisfaction.....	9
3	Appointment.....	9
3.1	Appointment.....	9
3.2	Exclusivity.....	10
3.3	No partnership, joint venture or other fiduciary relationship.....	10
4	Term.....	10
4.1	Initial Term.....	10
4.2	Extension.....	10
5	Functions and Duties of the Manager	10
5.1	Provision of Services.....	10
5.2	Investment Policy.....	11
5.3	Provision of information.....	11
5.4	Audit and monitoring of performance.....	11
6	Manager's powers.....	11
6.1	Manager's powers.....	11
6.2	Approval by the Company.....	12
6.3	Discretions of the Manager.....	12
6.4	Change to Investment Policy and the Investment Objectives.....	12
6.5	Delegation.....	13
6.6	Compliance with applicable Laws.....	13
6.7	Common investment of funds.....	13
6.8	Manager's rights to provide services to others.....	13
6.9	Investment opportunities.....	14
7	Obligations of the Manager	14
8	Obligations of the Company	15
8.1	Company to do all things necessary.....	15
8.2	Company's officers.....	16
8.3	Board's powers.....	16
9	Indemnity	16
9.1	Company.....	16
9.2	Manager.....	16
9.3	Continuing obligation.....	17
10	Conflicts of interest	17
10.1	Use of Related Entities.....	17
10.2	Conflicts of interest.....	17
10.3	No avoidance of contracts.....	17
10.4	Holding shares and exercise of rights.....	17
11	Voting Rights	18
12	Fees and Taxes	18
12.1	Base Fee.....	18
12.2	Performance Fee.....	18
12.3	Waiver of Fees.....	18
12.4	Resignation Entitlement.....	18
12.5	Termination Entitlement.....	18
12.6	Payment on account only.....	19
12.7	Set off.....	20
12.8	Taxes.....	20

13	Expenses	20
13.1	Company liable for expenses.....	20
13.2	Deferral and waiver.....	20
13.3	Manager not indemnified for certain expenses.....	21
13.4	Regulatory costs.....	21
14	Termination	21
14.1	Resignation by Manager.....	21
14.2	Termination by Company.....	21
14.3	Notification of material breach that can be remedied.....	22
14.4	Effect of termination.....	22
14.5	Delivery of documents.....	22
15	Warranties and acknowledgements	22
15.1	Mutual Warranties.....	22
15.2	Acknowledgment.....	23
16	Licence of Name	23
16.1	Acknowledgement.....	23
16.2	Licence.....	23
16.3	Manager's property.....	24
16.4	Effect of termination under clause 14.....	24
17	Other Intellectual Property	24
17.1	Use of Company's name and trademarks.....	24
17.2	Use of Manager's name and trademarks.....	24
17.3	Requirements for disclosure.....	24
17.4	Copyright.....	24
18	Exclusion of Manager's liability	25
18.1	Liability of Manager.....	25
18.2	Manager may rely.....	25
19	Disputes	25
19.1	No arbitration or court proceedings.....	25
19.2	Notice.....	25
19.3	Initial Period.....	25
19.4	Appointment of mediator.....	26
19.5	Role of mediator.....	26
19.6	Venue, representation and format.....	26
19.7	Timeframe.....	26
19.8	Confidentiality.....	26
19.9	Costs.....	26
19.10	Breach of this clause.....	26
20	Force majeure	26
21	Confidentiality	26
22	Goods and Services Tax	27
23	Notices	27
23.1	Method.....	27
23.2	Receipt.....	27
23.3	Address of parties.....	28
23.4	Requirement for written notice.....	28
24	General	28
24.1	Entire agreement.....	28
24.2	Paramourncy of document.....	28
24.3	No merger.....	28
24.4	Attorneys.....	28
24.5	Amendment.....	29
24.6	Assignment.....	29
24.7	Relationship.....	29
24.8	Severability.....	29
24.9	Waiver.....	29
24.10	Rights, remedies additional.....	29
24.11	Further assurances.....	29
24.12	Costs.....	29

24.13 Counterparts29
24.14 Governing law and jurisdiction.....29

SCHEDULE 1 –SERVICES..... 30

SCHEDULE 2 - INVESTMENT POLICY AND OBJECTIVES 32

SCHEDULE 3 - EXPENSE ITEMS..... 33

SCHEDULE 4 - INDEPENDENT VALUATION OF LICENCE FEE..... 35

For personal use only

THIS AGREEMENT is made on

2013

PARTIES

WENTWORTH HOLDINGS LIMITED
ACN 080 167 264
of Level 23, 459 Collins Street, Melbourne, Victoria 3000
("Company")

and

THORNEY MANAGEMENT SERVICES PTY LTD
ABN 88 164 880 148
of Level 39, 55 Collins Street Melbourne, Victoria 3000
("Manager")

BACKGROUND

- A The Company has requested the Manager, and the Manager, in its own capacity, has agreed with the Company, to provide the Exclusive Services to the Company on an exclusive basis and the Non-Exclusive Services as requested by the Company with effect as and from the Commencement Date and on the terms and conditions set out in this Agreement.

AGREED TERMS

1 Definitions and interpretation

1.1 Definitions

In this Agreement, unless the context requires otherwise:

"Accounts" includes:

- (a) profit and loss accounts, balance sheets and statements of cash flow; and
- (b) any reports, statements, notes and other financial information attached to or intended to be read with the documents referred in clause (a), including auditors' reports and directors' reports.

"Accounting Standards" means:

- (a) the accounting standards made by the Australian Accounting Standards Board under section 334 of the Corporations Act and the requirements of the Corporations Act relating to the preparation and content of accounts and financial reports to the extent they are applicable to the Company; and
- (b) other relevant accounting standards and generally accepted and consistently applied principles and practices in Australia in relation to entities similar to the Company, or operating in the industry in which the Company operates, except those inconsistent with the standards or requirements referred to in clause (a).

"Affiliate" means, in relation to any entity, any other entity that:

- (a) is a Related Body Corporate of the first mentioned entity; or
- (b) Controls, is Controlled by, or is under common Control with the first mentioned entity.

"**AFSL**" means an Australian financial services licence as defined in section 761A of the Corporations Act.

"**Agreement**" means this agreement.

"**Approved Purpose**" means in respect of each of the Company and the Manager, carrying out its obligations under this Agreement.

"**Assets**" means all the Property, Investments, rights and income of the Company from time to time.

"**ASX**" means ASX Limited or the market operated by it as the context requires.

"**ASX Listing Rules**" means the listing rules published by ASX from time to time.

"**Authorised Officer**" means, in relation to a party:

- (a) a company director or company secretary of that party or any person whose title of office includes the words "Director", "Investment Manager" or other similar expression;
- (b) any person acting in any such office; or
- (c) any person nominated by that party as an authorised officer by notice in writing to the other parties (the notice to be signed by a company director or company secretary of the notifying party and accompanied by a certified copy of the signature of the nominated person).

"**Bank**" means a corporation authorised by law to carry on the general business of banking in Australia.

"**Base Fee**" means a fee equal to 0.75% per each Half Year period of the Gross Asset Value of the Company calculated as at the last Business Day of the relevant Half Year.

"**Board**" means the board of directors of the Company, from time to time.

"**Business Day**" means a day on which Banks are open for general banking business in Melbourne, excluding Saturdays, Sundays and public holidays.

"**Cash**" includes cheques, bank deposits, bank cheques, bank transfers, cash management trusts, bank drafts and bills of exchange.

"**Change of Control**" means, from the date of this Agreement, a change in the power to:

- (a) exercise, or Control the exercise of, more than or equal to 50% of the voting power attaching to the shares or other form of equity in an entity;
- (b) dispose of, or Control the disposal of, more than or equal to 50% (by value) of the shares or other form of equity in an entity;
- (c) appoint or remove, or Control the appointment or removal of, directors having more than or equal to half of the votes cast at board meetings of an entity;
- (d) exercise, or Control the exercise of, more than or equal to half of the votes cast by directors at board meetings of an entity; or
- (e) otherwise determine, or Control the determination of, the outcome of decisions about an entity's financial and operating policies,

other than in respect of a Change of Control arising in respect of the Manager, the Thorney Group or any of their associates, exercising Control as a result of any of (a) to (d) above (inclusive).

“**Claim**” has the meaning given to that term in clause 13.1.

“**Commencement Date**” means the date nominated by the Manager and advised in writing to the Company provided that such date must be no later than 14 days following the date on which the Condition has been satisfied.

“**Company's Name**” means the name of the Company as registered with the Australian Securities and Investments Commission (“**ASIC**”).

“**Conditions**” has the meaning given to that term in clause 2.

“**Confidential Information**” means all information, regardless of its form, relating to the Disclosing Party, its Affiliates or their businesses or affairs, other than any part of the information that is or becomes lawfully part of the public domain or that the Recipient can prove by written records was:

- (a) developed or created by the Recipient prior to the Recipient receiving the information from the Disclosing Party or its Affiliates and independently of the Disclosing Party and its Affiliates; or
- (b) received from a third party legally entitled to possess the information and provide it to the Recipient.

“**Constitution**” means the constitution of the Company from time to time.

“**Control**” has the meaning given to that term by section 50AA of the Corporations Act.

“**Controller**” means, in relation to a person's property:

- (a) a receiver or receiver and manager of that property; or
- (b) anyone else who (whether or not as agent for the person) is in possession, or has control of that property to enforce an Encumbrance.

“**Corporations Act**” means the *Corporations Act 2001* (Cth).

“**Costs**” includes costs, charges, fees, expenses, commissions, liabilities, losses, damages and all amounts payable in respect of any of them.

“**Disclosing Party**” means a party that has disclosed information to another party.

“**Dispute**” and “**Disputant**” have the meaning given to those terms in clause 19.1.

“**Encumbrance**” means any mortgage, lien, hypothecation, charge (whether fixed or floating), bill of sale, caveat, pledge, claim, trust arrangement, preferential right, right of set-off, title retention or other form of encumbrance.

“**End Date**” means:

- (a) while the Company is an Investment Entity, the date that is the later of:
 - (i) the fifth anniversary of the Commencement Date; and
 - (ii) any date approved by the ASX pursuant to a waiver of the ASX Listing Rules; and

- (b) in all other circumstances, the date that is the tenth anniversary of the Commencement Date.

"Exclusive Services" means the services set out in section 1 of Schedule 1;

"Expenses" means a third party Cost or expense reasonably and properly incurred by the Manager in connection with the provision of the Services, including any Expense Item (but excluding in-house administration costs of the Manager in the nature of rent for the Manager's premises, computer charges, salaries and like expenses or any Taxes imposed on the Manager in respect of any Fees or other payments) or any other Cost or expense agreed between the Company and the Manager from time to time.

"Expense Items" means those items set out in Schedule 3.

"Extended Term" has the meaning given to that term in clause 4.2.

"Fee" means the Base Fee and the Performance Fee.

"Financial Year" means:

- (a) each 12 month period ending on 30 June; or
- (b) if the Company adopts a different period as its financial year, that other period.

"First Licence Term" means the period commencing on the date on which shareholder approval is obtained to change the Company's Name to a name that includes the Name and ending on the date that is 3 months following the date of termination of this Agreement under clause 14.

"Force Majeure" means any event or circumstance outside a party's reasonable control including, but not limited to, fire, storm, flood, lightning, earthquake, natural disaster, explosion, war (whether declared or not), terrorism, invasion, rebellion, sabotage, epidemic, blockade, embargo, riot, disturbance, lockout, labour dispute, labour shortage or other labour disturbance, or the failure of a public utility.

"Government Agency" means:

- (a) a government or government department;
- (b) a governmental, semi-governmental, regulatory or judicial entity or authority; or
- (c) a person (whether autonomous or not) who is charged with the administration of a law.

"Gross Asset Value" means the total assets of the Company as determined and calculated by the Manager in accordance with the Accounting Standards.

"GST" means Goods and Services Tax within the meaning of the GST Act.

"GST Act" means the *A New Tax System (Goods and Services Tax) Act 1999* (as amended).

"Half Year" means each period of six consecutive Months ending on 30 June or 31 December in any Financial Year.

"Increase Amount" has the meaning given to that term in the definition of Performance Fee.

"Increased Net Asset Value" means, in respect of a Financial Year, the Company's Net Asset Value as at the last Business Day of that Financial Year adjusted as follows:

- (a) *plus* any Performance Fee paid and/or accrued in respect of the Financial Year which had already been taken into account for the purpose of calculating the Increased Net Asset Value for that Financial Year; *plus*
- (b) the aggregate of all dividends or distributions in respect of Shares paid or payable to Shareholders or the value of other entitlements where those other entitlements are given or due to Shareholders in respect of that Financial Year; *plus*
- (c) the value of any Base Fee paid and/or accrued in respect of the Financial Year which had already been taken into account for the purpose of calculating the Increased Net Asset Value in respect of that Financial Year; *plus*
- (d) the aggregate dollar value of any buy-back of Shares or capital reduction or capital return during that Financial Year; *less*
- (e) the aggregate dollar value of any new capital subscribed for Shares during that Financial Year (net of any expenses incurred in relation to the new capital),

in each case as determined and calculated by the Manager in accordance with the Accounting Standards.

"Initial Period" has the meaning given to that term in clause 19.3.

"Initial Term" has the meaning given to that term in clause 4.1.

"Input Tax Credit" has the meaning given by Section 195-1 of the GST Act.

"Insolvency Event" means the occurrence of any of the following events in relation to any person:

- (a) the person becomes insolvent as defined in the Corporations Act, states that it is insolvent or is presumed to be insolvent under an applicable law;
- (b) the person is wound up, dissolved or declared bankrupt;
- (c) the person becomes an insolvent under administration as defined in the Corporations Act;
- (d) a liquidator, provisional liquidator, Controller, administrator, trustee for creditors, trustee in bankruptcy or other similar person is appointed to, or takes possession or control of, any or all of the person's assets or undertaking;
- (e) the person enters into or becomes subject to:
- (i) any arrangement or composition with one or more of its creditors or any assignment for the benefit of one or more of its creditors; or
 - (ii) any re-organisation, moratorium, deed of company arrangement or other administration involving one or more of its creditors;
- (f) an application or order is made (and, in the case of an application, it is not stayed, withdrawn or dismissed within 30 days), resolution passed, proposal put forward, or any other action taken which is preparatory to or could result in any of (b), (c), (d) or (e) above;
- (g) the person is taken, under section 459F(1) of the Corporations Act, to have failed to comply with a statutory demand;
- (h) the person suspends payment of its debts, ceases or threatens to cease to carry on all or a material part of its business or becomes unable to pay its debts when they fall due; or
- (i) anything occurs under the law of any jurisdiction which has a substantially similar effect to any of the other paragraphs of this definition,

unless the event occurs as part of a solvent reconstruction, amalgamation, merger or consolidation that has been approved in writing by the Company.

"Intellectual Property" means all intellectual and industrial property rights of whatever nature (whether or not registered or registrable).

"Investment" means an investment made or proposed to be made in accordance with the Investment Policy.

"Investment Committee" means a sub-committee of the Board which is responsible for considering Investments proposed by the Manager.

"Investment Entity" has the meaning given to that term in the ASX Listing Rules.

"Investment Policy" means the policy of the Company set out in section 1 of Schedule 2.

"Investment Objectives" means the objectives of the Company in relation to the Portfolio, as set out in section 2 of Schedule 2.

"Law" includes a statute, regulation, by-law, ordinance or subordinate legislation in force from time to time.

"Liabilities" means all liabilities of the Company, including all liabilities accrued but not yet paid, borrowings, costs, contingent liabilities, unpaid amounts, any debt or other monetary liability or penalty, fine or payment or any damages, losses, costs, charges, outgoings or expenses of whatever description.

"Licence Fee" means during the:

- (a) First Licence Term, \$10;
- (b) Second Licence Term, the price agreed between the Company and the Manager following the end of the First Licence Term or, failing agreement within 14 days, the price determined by independent valuation in accordance with Schedule 4.

The Licence Fee is payable monthly in arrears.

"Licence Term" means the First Licence Term and the Second Licence Term.

"Month" means a calendar month.

"Name" means "Thorney".

"Net Asset Value" means, at any time, the total assets less the total liabilities of the Company as determined in accordance with the Accounting Standards.

"Net Tangible Asset Backing" has the meaning given to that term in the ASX Listing Rules.

"Non-Exclusive Services" means the services set out in section 2 of Schedule 1;

"Performance Fee" means, in respect of a Financial Year, a fee the greater of zero and the amount calculated as follows:

$$\text{Performance Fee} = 20\% \times \text{Increase Amount}$$

where, for a Financial Year:

Increase Amount =

- (a) the Increased Net Asset Value in respect of the Financial Year; *less*
- (b) the Net Asset Value as at the close of business on the last Business Day in respect of the previous Financial Year; *less*
- (c) the value of any Base Fee paid and/or accrued in respect of the Financial Year.

"Portfolio" means all of the Assets, Liabilities and rights of the Company, including all income and accretions thereof.

"Portfolio Value" means, as at any date that such value is required to be ascertained, the aggregate sum of the values of each Investment as determined and calculated by the Manager in accordance with the Accounting Standards adjusted by the following valuation methodologies:

- (a) **Cash (including income)** - the amount of such Cash as calculated in Australian dollars;
- (b) **Listed securities on a recognised stock exchange** - the market value as ascribed by that stock exchange on the date of valuation;
- (c) **other** - if an investment is not included within paragraphs (a) and (b) of this definition, the value of that Investment will be its market value or fair value as reasonably determined by the Manager.

"Property" means property of any description and includes land or personal property and any estate or interest in property and any debt or chose in action or any other right or interest and any permit, licence or authority or any patent, copyright, design, trade mark or other form of intellectual property.

"Quarter" means each period of three consecutive months ending on 31 March, 30 June, 30 September or 31 December in any Financial Year.

"Recipient" means a party that has received information from another party.

"Related Body Corporate" has the meaning given to that term by section 9 of the Corporations Act.

"Related Entity" has the meaning given to that term by section 9 of the Corporations Act.

"Second Licence Term" means the period commencing on the date that is 3 months following the date of termination of this Agreement under clause 14 and ending on the date that the Company ceases to use the Name in the Company's Name.

"Services" means the Exclusive Services and the Non-Exclusive Services set out in Schedule 1.

"Share" means a share in the capital of the Company.

"Shareholder" means a holder of one or more Shares.

"Tax" means any tax, levy, impost, duty, charge, deduction, compulsory loan or withholding of whatever kind (together with any related interest, penalty, fine or expense) that is imposed by law or any Government Agency.

"Taxable Supply" has the meaning given by Section 195-1 of the GST Act.

"**Tax Invoice**" has the meaning given by Section 195-1 of the GST Act.

"**Term**" means the Initial Term as extended by any Extended Term(s).

"**Thorney Group**" means Thorney Holdings Pty Ltd and each of its associates and Related Entities.

1.2 Words and expressions

In this Agreement, unless the context requires otherwise:

- (a) the singular includes the plural and vice versa;
- (b) words denoting any gender include all genders;
- (c) where a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- (d) a reference to a party, clause, paragraph, schedule or annexure is a reference to a party, clause, paragraph, schedule or annexure to or of this Agreement;
- (e) a reference to this Agreement includes any schedules or annexures;
- (f) headings are for convenience and do not affect interpretation;
- (g) the background or recitals to this Agreement are adopted as and form part of this Agreement;
- (h) a reference to any document or agreement includes a reference to that document or agreement as amended, novated, supplemented, varied or replaced from time to time;
- (i) a reference to "\$", "A\$" or "dollar" is a reference to Australian currency;
- (j) a reference to a time is a reference to Australian Eastern Standard Time;
- (k) a reference to a party includes its executors, administrators, successors, substitutes (including persons taking by novation) and permitted assigns;
- (l) a reference to writing includes any method of representing words, figures or symbols in a permanent and visible form;
- (m) words and expressions denoting natural persons include bodies corporate, partnerships, associations, firms, governments and governmental authorities and agencies and vice versa;
- (n) a reference to any legislation or to any provision of any legislation includes:
 - (i) any modification or re-enactment of the legislation;
 - (ii) any legislative provision substituted for, and all legislation, statutory instruments and regulations issued under, the legislation or provision; and
 - (iii) where relevant, corresponding legislation in any Australian State or Territory;
- (o) no rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of this Agreement or any part of it;
- (p) a word or term defined in the Corporations Act has the same meaning in this Agreement;
- (q) a word or term defined in *A New Tax System (Goods and Services Tax) Act 1999* (Cth) has the same meaning in this Agreement where used in connection with the GST imposed under that Act; and
- (r) the words "including", "for example", "such as" or other similar expressions (in any form) are not words of limitation.

1.3 Other rules of interpretation

In this Agreement, unless expressly provided otherwise:

- (a) **(method of payment)** any payment of money by one party to another will be made in Australian currency by Bank cheque or by credit of cleared funds to a Bank account specified by the recipient;
- (b) **(Business Days)** if:
 - (i) the day on or by which any act, matter or thing is to be done is a day other than a Business Day, the act, matter or thing will be done on the next Business Day; and
 - (ii) any money falls due for payment on a date other than a Business Day, that money will be paid on the next Business Day (without interest or any other amount being payable in respect of the intervening period); and
- (c) **(inconsistency within document)** if a clause of this Agreement is inconsistent with a schedule or annexure of this Agreement, the clause prevails to the extent of the inconsistency.

2 Conditions

2.1 Conditions precedent

The provision of the Services by the Manager is subject to and conditional upon the approval referred to in paragraph (e) of the definition of "Shareholder Approval" in the Implementation Deed between the Company and the Manager (dated on or about # 2013) being satisfied or waived in accordance with the terms of the Implementation Deed ("Condition").

2.2 Non-satisfaction

If the Condition set out in clause 2.1 is not satisfied by the date which is 3 months from the date of this Agreement then, at the option of either party, this Agreement may be terminated with immediate effect by giving written notice to the other party.

2.3 Termination

Upon termination of this Agreement under clause 2.2:

- (a) clauses 9, 13, 18, 21 and 24 continue to apply;
- (b) accrued rights and remedies of a party are not affected; and
- (c) subject to clauses (a) and (b), the parties are released from further performing their obligations under this Agreement.

2.4 Notice of satisfaction

Each party must notify the other party in writing as soon as practicable after it becomes aware that the Condition is satisfied or that the Condition is incapable of being satisfied.

3 Appointment

3.1 Appointment

With effect from the Commencement Date, the Company appoints the Manager, and the Manager accepts the appointment, to provide:

- (a) the Services; and
- (b) any other services as agreed between the Company and the Manager from time to time,

for the Term and on the terms and conditions contained in this Agreement.

3.2 Exclusivity

- (a) The Company will not appoint any other person to provide it with the Exclusive Services during the Term without the prior written consent of the Manager, which may be given conditionally or unconditionally or withheld in the Manager's absolute discretion.
- (b) The Manager may provide the Non-Exclusive Services as and when required by the Company from time to time, however the parties acknowledge and agree that:
 - (i) the Manager is not required to provide the Non-Exclusive Services; and
 - (ii) the Company may engage another person to provide the Non-Exclusive Services or may perform the Non-Exclusive Services itself.

3.3 No partnership, joint venture or other fiduciary relationship

Nothing in this Agreement is intended to or shall be deemed to constitute any partnership, joint venture, fiduciary relationship or other similar type of association between the Manager and the Trustee.

4 Term

4.1 Initial Term

Subject to the ASX Listing Rules or any waiver from the ASX Listing Rules, this Agreement commences on the Commencement Date and ends on the End Date ("Initial Term") unless:

- (a) terminated earlier in accordance with clause 14; or
- (b) extended in accordance with clause 4.2.

4.2 Extension

- (a) Subject to the ASX Listing Rules, any waiver from the ASX Listing Rules and clause 14, the Manager may, at the end of the Initial Term and at the end of each subsequent term, extend the term of this Agreement for a further period of 7 years ("Extended Term") by giving the Company at least nine months' written notice before the end of the then current term. For the avoidance of doubt, this right to extend may be exercised repeatedly by the Manager before the end of any current term, subject to the Manager's compliance with the notice requirements set out in this clause and to clause 14.
- (b) The Manager may only give the Company notice to extend the Term if it is not in breach of this Agreement at the time of giving notice.

5 Functions and Duties of the Manager

5.1 Provision of Services

- (a) During the Term, the Manager must provide:
 - (i) the Services for the Fees on the terms of this Agreement;
 - (ii) the information set out in clause 5.3 to the Board in a timely manner; and
 - (iii) other services as agreed between the Company and the Manager from time to time.
- (b) The Manager must ensure that in carrying out its obligations under this Agreement (including the performance of the Services) it does so:

- (i) in a good, efficient, proper and professional manner and in accordance with the ASX Listing Rules, the Corporations Act and any other Laws applicable to the Company and the Manager; and
- (ii) subject to clause 5.2, in accordance with the Investment Policy (except in respect of (d) or (e) of the Investment Policy where the Manager does not have the appropriate authorisations under an AFSL) and the Investment Objectives.

5.2 Investment Policy

- (a) If the Manager has not carried out its obligations under this Agreement in accordance with the Investment Policy because of a matter outside the reasonable control of the Manager, the Manager must, where possible, take reasonable steps to remedy the non-compliance as soon as reasonably practicable after the Manager becomes aware of the non-compliance.
- (b) Such non-compliance will not constitute a breach of this Agreement and the Company will not have any right or remedy in relation to such non-compliance if it is remedied within 20 Business days after the Manager becomes aware of the non-compliance and where the Manager is reasonably capable of remedying the non-compliance.

5.3 Provision of information

The Manager must keep the Board informed in respect of the management of the Portfolio including by providing the following information:

- (a) details of Investments and the Portfolio as reasonably required by the Company and within 5 Business Days following a written request provided by the Company to the Manager;
- (b) an estimate of the Portfolio Value on a Quarterly basis (within 5 Business Days of the end of each Quarter) and other valuations and reports as may be reasonably required by the Company from time to time and within 21 Business Days following a written request provided by the Company to the Manager;
- (c) while the Company is an Investment Entity, an estimate of the Company's Net Tangible Asset Backing as at the end of each Month within such period of time of the end of each Month so as to allow the Company to satisfy its disclosure obligations under the ASX Listing Rules; and

other information reasonably required by the Company in order to comply with applicable Laws by such time as is reasonably required by the Company.

5.4 Audit and monitoring of performance

Periodically the Company may formally review the Manager's performance under this Agreement. On reasonable notice, the Company may require that a representative from the Manager's senior management attend a meeting with the Company to report on the Manager's activities and performance of the Services.

6 Manager's powers

6.1 Manager's powers

- (a) Subject to clause 6.2, in providing the Services and pursuant to this Agreement, the Manager has all the powers in respect of the Portfolio that it would have if it were the absolute owner of the Portfolio and acting in its personal capacity.
- (b) Without limiting clause 6.1, the Manager is permitted to, on behalf of the Company:

- (i) execute all documents which the Manager considers are necessary to execute for the purposes of providing the Services; and
- (ii) charge or encumber in any way any asset in the Portfolio.

6.2 Approval by the Company

- (a) The Company and the Manager may, from time to time, agree in writing any:
 - (i) amendments to the Investment Policy or the Investment Objectives;
 - (ii) investment approval procedures to limit the Manager from making or implementing certain decisions to invest in Investments without first obtaining the approval of the Board or Investment Committee (if there is an Investment Committee).
- (b) The Manager may, in its discretion, refer to the Board or Investment Committee (if there is an Investment Committee) a recommendation of a particular Investment or a particular Investment over a threshold for the Board to consider.
- (c) The Company and the Manager may from time to time agree in writing that the Company undertake certain Investments outside of the Exclusive Services.

6.3 Discretions of the Manager

Subject to clause 6.2, the Company acknowledges and agrees that the Manager has the discretion to manage the Portfolio and do all things considered necessary or desirable in relation to the Portfolio including:

- (a) the investigation of, negotiation for, acquisition and disposal of, every Investment and any proposed Investment and the provision of the Exclusive Services to the Company;
- (b) from time to time and on behalf of the Company, to sell, realise or deal with all or any of the Investments or to vary, convert, exchange or add other Investments in lieu of those Investments;
- (c) if any of the Investments for the time being comprised in the Portfolio is at any time during the Term redeemed or the capital paid on it is wholly or partly repaid (whether by way of reduction of capital or otherwise) by the company or other person or body by which that Investment was issued or created, either:
 - (i) convert the Investment into some other Investment; or
 - (ii) accept repayment in case of the capital paid or advanced on the Investment and any other monies payable in connection with that redemption or repayment and reinvest all or any of the monies becoming payable; and
- (d) either to retain as part of the Portfolio or to retain part and sell the balance of any property received by the Company by way of bonus or in lieu of or in satisfaction (in whole or in part) of a dividend in respect of any Investments.

6.4 Change to Investment Policy and the Investment Objectives

- (a) Notwithstanding any other provision of this Agreement, the Manager may only manage the Portfolio in accordance with the Investment Policy and the Investment Objectives.
- (b) If the Manager wishes to undertake a proposed Investment that is not consistent with the Investment Policy or the Investment Objectives, the Manager must first obtain the approval from the Board or the Investment Committee (if there is an Investment Committee) to:
 - (i) undertake that proposed Investment; or

- (ii) amend the Investment Policy or the Investment Objectives.
- (c) In seeking approval, the Manager must provide such information to the Company regarding the proposed Investment to enable the Company to determine how the investment deviates from the Investment Policy or the Investment Objectives and the proposed change to the Investment Policy or the Investment Objectives as the Company may reasonably request.
- (d) The Company may withhold its approval under this clause 6.4 in its absolute discretion.

6.5 Delegation

- (a) The Manager is permitted to authorise any person to act as its agent or delegate (in the case of a joint appointment, jointly and severally) to perform any act or exercise any discretion within the Manager's power, including the power to appoint in turn its own agent or delegate.
- (b) The delegation of any power, task or duty under this Agreement by the Manager to any person or entity has no effect on and does not diminish the responsibility or liability of the Manager for the proper exercise of that obligation, discretion, power, task or duty.

6.6 Compliance with applicable Laws

The Manager must comply with applicable Laws to the extent that they concern the obligations, functions, powers and duties of the Manager under this Agreement. However, the Company acknowledges that:

- (a) the Manager may act on specific instructions given by the Board (and such instructions may be provided by at least one director in writing on behalf of the Board who has the relevant authority) without investigating whether the act will comply with applicable Laws but must not comply with any direction which it is aware will cause a breach of the applicable Laws; and
- (b) the Manager has no obligation to ensure that it complies with any Law applicable to the Company or any constitutional documents or legislation regulating the Company to the extent that it does not concern the obligations, functions, powers and duties of the Manager under this Agreement.

For the avoidance of doubt, nothing in this clause requires the Board to delegate any of its powers to any single director of the Company or revoke any delegation of its powers at any time.

6.7 Common investment of funds

- (a) The Manager may make any common investments for the Portfolio with any other investments in, or portfolios managed by, or in financial products issued by, any member of the Thorney Group on its own account or on behalf of other persons including any other member of the Thorney Group or as manager or trustee of any other entity.
- (b) The Company consents fully to the Manager acting in the acquisition and disposal of assets on behalf of other persons.
- (c) The Company consents fully to the Manager advising both on the Portfolio and any other portfolios or investments advised by the Manager.

6.8 Manager's rights to provide services to others

The Manager may from time to time perform services for itself and other persons (including persons whose interests may be in competition with those of Shareholders) the same as or similar to the Services performed for the Company under this Agreement subject to the Manager maintaining reasonable and adequate systems and records that

distinguish the Portfolio from the property of any other person and to the extent that it does not result in the Manager being in breach of its obligations under this Agreement. The Company acknowledges that:

- (a) the Manager has no obligation to recommend for purchase or sale, for the account of the Company, any investment which the Manager purchases or sells for its own account or for the account of any other client of the Manager;
- (b) the Manager may give advice and take action in the performance of its duties for other clients which differ from advice given and action taken in relation to the Portfolio; and
- (c) any personnel provided by the Manager to the Company in order to satisfy its obligations under this Agreement will only be required to provide the Services for such proportion of their normal working hours as is reasonably required and may also provide services to, or on behalf of, any member of the Thorney Group.

6.9 Investment opportunities

The Company acknowledges and agrees that:

- (a) there is no obligation on the Manager to recommend an acquisition or investment opportunity to the Company in preference to itself, any member of the Thorney Group or any other entity; and
- (b) the allocation of investment opportunities is at the sole discretion of the Manager.

7 Obligations of the Manager

In the course of performing the Services, the Manager must:

- (a) exercise all due care, skill and diligence in carrying out its duties and in performing its obligations under this Agreement;
- (b) hold in its own name, or being appointed as an authorised representative under, any required AFSL, with the appropriate authorisations required for it to perform the Services and comply with all obligations with respect to that AFSL and related agreements;
- (c) ensure that it, or its agents or delegates, has and maintains throughout the term of this Agreement a sufficient number of competent and appropriately qualified and skilled personnel to perform its obligations and provide the Services in a timely manner;
- (d) ensure that the performance by the Manager of any services or other work to persons other than the Company does not prevent the Manager from performing any Services in accordance with this Agreement.
- (e) exercise due care in selecting, appointing and reviewing the performance of any agent or delegate of the Manager in connection with the Portfolios or any Investment;
- (f) maintain adequate records of all transactions and other matters in relation to the Portfolio and retain such records for not less than 7 years;
- (g) maintain appropriate and adequate compliance arrangements;
- (h) provide the Board with information in relation to the performance of the Manager's material obligations under this Agreement, as the Board may reasonably request;
- (i) keep such accounting records as are reasonably required so as to correctly record and explain the transactions in relation to the Portfolio for each accounting period of the Company in such a manner as will enable:

- (i) the annual preparation of true and fair accounts by the Company in accordance with the Accounting Standards within the time required;
- (ii) the accounts of the Company to be properly audited in accordance with the Accounting Standards;
- (iii) any required Tax returns or filings to be made by the Company within the time required; and
- (iv) the Company to meet any other requirements of any Government Agency in respect of its affairs within the time required;
- (j) promptly deposit all moneys payable to the Company to a bank account held in the name of the Company;
- (k) use its reasonable endeavours to ensure that all property of the Company (other than moneys to be deposited to any bank account of the Company) is transferred to or otherwise held in the name of the Company or any nominee or custodian appointed by the Company;
- (l) cooperate with the Company and its agents whenever requested to reconcile reports within an agreed timetable;
- (m) advise the Company as soon as reasonably practicable after becoming aware of any event (including but not limited to, any change in the Manager's operations):
 - (i) which has or may have a significant adverse effect on the financial position of the Portfolio;
 - (ii) which adversely affects the ability of the Manager to perform its obligations under this Agreement;
 - (iii) so far as the disclosure document relates to the Manager and the Portfolio, that it should reasonably be expected to know may cause the Company to breach any Company disclosure document or cause any statement included in a Company disclosure document to become false or misleading or likely to mislead or deceive, or cause the Company to have to issue a supplemental or amending disclosure document;
 - (iv) which causes a breach of any applicable Law; or
 - (v) relating to the Manager or the Portfolio which the Manager considers that the Company should be aware of in discharging its responsibilities in respect of the Portfolio;
- (n) promptly give the Company copies of any correspondence with any regulatory authority which refers to the occurrence of any matters which may result in the termination of this Agreement; and
- (o) use its reasonable endeavours to maintain at its own expense professional indemnity insurance in relation to its management business with such insurers, to cover such risks, for such amounts and on such terms and conditions as the Company and Manager agree, acting reasonably, having regard to cost and the nature of the tasks the Manager is required to carry out under this Agreement. The Manager must, upon written request from the Company, give the Company any information it may reasonably require concerning the scope of such insurance.

8 Obligations of the Company

8.1 Company to do all things necessary

- (a) The Company must provide such assistance as is reasonably requested by the Manager to permit it to provide the Exclusive Services under this Agreement.

- (b) If, pursuant to paragraph (i) of the Exclusive Services, the Manager recommends to the Company the raising of any additional capital, whether by way of debt or equity, which the Manager requires to pursue the Investment Objectives or any investment, the Company must, subject to the directors of the Company satisfying their fiduciary obligations and any other applicable Law, use its reasonable endeavours to implement that recommendation, including, seeking any necessary approvals from shareholders.
- (c) Upon request by the Manager, the Company must from time to time appoint the Manager as its attorney to execute instruments and do things reasonably required for the purpose of providing the Exclusive Services.

8.2 Company's officers

The Company must ensure that:

- (a) each of its officers and employees, each of its subsidiaries and each of its subsidiaries' officers and employees acts in accordance with the Company's obligations under this Agreement; and
- (b) the Company and its subsidiaries provide to the Manager all information which the Manager may reasonably require to provide the Services and on such dates as the Manager may reasonably require.

8.3 Board's powers

Subject to the provisions of the Corporations Act and the Constitution, the Manager acknowledges that the Board has the sole power to:

- (a) manage the business of, and control the day to day operation of, the Company;
- (b) pay all Costs incurred in promoting and incorporating the Company; and
- (c) exercise all the powers of the Company which are not by the Corporations Act or the Constitution required to be exercised by the Company in general meeting,

and the Manager undertakes not to do any of the above except in accordance with this Agreement or as expressly authorised so to do by the Board.

9 Indemnity

9.1 Company

The Company must indemnify the Manager and its employees, officers, delegates, agents and contractors against any Costs (including legal expenses on a full indemnity basis) reasonably and properly incurred by the Manager or its employees, officers, delegates, agents or contractors arising out of, or in connection with, the Manager's performance of the Services pursuant to this Agreement except to the extent any Cost is incurred as a result of a breach of this agreement, or the fraud or wilful misconduct of the Manager or its employees, officers, delegates, agents or contractors. For the avoidance of doubt, this indemnity excludes:

- (a) any Costs in respect of which any amount may be payable to the Manager under clause 13.1; and
- (b) any Costs specified in clause 13.2.

9.2 Manager

The Manager must indemnify the Company and its employees, officers, delegates, agents and contractors against any Costs (including legal expenses on a full indemnity basis) that are incurred by the Company or its employees, officers, delegates, agents or contractors as a result of a breach of this agreement, or the fraud or wilful misconduct of the Manager or its employees, officers, delegates, agents or contractors except to the

extent any Cost is incurred as a result of a breach of this agreement or the negligence, fraud or wilful misconduct of the Company or its employees, officers, delegates, agents or contractors.

9.3 Continuing obligation

The indemnities contained in clauses 9.1, 9.2 and 13.1 are continuing obligations separate and independent from the other obligations of the parties and survive the termination of this Agreement.

10 Conflicts of interest

10.1 Use of Related Entities

- (a) The Company acknowledges that the Manager may, in connection with this Agreement, invest in, deal with or engage the services of any member of the Thorney Group engaged in separate business activities which are entitled to charge fees, brokerage and commissions provided that they are in the ordinary course of business, on an arm's length commercial basis and approved by the Board (who may seek the review of the terms and conditions of any agreement, arrangement or transaction by an independent third party appointed by the Board). Services provided within the terms of a general approval by the Board do not require specific approval by the Board.
- (b) Without limiting clause 10.1(a) and subject to the mandate arrangements that the Company may have in place as at the date of this agreement, any member of the Thorney Group may be appointed as a financial adviser to the Company and to underwrite and/or lead manage the offer of any Shares.
- (c) Any fees payable to any member of the Thorney Group for such services are in addition to all Fees owing under clause 11.

10.2 Conflicts of interest

Nothing in this Agreement restricts the Manager (or any member of the Thorney Group) from:

- (a) dealing with any holder of Shares or any warrant in respect of Shares;
- (b) being interested in any contract or transaction with the Company on an arm's length commercial basis; or
- (c) investing and being invested in any holder of Shares or any warrant in respect of Shares.

10.3 No avoidance of contracts

No contract or transaction referred to in clauses 10.1 and 10.2 in which the Manager or any other member of the Thorney Group is interested in any way, whether directly or indirectly, will be avoided and neither the Manager nor the other member of the Thorney Group will be liable, by reason of the Manager's appointment as Manager under this Agreement, to account to the Company or any other person for any profit or benefits arising from such contracts or transactions and it may retain such profits or benefits. Any fees paid or payable in relation to such contracts or transactions are to be retained by the person to whom those fees are paid or payable.

10.4 Holding shares and exercise of rights

The Manager and the other members of the Thorney Group may hold Shares in any capacity.

11 Voting Rights

The Company must provide the Manager with a standing authority to exercise any right to vote attached to a share, unit or other security forming part of the Portfolio to the extent required by the Manager to provide the Exclusive Services. Where the exercise of a corporate action is contrary to the Investment Policy or the Investment Objectives, the Manager may not take any action unless the Company specifically authorises it to do so.

12 Fees and Taxes

12.1 Base Fee

The Company must pay the Manager the Base Fee for each Half Year period in a Financial Year by Bank cheque or by credit of cleared funds to a Bank account specified by the Manager within 60 days of receiving an invoice from the Manager setting out the amount of the Base Fee for the relevant Half Year period. In respect of the period from the Commencement Date to 31 December 2013 and any period from the calculation of the last Base Fee prior to termination of this Agreement and which is less than six (6) months, the amount of the Base Fee payable to the Manager will be calculated on a pro rata basis with reference to the length of the period.

12.2 Performance Fee

- (a) The Company must pay the Manager the Performance Fee for each Financial Year by Bank cheque or by credit of cleared funds to a Bank account specified by the Manager within 60 days of receiving an invoice from the Manager setting out the amount of the Performance Fee for the relevant Financial Year. In respect of the period from the Commencement Date to 30 June 2014, the Commencement Date is the first day of the Financial Year.
- (b) The Performance Fee must not be less than zero. If there is no Increase Amount for a Financial Year, the shortfall is not to be carried forward and not to be deducted from any Increase Amount for the next Financial Year or, if necessary, Financial Years, for the purpose of calculating future Performance Fees.

12.3 Waiver of Fees

The Manager may, in its sole discretion, accept lower Fees than it is entitled to receive under this Agreement and may defer payment for any period. Any deferred payments will accrue daily until paid.

12.4 Resignation Entitlement

If the Manager resigns and terminates this Agreement in accordance with clause 14.1(a), then, unless the Manager agrees otherwise, clauses 12.1 and 12.2 shall have effect as if:

- (a) in the case of the Base Fee, the date of retirement or removal is the last day of a Half Year in a Financial Year; and
- (b) in the case of the Performance Fee, the date of retirement or removal is the last day of a Financial Year.

12.5 Termination Entitlement

- (a) If this agreement is terminated in accordance with clause 14.1(b)(i), 14.1(b)(ii) or where the Agreement is terminated by the Company in circumstances where the Company has no right of termination and therefore such termination is in breach of this Agreement, the Company must, within 30 days of the termination of this Agreement, pay to the Manager by Bank cheque or by credit of cleared funds to a Bank account specified by the Manager a lump sum payment equal to:

- (i) the average Base Fee for the previous two (2) Financial Years multiplied by 6; *plus*
- (ii) the average Performance Fee for the previous two (2) Financial Years, multiplied by 3,

except in the case where such termination occurs at a time after which the Manager ceases to be entitled to exercise its right to extend this Agreement under clause 4.2, in which case the lump sum payment payable by the Company to the Manager will be equal to:

- (iii) the average Base Fee for the previous two (2) Financial Years multiplied by the proportion of 6 months represented by the length of the period remaining until the end of the term that this agreement would otherwise have if it ended under clause 4; *plus*
 - (iv) the average Performance Fee for the previous two (2) Financial Years multiplied by the proportion of 12 months represented by the length of the period remaining until the end of the term that this agreement would otherwise have if it ended under clause 4.
- (b) If this agreement is terminated in accordance with clause 14.1(b)(iii), 14.2(b) or 14.2(c), the Company must, within 30 days of the termination of this Agreement, pay to the Manager by Bank cheque or by credit of cleared funds to a Bank account specified by the Manager a lump sum payment equal to the average Base Fee for the previous two (2) Financial Years.
 - (c) For the purpose of clauses 12.5(a) and 12.5(b), if the period from the Commencement Date to the date of the termination of this Agreement is less than two (2) Financial Years:
 - (i) the period for determining the average Base Fee will be the period from the Commencement Date to the date of termination of this Agreement; and
 - (ii) the period for determining the Performance Fee will be the Financial Year between the Commencement Date and the date of termination.

If this Agreement is terminated prior to the completion of the first Financial Year following the Commencement Date, the period for determining the Base Fee will be the period from the Commencement Date to the date of termination of this agreement.

- (d) The parties acknowledge that, after making all due and reasonable inquiries, the termination entitlement in clause 12.5(a) or 12.5(b) represents a genuine and reasonable pre-estimate of the amount required to compensate the Manager in respect of the damages and loss actually flowing from those events that give the Manager the right of termination.
- (e) The parties agree that if an amount is paid by the Company to the Manager under clause 12.5(a) or 12.5(b), the Manager cannot make any further Claim for damages against the Company in respect of any Loss suffered as a result of the termination of this agreement, for so long as this clause 12.5 remains in full force and effect.

12.6 Payment on account only

A payment of any Fee made by the Company in relation to this Agreement will not be evidence of the Fee being correctly calculated or an admission of liability, but is a payment on account only.

12.7 Set off

Despite anything else contained in this Agreement, the Company may deduct from any amount payable to the Manager under this Agreement any amount the Company has overpaid, as agreed between the Manager and the Company, in respect of a previous invoice or is entitled to a credit in respect of any invoice.

12.8 Taxes

- (a) The Manager must make any payment from the Portfolio and transfer all or any part of the Portfolio to the Company without deduction of any Taxes, unless the Manager is required by a relevant Law to deduct an amount in respect of Taxes, excluding penalties and interest arising from the Taxes, from the payment. In that case, the Manager must pay to the relevant tax authority the deducted amount on account of the Company in compliance with the relevant Law and provide details to the Company of any such payment of Taxes in a form either as required by a relevant Law or as requested by the Company. The Company must indemnify the Manager and keep the Manager indemnified after termination of this Agreement against any liability for Taxes, excluding penalties and interest arising from the Taxes, which the Manager ought to have deducted in accordance with this clause 12.8(a) at the time the payment was made to the Company.
- (b) If the Company is required, in its opinion, to withhold any amount in respect of Taxes from a payment to be made to the Manager under this Agreement, it is entitled to do so and such withholding and payment to the relevant tax authority will be a good discharge of its obligation to pay the relevant amount to the Manager. In the event that the Company pays an amount to the Manager without withholding an amount in respect of Taxes, the Company will be indemnified, and kept indemnified by the Manager after termination of this Agreement, for any loss suffered by it as a result of failing to withhold.

13 Expenses**13.1 Company liable for expenses**

- (a) Subject to clause 13.3, the Company is liable for and must pay out of the Portfolio (or, if paid by the Manager, reimburse the Manager out of the Portfolio) any Expenses properly and reasonably incurred by the Manager in connection with the provision of the Services.
- (b) The Manager may incur any Expenses referred to in clauses 13.1(a) without the Company's prior consent or permission and the Manager may cause them to be deducted from the Portfolio. The Manager shall allocate Costs and expenses incurred in connection with an Investment acquired or to be acquired on behalf of the Company and other clients between the Company and those clients proportionately to their respective interests in the Investment.

13.2 Deferral and waiver

The Manager may:

- (a) defer reimbursement for an agreed period; and
- (b) waive the right to be reimbursed in respect of,
- any or all Expenses or part thereof under clause 13.1. Where reimbursement is deferred, the Manager does not waive any right to recover that Expense.

13.3 Manager not indemnified for certain expenses

Notwithstanding any other provision of this Agreement, the Manager is not indemnified for and is not entitled to be reimbursed for, or to have paid, by the Company any Costs, Expenses or Taxes to the extent that:

- (a) they arise as a result of any breach of this agreement by the Manger or the fraud or wilful misconduct of the Manager or any officer, employee, delegate, agent or contractor of the Manager; or
- (b) they are paid by any of the companies or entities in which the Company invests or are otherwise recovered by the Manager from any Investment or part of the Portfolio or from any other person.

13.4 Regulatory costs

For the avoidance of doubt, the Expenses will include any Expenses associated with the provision by the Manager of information and other assistance required in relation to the Company's compliance under any applicable Law.

14 Termination**14.1 Resignation by Manager**

- (a) Following the third anniversary of the Commencement Date, the Manager may, by giving to the Company not less than six months' written notice, resign from its appointment as Manager and terminate this Agreement.
- (b) Subject to clause 14.1(c), the Manager may at any time resign from its appointment as Manager and terminate this Agreement in the event of:
 - (i) the Company committing a material breach of this Agreement (including any termination of this agreement by the Company not in accordance with clause 14.2 or any repudiation of this agreement by the Company) that:
 - (A) cannot be remedied;
 - (B) only where damages are not an appropriate remedy; and
 - (C) only after the Manager has provided 60 days' notice to the Company of such material breach;
 - (ii) an Insolvency Event occurring in relation to the Company; or
 - (iii) a Change of Control of the Company.
- (c) While the Company is an Investment Entity, the Manager may only resign from its appointment as Manager and terminate this Agreement under clause 14.1(b) if the Manager has first given to the Company at least 3 months' written notice.

14.2 Termination by Company

- (a) The Company may remove the Manager and terminate this Agreement with immediate effect if:
 - (i) the Manager has committed a material breach of this Agreement that:
 - (A) cannot be remedied;
 - (B) only where damages are not an appropriate remedy; and
 - (C) only after the Company has provided 60 days' notice to the Manager of such material breach; or
 - (ii) an Insolvency Event occurring in relation to the Manager.

- (b) While the Company is an Investment Entity, the Company may remove the Manager and terminate this Agreement after the expiration of the Initial Term, on delivery of 3 months' prior written notice following approval of the Company's Shareholders to do so.
- (c) If the Manager extends the Initial Term of this agreement under clause 4.2, the Company may remove the Manager and terminate this Agreement on delivery of 3 months' written notice prior to the expiry of the initial Extended Term or the expiry of any subsequent Extended Term following approval of the Company's Shareholders to do so. This right may be exercised notwithstanding that the Company is not an Investment Entity at that time.

14.3 Notification of material breach that can be remedied

The Company and the Manager must, as soon as it becomes aware, immediately notify the other of any breach or potential material breach of the terms of this Agreement.

14.4 Effect of termination

- (a) If this Agreement is terminated under clause 14 then all rights and obligations under this Agreement terminate on that date, except:
 - (i) rights and obligations of the parties under clauses 1, 9, 16, 19, 21, 22, 23 and 24;
 - (ii) any transaction properly entered into prior to termination;
 - (iii) any claim by the Manager in respect of accrued Fees and expenses incurred in respect of the period to termination; or
 - (iv) any other claim which either party may have against the other.
- (b) Rights and obligations of the parties under the clauses referred to in clause 14.4(a) shall survive termination of this Agreement and shall continue to apply notwithstanding any termination of this Agreement.

14.5 Delivery of documents

- (a) Subject to clause 14.5(b), on the termination or expiry of this Agreement, the Manager must deliver to the Company within 14 days of the receipt of a written request all records and materials, regardless of form, in its possession or control which contain or embody Confidential Information, delete any electronic copies of this information and cease to use this information or any part of it and the Manager must transfer management, supervision and control of the Company's business, operations and administration in accordance with the Company's reasonable directions, and in the month before termination the Manager must manage and supervise the Company's business, operations and administration in a way to ensure an orderly transfer and the Manager must deal with the Company's money, property, rights and income solely for that purpose.
- (b) The Manager may retain one copy of the Confidential Information solely for its corporate governance purposes.

15 Warranties and acknowledgements

15.1 Mutual Warranties

Each party represents and warrants that:

- (a) **(status)** it is a body corporate duly incorporated under the laws of the place of its incorporation;

- (b) **(power)** it has full legal capacity and power to:
- (i) own property and carry on its business; and
 - (ii) enter into and perform its obligations under this Agreement;
- (c) **(authorisations)** it has taken all corporate and other action required and obtained or been granted all consents, approvals, permissions and authorisations, whether internal or external, necessary to enable it to enter into and perform its obligations under this Agreement;
- (d) **(binding obligations)** this Agreement constitutes a valid and legally binding obligation of it in accordance with its terms (except to the extent limited by equitable principles and laws affecting creditors' rights generally);
- (e) **(no contravention)** the execution, delivery and performance of this Agreement will not contravene:
- (i) any law, regulation, order, judgment or decree of any court or Government Agency which is binding on it or any of its property;
 - (ii) any provision of its constitution or equivalent documents; or
 - (iii) any agreement, undertaking or instrument which is binding on it or any of its property;
- (f) **(no litigation)** no litigation, arbitration, mediation, conciliation, criminal or administrative proceedings are current, pending or (to the knowledge of any of its officers after due inquiry) threatened which, if adversely determined, could have a material adverse effect on its ability to perform its obligations under this Agreement;
- (g) **(no untrue statements of fact)** no representation, warranty or other information provided by it contains any untrue statement of material fact or omits to state a material fact necessary to ensure that the representation, warranty or information is not misleading; and
- (h) **(no trust)** it is not entering into this Agreement as the trustee of any trust or settlement.

15.2 Acknowledgment

The Company acknowledges that neither the Manager nor any other member of the Thorney Group guarantees the repayment of capital or the performance of the Investments or the Company or makes any representation concerning any of these matters.

16 Licence of Name

16.1 Acknowledgement

The Company acknowledges and agrees:

- (a) that Thorney Holdings Pty Ltd and members of the Thorney Group have developed a reputation from, and goodwill in, the Name; and
- (b) the Company proposes to seek shareholder approval to change the Company's Name to a name that includes the Name to use and leverage off the goodwill and reputation associated with the Name during the Licence Term.

16.2 Licence

In consideration of the Company paying the Manager the Licence Fee, the Manager grants to the Company a non-exclusive non-transferrable licence to use the Name in the

Company's Name during the Licence Term and in accordance with the terms and conditions set out in this clause 16.

16.3 Manager's property

The Company acknowledges and agrees that:

- (a) the Name, together with all Intellectual Property rights subsisting in the Name, is the sole and absolute property of Thorney Holdings Pty Ltd and that during the Licence Term Thorney Holdings Pty Ltd and members of the Thorney Group will continue to use the Name; and
- (b) this Agreement does not constitute or effect, or purport to constitute or effect, the sale or transfer of ownership to the Company of the Name or any Intellectual Property in the Name.

16.4 Effect of termination under clause 14

Upon termination of this Agreement pursuant to clause 14, the Company must, within 3 months of termination, call and hold a general meeting of its shareholders to seek their approval to change the Company's Name to a name that does not include the Name.

17 Other Intellectual Property

17.1 Use of Company's name and trademarks

The Company grants a non-exclusive licence to the Manager to use the name and trademarks and logos the Company uses in connection with its business in disclosure documents and other marketing and promotional material for the Group insofar as they relate to the management of the Portfolio by the Manager in accordance with the terms of this Agreement.

17.2 Use of Manager's name and trademarks

Unless otherwise permitted under clause 16, the Company agrees only to use the Manager's name, trademarks or information about performance history, asset allocation and investment strategy, material events or other information reasonably required in any publication, with the Manager's prior written consent.

17.3 Requirements for disclosure

Any disclosure document issued by the Company in relation to the Manager's products must disclose the following matters:

- (a) the Manager has not issued or caused the issue of the disclosure document or endorsed or otherwise recommended any investment or participation in the Company; and
- (b) the Manager is not responsible for the making of any disclosure or the failure to make a disclosure in a disclosure document.

17.4 Copyright

- (a) The copyright in all analyses, estimates, bills, budgets, accounts, specifications, calculations, reports, valuations, notes of meeting and other documents provided or produced by the Manager in the performance of its obligations under this Agreement remains vested in the Manager.
- (b) The provisions of clause 17.4(a) continue despite the termination of this Agreement, whether under clause 14 or otherwise.

18 Exclusion of Manager's liability

18.1 Liability of Manager

Neither the Manager nor any of its officers, employees, delegates, agents or contractors will be liable to the Company for any loss or liability incurred by the Company as a result of the Manager's or any of its officers, employees, delegates, agents or contractors exercise or performance (or failure of the Manager or any of its officers, employees, delegates, agents or contractors to exercise or perform or any error of judgment in respect thereof) of any of the obligations under this Agreement, or loss of opportunity as a result of which the value of the Company would have increased, or for any decline in value of the Company, howsoever arising, except to the extent that such liability is caused by gross negligence, fraud, wilful misconduct or dishonesty by the Manager or any officer, employee, delegate, agent or contractor of the Manager.

18.2 Manager may rely

- (a) The Manager may take and may act upon a document or instruction in circumstances where it is reasonable for the Manager to assume it was properly authorised by the Board or the Company and the Manager will not be liable for anything done, suffered or omitted by it in good faith in reliance upon such document or instruction.
- (b) The Manager will not be liable for anything done, suffered or omitted by it in good faith arising out of a decision or strategy made or followed by the Manager in the proper performance of its duties and obligations where such decision or strategy was made or followed:
 - (i) in good faith in reliance on an advice, opinion or statement from a banker, accountant, auditor, valuer or other professional consulted by the Manager who in each case was believed by the Manager, in good faith, to be expert in relation to the matters upon which they were consulted; and
 - (ii) where the Company has the benefit of and can rely on such advice, opinion or statement.
- (c) The Company and the Manager agree that they will take such steps as are required to ensure that, where privilege over any advice, opinion or statement referred to in clause 18.2(b) is held jointly by the Manager and the Company, that privilege is not waived.

19 Disputes

19.1 No arbitration or court proceedings

If a dispute arises out of or in relation to this Agreement ("**Dispute**") no party to the Dispute ("**Disputant**") will start arbitration or court proceedings (except proceedings seeking interlocutory relief) unless it has complied with this clause 19.

19.2 Notice

A party claiming that a Dispute has arisen must notify each other Disputant in writing giving details of the Dispute and its proposal for a resolution.

19.3 Initial Period

For a 14 day period after a notice is given ("**Initial Period**") each Disputant must use all reasonable endeavours to resolve the Dispute and an Authorised Officer of each Disputant will meet within the first 7 days of that period with that aim.

19.4 Appointment of mediator

If the Dispute remains unresolved at the end of the Initial Period, it must be referred at the request of any Disputant to mediation by:

- (a) a person agreed on by the Disputants; or
- (b) if agreement is not reached within seven days of the end of the Initial Period, appointed by the chairman of the Victorian Bar Council.

19.5 Role of mediator

The role of any mediator is to assist in negotiating a resolution of the Dispute. A mediator may not make a decision that is binding on a Disputant unless that Disputant has agreed to this in writing.

19.6 Venue, representation and format

Unless otherwise agreed between the Disputants, the mediation will take place in Melbourne and the Disputants will be entitled to legal representation.

19.7 Timeframe

Each Disputant will use all reasonable endeavours to resolve the Dispute through mediation as soon as is practical, including, but not limited to, providing the mediator with all information relevant to the Dispute.

19.8 Confidentiality

Any information or documents disclosed by a Disputant under this clause must be kept confidential and may not be used except to attempt to resolve the Dispute.

19.9 Costs

Each Disputant must bear its own costs of complying with this clause 19 and the Disputants must bear equally the mediator's costs.

19.10 Breach of this clause

If, in relation to a Dispute, a Disputant breaches any provision of clauses 19.1 to 19.8, each other Disputant need not comply with those clauses in relation to that Dispute.

20 Force majeure

No party is liable for any failure to perform or delay in performing its obligations under this Agreement if that failure is due to anything beyond that party's reasonable control. If that failure or delay exceeds 60 days, any other party may terminate this Agreement immediately by giving notice to each other party without prejudice to any accrued rights or remedies of any party. This clause 20 does not apply to any obligations to pay money.

21 Confidentiality

The Recipient may use Confidential Information solely for the Approved Purpose and must keep this information confidential and ensure that its officers, employees, agents and advisers keep it confidential and must not disclose this information to any person except:

- (a) with the prior written consent of the Disclosing Party;
- (b) to the extent required by law or the rules of any stock exchange; or
- (c) to any officers, employees, agents and advisers of the Recipient who:

- (i) have a need to know the information for the Approved Purpose, but only to the extent they have a need to know; and
- (ii) before disclosure, are directed by the Recipient to use Confidential Information solely for the Approved Purpose and to keep it confidential,

and the rights and obligations of the parties under this clause 21 will survive termination of this Agreement and continue indefinitely.

22 Goods and Services Tax

- 22.1 Except where express provision is made to the contrary, the consideration to be paid or provided by a party for a Taxable Supply made by the other party under or in connection with this Agreement is exclusive of GST.
- 22.2 Despite any other provision in this Agreement, if a party makes a Taxable Supply under or in connection with this Agreement ("**supplier**"), then the party liable to pay for the Taxable Supply ("**recipient**") must also pay, at the same time and in the same manner as the GST exclusive consideration is required to be paid or provided, an additional amount equal to the amount of any GST payable in respect of that Taxable Supply. The amount of GST is to be calculated by multiplying the GST exclusive consideration for the Taxable Supply by the GST rate from time to time.
- 22.3 Where this Agreement requires the recipient of a Taxable Supply to make further and additional payments, whether by way or reimbursement or contribution or other payments, for an amount paid or payable by the supplier in respect of an acquisition from a third party for which the supplier is entitled to claim an Input Tax Credit, the additional amount payable by the recipient must be reduced by the amount of the Input Tax Credit and increased by the amount of the GST payable (calculated pursuant to clause 22.2) by the supplier in respect of the supply.
- 22.4 The right of either party to payment under this clause is subject to a valid Tax Invoice, which complies with the GST Act, being issued and delivered by the supplier of the Taxable Supply to the recipient.

23 Notices

23.1 Method

All notices, requests, demands, consents, approvals, offers, agreements or other communications ("**notices**") given by a party under or in connection with this Agreement must be:

- (a) in writing;
- (b) signed by a person duly authorised by the sender or, where transmitted by e-mail, sent by a person duly authorised by the sender;
- (c) directed to the intended recipient's address (as specified in clause 23.3 or as varied by any notice); and
- (d) hand delivered, sent by prepaid post or transmitted by e-mail or facsimile to that address.

23.2 Receipt

A notice given in accordance with this clause is taken as having been given and received:

- (a) if hand delivered, on delivery;

- (b) if sent by prepaid post:
- (i) within Australia, on the second Business Day after the date of posting;
 - (ii) to or from a place outside Australia, on the seventh Business Day after the date of posting;
- (c) if transmitted by e-mail, on transmission; or
- (d) if transmitted by facsimile, at the time recorded on the transmission report indicating successful transmission of the entire notice,

but if the delivery or transmission is not on a Business Day or is after 5.00pm (recipient's time) on a Business Day, the notice is taken to be received at 9.00am (recipient's time) on the next Business Day.

23.3 Address of parties

Unless varied by notice in accordance with this clause 23, the parties' addresses and other details are:

Party: Company
 Attention: Company Secretary
 Address: Level 23, 459 Collins Street, Melbourne Vic 3000
 Facsimile: (03) 8692 1122
 E-mail: ron.hollands@wentworthholdings.com.au

Party: Manager
 Attention: Company Secretary
 Address: Level 39, 55 Collins Street, Melbourne Vic 3000
 Facsimile: (03) 9921 7100
 E-mail: [insert]

23.4 Requirement for written notice

For the avoidance of doubt, the requirement in clause 23.1(a) applies to all notices unless expressly excluded and no implication to the contrary is to be drawn from the use of the expressions "written" or "in writing" in relation to some but not all notices.

24 General

24.1 Entire agreement

This Agreement constitutes the entire agreement between the parties in relation to its subject matter. All prior discussions, undertakings, agreements, representations, warranties and indemnities in relation to that subject matter are replaced by this Agreement and have no further effect.

24.2 Paramountcy of document

If this Agreement conflicts with any other document, agreement or arrangement, this Agreement prevails to the extent of the inconsistency.

24.3 No merger

The provisions of this Agreement will not merge on completion of any transaction contemplated in this Agreement and, to the extent any provision has not been fulfilled, will remain in force.

24.4 Attorneys

Each person who executes this Agreement on behalf of a party under a power of attorney warrants that he or she has no notice of the revocation of that power or of any fact or

circumstance that might affect his or her authority to execute this Agreement under that power.

24.5 Amendment

This Agreement may not be amended or varied unless the amendment or variation is in writing signed by all parties.

24.6 Assignment

(a) The Company may not assign, transfer or otherwise deal with this Agreement or any right under this Agreement without the prior written consent of the Manager, which may be given conditionally or unconditionally or withheld in the Manager's absolute discretion.

(c) The Manager may not assign, transfer or otherwise deal with this Agreement or any right under this Agreement without the prior written consent of the Company, such consent not to be unreasonably withheld.

24.7 Relationship

Except where this Agreement expressly states otherwise, it does not create a relationship of employment, trust, agency or partnership between the parties.

24.8 Severability

Part or all of any provision of this Agreement that is illegal or unenforceable will be severed from this Agreement and will not affect the continued operation of the remaining provisions of this Agreement.

24.9 Waiver

Waiver of any power or right under this Agreement:

(a) must be in writing signed by the party entitled to the benefit of that power or right; and

(b) is effective only to the extent set out in that written waiver.

24.10 Rights, remedies additional

Any rights and remedies that a person may have under this Agreement are in addition to and do not replace or limit any other rights or remedies that the person may have.

24.11 Further assurances

Each party must do or cause to be done all things necessary or reasonably desirable to give full effect to this Agreement and the transactions contemplated by it (including, but not limited to, the execution of documents).

24.12 Costs

Each party must bear its own legal, accounting and other costs for the preparation and execution of this Agreement.

24.13 Counterparts

This Agreement may be executed in any number of counterparts and all counterparts taken together will constitute one document.

24.14 Governing law and jurisdiction

This Agreement will be governed by and construed in accordance with the laws in force in the State of Victoria and each party submits to the exclusive jurisdiction of the courts of that State.

SCHEDULE 1 – SERVICES

Section 1 – Exclusive Services

The Manager will:

- (a) invest, manage and review the Portfolio;
- (b) identify, evaluate, invest and manage Investments with a view to maintaining and enhancing the value, performance and profitability of those Investments;
- (c) keep the Portfolio under review and confer at regular intervals with the Company regarding the investment and management of the Portfolio;
- (d) construct the Portfolio in accordance with clause 6;
- (e) keep complete and proper records in relation to transactions entered into in relation to the Portfolio;
- (f) if required by law, provide information and assistance to ASIC in relation to the Portfolio and the activities of the Manager under this Agreement;
- (g) provide the Company with access to a copy of the Manager's records in relation to the Portfolio, following a reasonable request by the Company;
- (h) comply with all reasonable requests for information or assistance from any auditor appointed by the Company to conduct an audit of the Portfolio;
- (i) recommend, and if approval is given by the Board, use its reasonable endeavours to procure, the raising of funds whether by way of debt or equity including the issue of options or fully or partly paid Shares or otherwise but without any obligation to provide such amounts;
- (j) when appropriate recommend and, in consultation with the Board, appoint nominees of the Company as directors of companies in which the Company invests;
- (k) make recommendations in relation to the exercise of the voting rights to which the Company is entitled in respect of its investments in securities;
- (l) carry out valuations of the assets of the Portfolio or arrange for such valuation to occur; and
- (m) prepare or cause to be prepared detailed reports to be considered by the Board on the Investment and sale of Investment recommendations, management of Investments and otherwise in respect of the performance of the Manager's obligations under this Agreement that the Company may reasonably require and in such form that the Board and the Manager agree.

Section 2 – Non-Exclusive Services

The Manager may:

- (a) in respect of the Portfolio or an Investment, manage litigation in which the Company is sued or commence litigation after consulting with the Board;
- (b) assist in developing strategic plans and annual business plans for the Company;
- (c) prepare all necessary budgets for the Company;
- (d) recommend the arrangements for the holding and safe custody of the Company's Portfolio and Investments including, if required, the appointment of custodians or nominees if required by the Board; and
- (e) prepare detailed papers and agendas for scheduled meetings of the Board which, where applicable, must contain such information as is reasonably available to the Manager to enable the directors to base their opinion.

- (f) undertake all things reasonably necessary for the management, secretarial, accounting, administrative, liaison, investor relations, representative and reporting functions and obligations of the Company;
- (g) if the Manager considers it appropriate, recommend to the Board changes to the Constitution;
- (h) if the Manager considers it appropriate, recommend to the Board capital reductions including buy-backs of Shares;
- (i) if the Manager considers it appropriate, recommend to the Board the appointment, hiring and dismissal (including all material terms) of officers, staff and consultants to any of the Company and its subsidiaries;
- (j) if the Manager considers it appropriate, recommend to the Board the payment of dividends and interim dividends to its Shareholders;
- (k) recommend and appoint and engage on behalf of the Company any necessary securities registrar, accountants, auditors, solicitors, barristers and other accounting, financial or legal advisers and technical, commercial, marketing or other independent experts necessary, usual or desirable for the purpose of allowing the Manager to exercise its powers and perform its obligations under this Agreement;
- (l) attend to all matters necessary for any reconstruction proposal or the eventual winding up of the Company;
- (m) attend to the timely calculation of Taxes payable by the Company and arrange the filing of all Tax returns due by the Company;
- (n) attend to the opening, closing and operation and management of all the Company's bank accounts and the Company's accounts held with other financial institutions, including making any deposits and withdrawals reasonably necessary for the management of the Company's day to day operations and for investing and managing Investments;
- (o) where required by law, cause to be prepared and audited a balance sheet of the Company at 30 June each year and a profit and loss account for the 12 month period ending on the day to which the balance sheet is made up and also cause to be prepared a balance sheet of the Company at 31 December each year and a profit and loss account for the 6 month period ending on the day to which the balance sheet is made up and where required by law cause the same to be sent to Shareholders in every such case within such period as required by law and where appropriate, consolidated accounts of the Company and its subsidiaries;
- (p) make recommendations in relation to and, if the Board approves, effect the entry into at the cost of the Company, insurance of the assets of the Company and its subsidiaries together with other insurances against other risks including directors and officers insurance as the Manager and the Board may from time to time agree;
- (q) liaise with, and monitor, any registry provider appointed by the Company; and
- (r) provide all such other services as may from time to time be agreed by the Manager, including all other duties reasonably related to the day to day operations of the Company.

SCHEDULE 2 - INVESTMENT POLICY AND OBJECTIVES

1 Investment Policy

The Investment Policy of the Company is to acquire a portfolio of assets, including by way of cash and/or debt, in order for the Company to pursue the Investment Objectives, and such investments may comprise the following:

- (a) securities, whether or not quoted on a securities exchange, including notes, options, partly paid securities and convertible notes;
- (b) warrants, options, and other derivative contracts;
- (c) interests in unit trusts, managed investment schemes or joint venture arrangements;
- (d) participation in underwriting and sub-underwriting of securities and units;
- (e) foreign exchange transactions or other hedging arrangements;
- (f) corporate debt securities and other fixed interest securities;
- (g) cash and bank deposits; and
- (h) any other financial products which the Manager may use in the management of the Portfolio.

2 Investment Objectives

To construct and manage a Portfolio of Investments to seek absolute returns over the medium to long term.

The Company and the Manager will consider investments principally in Australian securities and potentially Special Opportunity Investments.

For the purposes of these Investment Objectives, "Special Opportunity Investments" means particular investments which the Manager or the Company have determined to pursue and which are not investments in Australian securities.

SCHEDULE 3 - EXPENSE ITEMS

The Expense Items include all third party expenses reasonably and properly incurred by the Manager in relation to providing the Services including, without limitation:

- (a) the preparation, review, distribution and promotion of any disclosure document in respect of Shares, other shares, options or financial instruments issued by the Company and other promotion of the Company;
- (b) the acquisition, disposal, insurance, custody and any other dealing with assets;
- (c) any proposed acquisition, disposal or other dealing with an Investment;
- (d) the administration or management of the Company or its assets and liabilities including expenses in connection with the register of Shares, custody arrangements or the valuation of any asset of the Company or the Company as a whole;
- (e) borrowing arrangements on behalf of the Company or guarantees in connection with the Company, including hedging costs;
- (f) underwriting of any subscription or purchase of Shares, other shares, options or Financial Instruments issued by the Company including underwriting fees, handling fees, costs and expenses (including marketing and roadshow costs, travel and accommodation expenses and legal fees), amounts payable under indemnity or reimbursement provisions in the underwriting agreement and any amounts becoming payable in respect of any breach (other than for gross negligence, fraud or breach of duty) by the Manager of its obligations, representations or warranties under any such underwriting agreement;
- (g) convening and holding meetings of Shareholders and the implementation of any resolutions and communications with Shareholders;
- (h) taxes, including any amount charged by a supplier of goods or services, or both, to the Manager by way of or as a reimbursement for GST;
- (i) financial institution fees;
- (j) the engagement of agents (including real estate agents and managing agents), valuers, contractors and advisers (including legal advisers) whether or not the agents, valuers, contractors or advisers are members of the Thorney Group;
- (k) preparation and audit of the taxation returns, accounting records and accounts of the Company;
- (l) termination of the Company and the retirement or removal of the Manager and the appointment of a replacement;
- (m) any court proceedings, arbitration or other dispute concerning the Company including proceedings against the Manager, except to the extent that the Manager is found by a court to be in breach of trust or to have been grossly negligent, in which case any expenses paid or reimbursed under this clause 2(m) must be repaid;
- (n) all damages, expenses, payments, legal and other costs and disbursements incurred by the Manager in relation to or in connection with any claim, dispute or litigation ("Claim") arising as a result of or in connection with any untrue representation or warranty contained in any document relating to any Investment by the Company including any project document in connection with the Investment and any Disclosure Document or borrowing document in connection with the Company except where the Claim arises out of the fraud or wilful default of the Manager;

- (o) the appointment of any compliance officer to undertake compliance work for the Company;
- (p) the preparation of reports including compliance reports;
- (q) the promotion of the Company generally;
- (r) recording, responding to and dealing with any enquiries or complaints from Shareholders in connection with the Company;
- (s) complying with any law, and any request or requirement of ASIC or ASX or any other relevant stock exchange or any other regulator; and
- (t) the admission of the Company to any stock exchange, the official quotation of Shares, other shares, options or Financial Instruments issued by the Company and compliance with the rules of such an exchange.

SCHEDULE 4 - INDEPENDENT VALUATION OF LICENCE FEE

3 Application of schedule

This schedule applies if the Company is required to pay the Manager the Licence Fee applicable in the Second Licence Term.

4 Independent Valuer

(a) Appointment

If the Company and the Manager do not reach agreement of the Licence Fee within 14 days following the end of the First Licence Term, the parties must, within 7 days of this date, appoint an independent expert to determine the value of the Licence Fee in accordance with this schedule ("**Independent Valuer**").

(b) Failure to agree

If the parties cannot reach agreement within 7 days, the Independent Valuer will be appointed by the president for the time being of the Institute of Chartered Accountants in Australia.

5 Valuation

The Independent Valuer will determine the value of the Licence Fee as at the date of termination of this Agreement under clause 14 on the basis that a licence to use the Name is:

- (a) on an arm's length terms; and
- (b) to be used in respect of a business, including a competitor of the Manager, which provides investment management services or has funds under management.

6 Period of determination

The parties must use their best endeavours to ensure that the Independent Valuer makes a determination as soon as practicable and in any event within 20 days after receiving instructions.

7 Process

The parties agree that, in determining a value for the Name under this schedule, the Independent Valuer:

- (a) will act as an expert and not as an arbitrator;
- (b) may obtain or refer to any documents, information or material and undertake any inspections or enquiries as he or she determines appropriate;
- (c) must provide the parties with a draft of his or her determination and must give the parties an opportunity to comment on the draft determination before it is finalised; and
- (d) may engage such assistance as he or she reasonably believes is appropriate or necessary to make a determination.

8 Final and binding

The Independent Valuer's determination will be final and binding on the parties.

9 Costs

The Company must pay the reasonable costs and expenses of the Independent Valuer.

EXECUTED as an AGREEMENT

**EXECUTED by WENTWORTH HOLDINGS)
LIMITED)**

.....
Signature of director

.....
Signature of director / company secretary
(delete as applicable)

.....
Name of director (print)

.....
Name of director / company secretary (print)

**EXECUTED by THORNEY MANAGEMENT)
SERVICES PTY LTD)**

.....
Signature of director

.....
Signature of director / company secretary
(delete as applicable)

.....
Name of director (print)

.....
Name of director / company secretary (print)

For personal use only

APPENDIX 3 - SUMMARY OF NEW CONSTITUTION

Shares

Without prejudice to any special right conferred on a holder of a share or class of shares, the directors may issue, grant options for, or otherwise dispose of, shares in the company as the directors think fit.

The directors may also issue preference shares including preference shares which are liable to be redeemed, as follows:

- (a) A preference share confers on its holder a right to receive a preferential dividend at the rate and on the basis decided by the directors under the terms of issue.
- (b) The preferential dividend is cumulative except to the extent the directors decide under the terms of issue.
- (c) A preference share confers on its holder the right to payment out of the profits of the company (or any other permitted source) of the preferential dividend in priority to the payment of any dividend on ordinary shares, and any other class of shares that the directors decide under the terms of issue.
- (d) A preference share confers on its holder the right in a winding up to payment in cash of:
 - (i) the amount of any dividend accrued at the date of the winding up but unpaid on the share; and
 - (ii) any amount paid on the share;
 in priority to the payment of any amount on ordinary shares, and any other class of shares that the directors decide under the terms of issue.
- (e) If and to the extent that the directors decide under the terms of issue, a preference share may confer on its holder:
 - (i) in addition to the preferential dividend, a right to participate with the ordinary shares in any dividends payable on ordinary shares; and
 - (ii) a right to a bonus issue or capitalisation of profits or any other amount otherwise available for distribution to members.
- (f) A preference share does not confer on its holder any right to participate in the profits or property of the company except as set out above.
- (g) The holder of a preference share has the same right as the holder of an ordinary share to receive notice of, and a copy of any document to be laid before, a general meeting of the company and to attend the general meeting at which a resolution is proposed on which the holder is entitled to vote, and to attend the general meeting, but has no right to receive notice of, or a copy of, any document to be laid before, or to attend, any other general meeting of the company except to the extent the terms of issue of the preference share otherwise provided.
- (h) A preference share does not entitle its holder to vote at a general meeting of the company except to the extent the terms of issue permit the holder to vote in the following circumstances:
 - (i) During a period during which a dividend (or part of a dividend) in respect of the share is in arrears.
 - (ii) On a proposal to reduce the company's share capital.
 - (iii) On a resolution to approve the terms of a buy-back agreement.
 - (iv) On a proposal that affects rights attached to the share.
 - (v) On a proposal to wind up the company.

- (vi) On a proposal for the disposal of the whole of the company's property, business and undertaking.
- (vii) During the winding up of the company.
- (i) Where a preference share does confer on its holder the right to vote at a general meeting, the voting right is the same, and determined in the same way, as the voting right attached to an ordinary share.
- (j) Preference shares may be convertible into ordinary shares on a basis decided by the directors under the terms of issue.
- (k) A redeemable preference share may be redeemable on a basis decided by the directors under the terms of issue.
- (l) Subject to the Corporations Act and this constitution, all rights and restrictions of a preference share issued by the company may be decided by the directors and will be governed by the terms of issue, and provided they have been disclosed to the subscriber for the share before its issue will bind the subscriber and all subsequent holders of the share.

Dividends

Subject to the constitution and to any rights or restrictions attached to a share or class of shares or to the terms of any dividend selection plan established by the directors, all dividends on shares are to be paid in proportion to the number of shares held by members except that:

- (m) a partly paid share will only entitle the holder to a fraction of the dividend payable on a fully paid share equal to the proportion of the total amounts paid and payable on the share which have been paid; and
- (n) if dividends are determined by the directors to be paid in respect of a specified period and if the directors also determine that the dividends on any shares are to be further apportioned according to when amounts are paid on those shares during the specified period, an amount which is paid on a relevant share during the specified period will only entitle the holder of the share to a fraction of the dividend that would otherwise be payable in respect of that amount equal to the proportion of the specified period remaining as at the date of payment of that amount.

The directors when determining a dividend is payable may:

- (o) direct payment of the dividend wholly or partly by the distribution of specific assets, including paid-up shares or other securities of the company or of another body corporate, either generally or to particular shareholders or in respect of particular shares; and
- (p) direct that the dividend be paid:
 - (i) to particular shareholders or in respect of particular shares, wholly or partly out of any particular fund or reserve or out of profits derived from any particular source; and
 - (ii) to the remaining shareholders or in respect of the remaining shares, wholly or partly out of any other particular fund or reserve or out of profits derived from any other particular source or generally.

To give effect to a resolution of directors or members authorising or approving the payment of a dividend or the making of any other distribution (whether of profits or capital or otherwise) or the capitalisation of any amount, the directors may:

- (q) settle any difficulty that may arise in making the distribution or capitalisation;
- (r) fix the value for distribution of a specific asset;
- (s) pay cash or issue a share or other security to a member to adjust the rights of all parties;
- (t) vest a specific asset, cash, share or other security in any trustee upon trust for a person entitled to a dividend or capitalised amount; and

- (u) authorise a person to make, on behalf of all the members entitled to any further share or security following the distribution or capitalisation, an agreement with the company or another body corporate.

The authorised person may agree to:

- (v) the issue of further shares or securities credited as fully paid up; or
- (w) the company paying on behalf of the members an amount remaining unpaid on their existing shares or security by the application of their respective proportions of the sum distributed or capitalised.

Any agreement made between the directors and an authorised person is effective and binding on all members concerned.

If the company distributes securities in the company or in another body corporate or trust each member receiving a distribution, appoints the company as that person's agent to do anything needed to give effect to that distribution, including but not limited to becoming a member of that other body corporate.

Capitalisation of profits and other amounts

The directors may resolve that the company capitalise any amount:

- (x) forming part of the undivided profits of the company;
- (y) representing profits arising from an ascertained accretion to capital or from a revaluation of the assets of the company;
- (z) arising from the realisation of any assets of the company; or
- (aa) otherwise available for distribution to members,

and may also resolve that the capitalised amount be paid, applied or otherwise distributed to or for the benefit of members.

Subject to any rights or restrictions attached to a share or class of shares or to the terms of any dividend selection plan established by the directors, a capitalised amount which is to be distributed to or for the benefit of members, must be distributed in the same proportions in which members would be entitled to receive the amount were it a dividend.

The directors may resolve that all or part of the capitalised amount is to be applied:

- (bb) to pay in full a share or security that the company intends to issue to a member;
- (cc) to pay an amount unpaid on a share or security of the company which a member holds; or
- (dd) a combination of these,

and the member must accept this application in full satisfaction of the member's interest in the capitalised amount.

Dividend reinvestment and selection plans

The directors may establish one or more plans whereby participating members, subject to the terms of the plan, elect in respect of some or all of their shares:

- (ee) to apply the dividends payable on those shares to subscribe for additional shares in the company;
- (ff) to receive the dividends payable on those shares wholly or partly by way of a payment out of any particular fund or reserve or out of profits derived from any particular source; or

- (gg) not to receive the dividends payable on those shares, and in place of those dividends to receive some other form of distribution from the company or another body corporate or a trust, including paid up shares or other securities of the company, other body corporate or trust,

and the directors may vary, suspend or terminate any such plan.

Transfer

Whilst the Company is admitted to the official list of ASX:

- (hh) the directors may only decline to register a transfer of shares (including by requesting that a holding lock be applied to prevent a transfer of the shares) if permitted to do so by the ASX Listing Rules; and
- (ii) the directors may at any time suspend the registration of a transfer for any period not exceeding 30 days in a year, subject to the Corporations Act and any CS facility operating rules binding on the company.

Otherwise shares are freely transferable, subject to the Corporations Act, the Listing Rules and the Company's constitution.

Small holdings

If:

- (ij) a member holds less than a marketable parcel of shares;
- (kk) the company notifies the member in writing that it intends to sell the member's shares after a date (Relevant Date) which is at least 6 weeks from the date the notice of intention to sell is sent, unless the member before the Relevant Date tells the company in writing that the member wishes to retain the shares;
- (ll) the member does not before the Relevant Date tell the company in writing that the member wishes to retain the shares; and
- (mm) on the Relevant Date the member has not acquired more shares or otherwise increased the member's holding to a marketable parcel,

the company may sell the member's shares constituting less than a marketable parcel as soon as reasonably practicable after the Relevant Date at a price which the directors consider to be the best price reasonably obtainable for the shares at the time they are sold.

In addition, if:

- (nn) a member holds shares in a new holding that is less than a marketable parcel of shares; and
- (oo) that holding was created by the transfer of a parcel of shares that was less than a marketable parcel at the time the transfer document was initiated or, in the case of a paper based transfer document, was lodged with the company;

the company may sell the shares in that holding at a price which the directors consider to be the best price reasonably obtainable for the shares at the time they are sold.

Proportional takeover approval

If offers are made under a proportional takeover bid for shares in the company the registration of a transfer giving effect to a takeover contract for the bid is prohibited unless and until a resolution to approve the bid is passed in accordance with the provisions of rule 5.7 of the constitution.

Voting and general meetings

Subject to the constitution and to any rights or restrictions attached to a share or class of shares, at a general meeting:

- (pp) on a show of hands, every person present who is a member or a proxy, attorney or representative of a member has 1 vote; and
- (qq) on a poll, every person present who is a member or a proxy, attorney or representative of a member has 1 vote for each share the member holds and which entitles the member to vote, except for partly paid shares, each of which confers on a poll only a fraction of 1 vote equal to the proportion of the total amounts paid and payable on the share which have been paid.

In the case of an equality of votes upon any proposed resolution the chair of the meeting has a second or casting vote.

A resolution put to the vote of a general meeting must be decided on a show of hands, unless either the chair or a member who is present and can vote on the resolution, demands a poll:

- (rr) before the vote is taken; or
- (ss) before or immediately after the declaration of the result of the show of hands.

Other than to elect a chair or adjourn a meeting, business may only be transacted at a general meeting if a quorum of members is present when the meeting proceeds to business. A quorum consists of 2 members (where the company has more than 1 member) provided that, unless the directors of the Company determine otherwise, a quorum of 20 members will be required for a general meeting proposing the removal of a director that is not endorsed by the directors, or the appointment of a director that is not endorsed by the directors.

If at any time a meeting of a class of members of the company is required or proposed, the rules of the constitution relating to the convening, holding and conduct of a general meeting will apply so far as they are capable of application (and with all necessary changes) to that meeting.

Appointment and removal of directors

No person other than someone who has not been nominated by the board, a retiring director or a director being removed from office is eligible to be elected as a director at any general meeting unless a notice of the director's candidature is given to the Company at least 45 business days before the meeting (or such other period that is fixed by the directors of the Company and notified to the ASX).

Retiring directors are, subject to the Corporations Act and the Listing Rules, eligible for re-election.

Subject to the Corporations Act, there must be at least 3 directors and not more than 10 directors or such other minimum or maximum number of directors as the members by resolution determine, provided that the directors of the Company will, subject to the Corporations Act, have the power to reduce the minimum and maximum number of directors.

The members may by resolution appoint or remove a director.

The directors may appoint any person to be a director, either to fill a casual vacancy or as an addition to the existing directors. Any director so appointed only holds office until the next annual general meeting and must then retire from office. The managing director (but if there is more than 1 managing director, only 1) is exempted from this requirement to retire.

The total number of directors must not at any time exceed the maximum number allowed under the constitution.

At each annual general meeting of the company the following directors must retire from office:

- (tt) Each director who has held office past the third annual general meeting or 3 years since the director's last election, whichever is longer.
- (uu) Each director appointed by the directors to fill a casual vacancy or as an addition to the existing directors since the last annual general meeting.
- (vv) If the ASX Listing Rules requires the company to hold an election of directors each year and there is no director required to retire under (a) or (b) above or standing for election at the annual general meeting,

the director who has been longest in office since his or her last election, but, as between persons who were elected as directors on the same day, the director to retire must be determined by lot, unless they otherwise agree between themselves.

Unless re-elected, a director due to retire at an annual general meeting retains office until the conclusion of the meeting. The company must hold an election of directors each year for so long as the ASX Listing Rules require it.

The managing director is exempted from having to retire by rotation at an annual general meeting as noted above (but if there is more than 1 managing director, only 1 is exempted from having to retire by rotation).

A retiring director is eligible for re-election.

The company may, at a general meeting at which a director retires, by resolution fill the vacated office by electing a person to that office.

A person is eligible for election as a director at a general meeting of the company only if:

- (ww) the person is in office as a director immediately before that meeting;
- (xx) the person has been nominated by the directors for election at that meeting; or
- (yy) a nomination for election of the person as a director signed by a member (including the person) and a consent to nomination signed by the person has been lodged at the registered office of the company at least 45 business days before the general meeting.

A person seeking to be appointed as a director that has not been endorsed by the directors must be a member of the Company.

Where a majority of all directors consider that the continuance in office of a director would be, or would be likely to be, prejudicial to the interests of the company, the director may be suspended by resolution passed by that majority at a meeting of directors specifically convened for the purpose of considering the suspension. The suspended director may not take part in the business or affairs of the company during the period of suspension. The suspension may be terminated at any time by a resolution passed by a majority of all directors at a meeting of directors specifically convened for the purpose of considering termination of the suspension. The suspension will terminate at the end of 14 days from the date of the suspension unless within that period notice of a general meeting of the company to consider a resolution to remove the director from office is despatched to members and the meeting is convened to be held within 35 days from the date of despatch. In that case, the suspension will terminate at the conclusion of the meeting.

Remuneration and expenses of directors

Each director is entitled to such remuneration out of the funds of the company (accruing from day to day if periodic) as the directors determine provided that:

- (zz) the director's remuneration must not include a commission on, or percentage of, operating revenue; and
- (aaa) if the director is a non-executive director, the director's remuneration paid must be a fixed sum.

The aggregate remuneration paid to or for the benefit of the directors must not exceed in a financial year of the company \$400,000 or such other sum as the members may by resolution approve. This limitation does not apply to:

- (bbb) any amount paid or payable noted below;
- (ccc) any amount paid or payable under or in respect of any indemnification or insurance provided or procured in accordance with the constitution; or
- (ddd) the remuneration to which a director may be entitled as an employee of the company or a related body corporate or in a capacity other than as a director of the company.

A director is entitled to be paid all reasonable travel, accommodation and other expenses properly incurred by the director in attending meetings of, or relating to, the company or while engaged on the business or affairs of the company.

If a director performs an extra service or makes special exertion for the company, the directors may arrange for a special remuneration.

The directors may resolve that the company:

- (eee) at any time after a director dies, retires or otherwise ceases to hold office as a director or a director or former director ceases to be gainfully employed, pay to the director or former director or a legal personal representative, spouse, relative or dependant of the director or former director a pension, lump sum, superannuation amount or other benefit;
- (fff) establish, pay contributions or other amounts to, or otherwise support, a fund or other entity providing for any such benefit; and
- (ggg) enter into a contract with the director to provide for any of these benefits.

Any such amount is not subject to the limitation noted above.

Indemnity

The Company indemnifies:

- (hhh) each person who is or has been an officer of the company against certain liabilities incurred by the person as such an officer; and
- (iii) each person who is or has been an officer of a related body corporate of the company against those liabilities incurred by the person as such an officer which the directors determine to be indemnified.

These indemnities exclude any liability against which the company is precluded by law from indemnifying the person.

Insurance

The Company may purchase and maintain insurance or pay or agree to pay a premium for insurance in respect of any liability incurred by a person who is or has been an officer of the company or a related body corporate except to the extent that the company is precluded by law from doing so.

Distribution of surplus on winding up

Subject to the constitution and any rights or restrictions attached to a share or class of shares, if the company is wound up and the property of the company is more than sufficient to pay all of:

- (jjj) the debts and liabilities of the company; and
- (kkk) the costs, charges and expenses of the winding up;

the excess must be divided among the members in proportion to the number of shares held by each of them, irrespective of the amounts paid or credited as paid on the shares.

The amount of the excess that would otherwise be distributed to the holder of a partly paid share must be reduced by the amount unpaid on that share at the date of the distribution. If the effect of this reduction would be to reduce the distribution to the holder of a partly paid share to a negative amount, then the holder must contribute that amount to the company.

If the company is wound up, the liquidator may, with the sanction of a special resolution:

- (lll) divide among the members the whole or any part of the property of the company; and

(mmm) determine how the division is to be carried out as between the members or different classes of members.

Modifying the constitution

The Company's constitution may be modified by special resolution, that is a resolution that has been passed by at least 75% of the votes cast by shareholders entitled to vote on the resolution.

For personal use only

APPENDIX 4 – NOMINATION OF AUDITOR

For personal use only

Thorney Holdings Pty Ltd
A.C.N. 006 262 835

30 September 2013

Company Secretary
Wentworth Holdings Limited
C/o – Norton Gledhill
Level 23
459 Collins Street
Melbourne VIC 3000

Dear Sir

Nomination of auditor

Pursuant to section 328B(3) of the *Corporations Act 2001* (Cth), Thorney Holdings Pty Ltd ACN 006 262 835 hereby nominate Ernst & Young as auditor of Wentworth Holdings Limited.

Executed by Thorney Holdings Pty Ltd by:


.....
Signature of director

ASHLEY WEST
.....
Name of director


.....
Signature of director/company secretary

AVEG WAISLITZ
.....
Name of director/company secretary

GLOSSARY

In this explanatory statement, unless the context otherwise requires, the following definitions apply:

AGM	Annual General Meeting of the Company
ASIC	Australian Securities & Investments Commission
ASX	ASX Limited ACN 008 624 691 or the Australian Securities Exchange operated by ASX Limited, as the context requires
ASX Listing Rules	Official listing rules of ASX
Board	The board of Directors of the Company
Company	Wentworth Holdings Limited ACN 080 167 264
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Directors	The directors of the Company
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
financial year	12 months ended or ending 30 June of any year
Implementation Deed	Implementation deed dated 3 September 2013 between the Company and Thorney Holdings
Investment Management Agreement	Investment management agreement to be entered into by the Company and Thorney Management, a copy of which is included in appendix 2 of this explanatory statement
Key Thorney Proposal Resolutions	Resolutions 4 to 6 and 9 to 12 set out in the notice of meeting accompanying this explanatory statement
Lawler Corporate Finance	Lawler Corporate Finance Pty Limited Lawler Corporate Finance ACN 097 893 957
NPAT	Net profit after tax
Option	An option to subscribe for 1 Share at an exercise price of \$0.53 by the 1 st anniversary of the date of issue of the Option, on and subject to terms determined by the Company at the time of issue
Option Issue	A pro rata bonus issue of Options on the basis that each person holding Shares at a time determined by the Board which is approximately 4 months after the issue of Shares under the Placement Offer with a registered address in Australia or New Zealand (or any other jurisdiction as the Board determines) would be issued 1 Option for every 2 Shares held (subject to fractional entitlements being rounded up to the nearest whole number)
Placement Offer	The invitation by the Company to sophisticated and/or professional investors to subscribe up to \$56.2 million for up to 112.4 million new Shares in total at \$0.50 each
Prospectus	(a) with respect to the Retail Offer, the prospectus to be

For personal use only

prepared by the Company for the Retail Offer (and, if determined by the Board to be practicable, the Option Issue) in compliance with sections 711 and 713 and other applicable provisions of division 4 of part 6D.2 of the Corporations Act (including any document deemed to be incorporated by the Corporations Act); and

- (b) with respect to the Option Issue, the prospectus to be prepared by the Company for the Option Issue (and, if determined by the Board to be practicable, the Retail Offer) in compliance with sections 711 and 713 and other applicable provisions of division 4 of part 6D.2 of the Corporations Act (including any document deemed to be incorporated by the Corporations Act)

Retail Offer	The proposed invitation by the Company to its Shareholders and other investors to apply for Shares at \$0.50 each, pursuant to which the Company would seek to raise up to \$10 million with the ability to accept oversubscriptions to raise an additional \$2 million, further details of which are set out in section 2.4 of this explanatory statement
Share	An ordinary share in the Company
Shareholder	A person registered on the register of members of the Company as the holder of Shares
Share Consolidation	The proposed consolidation of the Company's share capital by converting all of the issued Shares into a smaller number equal to one-seventh of the total number of issued Shares subject to rounding up fractional entitlements
Thorney Commitment	The commitment by Thorney Holdings under the Implementation Deed, whereby Thorney Holdings commits to subscribe for up to 42.2 million Shares in the Placement Offer
Thorney Group	Thorney Holdings, its related bodies corporate and controlled entities (including Thorney Management) and their respective officers, employees and consultants
Thorney Holdings	Thorney Holdings Pty Ltd ABN 37 006 262 835
Thorney Management	Thorney Management Services Pty Ltd ABN 88 164 880 148, a wholly owned subsidiary of Thorney Holdings
Thorney Proposal	The proposal described in section 2 of this explanatory statement
Wilson HTM	Wilson HTM Corporate Finance Limited ABN 65 057 547 323
you	The reader of this document, if you are a Shareholder of the Company

CORPORATE DIRECTORY**Company**

Wentworth Holdings Limited ABN 41 080 167 264
Level 23, 459 Collins St
Melbourne VIC 3000

Directors

Mr Vaughan Webber

Mr Colin Cowden

Mr Nigel Sharp

Company Secretary

Mr Ron Hollands

Independent Expert

Lawler Corporate Finance Pty Limited ACN 097 893 957
Level 9, 1 O'Connell St
Sydney NSW 2000

Corporate Adviser

Wilson HTM Corporate Finance Limited ABN 65 057 547 323
Level 26 Governor Philip Tower
1 Farrer Place
Sydney NSW 2000

Lawyers

Norton Gledhill
Level 23, 459 Collins St
Melbourne VIC 3000

Share registrar

Boardroom Pty Ltd ABN 14 003 209 836
Level 7, 207 Kent Street
Sydney NSW 2000


All Correspondence to:

- ✉ **By Mail** Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia
- Level 7, 207 Kent Street,
Sydney NSW 2000 Australia
- 📠 **By Fax:** +61 2 9290 9655
- 💻 **Online:** www.boardroomlimited.com.au
- ☎ **By Phone:** (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

YOUR VOTE IS IMPORTANT

For your proxy to be entitled to cast your vote, this form must be completed and returned **by 10.00am (Melbourne time) on Tuesday 19 November 2013.**

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

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

Appointment of a Second Proxy

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

To appoint a second proxy you must:

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

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

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

Proxy which is a Body Corporate

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

STEP 3 SIGN THE FORM

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

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

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

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

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

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **10.00 am (Melbourne time) on Tuesday 19 November.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

- 📠 **By Fax** + 61 2 9290 9655
- ✉ **By Mail** Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia
- 👤 **In Person** Level 7, 207 Kent Street,
Sydney NSW 2000 Australia

Proxy forms may also be delivered to the Company's registered office by hand, post or fax –see the accompanying notice of meeting for delivery details.

Attending the Meeting

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

Wentworth Holdings Limited

ACN 080 167 264

Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

PROXY FORM

STEP 1 APPOINT A PROXY

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

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

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

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting as my/our proxy at the Annual General Meeting of the Company to be held at **Level 23, 459 Collins Street, Melbourne, Victoria on Thursday 21 November 2013 at 10.00am (Melbourne time)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

If the Chairman of the Meeting is appointed as your proxy or the Chairman of the Meeting becomes your proxy by default and you have not directed your proxy how to vote in respect of a resolution, please place a mark in the box. By marking this box, you expressly authorise the Chairman of the Meeting to exercise your proxy in respect of this resolution even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the Company or if the Chairman has an interest in the outcome of the resolution and that votes cast by the Chairman of the meeting for those resolutions other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your vote on the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution. The Chairman of the Meeting will vote all undirected proxies in favour of all resolutions (where the Chairman is entitled to do so). If you wish to appoint the Chairman of the Meeting as your proxy with a direction to vote against, or to abstain from voting on a resolution, provide your direction by marking the 'Against' or 'Abstain' box opposite that resolution

STEP 2 VOTING DIRECTIONS

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

RESOLUTIONS

		FOR	AGAINST	ABSTAIN			FOR	AGAINST	ABSTAIN
Res 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 10	Approval of issue of shares under retail offer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 2	Increase in maximum annual remuneration of directors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 11	Approval of acquisitions of shares by or on behalf of Thorney Holdings in consequence of exercise of options issued under bonus option issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 3	Adopt new constitution (Special Resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 12	Change of name (Special Resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 4	Share consolidation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 13	Election of Alex Waislitz as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 5	Approval of issue of shares under placement offer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 14	Election of Henry Lanzer as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 6	Approval of issue of shares to Thorney Holdings under placement offer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 15	Election of Gary Weiss as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 7	Approval of issue of shares to Colin Cowden (or his controlled entity) under placement offer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 16	Election of Ashok Jacob as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 8	Approval of issue of shares to Henry Lanzer (or his controlled entity) under placement offer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 17	Removal of auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Res 9	Approval of investment management agreement with Thorney Management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Res 18	Appointment of auditor (Special Resolution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STEP 3 SIGNATURE OF SHAREHOLDERS -This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Securityholder 2

Securityholder 3

Sole Director and Sole Company Secretary

Director

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2013

For personal use only