

25 June 2019

Ms Sandra Wutete
Senior Adviser, Listings Compliance (Perth)
Level 40, Central Park
152 -158 St Georges Terrace
Perth WA 6000

By Email: ListingsCompliancePerth@asx.com.au

Dear Ms Wutete,

Response to ASX Aware Query

AF Legal Group Ltd (ASX: **AFL**) (**Company**) refers to your letter dated 24 June 2019. We wish to respectfully point out that Paragraph A of your letter refers to the Prospectus lodgement date on MAP as 21 June 2019. We confirm that the Prospectus was lodged on MAP on 29 March 2019.

Following the same numbering as your letter, the Company responds as follows:

1. When did AFL enter into negotiations for the Acquisition? In answering this question, please state the date that the negotiations commenced.

Negotiations commenced on 14 May 2019.

2. Please confirm that the funds raised under the Prospectus are being used for the purposes consistent with the Use of Funds. In answering this question please specifically explain how the Acquisition is consistent with the Use of Funds disclosed to shareholders in AFL's Prospectus.

The Company confirms that the funds raised under the Prospectus are being used for the purposes consistent with the Use of Funds.

In the Prospectus, the Company expressly highlighted that a part of its strategy was based around complementary acquisitions. At the time the Prospectus was released, neither the Acquisition nor any other acquisition were being considered by the Company and as such no disclosure was required or appropriate in the Prospectus.

The acquisition strategy was highlighted in the Prospectus as follows;

- a) The Investment Overview on page 10 stated that the Company's strategy was to build scale and:

*"this will be achieved by expansion of its existing markets in Victoria and in particular NSW...and entry into new geographies, especially Queensland. This will be achieved by a combination of organic growth, lateral hires of family law specialists and their teams, and **the execution of complementary acquisitions**".*

- b) In the Growth Strategy graph on page 36, the Prospectus highlights that the Company's current and long-term growth strategy involve, *"Executing selective acquisitions to build scale/presence"* and *"assessing larger scale acquisitions"* respectively.
- c) Further, the paragraph in (a) was again stated verbatim under Growth Strategy on page 36.
- d) Again, on page 36 it was stated:

"AFL's strong organic growth platform will be supplemented by acquisitions for entry into new markets. It is anticipated that the acquisition strategy will provide AFL with the following benefits:

- *First mover advantage – the first national specialist family law firm with a view to expand into other sectors*
- *Critical mass – the largest network of accredited family law specialists in Australia*
- *Economies of scale – cost savings from the replication of the model can be reinvested into marketing without diluting margins*
- *Value arbitrage – AFL will be able to transact at "small business" multiples before any synergies".*

The Growth Strategy on page 36 is shown below.

4.6 Growth Strategy



3. Does AFL consider the Acquisition to be information that a reasonable person would expect to have a material effect on the price or value of its securities?

Yes.

4. If the answer to question 3 is “no”, please advise the basis for that view.

Not applicable.

5. When did AFL first become aware of the Acquisition?

As mentioned above negotiations commenced in relation to the Acquisition on 14 May 2019. It was not, however until 11:00am on 21 June 2019 that the Board convened to review and debate the Due Diligence materials and all aspects of the Acquisition. At the conclusion of the discussion, the Board resolved to proceed with the Acquisition, upon which, the Board instructed that the Announcement be lodged with the ASX immediately. Prior to this time, the proposed Acquisition was incomplete as it was subject to both due diligence and board approval.

6. If the answer to question 3 is “yes” and AFL first became aware of the Acquisition before the relevant date, did AFL make any announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe AFL was

obliged to release the information under Listing Rules 3.1 and 3.1A and what steps AFL took to ensure that the information was released promptly and without delay.

The Company did not announce the Acquisition as the Acquisition was subject to a number of conditions, including board approval and the satisfactory completion of legal financial and accounting due diligence. It was therefore an incomplete proposal/negotiation and as such did not need to be disclosed pursuant to Listing Rule 3.1A. On 21 June 2019 the Board met and resolved to proceed with the acquisition thereby finalising the negotiation unconditionally. The Board immediately instructed the Company Secretary to lodge the Announcement.

7. Please confirm that AFL is complying with the Listing Rules and, in particular, Listing Rule 3.1.

The Company confirms that it is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

8. Please confirm that AFL's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of AFL with delegated authority from the board to respond to ASX on disclosure matters.

The Company confirms that its responses to the questions above have been authorised and approved by the Board of Directors.

Yours faithfully



Alistair McKeough
Company Secretary



24 June 2019

Reference: 03592

Mr Alistair McKeough
Company Secretary
AF Legal Group Ltd

By email: amckeough@whittens.com.au

Dear Mr McKeough

AF Legal Ltd ('AFL'): Aware Query

ASX refers to the following:

- A. AFL's re-compliance prospectus that was lodged on the ASX Market Announcements Platform ("MAP"), and released at 12:22 PM on 21 June 2019 ("Prospectus"), which discloses on page 89, the proposed use for the funds to be raised under the Prospectus ("Use of Funds"). The Use of Funds is shown below.

Description	\$4.0m Capital Raising	\$6.5m Capital Raising
Payment of Cash Consideration to the AFL Vendor	\$2,500,000	\$2,500,000
Repayment of debt in the AFL business	-	\$1,200,000
Repayment of related party debt	\$325,000	\$325,000
Working capital	\$206,502	\$1,316,542
Transaction costs ^(a)	\$968,498	\$1,158,458
Total	\$4,000,000	\$6,500,000

- B. AFL's reinstatement to the official list of ASX on 7 June 2019, following its re-compliance with Chapters 1 and 2 of the ASX listing rules.
- C. AFL's announcement entitled "Acquisition of Nita Stratton Funk & Associates Solicitors" lodged on MAP and released at 12:22 PM on 21 June 2019 (the 'Announcement'), disclosing AFL's acquisition of a specialist Queensland family law firm, Nita Stratton Funk & Associates for consideration of \$300,000 and deferred consideration of up to \$100,000 ("Acquisition"). The Announcement also disclosed that the consideration for the Acquisition will be fully funded by existing cash reserves and it is expected to complete on 28 June 2019.
- D. The change in the price of AFL's securities following the release of the Announcement, from a closing price of \$0.20 on Thursday, 20 June 2019 to an intra-day high of \$0.235 on Friday, 21 June 2019.
- E. The change in the price of AFL's securities from a closing price of \$0.19 on Friday, 7 June 2019 to an intra-day high of \$0.24 on Tuesday, 11 June 2019.
- F. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- G. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:

"an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity" and section 4.4

in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B “When does an entity become aware of information.”

- H. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

“3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:

3.1A.1 One or more of the following applies:

- It would be a breach of a law to disclose the information;*
- The information concerns an incomplete proposal or negotiation;*
- The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- The information is generated for the internal management purposes of the entity; or*
- The information is a trade secret; and*

3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and

3.1A.3 A reasonable person would not expect the information to be disclosed.”

- I. ASX’s policy position on the concept of “confidentiality”, which is detailed in section 5.8 of Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B. In particular, the Guidance Note states that:

“Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule.”

Request for Information

Having regard to the above, ASX asks AFL to respond separately to each of the following questions and requests for information:

1. When did AFL enter into negotiations for the Acquisition? In answering this question, please state the date that the negotiations commenced.
2. Please confirm that the funds raised under the Prospectus are being used for the purposes consistent with the Use of Funds. In answering this question please specifically explain how the Acquisition is consistent with the Use of Funds disclosed to shareholders in AFL’s Prospectus.
3. Does AFL consider the Acquisition to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
4. If the answer to question 3 is “no”, please advise the basis for that view.
5. When did AFL first become aware of the Acquisition?
6. If the answer to question 3 is “yes” and AFL first became aware of the Acquisition before the relevant date, did AFL make any announcement prior to the relevant date which disclosed the information? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe AFL was obliged to release the information under Listing Rules

3.1 and 3.1A and what steps AFL took to ensure that the information was released promptly and without delay.

7. Please confirm that AFL is complying with the Listing Rules and, in particular, Listing Rule 3.1.
8. Please confirm that AFL's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of AFL with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **3:00 PM AWST Wednesday, 26 June 2019**.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, AFL's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph and may require AFL to request a trading halt immediately.

If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at ListingsCompliancePerth@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to AFL's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that AFL's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Suspension

If you are unable to respond to this letter by the time specified above ASX will likely suspend trading in AFL's securities under Listing Rule 17.3.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

[Sent electronically without signature]

Sandra Wutete
Senior Adviser, Listings Compliance (Perth)