

Notice of Annual General Meeting and Explanatory Memorandum

This document is an important document. If you are in any doubt as to how to act, you should consult your financial or legal adviser as soon as possible.

Important Notices

General

Shareholders should read and carefully consider this document in its entirety before making a decision as to how to vote on the Resolutions to be considered at the Annual General Meeting (**AGM**) scheduled to be held on 18 November 2020.

This document is dated 14 October 2020.

Purpose of this document

The purpose of this Notice of Meeting and Explanatory Memorandum is to explain the items of business to be considered at the Annual General Meeting. This Explanatory Memorandum provides Shareholders with the necessary information to assist them in deciding how to vote on the Resolutions to be considered at the Annual General Meeting, including the resolution about the Proposed Transaction.

Responsibility for information

The information contained in this Notice of Meeting and Explanatory Memorandum (except for the Dyal Information and the Independent Expert's Report) has been prepared by the Company. The Independent Expert and Dyal do not assume any responsibility for the accuracy or completeness of this information.

The Dyal Information has been prepared by Dyal. The Company and its Directors, officers, employees and advisers do not assume any responsibility for the accuracy or completeness of the Dyal Information.

The Independent Expert has prepared the Independent Expert's Report pertaining to the Proposed Transaction and takes responsibility for the Independent Expert's Report. It has consented to the inclusion of the Independent Expert's Report in this Explanatory Memorandum. The Independent Expert is not responsible for any other information contained within this Explanatory Memorandum. Shareholders are urged to read the Independent Expert's Report set out in Schedule 2 carefully to understand the scope of the report, the methodology of the assessment, the sources of information and the assumptions made.

ASX

A copy of this Notice of Meeting and Explanatory Memorandum has been lodged with ASX pursuant to the ASX Listing Rules. Neither ASX nor any of its respective officers takes any responsibility for the contents of this Notice of Meeting and Explanatory Memorandum.

Forward looking statements

Certain statements in this Explanatory Memorandum relate to the future. These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such statements. Such risks, uncertainties, assumptions and other important factors include, among other things, general economic conditions, exchange rates, interest rates, the regulatory environment, competitive

pressures and market demand. The forward looking statements in this Explanatory Memorandum reflect views held only at the date of this Notice of Meeting and Explanatory Memorandum. Other than as required by law, neither the Company, Dyal nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Explanatory Memorandum will actually occur. Subject to any continuing obligations under law or the Listing Rules, the Company, Dyal, their respective affiliates and, as applicable, the foregoing person's respective directors and general partners disclaim any obligation or undertaking to disseminate after the date of this Explanatory Memorandum any updates or revisions to any forward looking statements to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any such statement is based.

Estimates

Unless otherwise indicated, all references to estimates and derivations are references to estimates by the Company or Dyal. These estimates are based on views at the date of this Notice of Meeting and Explanatory Memorandum, and actual facts or outcomes may be materially different from those estimates.

Effect of rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this document (the **Figures**), are subject to the effect of rounding. Accordingly, the actual calculation of these Figures may differ from the Figures set out in this document.

Investment decisions

This Notice of Meeting and Explanatory Memorandum does not take into account the individual investment objectives, financial situation, tax position and particular needs of Shareholders or any other person. You should read this Notice of Meeting and Explanatory Memorandum in its entirety before making any investment decision and any decision on how to vote on the Resolutions to be considered at the AGM. If you have any doubt as to what you should do once you have read this Notice of Meeting and Explanatory Memorandum, you should consult your financial or legal advisor as soon as possible.

Defined terms

Capitalised terms and certain abbreviations used in this Notice of Meeting and Explanatory Memorandum have the defined meanings set out in section 9 of this document. All times expressed in this Notice of Meeting and Explanatory Memorandum refer to Sydney time and references to \$, dollars and cents, are to Australian currency, unless otherwise specified.

Notice of Meeting



Notice is given that an Annual General Meeting of Navigator Global Investments ABN 47 101 585 737 will be held at:

Time: 10.00 am

Date: 18 November 2020

Venue: Online at <https://agmlive.link/NGI20>

Ordinary business

1. Financial report

To receive and consider the annual financial report and the reports of the directors and of the auditors of the Company for the year ended 30 June 2020.

Note: There is no requirement for Shareholders to approve these reports.

2. To adopt the Remuneration Report

To consider, and if thought fit, to pass the following non-binding resolution as an ordinary resolution:

'That the Remuneration Report of the Company for the financial year ended 30 June 2020 be adopted.'

3. Election of directors

To consider and, if thought fit, pass each of the following as individual ordinary resolutions:

- a) *That Mr Andy Bluhm, who retires by rotation in accordance with rule 8.1(d) of the Company's constitution, be re-elected as a director of the Company.*
- b) *That Mr Randall Yanker who retires by rotation in accordance with rule 8.1(d) of the Company's constitution, be re-elected as a director of the Company.*
- c) *That Ms Nicola Meaden Grenham, in accordance with rule 8.1(c) of the Company's constitution, be elected as a director of the Company.'*

4. Renewal of proportional takeover provisions

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

'That the proportional takeover provisions in rule 6 of the Company's Constitution be renewed for a further three years from the date of this Meeting in accordance with section 648G(4) of the Corporations Act 2001 (Cth).'

Special business

5. Approval of the Proposed Transaction

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

'Approval is given for the Proposed Transaction (including the issue of the Share Consideration and the Note Consideration as contemplated by the Purchase Agreement), for the purposes of the Corporations Act, the ASX Listing Rules (including ASX Listing Rule 7.1) and for all other purposes.'

Voting exclusions

Resolution 2

Votes may not be cast, and the Company will disregard any votes cast, on Resolution 2:

- by or on behalf of a member of the Key Management Personnel (**KMP**) named in the Remuneration Report or their closely related parties (such as close family members and any companies the person controls); and
- as a proxy by a member of the KMP or any of their closely related parties,

unless the vote is cast as a proxy for a person entitled to vote on Resolution 2, and:

- the appointment of the proxy specifies the way in which the proxy is to vote on the resolution; or
- such a person is the Chairman of the Meeting and the appointment of the proxy expressly authorises the Chairman of the Meeting to exercise the proxy even if the resolution is connected with the remuneration of a member of the KMP.

Resolution 5

Votes may not be cast, and the Company will disregard any votes cast, in favour of Resolution 5 by the Dyal Sellers and their associates and any other person who is expected to participate in, or who is expected to obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary shares). However the Company need not disregard a vote if it is cast by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way;
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary, provided that:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Important note

Please note that if you appoint a person who is excluded from voting on any Resolution as your proxy and you do not direct them on how to vote in respect of a Resolution on which they cannot personally vote then a vote cast by them on that Resolution will not be counted. If you appoint any such excluded person as your proxy, we strongly urge you to direct them how to vote on the Resolution they are excluded from voting on personally. Alternatively, we suggest that you appoint someone else (such as the person chairing the Annual General Meeting) as your proxy.

Explanatory Memorandum

Accompanying and forming part of this Notice of Meeting is the Explanatory Memorandum that provides Shareholders with background information and further details on the Resolutions to be considered at the Annual General Meeting. The information provided is intended to assist Shareholders in understanding the reasons for and effect of the Resolutions. Terms and abbreviations used in this Notice of Meeting and Explanatory Memorandum bear the same meaning and are defined in the Explanatory Memorandum's Glossary & Interpretation section.

A Voting Form accompanies this Notice of Meeting.

By order of the Board



Amber Stoney
Company Secretary

The AGM will be conducted as a Virtual Meeting hosted by our share registry.

How to participate in the AGM

Shareholders are encouraged to attend the AGM virtually via the virtual AGM platform at <https://agmlive.link/NGI20>.

If you are unable to attend the virtual AGM, you can still participate by voting in one of two ways:

- 1 by direct voting; or
- 2 by the appointment of a proxy.

Additional information on how to vote is outlined below.

Voting

Voting rules

- The required quorum for the AGM is at least two (2) Shareholders registered for the Virtual Meeting or their proxy, attorney or representative.
- Ordinary Resolutions will be passed if a majority of the votes that are cast by Shareholders entitled to vote on the Resolution are voted in favour of the Resolution.
- Special Resolutions will be passed if at least 75% of the votes are cast by Shareholders entitled to vote on the Resolution are voted in favour of the Resolution.
- In accordance with rules 7.6(b)(2) and 7.7(d)(1) of the Company's constitution, the Chair intends to call a poll on each of the resolutions proposed at the AGM. Each resolution considered at the AGM will therefore be conducted by poll, rather than a show of hands. The Chair considers voting by poll to be in the interests of the Shareholders as a whole, and to ensure the representation of as many Shareholders as possible at the meeting.
- Each Shareholder registered for the Virtual Meeting or their proxy, attorney or representative shall have one vote for each Navigator Share held by that Shareholder and in respect of which that Shareholder is entitled to vote.
- If Navigator Shares are jointly held and more than one of the joint holders votes, only the vote of the holder whose name appears first in the Register of Shareholders will be counted.
- For more information on voting see rule 7.8 of the Constitution.

Entitlement to vote

The Board has determined that a Shareholder's voting entitlement at the AGM will be taken to be the entitlement of the person shown in the Register of Shareholders as at 7:00pm (Sydney time) on 16 November 2020. Accordingly, transactions registered after that time will be disregarded in determining Shareholders entitled to attend and vote at the AGM.

Voting by corporations

In order to vote at the AGM (other than by proxy), a corporation that is a Shareholder must appoint a person to act as its representative. The appointment must comply with the Corporations Act. A letter of representation must be either lodged with the Share Registry prior to the commencement of the AGM or the representative must bring to the AGM evidence of his or her appointment including any authority under which it is signed.

How to vote

Shareholders may participate and vote by any of the following methods:

Attending the virtual AGM

To attend the AGM using the virtual AGM platform, enter the following link into a web browser on your computer or online device:

<https://agmlive.link/NGI20>

- Shareholders will need their Shareholder Reference Number (SRN) or Holder Identification Number (HIN) printed at the top of the Voting Form; and
- Proxyholders will need their proxy code which Link Market Services will provide via email no later than 24 hours prior to the AGM.

We recommend logging in to the online platform at least 15 minutes prior to the scheduled start time for the AGM using the instructions above.

Online voting for those attending the virtual AGM will be open between the commencement of the AGM at 10.00am (Sydney time) on 18 November 2020 and the time at which the Chair announces voting closure.

Further information on how to participate virtually is set out in this Notice of Meeting and the Online Platform Guide at www.navigatorglobal.com.au.

Direct voting

Direct voting is a form of voting that allows you to cast your vote, either online or by completing the enclosed Voting Form, without having to attend the AGM and without needing to appoint a proxy to vote on your behalf.

You can direct vote online at linkmarketservices.com.au by following the instructions provided on the website.

You can also direct vote by completing the enclosed Voting Form and returning it to us via any of the methods outlined below.

Appointing a Proxy

A Shareholder who is entitled to vote at the meeting may appoint:

- one proxy if the Shareholder is only entitled to one vote; or
- two proxies if the Shareholder is entitled to more than one vote.

Where the Shareholder appoints two proxies, the appointment may specify the proportion or number of votes that each proxy may exercise. If the appointment does not specify a proportion or number, each proxy may exercise one half of the votes, in which case any fraction of votes will be discarded. A proxy need not be a Shareholder of the Company.

For more information on appointing a proxy or attorney see rule 7.9 of the Constitution.

A Voting Form is enclosed which allows you to appoint a proxy to vote on your behalf at the AGM. If you require an additional Voting Form, please contact the Company Share Registry on 1300 554 474, which will supply it on request.

The Voting Form and the power of attorney or other authority (if any) under which it is signed (or a certified copy) must be received by the Share Registry, Link Market Services Limited, no later than 16 November 2020 at 10.00am (that is, at least 48 hours before the meeting). Proxies received after this time will not be accepted.

Voting online



We encourage online voting, which you can do at linkmarketservices.com.au in accordance with the instructions provided on the website.

You will need your HIN or SRN to vote online.

Returning the Voting Form

Should you prefer to complete and return the enclosed Voting Form, instructions are outlined on the form and it may be returned by:



posting it in the reply-paid envelope provided to:

Navigator Global Investments Limited
c/- Link Market Services Limited,
Locked Bag A14, Sydney South NSW 1235;



hand delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138 or Level 12, 680 George Street, Sydney NSW 2000; or



faxing it to Link Market Services Limited on +61 2 9287 0309.

AGM Considerations and Shareholder Questions

A discussion will be held on all items to be considered at the AGM.

All Shareholders will have a reasonable opportunity to ask questions during the AGM via the virtual AGM platform, including an opportunity to ask questions of the Company's external auditor.

To ensure that as many Shareholders as possible have the opportunity to speak, Shareholders are requested to observe the following:

- all Shareholder questions should be stated clearly and should be relevant to the business of the AGM, including matters arising from the Financial Report, Directors' Report (including the Remuneration Report) and Auditor's Report, the Proposed Transaction and general questions about the performance, business or management of the Company;
- if a Shareholder has more than one question on an item, all questions should be asked at the one time; and
- Shareholders should not ask questions at the AGM regarding personal matters or those that are commercial in confidence.

Shareholders who prefer to register questions in advance of the AGM are invited to do so. A Shareholder Question Form has been included with this Notice of Meeting and is also available on the Company's website: www.navigatorglobal.com.au. Written questions must be received by the Company or Link Market Services Limited by 10.00am on 16 November 2020, and can be submitted online, by mail, by fax or in person (as set out on the top of the Shareholder Question Form).

Explanatory Memorandum



This document is an important document. If you are in any doubt as to how to act, you should consult your financial or legal adviser as soon as possible.

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Letter from the Chairman



Dear Navigator Shareholder

The past financial year has been one of both significant challenge and unique opportunity for the Navigator Group. Not since the global financial crisis has our business felt such global market turmoil. The world continues to feel the impacts of the global COVID-19 pandemic as we wait to see how and when we can settle into a 'new normal'.

Navigator adapted to the challenges, implementing a work-from-home practice across all our offices, and embracing new forms of technology to see to our day-to-day business. It was the disruption to and extreme volatility of global markets early in the pandemic which presented the biggest challenge to our business, and we had mixed investment results in response.

Our multi-strategy products experienced some difficulties in key strategies, which led to disappointing performance in the month of March 2020. As a result, we have worked with our clients to reposition the multi-strategy portfolios to reflect the current opportunity set in this 'new normal'. Our global equity products, however, showed resilience over this volatile period in the markets. The mixed investment performance creates both risk and opportunities to the assets under management of the Lighthouse business, and we are proactively working to not only retain existing assets, but to pursue potential new opportunities, particularly in the platform services and hedged equity space. We do expect, however, that reflective of the reduction to assets under management (**AUM**) experienced since March 2020, the operating result of the Lighthouse business is expected to be lower in the 2021 financial year.

Whilst grappling with the pandemic impacts on the core business, Navigator continued to explore a very unique opportunity for growth through acquisition of a portfolio of high-quality alternative investment stakes. On 13 August 2020, Navigator announced that two of its wholly owned subsidiaries have entered into a Purchase Agreement with NB Dyal Associates LP and certain of its controlled affiliates (**Dyal Sellers**) and affiliates of Dyal Sellers under which, subject to certain terms and conditions, Dyal Sellers would sell a portfolio of six minority equity investments in established alternative asset managers (referred to in this document as the **Portfolio**) to Navigator in exchange for the issue of Navigator Shares and convertible notes (**Proposed Transaction**). Under the Proposed Transaction, Dyal Sellers will be issued with 40,524,306 Navigator Shares and 10-year convertible notes (**Convertible Notes**) convertible into 67,574,292 Navigator Shares, together representing a 40% interest in Navigator on a fully diluted basis. The Dyal Sellers will also be entitled to receive certain cash distributions from the Portfolio until Navigator also acquires the right to these cash distributions after making the Redemption Payment to the Dyal Sellers.

The acquisition by Navigator of the Portfolio businesses has a compelling strategic rationale. Each business within the acquired Portfolio has a proven track record of generating strong returns through multiple market cycles, managing expenses and making cash distributions to partners. These high quality minority stakes are expected to provide long term stability and growth of earnings and dividends through the addition of a diversified earnings stream. The ongoing partnership with the Dyal Sellers and their affiliates, a leading provider of capital to alternative investment management companies globally, is also expected to provide a variety of future accretive, organic and inorganic growth opportunities.

The Proposed Transaction is conditional on the approval of Navigator Shareholders by ordinary resolution at the Annual General Meeting (**Transaction Resolution**) as well as certain regulatory approvals, including Australian and other foreign regulatory approvals. Details about the Proposed Transaction are set out in the Explanatory Memorandum.

Your directors unanimously recommend that you vote in favour of the Transaction Resolution, in the absence of a Superior Proposal and subject to the Independent Expert concluding that the Proposed Transaction is Reasonable to Shareholders.

Subject to those same qualifications, each Director intends to and will vote or procure the voting of any Navigator Shares held by or on their behalf in favour of the Transaction Resolution.

Navigator has appointed Lonergan Edwards & Associates as independent expert to assess the merits of the transaction. The Independent Expert has concluded that the Proposed Transaction is not fair but reasonable to Navigator Shareholders. In reaching its conclusion that the Proposed Transaction is reasonable to Shareholders, the Independent Expert concluded that the advantages of the Proposed Transaction significantly outweigh the disadvantages. The Independent Expert's Report is Schedule 2 of this Explanatory Memorandum.

Navigator believes that this acquisition will deliver the expected benefits and provide value to Shareholders. On behalf of the Navigator Board, I encourage you to read this document in its entirety and to vote in favour of all the resolutions to be considered at the AGM.

Your vote is important and I encourage you to vote by attending the AGM scheduled to be held on 18 November 2020 at 10:00am or by completing the enclosed Proxy Form and returning it by the deadline indicated on the form.

On behalf of the Directors, I would like to extend our thanks to all of our staff, who have shown resilience and adaptability in responding to the necessary changes in working conditions arising from the global pandemic. I would also like to welcome Ms Nicola Meaden Grenham to our Board, and look forward to the valuable experience and insight she can bring with her extensive experience in global alternative asset management.

I look forward to your participation at the upcoming virtual AGM, and extend my thanks to all of our Shareholders for their ongoing support.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'MS', written over a light blue horizontal line.

Michael Shepherd,
Chairman

Ordinary Business



1 Adoption of the Remuneration Report

Section 250R(2) of the Corporations Act requires the Company to put a resolution to each annual general meeting for adoption of the Remuneration Report. The vote on the resolution will be advisory only and will not bind either the Directors or the Company. However, the Board will take into consideration the outcome of voting on this resolution when assessing the remuneration policy in future.

Shareholders should also note that, if 25 per cent or more of the votes cast are against the Remuneration Report, the first element in the Board spill provisions contained in the Corporations Act (i.e. the 'two strikes rule') will be triggered. While this would not impact on this AGM, it would affect next year's annual general meeting.

Board recommendation

*The Board (with Ms Grenham abstaining) recommends that Shareholders vote **IN FAVOUR** of this resolution.*

2 Election of directors

Under rule 8.1(d) of the Constitution of the Company and Listing Rule 14.4, a Director (unless they are the managing Director) must retire from office no later than the longer of the third annual general meeting of the Company or 3 years, following that Director's last election or appointment.

Accordingly, Mr Andrew Bluhm and Mr Randall Yanker retire at the end of the AGM in accordance with this rule and, being eligible, offer themselves for re-election, respectively. The experience, qualifications and other details in relation to each of the Directors seeking re-election is set out below.

Ms Nicola Grenham was appointed a Non-executive Director of the Company on 8 October 2020. In accordance with rule 8.1(c) of the Company's Constitution, Ms Grenham holds office as a Director until the conclusion of the AGM and offers herself for election.

Resolution 3a) - Re-election of Mr Andy Bluhm



Non-Executive Director

Appointed 17 October 2012

Based in the United States

Mr Bluhm is a member of the Audit and Risk Committee.

Andrew is the founder and principal of Chicago-based DSC Advisors, LP (DSC), which is the investment manager of Delaware Street Capital Master Fund, LP. Delaware Street Capital Master Fund, LP holds a substantial shareholding in Navigator.

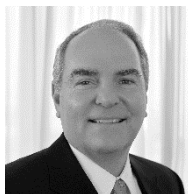
DSC invests in a wide array of companies and industries seeking to identify and acquire undervalued securities and sell-short overvalued securities.

Prior to forming DSC, he was a founder and Principal of Walton Street Capital, LLC, and prior thereto worked as a Vice President at JMB Realty Corporation and as an Associate at Goldman Sachs.

Board recommendation

*The Board (with Mr Bluhm and Ms Grenham abstaining) recommends that Shareholders vote **IN FAVOUR** of this resolution.*

Resolution 3b) - Re-election of Mr Randall Yanker



Independent Non-Executive Director

Appointed 14 October 2014

Based in the United States

Mr Yanker is a member of the Remuneration and Nominations Committee. Randall has extensive experience in the investment management industry, and in particular hedge funds. He co-founded Alternative Asset Managers, L.P. (AAM) in 2004, which is a private investment firm with primary focus on making strategic investments in the asset management sector.

Prior to AAM, Randall was responsible for establishing multi-billion dollar global alternative investment and hedge fund platforms as CEO of Lehman Brothers Alternative Investment Management, and before that as a Managing Director of Swiss Bank Corp.

He is a graduate of Harvard College (1983) with a degree in Economics, and serves on the board and is a Trustee of The New School University, a Trustee of SEI Advisors' Inner Circle Fund III, and Advisory Board member of HF2 Financial Management.

Board recommendation

*The Board (with Mr Yanker and Ms Grenham abstaining) recommends that Shareholders vote **IN FAVOUR** of this resolution.*

Resolution 3c) - Election of Ms Nicola Meaden Grenham



Independent Non-Executive Director

Appointed 8 October 2020

Based in the Ireland

Ms Grenham is a specialist in alternative investments with significant knowledge and experience of strategic business development and investment management in hedge funds and private markets.

In 1990 Nicola founded TASS, which became one of the market's leading global data and research firms specialising in hedge funds. She then became MD and member of the Investment Committee Blackstone Alternative Asset Management between 2001 and 2004. Based in London, she established and managed the development of the group's hedge fund activities outside the US.

From 2008 to 2012, Nicola was CEO of Alpha Strategic Plc, the UK listed company which provided independent, owner-managed investment managers with access to passive minority equity capital. She currently runs Dumas Capital Ltd, a company she founded in 2004 which provides strategic advisory and research services in the alternative investment sector.

A UK and Irish citizen, Nicola resides in Ireland. She is a Member of the Conseil de Pilotage Stratégique of BlackRock France S.A.S, chairs the Executive Committee of the Capital Holdings Funds Plc; and serves as an independent director on alternative investment funds.

Nicola graduated from Exeter University with a BA (Hons) in History and Politics. She holds a PhD in Political Science from Trinity College, Dublin.

Board recommendation

*The Board (with Ms Grenham abstaining) recommends that Shareholders vote **IN FAVOUR** of this resolution.*

3 Renewal of proportional takeover provisions

Rule 6 of the Company's Constitution currently contains provisions dealing with proportional takeover bids for shares in the Company in accordance with the Corporations Act. Under the Corporations Act and rule 6.4 of the Constitution, the rules must be renewed every three years or they will cease to have effect. The current provisions will automatically cease to have effect after November 2020 and accordingly, it is proposed that they be renewed. If renewed, rule 6 will operate on the same basis as the existing rule 6 for a period of three years from the date of this Meeting.

What is a proportional takeover bid, and why are the proportional takeover approval provisions needed?

A proportional takeover bid is where the bidder offers to purchase a specified proportion only of each Shareholder's shares. If a Shareholder accepts the offer the Shareholder disposes of that specified proportion and retains the balance of their shares.

By making a partial bid, a bidder may obtain control of the Company without Shareholders having the chance to sell all their shares to the bidder, leaving Shareholders with the balance of their investment as part of a minority holding in the Company. The bidder may therefore take control of the Company without paying an adequate amount for gaining control.

In order to deal with this possibility, the Company's Constitution provides that:

- if a proportional takeover bid is made for Shares in the Company, Shareholders must vote by ordinary resolution on whether to accept or reject the offer; and
- the majority decision of the Shareholders will be binding on all individual Shareholders.

What is the effect of the proportional takeover approval provisions?

If a proportional takeover bid is made, the Directors will be required to ensure that Shareholders vote on a resolution to approve the bid at least 15 days before the offer closes.

The vote is decided on a simple majority. Each shareholder who holds shares as at the day on which the first offer under a bid is made is entitled to vote. The bidder and their associates are not allowed to vote.

If the Resolution:

- is not passed, transfers which would have resulted from the acceptance of a bid will not be registered and the bid will be taken to have been withdrawn; or
- is passed (or the bid is taken to have been approved), the transfers must be registered if they comply with the Corporations Act and the Company's Constitution.

The bid will be taken to have been approved if the resolution is not voted on within the deadline specified

under the Corporations Act. However, the Directors will breach the Corporations Act if they fail to ensure the approving resolution is voted on.

The proportional takeover approval provisions do not apply to full takeover bids, and only apply for three years after the date they are renewed. The provisions may be renewed, or reinserted upon the expiry of the initial three-year period, but only by a special resolution passed by Shareholders.

Potential advantages and disadvantages

While the renewal of rule 6 will allow the Directors to ascertain Shareholders' views on a proportional takeover bid, it does not otherwise offer any advantage or disadvantage to the Directors who remain free to make their own recommendation as to whether the bid should be accepted.

The provisions in rule 6 will ensure that all Shareholders will have the opportunity to consider a proportional takeover bid and vote on the bid at a general meeting.

This is likely to ensure a potential bidder structures its offer in a way which is attractive to a majority of Shareholders, including appropriate pricing. Similarly, knowing the view of the majority of Shareholders may help individual Shareholders assess the likely outcome of the proportional takeover when determining whether to accept or reject the offer.

It is also possible that the inclusion of such provisions in the Constitution may discourage proportional takeover bids, and may reduce any speculative element in the market price of the Company's shares arising from the possibility of a takeover offer being made. The inclusion of the provisions may also be considered to constitute an unwarranted additional restriction of the ability of Shareholders to freely deal with their shares.

The Board considers that the potential advantages for members of the proportional takeover approval provisions outweigh the potential disadvantages.

As at the date on which this statement was prepared, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company other than in respect of the Proposed Transaction.

Resolution 4 is a special resolution and therefore requires 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative) to be in favour of the resolution in order to pass.

Board recommendation

*The Board (with Ms Grenham abstaining) recommends that Shareholders vote **IN FAVOUR** of the renewal of the proportional takeover provision in rule 6 of the Company's Constitution.*

Special Business – Proposed Transaction



4 Key Dates

Event	Scheduled Time and Date
Date of this Explanatory Memorandum	14 October 2020
Last time and date by which Proxy Forms and powers of attorney can be lodged for voting at the Annual General Meeting	10:00am on 16 November 2020
Time and date for determining eligibility to vote at the Annual General Meeting	7:00pm on 16 November 2020
Annual General Meeting – meeting to vote on the Transaction Resolution	10:00am on 18 November 2020
Completion of the Proposed Transaction (subject to satisfaction or waiver of the Conditions Precedent)	First quarter of the 2021 Calendar Year

Dates are subject to change. The Convertible Notes must be issued within 3 months of Shareholder approval (absent a waiver from ASX). The Company reserves the right to vary any or all of the times and dates as set out above and any variation will be announced and published on its website at www.navigatorglobal.com.au.

All references in this document to time relate to the time in Sydney, Australia.

5 Frequently Asked Questions

About the Proposed Transaction

5.1 What is the Proposed Transaction?

The Proposed Transaction involves the acquisition by Navigator of the Portfolio from the Dyal Sellers. Prior to Completion, the Dyal Sellers and their affiliates will complete a reorganisation of the entities which hold the Portfolio to effect:

- Class I Units in Dyal Capital Partners (A) LP and Dyal Capital Partners (B) LP (**Class I Units**); and
- Class II Units in Dyal Capital Partners (A) LP and Dyal Capital Partners (B) LP (**Class II Units**)

The Class I Units and Class II Units will have the following economic rights to interests in the Portfolio:

- Class I Units will be entitled to receive the first US\$17 million of cash distributions annually, indexed at 3% per annum and subject to a cumulative catch up mechanism (**Preferred Distribution Base Amount**), plus 20% of any excess cash distributions from the Portfolio above the Preferred Distribution Base Amount; and
- Class II Units will be entitled to receive the remaining 80% of any excess cash distributions from the Portfolio above the Preferred Distribution Base Amount.

On Completion, Navigator will acquire the Acquired Interests (which include the Class I Units) in exchange for issuing the Share Consideration and the Note Consideration to the Dyal Sellers. The Dyal Sellers will retain the Class II Units.

Following 1 January 2026, Navigator will acquire the Class II Units from the Dyal Sellers for a single redemption payment linked to the Portfolio's financial performance over that time, based on a fixed formula, and subject to a maximum cap of US\$200 million (**Redemption Payment**).

5.2 What is the Portfolio?

The Portfolio consists of six minority equity investments in the management companies of alternative asset managers (see section 7.2 for further details on each equity investment).

5.3 What is the strategic rationale for the Proposed Transaction?

The Proposed Transaction has a compelling strategic rationale and is expected to deliver several benefits for Navigator Shareholders, including:

- Each business within the acquired Portfolio has a long-term track record of generating strong returns and demonstrated active expense management and making cash distributions to partners;
- The Portfolio is expected to provide earnings diversification and be Cash EPS accretive, supporting Navigator's future earnings and dividend profile; and
- The ongoing partnership with Dyal is also expected to provide a variety of future accretive, organic and inorganic growth opportunities.

The Proposed Transaction broadens Navigator's Shareholder base and presents an opportunity to improve long term liquidity in Navigator Shares.

About the Proposed Transaction (continued)

5.4 Who is Dyal?	<p>Dyal Capital Partners (Dyal), a division of private investment manager Neuberger Berman Group LLC (Neuberger Berman), seeks to acquire minority equity stakes in and provide financing to established alternative asset managers. With over a decade of experience transacting with institutional financial firms, Dyal's team has completed over 50 equity and debt transactions and manages approximately \$21.9 billion in aggregate capital commitments.¹ Central to Dyal's success is its Business Services Platform (BSP). The BSP is a team that offers strategic support to Dyal's underlying equity partners in various areas, which are broadly divided into two categories: Capital Strategy and Advisory Services.</p>
5.5 Who are the Dyal Sellers?	<p>The Dyal Sellers are affiliates of Dyal. Prior to Completion, a reorganisation will occur resulting in the Dyal Sellers, which will be managed by NB Dyal Advisors LLC, an affiliate of Neuberger Berman, owning the Acquired Interests.</p> <p>Shortly following Completion, the Dyal Sellers will undertake an internal reorganisation of their holdings in the Company following which the Share Consideration and Note Consideration will be held by a single entity associated with the Dyal Sellers.</p>
5.6 What is the Share Consideration?	<p>As part of the consideration for the Acquired Interests, the Company will issue 40,524,306 Navigator Shares to the Dyal Sellers.</p>
5.7 What is the Note Consideration?	<p>As part of the consideration for the Acquired Interests, the Company will also issue to the Dyal Sellers Convertible Notes convertible into 67,574,292 Navigator Shares. Further information about the terms of the Convertible Notes is set out in section 6.2.</p>
5.8 What is the Redemption Payment liability?	<p>Following 1 January 2026, Navigator will acquire the Class II Units for a single redemption payment linked to the Portfolio's financial performance over that time, based on a fixed formula, and subject to a maximum cap of US\$200 million.</p> <p>Prior to the Redemption Payment, the Dyal Sellers will hold the Class II Units, which will entitle them to cash distributions in accordance with the two limited partnership agreements to be entered into between Navigator and the Dyal Sellers upon Completion.</p>
5.9 What will be the impact of the Proposed Transaction on Lighthouse?	<p>Given the proposed operating model, the Proposed Transaction will have no impact on Lighthouse. The Portfolio will be housed by Navigator separately to its Lighthouse business, and as such will be independent of that operating business. Refer to section 7.1 and 7.2 for further details.</p>
5.10 What will be the impact of the Proposed Transaction on the Portfolio?	<p>The Proposed Transaction will have no practical impact on any of the managers' existing ownership structures or operations of the Portfolio. Upon Completion, Navigator will generally continue under the same terms of the partnerships in which Dyal and the managers have operated historically.</p>
5.11 What are the key risks to Shareholders associated with the Proposed Transaction?	<p>Navigator anticipates a range of risks associated with the implementation of the Proposed Transaction and the ongoing ownership of Navigator Shares, including risks relating to:</p> <ul style="list-style-type: none">▪ general economic or capital markets downturns; and▪ the operation of Navigator's existing businesses and Navigator's interests in the Portfolio after implementation of the Transaction. <p>Further details of the anticipated risks associated with the Proposed Transaction are set out in section 8 of this document.</p>

¹ Aggregate assets under management (AUM) is as of June 30, 2020, inclusive of equity, credit, and co-investment capital.

About the Proposed Transaction (continued)

- | | | |
|------|---|---|
| 5.12 | Who will be on the Board of Navigator on Completion of the Proposed Transaction? | On Completion, the current Directors at that time will remain on the Board, with the addition of a new Director who will be nominated by Dyal. |
| 5.13 | What dividends will Navigator pay after Completion of the Proposed Transaction? | Navigator does not expect to change its existing dividend policy after Completion of the Proposed Transaction. |
| 5.14 | When is Completion of the Proposed Transaction expected to occur? | The Proposed Transaction is estimated to be completed in the first quarter of 2021, subject to the satisfaction or waiver (if applicable) of the Conditions Precedent. The Convertible Notes must be issued within 3 months of Shareholder approval (absent a waiver from ASX). |

Approval of the Proposed Transaction

- | | | |
|------|--|--|
| 5.15 | What are Shareholders being asked to consider and approve? | At the AGM, Shareholders will be asked to approve the Resolutions set out in the Notice of Meeting which includes the Transaction Resolution to approve the Proposed Transaction, including the issue of the Share Consideration and the Note Consideration to the Dyal Sellers under ASX Listing Rule 7.1 and for all other purposes. The other Resolutions are customary resolutions for the ordinary course of business of Navigator. |
| 5.16 | What is the Board's recommendation in respect of the Transaction Resolution? | The Directors unanimously recommend that Shareholders vote in favour of the Transaction Resolution in the absence of a Superior Proposal and subject to the Independent Expert's Report concluding that the Proposed Transaction is Reasonable to Shareholders. Refer to section 6.3 for further details. |
| 5.17 | What is the Independent Expert's conclusion? | The Independent Expert has concluded that the Proposed Transaction is not fair but reasonable to Shareholders. In reaching its conclusion that the Proposed Transaction is reasonable to Shareholders, the Independent Expert concluded that the advantages of the Proposed Transaction significantly outweigh the disadvantages. A complete copy of the Independent Expert Report is contained in Schedule 2 to this Explanatory Memorandum. |
| 5.18 | Why is the Board recommending the Proposed Transaction if the Independent Expert has concluded the Proposed Transaction is not fair but reasonable to Shareholders? | <p>The Independent Expert has been required to assess the merits of the Proposed Transaction in accordance with ASIC Regulatory Guide 111. This requires that fairness be assessed by comparing the controlling interest value of Navigator shares prior to implementation of the Proposed Transaction with the portfolio interest value of Navigator shares following implementation of the Proposed Transaction, despite there being no change of control under the Proposed Transaction.</p> <p>The Board determined that no control premium should be factored into the Proposed transaction since the Dyal Sellers are not obtaining control of Navigator. Whilst the independent expert has not reached a "fair" opinion pursuant to the requirements of RG111, the Independent Expert has concluded that the Proposed Transaction is reasonable for Shareholders since the advantages of the Proposed Transaction significantly outweigh the disadvantages. The advantages of the Proposed Transaction noted by the Independent Expert include that it is expected to be value accretive and that Navigator will become a substantially larger and more diversified business. The key disadvantage is that whilst not obtaining control of Navigator, the Dyal Sellers will have Voting Power of 19.99% and therefore potentially have a significant influence over Navigator's affairs.</p> <p>The Board recommends the Proposed Transaction as, taking into account the matters as outlined by the Independent Expert, it considers there are compelling financial and strategic benefits to Shareholders arising from the Proposed Transaction (see Section 6.5 for further details).</p> |

Approval of the Proposed Transaction (continued)

- 5.19 Why should you vote in favour of the Transaction Resolution?** The Board believes that the Proposed Transaction is in the best interests of Shareholders, and recommends that Shareholders vote in favour of the Transaction Resolution for the following reasons:
- Increased scale and diversification
 - Compelling financial rationale
 - Long term partnership with Dyal
 - Increased liquidity in Navigator shares over time
- See section 6.5 for further details.
-
- 5.20 Why you may choose to vote against the Transaction Resolution?** The following factors may lead Shareholders to vote against the Transaction Resolution:
- Shareholders may wish to maintain Navigator's current investment profile;
 - Shareholders may consider some or all of the terms or structure of the transaction to be unacceptable, including the Share Consideration or Note Consideration to be issued, and the impact of the Proposed Transaction on Navigator's earnings per share; or
 - There are a number of general, transaction-specific and commercial risks which relate to the Proposed Transaction and the holding of shares in Navigator, including that the expected benefits of the Proposed Transaction fail to eventuate. Further details of these risks are set out in section 8.
- Further information as to why you may choose to vote against the Transaction Resolution is set out in section 6.6.
-
- 5.21 What happens if Shareholders do not approve the Transaction Resolution?** If Shareholders do not approve the Transaction Resolution, the Proposed Transaction will not proceed.
-
- 5.22 What happens if a Recommendation Change or a Competing Proposal is announced before the AGM?** A reimbursement payment in the amount of approximately US\$1.06 million will be payable by the Navigator Buyers to the Dyal Sellers if the Proposed Transaction is terminated as a result of a Recommendation Change, or if a Competing Proposal is announced or made before the Shareholder meeting and within 12 months of such announcement, such party enters into definitive agreement for a Competing Proposal which subsequently closes at any time.

Participating in and voting at the AGM

- 5.23 When and where will the AGM to approve the Transaction Resolution be held?** Shareholders will be able to vote on the Transaction Resolution at the AGM, scheduled to be held at virtually at 10:00am on 18 November 2020 by access by this link <https://agmlive.link/NGI20>.
-
- 5.24 Who is entitled to vote at the Annual General Meeting?** Shareholders who are registered on the Navigator Register of Shareholders as at 7:00pm on 16 November 2020 may vote at the Navigator Annual General Meeting.
-
- 5.25 Is voting compulsory?** No, voting is not compulsory.
- However, each Shareholder's vote is important and all Shareholders are encouraged to vote. Shareholders who cannot attend the Annual General Meeting are encouraged to either vote online using either the direct voting or proxy voting options, or by completing the enclosed Voting Form and return it so that it is received no later than the time indicated on the Voting Form.]

6 Overview of the Proposed Transaction

6.1 Background

On 13 August 2020, the Company announced that two of its wholly owned subsidiaries had entered into the Purchase Agreement with the Dyal Sellers to acquire interests in a portfolio of minority interests in six established alternative asset managers.

The Dyal Sellers are investment funds managed directly or indirectly by NB Dyal Advisors LLC. Dyal, a division of private investment manager Neuberger Berman, seeks to acquire minority equity stakes in, and provide financing to, established alternative asset management companies. Assets under management of Dyal as at 30 June 2020 was approximately US\$21.9 billion.

The purpose of the Transaction Resolution in this Notice of Meeting is to seek the approval of Shareholders for the Proposed Transaction, including issue of the Share Consideration and the Note Consideration to the Dyal Sellers for the purposes of ASX Listing Rule 7.1. The approval of Shareholders is required because the Company is proposing to issue securities representing more than 15% of its issued capital. In order to proceed with the Proposed Transaction, Shareholders must approve the Transaction Resolution.

The Proposed Transaction is subject to Conditions Precedent including Shareholder approval under ASX Listing Rule 7.1, Australian and foreign regulatory approvals and other customary conditions.

Information about the Portfolio is contained in section 7.2.

6.2 The Proposed Transaction

The Proposed Transaction involves the acquisition by Navigator of the Portfolio from the Dyal Sellers. On Completion, Navigator will acquire the Acquired Interests, including the Class I Units. Dyal Sellers will retain all of the Class II Units which will be acquired by Navigator following 1 January 2026.

The Class I Units and Class II Units will have the following economic rights to interests in the Portfolio:

- Class I Units will be entitled to receive the Preferred Distribution Base Amount representing the first US\$17 million of cash distributions annually, indexed at 3% per annum and subject to a cumulative catch up mechanism, plus 20% of any excess cash distributions from the Portfolio above the Preferred Distribution Base Amount; and
- Class II Units will be entitled to receive the remaining 80% of any excess cash distributions from the Portfolio above the Preferred Distribution Base Amount.

The Portfolio will be acquired in two parts:

	1 On Completion	2 5 years after Completion
Navigator will	<p>issue:</p> <ul style="list-style-type: none"> 40,524,306 Navigator Shares (Share Consideration); and Convertible Notes convertible into 67,574,292 Navigator Shares (Note Consideration), <p>The issue of the Share Consideration and Note Consideration will result in a 40% interest in the Company on a fully diluted basis.</p>	<p>make a payment:</p> <ul style="list-style-type: none"> a single Redemption Payment after 1 January 2026 calculated in accordance with a fixed formula. For these purposes, the fixed formula is (i) 2.25x the average amount in years 1-3 in excess of the Preferred Distribution Base Amount, and (ii) 2.25x the average amount in years 4-5 in excess of the Preferred Distribution Base Amount <p>The Redemption Payment is subject to a maximum cap of US\$200 million.</p> <p>Navigator expects to fund this payment through retained earnings and does not anticipate the need to obtain additional external financing.</p>
In exchange for	<ul style="list-style-type: none"> the Acquired Interests 	<ul style="list-style-type: none"> the Class II Units

Refer to Schedule 1 for a summary of the material terms of the Purchase Agreement.

Shortly following Completion, the Dyal Sellers may undertake an internal reorganisation of their holdings in the Company following which the Share Consideration and Note Consideration will be held by a single entity associated with the Dyal Sellers.

The Proposed Transaction has a compelling strategic rationale and is expected to deliver several benefits for Navigator Shareholders if approved, including:

- Increased scale and diversification
- Compelling financial rationale
- Long term partnership with Dyal
- Increased liquidity in Navigator shares over time

The Proposed Transaction is subject to the Conditions Precedent being satisfied or waived (if applicable).

Navigator and Dyal also propose to enter into certain ancillary agreements in connection with the Proposed Transaction which are also set out below.

Convertible Note Deed Poll

On Completion, the Company will issue Convertible Notes convertible into 67,574,292 Navigator Shares to the Dyal Sellers, each with a face value of US\$1,000, pursuant to the Convertible Note Deed Poll. The number of Navigator Shares to which a Convertible Noteholder will be entitled upon conversion of any of its Convertible Notes will be equal to the sum of the principal amount (being the Face Value) of those Convertible Notes and any other amount owing to the Convertible Noteholder under that Convertible Note, divided by the Conversion Price, rounded to the nearest whole number (or, in the case of a fraction of a Navigator Share that is exactly one half, down).

Interest will be paid on the Convertible Notes in accordance with a formula in an amount equating to a participation, on an as converted basis, in all dividends paid on the Navigator Shares.

A Convertible Noteholder may require the conversion of its Convertible Notes at any time (subject to law or regulation) or at the Company's election on an annual basis after the first seven years. If not converted into Navigator Shares by the Convertible Noteholders or the Company beforehand, the Convertible Notes must convert into Navigator Shares or are otherwise redeemed after ten years in accordance with the terms of their terms.

A summary of the material terms of the Convertible Notes, together with worked examples for the number of Convertible Notes to be issued, is set out in Schedule 1 of this Explanatory Memorandum. The full terms of the Convertible Note Deed Poll can be found at Schedule 3.

Shareholders Agreement

On Completion, Navigator and the Dyal Sellers will enter into the Shareholders Agreement, under which the Dyal Sellers may only dispose of the Share Consideration and the Note Consideration representing in aggregate up to 8.4 million Navigator Shares in the first two years after Completion and

representing in aggregate up to 40,524,306 Navigator Shares in the first five years after Completion, subject to certain exceptions. Dyal will also have the right to nominate one director to the Board for so long as the Dyal Sellers hold at least 10% of Navigator Shares on a fully diluted basis. Refer to Schedule 1 for a summary of the material terms of the Shareholders Agreement.

Services Agreement

Navigator and certain Dyal Sellers will enter into a Services Agreement under which the applicable service team associated with the Dyal Sellers will offer to provide various strategic services to the Portfolio and portfolio monitoring services relating to the Portfolio to Navigator. There are no fees payable to Dyal Sellers for the performance of these services. Refer to Schedule 1 for a summary of the material terms of the Services Agreement.

6.3 Board Recommendation

The Directors (with Ms Grenham abstaining) unanimously recommend that Shareholders vote in favour of the Transaction Resolution in the absence of a Superior Proposal and subject to the Independent Expert's Report concluding that the Proposed Transaction is Reasonable to Shareholders.

Subject to those same qualifications, each Director intends to and will vote or procure the voting of any Navigator Shares held by or on their behalf in favour of the Transaction Resolution.

6.4 Independent Expert's Conclusion

The Board engaged Lonergan Edwards & Associates as Independent Expert to assess the merits of the Proposed Transaction. The Independent Expert has concluded that the Proposed Transaction is not fair but reasonable to Shareholders.

The Independent Expert has been required to assess the merits of the Proposed Transaction in accordance with ASIC Regulatory Guide 111. This requires that fairness be assessed by comparing the controlling interest value of Navigator shares prior to implementation of the Proposed Transaction with the portfolio interest value of Navigator shares following implementation of the Proposed Transaction, despite there being no change of control under the Proposed Transaction.

The Independent Expert has concluded that the Proposed Transaction is reasonable for Shareholders since it is expected to be value accretive and that Navigator will become a substantially larger and more diversified business. The Independent Expert also noted that the Dyal Sellers will have a 19.99% Voting Power and therefore potentially have a significant influence over Navigator's affairs.

A complete copy of the Independent Expert Report is contained in Schedule 2 of this Explanatory Memorandum.

6.5 Why you should vote in favour of the Transaction Resolution

The Board believes that the Proposed Transaction is in the best interests of Shareholders, and recommends that Shareholders vote in favour of the Transaction Resolution, in the absence of a Superior Proposal and subject to the Independent Expert concluding that the Proposed Transaction to the Dyal Sellers is Reasonable to Shareholders. If the Transaction Resolution is not passed, then Navigator Shareholders will not get the benefits of the Proposed Transaction.

The rationale for the Board's recommendation is as follows:

a) Scale and diversification

The acquisition of the Portfolio will materially add to the scale and diversification of Navigator's business operations. Each equity investment is in a well-established and specialised alternative asset management company with a track record of generating strong returns through multiple market cycles, managing expenses and making cash distributions to partners. The Portfolio promotes long term stability and growth of earnings and dividends through addition of a diversified and growing earnings stream.

b) Compelling financial rationale

The Proposed Transaction is expected to be immediately Cash EPS accretive to Navigator Shareholders with further additional accretion expected in future years following acquisition of the remaining excess cash distributions from Dyal Sellers are acquired in exchange for the Redemption Payment. The funding of the Proposed Transaction through the Share Consideration and the Note Consideration also preserves Navigator's strong balance sheet, making it well positioned to capitalise on future growth opportunities.

The Independent Expert has been required to assess the merits of the Proposed Transaction in accordance with ASIC Regulatory Guide 111. This requires that fairness be assessed by comparing the controlling interest value of Navigator shares prior to implementation of the Proposed Transaction with the portfolio interest value of Navigator shares following implementation of the Proposed Transaction, despite there being no change of control under the Proposed Transaction.

However, one of the advantages of the Proposed Transaction noted by the Independent Expert is that it is expected to be value accretive to Navigator Shareholders.

c) Partnership with Dyal

On Completion, Navigator and certain Dyal Sellers will enter into a Services Agreement where the applicable service team associated with the Dyal Sellers will offer to provide business services to the Portfolio and portfolio monitoring services relating to the Portfolio to Navigator. The partnership with Dyal Sellers is expected to enable Navigator to further leverage its deep knowledge of the alternative asset management

industry globally, positioning the Company for future accretive, organic and inorganic growth opportunities. The Dyal Sellers will have the right to nominate a director to Navigator's Board for so long as the Dyal Sellers hold at least 10% of Navigator Shares on a fully diluted basis.

As a long term shareholder, the Dyal Sellers have indicated that they have committed to creating further value with Navigator over time and intend to explore future initiatives to do so over time.

d) Increased liquidity

The Proposed Transaction broadens Navigator's Shareholder base and enhances the scale and diversification which is expected to broaden Navigator's appeal to different types of new shareholders over time. As a result, the transaction presents an opportunity to improve long term liquidity in Navigator Shares.

In the event that Dyal elects to fully utilise the liquidity terms agreed to, up to 40.5 million new Shares may be traded onto market over the next five years.

6.6 Why you may choose to vote against the Transaction Resolution

The following are factors which may lead Shareholders to vote against the Transaction Resolution:

a) Maintain investment profile

Shareholders may wish to maintain Navigator in its current form and with its current business mix without the increased scale, diversification and liquidity that the Proposed Transaction is expected to provide. Navigator's operational profile, capital structure, size and geography if the Proposed Transaction is implemented will be different to that of Navigator in its current form.

b) Risk factors

There are a number of risk factors which relate to the Completion of the Proposed Transaction and the holding of shares in Navigator. Details of these risks are set out in section 8 of this document. Shareholders should read that section in full.

c) Terms of the Proposed Transaction

Shareholders may consider some or all of the terms or structure of the Proposed Transaction to be unacceptable, including the Share Consideration or Note Consideration to be issued, and the impact of the Proposed Transaction on Navigator's earnings per share. Shareholders may also have concerns about the potential impact of the Proposed Transaction on the pro forma ownership of Navigator by Dyal Sellers or their affiliates (who may also be existing Shareholders) and the potential consequences of this for control and ownership of Navigator.

The Board has taken into account the terms of the Proposed Transaction and their anticipated impact on the above factors in considering their recommendation to Shareholders.

7 Effect of the Proposed Transaction

This section 7 describes the anticipated effect of the Proposed Transaction on Navigator, by providing a profile of Navigator on a pro forma basis assuming Completion, including certain pro-forma financial information.

7.1 Profile of Navigator's business

Navigator Global Investments Limited is an ASX-listed company with wholly-owned subsidiaries which operate in the financial services sector and specialise in the provision of global alternative investment solutions.

Existing operations

Navigator Group's existing operations comprise its wholly-owned alternative investment manager subsidiary, Lighthouse Investment Partners, LLC. Based in the United States with over 24 years track record, Lighthouse is a global investment management firm which offers hedge fund solutions to investors who are looking to diversify their asset mix and realise growth with a lower correlation to traditional equity and fixed income allocations.

As at 30 June 2020, Lighthouse has US\$11.8bn in total AUM, 114 total employees and 37 investment professionals. Lighthouse has an investor base that spans North America, Europe, the Asia-Pacific and the Middle East. It includes high net worth individuals, family offices, endowments, foundations, trusts, investment banks, benefit plans, pension funds, healthcare and insurance companies.

Lighthouse offers multi-strategy and strategy focused commingled funds, customised solutions and platform services to its client base founded on its proprietary managed accounts program. Lighthouse's overall objective is to create and deliver innovative investment solutions that safely compound investor capital.

Financial Performance and Guidance

Navigator delivered resilient financial performance in the financial year ended 30 June 2020 (**FY20**), however the full impact of the challenges created by the COVID-19 pandemic and underperformance of our multi-strategy funds in March 2020 will not fully impact the financial performance of the Navigator Group until the financial year ended 30 June 2021 (**FY21**).

Navigator delivered EBITDA of \$30.5m for FY20 (with adjusted EBITDA of US\$28.3m after the attribution of cash rent payments which are no longer recognised in operating expenses under the AASB 16 *Leases* accounting standard).

Navigator currently expects some future redemptions across MAS and Lighthouse portfolios as a consequence of March 2020 performance and overall market conditions. However, Navigator also expects continued interest in our equity-based strategies and platform services offering. In the current market environment, the quantum and timing of changes in AUM is difficult to predict.

Average AUM for the FY20 year was US\$13.3 billion. Taking into account:

- the lower starting point of AUM for FY21 of US\$11.8 billion;
- expected net outflows over the coming year;
- a continued shift towards platform service and customised client AUM which generally has lower fee rates; and
- uncertainty as to the level of performance fee revenue which may be earned in FY21

Navigator anticipates a reduction of approximately 20% in total revenue for FY21 to US\$82.5 million (FY20: US\$101.5m).

Cost management is a focus for FY21, however the Company expects to be cautious in instituting any major cost reduction initiatives over the coming financial year. As a result, the EBITDA margin for FY21 is expected to be in the range of 26.5% to 29%, which is slightly below the 30% achieved on total revenue for FY20. As a result, and excluding the potential impacts of the Proposed Transaction, at this time the Board provides FY21 EBITDA guidance of:

	Low	High
EBITDA	US\$22.0m	US\$24.0m
Adjusted EBITDA ¹	US\$19.0m	US\$21.0m

¹ Adjusted for expected cash lease payments of \$3.0m for FY21 not recognised in operating expenses under AASB 16 *Leases*

Strategy

The Navigator Group's strategic goals have long focused around four key areas important to building and maintaining shareholder value:

- 1 Investment Performance
- 2 Growing AUM
- 3 Innovation
- 4 Acquisition opportunities

The Proposed Transaction represents a significant step towards growth from acquisition, which upon Completion, broadens the group with the addition of a Portfolio comprised of businesses that have all shown success and a proven focus on similar strategic goals.

Navigator operating structure on Completion

Navigator expects to adopt a multi-boutique model following completion with the existing Lighthouse business operating alongside the new portfolio, through the establishment of a new business line under NGI Strategic Holdings.

The two business lines demonstrate the distinction between Lighthouse continuing as a wholly-owned operating subsidiary, whilst NGI Strategic Holdings will hold minority stakes with an investment rather than operating focus. In addition, the new structure has been established with a view to ensuring that the Proposed Transaction creates minimal disruption for the existing Lighthouse business.

Navigator will be a unique platform with permanent capital and access to proven operators with over 20 years of experience in launching, operating and evaluating leading alternative asset managers.

Although there are no expected immediate synergies between the Portfolio and Lighthouse, we do expect the partnership with Dyal to lead to benefits for the entire Group. The structure provides a platform to explore future organic and inorganic accretive opportunities. Over time, certain strategic partnerships or collaboration may also occur, as appropriate.

Figure 1 New operating structure of the Navigator Group on Completion



7.2 Profile of the Portfolio

The Portfolio is comprised of global, well-established, scaled alternative asset managers who operate businesses which are diversified across investment style, product type and client base. Each represents a highly specialised business in their respective strategies.

The investments in the alternative asset managers are structured with various provisions focused on alignment of interests and minority protections. This transaction will have minimal impact or disruption to the six managers' businesses. In addition, there are no required changes to the terms of the partnership with each of the managers in the Portfolio continuing to operate with Dyal under the arrangements that have been in place for a number of years.

Key highlights regarding the Portfolio include:

- ✓ **Well established managers** Firms have been in operation for an average of 15 years with strong leadership teams with deep resources across investment and non-investment functions.
- ✓ **Scaled Businesses:** The Portfolio has over US\$35 billion in aggregate AUM, or over US\$6 billion on an ownership adjusted basis as at 30 June 2020.
- ✓ **Diversified Portfolio:** The assets are managed across 26 investment strategies across 111 products as at 30 June 2020, with low correlation between the primary investment strategies of each manager.

The Portfolio consists of specific units in the management companies of established alternative asset managers, and is diversified across investment style, product type and client base. Each interest represents an 8-25% economic interest in the six following managers.

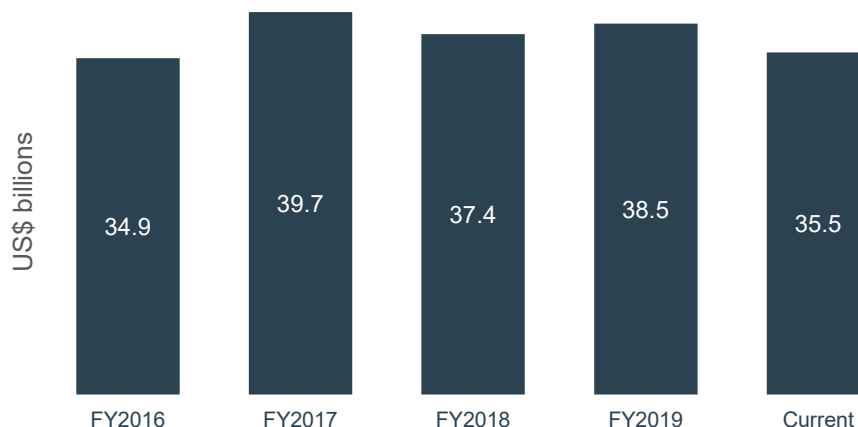
Figure 2 Summary of Portfolio equity investments

	<ul style="list-style-type: none"> ▪ Firm AUM: US\$9 billion ▪ Year founded: 1981 ▪ Year of Dyal Investment: 2012; follow-on investment closed in 2018 ▪ Headquarters: New York, USA ▪ Investment Strategy: Multi-strategy across various credit and relative value strategies, including performing credit (CLOs and bank loan SMAs)
	<ul style="list-style-type: none"> ▪ Firm AUM: US\$8 billion ▪ Year founded: 2005 ▪ Year of Dyal Investment: 2013 ▪ Headquarters: New York, USA ▪ Investment Strategy: Structured public and private credit strategies across high yield asset-based securities, commercial and residential credit
	<ul style="list-style-type: none"> ▪ Firm AUM: US\$7 billion ▪ Year founded: 1991 ▪ Year of Dyal Investment: 2011 ▪ Headquarters: Paris, France ▪ Investment Strategy: Global quantitative and systematic strategies
	<ul style="list-style-type: none"> ▪ Firm AUM: US\$7 billion ▪ Year founded: 2004 ▪ Year of Dyal Investment: 2013 ▪ Headquarters: New York, USA ▪ Investment Strategy: A global, alternative investment management firm operating across a broad range of derivatives-based strategies with a deep understanding of volatility
	<ul style="list-style-type: none"> ▪ Firm AUM: US\$3 billion ▪ Year founded: 2003 ▪ Year of Dyal Investment: 2012; additional stake in 2013 ▪ Headquarters: New York, USA ▪ Investment Strategy: Global commodities specialist platform with exposure to energy, metals and agricultural sectors
	<ul style="list-style-type: none"> ▪ Firm AUM: US\$2 billion ▪ Year founded: 1995 ▪ Year of Dyal Investment: 2012 ▪ Headquarters: New York, USA ▪ Investment Strategy: Global macro

Portfolio AUM

The Portfolio has over US\$35 billion in aggregate AUM. The following shows the historical AUM of the Portfolio over the past 5 years: ²

Historical AUM of the Portfolio



Current AUM based on position as at June 2020 for Bardin Hill, Capstone, MKP, Pinnacle, Waterfall and CFM

The information presented in the rest of this section 7.2 has been adjusted to reflect the current Dyal ownership percentages of each Manager in the Portfolio.

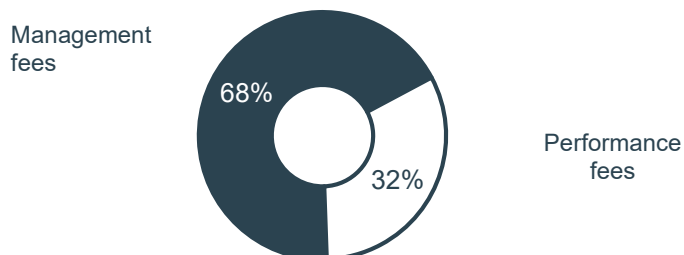
Portfolio earnings and distribution profile

The Portfolio has a track record of delivering consistent financial performance with an average level of total revenue of approximately US\$105 million over the last five years. Adjusted for the current Dyal Sellers ownership percentages being acquired, this has resulted in the Dyal Sellers receiving annual average pre-tax cash distributions of approximately US\$36 million over the past five calendar years.

Portfolio revenue

The revenue earned by the Portfolio has historically been comprised of a higher level of performance fees than the current Navigator business, with a much higher proportion of AUM subject to a performance fee.

Average fee revenue mix³



Portfolio fee rates ⁴		
Average management fee rate		104bps
Average performance fee rate ¹		17%
Current % of AUM charging performance fees		67%

¹ Calculated as run-rate (i.e. no high-water marks) incentive fees for the Portfolio divided by pre-incentive fee returns (defined as gross returns, less management fees and other fund expenses) of the Portfolio

³ Average calculated from FY2015-2019.

⁴ As at 30 June 2020.

Over the past five calendar years (2015 – 2019), the Portfolio has generated:

- a relatively steady level of management fee revenues of between US\$66 million and US\$79 million (an average of US\$70 million).
- performance fee revenue of between US\$20 million and US\$45 million (an average of US\$33 million).

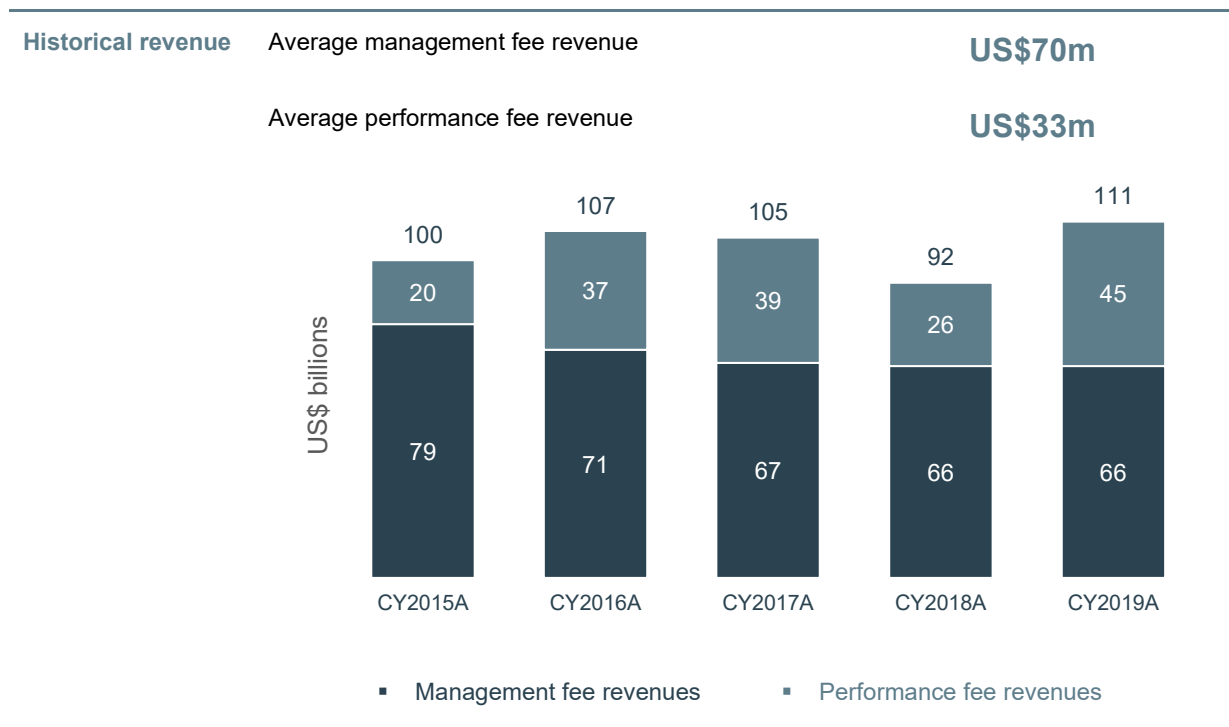
The future generation of performance fees is dependent on a number of factors, including the individual performance of each product which is subject to a performance fee arrangement, as well as applicable hurdle rates and highwatermarks.

The investment performance varies over time and between different managers and their products. Historically, different managers in the Portfolio have contributed varying levels of performance fee revenues in any given year. Whilst not a reliable indicator of future performance, and hence future performance fee revenue earned by the Portfolio, the following shows the weighted average returns (net of all fees and expenses) to investors of the funds/accounts managed by the Portfolio as at 30 June 2020:

Weighted average return of the Portfolio¹	3 year	1.9%
	5 year	3.3%
	Inception-to-date	7.5%

¹ Represent underlying Portfolio Managers' Strategies, exclusive of non-alpha vehicles. Weighted Average Returns are calculated as the weighted average return of each of the six underlying managers' funds, weighted by AUM as at 30 June 2020; ITD information commencing January 2002 through June 2020

The following chart shows the historical annual management fee and performance fee revenues earned by the managers and attributable to the Portfolio:



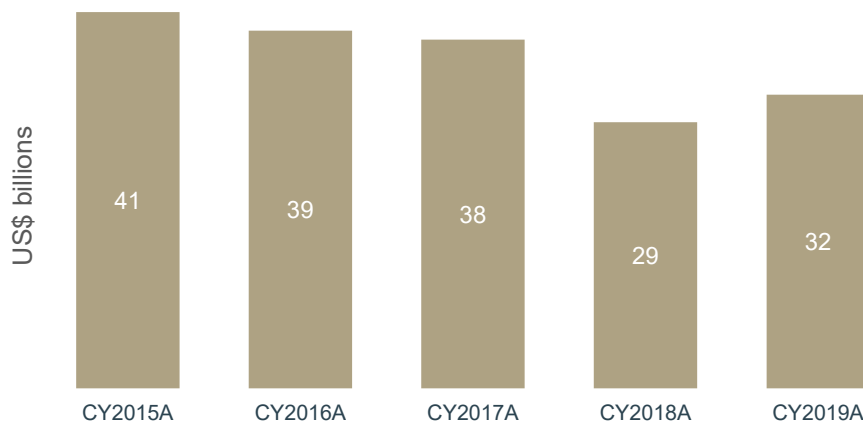
Portfolio distributions

There is a high correlation between the relative share of the Portfolio’s accounting profits and the cash distributions paid in relation to the Portfolio. However, Navigator will only recognise the cash distributions in its statement of financial performance as received, with the timing of distributions varying from manager to manager within the Portfolio.

Historical Portfolio distributable cash earnings

Average annual pre-tax distributable cash earnings⁵

US\$36m

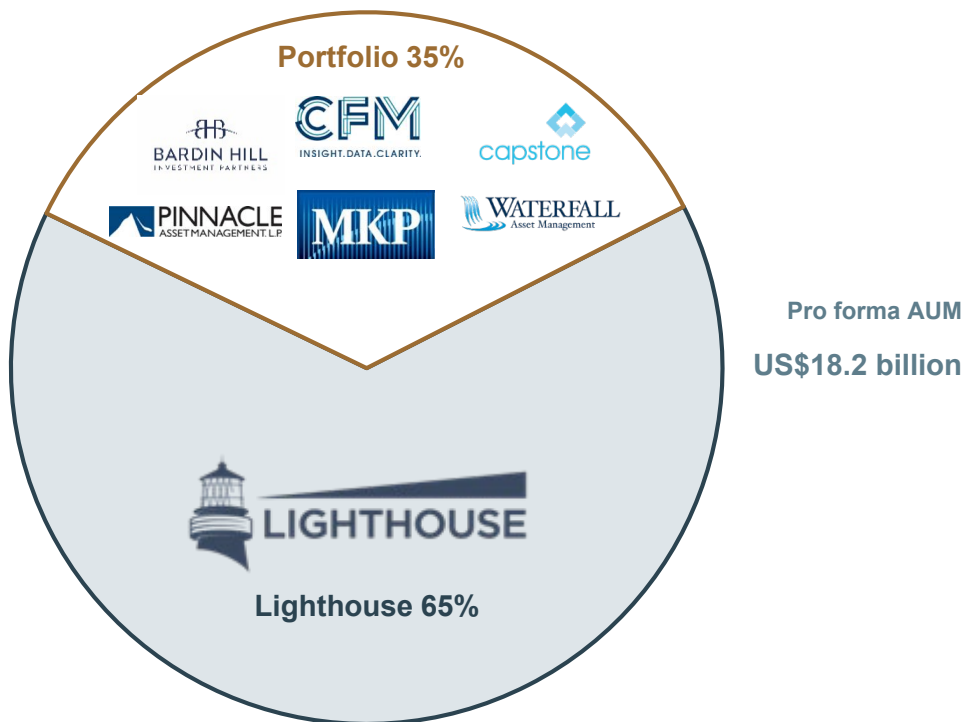


Cash distributions paid by the Portfolio for the period 1 January 2020 to 31 July 2020 is US\$16.0 million.

7.3 Navigator AUM profile on Completion

The principal effects of the acquisition of the Portfolio will be to change the composition of Navigator’s AUM is set out below:

Figure 3 Profile of Navigator AUM on Completion



Explanatory Memorandum

Special Business – Proposed Transaction

Effect of the Transaction

7.4 The effect of the Proposed Transaction on Navigator's capital structure

The effect of the issue of the Share Consideration and the Note Consideration on the Company will be:

- to increase the number of Navigator Shares on issue as a consequence of the issue of the Share Consideration to the Dyal Sellers;
- to increase the number of Navigator Shares on issue upon conversion of the Note Consideration;
- that, on Completion, Dyal will have Voting Power of approximately 19.99% in Navigator; and
- that, on Completion, Dyal will have a 40% interest in Navigator on a fully diluted basis.

As set out in Section 6.2, the Dyal Sellers may only dispose of the Share Consideration and the Note Consideration representing in aggregate up to 8.4 million Navigator Shares in the first two years after Completion and up to 40,524,306 Navigator Shares in the first five years after Completion, other than where Dyal or its affiliates make a change of control offer in connection with the Company receiving a third party change of control offer.

The Dyal Sellers also must not acquire Voting Power in the Company of 20% or more, other than as permitted under items 9, 10, 11 or 19 of Section 611 of the Corporations Act and Dyal's Voting Power in the Company must not in any circumstances exceed 24.9%, in each case other than where Dyal Sellers or their affiliates make a change of control offer in connection with the Company receiving a third party change of control offer.

Navigator's expected capital structure on Completion is set out below:

	Shares	Potential Shares from Convertible Notes
Navigator Shares on issue before the Proposed Transaction	162,147,891	-
Securities to be issued to the Dyal Sellers	40,524,306	67,574,292
At Completion:	202,672,197	67,574,292

7.5 Key accounting implications of the Proposed Transaction

Accounting treatment of:	Statement of financial position	Statement of financial performance
The acquired assets	<p>The acquired Portfolio of equity investments will be classified as investments under AASB 9, with an election being made to classify them as Financial assets at fair value through other comprehensive income (FVOCI) due to Navigator not having significant influence over the management of the relevant entities.</p> <p>The initial fair value carrying amount of the investments will be determined at Completion date.</p> <p>The assets will be held at fair value, which will be assessed at each reporting date. Any changes in fair value will be recognised in other comprehensive income in the fair value reserve. Upon sale or derecognition of these investments, any gain or loss will be transferred to retained earnings.</p>	<p>Income from the investments will be recognised in the statement of financial performance as distribution income on the date that the Group's right to receive payment is established.</p> <p>Amounts paid to Dyal in accordance with their retained entitlement as holders of Class II interests will be recognised as profit attributable to minority interests.</p>

Accounting treatment of:	Statement of financial position	Statement of financial performance
--------------------------	---------------------------------	------------------------------------

Convertible Notes

The Convertible Notes are compound instruments for accounting purposes, and the principal amount of the Convertible Notes will be apportioned between debt and equity on the statement of financial position as follows:

- The carrying amount of the debt component is determined by reference to the fair value of a similar stand-alone debt instrument; and
- The carrying amount of the equity component is the residual amount.

The carrying amount of the debt and equity components is measured at issue date of the Convertible Notes.

The Convertible Notes do not have a fixed interest component, as any distributions payable in relation to the Convertible Notes are determined as the equivalent amount of any dividend or distribution made in relation to Shares of the Company. As such, the fair value of the debt component represents the potential cash payment to redeem any outstanding Convertible Notes at Maturity Date.

Any transaction costs directly relating to the issue of the Convertible Notes will be allocated to the debt and equity components on a proportional basis upon recognition. The portion allocated to the equity component will be deducted from equity, whilst the portion allocated to the debt component will be deducted from the liability.

The debt component of the Convertible Notes will be subsequently recognised at amortised cost.

Redemption Payment liability

Under the Limited Partnership Agreements to be entered into upon Completion, Navigator is required to make the Redemption Payment after 1 January 2026 to acquire the Dyal Sellers' Class II Units, which prior to redemption, will have entitled the Dyal Sellers to the remaining 80% of any excess cash distributions from the Portfolio.

The liability for the Redemption Payment is a financial liability recognised at fair value in the statement of financial position. The fair value represents the net present value of the expected future payment amount and will be remeasured at each reporting date.

The Redemption Payment liability will be remeasured to fair value at each reporting date. Changes in fair value will be recognised in the statement of financial performance as change in fair value of financial liabilities at fair value through profit or loss.

7.6 Key taxation implications of the Proposed Transaction

Australia

Income from investments

Income earned from the underlying investments should generally not be assessable to the Company in

Australia (either on receipt or on an accruals basis) due to the application of specific exemptions. However, gains on divestment of underlying investments can give rise to Australian taxation in limited circumstances.

Explanatory Memorandum

Special Business – Proposed Transaction

Effect of the Transaction

Tax treatment of the Convertible Notes

The Convertible Notes should be regarded as an equity interest for Australian income tax purposes. As such, coupons on notes should not be deductible for the Company. Rather, the coupons may be franked, with any unfranked coupons able to be declared as conduit foreign income (see below). Further, the conversion of the Convertible Notes into ordinary shares should not give rise to any Australian tax liabilities for the Company or Shareholders.

Conduit foreign income

Distributions made by the Company to Shareholders or the Convertible Noteholders may be declared as conduit foreign income to the extent they are unfranked and they relate to the distribution of amounts derived by the Company from its offshore investments that are non-assessable in Australia (including the investments acquired under the Transaction). Where distributions are declared to be conduit foreign income, they are not subject to any Australian withholding tax.

For completeness, any unfranked distributions to Shareholders or Convertible Noteholders that are not declared to be conduit foreign income may be subject to Australian dividend withholding tax at a rate that is the lower of 30% or the rate prescribed under any applicable tax treaty.

Benchmark rule

Distributions to Shareholders and Convertible Noteholders will be subject to the benchmark rule, which requires such distributions to be franked to the same extent in each six-month period.

United States

Tax treatment of the Convertible Notes

The Convertible Notes should be treated as equity for US tax purposes. As such, any distributions made in relation to the Convertible Notes should represent dividend distributions for US tax purposes.

Withholding tax

To the extent that there is withholding tax payable in relation to distributions made to the Convertible Noteholders, this withholding tax liability should be incurred by the Convertible Noteholders through reduction of the distribution paid by the amount of the withholding tax obligation.

Section 382

Certain transfers of Navigator Shares could result in our undergoing an "ownership change" as defined in Section 382 of the Internal Revenue Code of 1986, as amended (the **Code**), and the related Treasury Regulations (Section 382). If that were to happen, we would only be permitted to use a limited amount of our then existing NOLs, credits, and certain other deductions to reduce our current and future federal income taxes subsequent to the ownership change. An ownership change generally occurs if the percentage of stock owned by certain Shareholders

has increased by more than 50 percentage points over their lowest percentage of stock of the corporation during a specified period of time (generally three years).

The US entities owned by the Company have net operating losses and other temporary deductible differences of approximately \$196 million as at 30 June 2020. Given the large increase of stock owned by certain Shareholders of the Company as a result of the Proposed Transaction, it is possible that further changes in the Company's Shareholder base may trigger a Section 382 limitation, which may adversely impact the ability and/or timing associated with the deduction of certain tax losses and other amounts. Based on the current ownership and available information, we do not believe that the Proposed Transaction itself will cause an ownership change.

Section 7874

The Proposed Transaction involves the issuance of Share Consideration and Convertible Notes by the Company, a company domiciled and tax-resident outside of the United States, which may invoke the application of Section 7874 of the Code (Section 7874) to the Company.

For U.S. federal tax purposes, a corporation is generally considered to be a tax resident of the jurisdiction of its organization or incorporation. Because the Company is a company organized under the laws of Australia, the Company would normally be classified as a non-U.S. corporation for U.S. federal income tax purposes. However, Section 7874 provides an exception to this general rule under which (1) a foreign incorporated entity may, in certain circumstances and/or following certain transactions, be classified as a U.S. corporation for U.S. federal income tax purposes, or (2) may be subject to certain U.S. tax limitations and other adverse U.S. tax consequences.

To the extent that Section 7874 were to apply to the Proposed Transaction, the Company may experience adverse and significant U.S. tax implications, including the potential for the Company to be permanently treated as a U.S. corporation for all U.S. federal income tax purposes or have other adverse U.S. tax consequences. It may also impact the U.S. federal income tax treatment on dividends received by shareholders from the Company.

Based on our current estimates, we do not believe that Section 7874 will apply to the Proposed Transaction. However, the rules of Section 7874 are complex and subject to varying interpretations. The Proposed Transaction documentation provides that the Company and Dyal will cooperate to exchange information and monitor the potential for Section 7874 to be triggered on the Proposed Transaction.

7.7 Pro Forma statement of financial position of the Company

Set out below are the audited consolidated statement of financial position as at 30 June 2020 (**Reported Statement of financial position**) and the pro forma consolidated statement of financial position as at 30 June 2020 (**Pro Forma Statement of financial position**) for the Company prepared on the basis of the accounting policies adopted by the Company at 30 June 2020 as set out in the Company's 2020 Annual Report available at www.navigatorglobal.com.au.

The Pro Forma Statement of financial position has been provided for illustrative purposes only and has not been subject to audit, review or other verification.

The audited historical and pro forma financial information is presented in an abbreviated form insofar as it does not include all of the disclosures required by Australian Accounting Standards to be included in the annual financial statements.

The Pro Forma Statement of financial position is based on the Reported Statement of financial position adjusted to reflect the acquisition of the Portfolio and the issue of Shares and Convertible Notes as if this had occurred as at 30 June 2020.

	Reported Statement of financial position ¹ US\$ millions 30 June 2020	Pro Forma adjustments		Pro Forma Statement of financial position ² US\$ millions 30 June 2020
Assets				
Cash and cash equivalents	27.0	①	(6.8)	20.2
Trade and other receivables	16.1			16.1
Total current assets	43.1			36.3
Investments	14.7	②	192.7	207.4
Plant and equipment	7.4			7.4
Right of use (lease) assets	19.3			19.3
Deferred tax assets	46.0	①	0.8	46.8
Intangible assets	94.5			94.5
Other non-current assets	2.5			2.5
Total non-current assets	184.4			377.9
Total assets	227.5			414.2
Liabilities				
Trade and other payables	2.9			2.9
Lease liabilities	2.4			2.4
Employee benefits	0.5			0.5
Total current liabilities	5.8			5.8
Trade and other payables	0.2			0.2
Lease liabilities	20.8			20.8
Employee benefits	0.1			0.1
Convertible Note liability	-	① ③	2.6	2.6
Redemption Payment liability	-	④	75.5	75.5
Total non-current liabilities	21.1			99.2
Total liabilities	26.9			105.0
Net Assets	200.6			309.2
Equity				
Share capital	257.3	① ③ ⑤	112.6	369.9
Reserves	13.7			13.7
Accumulated losses	(70.4)	①	(4.0)	(74.4)
	200.6			309.2

Notes:

- The Reported Statement of financial position has been extracted from the audited financial statements of Navigator Global Investments as at 30 June 2020.
- The Pro Forma Statement of financial position has been adjusted to reflect the acquisition of the Portfolio assets and the issue of Navigator Shares and the Convertible Notes in relation to the Transaction as if this would have occurred as at 30 June 2020. The pro forma adjustments to reflect the estimated financial effect of accounting for the business combination are illustrative only. The Company will have until its next financial reporting date following Completion to finalise the purchase price accounting.

Pro forma adjustments

The following assumptions and pro forma adjustments have been made when preparing the illustrative Pro Forma Statement of financial position:

1 Cash and cash equivalents

- Navigator will incur additional transaction costs for the 2021 financial year of approximately US\$6.8 million.
 - Approximately 70% or US\$4.8 million of these costs are estimated to relate to the acquisition of assets and will be expensed;
 - Approximately 30% or US\$2.0 million of these costs are estimated to relate to the issue of shares and the equity component of the Convertible Note will be deducted from equity;
 - Costs related to the debt component of the Convertible Note are expected to be nominal.

The above % allocations may change as additional transaction costs are incurred until Completion.

- A portion of the expensed transaction costs are expected to result in a deferred tax asset of approximately US\$0.8 million as they will not be immediately deductible in the jurisdiction in which they are incurred.

The pro forma impact of the transaction costs is to reduce cash by US\$6.8 million.

2 Investments

Represents an estimate of the expected fair value of the Portfolio assets to be acquired at Completion of US\$192.7 million based on:

- an estimate of the value of the Note Consideration to be issued at Completion of US\$73.3 million (see Pro Forma adjustment 3)
- an estimate of the fair value of the Redemption Payment liability at Completion of US\$75.5 million (see Pro Forma adjustment 4)
- an estimate of the value of the Share Consideration to be issued at Completion of US\$43.9 million (see Pro Forma adjustment 5)

The combined value of these components is expected to be equivalent to fair value at Completion. To the extent any of the components are materially different at Completion and the combined value does not represent fair value, Navigator may book goodwill in the statement of financial position or a gain on acquisition in the statement of financial performance.

3 Convertible Note

The total Note Consideration is estimated as US\$73.3 million, calculated on the following assumptions:

Potential Navigator Shares issued pursuant to Convertible Notes	67,574,292
Share price at Completion ¹	A\$1.525
AUD:USD exchange rate at Completion ²	0.7108

Estimated Note Consideration US\$73.3m

- 1 Estimated based on closing Share price on 30 September 2020
- 2 Estimated based on the Reserve Bank of Australia AUD:USD rate for 30 September 2020

The debt component of the Convertible Note is estimated to be US\$2.6 million, representing the discounted value of the estimated amount that Navigator may have to pay to redeem the Convertible Notes for cash at Maturity Date. The Convertible Notes are only redeemable for cash at Maturity Date if conversion of the Convertible Notes to Shares is not possible due to regulatory reasons. The likelihood of this occurring is considered very small, and the probability has been estimated at 5%. This probability also takes into account the likely reduction in the Convertible Notes over the 10 year Term of the Convertible Notes given the conversion rights of both parties. The debt component has been estimated based on the following assumptions:

The maximum number of shares the Convertible Notes could convert to at Maturity Date	67,574,292
Share price at Maturity Date ¹	1.525
AUD:USD exchange rate at Maturity Date ²	0.7108
Probability of the Convertible Notes being redeemed for cash at Maturity Date	5%
Estimated discount rate ³	3.58% pa

- 1 Closing Share price on 30 September 2020 has been used for illustrative purposes. In finalising the purchase price accounting after Completion, the Share price at Maturity Date will be estimated using an estimation technique such as Monte Carlo Simulation.
- 2 Reserve Bank of Australia AUD:USD rate for 30 September 2020 has been used for illustrative purposes. In finalising the purchase price accounting after Completion, the AUD:USD rate at Maturity Date will be estimated using an estimation technique such as Monte Carlo Simulation.
- 3 Estimate based on the cost of debt component of the Weighted Average Cost of Capital of the Company as at 30 June 2020.

The equity component of the Convertible Note is estimated at US\$70.7 million, being the residual value of the total face value of the Convertible Notes after the deduction of the debt component.

4 Redemption Payment liability

This represents an estimate of the net present value of the Redemption Payment for the retained interest in the cash distributions from the Portfolio payable to the Dyal Sellers under the Purchase Agreement.

The estimated fair value of the Redemption Payment liability at Completion in the Pro Forma Statement of financial position has been estimated based on the below assumptions and applying the contractual terms for calculating the Redemption Payment.

The Redemption Payment liability is the discounted value of the estimated Redemption Payment payable in 2026, calculated as:

- 2.25 times the average amount in excess of the Preferred Distribution Base Amount for calendar years 2021 to 2023

plus

- 2.25 times the average amount in excess of the Preferred Distribution Base Amount for calendar years 2024 and 2025

Estimated total cash distributions¹ US\$36.0m indexed at 3% pa

Preferred Distribution Base Amount US\$17.0m indexed at 3% pa

Estimated discount rate² 3.58% pa

Estimated Redemption Payment liability US\$75.5m

¹ Estimate based on historical 5 year average per Section 7.2 Assumed to grow by a 3% indexation rate, consistent with the 3% contractual indexation rate applied to the Preferred Distribution Base Amount.

² Estimate based on the cost of debt component of the Weighted Average Cost of Capital of the Company as at 30 June 2020.

The following table shows the sensitivity of the estimated Redemption Payment liability to various levels of annual indexation (growth) of the estimated US\$36.0 million of cash distributions:

Assumed indexation factor for cash distributions	Estimated Redemption Payment liability
0%	US\$66.2m
3%	US\$75.5m
10%	US\$99.6m
20%	US\$140.6m
25%	US\$164.8m (net present value of maximum US\$200m)

The actual amount of the Redemption Payment liability recognised at Completion will be determined as part of the acquisition accounting and purchase price allocation process.

5 Share capital

Share capital will be increased for the issue of the Share Consideration, equity portion of the Note Consideration and the deduction of related transaction costs.

Share Consideration is estimated to increase share capital by US\$43.9 million, calculated as:

Shares issued 40,524,306

Share price at Completion¹ A\$1.525

AUD:USD exchange rate at Completion² 0.7108

Estimated Consideration US\$43.9 m

¹ Estimated based on closing Share price on 30 September 2020

² Estimated based on the Reserve Bank of Australia AUD:USD rate for 30 September 2020

Share Capital will be increased by US\$70.7 million for the equity component of the Convertible Notes to be issued at Completion (see Pro Forma adjustment 3).

The estimated net change to share capital is comprised of the following:

Shares issued US\$43.9m

Equity component of convertible note US\$70.7m

Transaction costs (US\$2.0m)

Pro forma adjustment to share capital US\$112.6m

7.8 Additional financial considerations

FY21 Portfolio distributions

Under the terms of the transaction, the first year that the distributions received from the Portfolio will be shared between Navigator and the Dyal Sellers will be the financial year ending 30 June 2021. For the purposes of this calculation, earnings received from the Portfolio which relate to the 2020 calendar year period (whether received before or after Completion) will be included in the calculation for the distributions to be shared by the parties. Navigator's \$17m Preferred Distribution Base Amount will apply.

Any distributions relating to the 2020 calendar year received from the Portfolio prior to Completion will form part of the assets. The amount of this cash will depend on the timing of payment of distributions, and is outside the control of Navigator and the Dyal Sellers. As such, it is unable to be reliably estimated and has not been included in the illustrative Pro Forma Statement of financial position presented in section 7.7.

Additional operating expenses

Navigator estimates that it will incur an additional US\$1-2 million of ongoing operating expenses in relation to the new NGI Strategic Holdings business.

Tax on Portfolio earnings

The tax payable on earnings from the Portfolio is impacted by a number of factors, including the jurisdictions of the Acquired Interests and tax deductions for amortisation of acquired intangible assets. We estimate that the effective tax rate for portfolio earnings will be approximately 10%, however the actual effective tax rate may vary from year to year.

7.9 Board Composition

As set out in Section 6.2, Dyal will have the right to the right to nominate one director to the Board for so long as the Dyal Sellers hold at least 10% of Navigator Shares on a fully diluted basis.

Other than Dyal's right to appoint a director, Navigator does not anticipate any changes to the composition of the Board (subject to the election and re-election of those Directors being considered at the AGM). It is expected that from Completion, the board composition will be as follows:

Name	Independent	Non-executive
Michael Shepherd (Chair)	✓	✓
Andy Esteban	✓	✓
Nicola Grenham	✓	✓
Randy Yanker	✓	✓
Andy Bluhm		✓
New Dyal nominated director		✓
Sean McGould		

8 Key Risks

8.1 Introduction

This section 8 discusses some of the risks associated with the Proposed Transaction and with an investment in Navigator on Completion of the Proposed Transaction.

Many of these risks are outside the control of Navigator. Additional risks and uncertainties that Navigator is unaware of, or that Navigator currently believes to be immaterial, may also become important factors that affect Navigator. The occurrence of any of the events which pose these risks could have a material adverse effect on Navigator's prospects, financial condition and results of operations. In that case, the trading price of Navigator Shares could decline and investors could lose some or all of their investment.

8.2 General risk factors

As with any entity whose securities are listed on ASX, the operating and financial performance of the Navigator and the value of Navigator Shares will be influenced by a variety of general business cycles and economic conditions. Changes in business and economic factors, such as interest rates, exchange rates, inflation, changes in national demographics, changes in government fiscal, monetary and regulatory policy in Australia and changes to accounting or financial reporting standards, can be expected to impact on the business of Navigator and the market price of Navigator Shares. Deterioration in general economic conditions may adversely affect Navigator's operating and financial performance.

In addition, the price at which Navigator Shares trade on ASX may be affected by a range of external factors over which Navigator and Navigator have no control. These risk factors include but are not limited to:

- variations in the local and global market for listed companies;
- inclusion of Navigator on, or removal of Navigator from, major market indices; and
- recommendations by brokers and analysts.

8.3 Risk factors relating to the Proposed Transaction

a) Fair value accounting

In accounting for the Proposed Transaction, Navigator will need to perform a fair value assessment of the entire Portfolio on at least each reporting date, and as such any changes in fair value, either positive or negative, will be recognised in the Fair Value Reserve.

Navigator will also need to perform a fair value assessment of the Redemption Payment liability on at least each reporting date, and as such any changes in fair value, either positive or negative will be recognised in the statement of financial performance.

b) Expected benefits failing to eventuate

There can be no guarantee that the benefits expected to materialise from the Proposed Transaction, including any increase in Cash EPS, will actually eventuate. In addition, the actual EPS accretion achieved will be dependent on not just the performance of the acquired Portfolio, but also the future performance of Navigator's existing business.

Navigator has sought to mitigate this risk through the structure of the Proposed Transaction, including the Preferred Distribution Base Amount and the calculation of the Redemption Payment in 2026.

8.4 Other commercial risks

There are a number of general commercial risks that could adversely affect Navigator's financial performance and position or future prospects, including, but not limited to the following:

- the operating performance of Navigator's businesses falling materially outside that on which assumptions are based;
- risks associated with Navigator's ability to attract and retain qualified personnel;
- development of new services or technology in competition with Navigator's operations;
- the level of market acceptance for the services provided by Navigator;
- technological change relating to Navigator's information systems;
- litigation; and
- other causes of interruption

This section 8 is not exhaustive. You should read this entire document carefully. If you are unclear in relation to any matter or uncertain if Navigator Shares are (or will continue to be) a suitable investment for you, then you should consult your stockbroker, accountant or other professional adviser.

9 Glossary and Interpretation

Definitions

The following terms and abbreviations used in this Explanatory Memorandum (including the Notice of Meeting) have the meanings given to them below, unless the context otherwise requires:

Acquired Interests	Comprise: <ul style="list-style-type: none"> (i) Dyal Sellers' interests in CFM, and (ii) Class I Units, together with the economic rights to the general partnership interests of Dyal Capital Partners (A) LP and Dyal Capital Partners (B) LP.
Acquisition Proposal	A proposal or arrangement concerning any acquisition or purchase of any the Portfolio other than in respect of the Proposed Transaction.
Annual General Meeting or AGM	The annual general meeting of Shareholders scheduled to be held at 10.00am (Sydney time) on 18 November 2020
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange or ASX Limited (ACN 008 624 691), as the context requires.
ATO	Australian Taxation Office
AUM	Assets under management
Auditor's Report	The annual auditor's report of the Company for the year ended 30 June 2020.
Board	The board of directors of the Company.
BSP	Business Services Platform
Business Day	a day (other than a Saturday or Sunday) on which banks in the cities of New York, Sydney and Brisbane are generally open for business.
Cash EPS	Cash earnings per share, excluding the impact of non-recurring and non-cash accounting items
CFM	Capital Fund Management S.A.
CGT	Capital gains tax
Class I Units	Class I Units in Dyal Capital Partners (A) LP and Dyal Capital Partners (B) LP, to be created under a reorganisation of the entities which hold the Portfolio by the Dyal Sellers and their affiliates prior to Completion.
Class II Units	Class II Units in Dyal Capital Partners (A) LP and Dyal Capital Partners (B) LP, to be created under a reorganisation of the entities which hold the Portfolio by the Dyal Sellers and their affiliates prior to Completion.
Company	Navigator Global Investments Limited (ACN 101 585 737).
Competing Proposal	A proposed transaction or arrangement pursuant to which a person other than the Dyal Sellers or any of their affiliates would, if the proposed transaction or arrangement is entered into or completed substantially in accordance with its terms: <ul style="list-style-type: none"> (i) directly or indirectly acquire, have a right to acquire or otherwise acquire an economic interest in all or a substantial part of the business of the Company and its Subsidiaries, taken as a whole; (ii) acquire a relevant interest (as that term is defined in sections 608 and 609 of the Corporations Act) in more than 20% of the Navigator Shares or otherwise acquire control of Navigator within the meaning of section 50AA of the Corporations Act; or (iii) otherwise acquire or merge with Navigator whether by way of takeover offer, scheme of arrangement, Shareholder approved acquisition, capital reduction, share buy-back, sale or purchase of assets, joint

	venture, reverse takeover, dual-listed company structure or other synthetic merger or any other transaction of arrangement.
Completion	Completion of the Proposed Transaction in accordance with the terms of the Purchase Agreement.
Conditions Precedent	The conditions precedent to the Purchase Agreement, summarised in Schedule 1.
Constitution	The constitution of the Company.
Convertible Note	A convertible note to be issued by the Company pursuant on the terms and conditions of the Convertible Note Deed Poll.
Convertible Noteholder	In relation to a Convertible Note means the person or persons registered as the holder of that Convertible Note in the register.
Convertible Note Deed Poll	The deed poll to be executed by the Company in favour of the Convertible Noteholders, a copy of which is set out in Schedule 3 of this Explanatory Memorandum.
Corporations Act	The Corporations Act 2001 (Cth).
Director	A director of the Company.
Directors' Report	The annual directors' report of the Company for the year ended 30 June 2020.
Dyal	Dyal Capital Partners, a division of Neuberger Berman.
Dyal Information	Information concerning Dyal, the Dyal Sellers and the Portfolio which is set out in section 7.2.
Dyal Sellers	Dyal Capital Partners I (A) LP, Dyal Capital Partners I (B) LP, Dyal Europe Holdings Limited, and NB Dyal Associates LP.
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
Explanatory Memorandum	This document.
Face Value	US\$1,000
FATA	Foreign Acquisitions and Takeovers Act 1975 (Cth)
Financial Report	The annual financial report of the Company for the year ended 30 June 2020.
FIRB	Australian Foreign Investment Review Board.
HSR Act	United States Hart-Scott-Rodino Antitrust Improvements Act of 1976.
Independent Expert	Lonergan Edwards & Associates.
Independent Expert's Report	The report dated 24 September 2020 issued by the Independent Expert that is set out in Schedule 2 of this Explanatory Memorandum
Key Management Personnel	Key management employees of Navigator named in the Remuneration Report.
Lighthouse	Lighthouse Investment Partners, LLC, a Delaware limited liability company and wholly owned subsidiary of Navigator Global Investments Limited
Listing Rules	The official listing rules of ASX
Maturity Date	Tenth anniversary of the issue date of the Convertible Notes.
Navigator	Navigator Global Investments Limited (ACN 101 585 737)
Navigator Buyers	NGI Strategic Holdings Ltd and NGI Strategic Holdings II, Inc.
Navigator Share	A fully paid ordinary share in Navigator
Neuberger Berman	Neuberger Berman Group LLC
Note Consideration	The issue by the Company of Convertible Notes convertible into 67,574,292 Navigator Shares to the Dyal Sellers pursuant to the Purchase Agreement.

Notice of Meeting	The notice of Annual General Meeting that forms part of this Explanatory Memorandum.
Portfolio	The portfolio of six minority equity investments in established alternative asset managers which Navigator is purchasing from the Dyal Sellers as part of the Proposed Transaction, details of which are set out in section 7.2.
Preferred Distribution Base Amount	The annual cash distribution of the first US\$17 million generated by the Portfolio, increased by 3% per annum and subject to a cumulative catch up mechanism.
Proxy Form	The proxy form accompanying the Notice of Meeting and Explanatory Memorandum
Purchase Agreement	The purchase agreement dated 12 August 2020 between, amongst others, the Navigator Buyers and the Dyal Sellers, the key terms of which are summarised in Schedule 1 of this Explanatory Memorandum.
Proposed Transaction	<p>The proposed transaction pursuant to the Purchase Agreement under which, among other things:</p> <ul style="list-style-type: none"> (i) at Completion, the Navigator Buyers will acquire the Acquired Interests and in consideration Navigator will issue the Share Consideration and Note Consideration, together representing a 40% interest in the Company on a fully diluted basis, and (ii) after 1 January 2026 Navigator will acquire the Class II Units by paying the Redemption Payment.
Reasonable	Means either (a) fair and reasonable or (b) not fair but reasonable.
Recommendation Change	The Board publicly changes or withdraws its recommendation or, prior to Shareholder approval, recommends a Superior Proposal or the Independent Expert does not conclude that the Proposed Transaction is Reasonable to Shareholders.
Redemption Payment	The single redemption payment to be made by Navigator to the applicable Dyal Sellers following 1 January 2026 to acquire the Class II Units.
Redemption Payment liability	The obligation under the Limited Partnership Agreements to be entered into between Navigator and the Dyal Sellers upon Completion for Navigator to make the Redemption Payment to the Dyal Sellers.
Register of Shareholders	The register of shareholders maintained by or on behalf of Navigator.
Relevant Interest	Has the meaning given to that term in sections 608 and 609 of the Corporations Act.
Remuneration Report	The remuneration report contained in the annual financial report and the reports of the directors and of the auditors of the Company for the year ended 30 June 2020.
Resolutions	The resolutions set out in the Notice of Meeting, or any one of them, as the context requires.
Share Consideration	The issue by the Company of 40,524,306 Navigator Shares to the Dyal Sellers pursuant to the Purchase Agreement.
Shareholder	A holder of a Navigator Share.
Shareholders Agreement	The shareholders agreement to be entered into by the Company and the Dyal Sellers, the key terms of which are summarised in Schedule 1 of this Explanatory Memorandum.
Subsidiary	Has the meaning given in section 9 of the Corporations Act.
Superior Proposal	<p>A Competing Proposal which was not solicited, invited or initiated by the Company or any of the Company's representatives which in the determination of the board of directors of the Company acting in good faith, after receiving advice from the Company's legal and financial advisers, could reasonably be expected to:</p> <ul style="list-style-type: none"> (i) if completed substantially in accordance with its terms, lead to a transaction more favourable to the Shareholders than the transactions contemplated under the Purchase Agreement; and (ii) be inconsistent with the fiduciary or statutory duties of the Company's directors if the Company's directors were to continue to recommend the

	transactions contemplated by the Purchase Agreement instead of the Competing Proposal.
Transaction Resolution	Resolution 5 as set out in the Notice of Meeting.
Voting Power	Has the meaning given in and is to be determined in accordance with the Corporations Act.
VWAP	On any day, the average, calculated and converted to USD at the rate published by the Reserve Bank of Australia on the Business Day immediately prior to that day, of the daily volume weighted average sale prices (rounded to the nearest full cent) of Navigator Shares sold on ASX during a specified period of days prior to that day but does not include any transaction defined in the ASX Operating Rules as "special" crossings, any crossings during any Session State of the ASX Trading Platform for Cash Market Transactions (each as defined in the ASX Operating Rules) other than an Open Session State (as defined in the ASX Operating Rules), overnight crossings, or any overseas trades or trades pursuant to the exercise of options or warrants over Navigator Shares or conversion of Convertible Notes.

Explanatory Memorandum

Special Business – Proposed Transaction

Glossary and Interpretations

1. Material terms of the Purchase Agreement

Purchase Price

Pursuant to the terms of the Purchase Agreement, following reorganisation of the Dyal Sellers and their affiliates prior to Completion, Navigator will acquire the Acquired Interests, including the Class I Units. Dyal Sellers will retain all of the Class II Units. The Class I Units and Class II Units include the economic rights to interests in the Portfolio. In consideration for the Acquired Interests, the Company will issue the Share Consideration and the Note Consideration to the Dyal Sellers.

The Share Consideration will be allocated to the Dyal Sellers as follows:

Dyal Seller	Navigator Shares
Dyal Capital Partners I (A) LP	26,092,185
Dyal Capital Partners I (B) LP	7,999,818
NB Dyal Associates LP	169,573
Dyal Europe Holdings Limited	6,262,730
Total	40,524,306

The Note Consideration will be allocated to the Dyal Sellers in the same proportion as the Share Consideration is allocated to the Dyal Sellers.

For the first five fiscal years ending 30 June after Completion of the Proposed Transaction, the Company will first receive in respect of its Class I Units, the Preferred Distribution Base Amount, plus 20% of any cash distributions in excess of the Preferred Distribution Base Amount. Any shortfall of the Preferred Distribution Base Amount will be subject to catch-up arrangements. 80% of the annual cash distributions generated by the Portfolio in excess of the Preferred Distribution Base Amount will be distributed to the Dyal Sellers in respect of their Class II Units.

Following 1 January 2026, the Class II Units will be redeemed. The Redemption Payment will be calculated as:

- 2.25x the average earnings in excess of the Preferred Distribution Base Amount in years 1-3 (CY2021 to CY2023 inclusive); plus
- 2.25x the average earnings in excess of the Preferred Distribution Base Amount in years 4-5 (CY2024 and CY2025),

up to a maximum aggregate payment of US\$200 million.

Conditions Precedent

Completion of the Proposed Transaction is subject to the satisfaction or waiver (where permitted) of the conditions precedent which include:

- approval by Shareholders;
- receipt of all applicable regulatory approvals, including from FIRB, the United Kingdom Financial Conduct Authority, the French Autorité des marchés, the Central Bank of Ireland, and to the extent the price of the Navigator Ordinary Shares exceeds a certain threshold, HSR Act approval;
- no material adverse effect has occurred in relation to the other party;
- the fundamental representations of the other party are true and correct, and all other representations of the other party are true and correct except for breaches as to matters that, individually and in the aggregate have not had and would not reasonably be expected to have a material adverse effect;
- a pre-completion restructure of certain Dyal companies which hold interests in the Portfolio has occurred; and
- other customary conditions to Completion, including without limitation that there are no legal impediments to the Proposed Transaction, that the parties have delivered various closing

documents and certificates, and that the parties have complied in all material respects with their covenants to be performed prior to Completion.

Termination Rights

The Navigator Buyers or the Dyal Sellers may terminate the Purchase Agreement:

- (a) upon mutual agreement by the parties;
- (b) if the Proposed Transaction does not close within 12 months after signing;
- (c) if any required approval is not granted or the transaction is otherwise prohibited by a governmental body;
- (d) if Shareholder approval at the AGM is not obtained; or
- (e) if the other party has materially breached the Purchase Agreement and such breach is not cured within 30 days after written notice.

The Dyal Sellers may also terminate the Purchase Agreement if the Board publicly changes or withdraws its recommendation or, prior to Shareholder approval, recommends a Superior Proposal or the Independent Expert does not conclude that the Proposed Transaction is Reasonable to Shareholders (**Recommendation Change**).

Reimbursement Payment

A reimbursement payment in the amount of US\$1,0621,609 will be payable by the Navigator Buyers to the Dyal Sellers if the Proposed Transaction is terminated as a result of a Recommendation Change, or if a Competing Proposal is announced or made before the Shareholder meeting and within 12 months of such announcement, such party enters into definitive agreement for a Competing Proposal which subsequently closes at any time.

Exclusivity

The Company, the Navigator Buyers, and the Dyal Sellers are prohibited from:

- (a) (i) initiating or soliciting, or (ii) encouraging or facilitating proposals or entering into any agreement or participating in any negotiations or discussion with any person which may lead to a Competing Proposal or Acquisition Proposal (as applicable), and in the case of the Navigator Buyers and the Company from furnishing any non-public information to another person regarding a potential Competing Proposal;
- (b) continuing any discussions or negotiations that existed as of the signing date regarding any Competing Proposal or Acquisition Proposal (as applicable); and
- (c) entering into any letter of intent, agreement or otherwise relating to any Competing Proposal or Acquisition Proposal (as applicable).

The obligations described in the foregoing clauses (a)(ii) and (c) do not apply to Navigator to the extent that they restrict any person from taking or not taking any action with respect to a bona fide Competing Proposal which did not arise from a breach of the foregoing clause (b) or (a)(i) where the Board, acting in good faith, determines: (x) after consultation with its financial adviser, that the Competing Proposal is, or could reasonably be expected to become, a Superior Proposal and (y) after receiving advice from its external legal adviser, that failing to respond to the Competing Proposal could reasonably be expected to constitute a breach of the Navigator directors' fiduciary or statutory duties.

The Company has an additional obligation to notify the Dyal Sellers where the Company is approached with a Competing Proposal, subject to the Company director's fiduciary obligations.

Summary of the terms of the Share Consideration

The Share Consideration will be fully paid ordinary shares in Navigator ranking pari passu with other existing ordinary shares in the Company.

Navigator Guarantee

Navigator has guaranteed the obligations of the Navigator Buyers under the Purchase Agreement and the limited partnership agreements with respect to the Class I Units and Class II Units.

2. Material terms of the Convertible Note Deed Poll

For the full terms of the Convertible Note Deed Poll please refer to Schedule 3.

Status and rights of Convertible Notes

The Convertible Notes:

- (a) are unsecured;
- (b) rank pari passu amongst themselves and any present, future, unsubordinated, unconditional and unsecured obligations of the Company; and
- (c) rank ahead of any subordinated liabilities expressed in their terms to rank behind the Convertible Notes (including preference shares, if any).

Conversion number

The number of Navigator Shares to which a Convertible Noteholder will be entitled upon conversion of any of its Convertible Notes is equal to the sum of the principal amount (being the face value) of those Convertible Notes and any other amount owing to the Convertible Noteholder under that Convertible Note, divided by the Conversion Price (as defined below), rounded to the nearest whole number (or, in the case of a fraction of a Navigator Share that is exactly one half, down).

Set out below are worked examples of the number of Convertible Notes to be issued based on three different 20-day VWAPs as at the date of this Explanatory Memorandum (**Market Price**), twice the Market Price and half the Market Price.

	Market Price	Twice Market Price	Half Market Price
Potential Shares issued pursuant to Convertible Notes	67,574,292	67,574,292	67,574,292
20-day VWAP at Completion ²	A\$1.525 ¹	A\$3.05	A\$0.76
AUD:USD exchange rate at Completion	0.7108	0.7108	0.7108
Conversion Price	US\$1.0840	US\$2.1679	US\$0.5420
Estimated Convertible Notes Consideration	US\$73.2 million	US\$146.5 million	US\$36.6 million
Face value	US\$1,000	US\$1,000	US\$1,000
Number of Convertible Notes to be issued	73,249	146,497	36,624

¹ Closing Share price on 30 September 2020 has been used as the 20-day VWAP at Completion for illustrative purposes.

² Reserve Bank of Australia AUD:USD rate for 30 September 2020 has been used for illustrative purposes.

Ordinary shares issued on conversion

The Company must procure official quotation of the Navigator Shares issued on conversion.

The Convertible Notes will be convertible into Navigator Shares ranking equally with other existing ordinary shares in the Company

Noteholder conversion rights

A Convertible Noteholder may, at any time, require the conversion of all or some of its outstanding Convertible Notes, subject to the following regulatory restrictions:

- (a) where such conversion is a notifiable action for the Convertible Noteholder under the FATA and that Convertible Noteholder has not received FIRB approval in respect of such conversion;
- (b) where such conversion would contravene section 606 of the Corporations Act;
- (c) such conversion is subject to the expiration of a waiting period under the HSR Act, until the expiration of such waiting period; or
- (d) where such conversion is prohibited by any applicable law or regulation.

Issuer Conversion Rights

On an annual basis from the seventh anniversary of the issue date, the Company may require conversion of all or some of the Convertible Notes. Where the Company requires the conversion for some of the Convertible Notes:

- (a) the aggregate face value of all Convertible Notes to be converted on that date must be at least US\$1 million; and
- (b) if there is more than one Convertible Noteholder, the conversion must be pro rata for each Convertible Noteholder based on the number of Convertible Notes held by that Convertible Noteholder as a proportion of all Convertible Notes on issue.

Face value

The face value of each Convertible Note will be US\$1,000.

No prepayment

The Company may not prepay any Convertible Note prior to the Maturity Date without prior written consent of:

- (a) for such time as Dyal or any of its affiliates hold any Convertible Notes, Dyal and its affiliates; or
- (b) if Dyal or any of its affiliates do not hold any Convertible Notes, Convertible Noteholders who hold at least 51% in aggregate of the outstanding principal amount of the Convertible Notes.

Conversion Price

The Conversion Price will be the prior 20-day VWAP per Navigator Share at Completion, converted to a USD amount at the then prevailing exchange rate (subject to a pro-rata adjustment for certain dilution events).

Conversion adjustments

The conversion price will be adjusted in the event of a bonus, rights and other issues of securities, off-market buy backs, return of capital, or capital reconstructions.

The effect of the adjustment will be to ensure that the Convertible Noteholder is in an economic position in relation to their Convertible Notes as they were prior to the occurrence of the adjustment event (as far as possible as allowed by the ASX Listing Rules).

Interest

Interest will be payable on each Convertible Note in accordance with the following formula:

$$\text{Interest} = (FV / CP) \times DA$$

where:

FV = the face value

CP = the Conversion Price as at the time immediately before the relevant dividend is determined or declared

DA = the amount of the dividend determined or declared per Navigator Share in respect of that Interest Period calculated and converted (as necessary) to USD at the rate published by the Reserve Bank of Australia on the Business Day immediately prior to that day

Maturity

The Convertible Notes will mature on the Maturity Date (being the date falling on the tenth anniversary of the issue date, subject to extension where a regulatory approval or consent in respect of the conversion of Convertible Notes is required).

On the Maturity Date the Convertible Notes will be converted or redeemed for cash in certain circumstances.

Redemption right in control transaction

The Convertible Notes may be redeemed for cash and/or non-cash consideration equal to the price payable by the relevant third party or bidder per Navigator Share if a control transaction (i.e. scheme of arrangement or takeover) becomes effective.

Voting rights

Except as required by the Corporations Act, Convertible Noteholders will not have any right to vote at general meetings of Shareholders.

Participation rights

Each Convertible Noteholder will be entitled to participate in any pro rata equity raising by the Company (but not issues under any employee or executive share schemes, conversion of Convertible Notes, exercise of any options, or as a result of any dividend reinvestment). The Convertible Noteholder can apply for as many securities as necessary to maintain its pre-issuance ownership.

If under applicable law, the Listing Rules or other regulatory requirements, a Convertible Noteholder is unable to subscribe for, or if the Company is unable to issue securities to the Convertible Noteholder, the Conversion Price may be adjusted or, where not permitted under applicable law, the Listing Rules or other regulatory requirements, the Convertible Noteholder may subscribe for and be issued additional convertible notes to ensure that the Convertible Noteholder will be in the same economic position. If the issuer is prohibited under applicable law, the Listing Rules or other regulatory requirements from adjusting the Conversion Price and from offering further convertible notes, the Issuer must pay a cash adjustment amount to the Convertible Noteholders.

Restrictions on transfer

The Convertible Notes are transferrable:

- (a) without the prior written consent of the Company, provided that if such transfer is a notifiable action under the FATA, that the Convertible Noteholder has received FIRB approval in respect of such transfer and such transfer is not or would not otherwise be prohibited or restricted pursuant to any applicable law or regulation; or
- (b) otherwise, subject to the prior written consent of the Company (such consent may be given or withheld at the absolute discretion of the Company).

US law transfer restrictions also apply to the transfer of Convertible Notes.

Registration of transfer of Convertible Notes

The Company must register the transferee in the register as the holder of the Convertible Notes if transferred in accordance with the terms of transfer. The Company may refuse to register any transfer if it were to breach any of the terms and conditions of the Convertible Notes or any applicable law.

3. Material terms of the Shareholders Agreement

Nominee director

The Dyal Sellers have the right to nominate a director to the Board, so long as the combined holding of Navigator Shares by Dyal entities is at least 10% of the total shares of the Company on a fully diluted basis (**Dyal Share Entitlement**).

Disposal of Shares and Notes

The Dyal Sellers may only dispose of the Share Consideration and the Note Consideration representing in aggregate up to 8.4 million Navigator Shares in the first two years after Completion and representing in aggregate up to 40,524,306 Navigator Shares in the first five years after Completion, other than where Dyal or its affiliates make a change of control offer in connection with the Company receiving a third party change of control offer.

Navigator will provide reasonable assistance to the Dyal Sellers in certain circumstances to assist with a sell-down of Convertible Notes or Navigator Shares.

Voting Power

The Dyal Sellers must not acquire Voting Power in the Company of 20% or more, other than as permitted under items 9, 10, 11 or 19 of Section 611 of the Corporations Act and Dyal's Voting Power in the Company must not in any circumstances exceed 24.9%, in each case other than where Dyal or its Affiliates make a change of control offer in connection with the Company receiving a third party change of control offer.

Voting on the election of Navigator directors

For so long as the Dyal Sellers maintain the Dyal Share Entitlement, the Dyal Sellers must vote in favour of the election of a director who is supported by a majority of the Board. Such requirement only applies to votes attaching to up to 19.99% Navigator Shares.

Other restrictions

For so long as the Dyal Sellers maintain the Dyal Share Entitlement, the Dyal Sellers must not:

- (a) initiate any resolutions, convene any Shareholder meetings or support any action which seeks to remove a Director or appoint a new director unless supported by the majority of the Board;
- (b) make itself, or assist another person to make, a shareholder proposal, or undertake itself or enter into with another person arrangement which would result in any person holding a Relevant Interest in 50.1% or more of the Company, other than where Dyal or its Affiliates make a change of control offer in connection with the Company receiving a third party change of control offer;
- (c) make, initiate, assist with or solicit a change of control offer, other than where Dyal or its Affiliates make a change of control offer in connection with the Company receiving a third-party change of control offer.

The Dyal Sellers remain free to vote their shares either in favour of against any change of control offer from a third party.

4. Material terms of the Services Agreement

Services

Certain Dyal Sellers and the Company will enter into the Services Agreement, pursuant to which the following services are offered and provided in respect of the Portfolio:

1. **BSP Services:** Business services platform to offer to work with each Portfolio company to identify its specific needs; and seek to apply a process driven approach to aiding each Portfolio company in achieving its objectives. The strategic services offered to the Portfolio companies comprises five key areas:
 - client development and marketing support;
 - business strategy;
 - product development;
 - talent management; and
 - operational advisory.

To the extent reasonably requested by the Navigator Buyers, the BSP Services will include the provision of quarterly reports to the Navigator Buyers with respect to the BSP Services offered to the Portfolio companies.

2. **Portfolio Monitoring Services:** Strategic services provided across four primary categories:
 - monitoring and verification services;
 - advising the Navigator Buyers on dealing with the Portfolio companies;
 - tax assistance; and
 - assisting the Navigator Buyer's affiliates in obtaining Portfolio company information.

To the extent reasonably requested by the Navigator Buyers, the Portfolio Monitoring Services will include the provision of quarterly reports to the Navigator Buyers with respect to the Portfolio Monitoring Services.

Term

Subject to customary termination rights, the Services Agreement will be effective until (i) with respect to the BSP Services, such time as Dyal Sellers or their affiliates no longer directly or indirectly own any interest in Navigator and (ii) with respect to the Portfolio Monitoring Services, such time as Dyal Sellers or their affiliates no longer directly or indirectly own at least a 10% equity interest, on a fully diluted basis, in Navigator, in each case unless earlier terminated by the parties in accordance with the terms thereof.

Fees and expenses

The Company is not required to pay any fees or reimburse any expenses to Dyal Sellers for the performance of the Portfolio Monitoring Services or BSP Services.

Non-solicit

During the term of the Services Agreement and for 12 months thereafter, Navigator is prohibited from soliciting or employing certain individual service providers under the Services Agreement.

Limitation of Liability

Pursuant to the terms of the Services Agreement, in no event will Dyal Sellers have any liability arising out of or related to the Services Agreement. Therefore, Navigator will have no remedy at law as a result of a breach of the Services Agreement (including if the Dyal Sellers wilfully breach the Services Agreement or refuse to provide the services required to be performed by them thereunder).

The Directors
Navigator Global Investments Limited
Level 9
39 Sherwood Road
Toowong QLD 4066

24 September 2020

Subject: Proposed acquisition of a portfolio of alternative investment managers

Dear Directors

The Proposed Transaction

- 1 On 13 August 2020, Navigator Global Investments Limited (Navigator or the Group) announced that it had entered into an agreement (Agreement) with investment funds managed by NB Dyal Advisors LLC (Dyal Sellers), which funds are part of Dyal Capital Partners (Dyal), a division of Neuberger Berman Group LLC (Neuberger Berman), to acquire a portfolio of six minority ownership interests in alternative asset managers (Portfolio) from the Dyal Sellers (Proposed Transaction).
- 2 The Portfolio represents a well-diversified group of established firms and includes minority ownership interests in Bardin Hill Investment Partners, Capstone Investment Advisors, Capital Fund Management S.A. (CFM), MKP Capital Management, Pinnacle Asset Management and Waterfall Asset Management. Collectively, these firms manage over US\$35 billion of assets under management (AUM) across 26 diversified investment strategies.
- 3 The structure of the Proposed Transaction is as follows:
 - (a) for each of the five financial years ending 30 June from closing (expected to be the year ending 30 June 2021 (FY21) to FY25):
 - (i) Navigator will receive a preferred distribution base amount from the Portfolio of US\$17 million, indexed at 3% per annum (Preferred Distribution Base Amount)
 - (ii) 20% of the annual cash distributions generated by the Portfolio in excess of the Preferred Distribution Base Amount will be retained by Navigator
 - (iii) the remaining 80% of the annual cash distributions generated by the Portfolio in excess of the Preferred Distribution Base Amount will be paid to the Dyal Sellers
 - (iv) any shortfall of the Preferred Distribution Base Amount will be subject to a catch-up arrangement

Authorised Representatives:

Wayne Lonergan • Craig Edwards* • Hung Chu • Martin Hall • Martin Holt* • Grant Kepler* • Julie Planinic* • Nathan Toscan • Jorge Resende

* Members of Chartered Accountants Australia and New Zealand and holders of Certificate of Public Practice.
Liability limited by a scheme approved under Professional Standards Legislation

- (b) following the year ending 31 December 2025 (CY25), Navigator is required to make a payment (Redemption Payment) to acquire the remaining 80% of the annual cash distributions generated by the Portfolio in excess of the Preferred Distribution Base Amount. Following this payment, Navigator will be entitled to 100% of the cash distributions from the Portfolio
 - (c) as (part) consideration the Dyal Sellers will receive a 40% economic interest in Navigator (on a fully diluted basis) at closing through a combination of the issue by Navigator of ordinary shares (representing a 19.99% interest of issued capital) and convertible notes, which will convert to 67.6 million ordinary shares in Navigator (Convertible Notes).
- 4 The Convertible Notes will have a 10-year term and can only be converted into ordinary shares if the holder has a voting power of less than 20.0% in Navigator¹. There is no fixed interest component, with interest paid in an amount equating to a participation, on an as converted basis, in all dividends paid on the Navigator ordinary shares. The Convertible Notes have no voting rights and Navigator has the ability to require conversion on an annual basis from the seventh year after issue subject to minimum amounts.
- 5 The effect of the above is that Navigator will not receive the full attributable profit share from the Portfolio for the first five financial years subsequent to completion. Under the terms of the Agreement, the Dyal Sellers will hold a majority of the equity-related consideration for at least five years. Thereafter, Navigator will acquire the remainder of the Dyal Sellers' interests in the cash distributions for a single Redemption Payment linked to the Portfolio's financial performance over that time, based on a fixed formula. Navigator expects to fund this Redemption Payment through retained earnings and does not anticipate the need to obtain additional external financing.

Scope

- 6 Section 606 of the Corporations Act generally prohibits the acquisition of a relevant interest in issued voting securities of an entity if the acquisition results in a person's voting power in a company increasing from below 20% to more than 20%, or from a starting point between 20% and 90%, unless a permissible exception applies². A permissible exception to this general prohibition is set out in s611(7), whereby such an acquisition is allowed where the acquisition is approved by a resolution of securityholders of the entity at a general meeting and no votes are cast in respect of securities held by the acquirer, the Dyal Sellers (where applicable) or any of their respective associates.
- 7 As noted above, the Proposed Transaction involves the issue by Navigator to the Dyal Sellers of a combination of new shares in Navigator and Convertible Notes³. Whilst limits will be placed on the timing of conversion of the Convertible Notes to prevent the Dyal Sellers from acquiring a voting interest which breaches s606 of the Corporations Act, the Dyal Sellers will

¹ The Dyal Sellers must not acquire voting power in Navigator of 20% or more, other than as permitted under items 9, 10, 11 or 19 of s611 of the *Corporations Act 2001* (Cth) (Corporations Act), and the Dyal Sellers' voting power in Navigator must not in any circumstances exceed 24.9% in each case other than where the Dyal Sellers or their affiliates make a change of control offer in connection with Navigator receiving a third party change of control offer.

² Subject to the 3% every six months "creep provisions".

³ Pursuant to the proposed terms of issue, the Convertible Notes will convert to an equal number of ordinary new shares in Navigator.

acquire an economic interest of 40% in Navigator (based on the number of fully diluted shares on issue) as the returns on the Convertible Notes (including their dividend entitlements) will be linked to the returns on the issued ordinary shares in Navigator.

- 8 As the proposed terms of the Convertible Notes prevent their conversion to ordinary shares if, as a result of conversion, the Dyal Sellers would acquire a voting interest which breaches s606 of the Corporations Act, in our view, the Proposed Transaction is not “technically” a change of control transaction under Australian Securities & Investments Commission (ASIC) Regulatory Guide 111 – *Content of expert reports* (RG 111).
- 9 However, as the Dyal Sellers will obtain an economic interest of 40% of the fully diluted Navigator shares on issue, we understand that ASIC has advised that any independent expert’s report (IER) prepared in relation to the Proposed Transaction will be required to provide an opinion on whether the Proposed Transaction is “fair” and “reasonable” (implicitly treating the Proposed Transaction as a change of control transaction under RG 111).
- 10 In addition, the Proposed Transaction is subject to a number of conditions precedent, including an independent expert concluding that the Proposed Transaction is either “fair and reasonable” or “not fair but reasonable” to Navigator shareholders.
- 11 Accordingly, the Directors of Navigator have requested Lonergan Edwards & Associates Limited (LEA) to prepare an IER stating whether, in our opinion, the Proposed Transaction is fair and reasonable to Navigator shareholders and the reasons for that opinion.
- 12 LEA is independent of Navigator and the Dyal Sellers and has no involvement with or interest in the outcome of the Proposed Transaction other than the preparation of this IER.

Summary of opinion

- 13 LEA has concluded that the Proposed Transaction is not fair but is reasonable to Navigator shareholders.
- 14 We have arrived at this conclusion for the reasons set out below.

Assessment of fairness

- 15 RG 111 requires that the fairness of the Proposed Transaction be assessed by comparing the controlling interest value of Navigator shares prior to implementation of the Proposed Transaction with the portfolio interest value of Navigator shares following implementation (being the deemed “consideration” delivered to Navigator Shareholders).
- 16 In order for the Proposed Transaction to be “fair” under RG 111, the portfolio interest value of Navigator shares following implementation of the Proposed Transaction must be equal to, or greater than the controlling interest value of Navigator shares before implementation.
- 17 This comparison is set out below:

	Section	Low A\$ per share	Mid-point A\$ per share	High A\$ per share
Portfolio interest value of Navigator shares following implementation of the Proposed Transaction	VIII	1.43	1.53	1.63
Controlling interest value of Navigator shares prior to implementation of the Proposed Transaction	VII	1.75	1.81	1.87
Extent to which portfolio interest value post implementation is less than the controlling interest value of Navigator shares before implementation		(0.33)	(0.28)	(0.24)

Note:

1 Rounding differences exist.

- 18 Based on the above the Proposed Transaction is not fair when assessed based on the guidelines set out in RG 111.

Assessment of reasonableness

- 19 Under RG 111 a transaction is reasonable if it is fair. It may also be reasonable, even if it is not fair, if the expert concludes that the advantages of the transaction outweigh the disadvantages.
- 20 In considering whether the Proposed Transaction is reasonable, we have considered whether Navigator shareholders are likely to be better off from a value perspective if they approve the Proposed Transaction by comparing the value of Navigator shares pre and post the Proposed Transaction on a consistent portfolio basis.
- 21 Accordingly, we have reduced our controlling interest value prior to the Proposed Transaction by 22.5% (being the mid-point of the range of minority interest discounts generally applied) in order to estimate the corresponding portfolio interest value of Navigator shares.
- 22 On this basis, we note that the Proposed Transaction is value accretive for Navigator shareholders:

	Low A\$ per share	Mid-point A\$ per share	High A\$ per share
Portfolio interest value of Navigator shares post the Proposed Transaction	1.43	1.53	1.63
Portfolio interest value of Navigator shares prior to the Proposed Transaction ⁽¹⁾	1.36	1.40	1.45
Increase in portfolio interest value of Navigator shares due to the Proposed Transaction	0.07	0.13	0.18
% increase	5.1%	9.0%	12.7%

Note:

1 Being A\$1.75 to A\$1.87 per share less a minority interest discount of 22.5%.

23 Based on the above we have concluded that the Proposed Transaction is reasonable to Navigator shareholders.

Advantages and disadvantages

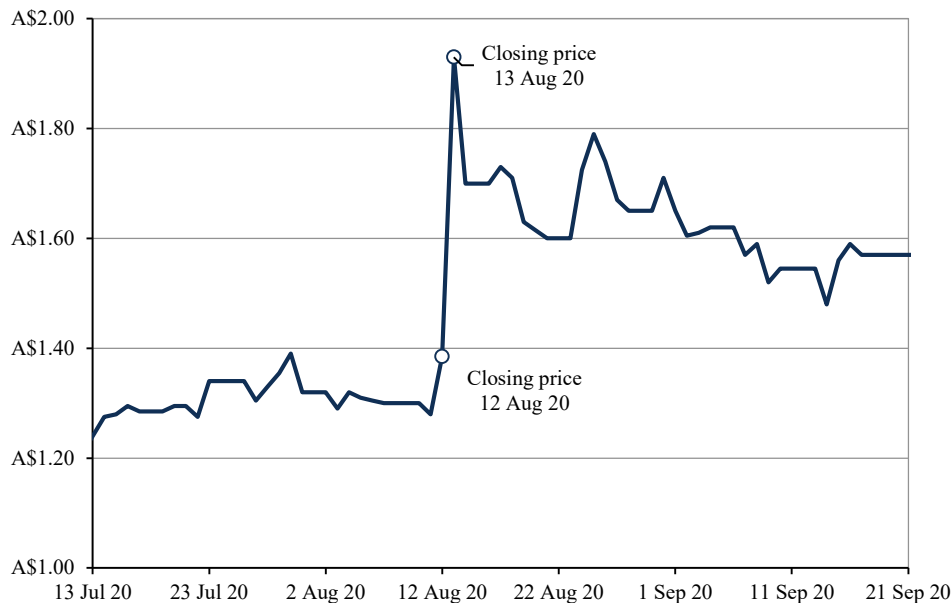
24 In assessing whether the Proposed Transaction is reasonable we have also had regard in particular to the advantages and disadvantages of the Proposed Transaction from the perspective of the non-associated shareholders of Navigator. These matters are summarised below:

Advantages

- (a) we consider that the Proposed Transaction is value accretive for Navigator shareholders, as the value of Navigator shares when assessed on a consistent (portfolio or minority interest) basis increases as a result of the Proposed Transaction
- (b) the listed market price of Navigator shares has increased following the announcement of the Proposed Transaction on 13 August 2020, as shown below:

Navigator – share price recent history⁽¹⁾

13 July 2020 to 21 September 2020



Note:

1 Based on closing prices.

Source: Bloomberg.

- (c) Navigator will become a substantially larger and more diversified asset management business as a result of the Proposed Transaction⁴

⁴ LEA has an extensive database of Australian company transactions, including details of prices paid, implied enterprise values and earnings multiples. This evidence indicates that:

- (a) small companies generally trade on significantly lower earnings multiples than larger companies (provided other variables such as expected earnings growth are similar); and
- (b) investors usually require a higher rate of return to compensate for the additional risks associated with small companies compared to larger companies.

Disadvantages

- (a) if the Proposed Transaction is approved, the interests of existing Navigator Shareholders will be diluted as they will collectively hold an economic interest in only 60% of Navigator shares (on a fully diluted basis) after the Proposed Transaction. However, this is offset by the fact that existing Navigator shareholders will hold a collective economic interest of 60% in the Portfolio as a result of the Proposed Transaction, and should be better off from a value perspective
- (b) if the Proposed Transaction is approved the Dyal Sellers will have a 19.9% voting interest in Navigator (and a 40% economic interest), and will therefore potentially have a significant influence over Navigator's affairs
- (c) the Proposed Transaction is not "fair" when assessed based on the guidelines set out in RG 111. This is because the Proposed Transaction does not provide value to Navigator shareholders which is equal to the full controlling interest value of Navigator shares prior to the Proposed Transaction. However, this is to be expected as the Proposed Transaction does not involve a takeover offer (or similar proposal) for 100% of Navigator shares.

25 As indicated above there are a number of advantages and disadvantages associated with the Proposed Transaction. However, in our view, the advantages of the Proposed Transaction significantly outweigh the disadvantages.

26 For the reasons set out above, we have therefore concluded that the Proposed Transaction is not fair, but is reasonable to Navigator shareholders.

General

27 In preparing this report we have considered the interests of Navigator shareholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.

28 The ultimate decision whether to approve the Proposed Transaction should be based on each Navigator shareholder's assessment of their own circumstances. If Navigator shareholders are in doubt about the action they should take in relation to the Proposed Transaction or matters dealt with in this report, Navigator shareholders should seek independent professional advice. For our full opinion on the Proposed Transaction and the reasoning behind our opinion, we recommend that Navigator shareholders read the remainder of our report.

Yours faithfully



Craig Edwards
Authorised Representative



Martin Holt
Authorised Representative

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I The Proposed Transaction

Summary

- 29 On 13 August 2020, Navigator announced that it had entered into the Agreement with investment funds managed by NB Dyal Advisors LLC (Dyal Sellers), which funds are part of Dyal Capital Partners, a division of Neuberger Berman, to acquire a portfolio of six minority ownership interests in alternative asset managers (Portfolio) from the Dyal Sellers (Proposed Transaction).
- 30 The Portfolio represents a well-diversified group of established firms and includes minority ownership interests in Bardin Hill Investment Partners, Capstone Investment Advisors, CFM, MKP Capital Management, Pinnacle Asset Management and Waterfall Asset Management. Collectively, these firms manage over US\$35 billion of assets under management across 26 diversified investment strategies.
- 31 The structure of the Proposed Transaction is as follows:
- (a) for each of the five financial years ending 30 June from closing (expected to be FY21 to FY25):
 - (i) Navigator will receive the Preferred Distribution Base Amount from the Portfolio of US\$17 million, indexed at 3% per annum
 - (ii) 20% of the annual cash distributions generated by the Portfolio in excess of the Preferred Distribution Base Amount will be retained by Navigator
 - (iii) the remaining 80% of the annual cash distributions generated by the Portfolio in excess of the Preferred Distribution Base Amount will be payable to the Dyal Sellers
 - (iv) any shortfall of the Preferred Distribution Base Amount will be subject to a catch-up arrangement
 - (b) following CY25, Navigator is required to make a Redemption Payment to acquire the remaining 80% of the annual cash distributions generated by the Portfolio in excess of the Preferred Distribution Base Amount. Following this payment, Navigator will be entitled to 100% of the cash distributions from the Portfolio
 - (c) as (part) consideration the Dyal Sellers will receive a 40% economic interest in Navigator (on a fully diluted basis) at closing through a combination of the issue by Navigator of ordinary shares (representing a 19.99% interest of issued capital) and the Convertible Notes, which will convert to 67.6 million ordinary shares in Navigator.
- 32 The Convertible Notes will have a 10-year term and can only be converted into ordinary shares if the holder has a voting power of less than 20.0% in Navigator⁵. There is no fixed interest component, with interest paid in an amount equating to a participation, on an as converted basis, in all dividends paid on the Navigator ordinary shares. The Convertible

⁵ The Dyal Sellers must not acquire voting power in Navigator of 20% or more, other than as permitted under items 9, 10, 11 or 19 of s611 of the Corporations Act, and the Dyal Sellers' voting power in Navigator must not in any circumstances exceed 24.9% in each case other than where the Dyal Sellers or their affiliates make a change of control offer in connection with Navigator receiving a third party change of control offer.

Notes have no voting rights and Navigator has the ability to require conversion on an annual basis from the seventh year after issue subject to minimum amounts.

- 33 Under the terms of the Agreement, the Dyal Sellers will hold a majority of the equity-related consideration for the first five years. Thereafter, Navigator will acquire the remainder of the Dyal Sellers' interests in the cash distributions for a single Redemption Payment linked to the Portfolio's financial performance over that time, based on a fixed formula. Navigator expects to fund this Redemption Payment through retained earnings and does not anticipate the need to obtain additional external financing.

Conditions

- 34 Completion of the Proposed Transaction is subject to the satisfaction or waiver (where permitted) of the conditions precedent which include:
- (a) approval by Shareholders for the purposes of Australian Securities Exchange (ASX) Listing Rule 7.1 in relation to the issuance of the Navigator ordinary shares and the Convertible Notes
 - (b) receipt of all regulatory approvals, including from the Foreign Investment Review Board, the United Kingdom Financial Conduct Authority, the French Autorité des marchés financiers and the Central Bank of Ireland
 - (c) no material adverse effect has occurred in relation to either party
 - (d) a pre-completion restructure of certain companies affiliated with the Dyal Sellers which hold interests in the Portfolio has occurred; and
 - (e) various closing documents and certificates have been delivered by both parties.
- 35 More detail on the above conditions (which is a summary only) is set out in the Notice of Meeting and Explanatory Memorandum.

II Scope of our report

Purpose

- 36 Section 606 of the Corporations Act generally prohibits the acquisition of a relevant interest in issued voting securities of an entity if the acquisition results in a person's voting power in a company increasing from below 20% to more than 20%, or from a starting point between 20% and 90%, unless a permissible exception applies. A permissible exception to this general prohibition is set out in s611(7), whereby such an acquisition is allowed where the acquisition is approved by a majority of securityholders of the entity at a general meeting and no votes are cast in respect of securities held by the acquirer, the Dyal Sellers or any of their respective associates.
- 37 RG 111 sets out the view of ASIC on the operation of s611(7) of the Corporations Act. Section 611(7) of the Corporations Act allows shareholders to waive the prohibition in s606 and requires that shareholders approving a resolution pursuant to this section be provided with all material information in relation to the proposed transaction, including an IER.
- 38 As noted above, if the Proposed Transaction is approved and all conditions are satisfied, the Dyal Sellers will receive a 40% economic interest in Navigator (on a fully diluted basis) at closing through a combination of the issue by Navigator of ordinary shares (representing a 19.99% interest of issued capital) and the Convertible Notes, which will convert to 67.6 million ordinary shares in Navigator. However, limits will be placed on the timing of conversion of the Convertible Notes to prevent the Dyal Sellers from acquiring a voting interest which breaches s606 of the Corporations Act.
- 39 As the Convertible Notes cannot be converted to ordinary shares if (as a result of conversion) the Dyal Sellers acquire a voting interest which breaches s606 of the Corporations Act, in our view, the Proposed Transaction is not "technically" a change of control transaction under RG 111.
- 40 However, as the Dyal Sellers will obtain an economic interest of 40% of the fully diluted Navigator shares on issue, we understand that ASIC has advised that any IER prepared in relation to the Proposed Transaction will be required to provide an opinion on whether the Proposed Transaction is "fair" and "reasonable" (implicitly treating the Proposed Transaction as a change of control transaction under RG 111).
- 41 In addition, the Proposed Transaction is subject to a number of conditions precedent, including an independent expert concluding that the Proposed Transaction is either "fair and reasonable" or "not fair but reasonable" to Navigator shareholders.
- 42 Consequently, the Directors of Navigator have requested that LEA prepare an IER stating whether, in LEA's opinion, the Proposed Transaction is fair and reasonable to the shareholders of Navigator.
- 43 This report has been prepared to assist the Directors of Navigator in making their recommendation to the shareholders of Navigator, and to assist these shareholders in assessing the merits of the Proposed Transaction.
- 44 Our report should not be used for any other purpose or by any other party. The ultimate decision whether to approve the Proposed Transaction should be based on each shareholder's

assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Proposed Transaction or matters dealt with in this report, Navigator shareholders should seek independent professional advice.

Basis of assessment

- 45 In preparing our report, we have had regard to the Regulatory Guides issued by ASIC, particularly RG 111.
- 46 Under RG 111, the Proposed Transaction must be analysed as if it were a takeover bid under Chapter 6 of the Corporations Act. Accordingly, the expert is required to assess the Proposed Transaction in terms of the convention established for takeovers pursuant to s640 of the Corporations Act, being:
- (a) is the offer “fair” – when assessing takeovers, an offer is “fair” if the value of the offer price or consideration is equal to, or greater than the value of the securities the subject of the offer. This comparison should be made assuming 100% ownership of the company and is irrespective of whether the offer is cash or scrip
 - (b) is it “reasonable” – an offer is “reasonable” if it is fair. An offer may also be reasonable if, despite being “not fair”, in the opinion of the expert, there are sufficient reasons for securityholders to accept the offer in the absence of any higher bid before the close of the offer.
- 47 As the Proposed Transaction does not involve any takeover offer being made to Navigator shareholders, RG 111 requires that the fairness of the Proposed Transaction be assessed by comparing the controlling interest value of Navigator shares prior to implementation of the Proposed Transaction with the portfolio value of Navigator shares following implementation (being the deemed “consideration” delivered to Navigator shareholders). In order for the Proposed Transaction to be “fair” under RG 111, the portfolio value of Navigator shares following implementation of the Proposed Transaction must be equal to, or greater than the controlling interest value of Navigator shares before implementation.
- 48 The Proposed Transaction will also be “reasonable” if it is “fair”. In addition, in our opinion, the Proposed Transaction will be “reasonable” even if it is not “fair” if the advantages outweigh the disadvantages of the Proposed Transaction from the perspective of Navigator shareholders.
- 49 Our report has therefore considered a range of both qualitative and quantitative factors including:
- (a) the controlling interest value of 100% of Navigator shares prior to implementing the Proposed Transaction
 - (b) the portfolio value of Navigator shares following implementation of the Proposed Transaction
 - (c) the difference between (a) and (b) in order to assess whether the Proposed Transaction is fair to Navigator shareholders pursuant to RG 111
 - (d) the impact of the Proposed Transaction on the ownership and control of Navigator

- (e) the relevant position of Navigator shareholders before and after implementation of the Proposed Transaction assessed on a consistent basis (i.e. by comparing the portfolio value before implementation with the portfolio value afterwards)
- (f) the implications for Navigator shareholders if the Proposed Transaction is not approved and implemented; and
- (g) other qualitative and strategic issues associated with the Proposed Transaction and the extent to which, on balance, they may advantage or disadvantage existing Navigator shareholders if the Proposed Transaction proceeds or is rejected.

Limitations and reliance on information

- 50 Our opinions are based on the economic, sharemarket, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.
- 51 Our report is also based upon financial and other information provided by Navigator and its advisers. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.
- 52 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the Proposed Transaction from the perspective of Navigator securityholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, “due diligence” of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.
- 53 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the Proposed Transaction, rather than a comprehensive audit or investigation of detailed matters. Further, this report and the opinions therein, must be considered as a whole. Selecting specific sections or opinions without context or considering all factors together, could create a misleading or incorrect view or opinion. This report is a result of a complex valuation process that does not lend itself to a partial analysis or summary.
- 54 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 55 We in no way guarantee the achievability of budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of

which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.

- 56 In forming our opinion, we have also assumed that the information set out in the Notice of Meeting and Explanatory Memorandum is complete, accurate and fairly presented in all material respects.

III Profile of Navigator

Overview

57 Navigator is the ASX listed parent of alternative investment manager Lighthouse Investment Partners, LLC (Lighthouse). Based in the United States of America (US), Lighthouse creates and manages global hedge fund solutions for a variety of clients from around the world. Lighthouse's objective is to create and deliver innovative investment solutions around alternative investments that compound investor capital.

History⁶

- 58 Navigator listed on the ASX under the name of HFA Holdings Limited (HFA) on 28 April 2006. At this time, HFA was an absolute return funds of hedge funds manager⁷ with around A\$2 billion of AUM.
- 59 On 1 November 2007, HFA announced the acquisition of Lighthouse for consideration that included a combination of cash and HFA shares. Lighthouse had been managing portfolios of hedge fund assets since 1999. Around the date of acquisition, Lighthouse had some US\$8 billion of AUM. Following shareholder approval at the 2017 annual general meeting, the Group changed its name from HFA to Navigator Global Investments Limited.
- 60 In early March 2018, the Group entered into an agreement to acquire the majority of the client assets of Mesirow Advanced Strategies (MAS), the multi-manager hedge fund division of Mesirow Financial Holdings Inc. The transaction closed on 1 July 2018 with the transition of US\$5.4 billion of AUM to Lighthouse on that date, with a significant proportion of the MAS team joining Lighthouse (MAS Transaction).
- 61 The purchase consideration for the MAS Transaction was determined under earn out payment terms over seven years, calculated as an agreed percentage of EBITDA⁸ generated by the transitioned assets above a floor amount (below which no payment would be made). This structure ensured that the Group was provided with both protection from the risks associated with the post-transition redemption activity, and ensured that Navigator was compensated for the considerable time and effort involved in a material asset transition.

Current operations

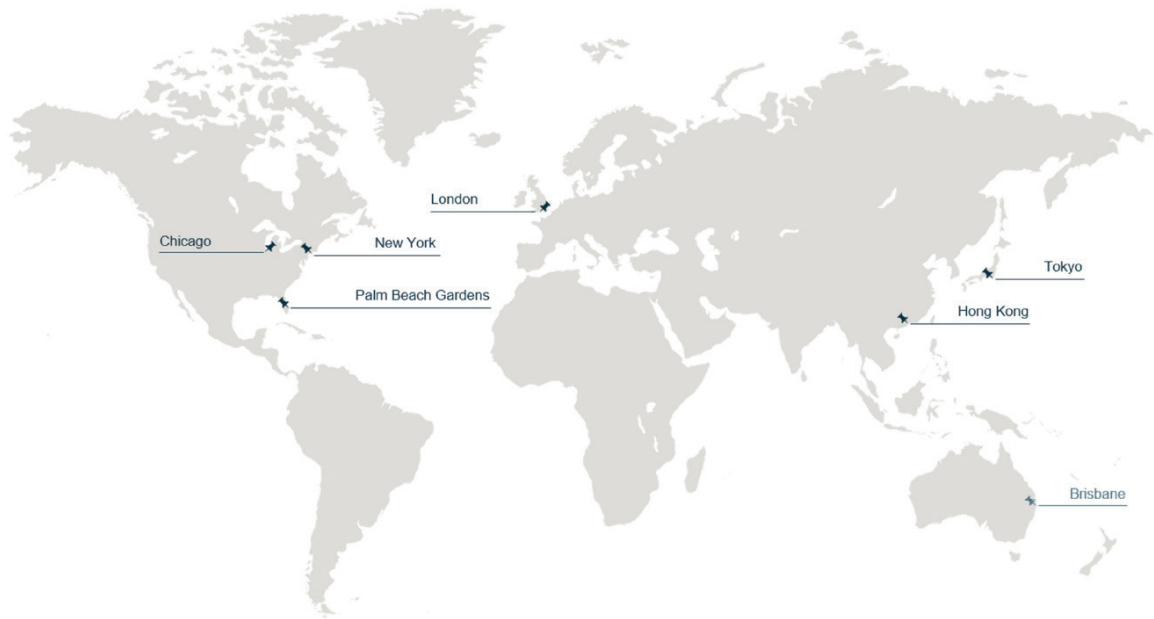
62 As stated above, Navigator is the parent entity of the core operating subsidiary of the Group, Lighthouse. As at 30 June 2020, Navigator (including Lighthouse) employed 114 staff (including 37 investment professionals), managed US\$11.8 billion of assets and was providing services to more than 1,000 investors globally. Navigator's principal office is located in Brisbane, whilst Lighthouse has offices in New York, Chicago, Palm Beach Gardens, London, Hong Kong and Tokyo, as shown below:

⁶ Notable events in Navigator's history are detailed in this section.

⁷ A funds of hedge funds manager invests in a portfolio of different hedge funds to provide broad exposure to the hedge fund industry and to diversify the risks associated with a single investment fund.

⁸ Earnings before interest, tax, depreciation and amortisation (EBITDA).

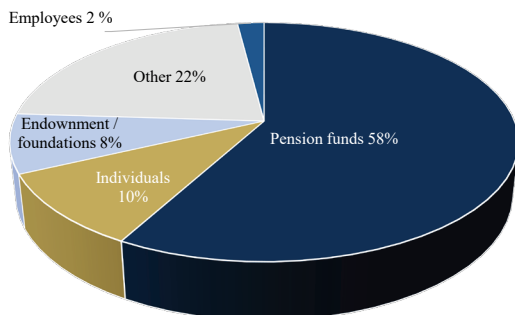
Navigator (including Lighthouse) – locations



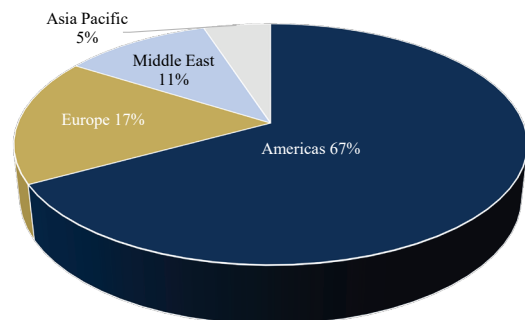
- 63 Lighthouse creates and manages global hedge fund solutions for a variety of clients from around the world. It is a global investment management firm which focuses on the alternatives sector, and more specifically multi-manager hedge fund solutions (funds of hedge funds), for investors who are looking to diversify their asset mix and realise growth with a lower correlation to traditional equity and fixed income allocations. Lighthouse believes the most effective way to achieve diversification from traditional markets is through exposure to intelligently designed and actively managed portfolios of hedge fund strategies. Lighthouse’s overall objective is to create and deliver innovative investment solutions that compound investor capital.
- 64 Lighthouse has an investor base that spans North America, Europe, the Middle East and the Asia-Pacific. This includes high net worth individuals, family offices, endowments, foundations, trusts, investment banks, benefit plans, pension funds, healthcare and insurance companies. A summary of the proportion of AUM represented by type and location of Lighthouse’s investors as at 30 June 2020 is as follows:

Lighthouse – investors

Type (proportion of AUM)



Location (proportion of AUM)



Solutions

65 Lighthouse invests in portfolios of actively managed hedge funds that seek to diversify traditional market exposures. It employs proprietary managed accounts to build differentiated alternative asset portfolios with idiosyncratic exposures. Each managed account is typically owned by at least one Lighthouse fund and is managed by a Lighthouse entity. Hedge fund managers are authorised by Lighthouse to trade the assets within each managed account in accordance with defined investment guidelines and parameters. Lighthouse investors can place their assets in Commingled Funds or in Customised Solutions, typically structured within its proprietary managed account framework. Lighthouse also provides a Platform Services offering for those clients preferring to maintain a more active investment role.

Commingled Funds

66 Lighthouse manages a number of multi-strategy and strategy-focused funds. The funds utilise Lighthouse's proprietary managed accounts and authorise external fund managers to trade the assets within certain guidelines. The two largest Commingled Funds strategies are:

- (a) **Diversified** – which is a multi-strategy, absolute return strategy with low correlation and beta to traditional markets
- (b) **Global Long / Short** – which is a global long / short equity fund seeking equity-like returns with lower volatility than traditional global equity investments.

Customised Solutions

67 Lighthouse offers sophisticated or wholesale investors the ability to access the benefits of its managed account structure in a customised portfolio while still receiving portfolio construction, manager selection and due diligence services from the Lighthouse investment team. This is undertaken by working closely with large strategic investors to customise their alternative investment exposure and specific needs across middle office, risk monitoring and investment advisory services.

Platform Services

68 For hedge fund clients that prefer access to the benefits of a managed account structure while maintaining control of manager selection and allocation decisions, Lighthouse provides platform services. This includes providing efficient onboarding, specialised legal structuring and compliance services, counterparty management and robust operational oversight. It can also include customisation, and support purpose-built tools for advanced portfolio analytics, risk management and treasury services.

Fee rates

69 Revenue from clients is largely generated by management fees, although Lighthouse has a number of portfolios across both its Commingled Funds and Customised Solutions clients which may also generate a performance fee:

- (a) **Commingled Funds** – some of these funds have share classes which have a management fee and include a performance fee. Generally, where a performance fee arrangement is in place, the management fee rate for that share class is lower. The varying fee options allow investors to select a fee structure which best suits their requirements

- (b) **Customised Solutions** – fee arrangements for Customised Solutions clients are negotiated individually. Whilst most arrangements only involve a management fee, some clients also have a performance fee component as part of their fee structure
- (c) **Platform Services** – as no active investment management is undertaken by Lighthouse, the fee is more aligned to that of administration services. The varying rates generally reflect the scale and level of sophistication of the service offering to a particular client.

70 The indicative range for management fee rates for each of these services is as follows:

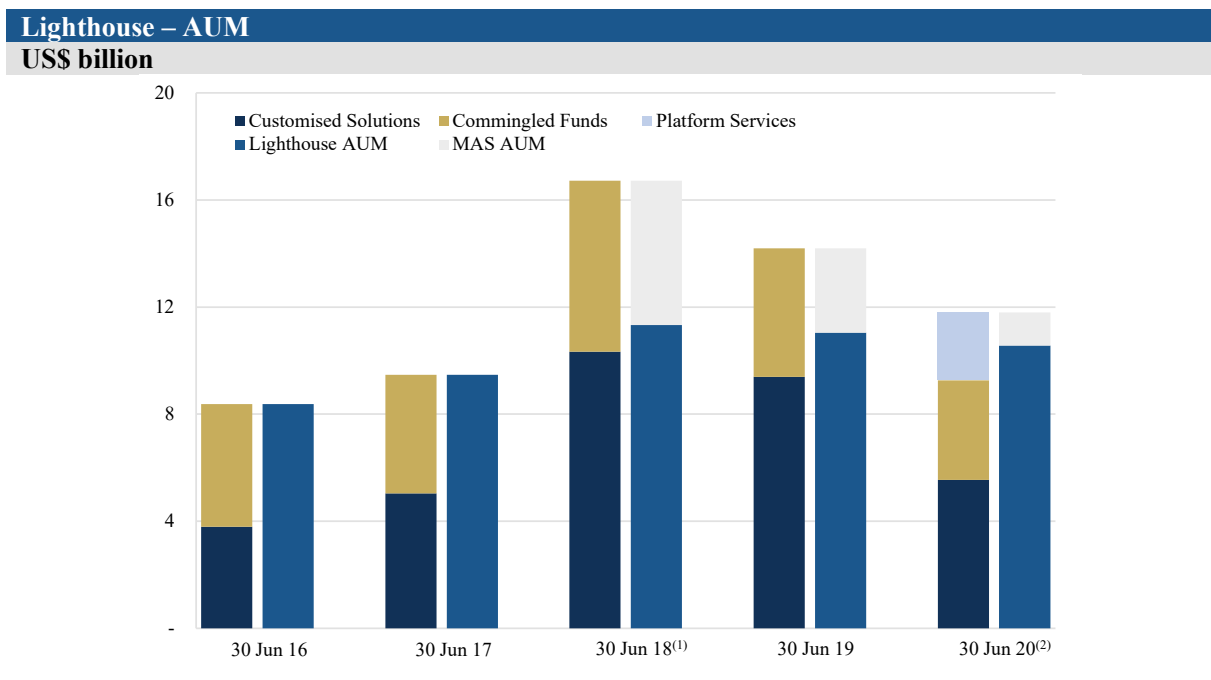
Lighthouse – indicative management fee range	
	% per annum
Commingled Funds	0.50 – 1.50
Customised Solutions	0.45 – 0.90
Platform Services	0.20 – 0.50

71 Management fee rates represent the blended net management fee rate across all AUM. While there are a number of factors which impact the average management fee rate across periods, the main driver is the relative proportion of AUM invested across the three solutions provided. Management fee rebate arrangements may also apply to fees charged to particular clients within Commingled Funds structures. Fee rebates are directly offset against management fee revenue.

72 The average management fee for the year ended 30 June 2020 (FY20) was 0.66% per annum, which has reduced from 0.73% per annum in FY18. The reduction in the average management fee rate is consistent with the increasing proportion of Customised Solutions and Platform Services as a percentage of total AUM, which as shown in the table above generally generate a lower management fee rate than Commingled Funds.

Assets under management (AUM)

73 A summary of AUM by solution and source (i.e. Lighthouse or MAS), is shown below:



Note:

- 1 Whilst the MAS AUM was acquired on 1 July 2018, it has been grouped with the AUM as at 30 June 2018 in the above.
- 2 Platform Services was previously grouped with Customised Solutions and first disclosed as a separate service in Navigator's FY20 Annual Report.

- 74 AUM acquired from the MAS Transaction was US\$5.4 billion. However, around 12 months after the acquisition Navigator was only managing 58% of the AUM transitioned, or some US\$3.1 billion. The transaction was negotiated and closed in a relatively short timeframe, and as such the Group understood that there would be some uncertainty as to the exact number of clients and assets that would be retained post-transition⁹. Redemption activity for the MAS business had picked up prior to the transaction, and the Group anticipated that this would continue post-transaction before stabilising. However, the size and speed of redemption activity to 30 June 2020 was more than Navigator expected. As at 30 June 2020, the remaining MAS AUM (representing US\$1.2 billion) had been restructured into Lighthouse.
- 75 In FY20, the Group's largest individual client represented 11% of operating revenue (this was 8% in FY19), whilst the Group's three largest individual clients combined represented 22% of operating revenue (this was 16% in FY19).

Fund performance

- 76 The performance of key Lighthouse funds as compared to relevant benchmark indices as at 30 June 2020 is as follows:

Navigator – fund performance					
	1 month %	6 months %	3 year %	5 year %	3 year volatility %
Lighthouse fund					
Lighthouse Diversified Fund	2.95	(12.21)	(2.23)	(0.72)	11.06
Lighthouse Global Long / Short Fund	1.65	2.84	3.76	3.04	6.58
Benchmarks					
S&P 500 TR Index	1.99	(3.08)	10.73	10.74	16.95
MSCI AC World Daily TR Gross USD	3.24	(5.99)	6.70	7.04	16.25
Barclays US Agg Gov/Credit Total					
Return Value Unhedged USD	0.87	7.21	5.86	4.74	3.86
91 Day Treasury Bill	0.01	0.59	1.77	1.19	0.22
Hedge Fund Research HFRX Global					
Hedge Fund Index	1.75	(1.09)	1.18	0.71	5.60

- 77 Consistent with hedge funds generally, the Lighthouse funds have generally underperformed key equity related indices over the five years to 30 June 2020. However, we note that the primary investment objectives of the Lighthouse funds is not to directly outperform equity benchmarks, but rather to deliver to clients both asset mix diversification and growth with a lower correlation to traditional equity and fixed income allocations. We also note that the Lighthouse Global Long / Short Fund has outperformed the Hedge Fund Research HFRX

⁹ Consideration for the MAS Transaction was also determined under earn out payment terms, which ensured that Navigator was provided with protection from the risks associated with the post-transition redemption activity.

Global Hedge Fund Index over the last five years and materially outperformed all but one benchmark index in the six months to 30 June 2020.

Financial performance

78 The financial performance of Navigator for the three years ended FY20 is set out below:

Navigator – statement of financial performance ⁽¹⁾			
	FY18	FY19	FY20
	US\$m	US\$m	US\$m
Management fees	75.5	105.4	87.5
Performance fees	7.7	1.1	5.6
Reimbursement of fund operating expenses	4.7	6.3	7.1
Revenue from the provision of office space and services ⁽²⁾	1.7	1.9	1.4
Other income	-	0.1	-
Total revenue	89.6	114.9	101.5
Employee expenses	(35.5)	(48.6)	(44.2)
Other expenses	(22.3)	(28.8)	(27.4)
Share of loss of equity investees	(0.4)	-	-
EBITDA	31.4	37.5	29.9
Depreciation and amortisation	(1.0)	(1.5)	(4.0) ⁽⁴⁾
EBIT⁽³⁾	30.4	36.0	25.9
Net investment income	1.0	0.2	0.7
Net interest income / (expenses)	0.2	0.1	(0.7) ⁽⁴⁾
Profit before tax	31.6	36.3	25.9
Income tax expense	(44.6) ⁽⁵⁾	(9.5)	(7.7)
Profit after tax	(13.1)	26.8	18.1
<i>AUM as at 30 June (US\$ billion)</i>	<i>11.3⁽⁶⁾</i>	<i>14.2</i>	<i>11.8</i>
<i>Average management fee % per annum</i>	<i>0.73</i>	<i>0.68</i>	<i>0.66</i>

Note:

- 1 Rounding differences exist.
- 2 The Group does not charge a margin on the provision of these services, and this revenue directly offsets operating expenses incurred.
- 3 Earnings before interest and tax (EBIT).
- 4 FY20 results reflect the impact of Australian Accounting Standard AASB 16 – *Leases* (AASB 16) which was a new lease accounting standard and was adopted from 1 July 2019. AASB 16 essentially substitutes rental expense for higher amortisation and lease interest expenses.
- 5 US\$35.5 million of the income tax expense relates to the restatement of the Group's deferred tax assets due to the reduction in the US federal income tax rate from 35% to 21% during FY18.
- 6 Excludes the MAS AUM, which was acquired on 1 July 2018.

79 Below is a summary of the key factors that have impacted the annual financial performance of Navigator in the two years to FY20.

Results for FY19

- management fee revenue increased 40% in FY19 to US\$105.4 million. This increase was attributable to the addition of the MAS AUM (US\$5.4 billion as at 1 July 2018 and US\$3.1 billion as at 30 June 2019) and 9% higher average AUM for Lighthouse assets. This was partially offset by a reduction in the average annual management fee rate to 0.68% (from 0.73% in FY18)

- performance fee revenue was US\$1.1 million, a decrease of US\$6.6 million on the prior year and was due to fund underperformance during the period
- employee costs for the Group increased by US\$13.1 million in comparison to FY18, which was driven by the significant increase in Group headcount from the addition of around 50 staff as part of the transition of the MAS client relationships, as well as a further increase in average headcount of eight employees for the year.

Results for FY20

- the US\$17.9 million decrease in management fee revenue in FY20 was driven by a combination of:
 - US\$1.8 billion net outflows from MAS assets
 - a 15% decrease in average AUM
 - a decrease in the average management fee rate to 0.66% (from 0.68% in FY19)
- performance fee revenue was US\$5.6 million in FY20, an increase of US\$4.5 million in comparison to FY19. These fees were derived due to positive investment performance in the December 2019 quarter (and calendar year 2019 (CY19)), notwithstanding the economic impacts of the 2019 novel coronavirus (COVID-19) pandemic during the second half of FY20. Positive performance of the equity portfolios throughout the second half also resulted in performance fees being earned by global long / short portfolios
- employee expenses reduced by US\$4.4 million in FY20 due to:
 - a reduction in average headcount to 123 (from 144 in FY19) primarily as a result of redundancies made in November 2019 with staff numbers of 114 as at 30 June 2020
 - a 10% decrease in bonus expenses.

Impact of COVID-19

- regarding the impact of COVID-19, Navigator’s FY20 annual report stated the following¹⁰:

“The Group is in a more fortunate position than most in that while our business and operations have certainly been impacted by the pandemic, and will likely continue to be so for some time, we have not experienced some of the acute issues that have arisen for businesses in other industries that have been more directly affected. The key implications and impacts for the business as a result of the pandemic are outlined below.

Business and economic factors – *As investment management is the Group’s core operations, business and economic factors have had the largest impact on our business.*

The extreme volatility of global markets in March led to some disappointing investment performance in our multi-strategy funds, which resulted in significant losses to the

¹⁰ LEA has extracted relevant excerpts from Navigator’s disclosure.

market value of assets we manage across our portfolios. Whilst investment returns of the multi-strategy portfolios have regained ground since March 2020, we consider that there is some risk that clients will opt to reduce their exposure to these multi-strategy portfolios over the next 12 months.

In contrast, our equity portfolios performed well during this period, and we consider this may in fact create some opportunities to attract new clients into these strategies in future.

Amounts receivable from external parties – *The majority of our revenue is earned from products managed by the Group, and we have historically had a very low default rate in relation to our trade and other receivables. The pandemic has not had any impact on the expectation that all of the Group’s trade and other receivables will be received in accordance with normal trading terms.*

Containment measures – *The Group has been very fortunate that we have been able to shift to a work-from-home model with minimal disruptions. The Group has and will continue to adhere to all local health, social distancing and travel advice/guidelines. Changes have been implemented as necessary, including:*

- *elimination of non-essential travel;*
- *restriction of access to our office premises in accordance with local guidelines; and*
- *utilisation of digital technologies, particularly for online collaboration and meetings.*

Although the duration of the pandemic is still an unknown, it is not expected that these changes will be permanent in any way that would be detrimental to future operations.

Government support and assistance – *The Group has not applied for any government or other support or assistance.*

Cash flow management – *Whilst we have seen a reduction in AUM and hence revenue, the Group has not experienced any cash flow issues, and expects to be able to appropriately manage its cash flow in both the short and long term.*

Debt and lease contracts – *The Group has renewed its existing US\$15 million Credit Facility for a further two years until 27 July 2022. There has not been any modifications to our existing leases. Unrelated to the pandemic, the Group had a significant reduction to headcount in its Chicago office in November 2019”*

Guidance for FY21

- as set out in the Explanatory Memorandum, Navigator management have stated that:

“Average AUM for the FY20 year was US\$13.3 billion. Taking into account:

- *the lower starting point of AUM for FY21 of US\$11.8 billion,*
- *the expected net outflows over the coming year,*

- *a continued shift towards platform service and customised client AUM which generally has lower fee rates; and*
- *uncertainty as to the level of performance fee revenue which may be earned in FY21*

Navigator anticipates a reduction of approximately 20% in total revenue for FY21 to US\$82.5 million (FY20: US\$101.5m)."

- whilst management intend to implement a number of cost reductions, the material reduction in total revenue is expected to reduce EBITDA (net of cash lease payments) to between US\$19 million to US\$21 million.

Financial position

80 The financial position of Navigator as at 30 June 2019 and 30 June 2020 is set out below:

Navigator – statement of financial position		
	30 June 19	30 June 20
	US\$m	US\$m
Debtors and prepayments	19.4	16.1
Creditors, accruals and provisions	(3.9)	(3.4)
Net working capital	15.5	12.6
Property, plant and equipment	4.8	7.4
Goodwill	93.8	93.8
Intangible assets	1.9	0.7
Deferred tax assets	52.6	46.0
Other non-current assets	1.4	2.5
Right of use assets	-	19.3
Lease liabilities	-	(23.2)
Employee benefits	(0.1)	(0.1)
Provisions (non-current)	(2.7)	(0.2)
Total funds employed	167.1	158.8
Cash and cash equivalents	29.0	27.0
Investments recognised at fair value	17.9	14.7
Net cash and investments	47.0	41.8
Net assets attributable to Navigator shareholders	214.1	200.6

Note:

- 1 Rounding differences exist.
- 2 The Group adopted AASB 16 during FY20 and as a result recognised US\$19.3 million of right-of-use assets and US\$23.2 million of additional lease liabilities as at 30 June 2020.

Goodwill

81 The majority of Navigator's intangible assets is goodwill, which arose on the acquisition of the Lighthouse business. The carrying value of goodwill is tested for impairment annually using the discounted cash flow (DCF) method on a value in use basis. As at 30 June 2020, the cash flows were discounted adopting post tax discount rates of 12.2% per annum and a long term growth rate of 1.6% per annum. The discount rate is calculated based on US risk factors as well as other risk factors specific to the industry and operational nature of the business, including an assumed debt leveraging of 20% at a market interest rate of 3.6%.

Deferred tax assets

82 As at 30 June 2019 and 30 June 2020 deferred tax assets were recognised in respect of the following items:

Navigator – deferred tax assets		
	30 June 19	30 June 20
	US\$m	US\$m
Carried forward tax losses	30.6	32.5
Goodwill and intangibles	20.6	11.5
Other assets	1.4	2.0
Total	52.6	46.0

83 A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

84 As at 30 June 2020, Navigator considered more likely than not that the Group's US carried forward tax losses and deductible temporary differences would be fully recovered, and this position is supported by the current profitability of Lighthouse and Navigator's expectation that this will continue.

Cash and financing facilities

85 As at 30 June 2019 and 30 June 2020, Navigator's cash position comprised the following:

Navigator – cash assets		
	30 June 19	30 June 20
	US\$m	US\$m
Cash at bank	12.4	16.2
Term deposit less than 90 days	16.6	10.8
Total	29.0	27.0

86 The Group also has a US\$15 million credit facility, which was renewed on 27 July 2020 for a further two years. This line of credit was not drawn during FY20 and remains undrawn at the date of this report.

Investments recognised at fair value

87 Navigator's investments in funds either managed by the Group or externally were recognised at fair value and comprised the following as at 30 June 2019 and 30 June 2020:

Navigator – investments recognised at fair value ⁽¹⁾		
	30 June 19	30 June 20
	US\$m	US\$m
Investments in unquoted securities of externally managed entities	5.3	1.5
Investments in unquoted securities of Group managed entities	12.7	13.2
Total	19.9	14.7

Note:

1 Rounding differences exist.

Share capital and performance

88 As at 21 September 2020, Navigator had 162.15 million fully paid ordinary shares on issue.

Significant shareholders

89 As at 21 September 2020 there were four significant shareholders in Navigator, detailed as follows:

Navigator – significant shareholders		
Shareholder	Shares held (million)	% interest
McGould, Sean G ⁽¹⁾	19.4	12.0
Eley Griffiths Group Pty Ltd	14.7	9.1
Bluhm, Andrew Gordon ⁽¹⁾	13.1	8.1
Perennial Value Management Ltd	12.5	7.7

Note:

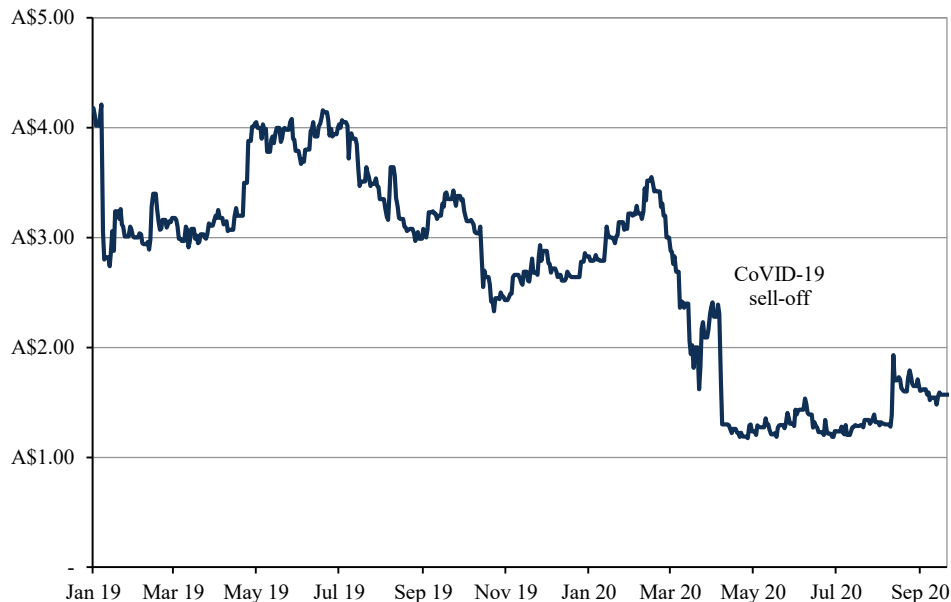
1 Held through associated companies.

Share price performance

90 The following chart illustrates the movement in the share price of Navigator from 1 January 2019 to 21 September 2020:

Navigator – share price history⁽¹⁾

1 January 2019 to 21 September 2020



Note:

1 Based on closing prices.

Source: Bloomberg.

91 Since 1 January 2019, the Navigator share price has generally underperformed. During the COVID-19 related selloff in equity markets in Australia and globally, the Group's share price reduced from over A\$3.50 per share to a low of A\$1.17 per share. Interestingly, unlike many other listed companies, the Navigator share price has not reflected any meaningful subsequent

recovery. The Group's share price did, however, respond favourably to the announcement of the acquisition of the Portfolio on 13 August 2020.

Liquidity in Navigator shares

92 The liquidity in Navigator shares based on trading on the ASX over the 12 month period prior to 12 August 2020¹¹ is set out below:

Navigator – liquidity in shares						
Period	Start date	End date	No of shares traded 000	WANOS ⁽¹⁾ outstanding 000	Implied level of liquidity Period ⁽²⁾ %	Implied level of liquidity Annual ⁽³⁾ %
1 month	13 Jul 20	12 Aug 20	11,331	162,148	7.0	83.9
3 months	13 May 20	12 Aug 20	55,242	162,148	34.1	136.3
6 months	13 Feb 20	12 Aug 20	109,141	162,148	67.3	134.6
1 year	13 Aug 19	12 Aug 20	154,862	162,148	95.5	95.5

Note:

- 1 Weighted average number of shares outstanding (WANOS) during relevant period.
- 2 Number of shares traded during the period divided by WANOS.
- 3 Implied annualised figure based upon implied level of liquidity for the period.

93 In each of the periods above, total share turnover (on an annualised basis) has been in excess of 80% of the total number of shares issued in Navigator, indicating a high level of market liquidity.

¹¹ Being the last trading day prior to the announcement of the Proposed Transaction.

IV Profile of Portfolio companies

Overview

94 The Portfolio includes minority ownership interests in Bardin Hill Investment Partners, Capstone Investment Advisors, CFM, MKP Capital Management, Pinnacle Asset Management and Waterfall Asset Management. The Portfolio represents a well-diversified group of established global alternative asset management firms with track records of delivering results to their clients. Collectively, these firms manage over US\$35 billion of AUM across 26 diversified investment strategies.

Portfolio companies

Bardin Hill Investment Partners

95 Bardin Hill Investment Partners is a global investment management firm that specialises in credit strategies, including distressed, stressed, and performing credit, as well as litigation-driven investing, merger arbitrage, and event-driven equities. The company is dedicated to rigorous investment analysis, extensive due diligence, and a disciplined approach to capital formation. Bardin Hill Investment Partners was founded in 1981 and is headquartered in New York, with an additional office in London. It employs a team of approximately 74 staff and is led by 13 active partners.

Capstone Investment Advisors

96 Capstone Investment Advisors is a global, alternative investment management firm operating across a broad range of derivatives-based strategies, with a deep understanding of volatility. It was established in 2004 and now has US\$6.9 billion of AUM. Capstone Investment Advisors is headquartered in New York, with offices in London, Amsterdam, Stamford and Los Angeles and has 158 employees. Through strategic insight, market leading expertise and advanced technology, the company seeks to anticipate and harness the complexities of world markets, creating unique opportunities for its clients, team and industry.

CFM

97 Founded in 1991, CFM is an established investment management firm that creates strategies derived from analysing large quantities of financial data allowing trading decisions to be executed in a highly systematic and disciplined way. The company looks for statistically significant patterns from which it creates investment strategies that are rigorously tested before being implemented by algorithms that control the buying and selling of securities. CFM has offices in Paris, London, New York, Tokyo and Sydney. Its investors include pension funds, endowments, sovereign wealth funds, foundations, fund of funds, private banks, insurance companies and family offices.

MKP Capital Management

98 MKP Capital Management is a diversified, global, alternative investment manager. Since its founding in 1995, the firm has operated with a long-term approach to investing, focused on diversification strategies. It offers portfolio management and advisory services to individuals, institutions, trusts, private funds, charitable organisations, and investment companies and serves customers worldwide. The firm's discretionary global macro strategy seeks to produce high risk-adjusted returns over the long term.

Pinnacle Asset Management

99 Founded in 2003, Pinnacle Asset Management is a global commodities absolute return manager with a focus on long / short, alpha generating strategies whilst maintaining low correlations to other asset classes. Its primary exposures are to the energy, metals and agriculture sectors. The business is based in New York and is a commodity pool operator registered with the Commodity Futures Trading Commission, and is also a member of the National Futures Association.

Waterfall Asset Management

100 Waterfall Asset Management was founded in 2005 and is an institutional asset manager focused on structured credit (asset-backed securities and loans) and private equity investments. The company utilises a relative value approach to investing in structured credit and loan products. The firm sources, analyses, and purchases asset backed securities and loan investments across multiple sectors globally to seek to provide its clients with competitive returns that are generally uncorrelated to most traditional investment sectors.

Investment characteristics

101 All of the firms that comprise the Portfolio are majority owned by management and employees, with affiliates of the Dyal Sellers (which are investment funds managed by NB Dyal Advisors LLC) holding a minority interest (which will be transferred to Navigator as a part of the Proposed Transaction). A summary of the characteristics of the Portfolio companies is as follows:

Portfolio – characteristics					
	AUM US\$bn ⁽¹⁾	Year founded	Year of Dyal invest.	HQ	Investment strategy
Bardin Hill Investment Partners	9	1981	2012	New York	Multi-strategy across various credit and relative value strategies
Waterfall Asset Management	8	2005	2013	New York	Structured credit strategies across high yield asset-based securities, commercial and residential credit
CFM	7	1991	2011	Paris	Global quantitative and systematic strategies
Capstone Investment Advisors	7	2004	2013	New York	Global, alternative investment management, covering a broad range of derivatives-based strategies
Pinnacle Asset Management	3	2003	2012	New York	Global commodities specialist platform with exposure to energy, metals and agricultural sectors
MKP Capital Management	2	1995	2012	New York	Global macro

Note:

1 As at 30 June 2020 for all Portfolio entities.

102 The investments in each of the Portfolio companies are structured with various provisions focused on alignment of interests and minority protections. The Proposed Transaction is expected to have no practical impact or disruption to the six managers' businesses. In addition, there are no required changes to the terms of the partnership, with each of the

managers in the Portfolio continuing to operate under the arrangements that have been in place for several years.

Investment performance

- 103 The investment performance of the Portfolio varies over time and between different managers and their respective products. Historically, different managers in the Portfolio have contributed varying levels of performance fee revenues in any given year.
- 104 The following shows the weighted average returns (net of all fees and expenses) of the Portfolio over the three years, five years and since inception to 30 June 2020:

Portfolio – weighted average return	
	% per annum
3 year	1.9
5 year	3.3
Inception to 30 June 2020	7.5

Financial performance

- 105 As the financial performance of each asset manager is commercially sensitive, we have been requested not to disclose this information. However, we set out below a summary of the management fee and performance fee revenue and EBITDA attributable to the ownership interests in each asset manager being acquired by Navigator (on a combined basis) over the five years to CY19:

Portfolio – revenue, EBITDA and AUM					
	CY15	CY16	CY17	CY18	CY19
	US\$m	US\$m	US\$m	US\$m	US\$m
Management fee revenue	79.5	70.6	66.6	65.7	65.9
Performance fee revenue	20.1	36.8	38.9	26.1	45.3
Management and performance fee revenue	99.6	107.4	105.5	91.8	111.2
Total EBITDA	40.9	39.5	38.1	29.5	32.2
AUM at year end (US\$ billion) ⁽¹⁾	6.5	6.3	6.8	6.5	6.8
Management fee revenue (% of closing AUM)	1.23%	1.12%	0.98%	1.01%	0.97%
Performance fee revenue (% of closing AUM)	0.31%	0.58%	0.57%	0.40%	0.67%

Note:

1 Attributable share.

Historical results

- 106 Over the five years to CY19, the Portfolio has generated:

Portfolio – management and performance fees and EBITDA			
	Low	High	Average
	US\$m	US\$m	US\$m
Management fee revenue	65.7	79.5	69.7
Performance fee revenue	20.1	45.3	33.4
Total EBITDA	29.5	40.9	36.0

- 107 Performance fee revenue by nature is more volatile than management fee revenue as the generation of performance fees is dependent on a number of factors, including the individual performance of each product which is subject to a performance fee arrangement, as well as applicable hurdle rates and high watermarks.
- 108 The investment performance varies over time and between different managers and their products. Historically, the Portfolio diversification over six investment managers has meant different managers in the Portfolio have contributed varying levels of performance fee revenues in any given year. Further, there are also a range of investment strategies undertaken by the entities in the Portfolio which also adds to the level of diversification. Whilst each of the managers has generated performance fees over the historical period, in recent years the large majority of performance fees have been generated by one entity in the Portfolio.
- 109 As the investments in the alternative asset managers comprising the Portfolio represent minority interests, we understand that neither the Dyal Sellers nor Navigator have complete management accounts for the Portfolio entities for the six month period to 30 June 2020. However, we understand that cash distributions from the Portfolio equal to approximately US\$16 million have been received in the seven month period to 31 July 2020.

Comparison with cash distributions received

- 110 As the Portfolio comprises minority interest positions in each asset manager we understand that Navigator will not equity account their results, and will instead only recognise distribution income when received (on a cash basis). Accordingly, the below shows a comparison of historical EBITDA and cash distributions received:

Portfolio – total EBITDA and cash distributions					
	CY15	CY16	CY17	CY18	CY19
	US\$m	US\$m	US\$m	US\$m	US\$m
EBITDA	40.9	39.5	38.1	29.5	32.2
Actual cash distributions received during year	52.3	36.9	39.3	33.3	28.8
Cash distributions (% of EBITDA)	128%	93%	103%	113%	89%

- 111 As indicated above, cash distributions received over recent years have been broadly consistent with EBITDA.

Partnership with Dyal

- 112 On completion, Navigator and the Dyal Sellers will enter into a services agreement whereby the applicable services teams associated with the Dyal Sellers will offer to provide business services platform and portfolio monitoring services to the Portfolio. The partnership with the Dyal Sellers is expected to enable Navigator to further leverage its deep knowledge of the alternative asset management industry globally, positioning the Group for future accretive, organic and inorganic growth opportunities. In addition, the Dyal Sellers will have the right to nominate a director to Navigator's Board for so long as the Dyal Sellers hold at least 10% of Navigator shares on a fully diluted basis.
- 113 As an intended long-term shareholder, Dyal has advised that it is committed to creating further value with Navigator over time and intends to explore related future initiatives to do so.

V Industry overview

Overview

114 Navigator is the ASX listed parent of Lighthouse, a US based global investment manager that focuses on the alternatives sector, providing multi-manager hedge fund solutions (funds of hedge funds) on behalf of its global client base. In addition, the six companies that are the subject of the Proposed Transaction (i.e. Bardin Hill Investment Partners, Capstone Investment Advisors, CFM, MKP Capital Management, Pinnacle Asset Management and Waterfall Asset Management) are all established global alternative asset managers.

Asset management industry

115 The global asset management industry is highly competitive, comprising a wide variety of sectors and subsectors that are categorised based on factors such as investible assets, portfolio strategy and investment risk.

116 The global asset management industry has experienced strong growth over the past 10 years, driven by rising markets and the expansion and integration of the global economy. By the end of 2019 global AUM had reached US\$89 trillion, which was an increase of 15% from the previous year¹². However, as the size of the market has grown and asset flows have reached their highest levels in a decade, the asset management industry has faced structural challenges brought on by fee compression and increasing cost pressures, the combined effect of which has impacted profitability.

Alternative asset management

117 The alternatives sector of the global asset management industry comprises a wide variety of product subcategories which can vary significantly in terms of risk profile and expected return. Alternative funds typically specialise in a particular asset class or strategy including, inter alia, the following:

- (a) **private equity** – investments in private companies at various stages of development, including venture capital (start up and early stage), growth capital for mature companies expanding or restructuring, and the buyout of established (and sometimes publicly listed) businesses or business divisions
- (b) **hedge funds** – investments in relatively liquid assets with the goal of earning a high return on investment. Hedge funds employ a variety of strategies, including long-short, market neutral, volatility arbitrage and quantitative strategies
- (c) **private debt** – debt investments that do not trade on an open market and are financed by a private fund rather than a bank
- (d) **real estate and infrastructure** – direct and indirect investments in infrastructure projects and commercial, residential and industrial real estate assets
- (e) **commodities** – direct and indirect investments in natural resources such as agricultural products, oil, natural gas, and precious and industrial metals.

¹² Source: Boston Consulting Group (2020): *Global Asset Management 2020: Protect, Adapt, and Innovate* report dated May 2020.

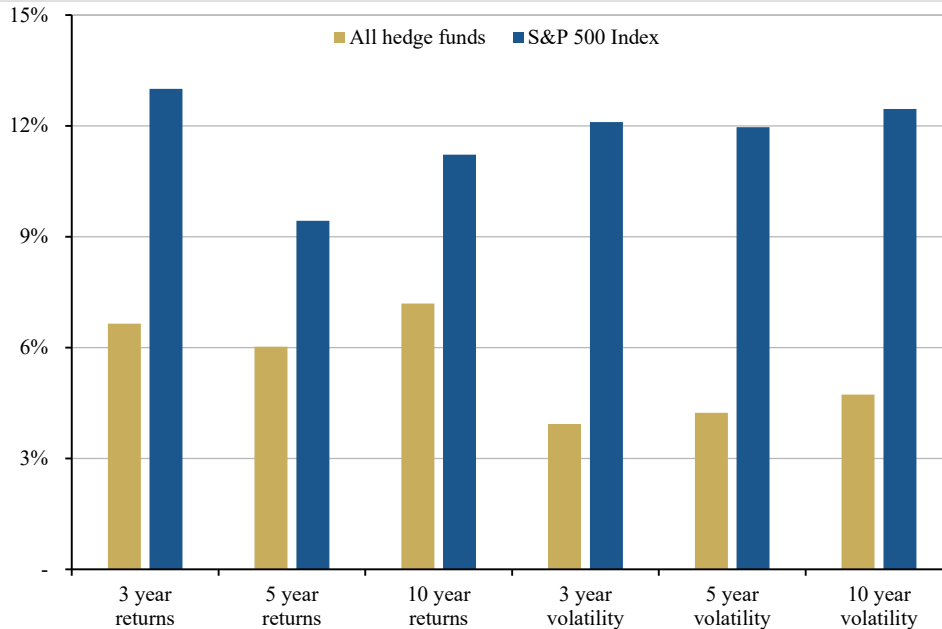
118 The alternatives sector has been one of the strongest performing sectors of the global asset management industry, representing nearly half of all revenues in 2019, notwithstanding that it only manages 16% of the industry’s AUM¹³. However, this has largely been driven by the growth and relative performance of specific segments within the sector, including private equity, real estate, infrastructure and private debt. In contrast, hedge funds have seen a lower level of asset growth as overall returns have trailed the S&P 500 Index.

Hedge funds

119 AUM held by the hedge fund industry totalled US\$3.6 trillion as at November 2019, which was an increase of 4.6% compared to one year earlier¹⁴. In the three, five and 10 year periods to 31 December 2019, hedge fund returns have been well below returns for the S&P 500 Index, as shown below:

Global hedge fund returns and volatility versus the S&P 500 Index

% annualised



Source: Preqin (2020): 2020 Global Hedge Fund report.

120 An extended bull run in equity markets over the past 10 years has delivered an annualised return of 11.2% for the S&P 500 Index, compared to 7.2% for hedge funds. Notwithstanding the significantly lower volatility, the relative underperformance of hedge funds has been a major deterrent to investor capital inflows, with the industry experiencing net withdrawals of US\$82 billion in 2019. However, given that many market participants consider equity markets to be near the peak of the cycle, the risk-reduction characteristics of hedge funds may be a key reason for attracting new capital in the coming years.

¹³ Source: Boston Consulting Group (2020): *Global Asset Management 2020: Protect, Adapt, and Innovate* report dated May 2020.

¹⁴ Source: Preqin (2020): 2020 Global Hedge Fund report. Performance refers to the return of the Preqin All-Strategies Hedge Fund benchmark.

Fee structure

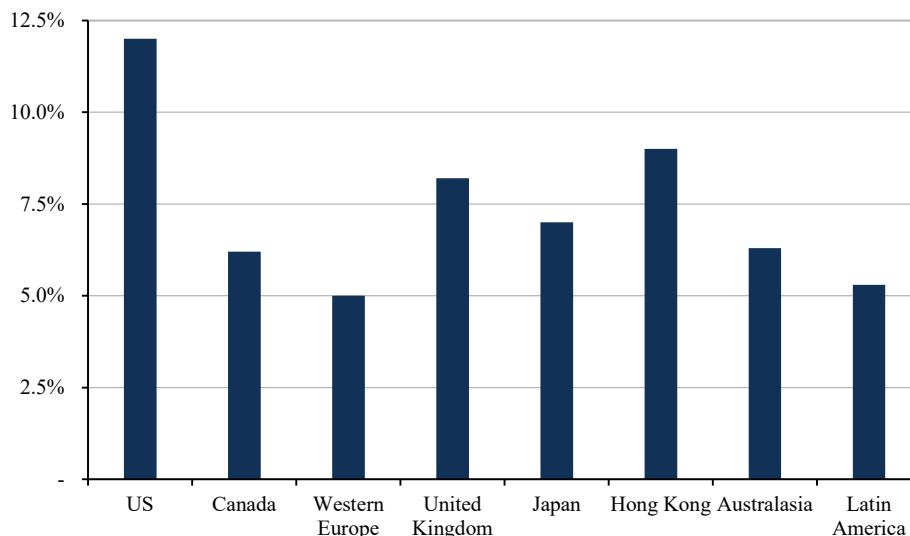
- 121 Hedge fund managers primarily generate revenue through management fees, which are charged as a percentage of the value of AUM. Fee structures vary across hedge funds, with some funds including performance fee arrangements, which are determined based on a percentage of fund returns over and above a predefined benchmark. Performance fees are variable in nature, and may be subject to a high watermark, which requires fund performance to exceed its previous highest performance before additional fees can be charged.
- 122 Most hedge fund managers offer clients a flat fee structure, such as a “2 and 20” structure, which represents a 2% asset management fee and 20% performance fee. Recently however, hedge fund managers have become more flexible with their fee structures, including negotiating fees and fund terms with clients to reflect a better alignment of interests. This is achieved by offering multiple share classes for investors to purchase, each with an assigned set of fees, or otherwise through individual negotiations with higher value investors.

Hedge fund allocations

- 123 The global hedge fund market comprises more than 16,000 funds spread across the world, with the majority domiciled in North America. The portion of client portfolios allocated to hedge funds varies across each region, with North America representing the highest median allocation to hedge funds in 2019, as shown below:

Hedge fund allocations

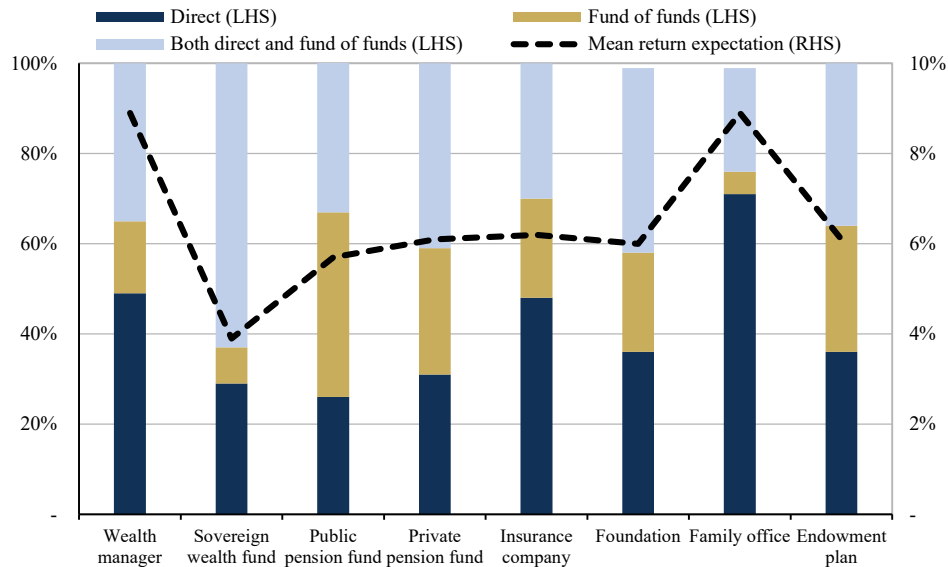
Median allocation to hedge funds in 2019 (% of AUM)



Source: Preqin (2020): 2020 Global Hedge Fund report.

- 124 There are many different types of investors in hedge funds, ranging from wealth managers that invest on behalf of high net worth individuals, through to larger clients such as insurance companies, family offices and pension funds. The preferred type of hedge fund and level of exposure varies across each participant, and is based on the return expectations for each investor type. The chart below outlines the preferred hedge fund investment approach, and the return expectations for each investor type in 2019:

**Preferred hedge fund investment approach and return expectations
As at 2019**



Source: Preqin (2020): 2020 Global Hedge Fund report.

Types of hedge funds

125 The term “hedge fund” is used to classify any actively managed portfolio of investments that uses leverage, long, short and derivative positions to earn active returns (or alpha), for investors. Hedge funds employ various strategies including, inter alia, the following:

- (a) **equity strategies** – long / short bias, sector focus and value versus growth orientation strategies
- (b) **credit strategies** – mortgage backed securities, specialist credit, fixed income, long / short credit and asset-backed lending strategies
- (c) **macro strategies** – foreign exchange and commodities
- (d) **event driven strategies** – distressed companies, merger arbitrage and special situations.

126 Investors may gain exposure to a particular strategy by investing directly into a single fund, or by investing in a broad basket of hedge funds in order to gain exposure to multiple strategies (known as a “funds of hedge funds”).

Funds of hedge funds

127 The funds of hedge funds segment held AUM of US\$744 billion at the end of 2019, representing around 20% of the hedge fund industry AUM. As of 2019, there were 613 active funds of hedge funds managers, with the top 10 global funds managing US\$290.1 billion in aggregate, as shown below:

Largest funds of hedge funds managers

Manager	Location	Year established	AUM⁽¹⁾ US\$bn
Blackstone Alternative Asset Management	US	1990	81.4
UBS Hedge Fund Solutions	US	2000	38.3
Goldman Sachs Asset Management	US	1997	35.5
GCM Grosvenor	US	1971	26.7
BlackRock Alternative Advisors	US	1995	24.2
Morgan Stanley Investment Management	US	2000	22.2
EnTrust Global	US	1971	19.3
Man FRM	UK	1991	14.4
Lighthouse	US	1999	14.1
Rock Creek Group	US	2002	14.0
Top 10 total			290.1

Note:

1 AUM as at 30 June 2019 except for GCM Grosvenor (30 September 2019), EnTrust Global (28 February 2019), Man FRM (30 September 2019) and Lighthouse Partners (31 July 2019).

Source: Preqin (2020): *2020 Global Hedge Fund* report.

- 128 Funds of hedge funds managers have faced pressure in recent years, as relatively high fees and comparative underperformance have discouraged investors from making sizeable allocations to the asset class¹⁵. However, the sector can offer value to investors, by providing exposure to niche and emerging strategies through the expert knowledge and wide networks offered by specialist funds of hedge funds managers. Funds of hedge funds also offer an advantage over direct hedge fund investing, due to the ability to offer smaller and less experienced investors exposure to a diversified pool of hedge funds without the need to conduct their own due diligence and individual manager selection.

¹⁵ In 2012 funds of hedge funds managed 35% of total hedge fund AUM. As stated above, this level was 20% in 2019.

VI Valuation methodology

Valuation approaches

- 129 RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:
- (a) the discounted cash flow (DCF) methodology
 - (b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets
 - (c) the amount that would be available for distribution to shareholders in an orderly realisation of assets
 - (d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis
 - (e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.
- 130 Under the DCF methodology the value of the business is equal to the net present value (NPV) of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.
- 131 Methodologies using capitalisation multiples of earnings or cash flows are commonly applied when valuing businesses where a future “maintainable” earnings stream can be established with a degree of confidence. Generally, this applies in circumstances where the business is relatively mature, has a proven track record and expectations of future profitability and has relatively steady growth prospects. Such a methodology is generally not applicable where a business is in start-up phase, has a finite life, or is likely to experience a significant change in growth prospects and risks in the future.
- 132 Capitalisation multiples can be applied to either estimates of future maintainable operating cash flow, EBITDA, EBITA¹⁶, EBIT or net profit after tax. The appropriate multiple to be applied to such earnings is usually derived from stock market trading in shares in comparable companies which provide some guidance as to value and from precedent transactions within the industry. The multiples derived from these sources need to be reviewed in the context of the differing profiles and growth prospects between the company being valued and those considered comparable. When valuing controlling interests in a business an adjustment is also required to incorporate a premium for control. The earnings from any non-trading or surplus assets are excluded from the estimate of the maintainable earnings and the value of such assets is separately added to the value of the business in order to derive the total value of the company.

¹⁶ Earnings before interest, tax and amortisation of acquired intangibles.

- 133 An asset based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. It can also be applied where a business is no longer a going concern or where an orderly realisation of assets and distribution of the proceeds is proposed. Using this methodology, the value of the net assets of the company is adjusted for the time, cost and taxation consequences of realising the company’s assets.

Methodologies selected

- 134 The market value of Navigator has been assessed by aggregating the market value of the business operations together with net cash and the realisable value of surplus net assets. The value of the business operations has been made on the basis of market value as a going concern.
- 135 As set out in Section II, RG 111 requires that the fairness of the Proposed Transaction be assessed by comparing:
- (a) the controlling interest value of Navigator shares prior to implementation of the Proposed Transaction (which is set out in Section VII); and
 - (b) the portfolio interest value of Navigator shares following implementation of the Proposed Transaction (which is set out in Section VIII).
- 136 In accordance with the above, the following valuation methodologies have been adopted to determine value:

Valuation methodologies	
Method	Key reasons
Capitalisation of EBITDA	<ul style="list-style-type: none"> • Asset management businesses are not capital intensive, and therefore depreciation and amortisation expenses are relatively modest • EBITDA multiple evidence is available from “comparable” listed companies and transactions in the asset management sector
Share price	<ul style="list-style-type: none"> • For the purposes of assessing the 100% controlling interest value of Navigator prior to the Proposed Transaction, we have considered the Navigator share price prior to the Proposed Transaction adjusted for a control premium (consistent with RG 111) • As RG 111 requires the value of Navigator shares post the Proposed Transaction to be assessed on a minority interest basis (i.e. excluding any premium for control), our assessed value of Navigator shares post the Proposed Transaction has been compared with prices at which shares in Navigator have traded following the announcement of the Proposed Transaction

VII Controlling interest value of Navigator shares prior to the Proposed Transaction

Valuation methodology

137 As stated in Section VI, we have adopted the capitalisation of EBITDA method as our primary valuation methodology. Under this method the EBITDA (before non-recurring items) is capitalised at an appropriate EBITDA multiple. The value of the shares in Navigator is then derived by adding the net realisable value of its investments and net cash¹⁷.

138 The resulting values have been cross-checked by reference to the recent trading in Navigator shares prior to the announcement of the Proposed Transaction.

EBITDA adopted for valuation purposes

139 In order to assess the appropriate level of EBITDA for valuation purposes we have had regard to the historical and forecast results of Navigator, and have discussed the financial performance, operating environment and prospects with Navigator management.

Historical results

140 A summary of Navigator's historical revenue, reported and adjusted EBITDA (before non-recurring items) and AUM for FY18 to FY20 is summarised below:

Navigator – statement of financial performance⁽¹⁾			
	FY18	FY19	FY20
	US\$m	US\$m	US\$m
Management fees	75.5	105.4	87.5
Performance fees	7.7	1.1	5.6
Reimbursement of fund operating expenses ⁽²⁾	4.7	6.3	7.1
Revenue from the provision of office space and services ⁽²⁾	1.7	1.9	1.4
Other income	-	0.1	-
Total revenue	89.6	114.9	101.5
EBITDA⁽³⁾	31.4	37.5	29.9
Add back / (deduct) non-recurring items:			
Share of loss of equity accounted investee	0.4	-	-
Impairment losses	1.9	-	-
Expensed transaction costs	-	-	1.8
Impairment of intangible assets	-	-	0.8
Redundancy costs	-	-	1.1
Impact of AASB 16	-	-	(2.2)
Adjusted EBITDA before non-recurring items	33.7	37.5	31.4
AUM as at 30 June (US\$ billion)	11.3⁽⁴⁾	14.2	11.8

Note:

- 1 Rounding differences exist.
- 2 The Group does not charge a margin on the provision of these services, and this revenue directly offsets operating expenses incurred.
- 3 EBITDA also excludes the fair value gains and losses on Navigator's investments and related investment income.
- 4 Excludes the MAS AUM, which was acquired on 1 July 2018.

¹⁷ We note that Navigator did not have any interest bearing debt as at 30 June 2020.

Adjustments to EBITDA

141 The adjustments made to EBITDA are explained below:

- (a) **share of loss of equity accounted investee and impairment loss** – the Group provided US\$1.7 million of funding to a US based limited partnership which was classified as a non-current unsecured loan to an equity accounted investee. Based on an assessment of the likely prospects of the associate, both the equity investment and unsecured loan were written down to nil as at 30 June 2018, which resulted in an impairment loss of US\$1.9 million being recognised
- (b) **expensed transaction costs** – this relates to a number of legal, tax and other professional services incurred in relation to the Proposed Transaction
- (c) **impairment of intangible assets** – this relates to the full write-down of the intangible asset related to the acquisition of the client relationships from MAS on 1 July 2018. As at 30 June 2020, the MAS AUM had reduced to US\$1.2 billion (from US\$5.4 billion when acquired), with the remaining AUM operationally absorbed into Lighthouse
- (d) **redundancy costs** – termination costs of US\$1.1 million were incurred for staff made redundant during the year as part of the Group rationalising its cost structure, by identifying the level of overall resources needed for current and anticipated future business requirements
- (e) **impact of AASB 16** – the impact of adopting AASB 16 on Navigator’s results was an uplift in FY20 EBITDA of approximately US\$2.2 million, as rent expenses are replaced by amortisation charges (of the “right of use” asset) and interest expense (in respect of the lease liability recognised)¹⁸. We have excluded the uplift in EBITDA resulting from AASB 16 as it is driven by an accounting entry that has no impact on the underlying cash flow, profitability or value of Navigator.

FY21 guidance

142 As set out in the Explanatory Memorandum, Navigator management have stated that:

“Average AUM for the FY20 year was US\$13.3 billion. Taking into account:

- *the lower starting point of AUM for FY21 of US\$11.8 billion,*
- *the expected net outflows over the coming year,*
- *a continued shift towards platform service and customised client AUM which generally has lower fee rates; and*
- *uncertainty as to the level of performance fee revenue which may be earned in FY21,*

Navigator anticipates a reduction of approximately 20% in total revenue for FY21 to US\$82.5 million (FY20: US\$101.5m).”

143 Whilst management intend to implement a number of cost reductions, the material reduction in total revenue is expected to reduce EBITDA (net of cash lease payments) to between US\$19 million to US\$21 million.

¹⁸ The application of AASB 16 reduced net profit after tax by a modest amount.

EBITDA adopted for valuation purposes

- 144 Based on the above (particularly the material reduction in AUM) we have adopted operating EBITDA (before non-recurring items) for valuation purposes of US\$20 million.
- 145 We also note that our adopted operating EBITDA is broadly consistent with:
- (a) management’s guidance for EBITDA for FY21; and
 - (b) analyst estimates for FY21 EBITDA (prior to the announcement of the Proposed Transaction), which ranged from US\$17.3 million to US\$21.7 million.

EBITDA multiple

- 146 The selection of the appropriate EBITDA multiple to apply is a matter of judgement but normally involves consideration of a number of factors including, but not limited to:

- | | |
|---|--|
| <ul style="list-style-type: none"> • The stability and quality of earnings • The quality of the management and the likely continuity of management • The nature and size of the business • The spread and financial standing of customers • The financial structure of the company and gearing level • The multiples attributed by share market investors to listed companies involved in similar activities or exposed to the same broad industry sectors • The multiples that have been paid in recent acquisitions of businesses involved in similar activities or exposed to the same broad industry sectors | <ul style="list-style-type: none"> • The future prospects of the business including the growth potential of the industry in which it is engaged, strength of competitors, barriers to entry, etc • The cyclical nature of the industry • Expected changes in interest rates • The asset backing of the underlying business of the company and the quality of the assets • The extent to which a premium for control is appropriate • Whether the assessment is consistent with historical and prospective earnings |
|---|--|

- 147 We discuss below specific factors taken into consideration when assessing the appropriate EBITDA multiple range for Navigator.

Listed company multiples

- 148 The EBITDA multiples for listed companies operating in the asset management sector are set out in Appendix C. As the level of EBITDA adopted for valuation purposes is consistent with our estimate of the likely level of operating EBITDA in FY21, the multiples below are based on each company’s average analyst forecasts for that financial year (noting that some of the companies have different financial year ends):

Listed company EBITDA multiples – asset management

	Forecast EBITDA multiple ⁽¹⁾
Navigator	5.7
Australian asset managers	
Range (low to high)	7.2 – 16.9
Median	7.9
US asset managers	
Range (low to high)	4.5 – 15.0
Median	7.6
Alternative asset managers	
Range (low to high)	4.7 – 22.8
Median	7.4

Note:

1 EBITDA multiples calculated as at 17 September 2020 except for Navigator, which is calculated based on the one month volume weighted average trading price (VWAP) prior to the announcement of the Proposed Transaction. Forecast earnings are based on Bloomberg average analyst forecasts (excluding outliers and outdated forecasts).

Source: Bloomberg, latest full year statutory accounts, latest interim accounts, company announcements and LEA analysis.

149 The above multiples are based on the listed market price of each company's shares (and therefore exclude a premium for control). Empirical evidence from research undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover)¹⁹. This broadly translates to a premium of 20% to 25% at the EBITDA multiple or enterprise value level, although this varies depending on the level of debt funding employed in each company.

150 In addition, we note that:

- (a) none of the above listed asset management companies are pure play funds of hedge funds companies and are therefore not directly comparable to Navigator
- (b) in recent times Navigator has generally traded at implied multiples which are below those of the other ASX listed fund managers, as well as the US asset managers and alternative asset managers
- (c) the majority of the listed companies are significantly larger and have more diverse operations than Navigator. In this regard, we note that the smaller listed companies are generally trading on lower multiples than the larger listed companies.

¹⁹ LEA has analysed the control premiums paid in successful takeovers and other change in control transactions involving cash consideration in Australia over the period 2000 to 2018. LEA's study covered around 500 transactions in all sectors excluding real estate investment trusts, based on data sourced from Bloomberg, Connect4 and public company transaction documents and ASX announcements. Scrip transactions were excluded from the analysis because the value of the scrip consideration can vary materially depending on the date of measurement.

Transaction evidence

151 As set out below there have been a number of transactions in the US asset management sector. A summary of the EBITDA multiples implied by these transactions (which in most cases reflected the acquisitions of controlling interests) is shown below:

Transaction multiples						
Date ⁽¹⁾	Target	Acquirer	Interest %	Enterprise value ⁽²⁾ \$m	EBITDA multiples ⁽³⁾ x	
27 Jul 20	Barrow Hanley	Perpetual	75.0	US\$425	8.0	F
18 Feb 20	Legg Mason	Franklin Resources	100.0	US\$6,500	9.7	F
9 May 19	Fiera Capital	Natixis	11.0	C\$1,696 ⁽⁴⁾	10.5	F
13 Mar 19	Oaktree Capital Mgmt	Brookfield Asset Mgmt	62.0	US\$6,216	17.3	H
6 Nov 18	USAA Asset Mgmt	Victory Capital	100.0	US\$1,000	6.9	H
18 Oct 18	Oppenhiemer Funds	Invesco	100.0	A\$5,715	10.2	H
1 Dec 17	TCW Group	Nippon Life Insurance	24.8	US\$1,973	12.0	H
1 Sep 17	Townsend Group	AON	100.0	US\$475	13.0	H
26 Mar 17	OM Asset Management	HNA Group Co	25.0	US\$1,788	8.6	H
14 Feb 17	Fortress Invest. Group	SoftBank Group	100.0	US\$3,300	10.3	H
16 Dec 16	RidgeWorth Investments	Virtus Inv. Partners	100.0	US\$513	10.8	H
3 Oct 16	Janus Capital Group	Henderson Group	100.0	US\$2,994	8.4	F
8 Oct 15	Frank Russell	TA Associates	100.0	US\$1,150	9.7	H

Note:

- 1 Date of announcement.
- 2 Enterprise value on a 100% basis.
- 3 H = multiple based on historical EBITDA. F = multiple based on forecast EBITDA.
- 4 C\$ = Canadian dollars.

Source: LEA analysis using data from ASX announcements, analyst reports and company annual reports.

152 In relation to the transaction evidence it should be noted that:

- (a) except for the Fiera Capital and OM Asset Management acquisitions, the transactions relate to the acquisition of controlling interests of the businesses and therefore implicitly incorporate a premium for control
- (b) none of the above businesses are directly comparable to Navigator
- (c) the companies acquired differ materially in terms of their size and nature of operations. Accordingly, in our view, the median or average multiples implied by these transactions are not necessarily representative of the multiples which should be applied to Navigator's business²⁰
- (d) the transaction multiples are calculated based on the most recent actual earnings (historical multiples) or expected future earnings for the current year at the date of the transaction (forecast multiples). The multiples are therefore not necessarily reflective of the multiple which would be derived from an assessment of each target company's "maintainable" earnings.

²⁰ As one of Australia's leading valuation firms, LEA has an extensive database of Australian company transactions, including details of prices paid, implied enterprise values and earnings multiples. This evidence indicates that:

- (a) small companies generally trade on significantly lower earnings multiples than larger companies (provided other variables such as expected earnings growth are similar); and
- (b) investors usually require a higher rate of return to compensate for the additional risks associated with small companies compared to larger ones.

Conclusion on appropriate EBITDA multiples

- 153 Based on the above, in our opinion, an EBITDA multiple range of 7.5 to 8.0 is appropriate when applied to the level of EBITDA adopted for valuation purposes. This multiple has been assessed on a 100% controlling interest basis (and therefore includes a premium for control).
- 154 In comparison, we note that the VWAP of Navigator shares in the one month period prior to the announcement of the Proposed Transaction (of A\$1.30 per share) implied an EBITDA multiple (based on average analyst forecasts for FY21) of 5.7²¹.

Value of core businesses

- 155 On this basis the value of Navigator's core operating business (on a cash and debt free basis) is as follows:

Navigator – enterprise value		
	Low US\$m	High US\$m
EBITDA adopted for valuation purposes	20.0	20.0
EBITDA multiple	7.5	8.0
Enterprise value	150.0	160.0

Other assets and liabilities

- 156 Navigator has a number of other assets and liabilities which have been reflected in our valuation:
- cash** – Navigator held approximately US\$27 million in cash as at 30 June 2020. We note that Navigator is required to hold a modest cash balance or net asset position for regulatory purposes. Further, we understand that the net cash position as at 31 August 2020 was not materially different than the position as at 30 June 2020
 - investments** – Navigator holds a number of investments in funds either managed by the Group or externally which had a fair market value of US\$14.7 million as at 30 June 2020. We understand that the market value of these investments as at 31 August 2020 was not materially different than their market value as at 30 June 2020
 - deferred tax benefits** – we have attributed a value to the US deferred tax benefits of US\$15 million to US\$18 million²² (representing the present value of future benefits expected to be realised over a five to six year period²³)
 - transaction costs** – we have allowed for US\$2 million in estimated Proposed Transaction related expenses up to the date of the shareholder meeting to approve the Proposed Transaction²⁴.

²¹ Excluding a premium for control.

²² We understand that Navigator has Australian capital losses that have no value (as they are not expected to be recouped) and are not recognised as an asset by the Group.

²³ In our view, a potential purchaser would be unlikely to attribute any material value to tax benefits which were not expected to be utilised for at least six years.

²⁴ This excludes fees contingent on completion of the Proposed Transaction. These costs are allowed for in our valuation of Navigator shares following completion of the Proposed Transaction.

157 The value attributed to these other assets and liabilities is summarised below:

Navigator – other assets and liabilities		
	Low US\$m	High US\$m
Cash	27.0	27.0
Investments	14.5	15.0
Deferred tax benefits	15.0	18.0
Transaction costs	(2.0)	(2.0)
Total other assets / (liabilities)	54.5	58.0

Fully diluted shares on issue

158 Navigator currently has 162.15 million shares on issue. There are no options or performance rights on issue.

Controlling interest value of Navigator

159 On this basis, the value of 100% of Navigator shares on a controlling interest basis is as follows:

Navigator – controlling interest value		
	Low US\$m	High US\$m
Enterprise value	150.0	160.0
Other assets / liabilities	54.5	58.0
Equity value	204.5	218.0
Shares on issue	162.15	162.15
Controlling interest value per share (US\$)	US\$1.26	US\$1.34
A\$:US\$ exchange rate (as at 21 September 2020)	0.72	0.72
Controlling interest value per share (A\$)	A\$1.75	A\$1.87

Cross-check to pre-announcement share trading range

160 We have cross-checked our assessed value of the equity in Navigator to the listed market price of Navigator shares adjusted for a premium for control. We note that:

- (a) Navigator is researched and analysed by two analyst firms and has institutional investors on its register
- (b) significant information has been disclosed in relation to Navigator's operations in its financial reports and stock exchange announcements
- (c) Navigator has an obligation under the ASX Listing Rules (subject to certain exemptions) to notify the ASX immediately of any information that it becomes aware of concerning Navigator which a reasonable person would expect to have a material effect on the price or value of Navigator
- (d) Navigator shares are relatively liquid, with over A\$14 million and over A\$72 million in value of Navigator shares traded on the ASX in the one and three months periods prior to the announcement of the Proposed Transaction respectively.

- 161 In order to cross-check our valuation of Navigator shares we have considered the listed market price of Navigator shares up to 12 August 2020 (being the last day of trading prior to the announcement of the Proposed Transaction), adjusted for a premium for control.
- 162 The trading range and VWAP of Navigator shares in the one and three month periods up to 12 August 2020 are set out below:

Navigator – share trading history

Period	Start date	End date	High A\$	Low A\$	VWAP A\$	Value traded A\$000
1 month	13 Jul 20	12 Aug 20	1.41	1.20	1.302	14,753
3 months	13 May 20	12 Aug 20	1.56	1.13	1.306	72,146

- 163 Empirical evidence from research undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover, and after adjusting the pre-bid market price for the movement in share market indices between the date of the pre-bid market price and the announcement of the takeover)²⁵.
- 164 Adding a 30% to 35% premium for control to the above VWAPs would therefore result in a theoretical “control” value of A\$1.69 to A\$1.77 per share. While our assessed valuation range slightly exceeds this theoretical “control” value, we note that the recent trading range in Navigator shares prior to the announcement of the Proposed Transaction has been relatively wide. In the circumstances, we consider that our controlling interest valuation range is reasonable.

²⁵ LEA has analysed the control premiums paid in successful takeovers and other change in control transactions involving cash consideration in Australia over the period 2000 to 2018. LEA’s study covered around 500 transactions in all sectors excluding real estate investment trusts, based on data sourced from Bloomberg, Connect4 and public company transaction documents and ASX announcements. Scrip transactions were excluded from the analysis because the value of the scrip consideration can vary materially depending on the date of measurement.

VIII Portfolio value of Navigator shares following implementation of the Proposed Transaction

Introduction

165 As set out in Section II, RG 111 requires that the fairness of the Proposed Transaction be assessed by comparing:

- (a) the controlling interest value of Navigator shares prior to implementation of the Proposed Transaction (which is set out in Section VII); and
- (b) the portfolio interest value of Navigator shares following implementation of the Proposed Transaction (which is set out below).

Methodology

166 Consistent with the valuation methodology adopted when assessing the value of Navigator shares prior to the Proposed Transaction, we have also adopted the capitalisation of EBITDA method when valuing Navigator shares post implementation of the Proposed Transaction.

167 Accordingly, we set out below our opinion on the EBITDA of the enlarged Group and our view on the appropriate EBITDA multiple to adopt post implementation of the Proposed Transaction.

EBITDA adopted for valuation purposes

Navigator EBITDA prior to the Proposed Transaction

168 As shown in Section VII, we have adopted EBITDA for Navigator prior to implementation of the Proposed Transaction of US\$20 million.

EBITDA contribution from Portfolio

169 If the Proposed Transaction is implemented, Navigator will acquire a portfolio of six minority investments in the management companies of established alternative asset managers, being Bardin Hill Investment Partners, Waterfall Asset Management, CFM, Capstone, Pinnacle Asset Management and MKP Capital Management (referred to collectively as the Portfolio).

170 As the financial performance of each asset manager is commercially sensitive we have been requested not to disclose this information. However, we set out below a summary of the management fee income, performance fee income and EBITDA attributable to the ownership interests in each asset manager being acquired by Navigator (on a combined basis):

Portfolio – revenue, EBITDA and AUM					
	CY15	CY16	CY17	CY18	CY19
	US\$m	US\$m	US\$m	US\$m	US\$m
Management fee revenue	79.5	70.6	66.6	65.7	65.9
Performance fee revenue	20.1	36.8	38.9	26.1	45.3
Management and performance fee revenue	99.6	107.4	105.5	91.8	111.2
EBITDA	40.9	39.5	38.1	29.5	32.2
Closing AUM (US \$billion) ⁽¹⁾	6.5	6.3	6.8	6.5	6.8
Management fee revenue (% of closing AUM)	1.23%	1.12%	0.98%	1.01%	0.97%
Performance fee revenue (% of closing AUM)	0.31%	0.58%	0.57%	0.40%	0.67%

Note:

1 Attributable share.

Management fee and performance fee net income

171 As indicated in the table above:

- (a) AUM and management fee income from the Portfolio has been relatively consistent over recent years (i.e. the CY17 to CY19 period); and
- (b) a significant proportion of the Portfolio revenue (and EBITDA) is derived from performance fees.

172 As the split between management fee EBITDA and performance fee EBITDA is commercially sensitive (and, in part, subjective due to judgement required to appropriately allocate various expenses) we have been asked not to disclose this detail in our report. However we note that:

- (a) all investment managers comprising the Portfolio have generated performance fees during the five year period
- (b) performance fee EBITDA²⁶ by nature is more volatile than management fee EBITDA. Whilst diversification from both the number of companies that comprise the Portfolio and the mix of investment strategies undertaken by the entities in the Portfolio seeks to reduce this earnings volatility in part, in recent years the large majority of performance fees have been generated by one entity in the Portfolio²⁷.

Financial performance in the six months to 30 June 2020

173 As the investments in the investment managers comprising the Portfolio represent minority interests, we understand that neither the Dyal Sellers nor Navigator have complete management accounts for the Portfolio entities for the six month period to 30 June 2020. However, we understand that cash distributions from the Portfolio equal to approximately US\$16 million have been received in the seven month period to 31 July 2020. Further commentary on the difference between EBITDA and cash distributions is provided in paragraph 175 below.

EBITDA contribution from Portfolio

174 For valuation purposes we have adopted an EBITDA contribution from the Portfolio of US\$30 million²⁸. This is based on a detailed assessment of the earnings by investment manager and the nature of those profits (e.g. the split between management and performance fee EBITDA). Overall, our assessment is consistent with the average EBITDA achieved in CY18 and CY19, and the average cash distributions received from the Portfolio in those years (set out below)

²⁶ Performance fees received / accrued less employee bonuses (as these are generally payable dependent on performance fees achieved each year).

²⁷ Noting that each of the managers has generated performance fees over the five years to CY19.

²⁸ This is prior to taking into account the additional costs associated with the current corporate structure (of around US\$1.5 million per annum) which have been netted off against the value of future tax benefits (refer paragraph 195(a)).

Comparison with cash distributions received

175 As the Portfolio comprises minority interest positions in each asset manager, we understand that Navigator will not equity account their results, and will instead only recognise distribution income when received (on a cash basis). Accordingly, the below shows a comparison of historical EBITDA and cash distributions received:

Portfolio – total EBITDA and cash distributions					
	CY15	CY16	CY17	CY18	CY19
	US\$m	US\$m	US\$m	US\$m	US\$m
EBITDA	40.9	39.5	38.1	29.5	32.2
Actual cash distributions received during year	52.3	36.9	39.3	33.3	28.8
Cash distributions (% of EBITDA)	128%	93%	103%	113%	89%

176 As indicated above, cash distributions received over recent years have been broadly consistent with EBITDA.

EBITDA adopted for valuation purposes

177 On this basis we have adopted EBITDA for Navigator post implementation of the Proposed Transaction of US\$50 million, comprising:

Navigator – EBITDA post implementation of the Proposed Transaction	
	US\$m
Navigator – pre Proposed Transaction ⁽¹⁾	20.0
Contribution from Portfolio	30.0
Navigator – post Proposed Transaction	50.0

Note:

1 As noted in Sections III and VII, prior to the Proposed Transaction Navigator has not generated a significant level of revenue from performance fees.

EBITDA multiple

EBITDA multiple applied to management EBITDA

178 As noted in Section VII, we applied an EBITDA multiple of 7.5 to 8.0 when valuing Navigator prior to the Proposed Transaction on a controlling interest basis.

179 In our opinion, the EBITDA multiple which should be applied post Proposed Transaction to the management fee net income generated by the business should be (at least) 10% higher than the EBITDA multiple applied to Navigator prior to the Proposed Transaction. This is because:

- (a) Navigator will become a substantially larger and more diversified asset management business as a result of the Proposed Transaction²⁹

²⁹ As one of Australia's leading valuation firms, LEA has an extensive database of Australian company transactions, including details of prices paid, implied enterprise values and earnings multiples. This evidence indicates that:

- (a) small companies generally trade on significantly lower earnings multiples than larger companies (provided other variables such as expected earnings growth are similar); and

- (b) the recent financial performance of the Portfolio has been superior to Navigator, as shown below:

Navigator – comparative financial performance				
	AUM (US\$bn)		EBITDA (US\$m)	
	Navigator ⁽¹⁾	Portfolio ⁽²⁾⁽⁴⁾	Navigator ⁽¹⁾	Portfolio ⁽²⁾⁽⁴⁾
2018	16.7 ⁽³⁾	6.7	33.6	29.5
2019	14.2	7.0	37.4	32.2
2020	11.8	6.5 ⁽⁵⁾	31.3	na
2021	na	na	19.0-21.0 ⁽⁶⁾	na

Note:

- 1 AUM as at 30 June and adjusted EBITDA for the financial year ending 30 June.
 - 2 AUM as at 31 December and EBITDA for the calendar year ending 31 December.
 - 3 Adjusted to include the MAS AUM acquired effective 1 July 2018.
 - 4 These figures represent the Portfolio's attributable share of each investment manager's AUM and EBITDA.
 - 5 As at 30 June 2020 for all Portfolio entities.
 - 6 Navigator management's adjusted FY21 EBITDA guidance (as set out in the Explanatory Memorandum).
- na = not available.

- 180 On this basis, we have applied an EBITDA multiple of 8.25 to 8.75 to the management fee net income of Navigator post implementation of the Proposed Transaction³⁰.

EBITDA multiple applied to performance EBITDA

- 181 We have applied an EBITDA multiple of between 5.5 and 6.0 to performance fee EBITDA. This is approximately 31% to 33% lower than the EBITDA multiple range applied to the management fee net income, and reflects the greater variability and greater level of uncertainty associated with performance fee income. On this basis the weighted average EBITDA multiple applied to the Portfolio EBITDA is 7.3 to 7.8.

Enterprise value

- 182 On this basis the value of the Navigator business (on a cash and debt free basis) post implementation of the Proposed Transaction is as follows:

Navigator – enterprise value post Proposed Transaction				
	EBITDA US\$m	EBITDA multiple range	Enterprise value Low US\$m	Enterprise value High US\$m
Navigator EBITDA before Proposed Transaction	20.0	8.25 – 8.75	165.0	175.0
Portfolio contribution	30.0	7.3 – 7.8	218.6	233.6
Enterprise value	50.0		383.6	408.6

(b) investors usually require a higher rate of return to compensate for the additional risks associated with small companies compared to larger ones.

³⁰ Note, this is a controlling interest EBITDA multiple.

Present value of earnings attributable to Dyal Sellers

- 183 Pursuant to the terms of the Proposed Transaction, for each of the five financial years ending 30 June from closing (expected to be FY21 to FY25):
- Navigator will receive the Preferred Distribution Base Amount from the Portfolio of US\$17 million, indexed at 3% per annum
 - 20% of the annual cash distributions³¹ generated by the Portfolio in excess of the Preferred Distribution Base Amount will be retained by Navigator
 - the remaining 80% of the annual cash distributions generated by the Portfolio in excess of the Preferred Distribution Base Amount will be payable to the Dyal Sellers
 - any shortfall of the Preferred Distribution Base Amount will be subject to a catch-up arrangement³².
- 184 The effect of the above is that Navigator will not receive the full attributable profit share from the Portfolio for the first five financial years subsequent to completion. As the enterprise value shown above does not allow for this, it is appropriate to deduct the present value of the earnings attributable to the Dyal Sellers in our valuation.
- 185 For the purposes of our “base case” calculation we have estimated the present value of the earnings attributable to the Dyal Sellers based on an assumption that the EBITDA of the Portfolio increases by 5% per annum. As the future EBITDA growth rate is uncertain, we have also considered the sensitivity of this present value to changes in the earnings growth rate.
- 186 As shown below, the base case present value of the earnings attributable to the Dyal Sellers is approximately US\$40 million:

Present value of earnings attributable to Dyal Sellers until year six						
Year	1	2	3	4	5	Total
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Growth in EBITDA		5%	5%	5%	5%	
EBITDA	30.0	31.5	33.1	34.7	36.5	
Navigator distribution:						
Preferred Distribution Base Amount	17.0	17.5	18.0	18.6	19.1	
20% of excess distribution	2.6	2.8	3.0	3.2	3.5	
Total Navigator distribution	19.6	20.3	21.0	21.8	22.6	
Earnings before tax	10.4	11.2	12.0	12.9	13.9	60.4
Tax (12%) ⁽¹⁾	(1.3)	(1.3)	(1.4)	(1.6)	(1.7)	
Earnings after tax	9.1	9.8	10.6	11.4	12.2	53.1
Present value factor (11% per annum)	1.0536	1.1695	1.2981	1.4409	1.5994	
NPV⁽²⁾	8.7	8.4	8.2	7.9	7.6	40.8

³¹ Whilst the Portfolio represents minority interests in six asset managers, most are structured as private partnerships and investors receive their pro-rata share of profit.

³² The Preferred Distribution Base Amount of US\$17 million represents some 57% of the level of EBITDA generated by the Portfolio which we have adopted for valuation purposes. Accordingly, EBITDA would have to fall significantly before the Preferred Distribution Base Amount would not be paid and this shortfall mechanism triggered.

Note:

- 1 Due to the amortisation of goodwill and some acquired intangibles for tax purposes, and other tax structuring benefits, the effective corporate tax rate on income from the Portfolio is expected to be low.
- 2 Due to the short cash flow period, the NPV of the earnings attributable to the Dyal Sellers is not particularly sensitive to the discount rate (as shown below). Our discount rate reflects a risk free rate of 3%, a market risk premium of 6.5%, a beta of approximately 1.25 and 100% equity funding.

- 187 The sensitivity of this present value to the EBITDA growth rate (per annum) over the period and the discount rate is shown below:

		Sensitivity table – present value of earnings attributable to Dyal Sellers					
		Growth in EBITDA (per annum)					
		-%	2.0%	4.0%	6.0%	8.0%	10.0%
Discount Rate (per annum)	10.0%	33.7	36.8	40.0	43.4	46.8	50.4
	11.0%	33.0	36.0	39.2	42.4	45.8	49.2
	12.0%	32.4	35.3	38.3	41.5	44.7	48.1

- 188 Having regard to the above, we have assessed the present value of the earnings attributable to the Dyal Sellers at between US\$35 million and US\$45 million.

Redemption Payment

- 189 Pursuant to the terms of the Proposed Transaction, following CY25, Navigator is required to make the Redemption Payment to acquire the remaining 80% of the annual cash distributions generated by the Portfolio in excess of the Preferred Distribution Base Amount.
- 190 The Redemption Payment will be calculated as:
- (a) 2.25 times the average earnings in excess of the Preferred Distribution Base Amount in years 1 to 3 (i.e. CY21 to CY23); plus
 - (b) 2.25 times the average earnings in excess of the Preferred Distribution Base Amount in years 4 and 5 (CY24 and CY25)³³; and
 - (c) cannot exceed US\$200 million.
- 191 Based on our base case assumption of 5% EBITDA growth, the present value of the Redemption Payment is estimated at US\$41.1 million, as shown below:

³³ These multiples are applied to all of the earnings in excess of the Preferred Distribution Base Amount (rather than 80% of the excess).

Present value of Redemption Payment						
Year	1	2	3	4	5	Total
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
EBITDA	30.0	31.5	33.1	34.7	36.5	
Less Preferred Distribution Base Amount	(17.0)	(17.5)	(18.0)	(18.6)	(19.1)	
Difference	13.0	14.0	15.0	16.2	17.3	
Average (Years 1 to 3)			14.0			
Average (Years 4 to 5)					16.7	
EBITDA multiple			2.25		2.25	
Redemption Payment at end of year 5			31.5		37.7	69.2
Present value factor (11% per annum)						1.6851
NPV						<u>41.1</u>

- 192 The sensitivity of the present value of the Redemption Payment to changes in the EBITDA growth rate (per annum) and the discount rate is shown below:

Sensitivity table – present value of Redemption Payment							
		Growth in EBITDA (per annum)					
		-%	2.0%	4.0%	6.0%	8.0%	10.0%
Discount Rate (per annum)	10.0%	33.0	36.9	40.9	45.1	49.5	54.0
	11.0%	31.6	35.2	39.1	43.1	47.3	51.6
	12.0%	30.2	33.7	37.4	41.2	45.2	49.4

- 193 Having regard to the above, we have assessed the present value of the Redemption Payment at between US\$35 million and US\$45 million.

Other assets and liabilities

- 194 As set out in Section VII, we assessed the value of other assets and liabilities held by Navigator prior to the Proposed Transaction at between US\$54.5 million and US\$58.0 million.
- 195 When considering the value of Navigator following implementation of the Proposed Transaction, we have also taken into account the following additional assets and liabilities arising as a result of acquiring the Portfolio:
- tax benefits** – due to the amortisation of goodwill and some acquired intangibles for tax purposes, and other tax structuring benefits, the effective corporate tax rate on income from the Portfolio is expected to be significantly lower than the effective tax rate payable on the existing Navigator business. We have assessed the present value of these tax benefits (net of incremental costs of around US\$1.5 million per annum associated with the current corporate structure of the Portfolio) over the amortisation period of around 15 years at between US\$15 million to US\$18 million
 - additional transaction costs** – we have allowed for an additional US\$5 million in estimated Proposed Transaction related expenses. These include professional advisory fees which are contingent on the Proposed Transaction being completed.

196 The value attributed to other assets and liabilities (post implementation of the Proposed Transaction) is summarised below:

Other assets and liabilities post Proposed Transaction		
	Low US\$m	High US\$m
Other assets (net of liabilities) of Navigator pre Proposed Transaction	54.5	58.0
Tax benefits post implementation of Proposed Transaction	15.0	18.0
Additional transaction costs	(5.0)	(5.0)
Total other assets (net of liabilities) of Navigator post Proposed Transaction	64.5	71.0

Shares on issue

197 Navigator currently has 162.15 million shares on issue.

198 Pursuant to the terms of the Proposed Transaction, the Dyal Sellers will receive a 40% economic interest in Navigator (on a fully diluted basis) at closing through a combination of the issue by Navigator of ordinary shares (representing a 19.99% interest of issued capital) and Convertible Notes, which will convert to 67.6 million ordinary shares in Navigator.

199 The Convertible Notes will have a 10-year term and can only be converted into ordinary shares if the holder has a voting power of less than 20.0% in Navigator³⁴. There is no fixed interest component, with interest paid in an amount equating to participation, on an as converted basis, in all dividends paid on the Navigator ordinary shares. The Convertible Notes have no voting rights and Navigator has the ability to require conversion on an annual basis from the seventh year after issue, subject to minimum amounts.

200 Given the above terms (the Convertible Notes receive the same distribution as ordinary shares), in our opinion, it is appropriate to assume that the Dyal Sellers will receive an economic ownership interest equal to 40% of the fully diluted Navigator shares on issue.

201 Accordingly, we have adopted the following fully diluted shares on issue for valuation purposes:

Fully diluted shares on issue post Proposed Transaction		
	million	%
Shares currently on issue	162.1	60
Shares to be issued as consideration	108.1	40
Fully diluted shares on issue post Proposed Transaction	270.2	100

³⁴ The Dyal Sellers must not acquire voting power in Navigator of 20% or more, other than as permitted under items 9, 10, 11 or 19 of s611 of the Corporations Act, and the Dyal Sellers' voting power in Navigator must not in any circumstances exceed 24.9% in each case other than where the Dyal Sellers or their affiliates make a change of control offer in connection with Navigator receiving a third party change of control offer.

Minority interest discount

- 202 In accordance with RG 111, we are required to assess the value of Navigator shares post the implementation of the Proposed Transaction on a minority (or portfolio) interest basis. Minority interest discounts are generally in the order of 20% to 25% of the controlling interest value³⁵. Consequently, we have applied a minority interest discount of 22.5%.

Portfolio value of Navigator shares post Proposed Transaction

- 203 On this basis the value of Navigator shares (on a portfolio or minority interest basis) is as follows:

Value of Navigator post Proposed Transaction (portfolio or minority interest basis)		
	Low US\$m	High US\$m
Enterprise value prior to earnings attributable to Dyal Sellers	383.6	408.6
Less present value of earnings attributable to Dyal Sellers	(45.0)	(35.0)
Enterprise value	338.6	373.6
Less present value of Redemption Payment	(45.0)	(35.0)
Other assets and liabilities	64.5	71.0
Equity value	358.2	409.7
Fully diluted shares on issue (million)	270.2	270.2
Controlling interest value per share	US\$1.33	US\$1.52
AS:US\$ exchange rate (as at 21 September 2020)	0.72	0.72
Controlling interest value per share (A\$)	A\$1.84	A\$2.10
Minority interest discount (22.5%)	A\$(0.41)	A\$(0.47)
Portfolio interest value per share (A\$)	A\$1.43	A\$1.63

Comparison with listed market price

- 204 The listed market price of Navigator shares following the announcement of the Proposed Transaction on 13 August 2020 is summarised below:

Navigator – share trading history						
Period	Start date	End date	High A\$	Low A\$	VWAP A\$	Value traded A\$000
1 month	22 Aug 20	21 Sep 20	1.83	1.48	1.63	12,585
Since announcement of Proposed Transaction	13 Aug 20	21 Sep 20	1.93	1.48	1.68	32,755
Last 10 trading days to 21 September 2020	8 Sep 20	21 Sep 20	1.62	1.48	1.54	4,890

- 205 Navigator shares have traded in a wide range since the announcement of the Proposed Transaction. However, we note that more recent trading is consistent with our valuation range.

³⁵ The minority interest discount is equal to the inverse of the control premium (refer paragraph 149).

IX Evaluation of the Proposed Transaction

Assessment of fairness

- 206 RG 111 requires that the fairness of the Proposed Transaction be assessed by comparing the controlling interest value of Navigator shares prior to implementation of the Proposed Transaction with the portfolio interest value of Navigator shares following implementation (being the deemed “consideration” delivered to Navigator shareholders).
- 207 In order for the Proposed Transaction to be “fair” under RG 111, the portfolio interest value of Navigator shares following implementation of the Proposed Transaction must be equal to, or greater than the controlling interest value of Navigator shares before implementation.
- 208 This comparison is set out below:

	Section	Low A\$ per share	Mid-point A\$ per share	High A\$ per share
Portfolio interest value of Navigator shares following implementation of the Proposed Transaction	VIII	1.43	1.53	1.63
Controlling interest value of Navigator shares prior to implementation of the Proposed Transaction	VII	1.75	1.81	1.87
Extent to which portfolio interest value post implementation is less than the controlling interest value of Navigator shares before implementation		(0.33)	(0.28)	(0.24)

Note:

- 1 Rounding differences exist.

- 209 Based on the above the Proposed Transaction is not fair when assessed based on the guidelines set out in RG 111.

Assessment of reasonableness

- 210 Under RG 111 a transaction is reasonable if it is fair. It may also be reasonable, even if it is not fair, if the expert concludes that the advantages of the transaction outweigh the disadvantages.
- 211 Accordingly, we have had to regard to the following matters when considering whether the Proposed Transaction is reasonable.

Position of Navigator shareholders

- 212 In considering whether the Proposed Transaction is reasonable, we have had regard to whether Navigator shareholders are likely to be better off from a value perspective if they approve the Proposed Transaction by comparing the value of Navigator shares pre and post the Proposed Transaction on a consistent portfolio value basis.
- 213 Accordingly, we have reduced our controlling interest value prior to the Proposed Transaction by 22.5% (being the mid-point of the range of minority interest discounts generally applied) in order to estimate the corresponding portfolio interest value of Navigator shares.

214 On this basis, we note that the Proposed Transaction is value accretive for Navigator shareholders:

	Low A\$ per share	Mid-point A\$ per share	High A\$ per share
Portfolio interest value of Navigator shares post the Proposed Transaction	1.43	1.53	1.63
Portfolio interest value of Navigator shares prior to the Proposed Transaction ⁽¹⁾	1.36	1.40	1.45
Increase in portfolio interest value of Navigator shares due to the Proposed Transaction	0.07	0.13	0.18
% increase	5.1%	9.0%	12.7%

Note:

1 Being A\$1.75 to A\$1.87 per share less a minority interest discount of 22.5%.

Impact on control

215 If the Proposed Transaction is approved there will be an impact on the voting power and ownership of Navigator. Whilst the voting interests of the Dyal Sellers (which are investment funds managed by NB Dyal Advisors LLC) will be restricted to no more than 24.9% (as explained in Section II), the Dyal Sellers will acquire a fully diluted economic ownership interest in Navigator of 40% following implementation of the Proposed Transaction.

216 Notwithstanding this difference between an economic and voting interest, if the Proposed Transaction is approved, the Dyal Sellers will have a significant voting interest in Navigator. However, the Dyal Sellers will only have the right to nominate one director to the Board for so long as the Dyal Sellers hold at least 10% of Navigator shares on a fully diluted basis. As there are expected to be seven Navigator directors following completion of the Proposed Transaction, the Dyal Sellers will therefore not have voting or Board control.

Dilution of existing shareholder interests

217 If the Proposed Transaction is approved the interests of existing Navigator shareholders will be diluted as they will collectively hold an economic interest in only 60% of Navigator shares (on a fully diluted basis) after the Proposed Transaction. However, as noted above:

- (a) existing Navigator shareholders will acquire a collective economic interest of 60% in the Portfolio as a result of the Proposed Transaction
- (b) the acquisition of the Portfolio will therefore increase the scale and diversification of the Navigator business; and
- (c) in our opinion, the value of Navigator shares will also increase, which (other things being equal) we would reasonably expect to be reflected in share market trading in Navigator.

Likelihood of receiving a future takeover offer

- 218 If the Proposed Transaction is approved, the likelihood of receiving a takeover offer from another party in future is potentially diminished as any potential bidder would need to persuade the Dyal Sellers to accept its offer in order to obtain control of Navigator.
- 219 However, we do not consider that this is a material disadvantage. This is because, in our opinion, it is (at least) equally likely that the Dyal Sellers would accept any offer for the whole company that reflected an appropriate and commercially attractive price.

Conclusion

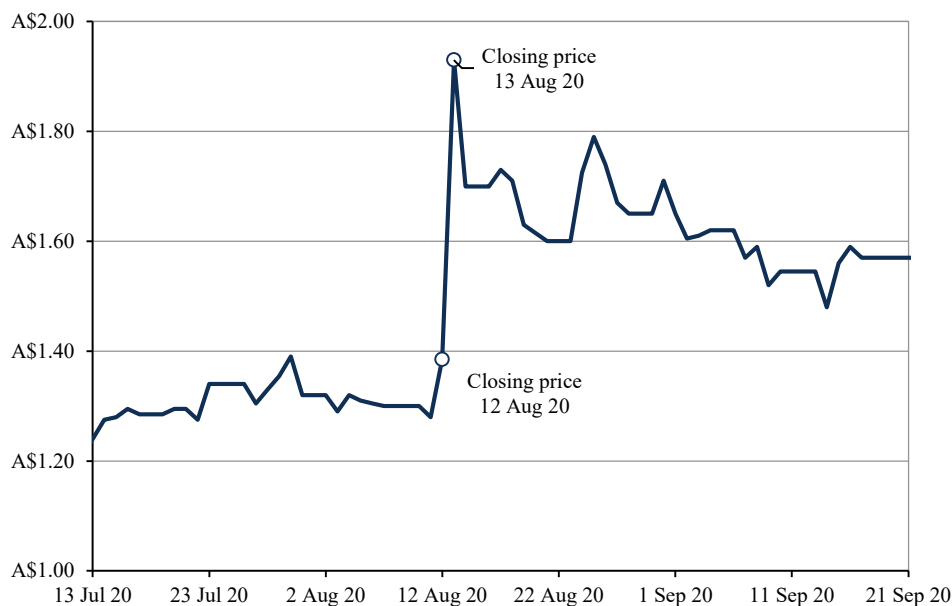
- 220 Based on the above we summarise below the advantages and disadvantages of the Proposed Transaction from the perspective of Navigator shareholders:

Advantages

- (a) we consider that the Proposed Transaction is value accretive for Navigator shareholders, as the value of Navigator shares when assessed on a consistent (portfolio or minority interest) basis increases as a result of the Proposed Transaction
- (b) the listed market price of Navigator shares has increased following the announcement of the Proposed Transaction, as shown below:

Navigator – share price recent history⁽¹⁾

13 July 2020 to 21 September 2020



Note:

1 Based on closing prices.

Source: Bloomberg.

- (c) Navigator will become a substantially larger and more diversified asset management business as a result of the Proposed Transaction³⁶

³⁶ LEA has an extensive database of Australian company transactions, including details of prices paid, implied enterprise values and earnings multiples. This evidence indicates that:

Disadvantages

- (a) if the Proposed Transaction is approved the interests of existing Navigator shareholders will be diluted as they will collectively hold an economic interest in only 60% of Navigator shares (on a fully diluted basis) after the Proposed Transaction. However, this is offset by the fact that existing Navigator shareholders will hold a collective economic interest of 60% in the Portfolio as a result of the Proposed Transaction, and should be better off from a value perspective
- (b) if the Proposed Transaction is approved the Dyal Sellers will have a 19.9% voting interest in Navigator (and a 40% economic interest), and will therefore potentially have a significant influence over Navigator's affairs
- (c) the Proposed Transaction is not "fair" when assessed based on the guidelines set out in RG 111. This is because the Proposed Transaction does not provide value to Navigator shareholders which is equal to the full controlling interest value of Navigator shares prior to the Proposed Transaction. However, this is to be expected as the Proposed Transaction does not involve a takeover offer (or similar proposal) for 100% of Navigator shares.

221 As indicated above there are a number of advantages and disadvantages associated with the Proposed Transaction. However, in our view, the advantages of the Proposed Transaction significantly outweigh the disadvantages.

222 For the reasons set out above, we have therefore concluded that the Proposed Transaction is not fair, but is reasonable to Navigator shareholders.

-
- (a) small companies generally trade on significantly lower earnings multiples than larger companies (provided other variables such as expected earnings growth are similar); and
 - (b) investors usually require a higher rate of return to compensate for the additional risks associated with small companies compared to larger companies.

Financial Services Guide

Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

- 3 The *Corporations Act 2001 (Cth)* (Corporations Act) authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Explanatory Memorandum to be sent to Navigator shareholders in connection with the Proposed Transaction.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

- 5 Our Australian Financial Services Licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

- 6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at \$225,000 plus GST.
- 9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.

Appendix A

- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority (AFCA), an external complaints resolution service. You will not be charged for using the AFCA service.

Contact details

- 14 LEA can be contacted by sending a letter to the following address:

Level 7
64 Castlereagh Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

Appendix B

Qualifications, declarations and consents

Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.
- 2 This report was prepared by Mr Craig Edwards and Mr Martin Holt, who are each authorised representatives of LEA. Mr Edwards and Mr Holt have over 26 years and 34 years experience respectively in the provision of valuation advice (and related advisory services).

Declarations

- 3 This report has been prepared at the request of the Directors of Navigator to accompany the Notice of Meeting and Explanatory Memorandum to be sent to Navigator shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposed Transaction is fair and reasonable to Navigator shareholders.

Interests

- 4 At the date of this report, neither LEA, Mr Edwards nor Mr Holt have any interest in the outcome of the Proposed Transaction. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 5 We have considered the matters described in ASIC RG 112 – *Independence of experts*, and consider that there are no circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective independent assistance in this engagement.

Indemnification

- 6 As a condition of LEA's agreement to prepare this report, Navigator agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of Navigator which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

- 7 LEA consents to the inclusion of this report in the form and context in which it is included in Navigator's Notice of Meeting and Explanatory Memorandum.

Appendix C

Listed company multiples

- 1 The implied EBITDA multiples for asset management companies operating in Australia and the US, as well as alternative asset managers operating in the US and UK is set out below, with a brief description of their business activities following:

Listed company trading multiples ⁽¹⁾					
	Financial year end ⁽²⁾	Enterprise value ⁽³⁾ US\$m	EBITDA multiples		
			2020 ⁽⁴⁾⁽⁵⁾ x	2021 ⁽⁵⁾ x	2022 ⁽⁵⁾ x
Navigator	30 Jun	153	3.4	5.7	5.5
Australian listed asset managers					
Magellan Financial Group	30 Jun	7,134	17.1	16.9	15.3
Platinum Asset Management	30 Jun	1,223	7.9	9.4	10.0
Pendal Group	30 Sep	1,048	7.7	7.8	6.8
Perpetual	30 Jun	1,037	10.0	7.2	6.1
Pacific Current Group	30 Jun	203	8.6	7.9	6.8
Pengana Capital Group	30 Jun	75	10.4	na	na
US listed asset managers					
Eaton Vance Corp	31 Oct	5,453	10.3	9.9	8.3
Affiliated Managers Group	31 Dec	5,558	7.7	7.6	7.4
Janus Henderson Group	31 Dec	3,347	5.3	5.4	5.2
Artisan Partners Asset Mgt.	31 Dec	3,057	9.1	8.0	6.9
Federated Hermes	31 Dec	2,345	6.2	6.8	6.1
Victory Capital Holdings	31 Dec	2,122	6.0	5.9	6.2
BrightSphere Investment Group	31 Dec	1,543	7.3	7.9	7.1
Virtus Investment Partners	31 Dec	1,186	6.0	4.5	4.1
WisdomTree Investments	31 Dec	851	15.5	15.0	13.6
Alternative listed asset managers					
Hamilton Lane	31 Mar	3,458	23.7	22.8	19.7
Ashmore Group	31 Dec	2,809	9.4	10.4	9.6
Man Group	31 Dec	1,711	8.5	6.9	5.8
Jupiter Fund Management	30 Sep	1,112	5.6	4.7	4.3
RMR Group	31 Dec	1,076	7.0	7.4	7.0
Polar Capital Holdings	31 Mar	522	7.7	8.7	6.6
Premier Miton Group	30 Sep	147	4.9	4.9	4.0

Note:

- 1 Enterprise value and earnings multiples calculated as at 17 September 2020 except for Navigator, which is calculated based on the one month VWAP prior to the announcement of the Proposed Transaction.
- 2 For those companies with a financial year ending 31 March or 30 June the EBITDA multiples for 2020 are based on historical earnings. For those companies with a financial year end 30 September, 31 October and 31 December the EBITDA multiples for 2020 are based on forecast earnings.
- 3 Enterprise value includes net debt (interest bearing liabilities less non-restricted cash), net derivative liabilities, market capitalisation adjusted for material option dilution, share placements (for the purpose of reducing debt) and buybacks, and excludes surplus assets.
- 4 Historical earnings are based on latest statutory full year accounts and exclude non-recurring items, significant write downs, realised investment gains or losses and restructuring charges.
- 5 Forecast earnings are based on Bloomberg average analyst forecasts (excluding outliers and outdated forecasts).

na – not available.

Source: Bloomberg, latest full year statutory accounts, latest interim accounts, company announcements and LEA analysis.

Australian listed asset managers

Magellan Financial Group Ltd

- 2 Magellan Financial Group is a funds management business based in Sydney, Australia. The company offers international investment funds to high net worth and retail investors in Australia, New Zealand and institutional investors globally. It focuses on investing in the world's best companies and does so through a range of listed and unlisted investment funds. As at 30 June 2020, the company managed almost A\$100 billion in global equity and infrastructure strategies for its clients.

Platinum Asset Management Ltd

- 3 Platinum Asset Management is an Australian based fund manager that focuses on international shares. It is a value fund manager that seeks out undervalued companies. Platinum Asset Management's product range consists of global, regional and sector investments. It offers regional and industry-specific funds in addition to global portfolios and provides investment management services to its related party unit trusts, its offshore fund and its two ASX listed investment companies.

Pendal Group Ltd

- 4 Pendal Group (formerly BT Investment Management) is an Australian company engaged in the provision of investment management services. It offers investment services for Australian equities, global equities, property, ethical, income and fixed interest and diversified strategies. The company operates through two segments, one focused on Australia (Pendal Australia), and the other outside of Australia (Pendal International). The company's funds management operations cover the US, the UK, Asia, Europe and Australia.

Perpetual Ltd

- 5 Perpetual is an Australian based wealth manager that provides a range of financial products through three segments, being Perpetual Investments, Perpetual Private and Perpetual Corporate Trust. Perpetual Investments provides investment products and services to retail,

Appendix C

corporate, superannuation and institutional clients. Perpetual Private provides a range of wealth advice services to high net worth individuals, charities and not-for-profit organisations. Perpetual Corporate Trust provides trustee and fiduciary services to institutional clients, including custodial, trustee responsible entity and other ancillary services.

Pacific Current Group Ltd

6 Pacific Current Group (formerly Treasury Group) is engaged in the multi-boutique asset management business. The company is focused on seeking out and partnering with investment managers and invests in global asset management through its investment in Aurora Trust. Aurora Trust manages the company's interest in over 20 boutiques in Australia, the US and other jurisdictions ranging from traditional equities to alternatives and private equity. Pacific Current Group's portfolio is diversified across a range of dimensions, including investment strategy, geography, revenue model and client type.

Pengana Capital Group Ltd

7 Pengana Capital Group (formerly Hunter Hall International) is a listed investment management business headquartered in Sydney, Australia. The company provides distinct investment strategies that aim to deliver superior long-term risk-adjusted returns to investors, with a focus on capital preservation. Pengana Capital Group manages 13 investment trusts including Australian and international equities funds, some of which apply an ethical investment policy.

US listed asset managers

Eaton Vance Corp.

8 Eaton Vance is a US based investment management firm engaged in funds management and the provision of advisory services to high net worth individuals and institutions. The company, through its subsidiaries and affiliates, manages active equity, income and alternative strategies across a range of investment styles and asset classes, including US and global equities, floating-rate bank loans, municipal bonds, global income, high-yield and investment grade bonds.

Affiliated Managers Group Inc.

9 Affiliated Managers Group is a global asset management company with equity investments in boutique investment management firms. The company operates in three segments which represent its principal distribution channels, being institutional, mutual funds and high net worth individuals. It offers a wide range of investment products through its affiliates including an array of active, alpha-oriented strategies to institutional and regional clients around the world.

Janus Henderson Group Plc

10 Janus Henderson Group is a global asset manager that provides services to institutional and retail clients, and high net worth clients in the US, Europe, Asia and Australia. The company manages a broad range of investment products for institutional and retail investors across five core capabilities, being equities, quantitative equities, fixed income, multi-asset and alternatives. It also manages separate accounts for equity and fixed income portfolios.

Appendix C

Artisan Partners Asset Management Inc.

- 11 Artisan Partners Asset Management is an investment management company that provides a range of US and global investment strategies to separate accounts, mutual funds and other pooled investment vehicles. The company offers its investment management services primarily to institutions and through intermediaries that operate with long-term investment horizons. It provides clients with multiple equity investment strategies spanning various market capitalisation segments and investing styles.

Federated Hermes Inc.

- 12 Federated Hermes (formerly Federated Investors) is a US based provider of investment management products and related financial services including money market, equity and fixed income investments. The company is primarily engaged in sponsoring, marketing and providing investment related services to mutual funds and separate accounts. It also provides investment advisory services to sponsored investment companies and other funds.

Victory Capital Holdings Inc.

- 13 Victory Capital Holdings is a diversified global investment management firm offering a diverse array of investment vehicles. The company's model features an operating platform that provides centralised distribution, marketing and operations infrastructure to its autonomous investment franchises in addition to its solutions platform. It offers its solutions platform through a variety of vehicles, including separate accounts, mutual funds and the VictoryShares exchange-traded funds brand.

Brightsphere Investment Group Inc.

- 14 Brightsphere Investment Group is a global diversified asset management company engaged in providing active investment strategies to investors around the world through its affiliated asset management firms. The company is focused on identifying and developing new strategies and is also engaged in developing product lines focused on global, international and emerging markets equities and a suite of fixed income investments, including bank loans.

Virtus Investment Partners Inc.

- 15 Virtus Investment Partners is a provider of investment management and related services to individuals and institutions. The company provides multi-manager, multi-strategy solutions to deliver a broad array of investment strategies from affiliated managers and select subadvisors. Its retail products include open-end mutual funds, closed-end funds, exchange traded funds (ETFs), variable insurance funds, undertakings for collective investments in transferable securities and separately managed accounts.

WisdomTree Investments Inc.

- 16 WisdomTree Investments is a New York based asset management company that focuses on providing ETFs. The company seeks to combine the low cost, high transparency model of traditional passive investing with the outperformance potential of traditional active management. WisdomTree Investment's family of ETFs includes funds that track its own indexes, funds that track third party indexes and actively managed funds. It operates as an exchange traded product sponsor and asset manager providing investment advisory services in the US, Europe, Canada and Japan.

Alternative listed asset managers

Hamilton Lane Inc.

17 Hamilton Lane is a US based global private markets investment solutions provider. The company works with its clients to create and manage portfolios of private market funds and direct investments, as well as providing access to a set of such investment opportunities around the world. It offers a range of investment solutions across a range of private markets, including private equity, private credit, real estate, infrastructure, natural resources, growth equity and venture capital.

Ashmore Group Plc

18 Ashmore Group is a UK based company which operates as a specialist emerging markets asset manager. The company offers a range of investment themes, including external debt, local currency, corporate debt, blended debt, equities, alternatives, multi-strategy and liquidity. Ashmore Group's products are available in a range of fund structures, covering the liquidity spectrum from daily-dealing pooled funds through to multi-year locked-up partnerships.

Jupiter Funds Management Plc

19 Jupiter Funds Management is a UK based active fund manager offering a broad range of actively managed strategies to UK and international clients, including equities, fixed income, multi-asset and alternatives. The company primarily focuses on managing equity investments on behalf of retail, institutional and private client investors across a range of products, including the UK and offshore mutual funds, segregated mandates and investment trusts.

RMR Group Inc.

20 RMR Group is a US based alternative asset management company, engaged in the management of a diverse portfolio of publicly owned real estate and real estate related businesses. The company supplies management services to a variety of real estate investment providers, including publicly traded real estate investment trusts, real estate related operating companies, a firm specialising in commercial real estate finance and a publicly traded closed-end fund investing in listed real estate companies.

Polar Capital Holdings Plc

21 Polar Capital Holdings is a UK based active investment management company engaged in the provision of investment management and advisory services. The company offers professional and institutional investors a range of geographical and sector investment opportunities including fundamental funds diversified by asset class, geography, sectoral specialisation, strategy and structure.

Premier Miton Group Plc

22 Premier Miton Group (formerly Premier Asset Management) is a UK based retail asset management group focused on delivering investment outcomes for investors. The company offers a range of investment types, including mutual funds, closed-ended investment companies and portfolio management services. It has a particular focus on multi-asset, equity, absolute return funds and income investment management.

Glossary

Term	Meaning
A\$	Australian dollar
AASB 16	Australian Accounting Standard AASB 16 – <i>Leases</i>
AFCA	Australian Financial Complaints Authority
Agreement	Agreement between Navigator and the Dyal Sellers to acquire the Portfolio
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
AUM	Assets under management
CFM	Capital Fund Management S.A.
Commingled Funds	Lighthouse asset portfolio offering
Convertible Notes	Convertible notes which will convert to 67.6 million ordinary shares in Navigator issued to the Dyal Sellers as part consideration for the Proposed Transaction
Corporations Act	<i>Corporations Act 2001 (Cth)</i>
COVID-19	2019 novel coronavirus
Customised Solutions	Lighthouse asset portfolio offering
CY	Calendar year
DCF	Discounted cash flow
Dyal	Dyal Capital Partners, a division of Neuberger Berman
Dyal Sellers	Dyal Capital Partners I (A) LP, Dyal Capital Partners I (B) LP, Dyal Europe Holdings Limited and NB Dyal Associates LP
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation of acquired intangibles
EBITDA	Earnings before interest, tax, depreciation and amortisation
ETF	Exchange-traded fund
FSG	Financial Services Guide
FY	Financial year to 30 June
HFA	HFA Holdings Limited
IER	Independent expert's report
LEA	LonerGAN Edwards & Associates Limited
Lighthouse	Lighthouse Investment Partners, LLC
MAS	Mesirow Advanced Strategies
MAS Transaction	Acquisition by Navigator of the majority of the client assets of MAS on 1 July 2018
Navigator / the Group	Navigator Global Investments Limited
Neuberger Berman	Neuberger Berman Group LLC
NPV	Net present value
Platform Services	Lighthouse's asset portfolio management platform
Portfolio	Minority interests in Bardin Hill Investment Partners, Capstone Investment Advisors, CFM, MKP Capital Management, Pinnacle Asset Management and Waterfall Asset Management
Preferred Distribution Base Amount	US\$17 million indexed at 3% per annum of the annual cash distributions generated by the Portfolio
Proposed Transaction	The acquisition of the Portfolio by Navigator from the Dyal Sellers pursuant to the Agreement
Redemption Payment	Payment required by Navigator following CY25 to acquire the remaining 80% of the annual cash distributions generated by the Portfolio in excess of the Preferred Distribution Base Amount

Appendix D

Term	Meaning
RG 111	Regulatory Guide 111 – <i>Content of expert reports</i>
UK	United Kingdom
US	United States of America
US\$ / USD	US dollar
VWAP	Volume weighted average trading price
WANOS	Weighted average number of shares outstanding

Convertible Note Deed Poll

Navigator Global Investments Limited
Issuer

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Convertible Note Deed Poll

Date

Parties **Navigator Global Investments Limited ACN 101 585 737** of Level 21, 10 Eagle Street, Brisbane, Queensland, 4000 (**Issuer**)

In favour of the Convertible Noteholders from time to time.

Background

- A. The Issuer proposes to issue Convertible Notes on the terms and conditions contained in the Convertible Note Conditions.
- B. The Convertible Notes will be issued in uncertificated registered form by inscription in the Register.
- C. If the Issuer issues Convertible Notes it is intended that the Convertible Noteholders will have the benefit of this Deed Poll.

Operative provisions

1. Definitions and interpretation

1.1 Definitions

In this Deed Poll, unless the contrary intention appears:

- (a) **Convertible Note Conditions** means, generally, the terms and conditions contained in Schedule 1 as amended, varied or replaced from time to time; and
- (b) words and expressions defined, or incorporated by reference into, the Convertible Note Conditions have the same meanings when used in this Deed Poll.

1.2 Interpretation

Condition 1.2 of the Convertible Note Conditions applies to the interpretation of this Deed Poll as if every reference to "these Convertible Note Conditions" is replaced with "this Deed Poll" and every reference to a "Condition" is replaced with a "clause". For the avoidance of doubt, a reference to "this Deed Poll" is a reference to this Deed Poll and any annexure or schedule to it.

2. Nature and status of Notes

2.1 Constitution of Notes

Each Convertible Note is a debt obligation of the Issuer constituted by, and owing under, this Deed Poll.

2.2 Terms of Notes

Each Convertible Note is issued on, and subject to, the provisions of this Deed Poll and the Convertible Note Conditions.

2.3 Form of Convertible Notes

Each Convertible Note will be uncertificated and issued in registered form by entry in the Register.

2.4 Creation of Convertible Notes

Each Convertible Note will be created and issued immediately upon the entry in the Register.

2.5 Undertaking to pay

The Issuer unconditionally and irrevocably undertakes with each holder of a Convertible Note:

- (a) **(Make all payments):** to pay, in respect of that Convertible Note, all payments of principal, interest and other amounts in respect of the Convertible Note in accordance with this Deed Poll and the Convertible Note Conditions; and
- (b) **(Perform other obligations):** otherwise to observe its obligations under, and to comply with, the Convertible Note Conditions.

2.6 Register of Convertible Noteholders

The Issuer will establish and maintain an up to date register in relation to the Convertible Notes.

2.7 Assignment

- (a) **(Issuer):** The Issuer may not assign or otherwise deal with its rights under this Deed Poll except as expressly contemplated by, and in accordance with, the Convertible Note Conditions.
- (b) **(Noteholders):** Each Convertible Noteholder may not assign or otherwise deal with any of its rights under this Deed Poll except as expressly contemplated by, and in accordance with, the Convertible Note Conditions.

2.8 No Meetings of Convertible Noteholders

Under this Deed Poll and the Convertible Note Conditions, there will be no meetings of the Convertible Noteholders. Any matters affecting the interests of the Convertible Noteholders including, the variation of this Deed Poll or the Convertible Note Conditions, the giving of notices and the granting of approvals, consents and waivers under this Deed Poll or the Convertible Note Conditions will be dealt with on behalf of the Convertible Noteholders by the Representative of the Convertible Noteholders appointed under the Convertible Note Conditions.

3. Rights and obligations of Convertible Noteholders

3.1 Benefit and entitlement

This Deed Poll is executed as a deed poll. Each Convertible Noteholder has the benefit of, and is entitled to enforce, this Deed Poll even though it is not a party to, or is not in existence at the time of execution and delivery of, this Deed Poll.

3.2 Convertible Noteholders bound

Each Convertible Noteholder, and each person claiming through each Convertible Noteholder, is taken to have notice of, and is bound by, this Deed Poll and the Convertible Note Conditions, and this Deed Poll must be read together with the Convertible Note Conditions.

3.3 Rights independent

Each Convertible Noteholder may enforce its rights under this Deed Poll independently from each other Convertible Noteholder and any other person.

3.4 Provision of copies to Holders

Within 14 days of the Issuer receiving a written request from a Convertible Noteholder to do so, the Issuer must provide to that Convertible Noteholder a certified copy of this Deed Poll if the Convertible Noteholder requires such copy in connection with any legal proceeding, claim or action brought by the Convertible Noteholder in relation to its rights under a Convertible Note.

4. Governing law and jurisdiction

4.1 Governing law

This Deed Poll is governed by, and must be construed in accordance with, the laws applying in the State of New South Wales.

4.2 Jurisdiction

The Issuer and each Convertible Noteholder irrevocably:

- (a) **(Non-exclusive jurisdiction):** submits to the non-exclusive jurisdiction of the courts of New South Wales, and the courts competent to determine appeals from those courts, with respect to any proceedings which may be brought at any time relating to this Deed Poll and the Convertible Notes; and
- (b) **(Waiver of objection):** waives any objection it may now or in the future have to the venue of any proceedings, and any claim they may now or in the future have that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 4.2(a).

Executed as a deed poll.

Signed sealed and delivered by **Navigator Global Limited ACN 101 585 737** in accordance with section 127 of the Corporations Act 2001 (Cth):

Signature of director

Signature of company secretary/director

Full name of director

Full name of company secretary/director

Explanatory Memorandum

Special Business –
Proposed Transaction

Schedule 3 – Convertible
Note Deed Poll

Schedule 1 – Convertible Note Conditions

The following are the terms and conditions of each Convertible Note.

1. Definitions and interpretation

1.1 Definitions

In these Convertible Note Conditions:

Affiliate means, in relation to any person or entity:

- (a) a Subsidiary of that person or entity or a holding company (as defined for the purposes of the Corporations Act) of that person or entity or any other Subsidiary of that holding company;
- (b) current and former officers, directors, employees and consultants of a person or entity referred to in paragraph (a) and members of the immediate family of any such person, or any estate planning vehicle formed for any such persons and/or members of their family, and transferees pursuant to charitable bequest of any such persons; and
- (c) a person or entity Controlled by or that Controls or is under common Control with such person or entity or a person or entity referred to in paragraphs (a) or (b),

and, without limiting the foregoing:

- (d) in relation to each of the initial Convertible Noteholders, the other of them; and
- (e) for the avoidance of doubt an Affiliate need not exist or be an Affiliate at the Issue Date.

Adjusted Redemption Amount in relation to a Convertible Note means a cash amount equal to:

$$A = N \times VW$$

where:

A = the Adjusted Redemption Amount

N = the number of Ordinary Shares that would, but for the non-satisfaction or waiver of Conditions 5.2(b)(i) to 5.2(b)(iv) (inclusive) on the Maturity Date, have been issued on conversion of that Convertible Note on the Maturity Date in accordance with Condition 5.6

VW = the 20 day VWAP of Ordinary Shares as at the Maturity Date

with the “Maturity Date” for the purposes of this definition being the Maturity Date before any extension of the Maturity Date in accordance with Condition 5.5(a) if applicable.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691, or, where the context requires, the financial market operated by it.

Authorisation means:

- (a) any authorisation, permit, consent, approval, resolution, licence, exemption, permission, recording, filing or registration required by any Government Authority or any law; and
- (b) in relation to any act, matter or thing which will be prohibited or restricted either in whole or in part by any law if a Government Authority intervenes or acts in any way within a specified period after lodgement, filing, registration, notification or any other event, the expiry of that period without intervention or action.

Authorised Officer in relation to the Issuer or any Convertible Noteholder, means any Director of the Issuer or that Convertible Noteholder (as applicable) or any person appointed by the Issuer or that Convertible Noteholder to act as an Authorised Officer of the Issuer or that Convertible Noteholder for the purposes of the Convertible Note Deed Poll and these Convertible Note Conditions.

Board means the board of Directors of the Issuer.

Business Day means a day (other than a Saturday or Sunday) on which banks in the cities of New York, Sydney and Brisbane are generally open for business.

Capital Raising means an issue of equity securities in the capital of the Issuer to Ordinary Shareholders that is a pro rata issue as defined in the ASX Listing Rules (including an issue treated as a pro rata issue under the ASX Listing Rules even though offers are not sent to overseas security holders under ASX Listing Rule 7.7) but for the avoidance of doubt excludes any other issue of securities to holders of Ordinary Shares or an issue pursuant to any employee or executive share, option or performance right scheme, or any substitute, replacement or additional scheme, or any grants of Ordinary Shares or Other Securities to a Convertible Noteholder or Affiliate, a conversion of any Convertible Note or the exercise of any option or an issue in lieu of dividends or by way of dividend reinvestment pursuant to any election by a holder of Ordinary Shares.

Control has the meaning given to that term in section 50AA of the Corporations Act.

Conversion Date in respect of a Convertible Note means:

- (a) subject to paragraph (b), the Maturity Date; and
- (b) the date on which the Convertible Note must be converted into Ordinary Shares in accordance with Condition 5.

Conversion Notice means a notice given by a Convertible Noteholder to the Issuer pursuant to Condition 5.1 and in substantially the same form as that contained in Schedule 2.

Conversion Price per Convertible Note means US\$[insert]¹ as adjusted from time to time in accordance with Condition 2.7(e) and Condition 6.

Convertible Note means an obligation of the Issuer to a Convertible Noteholder in respect of indebtedness of the Issuer to that Convertible Noteholder under the Convertible Note Deed Poll and these Convertible Note Conditions which is recorded in or evidenced by an entry in the Register.

Convertible Note Conditions means these terms and conditions.

¹ Conversion Price to be inserted as the 20 day VWAP per NGI share at Closing, converted to a USD amount at the then prevailing exchange rate. Number of Notes to be issued will be equal to 67,574,292 (being the agreed fixed number of shares into which the Notes would convert at Closing in accordance with clause 1.1(b) of the Purchase Agreement) multiplied by the Conversion Price / 1000 (rounded to the nearest whole number).

Convertible Note Deed Poll means the deed entitled "Convertible Note Deed Poll" to which these Convertible Note Conditions are attached as Schedule 1.

Convertible Note Documents means, together, the Convertible Note Deed Poll and the Convertible Note Conditions.

Convertible Noteholder in relation to a Convertible Note means the person or persons registered as the holder of that Convertible Note in the Register.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a person from time to time appointed to, or acting in the capacity of, the office of director of the Issuer, and includes any alternate director duly appointed and acting as a director.

Dividend Declaration Date means a date on which the Issuer declares a dividend in respect of Ordinary Shares.

Dyal means Dyal Capital Partners I (A) LP, Dyal Capital Partners I (B) LP, NB Dyal Associates LP or [Dyal Navigator AIV].

Event of Default means any event specified in Condition 11.1.

Face Value of a Convertible Note means the face value as described in clause 3(a).

FATA means the Foreign Acquisitions and Takeovers Act 1975 (Cth).

FIRB Approval means the Treasurer has either:

- (a) provided written notice that there is no objection under the FATA to the proposed acquisition of the relevant interest in securities, with the notice of no objection being either unconditional or subject only to conditions which are accepted by the proposed acquirer of the relevant interest in securities; or
- (b) become precluded from exercising any power to make an order under the FATA in relation to the proposed acquisition by the Convertible Noteholder of the relevant interest in securities;

Government Authority means any government or any governmental, semi-governmental or judicial entity or authority having relevant jurisdiction. It also includes any self-regulatory organisation established under statute or any stock exchange.

HSR Act means the United States Hart-Scott-Rodino Antitrust Improvements Act of 1976.

Independent Accountant means:

- (a) an independent accountancy firm of international standing and repute (acting as an expert) elected by the Issuer in its sole discretion and notified in writing by or on behalf of the Issuer to the Representative; or
- (b) if within 3 clear Business Days of being notified of the Issuer's election, the Representative notifies the Issuer in writing that it does not agree to the accountancy firm so notified, any independent accountancy firm of international standing and repute elected, at the Issuer's request, by the Chief Executive Officer of the Australian Disputes Centre (**ADC**) and notified in writing by or on behalf of ADC to the Issuer and the Representative.

Insolvency Event means, in relation to any entity:

- (a) the entity resolving or applying to court for an order that it be wound up or a court making an order for the winding up or dissolution of the entity, in each case other than where the application or order (as the case may be) is withdrawn, dismissed or set aside within 7 days;
- (b) a liquidator, provisional liquidator, administrator, receiver, receiver and manager or trustee being appointed to the entity or in relation to the whole, or a substantial part, of its assets;
- (c) any application (not withdrawn or dismissed within 7 days) is made to a court for an order, an order is made, a meeting is convened, a resolution is passed or any negotiations are commenced for the purpose of implementing or agreeing:
 - (i) a moratorium of any debts of a person;
 - (ii) any other assignment, composition or arrangement (formal or informal) with a person's creditors; or
 - (iii) any similar proceeding or arrangement by which the assets of a person are subjected conditionally or unconditionally to the control of that person's creditors or a trustee,
 or any agreement or other arrangement of the type referred to in this paragraph (b) is ordered, declared or agreed to;
- (d) the entity is or becomes insolvent or unable to pay its debts when they fall due within the meaning of the Corporations Act (or, if appropriate, legislation of its place of incorporation); or
- (e) the entity being deregistered as a company or otherwise dissolved.

For the avoidance of doubt, the limitations in (e) above shall not apply to any immaterial Subsidiary of the Issuer.

Interest Period means all of the following periods:

- (a) the first Interest Period commences on (and includes) the Issue Date and ends on (and includes) the immediately following Dividend Declaration Date;
- (b) subject to paragraph (c), each subsequent Interest Period commences on (but excludes) a Dividend Declaration Date on which the previous Interest Period ends and ends on (and includes) the immediately following Dividend Declaration Date; and
- (c) the final Interest Period ends on (but excludes) the date on which interest ceases to payable on the Convertible Notes pursuant to Condition 4(a).

Issue means an issue of Convertible Notes and **Issued** has a corresponding meaning.

Issue Date means the date on which the Convertible Notes are Issued.

Issuer Conversion Notice means a notice given by the Issuer to the Convertible Noteholders pursuant to Condition 5.2 and in substantially the same form as that contained in Schedule 3.

Listing Rules means the Listing Rules of ASX.

Maturity Date means the date falling on the tenth anniversary of the Issue Date (as may be extended in accordance with Condition 5.5(a) if applicable).

Ordinary Shares means one or more fully paid ordinary shares in the capital of the Issuer.

Other Security means an option, security or other financial product, other than an Ordinary Share, issued by or contractual commitment entered into by the Issuer and convertible or exchangeable or settleable in or into one or more Ordinary Shares.

Outstanding in relation to the Convertible Notes means all issued Convertible Notes other than those redeemed, or deemed to be redeemed, in full in accordance with Condition 5.3(a)

Principal Amount in relation to a Convertible Note means the Face Value of that Convertible Note recorded in the Register at that time to the extent not repaid or reduced in accordance with these Convertible Note Conditions.

Purchase Agreement means the agreement entitled "Purchase Agreement" dated on or about 12 August 2020 between NGI Strategic Holdings LP, NGI Strategic Holdings II, Inc., Dyal Capital Partners I (A) LP, Dyal Capital Partners I (B) LP, Dyal Capital Partners (A) LP, Dyal Capital Partners (B) LP and NB Dyal Associates LP.

Record Date in relation to a Conversion Date for a Convertible Note means the date which is 5 Business Days before the Conversion Date.

Register means the register of Convertible Noteholders established and maintained by the Issuer under the Convertible Note Deed Poll and these Convertible Note Conditions.

Regulation S means Regulation S under the Securities Act.

Related Body Corporate has the meaning given to that term in section 9 of the Corporations Act.

Relevant Interest has the meaning given to that term in section 9 of the Corporations Act.

Representative means the Convertible Noteholder for the time being appointed to the role of Representative pursuant to Condition 14.

Securities Act means the U.S. Securities Act of 1933, as amended.

Shareholder means a person whose name is entered in the register of members of the Issuer from time to time as the holder of Ordinary Shares.

Significant Convertible Noteholder means a Convertible Noteholder that would, on a fully diluted basis following conversion of all of the Convertible Notes on issue, hold a Relevant Interest in at least 15% of the voting shares of the Issuer.

Status Notice has the meaning given to that term in clause 5.4.

Subsidiary, in relation to any person, has the meaning given in the Corporations Act but as if "body corporate" included any person and for the purposes of which any beneficial interests will be deemed shares. A determination by the auditors of a person as to whether a person is a Subsidiary of another person will be evidence of the same until the contrary is proved.

Tax means any present or future tax, goods and services tax, levy, impost, deduction, charge, duty, compulsory loan or withholding (together with any related interest, penalty, fine or expense in connection with any of them) levied or imposed by any government agency, other than any imposed on overall net income and **Taxes** should be construed accordingly.

Tax Event occurs in respect of a Convertible Noteholder and the Convertible Notes that it holds if:

- (a) on a date falling on or after the Issue Date (**Relevant Date**) (i) any change in, or amendment to, any law (or in the application or official interpretation of any law) or the enactment, promulgation, execution or ratification of any law occurs or (ii) a determination by the Australian Tax Office that the Convertible Notes shall be

treated that, in each case, results in a material increase in the rate of deduction or withholding in respect of Taxes on a payment which the Issuer is obliged to make with respect to such Convertible Noteholder in respect of any Convertible Notes; and

- (b) the Issuer does not, within 3 clear Business Days of the relevant payment date in respect of such Convertible Notes, notify the Convertible Noteholder in writing that it shall pay such additional amount (**Additional Amount**) that may be necessary to ensure that the Convertible Noteholder receives when due a net amount (after any deduction or withholding in respect of Taxes in relation to each Additional Amount) equal to the full amount it would have received if the rate of deduction or withholding had not been increased on the Relevant Date.

Transfer and Acceptance means an instrument for the transfer of a Convertible Note in the form specified by the Issuer from time to time, which shall, without limitation, include such representations and certifications that the Issuer may require to confirm compliance with Condition 9.1

U.S. Person means U.S. person as defined in Regulation S.

Voting Power has the meaning given in and is to be determined in accordance with the Corporations Act.

VWAP means, on any day, the average, calculated and converted to USD at the rate published by the Reserve Bank of Australia on the Business Day immediately prior to that day, of the daily volume weighted average sale prices (rounded to the nearest full cent) of Ordinary Shares sold on ASX during a specified period of days prior to that day but does not include any transaction defined in the ASX Operating Rules as "special" crossings, any crossings during any Session State of the ASX Trading Platform for Cash Market Transactions (each as defined in the ASX Operating Rules) other than an Open Session State (as defined in the ASX Operating Rules), overnight crossings, or any overseas trades or trades pursuant to the exercise of options or warrants over Ordinary Shares or conversion of Convertible Notes.

1.2 Interpretation

- (a) headings are for convenience only and do not affect interpretation;
- and unless the context indicates a contrary intention:
- (b) **person** includes an individual, the estate of an individual, a corporation, a Government Authority, an association or a joint venture (whether incorporated or unincorporated), a partnership and a trust;
- (c) a reference to a person includes that person's executors, administrators, successors, and permitted assigns, including persons taking by way of novation;
- (d) a reference to a document (including these Convertible Note Conditions) is a reference to that document as amended, varied, novated, ratified or replaced from time to time;
- (e) a reference to amending a term, condition or a document includes supplementing, deleting or replacing the term, condition or document (as the case may be);
- (f) a reference to **the Register** in relation to a Convertible Note is to the Register on which that Convertible Note is entered;
- (g) a word importing the singular includes the plural (and vice versa), and a word indicating a gender includes every other gender;

- (h) a reference to a condition, clause, schedule, exhibit, attachment or annexure is a reference to a condition, clause, schedule, exhibit, attachment or annexure to or of these Convertible Note Conditions, and a reference to these Convertible Note Conditions includes all schedules, exhibits, attachments and annexures to it;
- (i) a reference to a statute includes any regulations or other instruments made under it (**delegated legislation**) and a reference to a statute or delegated legislation or a provision of either includes consolidations, amendments, re-enactments and replacements;
- (j) the expression **certified** by a corporation or person means certified in writing by 2 Authorised Officers of the corporation or by that person respectively;
- (k) if a word or phrase is given a defined meaning, any other part of speech or grammatical form of that word or phrase has a corresponding meaning;
- (l) where any day on which a payment is due to be made or a thing is due to be done is not a Business Day, that payment must be made or that thing must be done on the immediately succeeding Business Day;
- (m) a reference to time is to local time in Brisbane, Australia;
- (n) where time is to be determined by reference to a day or event, that day or the day of that event is to be excluded;
- (o) **includes** in any form is not a word of limitation; and
- (p) a reference to **A\$** or **Australian dollar** is to Australian currency and a reference to **US\$** or **US dollar** is to the currency of the United States of America.

1.3 Business Day Convention

When the date on or by which any act, matter or thing is to be done under these Convertible Note Conditions is not a Business Day, the act, matter or thing must (unless expressly provided otherwise) be done on the next Business Day unless that day falls in the following calendar month, in which case, on the immediately preceding Business Day.

1.4 Listing Rules

Any provision of these Convertible Note Conditions to which the Listing Rules apply is subject to the Listing Rules and in the event of any inconsistency the Listing Rules prevail.

2. The Convertible Notes

2.1 Acknowledgment of indebtedness

The Issuer acknowledges its indebtedness in respect of, and promises to pay all amounts due in relation to, each Convertible Note on the terms contained in the Convertible Note Deed Poll and these Convertible Note Conditions.

2.2 Covenant to perform obligations

The Issuer covenants in favour of each Convertible Noteholder from time to time that it will perform its obligations in full, and by the due dates, referred to in the Convertible Note Deed Poll and these Convertible Note Conditions.

2.3 Status and Rights of Convertible Notes

- (a) **(Direct, unsecured obligations):** Each Convertible Note constitutes direct and unsecured obligations of the Issuer and, subject to paragraph (b) below, will rank at all times *pari passu* and rateably without any preference among themselves and at least *pari passu* with all present and future direct, unsubordinated (as further set out in Condition 10), unconditional and unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
- (b) **(Ranking):**
- (i) all claims of a Convertible Noteholder in respect of its Convertible Notes are subordinated in right of payment in accordance with Condition 10;
 - (ii) claims in respect of the Convertible Notes will rank in priority to the rights and claims of holders of subordinated liabilities which by their terms rank or are expressed to rank in right of payment junior to the Convertible Notes and of all classes of equity securities of the Issuer, including holders of preference shares, if any; and
 - (iii) claims in respect of any Convertible Notes may not be set-off, or be the subject of a counterclaim, by the holder against or in respect of any obligations of the holder to the Issuer or to any other persons and the holder of any Convertible Note shall by virtue of being the holder of any Convertible Note, be deemed to have waived all such rights of set-off and counterclaim to the fullest extent permitted by applicable law.
- (c) **(Issue of Securities):**
- (i) except as provided in Condition 2.7, the Convertible Notes carry no right to participate in any offering of securities by the Issuer; and
 - (ii) the Issuer reserves the right at all times to issue securities to any person in any manner.
- (d) **(Voting Rights):** Except as required by the Corporations Act, Convertible Noteholders will not have any right to vote at general meetings of the Issuer.
- (e) **(Rights upon Event of Default):** The sole and exclusive remedy of each Convertible Noteholder against the Issuer following the occurrence of an Event of Default is to require a conversion of its Convertible Notes pursuant to Condition 11.3.

2.4 Sales of the Convertible Notes

- (a) **(Australian law restrictions):** Every offer for issue or sale, or invitation to apply for the issue or sale, of the Convertible Notes to any person where the offer or invitation is received by that person in Australia may not be made, unless:
- (i) the aggregate consideration payable for such Convertible Notes on acceptance of the offer is at least A\$500,000 or its equivalent in any other currency (calculated in accordance with both section 708(9) of the Corporations Act and regulation 7.1.18 of the *Corporations Regulations 2001* (Cth)) or the offer or invitation does not otherwise require disclosure to that person under Parts 6D.2 or 7.9 of the Corporations Act; and
 - (ii) the offer or invitation is not made to a person who is a "retail client" within the meaning of section 761G of the Corporations Act; and

- (iii) the offer or invitation complies with all other applicable laws, regulations and directives.
- (b) (**Other jurisdiction restrictions**): Every offer for issue or sale, or invitation to apply for the issue or sale, of the Convertible Notes to any person where the offer or invitation is received in a jurisdiction outside of Australia may not be made, unless the offer or invitation is made in compliance with all applicable laws, regulations and directives of all relevant jurisdictions.

2.5 Convertible Notes not invalid if improperly issued

No Convertible Note is invalid or unenforceable on the ground that it was issued in breach of these Convertible Note Conditions.

2.6 Location of the Convertible Notes

The property in a Convertible Note for all purposes is situated in the location of the Register in which that Convertible Note is registered.

2.7 Participation Rights

- (a) (**Application**): Any agreement to issue, or any issuance of, securities under this Condition 2.7 will be subject to and conditional on all necessary regulatory and shareholder approvals and compliance by the Issuer and the Convertible Noteholders with these Convertible Note Conditions, all Listing Rules and other regulatory requirements and the granting of the participation rights hereunder.
- (b) (**Security Issue**): Each Convertible Noteholder shall have a right to participate in any Capital Raising in accordance with this Condition 2.7.
- (c) (**Exercise**): A Convertible Noteholder must exercise its right under this Condition 2.7 by written notice (the **Security Notice**) to the Issuer within 5 Business Days of the Issuer providing the Convertible Noteholder with details of the Capital Raising. The Security Notice by the Convertible Noteholder is irrevocable, except that it will lapse if the issue of securities from the Issuer to the Convertible Noteholder is not completed for any reason other than as a result of default by the Issuer.
- (d) (**Security Issue**): Following receipt of a Security Notice, the Issuer will issue, and the relevant Convertible Noteholder will subscribe for, to the maximum extent permitted by applicable law and the Listing Rules, such number of securities the subject of the Capital Raising that would allow the Convertible Noteholder to maintain its pre-issuance ownership of the Issuer (on an as-converted basis) following such issuance, at the same price per security offered to other subscribers to the Capital Raising and at the same time as other subscribers to the Capital Raising (or if the Issuer permits, within 2 Business Days after the issue of securities to other subscribers to the Capital Raising).
- (e) (**Adjustment**): If under applicable law, the Listing Rules or other regulatory requirements, a Convertible Noteholder is unable to subscribe for, or the Issuer is unable to issue, any securities the subject of the Capital Raising in accordance with this Condition 2.7, then, to the maximum extent permitted by applicable law, the Listing Rules and other regulatory requirements, the Conversion Price relating to the Convertible Notes held by that Convertible Noteholder will be adjusted or, where such an adjustment of the Conversion Price is not permitted under applicable law, the Listing Rules or other regulatory requirements, the Convertible Noteholder may subscribe for and be issued additional convertible notes on such terms as to ensure that the Convertible Noteholder is in an economic position in relation to its Convertible Notes that is as similar as reasonably practicable to the economic position if the Convertible Noteholder were able to fully subscribe for the securities that are the subject of the Capital Raising in accordance with this Condition 2.7

provided that the Convertible Noteholder pays an amount equivalent to the subscription price to the Issuer. Condition 7 applies in respect of an adjustment pursuant to this Condition 2.7(e).

Where the Issuer is prohibited under applicable law, the Listing Rules or other regulatory requirements from adjusting the Conversion Price and from offering further Convertible Notes to the Convertible Noteholder as contemplated under this Condition 2.7(e), the Issuer must, subject to first obtaining the consent of the Representative, within 5 Business Days of the completion of the Capital Raising, pay to the Convertible Noteholders in cash, an amount that is equal to:

$$(VWAP - I) \times n$$

where:

VWAP means the 5-day VWAP of the Issuer's Ordinary Shares on the Business Day immediately prior to the announcement of the Capital Raising;

I means the issue price per security offered under the Capital Raising; and

n means the number of Ordinary Shares (or in the case of convertible securities, Ordinary Shares those convertible securities would have converted into) that the Convertible Noteholder was precluded from subscribing for under the Capital Raising in accordance with this Condition 2.7.

2.8 Limitation on Obligations

Nothing in the Convertible Note Deed Poll or these Convertible Note Conditions shall require a Director or an officer, trustee, responsible entity, custodian of, or investor in the Issuer or a fund or trust managed by the Issuer to breach any fiduciary duty applicable to the Issuer or any such Director, officer, trustee, responsible entity, custodian or investor, as the case may be. Accordingly, each Convertible Noteholder acknowledges and agrees that:

- (a) **(Restriction)**: the Issuer may be prevented from performing or complying with any of its duties or obligations under the Convertible Note Deed Poll, these Convertible Note Conditions as a result of such restriction; and
- (b) **(No obligation to comply)**: the Issuer shall not be required to perform or comply with any such duties or obligations so long as any such restriction applies.

3. Terms of Convertible Notes

3.1 Convertible Note Terms

Each Convertible Note:

- (a) **(Face value)**: will have a face value of an amount equal to US\$1,000; and
- (b) **(Fully paid)**: must be fully paid for on application.

3.2 No Prepayment

The Issuer acknowledges and agrees that, nothing in these Note Conditions (excluding, for the avoidance of doubt, any provisions relating to the redemption of Convertible Notes) permits the Issuer to, and the Issuer may not, without the prior written consent of:

- (a) for such time as Dyal or any of its Affiliates hold any Convertible Notes, Dyal and its Affiliates; or
- (b) if Dyal or any of its Affiliates do not hold any Convertible Notes, Convertible Noteholders holding 51% or more of the aggregate Principal Amount Outstanding of Convertible Notes,

prepay any Convertible Note, in full or in part.

4. Interest on the Convertible Notes

- (a) **(Interest to be paid on Convertible Notes):** Interest shall be payable on each Convertible Note during the period commencing from (and including) the Issue Date and ending from (and including) the earlier to occur of the Conversion Date and the Maturity Date for a Convertible Note.
- (b) **(Payment of Interest):** Any interest that is payable on the Convertible Notes in respect of an Interest Period in accordance with this Condition 4 shall be due and payable in USD on the due date of payment for dividends paid on Ordinary Shares in respect of that same period.
- (c) **(Calculation of Interest):** Interest on each Convertible Note for an Interest Period is calculated as follows:

$$\text{Interest} = (FV / CP) \times DA$$

where:

FV = the Face Value

CP = the Conversion Price as at the time immediately before the relevant dividend is determined or declared

DA = the amount of the dividend determined or declared per Ordinary Share in respect of that Interest Period calculated and converted (as necessary) to USD at the rate published by the Reserve Bank of Australia on the Business Day immediately prior to that day

5. Conversion of Convertible Notes

5.1 Noteholder Conversion rights

- (a) **(Conversion):** A Convertible Noteholder may, at any time, subject to any applicable laws and this deed, require the conversion of all or some of its Outstanding Convertible Notes by giving to the Issuer, in respect of such Convertible Notes, a duly completed Conversion Notice setting out, amongst other things, the applicable Conversion Date.
- (b) **(Regulatory restrictions):** A Convertible Noteholder is not entitled to require the conversion of any Outstanding Convertible Notes by the Issuer to the extent that:
 - (i) such conversion is a notifiable action for the Convertible Noteholder under the FATA and that Convertible Noteholder has not received FIRB Approval in respect of such conversion;
 - (ii) such conversion would contravene section 606 of the Corporations Act;
 - (iii) such conversion is subject to the expiration of a waiting period under the HSR Act, until the expiration of such waiting period; or

(iv) such conversion is prohibited by any applicable law or regulation, provided that if paragraphs (i), (iii) or (iv) above apply, the Issuer must provide all information and assistance reasonably requested by the Convertible Noteholder to make any relevant filings and obtain any applicable approval or consent, except to the extent that providing such information or assistance may result in a waiver of privilege in relation to any document or information.

- (c) **(Notice to Issuer):** Each Conversion Notice must be received by the Issuer:
- (i) subject to paragraph (ii) below, at least 10 Business Days prior to the Conversion Date; or
 - (ii) in respect of a Conversion Notice issued following an Event of Default, at least 1 Business Day prior to the Conversion Date.
- (d) **(Notice is irrevocable):** A Conversion Notice, once received or deemed to be received by the Issuer, is irrevocable.

5.2 Issuer Conversion rights

- (a) **(Conversion):** Subject to this deed, the Issuer may:
- (i) on the date which is the seventh anniversary of the Issue Date; and
 - (ii) on each date that occurs every 12 months after the date which is the seventh anniversary of the Issue Date,

require the conversion of all or some of the Convertible Notes by giving to a Convertible Noteholder at least 20 Business Days prior to such date a duly completed Issuer Conversion Notice setting out, amongst other things, the applicable Conversion Date.

Where any Issuer Conversion Notice is for some of the Convertible Notes:

- (iii) the aggregate Face Value of all Convertible Notes to be converted on that date must be at least USD 1 million; and
 - (iv) if there is more than one Convertible Noteholder, the conversion must be pro rata for each Convertible Noteholder based on the number of Convertible Notes held by that Convertible Noteholder as a proportion of all Convertible Notes on issue.
- (b) **(Regulatory restrictions):** A Convertible Noteholder is not required to convert Outstanding Convertible Notes to the extent that:
- (i) such conversion is a notifiable action for the Convertible Noteholder under the FATA and that Convertible Noteholder has not received FIRB Approval in respect of such conversion;
 - (ii) such conversion would contravene section 606 of the Corporations Act;
 - (iii) such conversion is subject to the expiration of a waiting period under the HSR Act, until the expiration of such waiting period; or
 - (iv) such conversion is prohibited by any applicable law or regulation,

provided that, if a conversion required by the Issuer requires or would require approval of or filing with any Government Authority or the expiration of a waiting period (including under or pursuant to the FATA or HSR Act) (in this Condition

5.2(b), **Regulatory Condition**), the Convertible Noteholder shall, within 20 Business Days of a request by the Issuer, apply for such approval or make such filing, in each case, on terms and in a form approved by the Issuer acting reasonably and use all reasonable endeavours to ensure that such Regulatory Condition is satisfied as soon as practicable, including to provide all information and assistance, agree to any reasonable or otherwise customary conditions and/or take any other steps reasonably required by the Government Authority. The Issuer must also provide all information and assistance reasonably requested by the Convertible Noteholder to make any relevant filings and obtain any such applicable approval or consent, except to the extent that providing such information or assistance may result in a waiver of privilege in relation to any document or information.

- (c) **(Notice to Convertible Noteholder)**: Each Issuer Conversion Notice must be received by the relevant Convertible Noteholder at least 20 Business Days prior to the Conversion Date.
- (d) **(Notice is irrevocable)**: An Issuer Conversion Notice, once received or deemed to be received by the relevant Convertible Noteholder, is irrevocable.

5.3 Entitlement to Ordinary Shares on conversion

Subject to Condition 5.4, on the Conversion Date of any Convertible Notes held by a Convertible Noteholder:

- (a) **(Redemption)**: each such Convertible Note that remains Outstanding on the Conversion Date which is the subject of a Conversion Notice or an Issuer Conversion Notice (and, where the relevant Issuer Conversion Notice has been issued solely as a result of a Tax Event, that Tax Event is subsisting on the relevant Conversion Date) will be redeemed, or deemed to be redeemed, in full by the Issuer for an amount equal to its Principal Amount and any other amount owing to the Convertible Noteholder under that Convertible Note in accordance with these Convertible Note Conditions.

The Issuer shall apply the whole of such amount in respect of the redemption of such Convertible Note in accordance with the direction in Condition 5.3(b)(ii), and the redemption or deemed redemption of each Convertible Note in accordance with this Condition 5.3(a) is conditional on, and occurs concurrently with, the Issuer complying with its obligations under this Condition 5.3, including the obligation to issue the number of Ordinary Shares in respect of the Principal Amount and any other amount owing to the Convertible Noteholder under that Convertible Note in accordance with these Convertible Note Conditions as calculated in accordance with Condition 5.6.

- (b) **(Convertible Noteholder consent)**: the relevant Convertible Noteholder irrevocably and unconditionally:
 - (i) consents to be a member of the Issuer and agrees to be bound by the constitution of the Issuer; and
 - (ii) directs the Issuer to apply, and the Issuer must apply, the whole of the Principal Amount and any other amount owing to the Convertible Noteholder under that Convertible Note in accordance with these Convertible Note Conditions payable to that Convertible Noteholder on redemption in subscribing on behalf of the Convertible Noteholder for the number of Ordinary Shares calculated in accordance with Condition 5.6;
- (c) **(Issue of Ordinary Shares)**: the Issuer will:
 - (i) issue to that Convertible Noteholder the number of Ordinary Shares calculated in accordance with Condition 5.6, and, except following the

occurrence of an Issuer Change of Control Event where all of the Ordinary Shares of the Issuer are no longer quoted on ASX, all of which are quoted on ASX and which are, on the Conversion Date, freely tradeable in the ordinary course on ASX (and must apply to ASX for quotation of those Ordinary Shares); and

- (ii) deliver to that Convertible Noteholder a certificate from the Issuer stating that:
 - A. there has been issued to the Convertible Noteholder (or to such person as the Convertible Noteholder may direct) the number of Ordinary Shares calculated in accordance with Condition 5.6;
 - B. except following the occurrence of an Issuer Change in Control Event where all of the Ordinary Shares of the Issuer are no longer quoted on ASX, those Ordinary Shares are all quoted on ASX; and
 - C. and any such issue or delivery will have effect on and from, and be deemed to have been made on, the Conversion Date.

5.4 Status Notice

- (a) A Significant Convertible Noteholder must, during the 20 Business Day period preceding the date that is one year prior to the Maturity Date, give to the Issuer a notice (**Status Notice**) setting out the following information as at the date of that notice:
 - (i) the number of Convertible Notes held by that Significant Convertible Noteholder and its "associates" (as that term is defined in the Corporations Act) and the identity and jurisdiction of the holders of such Convertible Notes and of such associates; and
 - (ii) the number of Ordinary Shares in which that Significant Convertible Noteholder has a Relevant Interest.
- (b) A Significant Convertible Noteholder must, if requested by the Issuer at any time after the date of a Status Notice, promptly provide to the Issuer all reasonable or otherwise customary information (other than commercially sensitive information) and assistance reasonably requested by the Issuer to make any relevant filings and obtain any applicable approval or consent to enable the conversion of all of the Convertible Notes held by that Significant Convertible Noteholder and corresponding acquisition of Ordinary Shares by that Convertible Noteholder (including for the purposes of seeking the approval described in item 7 of the table set out in section 611 of the Corporations Act).
- (c) Failure of a Convertible Note Holder to comply with this Condition 5.4 does not affect a Convertible Noteholders rights or interests under these Convertible Note Conditions (including under Condition 5.5 below).

5.5 Treatment of Convertible Notes on Maturity

To the extent that Conditions 5.2(b)(i) to 5.2(b)(iv) (inclusive) apply to the conversion of any Convertible Notes held by a Convertible Noteholder that remain outstanding on the Maturity Date, then:

- (a) the Maturity Date will be extended until the process for making any relevant filing and obtaining such approval or consent as contemplated by Condition 5.2 is completed and Condition 5.2 is satisfied; or

- (b) if, following completion of the process contemplated by Condition 5.2, the Issuer and the Representative agree, acting reasonably, that Condition 5.2 cannot be satisfied or waived, the Issuer must immediately redeem and pay to each Convertible Noteholder the Adjusted Redemption Amount for each Convertible Note that remains outstanding at that time in cash in accordance with Condition 12.

5.6 Conversion number

Subject to Condition 6, the number of Ordinary Shares to which a Convertible Noteholder is entitled upon conversion of any of its Convertible Notes is equal to the sum of the Principal Amount of those Convertible Notes and any other amount owing to the Convertible Noteholder under that Convertible Note in accordance with these Convertible Note Conditions, divided by the Conversion Price, rounded to the nearest whole number (or, in the case of a fraction of an Ordinary Share that is exactly one half, down).

5.7 Ordinary Shares issued on conversion

- (a) **(Date of issue):** The Ordinary Shares to which a Convertible Noteholder is entitled on conversion of any of its Convertible Notes must be issued on the relevant Conversion Date and that issue will have effect on and from, and be deemed to have been made on, that Conversion Date.
- (b) **(Ranking of issued Ordinary Shares):** Each Ordinary Share issued on conversion of any Convertible Notes ranks equally in all respects and forms one class with the Ordinary Shares on issue at the relevant Conversion Date, provided that where the Conversion Date occurs after the record date for a dividend declared by the Board to be payable to holders of Ordinary Shares, that Ordinary Share will not participate in the relevant dividend.
- (c) **(Procurement of Quotation):** The Issuer must use all reasonable endeavours to, and must furnish all such documents, information and undertakings as may be reasonably necessary in order to, procure official quotation of the Ordinary Shares issued on conversion of any Convertible Notes on the financial market conducted by ASX on the Conversion Date, and to procure that such quotation is maintained.
- (d) **(U.S. Transfer Restrictions):** The offer and sale of the Ordinary Shares issuable upon conversion of the Convertible Notes have not been, and will not be, registered under the Securities Act, and such Ordinary Shares can only be offered, sold, pledged, transferred or otherwise disposed of if such Ordinary Shares are offered, sold, pledged, transferred or otherwise disposed of by the holder thereof (i) to the Issuer or a subsidiary of the Issuer; (ii) pursuant to a registration statement that has been declared effective under the Securities Act; (iii)(A) in standard (regular way) transactions on the ASX where neither the seller nor any person acting on its behalf knows, or has reason to know, that the sale has been prearranged with, or that the purchaser is, a person in the United States or is a U.S. Person or is acting for the account or benefit of, a person in the United States or a U.S. Person or (B) otherwise to a person located outside the United States that is neither a U.S. Person nor a person acting for the account or benefit of a U.S. Person, that is acquiring the Ordinary Shares in an offshore transaction (as defined in Regulation S) meeting the requirements of Regulation S; (iv) to a person the seller reasonably believes is a qualified institutional buyer (as defined in Rule 144A under the Securities Act) that is purchasing for its own account or for the account of another qualified institutional buyer and to whom notice is given that the transfer is being made in reliance on Rule 144A, all in compliance with Rule 144A (if available); or (v) in a transaction otherwise exempt from or not subject to the registration requirements of the Securities Act, and, in each case, such offer, sale, pledge or transfer must be made in accordance with all applicable laws and regulations, including any applicable securities laws of any state of the United States. Each transferor of the Ordinary Shares shall provide notice of the transfer restrictions set out herein to the transferee.

6. Conversion Adjustments

6.1 Adjustments for bonus, rights and other issues

(a) **(Bonus, rights and other issues):** Subject to Conditions 2.7(e), 6.1(b) and 6.1(c), if the Issuer:

- (i) makes a pro rata bonus issue or a rights issue of Ordinary Shares to holders of Ordinary Shares (in this Condition 6.1, **Pro Rata Issue**); or
- (ii) issues Ordinary Shares or Other Securities (other than under a Pro Rata Issue) to any person at any time (in this Condition 6.1, **New Issue**),

the Conversion Price will be adjusted immediately in accordance with the following formula:

$$CP = CP_0 \times \left[\frac{P \times RD + A \times RN}{P \times (RD + RN)} \right]$$

where:

CP: means the Conversion Price applying immediately after the application of this formula (rounded to the nearest four decimal places);

CP₀: means the Conversion Price applying immediately before the application of this formula;

P: means:

- A. in the case of a Pro Rata Issue, the VWAP calculated in respect of the period from (and including) the first Business Day after the announcement of the Pro Rata Issue to ASX to (and including) the last Business Day of trading cum rights or bonus issue (or, if there is no period of cum rights or bonus issue trading, an amount (if any) reasonably agreed by the Issuer and the Representative as representing the value of an Ordinary Share cum the rights or bonus issue); and
- B. in the case of a New Issue, the VWAP calculated in respect of the period of 20 Business Days immediately prior to the announcement of the issue to ASX;

A: means:

- A. in the case of an issue of Ordinary Shares, the cash subscription price per new Ordinary Share (including the amount payable on subscription and the amount of any uncalled amount in respect of the Ordinary Shares);
- B. in the case of an issue of Other Securities, the effective cash subscription price per new Ordinary Share issuable on exercise or conversion of the Other Securities (taking into account the amount payable on subscription and the amount of any uncalled amount in respect of the Other Security) plus the cash amount per Ordinary Share payable to the Issuer on exercise or conversion of the Other Security (ignoring the terms of any adjustments in the terms of issue of the Other Security);

C. in the case of a bonus issue, zero;

RN: means:

A. in the case of an issue of Ordinary Shares, the number of Ordinary Shares issued pursuant to the issue of Ordinary Shares; and

B. in the case of an issue of Other Securities, the number of Ordinary Shares issuable on exercise or conversion of the Other Securities (ignoring the terms of any adjustments in the terms of issue of the Other Security);

RD: means the number of Ordinary Shares on issue immediately prior to the issue of new Ordinary Shares pursuant to the issue.

(b) **(No adjustment):** No adjustment to a Conversion Price will occur if, in the formula in Condition 6.1(a), A exceeds P.

(c) **(No application):** Condition 6.1(a) does not apply to:

- (i) Ordinary Shares issued as part of a bonus share plan in lieu of dividends or a dividend reinvestment plan;
- (ii) grants of Ordinary Shares or Other Securities pursuant to employee or executive plans of the Issuer, or any substitute, replacement or additional plan, or any grants of Ordinary Shares or Other Securities to a Convertible Noteholder or Affiliate, or those issued on exercise or conversion of the Other Securities under any such plans;
- (iii) issues of Ordinary Shares or Other Securities pursuant to a Capital Raising in respect of which Convertible Noteholders have a right to participate under Condition 2.7 or in respect of which an adjustment is made under Condition 2.7(e);
- (iv) issues of Ordinary Shares pursuant to a conversion of any Convertible Note or the exercise of any option;
- (v) issues of Ordinary Shares pursuant to the exercise or conversion of Other Securities on issue at the date of the Convertible Note Deed Poll; or
- (vi) issues of Ordinary Shares pursuant to the exercise or conversion of Other Securities to which this Condition 6.1(c) applied or in respect of which an adjustment was made under this Condition 6.1.

6.2 Adjustments for off-market buy-backs

(a) **(Buy-Back):** Subject to Condition 6.2(b), if the Issuer undertakes a buy-back of Ordinary Shares that is not an on-market buy-back, the Conversion Price will be adjusted immediately in accordance with the following formula:

$$CP = CP_0 \times \left[\frac{P \times BD - A \times BN}{P \times (BD - BN)} \right]$$

where:

CP: means the Conversion Price applying immediately after the application of this formula (rounded to the nearest four decimal places);

- CP₀: means the Conversion Price applying immediately before the application of this formula;
- P: means the VWAP calculated in respect of the period of 15 Business Days immediately prior to the announcement of the buy-back to ASX;
- A: means the buy-back price per Ordinary Share;
- BN: means the number of Ordinary Shares bought back pursuant to the buy-back; and
- BD: means the number of Ordinary Shares on issue immediately prior to the buy-back.

- (b) **(No adjustment)**: No adjustment to a Conversion Price will occur if, in the formula in Condition 6.2(a), P exceeds A.

6.3 Adjustments for return of capital

If the Issuer makes a return of capital to holders of Ordinary Shares (other than by way of a buy-back of Ordinary Shares), the Conversion Price will be adjusted immediately in accordance with the following formula:

$$CP = CP_0 \times \frac{P - C}{P}$$

where:

- CP: means the Conversion Price applying immediately after the application of this formula (rounded to the nearest four decimal places);
- CP₀: means the Conversion Price applying immediately before the application of this formula;
- P: means the VWAP calculated in respect of the period from (and including) the first Business Day after the announcement of the return of capital to ASX to (and including) the last Business Day of trading cum the return of capital; and
- C: means, in the case of a return of capital, the amount of the cash and/or the value (as reasonably determined by the Board) of any other property distributed to holders of Ordinary Shares per Ordinary Share (or such lesser amount as ensures that the difference between P and C is not less than zero).

6.4 Adjustments for capital reconstructions

If at any time there is a reconstruction of the Ordinary Shares (including but not limited to any consolidation, subdivision, reduction, reclassification, return or on-market buy-back) which is not dealt with under Conditions 6.1 to 6.3 (inclusive), then:

- (a) **(Adjustment)**: the Conversion Price shall be adjusted by the Issuer accordingly; or
- (b) **(Reconstruction)**: the Convertible Notes will be reconstructed on the same basis and the Principal Amount (for the purpose of calculating interest on the Convertible Notes) shall be adjusted by the Issuer accordingly,

to ensure that the Convertible Noteholders are in an economic position in relation to their Convertible Notes that is as similar as reasonably practicable to the economic position prior to the occurrence of the event that gave rise to the need for the adjustment. Any adjustment made in accordance with this Condition 6.4 will constitute an alteration to these Convertible

Note Conditions and will be binding on all Convertible Noteholders. Condition 7 applies in respect of an adjustment pursuant to this Condition 6.4.

6.5 Control Transactions

- (a) If a Control Transaction becomes effective in respect of the Issuer and if, upon such transaction becoming effective, any Convertible Notes remain on issue:
- (i) the Issuer may, on or before the date that is 30 Business Days after the date on which such Control Transaction became effective, subject to any applicable laws and this deed, redeem all such outstanding Convertible Notes for payment in cash and/or non-cash consideration per Convertible Note equal to the price (in cash and/or non-cash consideration) payable by the relevant third party or bidder per Ordinary Share pursuant to such Control Transaction multiplied by the number of Ordinary Shares which would be issued upon conversion of the Convertible Note (based on the formula in Condition 5.6) by giving to Convertible Noteholders a duly completed redemption notice setting out, amongst other things, the applicable redemption date (which, for the avoidance of doubt, may be specified as any one or more dates within a range of dates or period of time) not ending more than 30 Business Days after the date on which such Control Transaction became effective; and
 - (ii) if a redemption notice is given, in accordance with Condition 6.5(a)(i), all rights of Convertible Noteholders to convert or transfer such Convertible Notes shall immediately cease, provided that all rights to convert or transfer such Convertible Notes resume if such Convertible Notes are not redeemed on an applicable redemption date in accordance with Condition 6.5(a)(i).
- (b) In this Condition 6.5, **Control Transaction** means:
- (i) a scheme of arrangement in respect of which the Issuer is the target entity and, in respect of such transaction, effective means a third party has become entitled to acquire all of the issued ordinary shares in the Issuer; or
 - (ii) a takeover pursuant to the Corporations Act in respect of which the Issuer is the target entity and, in respect of such transaction, effective means the bidder has become entitled to compulsorily acquire all of the ordinary shares in the Issuer in accordance with the Corporations Act.

6.6 Fractions

Where the number of Ordinary Shares to which a Convertible Noteholder is entitled under these Convertible Note Conditions is a number which includes a fraction of an Ordinary Share, that fraction must be rounded to the nearest whole number (or, in the case of a fraction that is exactly one half, down) and the Convertible Noteholder has no further claim or right to that fraction of an Ordinary Share

6.7 Listing Rules not to be contravened

Notwithstanding any provision of Conditions 6.1 to 6.6 (inclusive):

- (a) **(No contravention)**: no adjustment under those Conditions may contravene any Listing Rule; and
- (b) **(Similar economic position)**: if an adjustment under those Conditions would contravene paragraph (a), the Convertible Notes are to be adjusted so far as possible without contravention of the Listing Rules to ensure that the Convertible

- (c) Noteholders are in an economic position in relation to their Convertible Notes that is as similar as reasonably practicable to the economic position prior to the occurrence of the event that gave rise to the need for the adjustment, except to the extent required by the Listing Rules. Any adjustment made in accordance with this Condition 6.7 will constitute an alteration to these Convertible Note Conditions and will be binding on all Convertible Noteholders. Condition 7 applies in respect of an adjustment pursuant to this Condition 6.7.

7. Adjustment notification and dispute resolution

7.1 Application

This Condition 7 applies if any adjustment is required pursuant to Condition 2.7(e), Condition 6.4 or Condition 6.7.

7.2 Notification

Within 2 Business Days of:

- (a) **(Capital Raising)**: in the case of an adjustment pursuant to Condition 2.7(e), the issue of equity securities under the Capital Raising;
- (b) **(Reconstruction)**: in the case of an adjustment pursuant to Condition 6.4, the reconstruction occurring; or
- (c) **(Listing Rules)**: in the case of an adjustment pursuant to Condition 6.7, the event that would give rise to an adjustment that offends the Listing Rules occurring,

the Issuer shall give notice to the Convertible Noteholders setting out its calculation of the relevant adjustments (**Adjustment Notice**).

7.3 Dispute

Within 10 Business Days of an Adjustment Notice, the Representative must give notice to the Issuer:

- (a) **(Agreement)**: that it agrees that the adjustments proposed in the Adjustment Notice are those required by Condition 2.7(e), Condition 6.4 or Condition 6.7 (as the case may be); or
- (b) **(Dispute Notice)**: that it does not agree that the adjustments proposed in the Adjustment Notice are those required by Condition 2.7(e), Condition 6.4 Condition 6.7 (as the case may be), and setting out its calculation of the adjustment required by the relevant Condition (**Dispute Notice**).

7.4 Adjustment binding in absence of Dispute Notice

Unless the Representative gives a Dispute Notice, the adjustments set out in the Adjustment Notice shall be final and binding on the Issuer and each Convertible Noteholder, with effect from the date the adjustment is required pursuant to Condition 2.7(e), Condition 6.4 or Condition 6.7.

7.5 Dispute Notice procedure

- (a) **(Binding)**: If at any time after the Representative gives a Dispute Notice the Issuer and the Representative agree the appropriate adjustments in writing those adjustments shall be final and binding on the Issuer and each Convertible Noteholder, with effect from the date the adjustment is required pursuant to Condition 2.7(e), Condition 6.4 or Condition 6.7.

- (b) **(Independent Accountant):** If the Representative gives a Dispute Notice and the Representative and the Issuer have not agreed in writing the appropriate adjustments within 10 Business Days of that Dispute Notice the Issuer must submit the Adjustment Notice and the Dispute Notice to the Independent Accountant within 2 Business Days (and if it does not then the Representative may).
- (c) **(Procedure):** The Issuer must:
- (i) instruct the Independent Accountant to determine the adjustments required by Condition 2.7(e), Condition 6.4 or Condition 6.7 (as the case may be);
 - (ii) supply the Independent Accountant with any information, assistance and cooperation reasonably requested by it;
 - (iii) procure that the Independent Accountant gives each of the Issuer and the Representative opportunities to make written submissions, and provides copies of the submissions of and all correspondence to or from each to the other; and
 - (iv) use reasonable endeavours to ensure that the Independent Accountant determines the adjustments required by Condition 2.7(e), Condition 6.4 or Condition 6.7 (as the case may be) within 10 Business Days of being engaged.
- (d) **(Expert):** The Independent Accountant will act as an expert, not an arbitrator.
- (e) **(Binding determination):** In the absence of manifest error, the Independent Accountant's determination of the adjustments required by Condition 2.7(e), Condition 6.4 or Condition 6.7 shall be final and binding on the Issuer and each Convertible Noteholder, with effect from the date the adjustment is required pursuant to Condition 2.7(e), Condition 6.4 or Condition 6.7.
- (f) **(Costs of Independent Accountant):** If the Issuer submits the Adjustment Notice and the Dispute Notice to the Independent Accountant and the Independent Accountant determines that:
- (i) no adjustment to the terms of the Convertible Notes is required, the costs of the Independent Accountant shall be at the cost of the Representative; or
 - (ii) an adjustment to the terms of the Convertible Notes is required, the appointment of the Independent Accountant shall be at the cost of the Issuer.

8. The Register

8.1 Establishment of Register

The Issuer will establish and maintain the Register at its registered office in Brisbane, Queensland.

8.2 Details on the Register

The Issuer must promptly enter in the Register:

- (a) **(Name and address of Convertible Noteholder):** the name and address of:

- (i) each initial Convertible Noteholder and of such Convertible Noteholder's nominee as notified to the Issuer by such Convertible Noteholder; and
- (ii) of each transferee to whom the Convertible Noteholder are subsequently transferred in accordance with these Convertible Note Conditions as stated in the relevant Transfer and Acceptance;
- (b) **(Account details)**: the account to which payments to each Convertible Noteholder are to be credited as notified to the Issuer by such Convertible Noteholder;
- (c) **(Number of Convertible Notes and Conversion Price)**: the number of Convertible Notes held by each Convertible Noteholder and the Conversion Price in respect of each such Convertible Notes on the Issue Date and following any adjustment to that Conversion Price in accordance with Conditions 2.7(e), 6 or 7;
- (d) **(Date entered on Register)**: the date on which each Convertible Noteholder was first registered in the Register as a Convertible Noteholder in respect of the Convertible Notes held by it;
- (e) **(Date ceases to be a Convertible Noteholder)**: the date on which any person ceases to be a Convertible Noteholder; and
- (f) **(Other particulars)**: such other particulars that the Issuer considers to be desirable.

The Issuer must not alter the number of Convertible Notes registered in the name of a Convertible Noteholder except to reflect a transfer of Convertible Notes by that Convertible Noteholder.

8.3 Title

Title to Convertible Notes passes when details of the transfer are entered in the Register.

8.4 Effect of entries in Register

Each entry in the Register in respect of a Convertible Note constitutes:

- (a) **(Undertaking by Issuer)**: an unconditional and irrevocable undertaking by the Issuer to the Convertible Noteholder to pay principal, (if applicable) interest and any other amount to the Convertible Noteholder in accordance with these Convertible Note Conditions; and
- (b) **(Other benefits)**: an entitlement to the other benefits given to Convertible Noteholders under these Convertible Note Conditions in respect of the Convertible Notes.

8.5 Register conclusive as to ownership

Entries in the Register in relation to a Convertible Note constitute conclusive evidence that the person so entered is absolute owner of the Convertible Note subject to correction for fraud or error. Convertible Notes shall not be lodged or held in any clearing system and title to the Convertible Notes will only pass upon registration of transfers in the Register in accordance with the procedure set out in Condition 9.

8.6 Non-recognition of interests

Except as required by law, the Issuer must treat the person whose name is entered in the Register as the holder of a Convertible Note as the absolute owner of that Convertible Note. This Condition 8.6 applies whether or not a Convertible Note is overdue and despite of any notice of ownership, trust or interest in the Convertible Note.

8.7 Joint holders

Where two or more persons are entered in the Register as the joint holders of a Convertible Note then they are taken to hold the Convertible Note as joint tenants with rights of survivorship, but the Issuer is not to register more than four persons as joint holders of a Convertible Note.

8.8 Notification of change by Convertible Noteholders

Any change of name or address on the part of any Convertible Noteholder must promptly be notified by that Convertible Noteholder to the address of the Issuer who must alter the Register within 5 Business Days of receipt of that notice.

8.9 Inspection of the Register

Upon written request, each Convertible Noteholder is entitled to inspect, but not copy, the Register in respect of a Convertible Note at such time as the Issuer's principal office is accessible to the public. A Convertible Noteholder is entitled to inspect the Register only in respect of information relating to that Convertible Noteholder.

8.10 Closure of the Register

The Issuer may from time to time subject to at least 5 Business Days prior notice to the Convertible Noteholders close the Register but no part of the Register may be closed for more than 5 consecutive Business Days or 20 Business Days in aggregate in any calendar year.

8.11 Non-recognition of Equitable Interests

Except as otherwise provided in the Convertible Note Documents, and except as required by statute or as ordered by a court of competent jurisdiction, no notice of any trust, whether express, implied or constructive, is to be entered in the Register and except as required by statute or as ordered by a court of competent jurisdiction, the Issuer is not to be affected by or compelled to recognise (even when having notice of it) any right or interest in any Convertible Notes other than the registered Convertible Noteholder's absolute right to the entirety of them and the receipt of a registered Convertible Noteholder is a good discharge to the Issuer.

8.12 Rectification of Register

Following a request in writing from a Convertible Noteholder, the Issuer must promptly rectify the Register to the extent that:

- (a) **(Entry omitted)**: an entry is omitted from the Register;
- (b) **(Entry made otherwise than in accordance with these Convertible Note Conditions)**: an entry is made in the Register otherwise than in accordance with these Convertible Note Conditions;
- (c) **(Wrong entry exists)**: an entry wrongly exists in the Register;
- (d) **(Error or defect exists in Register)**: there is an error or defect in any entry in the Register; or
- (e) **(Default made)**: default is made or unnecessary delay takes place in entering in the Register that any person ceased to be the holder of Convertible Notes.

8.13 Non-resident Convertible Noteholders

Where Convertible Notes are held by or on behalf of a person resident outside Australia, then, despite anything to the contrary contained in or implied by these Convertible Note Conditions, it is a condition precedent to any right of the Convertible Noteholder:

- (a) **(Principal Amount)**: to receive payment of the Principal Amount represented by those Convertible Notes; or
- (b) **(Interest)**: to receive payment of any interest on those Convertible Notes,

that all necessary authorisations (if any) and any other statutory requirements which may then be in existence are obtained and satisfied at the cost of the Convertible Noteholder.

9. Transfer of Convertible Notes

9.1 Restrictions on Transfer of Convertible Notes

- (a) **(General Transfer Restrictions)**: Convertible Notes are transferable:
 - (i) without the prior written consent of the Issuer, provided that:
 - A. if such transfer is notifiable action under the FATA, that Convertible Noteholder has received FIRB Approval in respect of such transfer; and
 - B. such transfer is not or would not otherwise be prohibited or restricted pursuant to any applicable law or regulation; or
 - (ii) otherwise, subject to the prior written consent of the Issuer (such consent may be given or withheld at the absolute discretion of the Issuer).
- (b) **(U.S. Transfer Restrictions)**: The offer and sale of the Convertible Notes have not been, and will not be, registered under the Securities Act, and the Convertible Notes can only be offered, sold, pledged, transferred or otherwise disposed of if such Convertible Notes are offered, sold, pledged, transferred or otherwise disposed of by the holder thereof (i) to the Issuer or a subsidiary of the Issuer; (ii) pursuant to a registration statement that has been declared effective under the Securities Act; (iii) to a person located outside the United States that is neither a U.S. Person nor a person acting for the account or benefit of a U.S. Person, that is acquiring the Convertible Notes in an offshore transaction (as defined in Regulation S) meeting the requirements of Regulation S; (iv) to a person the seller reasonably believes is a qualified institutional buyer (as defined in Rule 144A under the Securities Act) that is purchasing for its own account or for the account of another qualified institutional buyer and to whom notice is given that the transfer is being made in reliance on Rule 144A, all in compliance with Rule 144A (if available); or (v) in a transaction otherwise exempt from or not subject to the registration requirements of the Securities Act, and, in each case, such offer, sale, pledge or transfer must be made in accordance with all applicable laws and regulations, including any applicable securities laws of any state of the United States. Each transferor of the Convertible Notes shall provide notice of the transfer restrictions set out herein to the transferee.

9.2 Transfer of Convertible Notes

Subject to these Convertible Note Conditions, any proposed transfer of Convertible Notes must be effected by a Transfer and Acceptance. The Issuer will promptly on the request of a

Convertible Noteholder make available to that Convertible Noteholder a Transfer and Acceptance form. The Transfer and Acceptance must be completed and stamped (if applicable), executed by the transferor and the transferee and lodged for registration with the Issuer

9.3 Registration of transfer

- (a) **(Normal course):** Subject to these Convertible Note Conditions, on receipt of a Transfer and Acceptance the Issuer will register the transferee in the Register as the holder of the Convertible Notes referred to in it.
- (b) **(Non-Business Day):** If the Issuer receives a Transfer and Acceptance for registration on a day which is not a Business Day or on which the Register is closed, it must register the Transfer and Acceptance on the first Business Day thereafter on which the Register is open.
- (c) **(No Effect until registered):** A Transfer and Acceptance does not take effect until registered and, until the transferee is inscribed in the Register as the holder of the relevant Convertible Notes, the transferor remains the holder of those Convertible Notes.

9.4 Refusal to register Transfer and Acceptance

(Issuer may refuse to register): The Issuer may refuse to register any Transfer and Acceptance which would result in:

- (a) a breach of these Convertible Note Conditions or any applicable law; or
- (b) the Issuer being required to take any action on or following registration to avoid any such breach.

9.5 Notice of refusal to Register

If the Issuer refuses to register a Transfer and Acceptance, it must as soon as practicable (and in any event not later than 7 days after the date the Transfer and Acceptance was lodged with it) send to the transferor and the transferee notice of its refusal to register the Transfer and Acceptance.

9.6 Payments to transferee

A transferee will be treated as the Convertible Noteholder from the date of the entry of the name of the transferee in the Register and, in particular but without limitation, the transferee will be entitled to receive any payments then due or to become due to the Convertible Noteholder (including payments of principal) and the Issuer will fully discharge its obligations under the Convertible Note Deed Poll and these Convertible Note Conditions by making those payments to the transferee even if the payments may have wholly or partly accrued before the date on which the transferee is entered on the Register.

9.7 Warranty on transfer

On the transfer of a Convertible Note under these Convertible Note Conditions, the transferor and transferee are deemed to have warranted to the Issuer that neither as a result of the transfer, or the surrounding circumstances, will the Convertible Notes or the Convertible Note Deed Poll require registration with, or the approval of, any Government Authority nor is there any requirement in connection with the transfer for shareholder approval of the Issuer, the preparation of a disclosure document or other regulated offer document or the registration of any offer or transfer document with any Government Authority.

9.8 Specimen signatures

The Issuer may (but need not) require each Convertible Noteholder to submit specimen signatures, authenticated, in the case of a body corporate Convertible Noteholder, by a secretary or director of that Convertible Noteholder, of persons authorised to execute transfers on behalf of that Convertible Noteholder and will be entitled to assume (until notified to the contrary) that the authority has not been revoked.

9.9 No fee for registration of a Transfer and Acceptance

No fee will be charged for the registration of any Transfer and Acceptance.

9.10 Marking of transfers

- (a) **(Convertible Noteholder may request marking):** The Issuer must, on the request of a Convertible Noteholder, mark a Transfer and Acceptance with a certificate to the effect that the Convertible Notes referred to in that Transfer and Acceptance are registered in the name of that Convertible Noteholder, and that no transfer of those Convertible Notes will be registered other than by the marked Transfer and Acceptance for the period specified in the certificate.
- (b) **(Limits on transfer):** Where any Transfer and Acceptance is marked under Condition 9.10(a), the Issuer must not, during the specified period, register any transfer of the Convertible Notes referred to in that Transfer and Acceptance except as effected by the marked Transfer and Acceptance.
- (c) **(Statement by Issuer):** The marking of a Transfer and Acceptance under Condition 9.10(a) represents a statement only by the Issuer as to the status of the Register as at the time of the marking.
- (d) **(Not a certificate):** A Transfer and Acceptance (whether marked or not) is not a certificate or other document of title to any Convertible Notes.

9.11 Certificates

No certificate or other evidence of title will be issued by or on behalf of the Issuer to evidence title to a Convertible Note unless the Issuer determines that certificates should be made available or it is required to do so under any applicable law or regulation. Any such certificate will, for so long as the Convertible Notes are “restricted securities” (as defined in Rule 144(a) (3) under the Securities Act), bear the legend set forth in Annex A to these Convertible Note Terms; provided, that if the requirement for such legend is no longer applicable because the Convertible Notes are freely transferable under the Securities Act, the Issuer shall remove such legend upon request from a holder thereof.

9.12 Transmission of Convertible Notes

Subject to these Convertible Note Conditions, any person becoming entitled to a Convertible Note as a result of the insolvency of a Convertible Noteholder may, on producing such evidence as the Issuer requires of that entitlement, elect to be either registered as the Convertible Noteholder or transfer the Convertible Note in the manner specified in these Convertible Note Conditions.

9.13 Partial transfers

If a transferor executes a transfer of less than all Convertible Notes registered in its name, and the specific Convertible Notes to be transferred are not identified, the Issuer may register the transfer in respect of such of the Convertible Notes registered in the name of the transferor as the Issuer thinks fit, provided that the aggregate Principal Amount of the Convertible Notes registered as having been transferred equals the aggregate Principal Amount of the Convertible Notes expressed to have been transferred in the transfer and the transfer is otherwise in accordance with those Convertible Note Conditions.

9.14 Taxes

- (a) **(On issue):** The Issuer must bear any stamp duty and any loan, transaction, registration or similar Taxes payable in Australia on the issue, subscription and conversion of any Convertible Note.
- (b) **(On transfer):** A Convertible Noteholder is responsible for any stamp duties and any loan, transaction, registration or similar Taxes payable in any jurisdiction in connection with any transfer, assignment or other dealing (other than conversion) with its Convertible Notes.
- (c) **(Tax Classification):** It is the intention of the parties hereto that the Convertible Notes be treated as equity for all tax purposes. As a result, the Issuer, the Convertible Noteholders and their respective Affiliates shall treat the Convertible Notes as equity for all tax purposes, except as otherwise required pursuant to a final determination of a court of competent jurisdiction.

10. Subordination

10.1 Subordination

- (a) This Condition 10 shall apply on and from the time at which any person holds any liability which by its terms ranks or is expressed to rank in right of payment senior to the Convertible Notes.
- (b) The Convertible Notes are and will be subordinated and subject in right of payment and repayment to all claims for payment of money and amounts (in any currency) that the Issuer is or may become liable at any time (presently, prospectively or contingently) to pay to or for the account of a creditor under or in connection with an agreement for the provision of financial accommodation from that creditor to the Issuer (or a Related Body Corporate of the Issuer) which by their terms rank or are expressed to rank in right of payment senior to the Convertible Notes (**Senior Debt**) on the terms of this Condition 10.
- (c) In this Condition 10:
 - (i) **Liquidation** includes receivership or other appointment of a controller, deregistration, compromise, deed of arrangement, amalgamation, administration, reconstruction, winding up, dissolution, assignment for the benefit of creditors, arrangement or compromise with creditors, bankruptcy.
 - (ii) **Liquidator** of the Issuer means any person who may be charged with the Liquidation of the Issuer (whether by contract, statute or otherwise). It includes a liquidator, administrator, receiver and receiver and manager.
 - (iii) **Satisfaction Date** means the date on which all Senior Debt has been fully and finally paid and the commitments of Senior Creditors cancelled.
 - (iv) **Senior Creditor** means a holder of Senior Debt.
 - (v) **Senior Debt** as defined in Condition 10.1(b) includes all money which the Issuer or any of its Related Bodies Corporate (whether alone or not) is or at any time may become actually or contingently liable to pay to or for the account of a Senior Creditor (whether alone or not) for any reason whatever.

It includes money by way of principal, interest, fees, costs, guarantee, indemnity, charges, duties or expenses or payment of liquidated or

unliquidated damages, or as a result of a breach of or default under or in connection with a document.

It also includes money that Issuer or any of its Related Bodies Corporate would have been liable to pay but for its Liquidation, or some other reason.

- (vi) **Subordinated Debt** means all present or future debt of the Issuer to a Convertible Noteholder in respect of the Convertible Notes, including all amounts payable in respect of interest, costs, fees, losses, damages, indemnity, charges and expenses which the Issuer is or at any time may become liable to pay to a Convertible Noteholder in respect of or in connection with such debt, whether or not currently contemplated, provided that the debt shall not include issued shares in the Issuer, to the extent the debt shall have been converted into shares in the Issuer.

10.2 Subordinated debt

- (a) Subject to Conditions 10.6 to 10.9, except for the purpose of allowing interest or other amounts to accrue, or the discharge of Subordinated Debt by the issue of shares in the Issuer in accordance with the Convertible Note, no Subordinated Debt will be due and payable or recoverable until the Satisfaction Date.
- (b) Subject to Conditions 10.6 to 10.9, the Issuer shall not make, whether directly or indirectly, any payment of or in reduction of the Subordinated Debt until the Satisfaction Date.

10.3 Competing proof

Except to the extent stated in a notice under Condition 10.9, until the Satisfaction Date a Convertible Noteholder may only lodge a conditional or contingent proof or claim in connection with the Subordinated Debt in the Liquidation of the Issuer.

10.4 Distribution

Subject to Condition 10.9, on any distribution of assets of the Issuer, as a direct or indirect result of a Liquidation or any other total reorganisation of the Issuer, all Senior Debt shall first be paid in full before any payment is made on account of any Subordinated Debt. The Liquidator of the Issuer will distribute the assets of the Issuer accordingly.

10.5 No Security Interest

Nothing in the Convertible Note Documents creates a Security Interest.

10.6 Subordinated Creditor

- (a) Subject to Condition 10.7, without the prior consent of the Senior Creditors, a Convertible Noteholder shall not:
- (i) **(accept payment)** require or accept payment or otherwise allow satisfaction or discharge of any Subordinated Debt;
 - (ii) **(exercise of rights or powers)** take any step to enforce any guarantee or Security Interest held by it in relation to any Subordinated Debt;
 - (iii) **(Liquidation)** take any step for the purpose of or towards:
 - A. levying any execution or obtaining any judgment against the Issuer; or

B. the appointment of a Liquidator of the Issuer;

- (iv) **(vote)** vote in any meeting or other decision making body in relation to, or in any way seek to control or influence, the Liquidation of the Issuer;
- (v) **(proof)** prove or lodge any proof of debt in the Liquidation of the Issuer except as permitted under Condition 10.3;
- (vi) **(set-off)** exercise any right of set-off, deduction or combination of accounts or similar right or procedure in relation to any Subordinated Debt; or
- (vii) **(deposit)** accept any deposit from or otherwise incur any monetary obligation to the Issuer which may be the subject of any set-off, deduction or combination of accounts or similar right or procedure (whether or not compulsory),

until after the Satisfaction Date.

(b) Subject to Condition 10.7, without the prior consent of the Senior Creditors, the Issuer shall not and shall ensure that each obligor in connection with any Senior Debt will not:

- (i) **(payment)** pay any Subordinated Debt;
- (ii) **(set-off)** exercise any right of set-off, deduction or combination of accounts or similar right or procedure in relation to any Subordinated Debt; or
- (iii) **(deposit)** make any deposit with or allow a Convertible Noteholder to incur any monetary obligation to it which may be the subject of any set-off, deduction or combination of accounts or similar right or procedure (whether or not compulsory),

until after the Satisfaction Date.

10.7 Permitted payments

- (a) **(Interest)** As long as no Event of Default subsists:
 - (i) the Issuer may pay; and
 - (ii) a Convertible Noteholder may require and accept payment of, or exercise any right of set-off or combination of accounts or similar right or procedure (whether or not compulsory) in respect of,

any interest, costs, fees, charges or expenses forming part of the Subordinated Debt.
- (b) **(Payment out of proceeds of share issue)** The Issuer may pay Subordinated Debt out of subscription money received by it in respect of the issue of non-redeemable shares in its capital to a Convertible Noteholder.

10.8 Acknowledgement

Nothing in this Condition 10 affects or prohibits:

- (a) the accrual of interest under the Convertible Note Documents;

- (b) the issue of shares by the Issuer, including the conversion of Subordinated Debt into issued shares in the Issuer, in accordance with the Convertible Note Documents; or
- (c) the Subordinated Creditor in:
 - (i) obtaining an injunction or other order to restrain any breach of any Convertible Note Document; or
 - (ii) obtaining declaratory relief.

10.9 Express Permission

If the Senior Creditors notify the Issuer and a Convertible Noteholder in writing that all or part of the Subordinated Debt is payable:

- (a) to the extent stated in that notice, the Subordinated Debt of that Convertible Noteholder will be due and payable by and recoverable from the Issuer;
- (b) to the extent stated in that notice, that Convertible Noteholder shall prove or vote or both in the Liquidation of the Issuer in relation to the Subordinated Debt and shall promptly send to the Senior Creditors a copy of any notice of proof it has given;
- (c) on any payment or distribution of assets of the Issuer as a direct or indirect result of a Liquidation of the Issuer, the Liquidator of the Issuer shall pay any dividend in respect of the Subordinated Debt directly to the Senior Creditors for application to the payment of the Senior Debt until the Senior Debt has been paid in full; and
- (d) Condition 10.10 applies to any amount a Convertible Noteholder receives or recovers in respect of the Subordinated Debt in that Liquidation.

10.10 Trust and account

- (a) If, before the Satisfaction Date, a Convertible Noteholder receives or recovers an amount in respect of any Subordinated Debt in breach of Conditions 10.1 to 10.8 or under Condition 10.9, that Convertible Noteholder shall hold the amount on trust for the Senior Creditor except to the extent it exceeds the Senior Debt. That Convertible Noteholder, as trustee, shall immediately account for it and pay it to the Senior Creditor (regardless of whether a demand has been made).
- (b) If, before the Satisfaction Date, the amount of the Subordinated Debt is reduced by any set-off, deduction or combination of accounts or similar right or procedure in breach of Conditions 10.1 to 10.8 or under Condition 10.9, the relevant Subordinated Creditor shall promptly pay to the relevant Senior Creditors an amount equal to the amount by which the Subordinated Debt of that Convertible Noteholder was so reduced up to an amount equal to the Senior Debt.

10.11 Guarantees and Security Interests in respect of Subordinated Debt

- (a) The Issuer shall not create or allow to exist; and
- (b) a Convertible Noteholder shall not require the provision of, and if held or provided shall immediately discharge or release,

any guarantee or Security Interest in respect of any Subordinated Debt.

11. Events of default

11.1 Events of Default

Each of the following events constitutes an Event of Default:

- (a) **(Failure to pay)**: any failure by the Issuer to pay any amount due under any of the Convertible Note Documents within 5 Business Days of when due;
- (b) **(Material breach)**: the Issuer fails to comply in a material respect with an obligation owed to the Convertible Noteholder under any of the Convertible Note Documents which is for the benefit of a Convertible Noteholder (other than a provision requiring the payment of money as contemplated by Condition 11.1(a) of these Convertible Note Conditions),

and it continues unremedied for 10 Business Days after the earlier of:

- (i) the Issuer becoming aware of the failure to comply; and
- (ii) the Convertible Noteholder giving notice to the Issuer of the failure to comply;
- (c) **(Insolvency Event)**: an Insolvency Event occurs in relation to the Issuer;
- (d) **(Convertible Note Conditions unenforceable)**: if all or any material provision of the Convertible Note Documents is or becomes void, voidable, illegal or unenforceable or of limited force (other than because of equitable principles or laws affecting creditors' rights generally), or the Issuer claims this to be the case;
- (e) **(Failure to convert)**: the Issuer fails to convert any Convertible Note in accordance with these Convertible Note Conditions; and
- (f) **(Misrepresentation)**: any representation, warranty or statement made, repeated or deemed to be made or repeated by the Issuer in any Convertible Note Document is proved to be untrue in any material respect when made or repeated or deemed to be made or repeated (as the case may be).

11.2 Notification of Events of Default

The Issuer must promptly notify each Convertible Noteholder in writing of the occurrence of an Event of Default, and in any event within five Business Days after the Issuer becomes aware of any Event of Default, describing the underlying events in sufficient detail to enable the Convertible Noteholders to assess the situation and to take steps to protect their interests.

11.3 Consequences of an Event of Default

On the occurrence of an Event of Default, the sole and exclusive remedy of each Convertible Noteholder against the Issuer is to require conversion of all or some of the Outstanding Convertible Notes held by the relevant Convertible Noteholder by giving to the Issuer a duly completed Conversion Notice in respect of such Convertible Notes in accordance with Condition 5.1.

12. Payments

12.1 In accordance with these Convertible Note Conditions

Any moneys payable to a Convertible Noteholder will be paid in the manner set out in these Convertible Note Conditions.

12.2 How payments are to be made

All payments to a Convertible Noteholder under a Convertible Note will be made on the due date for payment in accordance with these Convertible Note Conditions and:

- (a) **(Currency):** in US dollars;
- (b) **(No set-off):** without set-off or counterclaim; and
- (c) **(Payment):** to an account or an address designated by the Convertible Noteholder to the Issuer not later than the Record Date in relation to the relevant Conversion Date and that Convertible Note.

12.3 Default interest

- (a) If any amount under a Convertible Note is not paid on the date when that payment of such amount falls due and payable in accordance with these Convertible Note Conditions, such unpaid amount will bear interest at a rate that is 4% above the London interbank offered rate administered by ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) for the relevant currency and period displayed (before any correction, recalculation or republication by the administrator) on pages LIBOR01 or LIBOR02 of the Thomson Reuters screen (or any replacement Thomson Reuters page which displays that rate) per annum (compounded daily) **(Default Interest)**.
- (b) Default Interest will accrue on outstanding amounts from the date that the outstanding amount fell due and payable until (but excluding) the date on which the unpaid amount, and the default interest which has accrued on it pursuant to this Condition 12.3, is paid in accordance with this Condition 12.
- (c) Payments in respect of Default Interest and the relevant unpaid amount will be rounded to the nearest one cent (half a cent or less being rounded downward).

12.4 Registered Convertible Noteholders

A person whose name (or in the case of joint holders the first person whose name) appears on the Register as the Convertible Noteholder of a Convertible Note at 4.00 pm on the Record Date is the only person entitled to receive payment of moneys in respect of that Convertible Note on the corresponding Conversion Date.

12.5 Payment constitutes release

Any payment made by or on behalf of the Issuer in accordance with this Condition 12 will for all purposes constitute an absolute and unconditional release and discharge of the Issuer to the extent of that payment.

12.6 Deductions and Withholdings

If at any time an applicable law or a Tax Event obliges the Issuer to make a deduction or withholding in respect of Taxes from a payment under a Convertible Note to any Convertible Noteholder, the Issuer:

- (a) **(Notice):** must notify the Convertible Noteholder of the obligation promptly after becoming aware of it (and set forth in reasonable detail the nature of the Tax Event, if applicable) and endeavour to give notice at least 10 days prior to making such deduction or withholding;
- (b) **(Not Exceed Minimum):** must ensure that the deduction or withholding does not exceed the minimum amount required by law;

- (c) **(Obligation to Minimise)**: will, subject to Condition 2.8, use its reasonable efforts to minimise the amount of any such deduction or withholding to the extent that doing so is lawful and reasonably commercially practicable;
- (d) **(Pay Government Agency)**: must pay to the relevant Government Agency on time the full amount of the deduction or withholding and promptly deliver to the Convertible Noteholder a copy of any receipt, certificate or other proof of payment; and
- (e) **(No Gross-up)**: will not be obliged to make any additional payments to the Convertible Noteholders in relation to that withholding or deduction,

provided, however, that Conditions 12.6(b) and (c) shall not apply (i) if no Tax Event exists at that time or (ii) following the conversion of such Convertible Notes.

13. Amendments

13.1 Permitted amendments

Subject to these Convertible Note Conditions, the terms of the Convertible Note Deed Poll and these Convertible Note Conditions may only be amended, waived or supplemented with the consent in writing of both the Issuer and the Representative at the time the amendment, waiver or supplement takes effect. Any such amendment, waiver or supplement will only be valid if effected by deed.

13.2 Copies of amendments

The Issuer must provide to each Convertible Noteholder, upon the request of that Convertible Noteholder, copies of each deed effecting any amendment to the Convertible Note Deed Poll or these Convertible Note Conditions under Condition 13.1.

14. Representative of the Convertible Noteholders

14.1 Appointment of Representative

Pursuant to this Condition 14.1, the Representative under these Convertible Note Conditions is:

- (a) **(Dyal and its Affiliates)**: where Dyal or any of its Affiliates hold any Convertible Notes, Dyal and its Affiliates;
- (b) **(Majority Convertible Noteholder)**: where, from time to time, neither Dyal nor any of its Affiliates hold any Convertible Notes and a Convertible Noteholder holds 51% or more of the aggregate Principal Amount Outstanding of Convertible Notes, that Convertible Noteholder; or
- (c) **(Elected Convertible Noteholder)**: where, from time to time, neither Condition 14.1(a) or 14.1(b) apply, such person as Convertible Noteholders that in aggregate hold 51% or more of the aggregate Principal Amount Outstanding of Convertible Notes agree between themselves from time to time as notified to the Issuer advising the name and address of the Convertible Noteholder which will be the Representative and that Convertible Noteholder's consent to occupy that role.

14.2 Issuer may rely on notice of Representative

Where a Representative (or a Convertible Noteholder if there is no Representative) gives notice as contemplated by Condition 14.1(c) the Issuer is entitled to rely on that notice and such notice will be binding on all Convertible Noteholders.

14.3 Action of Representative is binding

The appointment of the Representative and its acts and omissions under these Convertible Note Conditions are valid and binding as between:

- (a) **(Issuer)**: the relevant Convertible Noteholder and the Issuer;
- (b) **(Liquidator)**: the relevant Convertible Noteholder and any liquidator of the Issuer; and
- (c) **(Other Convertible Noteholders)**: the relevant Convertible Noteholder and all other Convertible Noteholders.

14.4 Representative has no obligation

Except as may otherwise be agreed in writing in respect of a Convertible Noteholder between the Representative and that Convertible Noteholders, the Representative has no obligation to the other Convertible Noteholders and is not obliged to consult with or obtain the consent or approval of the other Convertible Noteholders before giving or not giving any consent, approval or waiver to the Issuer.

15. Obligations of Convertible Noteholders

The Convertible Notes are issued on the condition that each Convertible Noteholder, is bound by and complies with the terms and conditions of the Convertible Note Deed Poll and these Convertible Note Conditions.

16. Listing and Quotation

- (a) For so long as any Convertible Notes remain on issue and any Ordinary Shares of the Issuer are quoted on ASX, the Issuer must:
 - (i) furnish all documents, information and undertakings and do any other thing that is reasonably required by ASX as may be reasonably necessary in order to maintain its listing on, and quotation of its Ordinary Shares on, ASX;
 - (ii) use all reasonable endeavours to comply with each of its obligations under *ASIC Corporations (Sale Offers: Securities Issued on Conversion of Convertible Notes) Instrument 2016/82 (Instrument)* so that each Convertible Noteholder may rely on the relief provided under the Instrument;
 - (iii) do all things reasonably necessary to ensure that any Ordinary Shares issued upon conversion of the Convertible Notes are quoted on ASX including, but not limited to, lodging with ASX, a compliant Appendix 2A in respect of those Ordinary Shares, within one Business Day of their issue.
- (b) Where a Convertible Noteholder gives to the Issuer a Conversion Notice in accordance with Condition 5.1, or the Issuer gives to a Convertible Noteholder an Issuer Conversion Notice in accordance with Condition 5.2, and the Convertible Noteholder is unable to rely on the Instrument, to the extent that any action may be taken by the Issuer in order to facilitate the on-sale of any Ordinary Shares issued upon conversion of the Convertible Notes, the Issuer must, within 20 Business Days (subject to clause 16(c)), take such action (including, where required, issuing a prospectus, cleansing notice or disclosure document in respect of the Shares, as applicable) to ensure that such Shares are freely tradable on ASX.

- (c) If, at the time that a Convertible Noteholder gives to the Issuer a Conversion Notice in accordance with Condition 5.1, the Company considers that it is withholding material non-public price-sensitive information from the market in accordance with ASX Listing Rule 3.1A, then the Company may defer taking any action required under clause 16(b) (including deferring updating the market with such information) for up to 120 days.

17. Discharge and release

The Issuer is immediately discharged and released from its liabilities, obligations and covenants under the Convertible Note Deed Poll and these Convertible Note Conditions in respect of any Convertible Note on the first to occur of the date on which that:

- (a) **(Redemption):** Convertible Note and interest on that Convertible Note is redeemed or deemed to be redeemed and paid in full in accordance with these Convertible Note Conditions; or
- (b) **(Conversion):** Convertible Note is converted in accordance with these Convertible Note Conditions.

18. General

18.1 Time limit for claims

Any claim against the Issuer for a payment in respect of a Convertible Note is void unless made within five years of the due date for that payment.

18.2 Governing Laws

These Convertible Note Conditions are governed by and shall be construed in accordance with the law in force in New South Wales. The Issuer hereby irrevocably submits to the non-exclusive jurisdiction of the courts of New South Wales and any court that may hear appeals from the courts of New South Wales.

18.3 Severability of Provisions

Any provision of these Convertible Note Conditions which is prohibited or unenforceable in any jurisdiction is ineffective as to that jurisdiction to the extent of the prohibition or unenforceability. That does not invalidate the remaining provisions of these Convertible Note Conditions nor the validity or enforceability of that provision in any other jurisdiction.

19. Notices

19.1 How notice to be given

Each communication (including each notice, consent, approval, request and demand) under or in connection with these Convertible Note Conditions or the Convertible Note Deed Poll:

- (a) must be given:
- (i) using one of the following methods (and no other method) namely, hand delivery, courier service, prepaid express post or email; and
- (ii) using the address or other details for the relevant person set out in the below table (or as otherwise notified by the relevant person from time to time under this Condition 19):

Name	Attention	Address (for hand delivery or delivery by courier or post)	Email address
Issuer	Chief Financial Officer/Company Secretary	Level 21, 10 Eagle Street, Brisbane, Queensland, 4000	astoney@navigatorglobal.com.au
Convertible Noteholder	As notified by a Convertible Noteholder to the Issuer from time to time		

- (b) must be in legible writing and in English;
- (c) (in the case of communications other than email) must be signed by the sending person or by a person duly authorised by the sending person;
- (d) (in the case of email) must:
 - (i) state the name of the sending person or a person duly authorised by the sending person and state that the email is a communication under or in connection with these Convertible Note Conditions or the Convertible Note Deed Poll; and
 - (ii) if the email contains attachments, ensure the attachments are in PDF or other non-modifiable format the receiving person can open, view and download at no additional cost,

and communications sent by email are taken to be signed by the named sender.

19.2 When notice taken to be received

Without limiting the ability of a person to prove that a notice has been given and received at an earlier time, each communication (including each notice, consent, approval, request and demand) under or in connection with these Convertible Note Conditions or the Convertible Note Deed Poll is taken to be given by the sender and received by the recipient:

- (e) (in the case of delivery by hand or courier service) on delivery;
- (f) (in the case of prepaid express post sent to an address in the same country) on the second Business Day after the date of posting;
- (g) (in the case of prepaid express post sent to an address in another country) on the fourth Business Day after the date of posting;
- (h) (in the case of email, whether or not containing attachments) the earlier of:
 - (i) the time sent (as recorded on the device from which the sender sent the email) unless, within 4 hours of sending the email, the person sending the email receives an automated message that the email has not been delivered;
 - (ii) receipt by the sender of an automated message confirming delivery; and
 - (iii) the time of receipt as acknowledged by the recipient (either orally or in writing),

provided that:

- (i) the communication will be taken to be so given by the sender and received by the recipient regardless of whether:
 - (i) the recipient is absent from the place at which the communication is delivered or sent;
 - (ii) the communication is returned unclaimed; and
 - (iii) (in the case of email) the email or any of its attachments is opened by the recipient;
- (j) if the communication specifies a later time as the time of delivery then that later time will be taken to be the time of delivery of the communication; and
- (k) if the communication would otherwise be taken to be received on a day that is not a working day or after 5.00 pm, it is taken to be received at 9.00 am on the next working day ("working day" meaning a day that is not a Saturday, Sunday or public holiday and on which banks are open for business generally, in the place to which the communication is delivered or sent).

19.3 Notices sent by more than one method of communication

If a communication delivered or sent under this Condition 19 is delivered or sent by more than one method, the communication is taken to be given by the sender and received by the recipient whenever it is taken to be first received in accordance with Condition 19.2.

Annex A to Schedule 1 – Convertible Note Legend

THIS CONVERTIBLE NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT AS PERMITTED BY THIS LEGEND. THE HOLDER HEREOF, BY ITS ACCEPTANCE OF THIS CERTIFICATE, REPRESENTS, ACKNOWLEDGES AND AGREES THAT IT WILL ONLY OFFER, SELL, PLEDGE, TRANSFER OR OTHERWISE DISPOSE OF THE CONVERTIBLE NOTES IF THE CONVERTIBLE NOTES ARE OFFERED, SOLD, PLEDGED, TRANSFERRED OR OTHERWISE DISPOSED OF (I) TO THE ISSUER OR A SUBSIDIARY OF THE ISSUER; (II) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT; (III) TO A PERSON LOCATED OUTSIDE THE UNITED STATES THAT IS NEITHER A U.S. PERSON NOR A PERSON ACTING FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON, THAT IS ACQUIRING THE CONVERTIBLE NOTES IN AN OFFSHORE TRANSACTION (AS DEFINED IN REGULATION S) MEETING THE REQUIREMENTS OF REGULATION S; (IV) TO A PERSON THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) THAT IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER AND TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, ALL IN COMPLIANCE WITH RULE 144A (IF AVAILABLE); OR (V) IN A TRANSACTION OTHERWISE EXEMPT FROM OR NOT SUBJECT TO THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, AND, IN EACH CASE, SUCH OFFER, SALE, PLEDGE OR TRANSFER MUST BE MADE IN ACCORDANCE WITH ALL APPLICABLE LAWS AND REGULATIONS, INCLUDING ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF ACKNOWLEDGES THAT, TO THE MAXIMUM EXTENT PERMITTED BY LAW, THE ISSUER RESERVES THE RIGHT TO REFUSE TO RECORD ANY TRANSFER OF CONVERTIBLE NOTES THAT ARE SOLD OR OTHERWISE TRANSFERRED IN A MANNER OTHER THAN THAT SPECIFIED IN THIS LEGEND.

Schedule 2 – Conversion Notice

To: The Directors
 Navigator Global Investments Limited ACN 101 585 737
 [insert address]

NOTICE is given of the exercise by [*Convertible Noteholder*] of its rights to convert [*number to be converted*] of its Convertible Notes into Ordinary Shares in the Issuer in accordance with Condition 5.1 of the Convertible Note Conditions which appear in Schedule 1 of the Convertible Note Deed Poll dated [insert] and executed by the Issuer. The Conversion Date nominated for the purposes of such conversion is [*insert date*]

Terms defined in the Convertible Note Conditions shall have the same meaning when used in this Conversion Notice.

The undersigned, [*Convertible Noteholder*] makes the following certifications, representations and warranties with respect to [*insert number of Convertible Notes*] Convertible Notes of the Issuer, which are being exercised by the Convertible Noteholder:

- (a) if the conversion the subject of this notice is a notifiable action for the Convertible Noteholder under the FATA, the Convertible Noteholder has received FIRB Approval in respect of such conversion;
- (b) the conversion the subject of this notice will not result in a contravention of section 606 of the Corporations Act;
- (c) if the conversion the subject of this notice is subject to the expiration of a waiting period under the HSR Act, such waiting period has expired;
- (d) the conversion the subject of this notice is not prohibited by any applicable law or regulation;
- (c) to the Convertible Noteholder's knowledge, no commission or other remuneration has been paid or given, directly or indirectly, for soliciting the conversion the subject of this notice;
- (d) the Convertible Noteholder is aware and acknowledges that, in connection with the Ordinary Shares issued to it on conversion of the Convertible Notes, the Issuer is relying on an exemption from registration under the Securities Act. The Convertible Noteholder understands that the Issuer has no obligation to register the Ordinary Shares under the Securities Act or to comply with the requirements for any exemption from the registration requirements of the Securities Act;
- (e) the Convertible Noteholder acknowledges that the Ordinary Shares may not be offered, sold, pledged, transferred or otherwise disposed of, except pursuant to an exemption from, or in transactions not subject to, the registration requirements of the Securities Act and any other applicable securities laws. The Convertible Noteholder agrees that, in the future, if it or any other person for whose account or benefit it is acquiring the Ordinary Shares, decides to offer, sell, pledge, transfer or otherwise dispose of the Ordinary Shares it will only do so and it will inform such other person that it may only do so, if the Ordinary Shares are offered, sold, pledged, transferred or otherwise disposed of by the holder thereof (i) to the Issuer or a subsidiary of the Issuer; (ii) pursuant to a registration statement that has been declared effective under the Securities Act; (iii)(A) in standard (regular way) transactions on the ASX where neither the seller nor any person acting on its behalf knows, or has reason to know, that the sale has been prearranged with, or that the purchaser is, a person in the United States or is a U.S. Person or is acting for the account or benefit of, a person in the United States or a U.S. Person or (B) otherwise to a person located outside the United States that is neither a U.S.

Person nor a person acting for the account or benefit of a U.S. Person, that is acquiring the Ordinary Shares in an offshore transaction (as defined in Regulation S) meeting the requirements of Regulation S; (iv) to a person the seller reasonably believes is a qualified institutional buyer (as defined in Rule 144A under the Securities Act) that is purchasing for its own account or for the account of another qualified institutional buyer and to whom notice is given that the transfer is being made in reliance on Rule 144A, all in compliance with Rule 144A (if available); or (v) in a transaction otherwise exempt from or not subject to the registration requirements of the Securities Act, and, in each case, such offer, sale, pledge or transfer must be made in accordance with all applicable laws and regulations, including any applicable securities laws of any state of the United States. The Convertible Noteholder acknowledges that, notwithstanding anything to the contrary in the foregoing, the Ordinary Shares may not be deposited into any unrestricted American depository receipt facility unless they no longer constitute “restricted securities” as such term is defined in Rule 144(a)(3) under the Securities Act. The Convertible Noteholder acknowledges that the Ordinary Shares are not transferable except in accordance with the restrictions described herein. The Convertible Noteholder agrees to provide notice of the transfer restrictions set out herein to the transferee. The Convertible Noteholder acknowledges that, to the maximum extent permitted by law, the Issuer reserves the right to refuse to record any transfer of Ordinary Shares that are sold or otherwise transferred in a manner other than that specified in this paragraph (e); and

- (f) the Convertible Noteholder acknowledges that in the event the Ordinary Shares issued upon conversion of the Convertible Notes are held in certificated form, such certificated Ordinary Shares will bear a legend substantially to the following effect, for so long as they are “restricted securities” as defined in Rule 144(a)(3) under the Securities Act:
- (g) THE ORDINARY SHARES EVIDENCED HEREBY (THE “ORDINARY SHARES”) HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT AS PERMITTED BY THIS LEGEND. THE HOLDER HEREOF, BY ITS ACCEPTANCE OF THIS CERTIFICATE, REPRESENTS, ACKNOWLEDGES AND AGREES THAT IT WILL ONLY OFFER, SELL, PLEDGE, TRANSFER OR OTHERWISE DISPOSE OF THE ORDINARY SHARES IF THE ORDINARY SHARES ARE OFFERED, SOLD, PLEDGED, TRANSFERRED OR OTHERWISE DISPOSED OF (I) TO THE ISSUER OR A SUBSIDIARY OF THE ISSUER; (II) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT; (III)(A) IN STANDARD (REGULAR WAY) TRANSACTIONS ON THE AUSTRALIAN SECURITIES EXCHANGE WHERE NEITHER THE SELLER NOR ANY PERSON ACTING ON ITS BEHALF KNOWS, OR HAS REASON TO KNOW, THAT THE SALE HAS BEEN PREARRANGED WITH, OR THAT THE PURCHASER IS, A PERSON IN THE UNITED STATES OR IS A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”)) (A “U.S. PERSON”) OR IS ACTING FOR THE ACCOUNT OR BENEFIT OF, A PERSON IN THE UNITED STATES OR A U.S. PERSON OR (B) OTHERWISE TO A PERSON LOCATED OUTSIDE THE UNITED STATES THAT IS NEITHER A U.S. PERSON NOR A PERSON ACTING FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON, THAT IS ACQUIRING THE ORDINARY SHARES IN AN OFFSHORE TRANSACTION (AS DEFINED IN REGULATION S) MEETING THE REQUIREMENTS OF REGULATION S; (IV) TO A PERSON THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) THAT IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER AND TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON

RULE 144A, ALL IN COMPLIANCE WITH RULE 144A (IF AVAILABLE); OR (V) IN A TRANSACTION OTHERWISE EXEMPT FROM OR NOT SUBJECT TO THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, AND, IN EACH CASE, SUCH OFFER, SALE, PLEDGE OR TRANSFER MUST BE MADE IN ACCORDANCE WITH ALL APPLICABLE LAWS AND REGULATIONS, INCLUDING ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF ACKNOWLEDGES THAT, NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE ORDINARY SHARES MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED AMERICAN DEPOSITARY RECEIPT FACILITY FOR SO LONG AS THEY REMAIN "RESTRICTED SECURITIES" AS DEFINED IN RULE 144(A)(3) UNDER THE SECURITIES ACT. THE HOLDER HEREOF ACKNOWLEDGES THAT THE ORDINARY SHARES ARE NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED HEREIN. THE HOLDER HEREOF AGREES TO PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET OUT HEREIN TO THE TRANSFEREE. THE HOLDER HEREOF ACKNOWLEDGES THAT, TO THE MAXIMUM EXTENT PERMITTED BY LAW, THE ISSUER RESERVES THE RIGHT TO REFUSE TO RECORD ANY TRANSFER OF ORDINARY SHARES THAT ARE SOLD OR OTHERWISE TRANSFERRED IN A MANNER OTHER THAN THAT SPECIFIED IN THIS LEGEND.

The representation, warranties and statements contained in this Certificate are made for the benefit of the Issuer.

DATED:

SIGNED for and on behalf of [*Convertible Noteholder*]

Director/Secretary

Explanatory Memorandum

Special Business – Proposed Transaction

Schedule 3 – Convertible Note Deed Poll

Schedule 3 – Issuer Conversion Notice

To: [Name of Convertible Noteholder]
[]

NOTICE is given of the exercise by Navigator Global Investments Limited (ACN 101 585 737) of its rights to convert [*number to be converted*] of your Convertible Notes into Ordinary Shares in the Issuer in accordance with Condition 5.2 of the Convertible Note Conditions which appear in Schedule 1 of the Convertible Note Deed Poll dated [insert] and executed by the Issuer. The Conversion Date nominated for the purposes of such conversion is [insert date].

Terms defined in the Convertible Note Conditions shall have the same meaning when used in this Issuer Conversion Notice.

DATED:

SIGNED for and on behalf of Navigator Global Investments Limited

Director/Secretary

Explanatory Memorandum

Special Business – Proposed Transaction

Schedule 3 – Convertible Note Deed Poll

LODGE YOUR VOTE

ONLINE
www.linkmarketservices.com.au

BY MAIL
Navigator Global Investments Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

BY FAX
02 9287 0309

BY HAND
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138

ALL ENQUIRIES TO
Telephone: +61 1300 554 474



X99999999999

VOTING FORM

I/We being a member(s) of Navigator Global Investments Limited and entitled to attend and vote hereby:

STEP 1 Please mark either A or B

A VOTE DIRECTLY

elect to lodge my/our vote(s) directly (mark box)

i in relation to the Annual General Meeting of the Company to be held at **10:00am on Wednesday, 18 November 2020**, and at any adjournment or postponement of the Meeting.

You should mark either "for" or "against" or "abstain" for each item.

OR B APPOINT A PROXY

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 and email of the person or body corporate you are appointing as your proxy. An email will be sent to your appointed proxy with details on how to access the virtual meeting.

Name

Email

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given, in the manner permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **10:00am on Wednesday, 18 November 2020** (the Meeting) and at any postponement or adjournment of the Meeting.

The Meeting will be conducted as a virtual meeting and you can participate by logging in online at <http://www.linkmarketservices.com.au> (refer to details in the Notice of Meeting).

Important for Resolution 1: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolution 1, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (KMP).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions on the cover leaf before marking any boxes with an

STEP 2

Resolutions

- 2** Adoption of the Remuneration Report
- 3a** Re-election of Mr Andy Bluhm as a Director
- 3b** Re-election of Mr Randall Yanker as a Director
- 3c** Election of Ms Nicola Grenham as a Director

For Against Abstain*

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- 4** Renewal of proportional takeover provisions
- 5** Approval of the Proposed Transaction

For Against Abstain*

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

i * If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).



HOW TO COMPLETE THIS SHAREHOLDER VOTING FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

VOTING UNDER BOX A

If you ticked the box under Box A you are indicating that you wish to vote directly. Please only mark either "for" or "against" for each item. Do not mark the "abstain" box. If you mark the "abstain" box for an item, your vote for that item will be invalid.

If no direction is given on all of the items, or if you complete both Box A and Box B, your vote may be passed to the Chairman of the Meeting as your proxy.

Custodians and nominees may, with the Share Registrar's consent, identify on the Voting Form the total number of votes in each of the categories "for" and "against" and their votes will be valid.

The Chairman's decision as to whether a direct vote is valid is conclusive.

VOTING UNDER BOX B – APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name and email address of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Voting Form may be obtained by telephoning the Company's share registry or you may photocopy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Voting Form and the second Voting Form state the percentage of your voting rights or number of shares 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; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting virtually the appropriate "Certificate of Appointment of Corporate Representative" must be received at registrars@linkmarketservices.com.au prior to admission in accordance with the Notice of Annual General Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am on Tuesday, 16 November 2020**, being not later than 48 hours before the commencement of the Meeting. Any Proxy received after that time will not be valid for the scheduled Meeting.

Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).



BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link www.linkmarketservices.com.au into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



BY MAIL

Navigator Coal Investments Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

* During business hours (Monday to Friday, 9:00am–5:00pm)