Redcape
HOTEL GROUP

Notice of Meeting and Explanatory Statement

The Directors and Independent Board Committee of **Redcape Hotel Group Management Ltd**, acting as responsible entity of **Redcape**, unanimously recommend that you

VOTE IN FAVOUR

of the Resolutions, in the absence of a superior proposal, and subject to the Independent Expert continuing to conclude that Non-Associated Securityholders should vote in favour of the Proposal as it provides them with a number of key benefits.

The Independent Expert, Grant Thornton Corporate Finance Pty Ltd, has concluded that Non-Associated Securityholders should **VOTE IN FAVOUR** of the Proposal as it provides them with a number of key benefits. Grant Thornton's conclusion should be read in context with the full Independent Expert's Report set out in Appendix 2 of this booklet.

If you wish to vote by proxy, please complete and return the Proxy Form provided to you by following the instructions set out in the Notice of Meeting in sufficient time so that it is received by Boardroom no later than 11am Sydney time, Wednesday 8 September 2021.

Day, Date & Time of General Meeting:

11:00am Sydney time, Friday 10 September 2021

Place of General Meeting:

Redcape Securityholders may attend the Meeting online via a live webcast which will be made accessible to securityholders and which will include a facility for securityholders to cast a vote during the Meeting and ask questions in relation to the business of the meeting. Further instructions in respect of these arrangements are detailed in the following Notice of Meeting.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION

This Notice of Meeting and Explanatory Statement should be read in its entirety. If you are in any doubt about the information provided or the action you should take, you should consult your financial, taxation or other professional adviser. Should you wish to discuss the matters in this Notice of Meeting and Explanatory Statement, please contact the Redcape Securityholder Information Line on 1300 737 760 for callers within Australia or +61 2 9290 9600 for callers outside of Australia between 8:30am and 5:30pm Sydney time Monday to Friday.

Exclusive Financial Adviser

Goldman Sachs

Legal Adviser

Arnold Bloch Leibler
Lawyers and Advisers

Important Notices

What is this document?

This Explanatory Statement and accompanying Notice of Meeting is dated 18 August 2021 and is issued by Redcape Hotel Group Management Limited ACN 610 990 004 (the **Responsible Entity**) in its capacity as responsible entity of Redcape Hotel Trust I (ARSN 629 354 614) (**Trust I**) and Redcape Hotel Trust II (ARSN 629 354 696) (**Trust II**) (together, Redcape). Redcape is a stapled group comprising both Trust I and Trust II. Concurrent meetings of Trust I and Trust II are being held at the same time, as both Trust I and Trust II have identical securityholders since a unit in Trust I is stapled to a unit in Trust II. These stapled units are traded on ASX under the ticker code 'RDC'.

The purpose of this Explanatory Statement and accompanying Notice of Meeting is to:

- provide information about a proposed delisting of Redcape, as described further in this Explanatory Statement and accompanying Notice of Meeting and to provide such other information that may be considered material to securityholders in determining how to vote on that proposed delisting (**Delisting**) and the other Resolutions set out in in the Notice of Meeting. All information in this document forms part of the Notice of Meeting;
- provide disclosure of, and information regarding how to participate in, the off-market Buy-Back which is being offered by the Responsible Entity as a mechanism for Redcape Securityholders to apply to exit their investment in Redcape prior to the Delisting (if approved) should you wish to do so; and
- provide disclosure in relation to a rights issue being offered by the Responsible Entity, which will provide part of the funding for the Buy-Back (**Rights Issue**) The Rights Issue is being made pursuant to section 1012DAA of the Corporations Act, which allows rights issues to be conducted without a product disclosure statement

This Explanatory Statement and accompanying Notice of Meeting:

- is not a product disclosure statement under Chapter 7 of the Corporations Act; and
- does not contain all information which would be required to be included in a product disclosure statement under Chapter 7 of the Corporations Act;

It is therefore important that you read previously disclosed publicly available information about Redcape (for example on the Redcape website at https://www.redcape.com.au or on ASX's website at https://www2.asx.com.au) before deciding how to vote of the Resolutions or whether or not you wish to participate in the Buy-Back or Rights Issue.

Before deciding whether to apply for New Securities, you should consider whether they are a suitable investment for you in light of your own investment objectives and financial circumstances and having regard to the merits or risks involved. If you have any queries or are uncertain about any aspect of the Rights Issue or the Buy-Back, you should consult your financial, legal, tax or other professional adviser.

When making an investment decision in connection with the Rights Issue or the Buy-Back, you should consider the risk factors set out in Section 10 of this Explanatory Statement carefully and in light of your individual circumstances. The risks identified in Section 10 are non-exhaustive indicators of factors which may affect the financial and operating performance of Redcape.

None of the Responsible Entity, the Underwriter, the Lead Manager, the Manager nor any other person guarantees:

- any specific rate of return in respect of Redcape Securities;
- the performance of Redcape;
- repayment of capital from Redcape; or
- any particular tax treatment.

Important Notices

How to participate in the Meeting

Redcape Securityholders can attend the Meeting online at https://web.lumiagm.com/394879042. In light of current uncertainty and potential health risks associated with large gatherings during the COVID-19 pandemic, the Meeting will be conducted entirely online and there will not be a physical meeting where Redcape Securityholders and their proxies, attorneys or corporate representatives can attend in person.

In order to facilitate Redcape Securityholders' participation in the Meeting, the online platform will be facilitated by the Responsible Entity through its registry Boardroom.

The web address to access the Meeting online will be: https://web.lumiagm.com/394879042. This link will be activated one hour prior to the meeting but will not be active as at the date of this Explanatory Statement and the accompanying Notice of Meeting.

In order to participate in the Meeting online, including by casting any votes or asking any questions in real-time, Redcape Securityholders will need to:

- access the online platform on their computer or other device at the time of the Meeting via the above link;
- login to the online platform using the Meeting ID 394-879-042, their Voting Access Code (**VAC**) and their password; and
- follow the relevant prompts on screen.

Redcape Securityholders can find their VAC located on the first page of their Proxy Form. For Australian resident securityholders, their password is the postcode of their registered address. For non-Australian resident securityholders, their password is their character country code available in the Virtual Meeting User Guide.

To participate and vote online at the Meeting, proxies, and corporate representatives and attorneys will need to contact Boardroom prior to the Meeting to obtain a username and password. This can be obtained by email via proxy@boardroomlimited.com.au or by calling 1300 737 760 or +61 2 9290 9600.

Any updates in relation to the Meeting generally will be made available to Redcape Securityholders prior to the Meeting via Redcape's website at www.redcape.au/investor-centre and on ASX. The Responsible Entity recommends Redcape Securityholders monitor this website ahead of the Meeting.

Redcape Securityholders who are unable to or who do not wish to attend the online Meeting will be able to vote via submitting a proxy ahead of the Meeting.

No investment advice

The information contained in this Explanatory Statement and accompanying Notice of Meeting does not constitute financial product advice and has been prepared without reference to your particular investment objectives, financial situation, taxation position and needs.

It is important that you read the Explanatory Statement and accompanying Notice of Meeting in its entirety before making any investment decision and any decision on how to vote on the Resolutions or whether to participate in the Rights Issue or the Buy-Back. If you are in any doubt on how to vote on the Resolutions, in relation to the Rights Issue, the Buy-Back or any action to be taken, you should contact your financial, legal, tax or other professional adviser.

Preparation and responsibility

This Explanatory Statement and accompanying Notice of Meeting Statement has been prepared by the Responsible Entity. Subject to law, the Responsible Entity and its directors and officers do not assume any responsibility for the fairness, accuracy, correctness or completeness of any information contained in the Explanatory Statement and accompanying Notice of Meeting

To the maximum extent permitted by law, none of the Responsible Entity, the Underwriter, the Lead Manager, the Manager nor any of their respective directors, officers, employees, agents or intermediaries accepts any liability for any loss arising from the use of this Explanatory Statement and accompanying Notice of Meeting.

The information in this Explanatory Statement and accompanying Notice of Meeting remains subject to change without notice. The Responsible Entity reserves the right to withdraw or vary the timetable for implementing the Resolutions without notice.

Forward looking statements

This Explanatory Statement and accompanying Notice of Meeting may contain statements which are considered to be forward-looking.

Forward looking statements can generally be identified by the use of forward looking words such as 'expect', 'anticipate', 'likely', 'intend', 'propose', 'should', 'could', 'may', 'predict', 'plan', 'will', 'believe', 'forecast', 'estimate', 'target', and other similar expressions within the meaning of securities laws of applicable jurisdictions and include, but are not limited to, the outcome and effects of the Rights Issue and the Buy-Back.

Forward looking statements may involve significant element of subjective judgment, assumptions as to future events, and analysis and are subject to uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to, the Responsible Entity (and its officers, employees, agents or associates). In addition, the uncertainty and risks created by the COVID-19 pandemic increase the difficulty of making such judgements and analysis.

Unforeseen or unpredictable events and various risks could affect the future results of Redcape following the implementation of the Proposal, causing results to differ from those which are expressed, implied or projected in any forward-looking statements. Given these uncertainties, it is prudent not to place undue reliance on any forward-looking statements. Refer to Section 10 (Key Risks) of this Explanatory Statement for a summary of certain general and Redcape specific risk factors that may affect Redcape. There can be no assurance that actual outcomes will not differ materially from these forward looking statements. A number of important factors could cause actual results or performance to differ materially from the forward looking statements. Investors should consider the forward looking statements contained in this Explanatory Statement in light of these disclosures.

The forward looking statements are based on information available to the Responsible Entity as at the date of this Explanatory Statement and accompanying Notice of Meeting. Except as required by law or regulation (including the Australian Securities Exchange (**ASX**) Listing Rules), the Responsible Entity undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise.

Past performance

Investors should note that past performance, including past security price performance, cannot be relied upon as an indicator of (and provides no guidance as to) future Redcape performance including future security price performance.

Foreign jurisdictions

This Explanatory Statement and accompanying Notice of Meeting have been prepared to comply with the requirements of the laws of Australia, which may differ from the requirements in jurisdictions outside of Australia. To the extent that you are, or hold Redcape Securities or Rights on behalf of another person, resident outside Australia, New Zealand and the United Kingdom, it is your responsibility to ensure that any participation (including for your own account or when you hold Redcape Securities or Rights beneficially for another person) complies with all applicable foreign laws and that each beneficial owner on whose behalf you are participating in the Rights Issue is not in the United States and not acting for the account or benefit of a person in the United States.

This Explanatory Statement and accompanying Notice of Meeting does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. Rights are not transferable, and New Securities may not be offered or sold in any country outside Australia, New Zealand and the United Kingdom except to the extent permitted below. No action has been taken to register or qualify the Rights Issue, the Rights or the New Securities, or otherwise permit the public offering of the New Securities, in any jurisdiction other than Australia, New Zealand and the United Kingdom.

The release, publication or distribution of this Explanatory Statement and accompanying Notice of Meeting in jurisdictions other than Australia may be restricted by law. Any failure to comply with such restrictions may constitute a violation of applicable laws. If you come into possession of this Information, you should observe such restrictions and should seek your own advice on such restrictions.

Nominees and custodians may not distribute this document, and may not permit any beneficial shareholder to participate in the Offer, in any country outside Australia and New Zealand except, with the consent of Redcape, to beneficial securityholders resident in certain other countries where Redcape may determine it is lawful and practical to make the Offer.

United States

This Explanatory Statement and accompanying Notice of Meeting, or any accompanying ASX announcements or the Entitlement and Acceptance Form, do not constitute an offer to sell any securities in the United States. This Explanatory Statement and accompanying Notice of Meeting may not be distributed or released in the United States. Neither the rights under the Rights Issue described in this Explanatory Statement and accompanying Notice of Meeting (**Rights**) nor the New Securities have been, nor will be, registered under the US Securities Act of 1933, as amended (**US Securities Act**), or the securities laws of any state or other jurisdiction of the United States. The Rights may not be taken up or exercised by persons in the United States or by persons who are acting for the account or benefit of a person in the United States. The New Securities may not be offered, sold or resold in the United States or to persons acting for the account or benefit of a person in the United States except in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US State securities laws.

Defined terms

Capitalised terms used in this Explanatory Statement and accompanying Notice of Meeting are defined in the Glossary.

Time

Unless stated otherwise, all times expressed in this Explanatory Statement and accompanying Notice of Meeting refer to Sydney Time.

Times and dates in this Explanatory Statement and accompanying Notice of Meeting are (except where historical) indicative only and subject to change. Refer to the 'Key dates' for more details.

Currency and financial data

Unless stated otherwise, all references to dollars, $, cents or ¢ are to Australian dollars and financial data is presented as at the date stated.

Trading New Securities

Redcape, the Lead Manager and the Underwriter will have no responsibility and disclaim all liability (to the maximum extent permitted by law) to persons who trade New Securities they believe will be issued to them before they receive their holding statements, whether on the basis of confirmation of the allocation provided by Responsible Entity or the Registry or otherwise, or who otherwise trade or purport to trade New Securities in error or which they do not hold or are not entitled to.

If you are in any doubt, as to these matters you should first consult with your financial, legal, tax or other professional adviser. Should you wish to discuss the matters in this Notice of Meeting and Explanatory Statement, please contact the Redcape Securityholder Information Line on 1300 737 760 for callers within Australia or +61 2 9290 9600 for callers outside of Australia between 8:30am and 5:30pm Sydney time Monday to Friday.

Updated information

Redcape may update the information contained in this Explanatory Statement and accompanying Notice of Meeting via the ASX announcements platform and on its website at https://www.redcape.com.au.

Privacy

The Responsible Entity may collect personal information in the process of conducting the Meeting and implementing the Resolutions, if approved.

Such information may include the Redcape Securityholder's name, contact details and securityholding, and the name of persons they have appointed to act as a proxy, corporate representative or attorney at the Meeting. The primary purpose of collecting personal information is to assist the Responsible Entity to conduct the Meeting and implement the Resolutions, including the Buy-Back, the Rights Issue and the Delisting, if approved. Personal information collected will not be used for any other purpose.

Personal information of the type described above may be disclosed to print, mail and other service providers and related bodies corporate of the Responsible Entity. Securityholders and persons appointed to act as a proxy, corporate representative or attorney at the Meeting have certain rights to access their personal information that has been collected and may contact the Responsible Entity in the first instance if they wish to access their personal information.

Contents

Chairman's Letter

Authorised for release
by sub-Committee of the Board of Directors
Redcape Hotel Group Management Ltd

18 August 2021

Dear Redcape Securityholder,

On behalf of the Independent Board Committee (**IBC**) of Redcape Hotel Group Management Ltd in its capacity as responsible entity of Redcape Hotel Trust I and Redcape Hotel Trust II, I am pleased to invite you to attend a general meeting of Redcape Securityholders to be held on Friday 10 September 2021 at 11:00am Sydney time which will be held online (**Meeting**).

The Meeting is to consider the proposed delisting of Redcape. The Proposal also involves a Buy-Back to provide a liquidity opportunity in the month immediately after securityholders approve the Proposal at a premium to Redcape's current trading price for Redcape Securityholders who choose not to hold an unlisted investment in Redcape. Redcape will undertake a Rights Issue to partially fund the Buy-Back and as well as provide the opportunity for existing Redcape Securityholders to acquire additional securities. The Rights Issue is fully underwritten by MA Moelis Australia Advisory Pty Ltd, a subsidiary of MA Financial Group.

The Proposal is subject to the approval of the Resolutions outlined in the Notice of Meeting, for which further detail is outlined in this Explanatory Statement. The Notice of Meeting is located at Appendix 1 of this Explanatory Statement.

Delisting Proposal overview:

- If the Resolutions are passed by the requisite majorities, Redcape will become an unlisted fund. The pricing of new issues of Redcape Securities would then be based on the underlying value of Redcape's hotel assets based on Directors NAV[1]. The Directors NAV utilises market value for Redcape's hotel assets and represents a significant premium to the average trading price of Redcape Securities since its listing on the ASX;
- The IBC believes that Redcape holds a high-quality portfolio of hotels, and that this portfolio represents an attractive long-term investment;
- Redcape Securityholders who wish to sell their Redcape Securities prior to its delisting would be offered liquidity at $1.15 per security under a Buy-Back. This represents a 22.3% premium to Redcape's security price immediately prior to the date of announcement of the Proposal and is a premium to Redcape's highest close price since IPO;
- the Responsible Entity would aim to offer Redcape Securityholders who remain invested in Redcape post listing the opportunity to sell their securities in future at a specified discount to Directors NAV. The terms and conditions of the ongoing liquidity facility for Redcape as an unlisted fund, including the redemption price discount, caps and limitations, are detailed in Section 2 of this Explanatory Statement; and
- MA Financial Group and its executives who collectively hold in excess of 75.0 million Redcape Securities will remain invested following its delisting.

Rationale for proposal

Since IPO in November 2018, Redcape has consistently traded at a discount to Directors NAV despite the strong operational performance reflected through positive increases in independent valuations across its portfolio. The IBC believes that the delisting Proposal is the most attractive pathway to maximising the value of Redcape Securityholders' interests.

Under the Proposal, Redcape Securityholders who elect to retain their securityholding after it becomes an unlisted fund are expected to benefit from:

- increased earnings and distributions: for example, for illustrative purposes, had the Proposal been implemented on 1 July 2020 and assuming a net 100.0 million Redcape Securities were bought and cancelled under the Buy-Back and a payout ratio of 80%:[2]

1 Directors NAV reflects the Responsible Entity's valuations of Redcape's hotels and therefore differs from statutory NAV under Australian Accounting Standards.
2 See section 7 for details of pro forma adjustments upon which these numbers are based.

- – Pro forma FY21 Underlying Earnings per security would have increased by 14.6% (from 10.2cps to 11.7cps); and
- – Pro forma FY21 distributions per security would have increased by 14.6% (from 8.2cps to 9.3cps),

- future access to liquidity over time under the Unlisted Liquidity Facility[3] at a price that approaches Directors NAV (with a view to removing the material listed market discount and security price uncertainty). The unlisted liquidity facility is similar in its terms to many other unlisted real estate funds;
- continuity of management and a continued exposure to a high-quality underlying asset base; and
- ability to move towards a more efficient capital structure and cost of capital to continue to grow the Underlying Earnings and Directors NAV of Redcape over time.

Redcape Securityholders who elect to sell their Redcape Securities in the Buy-Back would benefit from:

- immediate liquidity at the $1.15 Buy-Back Price[4]. This represents a 22.3% premium to the Redcape price prior to the Announcement Date and a 13.9% premium to the 3-month VWAP to the Announcement Date. The Buy-Back Price is at a 12.2% discount to Redcape's 30 June 2021 Directors NAV. The pricing of the Buy-Back is designed to balance the interests of long-term investors choosing to remain invested in Redcape, while providing an attractive exit price, relative to pricing on ASX, to investors seeking immediate liquidity;
- the opportunity to receive value certainty for their holding;[5] and
- the Proposal being subject to limited conditionality once Securityholder Approval has been obtained and as such providing the ability for Redcape Securityholders to receive consideration in a timely manner.

The Proposal is designed to give flexibility to Redcape Securityholders so that:

- Redcape Securityholders who wish to exit rather than continue their investment in an unlisted environment have an opportunity to do so through the Buy-Back at a significant premium to that currently available; and
- Redcape Securityholders who wish to continue their investment have an opportunity to remain invested and acquire further Redcape Securities under the Rights Issue.

A summary of the advantages and disadvantages of the Proposal is set out in Section 3 of this Explanatory Statement.

Proposal

The Proposal comprises the following components:

- **Delisting of Redcape from ASX**
  - – Redcape's existing corporate entities and management structure would be retained, with the fund continuing to be managed by MA Hotel Management Pty Ltd (**MAHM** or the **Manager**) and governed by the existing Responsible Entity Board; and
  - – **the Responsible Entity would aim to offer investors quarterly liquidity through the Unlisted Liquidity Facility[6] -** Investors in Unlisted Redcape who wish to exit post the delisting Buy-back but earlier than 31 December 2022 , subject to the caps and limitations detailed in section 2, would be able to do so as follows:
    - for the quarter ending 30 June 2022 at a 7.5% discount to Directors NAV per Redcape Security; and
    - for the quarter ending 30 September 2022 at a 5.0% discount to Directors NAV per Redcape Security.

3 See Section 2.5.2 for conditions and limits on Unlisted Liquidity Facility
4 Subject to scale back of no more than 40.0% in aggregate. See Section 2.2 for details.
5 Subject to scale back of no more than 40.0% in aggregate. See Section 2.2 for details.
6 See Section 2.5.1 for conditions and limits on Unlisted Liquidity Facility

The Responsible Entity may from time to time reduce the exit discount applied in its discretion.

- **Buy-Back at a fixed Buy-Back Price of $1.15 per Redcape Security, prior to Delisting,** pursuant to which Redcape Securityholders may exit their investment in Redcape. The Buy-Back will be funded by increasing Redcape's debt facilities to a forecast Directors Gearing of 46.1%[7] , and the Rights Issue described below. The Buy-Back will be capped at $247.3 million, reflecting $115.0 million in net debt funding and $132.3 million funded by the Rights Issue.
- **The Rights Issue at $1.15 per New Security, on a 1 for 4.8 basis and will be fully underwritten by MA Moelis Australia Advisory Pty Ltd (Underwriter)**. The Rights Issue has been structured such that:
  - Redcape Securityholders will be able to apply for additional securities above their Rights subject to a cap of 2.0x their Rights Issue entitlement in addition to their Rights Issue entitlement. For example, if you currently own 100,000 Redcape Securities you will be entitled to acquire up to 20,833 securities under the Rights Issue to apply for 41,666 additional securities.
  - the Responsible Entity believes that the Buy-Back limit is sufficiently sized to allow full liquidity to Exiting Securityholders under a range of likely outcomes however the range of likely outcomes under the Buy-Back may change as a result of movements in the Redcape register as at the date of this Explanatory Statement.
  - if the total value of the securities which Redcape Securityholders elect to sell in the Buy-Back exceeds the Buy-Back Limit, a scale-back would be applied on a pro-rata basis. This means that if you apply to participate in the Buy-Back you may not have all of your securities bought back (although at least 60.0% of your securities would be bought back);
  - the Underwriters commitment is up to $132.3 million. Each dollar raised under the Rights Issue from Redcape Securityholders will reduce the size of the Underwriters' commitment, which will only be drawn upon to the extent there is demand under the Buy-Back in excess of Redcape's additional $115.0 million of net debt funding as well as any take-up under the Rights Issue.
  - The Rights Issue is being managed by Ord Minnett Limited (the **Lead Manager**).

If approved by Redcape Securityholders, the Delisting is proposed to occur on 2 November 2021, and the Buy-Back and Rights Issue would occur between the Meeting and Delisting. A timetable for the Proposal is set out in the Key dates section on page 7 of this Explanatory Statement.

Recommendation

Details of the Resolutions in relation to the Proposal are provided in the Notice of Meeting and Explanatory Statement accompanying this letter. The Notice of Meeting and Explanatory Statement contain important information about the Proposal, including details of, and reasons for, the Proposal.

The Independent Expert, Grant Thornton Corporate Finance Pty Ltd, has concluded that Non-Associated Securityholders should vote in favour of the Proposal as it provides them with a number of key benefits. Grant Thornton's conclusion should be read in context with the full Independent Expert's Report set out in Appendix 2 of this booklet.

Having regard to the Independent Expert opinion and the advantages and disadvantages of the Proposal, the Independent Board Committee believes that the Proposal is in the best interests of Redcape Securityholders in the absence of a superior proposal. The Independent Board Committee recommends that Redcape Securityholders vote in favour of each of the Resolutions to be considered at the Meeting, and each of the members of the Independent Board Committee intend to vote any Redcape Securities they hold in favour of each of the Resolutions. In addition, all members of the Independent Board Committee do not intend to participate in the Buy-Back and intend to retain their Redcape Securities post delisting.

If you are not attending the online Meeting, you may appoint a proxy to attend the Meeting and vote on your behalf. The proxy form accompanies the Notice of Meeting and includes instructions on how to vote and appoint a proxy.

If you have any questions in relation to the Proposal, the Notice of Meeting or the Explanatory Statement, please contact your stockbroker, accountant, lawyer or other professional adviser or call the Redcape Securityholder Information Line on 1300 737 760 for callers within Australia or +61 2 9290 9600 for callers outside of Australia between 8:30am and 5:30pm (Sydney time) Monday to Friday.

Yours sincerely,

Mr. Nicholas Collishaw

Independent Non-Executive Chairman
Redcape Hotel Management Ltd

7 Equates to a Statutory Gearing of 49.1%. Directors Gearing ratio values Redcape's assets based on Directors valuations rather than Australian Accounting Standards methodology.
8 Includes a $75.0 million 18-month bridge loan to be repaid using subsequent asset sale proceeds to the extent required

KEY INFORMATION

Key dates

The following are the key dates in relation to the Proposal

Event	Date
Date of this Explanatory Statement	**Wednesday, 18 August 2021**
Announcement of FY21 Redcape results	**Wednesday, 18 August 2021**
Last time and date for receipt of proxy forms (including proxies lodged online) or powers of attorney by the Registry for the Meeting	**Wednesday, 8 September 2021 at 11am (Sydney time)**
Time and date for determining eligibility to vote at the Meeting	**Wednesday, 8 September 2021 at 7pm (Sydney time)**
Redcape Securityholder Meeting	**Friday, 10 September 2021**
Ex-Entitlement Date for Buy-Back and Rights Issue	**Thursday, 16 September 2021**
Buy-Back/Rights Issue Record Date	**Friday, 17 September 2021**
Opening Date for Buy-Back and Rights Issue	**Monday, 20 September 2021**
Despatch of Buy-Back and Rights Issue booklet	**Wednesday, 22 September 2021**
Closing Date for Buy-Back	**Monday, 18 October 2021**
Announcement of the results of the Buy-Back (including details of maximum scale-back)	**Tuesday, 19 October 2021**
Closing Date for Rights Issue	**Thursday, 21 October 2021**
Announcement of results of Rights Issue (including any pro-rata scale-back with respect to applications for Additional New Securities)	**Friday, 22 October 2021**
Rights Issue Settlement Date (settlement of Rights Issue)	**Tuesday, 26 October 2021**
Issue Date for the of Rights Issue **Buy-Back Settlement including cancellation of securities bought-back by Redcape Responsible Entity)**	**Wednesday, 27 October 2021**
Suspension Date (date on which Redcape Securities are suspended from trading on ASX)	**Friday, 29 October 2021**
Delisting Date	**Tuesday, 2 November 2021**

All times and dates in the above timetable are references to the time and date in Sydney, New South Wales, Australia and all such times and dates are subject to change. The Responsible Entity may vary any or all of these dates and times and will provide notice of any such variation on ASX. Certain times and dates are conditional on the approval of the Proposal by Redcape Securityholders and ASX. Any changes will be announced by the Responsible Entity to ASX.

Frequently asked questions

Question	Answer	More information
Overview		
What is the Proposal?	The Proposal is to delist Redcape and conduct the Buy-Back and the Rights Issue as described in this Explanatory Statement. The Buy-Back is proposed to provide Redcape Securityholders with an additional opportunity to exit their investment in Redcape in part or whole prior to Delisting. The Rights Issue is being conducted for the purpose of partially funding the Buy-Back. The Proposal is conditional on Redcape Securityholders passing each of the Resolutions at the Meeting.	Sections 1, 2, 6 and 8
What are the Resolutions?	At the Meeting, Redcape Securityholders will be asked to consider, and if thought fit, to pass: ▪ the Buy-Back Resolution to facilitate the Buy-Back on the terms set out in this Explanatory Statement; ▪ the Constitution Amendment Resolution to approve proposed amendments to the Constitutions, which facilitate the Proposal and the operation of Redcape as an unlisted entity, including the Unlisted Liquidity Facility and performance fee arrangements that will apply to Unlisted Redcape; and ▪ the Delisting Resolution to approve the Delisting of Redcape under Listing Rule 17.11. Each of these Resolutions is inter-conditional and must be passed in order for the Proposal to be implemented.	Section 6.9
What does the Independent Board Committee recommend?	The Independent Board Committee unanimously recommends that Redcape Securityholders vote in favour of the Resolutions, each of which is required to implement the Proposal, in the absence of a superior proposal. The Independent Board Committee members intend to vote in favour of the Resolutions in relation to their own Redcape Securities. In addition, all members of the Independent Board Committee do not intend to participate in the Buy-Back and intend to retain their Redcape Securities post delisting.	Section 4.4
What is the opinion of the Independent Expert?	The Independent Expert, Grant Thornton Corporate Finance Pty Ltd, has concluded that Non-Associated Securityholders should vote in favour of the Proposal as it provides them with a number of key benefits. Grant Thornton's conclusion should be read in context with the full Independent Expert's Report set out in Appendix 2 of this booklet.	Section 4.3

Question	Answer	More information
Overview		
What are the advantages of the Proposal?	Advantages of implementation of the Proposal for Redcape Securityholders who elect to retain their investment in Redcape include: ▪ the proposed Unlisted Redcape structure is expected to provide greater potential to exit investment at close to Directors NAV; ▪ the Proposal is expected to result in an increased Underlying Earnings and distribution yield although with higher gearing; ▪ the Proposal is expected to result in an increase in Directors NAV per Redcape Security; and ▪ continued exposure to the asset class in a more competitive fund structure. Advantages of implementation of the Proposal for Exiting Securityholders include: ▪ the Buy-Back Price of $1.15 per Redcape Security, which will be received by Exiting Securityholders, represents a substantial premium over Redcape's recent trading prices, including a 22.3% premium to the last close prior to the Announcement Date; ▪ Redcape Securityholders exiting their investment will receive certainty of value for their Redcape Securities under the Buy-Back, delivering immediate value at a compelling price, subject to a potential scale-back of no more than 40.0% in aggregate; and ▪ the Buy-Back, permits partial participation by Eligible Securityholders.	Section 3.1 Section 3.2
What are the disadvantages of the Proposal?	Disadvantages of implementing the Proposal for Redcape Securityholders who elect to retain their investment in Redcape include: ▪ Redcape Securityholders will no longer be able to trade in Redcape Securities on the ASX. Following implementation of the Proposal, the Responsible Entity expects to provide quarterly liquidity offers under the Unlisted Liquidity Facility. However, you may consider that you will have less access to liquidity following the Proposal; ▪ The Buy-Back is to be funded in part by an increase in borrowings. The higher level of borrowings will (all else being equal) give rise to more variable returns for investors. A higher level of borrowings also increases the risk associated with the use of debt, including having to sell assets or raise equity on disadvantageous terms in order to keep within loan covenants, or of being unable to sell assets or raise equity and defaulting on loan covenants, or being unable to refinance when the loan term expires; ▪ MA Financial Group and its associates currently have a relevant interest in approximately 39.8% of all Redcape Securities. If the Proposal is implemented, their relevant interest could increase to up to no more than 77.7%.[1] As a result, other Redcape Securityholders may have little ability to influence the direction of Redcape; ▪ the Listing Rules and the takeovers provisions of the Corporations Act will no longer apply to Redcape; and ▪ Redcape, as an unlisted vehicle, will not have the ability to raise capital from the issue of securities by means of limited disclosure fundraising documents. Disadvantages of implementation of the Proposal for Exiting Securityholders who elect to sell their securityholding through the Buy-Back include: ▪ there will be tax consequences for Exiting Securityholders, which may include capital gains tax payable on their sale proceeds; and ▪ Exiting Securityholders will not receive any future distributions, and will lose their exposure to the financial performance of Redcape's portfolio.	Section 3.3

1 Allows for the possibility that MA Financial Group and its associates creep by up to 3.0% prior to the Proposal being implemented. Assuming no creep acquisition, their relevant interest could increase to up to no more than 74.0% as a result of the Proposal

Frequently asked questions

Question	Answer	More information
Overview		
What are the risks associated with the Proposal?	Various risks are associated with implementing the Proposal, including with respect to: ▪ future liquidity opportunities and the prospect of being able to realise your investment at close to Directors NAV; ▪ scale-back under the Buy-Back; ▪ securityholder concentration; ▪ increased gearing; ▪ takeovers rules no longer applying to Redcape; ▪ Listing Rules no longer applying to Redcape; and ▪ change in control risk. This list is not exhaustive and you are directed to read the Risks Section in this Explanatory Statement in full.	Section 10
What will happen if the Proposal is not implemented?	If the Proposal is not implemented, Redcape Securities will continue to be traded on the ASX, and the Buy-Back and the Rights Issue will not proceed. The price of Redcape Securities may continue to trade below Directors NAV. Redcape estimates it will have incurred approximately $1.5 million in costs in connection with the Proposal.	Section 3.5 and 10.2
Meeting details and voting		
When and where will the meeting be held?	The Meeting will be held online at 11:00am (Sydney time) on Friday 10 September 2021. You can attend the Meeting by logging in online at the following link: https://web.lumiagm.com/394879042.	Notice of Meeting as attached in Appendix 1
Can I attend the Meeting, and vote, online or in person?	Due to the health risks created by the COVID-19 pandemic, the Meeting will proceed online. The online platform enables participants to view the Meeting live, ask questions online and vote on the Resolutions in real time.	Section 5.2 and Notice of Meeting as attached in Appendix 1
Who is entitled to vote on the Resolutions?	You will be entitled to vote on the Resolutions if you are registered as a Redcape Securityholder on the Register at 7.00pm on the date which is two days prior to the meeting (two days prior is currently expected to be Wednesday 8 September 2021).	Notice of Meeting as attached in Appendix 1
What are the Redcape Securityholder approval thresholds for the Resolutions?	In relation to the Buy-Back Resolution, the requisite majority of votes in favour required for the resolution to pass is more than 50.0% of the total number of votes cast by Redcape Securityholders entitled to vote on the Resolution. In relation to the Constitution Amendment Resolution and Delisting Resolution, the requisite majority of votes in favour required for the resolution to pass is at least 75.0% of the total number of votes cast by Redcape Securityholders entitled to vote on the Resolution.	Section 6.9

Frequently asked questions

Question	Answer	More information
Meeting details and voting		
How can I vote?	If you are attending the meeting, you can vote live during the meeting by joining the Meeting online at https://web.lumiagm.com/394879042. If you would like to vote but cannot attend the Meeting online, you can vote by appointing a proxy, attorney or corporate representative (if applicable) to attend and vote online on your behalf, including by lodging your Proxy Form online at https://www.votingonline.com.au//rdcegm2021, and following the instructions on your Proxy Form.	Section 5.2.2 and Notice of Meeting as attached in Appendix 1
Delisting		
What is the Delisting?	The Delisting is the proposed delisting of Redcape from the Official List of ASX under Listing Rule 17.11 as described in this Explanatory Statement.	Sections 1, 2, 3, 4 and 6
When will the Delisting occur?	If Redcape Securityholders approve the Proposal by passing each of the Resolutions at the Meeting, it is expected that Redcape will be delisted on Tuesday 2 November 2021.	Key Information
Buy-Back		
What is the Buy-Back and Buy-Back Price?	Redcape will offer a Buy-Back to Redcape Securityholders, for a one-month period prior to the Delisting, which will allow them to exit all (subject to potential scale-back of no more than 40.0% in aggregate) or part of their investment at a premium to the Redcape trading price prior to the Announcement Date. This will comprise an off-market buy-back at a fixed price of $1.15 per Redcape Security.	Section 2.2, 2.3, 2.4 and 8
How is the Responsible Entity funding the Buy-Back?	The Buy-Back will be funded through increasing Redcape's existing debt facilities and by the Rights Issue which is fully underwritten by the Underwriters.	Section 2.2, 2.3 and 6.3
Who can participate in the Buy-Back?	Persons who are registered as a holder of Redcape Securities as at the Record Date, currently expected to be Friday 17 September 2021, are eligible to participate in the Buy-Back. Any Redcape Securities acquired after the Record Date will have no entitlement to participate in the Buy-Back or Rights Issue.	Section 5.3
What is the size of the Buy-Back and how many Redcape Securities can I sell in the Buy-Back?	The Responsible Entity offers to buy back up to 100.0% of Redcape Securities held by each Redcape Securityholder However, the maximum number of the Redcape Securities which will be bought back is 215.0 million securities, which is equal to $247.3 million at the Buy-Back Price of $1.15 per security. If the Responsible Entity receives acceptances for more Redcape Securities than the Buy-Back Limit, a scale-back will occur on a pro-rata basis to ensure the Buy-Back-Limit is not exceeded as further detailed in Section 8.2.3. This scale–back will not be more than 40.0% in aggregate.	Section 8.2.1 and 8.2.3
When and how can I participate in the Buy-Back?	At this stage, you do not need to make any election in relation to the Buy-Back. If the Resolutions are passed by the Requisite Majorities at the Meeting, Buy-Back Eligible Securityholders as at the Record Date will be provided with further information on how to elect to participate in the Buy-Back, including receiving a personalised Buy-Back Participation Form.	Section 5.3

Frequently asked questions

Question	Answer	More information
Rights Issue		
What is the Rights Issue?	Redcape Securityholders will be offered the opportunity to increase their holding in Redcape by participating in a non-renounceable Rights Issue. The Rights Issue proceeds will form part of the funding for the Buy-Back, effectively replacing Exiting Securityholders who wish to exit Redcape with Continuing Securityholders who wish to retain and increase their holding in Redcape. The Rights Issue will comprise: ▪ an offer of 1 new Redcape Security for every 4.8 Redcape Securities held at the Record Date; ▪ at a price of $1.15 per security, the same price as the Buy-Back Price; and ▪ with the ability for Redcape Securityholders to apply for Additional New Securities subject to potential scale-back and a cap of 2.0x their Rights Issue entitlement in addition to their Rights Issue entitlement.	Section 2.3
Who is eligible to participate in the Rights Issue?	Rights Issue Eligible Securityholders can participate in the Rights Issue and become registered holders of New Securities. See Section 5.4 for details regarding who is a Rights Issue Eligible Securityholder. If you are not a Rights Issue Eligible Securityholder, then you are a Rights Issue Ineligible Securityholder. Rights Issue Ineligible Securityholders may elect to take up their Rights under the Rights Issue. However, instead of being issued to the Rights Issue Ineligible Securityholder, their New Securities will be issued to the Sale Nominee. The Sale Nominee will sell the Redcape Securities issued to it and distribute the proceeds, net of sale expenses, pro-rata to the Rights Issue Ineligible Securityholders who applied for Redcape Securities under the Rights Issue.	Section 5.4
When and how can I participate in the Rights Issue?	At this stage, you do not need to do anything in relation to the Rights Issue. If the Resolutions are passed by the Requisite Majorities at the Meeting, Redcape Securityholders as at the Record Date will be provided with more information on how to apply for New Securities and Additional Securities under the Rights Issue, including a personalised Rights Issue Entitlement and Application Form.	Section 5.4
What are the underwriting arrangements for the Rights Issue?	The Rights Issue will be fully underwritten by MA Financial Group. If there is a shortfall in take up of the Rights Issue, it will initially be allocated to Redcape Securityholders who applied for Additional New Securities, pro-rata to their applications for Additional New Securities, with any further shortfall allocated to MA Financial Group as underwriter. Redcape Securities in excess of take up under the Rights Issue will only be issued if and to the extent required to meet demand under the Buy-Back which has not been met by debt funding. Underwritten Redcape Securities would be allocated to any sub-underwriters which MA Financial Group had secured in priority to MA Financial Group and its associates.	Section 2.3 and 6.3

Question	Answer	More information
Unlisted Redcape		
How will Redcape operate as an unlisted vehicle?	If delisted, Redcape will comprise two unlisted Australian unit trusts, being Redcape Hotel Trust I and Redcape Hotel Trust II, which will continue to be stapled together and both continue to be registered managed investment schemes. Expected terms for the operation of Redcape as an unlisted vehicle following implementation of the Proposal are detailed in Section 2.5.2. One of the changes proposed to be made to the Constitutions is to apply the same form of Performance Fee for the Manager to Unlisted Redcape as applies while Redcape is Listed.	Section 2.5.2
What opportunity will I have to sell my Redcape Securities once Redcape is no longer Listed?	If Redcape is Delisted, the Responsible Entity intends to offer Redcape Securityholders quarterly liquidity at a price which over time will approach a 2.5% discount to Directors NAV through the Unlisted Liquidity Facility. The Responsible Entity may from time to time reduce the amount of discount applied in its discretion. The Unlisted Liquidity Facility is subject to conditions, caps and other limitations, and there is no guarantee that liquidity will be available under the Unlisted Liquidity Facility at any particular price, on any particular timing, or at all. If liquidity is available under the Unlisted Liquidity Facility, an investor's application for liquidity maybe scaled back.	Section 2.5
What opportunity will I have to sell my Redcape Securities before Redcape is Delisted?	If the Proposal proceeds and you do not wish to hold Redcape Securities once Redcape is Delisted, you will be able to apply to sell your Redcape Securities via the Buy-Back at a fixed price of $1.15 per Redcape Security. If the Responsible Entity receives acceptances for more securities than the Buy-Back Limit, a scale-back will occur on a pro-rata basis to ensure the Buy-Back-Limit is not exceeded as further detailed in Section 8.2.3. This scale–back will not be more than 40.0% in aggregate. If a scale-back applies, you will have the opportunity to sell any remaining Redcape Securities you hold on-market on the ASX between the date the scale-back is announced (expected to be Tuesday 19 October 2021) and the Suspension Date (expected to by Friday 29 October 2021). Alternatively, you may choose to sell your Redcape Securities on-market at any time at the prevailing market price, subject to available liquidity. Any Redcape Securities you sell after the Ex-Entitlement Date (expected to be Thursday 16 September 2021) will have no entitlement to participate in the Buy-Back or Rights Issue.	Section 2.2 and 8.2.3

Frequently asked questions

Question	Answer	More information
Other questions		
Can I sell my Redcape Securities now?	Yes. You can sell your Redcape Securities on-market (subject to demand) at any time before the Suspension Date at the prevailing market price at that time.	Section 2.2
What are the taxation implications of the Proposal?	The tax implications of the Proposal will depend on your personal circumstances, and whether or not you decide to participate in the Buy-Back or the Rights issue. A general outline of the main Australian tax implications of the Proposal is set out in Section 9 of this Explanatory Statement. This outline is general in nature. You should consult with your own tax advisers for detailed tax advice regarding the Australian and, if applicable, foreign tax implications of the Delisting, and participation in the Buy-Back or Rights Issue in light of your particular circumstances before making a decision as to how to vote on the Resolutions, and whether to participate in the Buy-Back or Rights Issue.	Section 9
When will the results and outcome of the Rights Issue and Buy-Back be known?	The results of the Rights Issue and the outcome of the Buy-Back (including details of any scale-back) are expected to be announced on Friday 22 October 2021.	N/A
Will I have to pay brokerage fees in respect of the Rights Issue and Buy-Back?	No brokerage fees will be payable by Exiting Securityholder on the sale of Redcape Securities to the Responsible Entity under the Buy-Back or by Rights Issue Eligible Securityholders who accept their Rights or apply for Additional New Securities under the Rights Issue.	N/A
Where can I get further information?	If, after reading this Explanatory Statement, you have any questions regarding the Proposal, please call 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia), or consult your legal, investment or other professional adviser.	N/A

Explanatory Statement

The purpose of the Explanatory Statement is to provide all information to Redcape Securityholders which is known to the Responsible Entity which it believes is material to the decision on how to vote on the Resolutions in the Notice of Meeting. The Explanatory Statement forms part of and should be read in conjunction with the Notice of Meeting.

1 Background to the Proposal

Redcape is an Australian hospitality business which operates a portfolio of 36 hotels across New South Wales and Queensland consisting of 34 freehold and 2 leasehold hotels worth approximately $1.3 billion.

Since listing in November 2018, Redcape has consistently traded at a discount to Directors NAV[1]. This is despite the strong operational performance and high quality of Redcape's portfolio which has seen Underlying Earnings grow from 8.5 cps in FY18 to 10.2 cps for FY21 representing a compound annual growth rate of 6.3%.

Notwithstanding the strong performance of the portfolio, Redcape has faced a number of headwinds in obtaining broader institutional support and relevance in the listed market due to a variety of reasons which include:

- lack of widespread index inclusion which was further impacted by the recent removal of Redcape from the ASX 300 index;
- shift towards ESG friendly investment mandates which continues to limit Redcape's investor universe in the listed market;
- unique mix of both property and operational earnings not fully aligning with property securities or general equity investor mandates;
- limited broker coverage; and
- being subscale and therefore lacking relevance.

Whilst Directors NAV has grown from $1.13 per security in FY18 to $1.31 per security as at 30 June 2021, the Redcape Security price has lagged trading at a 3-month VWAP of $1.01 per security as at the Announcement Date.

The Independent Board Committee and the Manager continue to believe in the fundamentals underpinning the portfolio and attractiveness of the hospitality asset class and remain committed and aligned with Redcape Securityholders to deliver long term value.

As such, the Independent Board Committee and the Manager have continued to explore ways to close the gap between Directors NAV and the price at which Redcape Securityholders can sell their securities should they wish to do so.

1 Directors NAV reflects the Responsible Entity's valuations of Redcape's hotels and therefore differs from statutory NAV under Australian Accounting Standards.

2 Summary of the Proposal and Resolutions

2.1 What is the Proposal

The Proposal, if successful, represents an opportunity for Redcape Securityholders to either:

- maintain (or increase through the Rights Issue) their existing exposure in a higher yielding unlisted fund structure with an ability to periodically realise liquidity in Unlisted Redcape over time under the Unlisted Liquidity Facility at a price closer to Directors NAV[2]; or
- exit their investment at a price of $1.15 per security (**Buy-Back Price**) and realise a material 22.3% premium to the last close prior to the Announcement Date, subject to a potential scale-back, as described in Section 8.2.3 below.

For Redcape Securityholders who continue to hold securities, Redcape's existing corporate entities and management structure will be retained in the unlisted structure with the fund continuing to be managed by the existing Manager and governed by the existing Responsible Entity board.

The Proposal, if implemented, will result in Delisting, proposed to occur on 2 November 2021.

2.2 Proposed Buy-Back exit mechanism prior to Delisting

Redcape will offer a Buy-Back to Redcape Securityholders, for a one-month period prior to Delisting, which will allow them to exit all or part of their investment at a premium to the Redcape trading price prior to the announcement of the Proposal. This will comprise an off-market Buy-Back, at a fixed price of $1.15 per security to be funded through increasing Redcape's existing debt facilities and by the Rights Issue which will be fully underwritten by MA Financial Group.

MA Financial Group and the MA SIV Property Fund have informed the Responsible Entity that they will not participate in the Buy-Back or the Rights Issue (other than, in the case of MA Financial Group, participating as Underwriter).

If the total value of the securities which Redcape Securityholders elect to sell in the Buy-Back exceeds the Buy-Back Limit, a scale back would be applied on a pro-rata basis. The maximum size of the Buy-Back of $247.3 million is sufficient to allow for the liquidation of at least 60.0% of all Redcape Securities excluding securities owned by MA Financial Group, MA SIV Property Fund and MA Financial Group executives who have indicated to the Responsible Entity that they do not intend to participate in the Buy-Back. This means that at most, applications for liquidation of Redcape Securities will be scaled back by no more than 40.0% in aggregate. The Responsible Entity believes that the Buy-Back Limit is sufficiently sized to allow full liquidity to Exiting Securityholders under a range of likely outcomes however the range of likely outcomes under the Buy-Back may change as a result of movements in the Redcape register prior to the Record Date.

In addition to selling through the Buy-Back, Redcape Securityholders can sell their Redcape Securities on-market at any time (subject to demand) up until the proposed Delisting date which is expected to be 2 November 2021. If investors sell their securities on-market they will be paid two ASX trading days (T+2) after the date on which the relevant trade takes place, under the ASX settlement process.

2.3 Proposed underwritten Rights Issue

Redcape Securityholders will also be offered the alternative of increasing their holding in Redcape by participating in the Rights Issue. The Rights Issue proceeds will form part of the funding for the Buy-Back, effectively replacing Redcape Securityholders who wish to exit Redcape with other Redcape Securityholders who wish to retain and increase their holding in Redcape. The Rights Issue will comprise:

- an offer of 1 New Security for every 4.8 Redcape Securities held at the record date;
- at a price of $1.15 per security, the same price as the Buy-Back price;
- with the ability for Redcape Securityholders to apply for Additional New Securities subject to a cap of 2.0x their Rights Issue entitlement in addition to their Rights Issue entitlement.

MA Financial Group and the MA SIV Property Fund have informed Redcape's Responsible Entity that they do not intend to apply to take up their Rights under the Rights Issue, in order to ensure that other Redcape Securityholders have the ability to participate in priority. MA Financial Group has agreed to fully underwrite the Rights Issue to increase funding available for Redcape Securityholders to participate in the Buy-Back should they wish to do so. If the total value of the securities Redcape Securityholders elect to sell in the Buy-Back exceeds the Buy-Back Limit, a scale back would be applied on a pro-rata basis.

As noted above, Redcape Securityholders will be able to apply for Additional New Securities above their entitlement subject to a cap of 2.0x their Rights Issue entitlement. If there is a shortfall in take up of the Rights Issue, subject to demand under the Buy-Back, it will initially be allocated to Redcape Securityholders who applied for Additional New Securities, pro-rata to their applications for Additional New Securities, with any further shortfall allocated to MA Financial Group as underwriter.

2 The Responsible Entity intends to offer investors quarterly liquidity starting at a 7.5% discount to Directors NAV per Redcape Security in the quarter ending 30 June 2022, decreasing to a 5.0% discount to Directors NAV in the quarter ending 30 September 2022 and stabilising at a 2.5% discount to Directors NAV from the quarter ending 31 December 2022 onwards. The Responsible Entity may from time to time reduce the amount of discount to Directors NAV applied in its discretion. The Responsible Entity expects that the amount of available liquidity in each quarter will be capped at 2.5% of Redcape's Directors NAV with scope to adjust the amount of available liquidity subject to the Responsible Entity's discretion.

The proposed order of application of funds to the acquisition of Redcape Securities which Redcape Securityholders elect to sell in the Buy-Back is as follows:

- funds raised from take-up under the Rights Issue, other than from applications for Additional New Securities or the underwriting;
- $115.0 million of net debt funding;
- funds raised from any Additional Securities required to meet Buy-Back demand; and
- funds raised from the underwriting of the Rights Issue, to the extent required to meet Buy-Back demand.

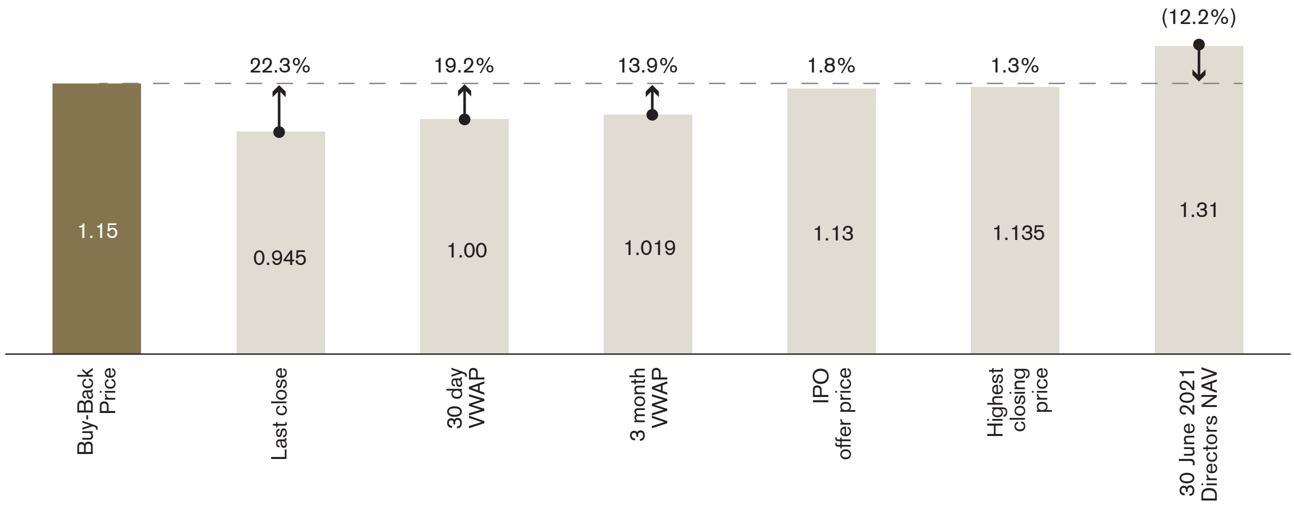
New Securities will be issued in respect of valid applications for entitlements under the Rights Issue even if that funding is in excess of the funding required to buy Redcape Securities under the Buy-Back. However, Additional New Securities in respect of shortfall under the Rights Issue will only be issued in event that the additional funding is required as decided by the IBC giving consideration to demand under the Buy-Back and pro forma gearing. New Securities will only be issued to the Underwriter if required to fund Buy-Back applications.

2.4 Buy-Back Price

The Buy-Back Price of $1.15 per security under the Buy-Back represents a premium to historical trading prices and a discount to Directors NAV as illustrated below:

- 22.3% premium to the last close price of Redcape Securities prior to the Announcement Date
- 19.2% premium to the 30-day VWAP of Redcape Securities up to and including Tuesday, 17 August 2021 (being the last day of trading prior to the Announcement Date)
- 13.9% premium to the 3-month VWAP of Redcape Securities up to and including Tuesday, 17 August 2021 (being the last day of trading prior to the Announcement Date)
- 1.8% premium to the Redcape's IPO price of $1.13 per security
- 1.3% premium to Redcape's highest closing price of $1.135 per security since IPO
- 12.2% discount to Redcape's 30 June 2021 Directors NAV

Liquidity Price Premiums



Redcape Securityholders should be mindful that in addition to the announcement of the Proposal, on the Announcement Date, Redcape also announced an increase in Directors NAV per security to $1.31 from $1.22 as at 31 December 2020. This means that the trading prices prior to the Announcement Date did not factor in the increase in Directors NAV although it is not certain how much this would have increased the trading price of Redcape's Securities, if at all.

The Responsible Entity and the Manager believe that both domestic and foreign high net worth investors are strongly supportive of their Redcape investment, and as such believe it is unlikely that demand for liquidity from Redcape Securityholders would exceed the Buy-Back Limit based on analysis undertaken on the Redcape register as at the time this Explanatory Statement was prepared.

Considering that funding for the Buy-Back will partially be borne by non-participating Redcape Securityholders who choose to remain in Unlisted Redcape, it was important to establish a fair and equitable price that balances the interests of Exiting Securityholders and the Continuing Securityholders who are funding that exit and choosing to remain invested in Unlisted Redcape. The Independent Board Committee believes that $1.15 per security is a fair price for the Buy-Back that balances these interests. As part of the Proposal, Redcape Securityholders will have the choice to sell some of their securities into the Buy-Back and retain some of their securities if they do not wish to exit in full.

MA Financial Group and the MA SIV Property Fund have confirmed to the Responsible Entity that they do not intend to sell their Redcape Securities in the Buy-Back or apply for further Redcape Securities under the Rights Issue other than as Underwriter. MA Financial Group and the MA SIV Property Fund have also expressed a preference not to increase their stake in Redcape. MA Financial Group has advised the Responsible Entity that while it continues to believe in the strong fundamentals underpinning the investment and attractiveness of the hospitality asset class, MA Financial Group already has a significant stake in Redcape on its balance sheet and, consistent with its broader business and investment strategy, would ideally prefer for Redcape to be more widely held.

Accordingly, MA Financial Group does not intend to take up its Rights under the Rights Issue. However, having established and floated Redcape and in order to ensure that any Redcape Securityholders who wish to exit have a reasonable opportunity to do so, MA Financial Group is willing to underwrite the Rights Issue to the extent necessary to support the Delisting Proposal and provide Redcape Securityholders with comfort that they will be able to exit with any scale-back being no more than 40.0% in aggregate.

The Responsible Entity is seeking Redcape Securityholder approval for the Proposed Delisting under the inter-conditional resolutions outlined in the Notice of Meeting.

Due to the operation of s253E of the Corporations Act, MA Financial Group and its related entities are excluded from voting on the Resolutions required to implement the Proposal.

The nature and purpose of each of the Resolutions is set out in Section 6.9 of this Explanatory Statement.

2.5 Unlisted Redcape

2.5.1 Overview

Once the Delisting has occurred, the Unlisted Redcape structure will allow securityholders to maintain their exposure to Redcape's high quality portfolio.

It is not anticipated that the change from a listed to an unlisted environment will have any material impact on the performance of Redcape's hotels or the costs associated with running the Redcape business. The Proposal is however expected to result in increased Underlying Earnings per Redcape Security predominantly due to the securities being cancelled through the Buy-Back being wholly or partially funded by an increase in borrowings, where Redcape's rate of interest on borrowings is lower than the Underlying Earnings per security yield at the $1.15 Buy-Back price.

Redcape's existing corporate entities and management structure will be retained if it is delisted with Redcape continuing to be managed by the existing Manager and governed by the existing Responsible Entity board.

In Unlisted Redcape, the Responsible Entity intends to offer Redcape Securityholders quarterly liquidity at a price which over time will approach a 2.5% discount to Directors NAV. The Responsible Entity intends to offer Redcape Securityholders quarterly liquidity at a withdrawal price starting at a 7.5% discount to Directors NAV, commencing in the quarter ending 30 June 2022, decreasing to a 5.0% discount to Directors NAV in the quarter ending 30 September 2022 and stabilising at a 2.5% discount to Directors NAV from the quarter ending 31 December 2022 onwards.[3] The Responsible Entity may from time to time reduce the amount of discount to Directors NAV applied in its discretion. The Responsible Entity expects that the amount of available liquidity in each quarter will be capped at 2.5% of Redcape's Directors NAV with scope to adjust the amount of available liquidity subject to the Responsible Entity's discretion.

Based on the outlined discounts above and assuming for illustrative purposes a pro forma Directors NAV of $1.31 per security, investors would have an opportunity, subject to the conditions and limits described in Section 2.5.2 to realise liquidity at $1.21 per security at 30 June 2022, $1.25 per security at 30 September 2022 and $1.28 per security from 31 December 2022 onwards (subject to the Responsible Entity's discretion to reduce the amount of discount to Directors NAV applied). This example is provided for illustrative purposes only and is not a guarantee of future performance and actual performance may differ.

These illustrative discounts contrast with the Buy-Back price of $1.15 per Redcape Security available pre-Delisting as part of the Proposal, which will represent a material 22.3% premium to the last closing price prior to the Announcement Date.

The Unlisted Liquidity Facility is expected to be funded through funds from operations and demand for new securities in Unlisted Redcape. However, the ability for the Responsible Entity to offer investors with quarterly liquidity after the Delisting will depend upon many factors including Unlisted Redcape remaining liquid, having sufficient cash reserves after the payment of distributions, available capacity under its debt facilities, and importantly its ability to attract new investors.

Having regard to these conditions and limitations of the Unlisted Liquidity Facility, it is important to note that there is no guarantee that liquidity in Unlisted Redcape will be available at any particular price, on any particular date, or at all. If liquidity is available, an investor's application for liquidity may be scaled back.

In order to better align the Constitutions with an unlisted fund structure, if the Proposal is approved, the Constitution Amendments will allow off-market buy-backs, will change the performance fee provisions so that, if Redcape is delisted, the fee is calculated on the same basis as is applicable while Redcape is listed (as further detailed in section 6.9(c)), and provides for the Unlisted Liquidity Facility in the unlisted environment. Further information on the Constitution Amendments is available in Section 6.9. Copies of the Constitution Amendments showing the proposed amendments can be accessed at www.redcape.com.au/investor-centre.

3 Directors NAV reflects the Responsible Entity's valuations of Redcape's hotels and therefore differs from statutory NAV under Australian Accounting Standards.

2.5.2 Detail on unlisted fund features

The table below summarises the key features of Redcape post-completion of the Proposal (**Unlisted Redcape**), including the proposed capped withdrawal facility (**Unlisted Liquidity Facility**) which will aim to offer investors quarterly liquidity at a price which over time will approach a 2.5% discount to Directors NAV per Redcape Security.

Feature	Summary
Fund structure	Unlisted Redcape will comprise of two unlisted Australian unit trusts which are stapled together and both are registered managed investment schemes.
Responsible Entity	Redcape Hotel Group Management Ltd ACN 610 990 004, AFSL 505932 (**Responsible Entity**) will continue to act as responsible entity of Unlisted Redcape.
Manager	MA Hotel Management Pty Ltd ACN 619 297 228 will continue to act as the investment manager of Unlisted Redcape.
Base currency	Unlisted Redcape will continue to be denominated in Australian dollars (AUD).
Fund investment objective	Unlisted Redcape's objective will be to provide investors with regular and growing cash distributions over the investment term by investing in and actively managing a diversified portfolio of high-quality pubs, hotels and alternative use real estate opportunities with the potential for refurbishment or redevelopment to increase land utilisation.
Minimum suggested time frame for holding investment	Considering the nature of the assets which Unlisted Redcape invests the minimum suggested timeframe for an investment in Unlisted Redcape is 5 years. Please note this is a guide only, not a recommendation.
Minimum additional investment	Minimum additional investment amounts of $1,000.
Transaction costs for Unlisted Redcape	The Responsible Entity does not intend to charge transaction costs in connection with applications. Redcape Securityholders should note that on and after 31 December 2022 the redemption price is intended to be at a 2.5% discount to Directors NAV per Redcape Security (with a greater discount applying prior to 31 December 2022 at the rates described below) while the application price is intended to be at Directors NAV per Redcape Security. The Responsible Entity intends the 2.5% discount to cover costs which the Responsible Entity estimates Unlisted Redcape would incur to redeem Redcape Securities including administration costs and costs of selling the underlying assets.
Management fees, performance and other	The Manager is entitled to certain fees (including management and performance fees) in accordance with the terms of the Constitutions and Investment Management Agreement. In addition, MA Hotel Management Pty Ltd, in its capacity as hotel operator under the Hotel Operating Agreement, is entitled to certain fees under the Hotel Operating Agreement. See further details in section 6.9 regarding the proposed amendments to the Constitutions to provide for the calculation of the Performance Fee which currently applies to Redcape in the listed context to also apply to Unlisted Redcape.
Redcape Security pricing frequency	The Responsible Entity currently proposes to calculate the Redcape Security price (being a Directors NAV per Redcape Security) of Unlisted Redcape on a monthly basis. The Redcape Security Price will be subject to the adjustments outlined in the Redemptions section below in order to calculate redemption pricing.

Feature	Summary
Investment term	It is proposed that Unlisted Redcape will have rolling five-year investment terms commencing from the date of the Delisting. At the end of each term, it is intended that there will be a liquidity event where, subject to its obligations at law, the Responsible Entity will endeavour to provide liquidity for all investors wishing to redeem all or some of their investment. To provide liquidity, the Responsible Entity may (but is not obliged to): 1. sell one or more Unlisted Redcape assets; 2. raise new equity; 3. take on additional debt; or 4. undertake a combination of these measures. The Responsible Entity intends to meet all withdrawal requests under a liquidity event within 180 days (although under the Constitution, the Responsible Entity will have up to 365 days to meet the requests, if needed). Liquidity events may be cancelled, deferred, scaled back or suspended in exceptional circumstances including for so long as it is impracticable to offer liquidity, or if it would not be in the best interests of investors for liquidity to be offered. Accordingly, Investors should consider an investment in Unlisted Redcape to be a long-term investment.
Applications for further Redcape Securities in Unlisted Redcape post Delisting	The Responsible Entity proposes to accept monthly applications for further Redcape Securities in Unlisted Redcape post Delisting, which can be submitted via the online application portal or by completing a paper application form.

Feature	Summary
Redemptions	The Responsible Entity intends to provide liquidity initially on a quarterly basis through a liquidity facility (**Unlisted Liquidity Facility**) limited to 2.5% of Unlisted Redcape's Directors NAV at the end of each quarter commencing at the end of the 30 June 2022 quarter. Separately, the 'closing date' for withdrawals is generally 2.00pm Sydney time 45 days prior to the last business day of the relevant quarter or the next Sydney business day if the relevant day is a non-business day. The Unlisted Liquidity Facility will aim to offer investors quarterly liquidity at a withdrawal price calculated by reference to Unlisted Redcape's Directors NAV per Redcape Security, less a discount as detailed below. Liquidity pricing is proposed to be as follows: ▪ for the quarter ending 30 June 2022 at a 7.5% discount to the Directors NAV per Redcape Security; ▪ for the quarter ending 30 September 2022 at a 5.0% discount to the Directors NAV per Redcape Security; ▪ for the quarter ending 31 December 2022 and onwards the proposed liquidity pricing is at a 2.5% discount to the Directors NAV per Redcape Security. The Responsible Entity may from time to time reduce the amount of discount applied subject to its discretion. Based on the outlined discounts above and assuming for illustrative purposes a pro forma Directors NAV of $1.31 per Redcape Security, investors would have an opportunity, subject to the conditions and limits outlined below to realise liquidity at $1.21 per Redcape Security for the quarter ending 30 June 2022 , $1.25 per Redcape Security for the quarter ending 30 September 2022 and $1.28 per Redcape Security for the quarter ending 31 December 2022 and onwards. This example is provided for illustrative purposes only and is not a guarantee of future performance and actual performance may differ. The ability for the Responsible Entity to offer the quarterly withdrawal facility after implementation of the Proposal will depend upon many factors including Unlisted Redcape remaining liquid, Unlisted Redcape having sufficient cash reserves, available capacity under its debt facilities or the demand for new Redcape's securities from existing and new investors. The sufficiency of cash reserves and available capacity under debt facilities will be assessed by the Responsible Entity on the basis of prevailing economic conditions and trading conditions at the time and levels of applications for new securities in Unlisted Redcape. Any application of cash reserves or debt facilities to satisfy withdrawal requests will align with Redcape's gearing policy and interest cover ratio. There is no guarantee that liquidity will be available at any particular price or at all. If liquidity is available, an investor's application for liquidity may be scaled back pro-rata to the amount of liquidity requested. If a scale back applies, the scaled-back component of an investor's application for liquidity may be carried over to the next withdrawal date (if available) under a carry forward facility. Unlisted Redcape currently intends to offer a carrying forward facility under which any unfulfilled part of a scaled back withdrawal request will be automatically carried forward to the next available Unlisted Liquidity Facility and treated as a new request for the unfulfilled amount. Investors may opt in to the carry forward facility by notifying the Responsible Entity. The Responsible Entity expects that each quarterly liquidity offer will be capped at 2.5% of Unlisted Redcape's Directors NAV as at the end of the relevant quarter. Proceeds from accepted withdrawal requests are proposed to be generally paid within 10 business days of the last business day of the relevant quarter. However, under Unlisted Redcape's Constitution, the Responsible Entity is allowed up to 365 days in which to accept any withdrawal requests. Withdrawals will take effect as at the end of the quarter in which the relevant request is accepted.

Feature	Summary
Distributions	The Responsible Entity expects to pay distributions from Unlisted Redcape on a quarterly basis. Under the distribution policy, distributions from Unlisted Redcape would be aligned to its ongoing earnings capacity from assets held. Unlisted Redcape aims to source distributions primarily from Underlying Earnings. However, it is permitted to fund distribution payments from other sources, such as capital, if the Responsible Entity considers it to be in the interests of investors and where payment from that source is expected to be sustainable given the circumstances. While the Responsible Entity has full discretion with regard to the distribution policy of Unlisted Redcape, its intention is to pay-out at least 80.0% of Underlying Earnings. Redcape's distribution reinvestment plan (**DRP**) is not currently activated. However, the Responsible Entity currently intends that, if the DRP is activated in the future, if existing Redcape Securityholders have previously made an election to participate the DRP then that election will continue to apply in respect of Unlisted Redcape (unless a Redcape Securityholder notifies the Responsible Entity that they wish to withdraw or change their election). If the DRP is activated at a future point in time, details of the DRP will be made available to securityholders in Unlisted Redcape.
Hotel asset valuations	The Responsible Entity's valuation policy is for the hotel assets of Unlisted Redcape is to be independently valued on a rolling semi-annual basis with all hotel assets independently valued at least once every 24 months. If the Responsible Entity believes that Unlisted Redcape's portfolio has had a significant valuation movement, under its valuation policy the Responsible Entity will determine an updated valuation based on its best assessment of the value of the properties in the portfolio having regard to the most recent independent valuations available of similar properties in Unlisted Redcape, similarities and differences between relevant properties, local market conditions and trading, and such other market evidence as is available to the Responsible Entity at the time.
Gearing	Unlisted Redcape may borrow to acquire direct hotel and pub assets. The Responsible Entity has a target Directors Gearing level of between 40.0 – 50.0%. It is proposed that Directors Gearing will not exceed 50.0% on an ongoing basis. If the value of Unlisted Redcape's assets fall and Directors Gearing increases above this level, the Responsible Entity will implement a strategy to restore the level of Directors Gearing to 50.0% or below.
Interest cover	Unlisted Redcape's minimum interest cover ratio is 2.5x on a rolling semi-annual basis calculated as at 30 June and 31 December each year. If Unlisted Redcape's interest cover ratio falls below 2.5x, the Responsible Entity will implement a strategy to restore the level of interest cover to 2.5x or above.
Investor reporting	Consistent with its obligations as an unlisted continuously disclosing entity, Unlisted Redcape will publish quarterly fund updates, annual management reports (including audited financial statements) and an annual taxation statement. It is intended that investors will be able to access correspondences and details of their investments electronically or via paper. Financial statements and required ASIC disclosures are intended to be accessible electronically through MA Financial Group's website.

Further information

A retail product disclosure statement is expected to be released around the time of Delisting which will contain further information about the unlisted fund. All material information relating to the unlisted fund as at the Announcement Date which has not been previously announced on ASX has been included in the Explanatory Statement. If new material information emerges following the despatch of the Explanatory Statement the Responsible Entity will consider it and notify Redcape Securityholders via the ASX announcements platform and on its website at https://www.redcape.com.au.

3 Advantages and Disadvantages of the Proposal

3.1 Advantages of the Proposal for Redcape Securityholders who elect to retain their securityholding in Redcape

3.1.1 The Unlisted Redcape structure is expected to provide greater potential to exit your investment at close to Directors NAV

Under the current structure, Redcape Securityholders wishing to exit their investment are only able to sell their Redcape Securities at the prices other investors are willing to pay. Since Redcape's IPO in November 2018, Redcape Securities have consistently traded on the ASX at a discount to Directors NAV per Redcape Security despite Directors NAV growing from $1.13 per security on IPO to $1.31 per security as at 30 June 2021.

If the Proposal proceeds, the Responsible Entity intends to offer investors quarterly liquidity under the Unlisted Liquidity Facility starting at a 7.5% discount to Directors NAV per Redcape Security in the quarter ending 30 June 2022, decreasing to a 5.0% discount to Directors NAV in the quarter ending 30 September 2022 and stabilising at a 2.5% discount to Directors NAV from the quarter ending 31 December 2022 onwards.[4] The Responsible Entity may from time to time reduce the amount of discount to Directors NAV applied in its discretion. For details of the Unlisted Liquidity Facility including the applicable conditions and limits, see Section 2.5.2. As set out in Section 2.5.2 of this Explanatory Statement, the Unlisted Liquidity Facility may not be available for any particular quarter and its availability will depend upon many factors including Unlisted Redcape remaining liquid, having sufficient cash reserves, available capacity under its debt facilities or the demand for new Redcape Securities from existing and new investors. There is no guarantee that liquidity will be available at any particular price or at all.

At the time of implementation of the Proposal, the Buy-Back Price of $1.15 per Redcape Security offered to Redcape Securityholders who elect to sell under the Buy-Back rather than remain invested in Unlisted Redcape will represent a 22.3% premium to the last close prior to the Announcement Date.[5]

Based on the outlined discounts above and assuming for illustrative purposes a pro forma Directors NAV of $1.31 per security, investors would have an opportunity, subject to the conditions and limits described in Section 2.5.2 (including the Responsible Entity's discretion to reduce the amount of discount to Directors NAV applied from time to time) to realise liquidity at the following prices post Delisting:

- $1.21 per security in the quarter ending 30 June 2022;
- $1.25 per security in the quarter ending 30 September 2022; and
- $1.28 per security in the quarter ending 31 December 2022.

This example is provided for illustrative purposes only and is not a guarantee of future performance and actual performance may differ.

Redcape Securityholders may consider that this quarterly Unlisted Liquidity Facility provides a better opportunity to sell their investment (should they wish to) at a higher price than might be afforded if the current Listed structure were to continue.

4 Directors NAV reflects the Responsible Entity's valuations of Redcape's hotels and therefore differs from statutory NAV under Australian Accounting Standards.
5 Securityholders should be mindful that the trading price reflects trading in Redcape Securities prior to the Announcement Date, where it was announced that Redcape's Directors NAV per security had increased to $1.31 from $1.22.

3.1.2 The Proposal is expected to result in increased Underlying Earnings and distribution yield although with higher gearing

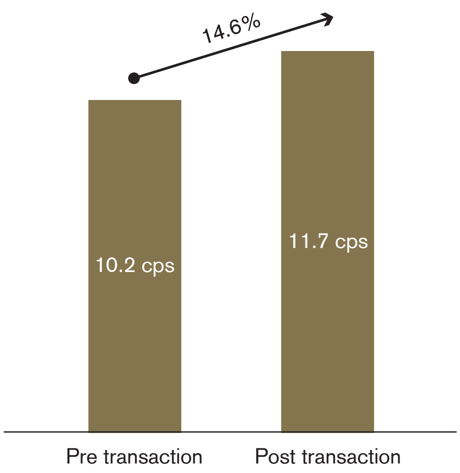
It is not anticipated that the change from a listed to an unlisted environment will have any material impact on the performance of Redcape's hotels or the costs associated with running the company. The Proposal is however expected to result in increased Underlying Earnings depending on utilisation of the Buy-Back primarily as a result of higher gearing.

The exact impact of the Proposal on Redcape's Underlying Earnings and distribution yield, and gearing, will depend upon the number of Redcape Securities bought back under the Buy-Back.

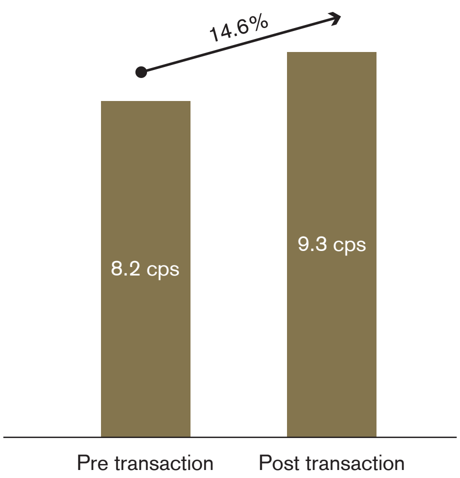
For example, for illustrative purposes, had the Proposal been implemented on 1 July 2020 and assuming 100.0 million Redcape Securities were sold under the Buy-Back and a payout ratio of 80%:[6]

- pro forma FY21 Underlying Earnings per security would have increased by 14.6% to 11.7cps;
- pro forma FY21 Distributions per security would have increased by 14.6% to 9.3cps; and
- Directors Gearing would have increased from 35.9% to 46.1%.[7]

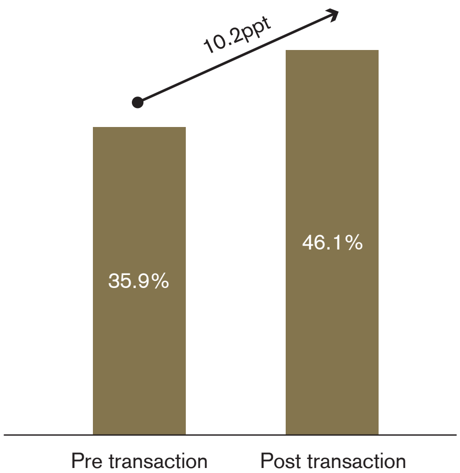
FY21 Underlying Earnings per security



FY21 distributions per security



Gearing



6 See section 7 for details of pro forma adjustments upon which these numbers are based.
7 35.9% Directors Gearing equates to a Statutory Gearing of 38.2% while 46.1% Directors Gearing equates to a Statutory Gearing of 49.1%. Directors Gearing ratio values Redcape's assets based on Directors valuations rather than Australia Accounting Standards methodology.

3.1.3 The Proposal is expected to result in an increase in Directors NAV per security

As part of the Proposal and year-end processes, Redcape has undertaken a revaluation of its full portfolio which has resulted in a valuation uplift of $77.6 million in the second half of FY21. This has resulted in an uplift in Directors NAV to $1.31 per security from $1.22 per security as at 31 December 2020 representing an increase of 7.7%.

As a result of the current COVID related shutdowns, Redcape expects to incur $14.4 million of Underlying Earnings losses resulting in a 2.6 cps reduction in pro forma Directors NAV. This estimate assumes that the New South Wales lockdown remains in place until 31 October 2021 and the South-East Queensland lockdown remains in place until 31 August 2021 (noting restricted trade resumed in South-East Queensland on 8 August 2021).

Depending on utilisation of the Buy-Back, the Proposal is expected to result in an increase in Directors NAV per security given that the Buy-Back is being conducted at a discount to Directors NAV. If a net 100.0 million Redcape Securities are tendered into the Buy-Back, it is expected pro forma 30 June 2021 Directors NAV will increase to $1.31 per security.

In total, following the recent revaluations and the Proposal, pro forma Directors NAV is expected to be 7.9% higher than it was at 31 December 2020.

3.1.4 Continued exposure to asset class in a more competitive fund structure

Redcape Securityholders who elect to maintain their exposure to Redcape in an unlisted fund will benefit from the continuity of management and high-quality underlying asset base.

Redcape's existing corporate entities and management structure would be retained in the unlisted structure with the fund continuing to be managed by MA Hotel Management Pty Ltd (MAHM or the Manager) and governed by the existing Responsible Entity Board.

Under the unlisted fund structure, new applications for securities will be processed at approximately Directors NAV whilst Redcape's target gearing range will be increased to 40.0 – 50.0% based on Directors Gearing. As such, relative to listed Redcape, Unlisted Redcape is expected to have increased access to and a lower cost of capital increasing its ability to secure highly-sought after assets and continually improve the quality of Redcape's portfolio.

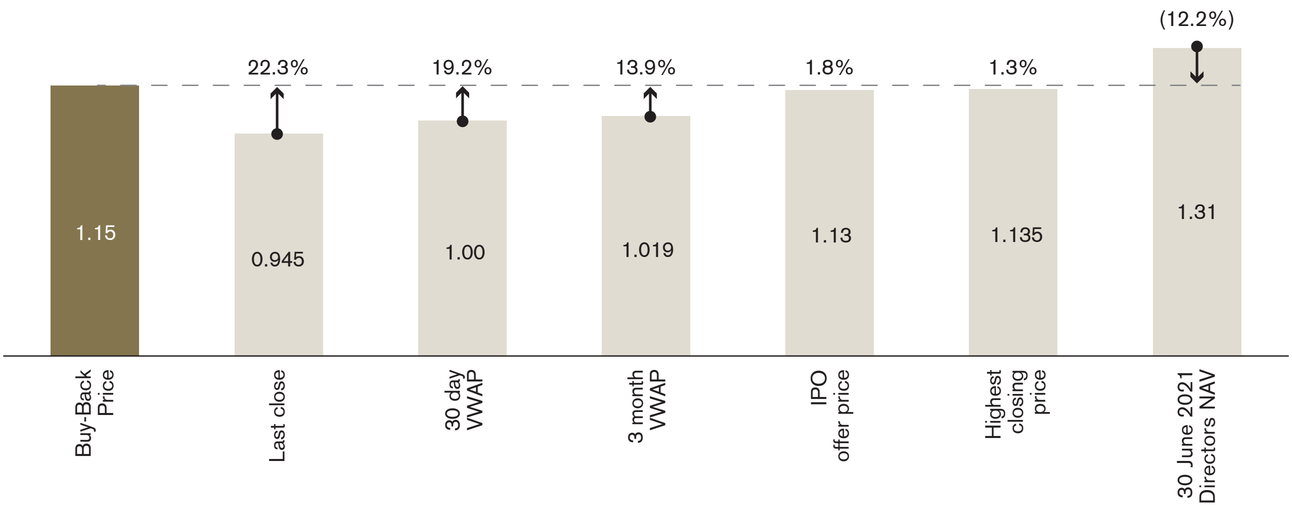
3.2 Advantages of the Proposal for Buy-Back Eligible Securityholders who elect to sell their securityholding

3.2.1 The Liquidity Price represents a substantial premium over Redcape's recent trading prices

Under the proposed Buy-Back, Redcape Securityholders who wish to exit rather than remain invested in Unlisted Redcape will have an opportunity to apply to sell their Redcape Securities at $1.15 per security free of brokerage. This will allow Buy-Back Eligible Securityholders to realise a 22.3% premium to Redcape's last close prior to the Announcement Date, a 13.9% premium to the 3 month VWAP prior to the Announcement Date and a 1.3% premium to Redcape's highest close price since IPO, subject to potential scale-back of up to 40.0% in aggregate[8].

Redcape Securityholders should be mindful that in addition to the announcement of the Proposal, on the Announcement Date, Redcape also announced an increase in Directors NAV per security to $1.31 from $1.22. This means that the trading prices prior to the Announcement Date did not factor in the increase in Directors NAV although it is not certain how much this would have increased the trading price of Redcape Securities, if at all.

Liquidity Price Premiums



8 Maximum determined on the basis that MA Financial Group, SIV and MA Financial Group executives holding approximately 35.2% of Redcape Securities have indicated to the Responsible Entity that they do not intend to participate in the Buy-Back.

3.2.2 The Proposal provides value certainty at a premium

Redcape Securityholders wishing to exit will have an opportunity to receive value certainty for their securityholding under the Buy-Back, delivering immediate value at a compelling price.

If the total value of Redcape Securities for which liquidity is sought exceeds the Buy-Back Limit, a scale-back will be applied on a pro-rata basis.

The maximum size of the Liquidity Offer of $247.3 million is sufficient to allow for the liquidation at least 60.0% of all Redcape Securities excluding securities owned by MA Financial Group, MA SIV Property Fund and MA Financial Group executives who have indicated to the Responsible Entity that they do not intend to participate in the Buy-Back. This means that at most, applications for liquidation of Redcape Securities will in aggregate be scaled back by up to 40.0% in aggregate.

The Responsible Entity believes that the Liquidity Offer is sufficiently sized to be able to provide full liquidity to Exiting Securityholders given Redcape's transition to an unlisted fund.

In addition to selling through the Buy-Back, Redcape Securityholders can sell their Redcape Securities on-market at any time (subject to demand) up until the proposed Delisting date being 2 November 2021.

If it is approved by Redcape Securityholders, the Proposal will be subject to limited conditions. The only substantive conditions will be the termination events under the Underwriting Agreement which are summarised in Section 11.3. If any termination event is triggered under the Underwriting Agreement (whether before or after the Meeting), and the Underwriter elects to terminate the Underwriting Agreement, leaving inadequate funding to implement the Buy-Back, the IBC Will withdraw the Proposal. The Responsible Entity also retains an absolute discretion not to proceed with the Proposal at any time if it determines that it is in the best interest of Redcape Securityholders to do so.

3.2.3 The Buy-Back permits partial participation by Buy-Back Eligible Securityholders

All Buy-Back Eligible Securityholders have an equal opportunity to participate in the Buy-Back and also have flexibility to tailor their level of participation to suit their individual circumstances, subject to the scale-back described in Section 8.2.3 of this Explanatory Statement. Additionally, Exiting Securityholders will not have to pay brokerage or appoint a stockbroker to sell their securities pursuant to the Buy-Back.

3.3 Disadvantages of the Proposal for Redcape Securityholders who elect to retain their securityholding

3.3.1 Lose access to trading on ASX

As a result of the Delisting, securityholders who retain their Redcape Securities will no longer be able to trade in Redcape Securities on the ASX. Where a Redcape Securityholder sells their Redcape Securities on ASX they will receive payment 2 trading days later. However, there is no guarantee that any number of Redcape Securities can be traded on ASX at any time or at what price.

Following the Delisting, the Responsible Entity expects to provide quarterly liquidity offers under the Unlisted Liquidity Facility but there is unlikely to be any opportunity to realise your investment between the quarterly liquidity offers. As a result, depending on your expectation of the level of liquidity available on ASX and the size of your holding, you may consider that you would have less access to liquidity following the Delisting.

3.3.2 Higher level of borrowings

The Buy Back will be partially funded through additional borrowings. The higher level of borrowings will (all else being equal) give rise to more variable returns for investors. A higher level of borrowings also increases the risks associated with the use of debt, including having to sell assets or raise equity on disadvantageous terms in order to keep within loan covenants, or of being unable to sell assets or raise equity and defaulting on loan covenants, or being unable to refinance when the loan term expires.

3.3.3 MA Financial Group may materially increase its ownership level

MA Financial Group and its associates currently have a relevant interest in approximately 39.8% of all Redcape Securities. If the Proposal proceeds, their relevant interest could increase to up to no more than 77.7%.[9] More information on this is set out in Section 6.3 of this Explanatory Statement.

Depending on the total proportion of Redcape Securities that ends up being held by MA Financial Group and its associates, MA Financial Group's control over Redcape may substantially increase. As a result, other Redcape Securityholders may have little ability to influence the direction of Redcape.

However, under the Corporations Act, the Responsible Entity of a registered scheme and its associates cannot vote on any resolution if they have an interest in the resolution other than as a member. Accordingly, for so long as MA Financial Group is an associate of the Responsible Entity of Redcape, MA Financial Group will not be able to vote on resolutions, if it has an interest in the outcome of those resolutions, other than as a member of Redcape.

9 Allows for the possibility that MA Financial Group and its associates creep by up to 3.0% prior to the Proposal being implemented. Assuming no creep acquisition, their relevant interest could increase to up to no more than 74.0% as a result of the Proposal.

3.3.4 Listing Rules will no longer apply

If the Delisting is implemented, the ASX Listing Rules will no longer apply to Redcape. In particular, Redcape Securityholders will forgo the protections afforded by the Listing Rules in respect of matters including:

- Redcape will not be required or able to provide continuous disclosure of material information via the ASX announcements platform – however as an unlisted disclosing entity Redcape will be required to disclosure certain material new information which it intends to do by making announcements available on its website;
- there will no longer be restrictions on the ability of Redcape to issue new securities (including the restriction on issuing more than 15.0% of Redcape's issued capital in any 12 month period without Redcape Securityholder approval, ie, the placement capacity);
- there will no longer be restrictions on making significant changes to Redcape's activities without Redcape Securityholder approval;
- Redcape will not be subject to the requirement to obtain Redcape Securityholder approval for material transactions with related parties (approval of related party transactions will still be required under the Corporations Act where the transaction is not on arm's length terms or is not otherwise exempt); and
- the requirement for Redcape to report on its compliance with ASX's Corporate Governance Council's Principles and Recommendations will no longer apply.

However, Redcape will continue to be subject to oversight by ASIC and bound by the provisions of the Corporations Act which apply to it, including the provisions applicable to registered managed investment schemes.

3.3.5 More limited means by which Redcape can raise capital in the future

If the Delisting is implemented, Unlisted Redcape will not have the ability to raise capital from the issue of securities by means of limited disclosure fundraising documents in the future. Therefore, the main means for Redcape (as an unlisted registered scheme) to raise equity funds will be by way of an offer of Redcape Securities pursuant to a full form product disclosure statement or by way of a placement of securities to sophisticated and professional investors and other investors who do not require a product disclosure statement.

Redcape intends to have a product disclosure statement available from time to time and will lodge a product disclosure statement with ASIC prior to the Delisting, if approved.

If the Proposal proceeds, Redcape will be an open-ended fund, and the Responsible Entity intends to invite applications from all existing Redcape Securityholders and new investors to acquire additional securities on a monthly basis.

3.3.6 Takeovers provisions will no longer apply

The takeovers provisions set out in Chapter 6 of the Corporations Act (**Takeovers Provisions**) only apply to listed companies, trusts and other bodies and to unlisted companies with more than 50 members. Following the Delisting, the Takeovers Provisions will no longer apply to Redcape.

As a result, there will be no requirement for a person to make a takeover offer to all Redcape Securityholders in order to acquire a greater than 20% interest in Redcape. Such a person would also not be required to make offers to all Redcape Securityholders on the same terms (eg, such a person could buy Redcape Securities from some investors at a higher price than it offers to others).

Redcape Securityholders will also not be able to apply to the Takeovers Panel in the event that there is a transaction which impacts the control of Redcape.

3.3.7 Buyback price is at a premium over the traded price

The benefits for investors who wish to retain their security holding, whether the Proposal proceeds or not, would be greater with a buy-back that was conducted at a price closer to the recent trading price of Redcape Securities on ASX rather than at a premium as per the Buy-Back. Typically, buy-backs for listed entities are conducted at prices close to or at the prevailing trading price.

3.3.8 Transaction costs

The costs of implementing the Proposal will be borne by existing Redcape investors. The funding of these transaction costs may result in lower Underlying Earnings per security, if it were not for the earnings benefit of funding the Buy-Back through an increase in Redcape's borrowings and the benefit of buying securities under the Buy-Back at a discount to Directors' NAV.

3.4 Disadvantages of the Proposal for Redcape Securityholders who elect to sell their securityholding via the Buy-Back

3.4.1 Tax consequences for Exiting Securityholders

There will be tax consequences for Redcape Securityholders, which may include capital gains tax payable on their sale proceeds.

Further information on the relevant tax consequences for Australian residents is contained in Section 9 of this Explanatory Statement.

3.4.2 Lose the opportunity (if any) to consider a superior proposal

Redcape Securityholders may lose the opportunity (if any) to consider a superior proposal if the proposed Delisting and associated Liquidity Offer are implemented.

The Independent Board Committee has considered the possibility of a superior proposal from a third party. As at the date of this Explanatory Statement, no superior proposal has been communicated to the Independent Board Committee. If a superior proposal emerges before the Meeting, the Committee will consider it and notify Redcape Securityholders by an appropriate ASX announcement and via Redcape's website at https://www.redcape.com.au.

3.4.3 Redcape Securityholders that sell will receive no further distributions and will lose their exposure to Redcape's portfolio

Redcape Securityholders who elect to sell their securityholding through the Buy-Back will not receive any future distributions and will lose their exposure to Redcape's portfolio and the financial performance of the portfolio.

3.5 Consequences if the Proposal does not Proceed

3.5.1 Redcape's Security price may continue to trade below Directors NAV

If the Proposal does not proceed, Redcape's security price may trade below Directors NAV. There may be limited opportunities for investors to sell large positions or for a large number of investors to sell small positions within any reasonable time frame.

3.5.2 Costs

In the event the Resolutions are not all passed by the Requisite Majorities, Redcape estimates that it will incur approximately $1.5 million in costs in connection with the Proposal. Redcape has accrued costs of $5.0m on the bases that the Proposal will proceed.

3.6 Alternatives to the Proposal considered by the IBC

The Independent Board Committee believes that the Proposal is an attractive option to deliver liquidity to those Redcape Securityholders who wish to exit their investment at a premium whilst also providing an opportunity for other Redcape Securityholders to elect to retain or increase their investment in Redcape.

In reaching this view, the Independent Board Committee considered the following alternatives:

3.6.1 Remaining Listed/continuing with the status quo

By continuing to actively manage the existing portfolio, Redcape Securityholders could realise upside from potential further improvements in earnings and the market in which Redcape operates, beyond what is already implied in current independent valuations.

However, management has historically delivered strong operational and financial outcomes without appropriate corresponding security price performance and therefore future improvements may not deliver a satisfactory outcome from the perspective of Redcape Securityholders.

3.6.2 Sale of the entire portfolio to a third party

The IBC understands that MA Financial Group continues to be a strong believer in the fundamentals underpinning the investment and attractiveness of the hospitality asset class.

The IBC has not received any inbound proposals to acquire the portfolio and has not sought to run a process to solicit a proposal as they did not consider that it would be in the best interest of securityholders to do so.

An entire portfolio transaction would also trigger a termination fee payable to the Manager which would need to be factored into the evaluation of any such proposal. If an alternative proposal emerges before the Meeting, the Independent Board Committee will consider it and notify Redcape Securityholders as appropriate.

3.6.3 Orderly sale of individual assets

Conducting a sale of some or all of Redcape's portfolio through an orderly sale of individual assets in order to fund a partial or full buy-back or equivalent return of investors' capital would be complex and carry with it a number of execution risks and associated costs:

- Redcape currently has 36 assets and the process for the sale of all or a material number of assets is likely to take considerable time and would therefore be subject to potential changes in current market conditions;
- each sale would be subject to transaction costs of between 2.5 – 3.0% of gross asset value. This would reduce the net asset value attributable to Redcape Securityholders post asset sales by up to 6.8c per security;
- the most attractive properties may be able to be sold (on acceptable terms) more readily leaving the remaining investors exposed to a portfolio of relatively less attractive assets. These remaining assets may then be more difficult to find buyers for at fair value on a standalone basis. If they were then sold, this may result in a portion of the portfolio being sold below fair value which could negate the potential theoretical benefits of an individual asset sale process;
- the sale of assets and resulting reduction in the size and scale of Redcape via a buy-back or other return of capital would likely lead to a reduction in Redcape's operating efficiency and a reduction in the liquidity in the trading of Redcape Securities which would negatively impact those investors who do not initially exit their investment; and
- Transaction and termination fees payable to the Manager would need to be factored into the decision to pursue an orderly sale of individual assets.

4 Independent Board Committee Recommendations and Intentions

4.1 Current Directors' Interests

Mr Dan Brady (Chief Executive Officer of MA Hotel Management Pty Ltd) and Mr Hugh Thomson (Managing Director at MA Financial Group) have the interests described below.

- Dan Brady is currently Chief Executive Officer of MA Hotel Management Pty Ltd which provides certain investment management, hotel management and administration services as per the Investment Management Agreement and Hotel Operating Agreements. MA Hotel Management Pty Ltd is a business division of MA Financial Group.
- Hugh Thomson is an employee of MA Financial Group which is the owner of MA Hotel Management Pty Ltd the manager of Redcape.

Other than as described above, no Directors have a material personal interest (other than as Redcape Securityholders) in the outcome of the Proposal.

4.2 Composition of the Independent Board Committee

In light of the interests of Mr Dan Brady and Mr Hugh Thomson disclosed above, to ensure that decisions and recommendations in relation to the Proposal are made independently and to manage any actual or potential conflicts, the Directors who have no actual or potential conflict have formed an Independent Board Committee.

The Independent Board Committee comprises Mr Nicholas Collishaw, Mr David Groves and Mr Andrew Ireland and has considered and provided, on Redcape's behalf, the recommendations in this Explanatory Statement and accompanying Notice of Meeting.

4.3 The Independent Expert's opinion

The Independent Expert, Grant Thornton Corporate Finance Pty Ltd, has concluded that Non-Associated Securityholders should vote in favour of the Proposal as it provides them with a number of key benefits.

The Independent Expert's Report can be found in Appendix 2 of this Explanatory Statement, which you are encouraged to read in full.

4.4 Independent Board Committee recommendations

The Independent Board Committee unanimously recommends that Redcape Securityholders vote in favour of all resolutions required to implement the Proposal, in the absence of a superior proposal. The Independent Board Committee members intend to do so in relation to their own Redcape Securities. In addition, all members of the Independent Board Committee do not intend to participate in the Buy-Back and intend to retain their Redcape Securities post delisting.

In forming its recommendation, the Independent Board Committee has carefully considered the expected advantages, disadvantages, consequences and risks in relation to the Proposal as summarised in Section 3, as well as the Independent Expert's conclusion that Non-Associated Securityholders should vote in favour of the Proposal as it provides them with a number of key benefits.

The Independent Board Committee unanimously supports the Proposal on the basis that it is likely to deliver the best available outcome for all Redcape Securityholders, in the absence of a superior proposal.

4.5 Intentions of the Directors

The Directors (or their associated entities) current intentions in relation to the Proposal are as follows:

Director	Participation in Buy-Back	Participation in Rights Issue
Nicholas Collishaw *Chair and Independent Non-Executive Director*	Mr Collishaw does not intend to participate in the Buy-Back.	Mr Collishaw does not intend to participate in the Rights Issue for his Entitlement.
Andrew Ireland *Independent Non-Executive Director*	Mr Ireland does not intend to participate in the Buy-Back.	Mr Ireland may participate in the Rights Issue for his Entitlement.
David Groves *Independent Non-Executive Director*	Mr Groves does not intend to participate in the Buy-Back	Mr Groves may participate in the Rights Issue for his Entitlement.
Hugh Thomson *Non-Executive Director*	Mr Thomson does not intend to participate in the Buy-Back	Mr Thomson intends to participate in the Rights Issue for his Entitlement.
Daniel Brady *Chief Executive Officer*	Mr Brady does not intend to participate in the Buy-Back	Mr Brady may participate in the Rights Issue for his Entitlement.

5 What should you do in relation to the Proposal

5.1 Read the Notice of Meeting and Explanatory Statement in its entirety

This Explanatory Statement contains information that is material to your decision whether or not to approve the Proposal by voting in favour of the Resolutions. This Explanatory Statement also contains disclosure regarding the Buy-Back and the Rights Issue. Accordingly, you should read this Explanatory Statement in its entirety before making a decision on how to vote on the Proposal or whether, and how, to participate in the Buy-Back or the Rights Issue. If the Resolutions are approved by the Requisite Majorities, Redcape Securityholders on the Record Date will be provided with detail on how to elect to sell Redcape Securities under the Buy-Back or to apply for Additional Securities, including being provided with personalised forms for those purposes. Those election and application forms are not included with this Explanatory Statement.

If you are in any doubt about the information provided or the action you should take, you should consult your financial, taxation or other professional adviser.

Answers to some common questions are contained in the section of this Explanatory Statement titled 'Frequently Asked Questions'. If you have any questions about the Proposal, please call the Redcape Securityholder Information Line on 1300 737 760 for callers within Australia or +61 2 9290 9600 for callers outside of Australia between 8:30am and 5:30pm Sydney time Monday to Friday.

5.2 Vote on the Resolutions

5.2.1 Overview

If you are a Redcape Securityholder on Wednesday 8 September 2021 at 7pm (Sydney time) (subject to any update to that timing before the Meeting which would be announced on ASX), you are entitled to vote on the Resolutions at the Meeting.

The Responsible Entity is closely monitoring the impact of the global COVID-19 pandemic and is following guidance from the Federal and State governments. In order to minimise health risks created by the COVID-19 pandemic, there will not be a physical meeting where Redcape Securityholders and their proxies, attorneys or corporate representatives can attend in person. Instead, the Meeting will be virtual (online only).

Further information about attending the Meeting online can be found in the Notice of Meeting.

The Resolutions must be passed by the Requisite Majorities of Redcape Securityholders for the Proposal to proceed.

Please see Section 6.9 of this Explanatory Statement for further details on the Resolutions.

If you have any questions about the Resolutions, please call the Redcape Securityholder Information Line on 1300 737 760 for callers within Australia or +61 2 9290 9600 for callers outside of Australia between 8:30am and 5:30pm Sydney time Monday to Friday.

If you are in any doubt on how to vote on the Resolutions or the action to be taken, you should contact your financial, legal, tax or other professional adviser without delay.

5.2.2 How to vote

Proxy Forms, powers of attorney and certificates of appointment of corporate representatives must be lodged by 48 hours before the Meeting, which as at the date of this Explanatory Statement is Wednesday 8 September 2021.

As a Redcape Securityholder, it is your right to vote on whether the Proposal proceeds. Your vote is important and you are strongly encouraged to vote on the Resolutions.

A Redcape Securityholder can vote by doing one of the following:

1 **voting online** – by attending the Meeting online at https://web.lumiagm.com/394879042. Further information about attending the Meeting online can be found in the Notice of Meeting;

2 **voting by proxy** – by completing and returning to the Registry the enclosed Proxy Form for the Meeting, which must be received by the Registry by no later than 48 hours before the Meeting, currently 11.00am (Sydney time) on Wednesday 8 September 2021 at:

Mailing Address	Fax
Boardroom Pty Limited	Boardroom Pty Limited
Grosvenor Place	+ 61 2 9290 9655
Level 12, 225 George Street	
Sydney NSW 2000	

Alternatively, you can lodge your Proxy Form online at https://www.votingonline.com.au//rdcegm2021 (for custodians), and following the instructions on the Proxy Form;

3 **voting by attorney** – by providing the Registry the original (or certified copy) of the instrument appointing an attorney by no later than 11.00am (Sydney time) on Wednesday 8 September 2021 (unless a copy has already been provided to the Registry); or

4 **voting by corporate representative** – (in the case of a body corporate) by appointing a corporate representative to act as its representative. The appointment must comply with section 250D of the Corporations Act. A corporate Redcape Securityholder or corporate proxy should obtain a certificate of appointment of body corporate form from the Registry, and complete and sign the form in accordance with the instructions on it.

Please refer to the voting instructions (including the voting exclusion statement) in the Notice of Meeting where these voting options are set out in full.

5.3 What should you do in relation to the Buy-Back?

At this stage, you do not need to make any election in relation to the Buy-Back. If the Resolutions are passed by the Requisite Majorities at the Meeting, Buy-Back Eligible Securityholders as at the Record Date will be provided with further information on how to elect to participate in the Buy-Back, including a personalised Buy-Back Participation Form.

Buy-Back Eligible Securityholders are persons who are registered as a holder of Redcape Securities as at the Record Date, currently expected to be Friday 17 September 2021.

Participation in the Buy-Back is optional. If you do not wish to sell any of your Redcape Securities, you will not need to take any action in respect of the Buy-Back. In that case, if the Proposal proceeds you will continue to hold Redcape Securities in what will then be an unlisted entity.

If you wish to sell some or all of your Redcape Securities through the Buy-Back and you are an Eligible Securityholder, you will need to complete and return your Buy-Back Participation Form to your broker (for CHESS Holdings) or the Registry (for Issuer Sponsored Holdings) by 5.00pm on the Buy-Back Closing Date, currently scheduled to be Monday 18 October 2021.

If you are in any doubt about the information provided or the action you should take, you should consult your financial, taxation or other professional adviser. If you have any questions about the Buy-Back, please contact the Redcape Securityholder Information Line on 1300 737 760 for callers within Australia and +61 2 9290 9600 for callers outside of Australia between 8:30am and 5:30pm AEST Monday to Friday.

5.4 What should you do relation to the Rights Issue?

At this stage, you do not need to do anything in relation to the Rights Issue. If the Resolutions are passed by the Requisite Majorities at the Meeting, Redcape Securityholders as at the Record Date will be provided with more information on how to apply for New Securities and Additional Securities under the Rights Issue, including a personalised Rights Issue Entitlement and Application Form.

If you have more than one registered holding of Redcape Securities, you will be sent more than one personalised Rights Issue Entitlement and Application Form and you will have a separate Entitlement for each separate holding.

New Securities issued under the Rights Issue will be fully paid and rank equally in all respects with existing Redcape Securities.

Eligible securityholders for the purpose of the Rights Issue (**Rights Issue Eligible Securityholders**) will be Redcape Securityholders who:

(a) are registered as a holder of Redcape Securities as at the Record Date, currently expected to be Friday 17 September 2021;

(b) have a registered address on the Register in Australia, New Zealand or the United Kingdom or any other jurisdiction in which the Responsible Entity determines it is reasonably practicable to permit participation in the Buy-back or Rights Issue;

(c) are not in the United States and are not acting for the account or benefit of a person in the United States (to the extent such person holds Redcape Securities for the account or benefit of such person in the United States); and

(d) are eligible under all applicable securities laws to receive an offer under the Rights Issue.

If you reside outside Australia, New Zealand, the United Kingdom or United States and wish to check whether you are eligible to participate in the Rights Issue as a Rights Issue Eligible Securityholder, you can contact the Redcape Securityholder Information Line on 1300 737 760 for callers within Australia and +61 2 9290 9600 for callers outside of Australia between 8:30am and 5:30pm Sydney time Monday to Friday

Any Redcape Securityholder who is not a Rights Issue Eligible Securityholder is a Rights Issue Ineligible Securityholder: Rights Issue Ineligible Securityholders may elect to take up their Rights under the Rights Issue. However, instead of being issued to the Rights Issue Ineligible Securityholder, their New Securities will be issued to the Sale Nominee. The Sale Nominee will sell the Redcape Securities issued to it and distribute the proceeds, net of sale expenses, pro-rata to the Rights Issue Ineligible Securityholders who applied for Redcape Securities under the Rights Issue.

The Rights Issue will be made pursuant to provisions of the Corporations Act which allow Rights Issues to be made without a Product Disclosure Statement. This Explanatory Statement does not contain all of the information which would be required to be included in a product disclosure statement. As a result, it is important for you to read carefully and understand this Explanatory Statement and the information on Redcape and the Rights Issue made publicly available, prior to deciding whether to take up all or part of your Rights and apply for any Additional New Securities or do nothing in respect of your Rights.

A Redcape Securityholder on the Record Date will be able to take any of the following actions. Each of these options may have a materially different outcome on any value you receive in respect of your Entitlement.

(a) take up all or part of your Rights;

(b) take up all of your Rights and apply for Additional New Securities of up to 2.0x your Rights Issue entitlement; or

(c) do nothing and let your Entitlement lapse.

If you are a Rights Issue Ineligible Securityholder, you have the options described above, except that, instead of any New Securities you elect to take up under the Rights Issue being issued to you, they will be issued to a Sale Nominee for sale and the remission to you, along with other Rights Issue Ineligible Securityholders which take up rights under the Rights Issue, of the proceeds of such sales net of sale expenses.

Please consult with your stockbroker, accountant or other professional adviser if you have any queries or are uncertain about any aspect of the Rights Issue. You should also refer to Section 10 regarding risks in relation to the Proposal.

6 Further Information regarding the Proposal

6.1 Overview of the Proposal

As explained above, the Responsible Entity is seeking approval for the Proposal due to Redcape consistently trading at a discount to Directors NAV since Redcape's IPO in November 2018. Despite strong operational performance and Directors NAV growing from $1.13 per security in FY18 to $1.31 per security as at 30 June 2021, the Redcape Security price has lagged trading at a 3-month VWAP of $1.01 per security as at the Announcement Date.

The Responsible Entity intends to offer investors in Unlisted Redcape quarterly liquidity under the Unlisted Liquidity Facility starting at a 7.5% discount to Directors NAV per Redcape Security in the quarter ending 30 June 2022, decreasing to a 5.0% discount to Directors NAV in the quarter ending 30 September 2022 and stabilising at a 2.5% discount to Directors NAV from the quarter ending 31 December 2022 onwards, subject to the conditions and limitations described in Section 2.5.2 (including the Responsible Entity's discretion to reduce the amount of discount to Directors NAV applied from time to time). If the Resolutions are passed by the Requisite Majorities, Redcape Securityholders that elect to retain their holding or are scaled-back in the Buy-Back will maintain exposure in a higher yielding unlisted fund structure where they will be offered liquidity at a price that approaches Directors NAV on the terms set out at Section 2 of this Explanatory Statement.

Redcape Securityholders that sell their securities under the Buy-Back will receive $1.15 of cash per Redcape Security sold which represents a 22.3% premium to the last close prior to the Announcement Date.

If the Proposal does not proceed, Redcape may continue to trade at a discount to Directors NAV, and without a catalyst its potential value may not be realised. In addition, Redcape will incur approximately $1.5 million in costs in connection with the Proposal.

If the Proposal proceeds, Redcape will incur approximately $5.0 million in costs in connection with the Proposal.

6.2 Issued capital

The current number of Redcape Securities on issue is 552.2 million:

- will be reduced by any Redcape Securities that are bought back under the Buy-Back net of take-up under the Rights Issue. If Redcape's Buy-Back Limit is reached, it is estimated that Redcape Securities on issue will be reduced by a net 100.0 million securities to 452.2 million securities;
- will not change as a result of any Redcape Securities being bought back under the Buy-Back funded from the Rights Issue (including its underwriting), since a corresponding number of Redcape Securities will be bought back as are issued
- could increase if the number of Redcape Securities taken up under the Rights Issue exceeded the number of Redcape Securities which were the subject of elections to participate in the Buy-Back. However, as at the date of this explanatory statement, that is considered a relatively unlikely outcome. Any excess funds raised under the Rights Issue on that scenario would initially be used to pay down debt, and then to fund future asset acquisitions by Redcape as acquisition opportunities arise.

6.3 Control of Redcape

MA Financial Group and its associates relevant interest is 39.8% of Redcape securities on issue as at the Announcement Date and MA Financial Group's Subsidiary MA Hotel Management Pty Ltd, is the Manager of Redcape.

Under the Proposal, the Buy-Back will be utilised to provide an exit opportunity for Redcape Securityholders who do not wish to continue their investment in Unlisted Redcape. Under the terms of the Buy-Back, all Redcape Securityholders will have the opportunity to nominate the number of Redcape Securities they wish to sell.

The proposed order of application of funds to the acquisition of Redcape Securities which Redcape Securityholders elect to sell in the Buy-Back is as follows:

- funds raised from take-up under the Rights Issue, other than from applications for Additional New Securities or the underwriting;
- $115.0 million of net debt funding;
- funds raised from any Additional Securities required to meet Buy-Back demand; and
- funds raised from the underwriting of the Rights Issue, to the extent required to meet Buy-Back demand.

Redcape Securities will only be issued in response to the underwriting for the Rights Issue, if and to the extent required to meet demand under the Buy-Back which has not been met by the take up of the Rights themselves, the issue of Additional New Securities or the debt funding. Underwritten Securities would be allocated to any sub-underwriters which MA Financial Group had secured in priority to MA Financial Group itself.

MA Financial Group's preference is not to increase its holding in Redcape. However, under an extreme scenario where the Buy-Back is fully subscribed up to the Buy-Back Limit, no Redcape Securityholders take up any Rights, and no sub-underwriters were secured, MA Financial Group and its affiliates could end up with a holding of up to no more than 77.7% of pro forma securities on issue. MA Financial Group's maximum underwriting under the Rights Issue has been limited to $132.3 million and such that the total issue to the Underwriter cannot result in Redcape Securityholders affiliated with MA Financial Group holding 77.7% or more of the securities in Redcape. These limitations are to ensure that this 77.7% threshold cannot be exceeded on any scenario.[10]

The Independent Board Committee has considered the potential control impacts of the Proposal including the underwriting arrangement with MA Financial Group and considers the impact of the Proposal to be reasonable on a control basis. A number of measures have been taken to limit the control implications of the transaction which include:

- MA Financial Group's underwrite will only be called on the in the event, and to the extent, that it is needed to fund the Proposal;
- natural take up under the Rights Issue will be prioritised ahead of other funding sources; and
- any securities acquired on-market after the Record Date will reduce the potential size of the Buy-Back and therefore the potential size of the MA Financial Group's underwrite.

6.4 Change in governing rules

As set out in Section 3.3, if the Proposal proceeds, the ASX Listing Rules and the Takeovers Rules will no longer apply to Redcape. See Sections 3.3.4 and 3.3.6 for more information.

10 Allows for the possibility that MA Financial Group and its associates creep by up to 3.0% prior to the Proposal being implemented. Assuming no creep acquisition, their relevant interest could increase to up to no more than 74.0% as a result of the Proposal.

6.5 Ability to meet debt owed to third party creditors

The Responsible Entity intends to increase Redcape's existing target gearing range from 35.0 – 45.0% Statutory Gearing to a target range of 40.0 – 50.0% Directors Gearing[11].

It is proposed that Directors Gearing will not exceed 50.0% over time. If the value of The Fund's assets fall and Directors Gearing increases above this level, the Responsible Entity will implement a strategy to restore the level of Directors Gearing to 50.0% or below. To the extent required, asset sales may be pursued by the Responsible Entity following the Delisting to reduce gearing (having regard to all circumstances at the time including the outcome of the Buy-Back and the Rights Issue, market circumstances, and any ongoing impacts of COVID-19 and trading conditions).

6.6 Operation of the business

Redcape's existing corporate entities and management structure will be retained in the unlisted structure with the fund continuing to be managed by the existing Manager and governed by the existing Responsible Entity Board.

Additionally, if the Resolutions are approved by the Requisite Majorities of Redcape Securityholders, the Constitutions of the Trusts which form Redcape will be amended so that the calculation of the Performance Fee payable to the Manager which applies while Redcape is listed will continue to apply when Redcape is delisted. This amendment is further described at Section 6.9 of this Explanatory Statement.

6.7 Delisting of Redcape

Redcape will cease to trade on ASX and will be delisted if Redcape Securityholders approve the Proposal and it is implemented.

Set out in the Key dates Section above is an indication of the timetable for the Proposal.

6.8 Ongoing disclosure requirements

Following the Delisting, the Trusts will become 'unlisted disclosing entities' for the purposes of the Corporations Act. As an unlisted disclosing entity, under s 675 of the Corporations Act and absent ASIC policy, if the Responsible Entity were to become aware of information that is not generally available, and that a reasonable person would expect to have a material effect on the price or value of the units in the Trusts, the Responsible Entity would be required to lodge a document with ASIC containing the information.

However, as set out in ASIC Regulatory Guide 198, ASIC will not insist that an unlisted disclosing entity lodge such information with ASIC if that entity complies with ASIC's good practice guidance for disclosure of continuous disclosure information on the entity's website.

The Responsible Entity intends to take advantage of this approach set out in ASIC Regulatory Guide 198. The Responsible Entity is satisfied that Redcape Securityholders are likely to look for information of this kind on Redcape's website. Following the Delisting, Redcape will disclose any material information on the Redcape website in a timely fashion in accordance with ASIC's good practice guidance set out in section C of its Regulatory Guide 198.

6.9 Approvals required for the Proposal

At the Meeting, Redcape Securityholders will be asked to consider, and if thought fit, to pass the following Resolutions:

- **Resolution 1** (Buy-Back Resolution) to approve the Buy-Back on the terms set out in this Explanatory Statement. The passing of this resolution is required as a condition to the ASIC relief detailed in Section 11.1.2 due to the fact that the Buy-Back Limit exceeds 10.0% of the smallest number of Redcape Securities that were on issue in the preceding 12 months. In order to pass, the Resolution 1 requires more than 50.0% of the votes cast on the resolution at the Meeting by Redcape Securityholders eligible to vote at the Meeting to be in favour.
- **Resolution 2** (**Constitution Amendment Resolution**) to approve proposed amendments, to the Constitutions, which facilitate the Proposal and the operation of Redcape as an unlisted entity. The nature and purpose of these amendments are detailed below, and the proposed forms of the amendments are set out in the copies of the Constitution Amendments which can be accessed at www.redcape.com.au/investor-centre. In order to pass, Resolution 2 requires at least 75% of the votes cast on the resolution at the Meeting by Redcape Securityholders eligible to vote at the Meeting to be in favour.
- **Resolution 3** (**Delisting Resolution**) to approve the Delisting of Redcape. The passing of this resolution is required under Listing Rule 17.11 as a condition imposed by ASX to removal of Redcape from the official list. In order to pass, Resolution 3 requires at least 75% of the votes cast on the resolution at the Meeting by Redcape Securityholders eligible to vote at the Meeting to be in favour.

Each Resolution is subject to, and conditional on, each other Resolution being passed.

(a) Further information regarding the proposed amendments to the Constitutions

If each of the Resolutions is passed by the Requisite Majorities, the Constitutions of Redcape Hotel Trust I and Redcape Hotel Trust II will be amended in the manner set out in proposed form of the amended Constitutions which can be accessed at www.redcape.com.au/investor-centre. In accordance with section 601GC(2) of the Corporations Act, the Constitution Amendments will take effect when the Constitution Amendments are lodged with ASIC.

11 40.0 – 50.0% Directors Gearing represents 42.6 – 53.2% Statutory Gearing based on Redcape's Pro Forma Balance Sheet

The nature and purpose of the Constitution Amendments is set out below.

(b) Amendment to provide for off-market buy-backs

The Constitutions currently do not contain a provision allowing the Responsible Entity to carry out an off-market buy-back of Redcape Securities. A condition to the ASIC relief provided in respect of the Buy-Back, as described in Section 11.1.2 of this Explanatory Statement is that the Constitutions contain a specific power allowing the Responsible Entity to buy back Redcape Securities off-market.

The proposed amendment set out in clause 11.11 of the Constitution Amendments provides the Responsible Entity with the power to carry out the off-market Buy-Back.

(c) Amendment of performance fee provisions

Part 1.3 of Schedule 1 to the Constitutions provides for payment of a performance fee (**Performance Fee**) to the Responsible Entity. Under the terms of the Investment Management Agreement, this Performance Fee is paid to the Manager.

These provisions contain different formulas for the calculation of the Performance Fee while the Trusts are Listed and not Listed. The Constitutions currently provide for calculation of the Performance Fee as 20% of the outperformance over a 10% per annum hurdle return. While the Trusts are unlisted, this is calculated at the point when a "Realisation Event" occurs in the form of an IPO, trade sale or similar transaction based on the proceeds of that Realisation Event. While the Trusts are Listed, the Performance Fee is instead calculated every 6 months based on a change in the Directors NAV of the Trusts and any distributions made from the Trusts.

Under the Proposal, Redcape will become an open-ended unlisted fund and it will no longer be contemplated that a "Realisation Event", in the form of an IPO, trade sale or similar transaction, would be actively pursued. The Constitutions currently do not expressly contemplate this scenario where the Trusts are delisted again following an IPO.

The proposed amendments set out in Part 1.3 of Schedule 1 of the Constitution Amendments therefore provide for the calculation of the Performance Fee which currently applies to Redcape in the Listed context to also apply to Unlisted Redcape. This amendment will incentivise the Manager to outperform in the ongoing management of Redcape just as it is in a Listed context. In addition, the proposed amendments also clarify that the formula to calculate the Performance Fee works on a per unit basis.

(d) Amendments to provide for Unlisted Liquidity Facility

Clause 11 of the Constitutions provides for withdrawal procedures for the Trusts. These provisions are not currently aligned with the proposed Unlisted Liquidity Facility (including the discount mechanism) described in Section 2.5.2 above.

The proposed amendment set out in clause 11.13 of the Constitution Amendments provides the Responsible Entity with the power to implement the Unlisted Liquidity Facility.

(e) Amendments to provide for applications based on Directors NAV

Clause 8 of the Constitutions provides for application prices for Units. These provisions are not currently aligned with issues of units based on-market value as opposed to book value. The constitution will be amended to allow for market value based pricing. Pricing will be based on Directors NAV, which will be determined based on Net Asset Value adjusted to:

- exclude the total of plant, property and equipment, investment properties and goodwill relating to assets of the Trust comprising real property; and
- add back the sum of the most recent valuations of each of each of the assets of the Trust comprising real property (which valuations may be conducted by the Responsible Entity and which valuation methods must be consistent with ordinary commercial practice for valuing the type of asset and produce a value that is reasonably current at the time of valuation) plus any capital invested into an asset of the Trust comprising real property since the most recent valuation of that asset.

(f) Amendments to support implementation of proposals approved by members

The proposed amendment set out in clause 37of the Constitution Amendments provides the Responsible Entity with general powers to implement proposals approved by members by Special Resolution. These amendments are in line with market standard provisions for registered managed investment schemes and may facilitate the operation of Unlisted Redcape as an unlisted entity.

7 Financial Impact and Consequences for Redcape Securityholders if the Proposal Proceeds

7.1 Financial impact on Redcape if the Proposal proceeds

Under the Proposal, Redcape Securityholders can elect to retain their exposure to Redcape in the unlisted fund structure or exit through the proposed Buy-Back (subject to any scale-back) at the fixed Buy-Back Price of $1.15 per security.

Set out below are Redcape's balance sheet as at 30 June 2021 ("Pro Forma Balance Sheet") and FY21 Underlying Earnings ("Pro Forma FY21 Underlying Earnings") and FY21 distributions ("Pro Forma FY21 Distributions") which have been adjusted to show the impact of implementing the Proposal. The scenario set out below assumes that a net 100.0 million Redcape Securities are acquired under the Buy-Back funded by Redcape's debt facilities and cash which results in pro forma Directors Gearing of 46.1%[12].

Redcape Securityholders should note that the pro forma financials outlined below could vary depending on the level of take up under the buy-back and level of take-up received under the Rights Issue. It should also be noted that past results are not necessarily indicative of, and do not guarantee, future performance.

7.2 Pro Forma Balance Sheet

Set out below is the Pro Forma Balance Sheet of Redcape to illustrate the expected impact of the Proposal. The pro forma adjustments have been made to Redcape's balance sheet as at 30 June 2021. The pro forma adjustments reflect the assumed Underlying Earnings losses as a result of the COVID-19 related lockdowns, impact of the Buy-Back, associated transaction costs and additional debt funding as if they had occurred as at 30 June 2021.

The below Pro Forma Balance Sheet for Redcape is presented in an abbreviated form insofar as it does not include all of the disclosures, statements and comparative information required by Australian Accounting Standards. The Responsible Entity Directors are responsible for the preparation and presentation of the Pro Forma Balance Sheet.

Redcape Securityholders should note that the Pro Forma Balance Sheet is provided for illustrative purposes only and is not represented as being indicative of Redcape's view of its financial position upon completion of the Proposal. The actual Directors NAV and financial position is dependent on a range of factors including take-up under the Buy-Back, take-up under the Rights Issue, COVID-19 related lockdowns and trading among other factors.

Consolidated Pro Forma Balance Sheet

	30 June 2021	Lockdown adj.	Transaction costs	Buyback	Pro forma
Cash	48.1	(14.4)	(5.5)	-	28.3
Property assets	1,175.8	-	-	-	1,175.8
Right of use assets	44.6	-	-	-	44.6
Other assets	19.6	-	-	-	19.6
Total assets	**1,288.1**	**(14.4)**	**(5.5)**	**-**	**1,268.3**
Borrowings	522.0	-	-	115.0	637.0
Lease liability	46.9	-	-	-	46.9
Other liabilities	74.8	-	(5.2)	-	69.6
Total liabilities	**643.7**	**-**	**(5.2)**	**115.0**	**753.5**
Statutory NAV	**644.4**	**(14.4)**	**(0.2)**	**(115.0)**	**514.8**
Stapled securities on issue	552.2	-	-	(100.0)	452.2
NAV per security - Statutory ($)	1.17	1.14	1.14	1.14	1.14
NAV per security - Directors ($)	1.31	1.28	1.28	1.31	1.31
Statutory Gearing	38.2%	39.4%	39.8%	49.1%	49.1%
Directors Gearing	35.9%	37.0%	37.4%	46.1%	46.1%

12 Equates to a Statutory Gearing of 49.1%. Directors Gearing ratio values Redcape's assets based on Directors valuations rather than Australian Accounting Standards methodology.

Key assumptions used in the Pro Forma Balance Sheet include:

1. Reflects the summarised balance sheet of Redcape as at 30 June 2021. Other liabilities includes a provision for a performance fee of $6.0 million payable to the Manager for the 6 months ended 30 June 2021.
2. As a result of shutdowns relating to the lockdown of New South Wales and South-East Queensland, Redcape has adjusted the cash & cash equivalents position and pro forma Directors NAV for $14.4 million of estimated Underlying Earnings losses resulting in a 2.6 cps reduction in pro forma Directors NAV. This estimate assumes that the New South Wales lockdown remains in place until 31 October 2021 and the South-East Queensland lockdown remains in place until 31 August 2021 (noting restricted trade resumed in South-East Queensland on 8 August 2021).
3. Reflect the upfront transaction costs including third party advisors and upfront debt facility costs. Of these costs, $5.0 million have been provided for as at 30 June 2021 and hence the payment of them has a minor impact on NAV.
4. Reflects the Buy-Back of 100.0 million Redcape Securities at $1.15 per Security. No natural take-up under the Rights Issue is assumed.

Redcape Securityholders should note that while Directors Gearing and Statutory Gearing are adjusted for Unlisted Redcape's pro forma cash & cash equivalents balance, all or part of this cash & cash equivalents may be required for ongoing working capital purposes by Redcape and as such may not be available to service Redcape's debt facilities. If pro forma Directors Gearing was not adjusted for Redcape's pro forma cash & cash equivalents balance it would increase from 46.1% to 47.3%.

As a result of the Proposal and after adjusting for the Underlying Earnings losses due to COVID-19 related lockdowns, pro forma Directors NAV per security is expected to increase due to the Buy-Back being undertaken at a discount to Directors NAV per security which is partly offset by transaction costs.

As noted above, the Pro Forma Balance Sheet as a result of the Proposal could vary depending on the level of applications to sell Redcape Securities under the Buy-Back and any natural take up under the Rights Issue.

Sensitivities

If take-up under the Buy-Back was 15.0 million securities less than the 100.0 million securities assumed, pro forma Directors Gearing would decrease by 1.3% while pro forma Directors NAV would reduce by 0.5 cents per security.

	Buy-Back take-up (securities millions)				
	40.0	**55.0**	**70.0**	**85.0**	**100.0**
Pro forma Directors Gearing (%)	40.9%	42.2%	43.5%	44.8%	46.1%

	Buy-Back take-up (securities millions)				
	40.0	**55.0**	**70.0**	**85.0**	**100.0**
Pro forma Directors NAV ($/sec)	1.29	1.30	1.30	1.31	1.31

The Pro Forma Balance Sheet includes a provision of $14.4 million for estimated Underlying Earnings losses associated with COVID-19 related lockdowns. This estimate assumes that the New South Wales lockdown remains in place until 31 October 2021 and the South-East Queensland lockdown remains in place until 31 August 2021 (noting restricted trade resumed in South-East Queensland on 8 August 2021). If lockdown restrictions are extended by four weeks, Underlying Earnings losses would increase by $3.3 million resulting in pro forma Directors Gearing increasing by 0.2% to 46.4% with pro forma Directors NAV decreasing by 0.7 cps to $1.31 per security.[13]

	Incremental Underlying Earnings losses ($ million)				
	(8 weeks) 6.5	**(4 weeks) 3.3**	**0 week -**	**+4 weeks (3.3)**	**+8 weeks (6.5)**
Pro forma Directors Gearing (%)	45.7%	45.9%	46.1%	46.4%	46.6%
Pro forma Directors NAV ($/security)	1.33	1.32	1.31	1.31	1.30

13 Note that the Underlying Earnings loss sensitivity is based on Redcape's capital structure prior to settlement of the Buy-Back. If the Proposal is completed in accordance with the timetable outlined on page 7 of the Explanatory Statement and a net 100.0 million Redcape Securities are acquired under the Buy-Back funded by Redcape's debt facilities and cash, Redcape is expected to incur an additional $0.3m of incremental cash interest expense per month.

7.3 Pro Forma FY21 Underlying Earnings and distributions

Set out below are the Pro Forma FY21 Underlying Earnings and Pro Forma FY21 Distributions per security to illustrate the potential impact of the Proposal. The pro forma adjustments have been made to Redcape's FY21 Underlying Earnings per security and FY21 full year distributions per security which is based on earnings for the year ended 30 June 2021. The pro forma adjustments reflect the impact of additional finance costs associated with the additional drawdown in debt funding and the reduction in Redcape Securities on issue under the Buy-Back as if they had occurred as at 1 July 2020.

The Responsible Entity believes that Pro Forma FY21 Underlying Earnings and distributions per security are better representative of Redcape's earnings going forward. Redcape Securityholders should note that FY21 Underlying Earnings and distributions were not significantly impacted by COVID-19 related lockdowns.

As a result of the current COVID-19 related lockdowns, FY22 Redcape's financial year to date Underlying Earnings are significantly lower than the prior corresponding period. Given the ongoing uncertainty in relation to government mandated restrictions, Redcape is unable to provide FY22 Underlying Earnings guidance as at the date of this Explanatory Statement.

However, given the Buy-Back is being undertaken at a fixed security price, Redcape Securityholders should note that if Redcape's Underlying Earnings decline relative to the Pro Forma FY21 Underlying Earnings accretion as a result of the Buy-Back outlined below will also decline; that is Pro Forma FY21 Underlying Earnings per security will increase by a lower percentage.

As a result of the Proposal, Pro Forma FY21 Underlying Earnings and distributions per security are expected to increase primarily due to pro forma Directors Gearing increasing to approximately 46.1% compared to 35.9% as at 30 June 2021. It is not anticipated that the change from a listed to an unlisted environment will have any material impact on the performance of Redcape's hotels or the costs associated with running Redcape, other than the higher finance costs.

Redcape Securityholders should note that Pro Forma FY21 Underlying Earnings and Pro Forma Distributions per security is provided as a guide only. The actual Pro forma FY21 Underlying Earnings and Pro forma distributions per security is dependent on a range of factors including take-up under the Buy-Back, take-up under the Rights Issue and trading among other factors.

Pro forma Underlying Earnings and distributions

	Pre-proposal	Post proposal	Accretion
Pro Forma FY21 Underlying Earnings	10.2cps	11.7cps	14.6%
Pro Forma FY21 Distributions	8.2cps	9.3cps	14.6%

If take-up under the Buy-Back was 15.0 million securities less than the 100.0 million securities assumed, Pro Forma FY21 Underlying Earnings would decrease by 0.3 cents per security whilst Pro Forma FY21 Distributions per security would decrease by 0.3 cents per security.

	Buy-Back take-up (securities millions)				
	40.0	55.0	70.0	85.0	100.0
Pro forma FY21 Underlying Earnings (cps)	10.5	10.8	11.1	11.4	11.7
Pro forma FY21 Distributions (cps)	8.4	8.6	8.8	9.1	9.3

7.4 FY21 statutory earnings per security

Redcape's FY21 statutory earnings are 5.2 cents per security. A reconciliation of FY21 Underlying Earnings per security and FY21 statutory earnings per security is provided below.

Statutory earnings per security bridge

Underlying earnings per security	**10.2**
Add: Maintenance capex	1.0
Less: Performance fees	(2.2)
Less: Other costs	(2.2)
Less: Gain/(loss) on asset revaluation	0.8
Less: Depreciation	(2.7)
Less: Tax benefit/(expense)	0.2
Statutory NPAT per security	**5.2**

8 Buy-Back

8.1 Overview of Buy-Back

8.1.1 What type of buyback is proposed?

The Buy-Back is an off-market buy-back, with a specified limit on the number of Redcape Securities which can be bought back by the Responsible Entity. Under this proposed form of buy-back:

- the Responsible Entity offers to buy back up to 100.0% of the Redcape Securities held by each Redcape Securityholder;
- the maximum number of the Redcape Securities which will be bought back is 215.0 million which equates to $247.3 million at the Buy-Back Price of $1.15 per Redcape Security (**Buy-Back Limit**);
- if acceptances are received for more securities than the Buy-Back Limit, scale-back will occur on a pro-rata basis (subject to provision for unmarketable parcels) to ensure the Buy-Back-Limit is not exceeded;
- Buy-Back agreements are not entered into before 5.00pm (Sydney Time) on the Buy-Back Closing Date (expected to be Monday 18 October 2021), having given all Redcape Securityholders a reasonable opportunity to accept; and
- the terms of the Buy-Back are the same for all Redcape Securityholders (subject to provision for unmarketable parcels).

8.1.2 Objective of the Buy-Back and alternatives considered

The Responsible Entity understands that some Redcape Securityholders may not wish to continue to be invested in Redcape as an unlisted vehicle. The Responsible Entity is implementing the Buy-Back to provide Redcape Securityholders with an opportunity to exit or reduce their investment in Redcape prior to Delisting, at a premium to the recent trading prices of Redcape Securities.

The Responsible Entity considered a number of alternatives for providing Redcape Securityholders with liquidity opportunities prior to the Delisting of Redcape. It concluded that the Proposal involving the Buy-Back, in conjunction with the Rights Issue, and then the Delisting was in the best interests of Redcape Securityholders, including because it strikes a balance to benefit both Exiting Securityholders and Continuing Securityholders.

The Buy-Back Price, which is further detailed in Section 8.2.2 of this Explanatory Statement, offers Exiting Securityholders a premium to the recent trading prices of Redcape Securities and a price representing less of a discount to the Directors NAV per Redcape Security than those recent trading prices, and provides the potential for increased earnings and Directors NAV per Redcape Security for Continuing Securityholders.

The structure of the Buy-Back (as an off-market buy-back) enables the Responsible Entity to scale back pro-rata to securityholding, rather than an on-market buy-back structure where some Redcape Securityholders who wish to exit may have a greater proportion of their Redcape Securities bought back than others.

8.1.3 When will the Buy-Back take place?

The Buy-Back opens for acceptance on the Opening Date (scheduled for Monday 20 September 2021) and valid Buy-Back Participation Forms must be received by 5.00pm on the Buy-Back Closing Date (expected to be Monday 18 October 2021) (**Offer Period**). If the Resolutions are approved by the Requisite Majorities, personalised Buy-Back Participation Forms will be distributed to Redcape Securityholders following the Record Date. In accordance with the timetable in the Key Information section of this Explanatory Statement, the Responsible Entity reserves the right to change these dates. Any changes to the indicative timetable in the Key Information section of this Explanatory Statement will be announced on ASX.

8.1.4 How to participate in the Buy-Back

Further information regarding how to participate in the Buy-Back will be distributed following the Meeting if the Resolutions are approved by the Requisite Majorities.

By issuing this Explanatory Statement, inviting Redcape Securityholders to participate in the Buy-Back and setting the Buy-Back Price, the Responsible Entity is not making any recommendation or giving any advice to any Redcape Securityholders on the value of Redcape Securities or whether Redcape Securityholders should sell their Redcape Securities under the Buy-Back.

8.2 Key terms of the Buy-Back

8.2.1 Scope of the Buy-Back

As at the date of this Explanatory Statement, there are 552.2 million Redcape Securities on issue. The Buy-Back Limit of 215.0 million Redcape Securities represents approximately 38.9% of the total Redcape Securities on issue.

Under the terms of the Buy-Back, the Responsible Entity is offering to purchase from each Redcape Securityholder 100.0% of their Redcape Securities, subject to the Buy-Back Limit. If, at the conclusion of the Buy-Back Period, the Responsible Entity has received acceptances to participate in the Buy-Back for more Redcape Securities than the Buy-Back Limit, a scale-back will occur on a pro-rata basis, according to the relative number of Redcape Securities held on the Record Date by each Redcape Securityholder who has elected to participate in the Buy-Back (subject to provision for unmarketable parcels), to ensure the Buy-Back Limit is not exceeded.

Participation in the Buy-Back is voluntary. If you do not wish to participate, you will not have to take any action. If you wish to participate, you will not have to sell all of your Redcape Securities.

8.2.2 Buy-Back Price

(1) What is the price under the Buy-Back?

Under the Buy-Back, the Responsible Entity is offering to buy Redcape Securities back from Redcape Securityholders for the **Buy-Back** Price of $1.15 per Redcape Security.

(2) How was the Buy-Back Price determined?

The Buy-Back Price was determined by the Responsible Entity Board having regard to recent trading prices of Redcape Securities, the Directors NAV per Redcape Security and other factors, including the need to strike a balance which is fair to both Continuing Securityholders and Exiting Securityholders and the fact that funding of the Buy-Back will be effectively borne by Continuing Securityholders who choose to retain their investment in Redcape post-delisting.

The Responsible Entity believes that $1.15 per Redcape Security is a price which appropriately balances the interests of both Continuing Securityholders and Exiting Securityholders. The Buy-Back Price represents a 22.3% premium to the last close (prior to the Announcement Date) (to the benefit of Exiting Securityholders), but also a 12.2% discount to 30 June 2021 Directors NAV as set out in more detail at Section 2.4 of this Explanatory Statement (to the benefit of Continuing Securityholders).

(3) How have Redcape Securities performed recently?

The closing price of Redcape Securities on the ASX on Tuesday 17 August 2021, which was the last day of trading before the Announcement Date, was $0.94.

Redcape's highest and lowest market sale prices and VWAP during each of the preceding five months were as follows:

Period	Low ($)	High ($)	VWAP ($)
Feb	0.910	0.995	0.941
March	0.870	1.010	0.938
April	0.933	1.010	0.967
May	0.945	1.060	1.019
Jun	1.000	1.080	1.050
Jul	0.950	1.045	0.993

The price performance of Redcape Securities from IPO on 30 November 2018 to Tuesday 17 August 2021 is set out in the chart below.

The past performance of Redcape Securities should not be taken as an indicator of future performance.

8.2.3 Scale-back of Buy-Back

If Redcape Securityholders validly elect to participate in the Buy-Back in respect of a total number of Redcape Securities equal to or less than the Buy-Back Limit, all those Redcape Securities would be bought back by the Responsible Entity.

If Redcape Securityholders validly elect to participate in the Buy-Back in respect of a total number of Redcape Securities which exceeds the Buy-Back Limit, the number of Redcape Securities bought back from each Selling Securityholder will be scaled back:

- on a pro-rata basis, according to the relative number of Redcape Securities held on the Record Date by each Redcape Securityholder who elects to participate in the Buy-Back;
- so that the maximum number of Redcape Securities to be bought back by the Responsible Entity does not exceed the Buy-Back Limit; and
- so that the Responsible Entity will not buy back from any Redcape Securityholder more than the number of Redcape Securities they have elected to sell, subject to the following two points:
  - if a scale-back results in there being less than a whole number of Redcape Securities which would be bought back from a Redcape Securityholder, the number of Redcape Securities bought back from that Redcape Securityholder will be rounded down to the nearest whole number; and
  - where that scale-back would leave an Redcape Securityholder with an Unmarketable Parcel, the Responsible Entity may instead buy back 100% of the Redcape Securities of that holder and apply scale-back pro-rata to those Redcape Securityholders who would not be left with an Unmarketable Parcel. The Responsible Entity would buy back in full any parcel of Redcape Securities from a Redcape Securityholder whose entire holding is $2000 or less at the Record Date and who elects to sell that full holding in the Buy-Back. Then, if after the application of a pro-rata scale-back, any Redcape Securityholder would otherwise be left with a holding of Redcape Securities valued at $500 or less, the Responsible Entity will ensure that these securities are also bought back in full, and adjust the remaining scale-back accordingly.

Shortly after the Buy-Back Closing Date (currently scheduled for Monday, 18 October), the Responsible Entity will make an announcement outlining the outcome of the Proposal and including any scale back which has occurred under the Buy-Back. This announcement is expected to be made on Tuesday 19 October 2021.

8.2.4 Cancellation of Redcape Securities

Redcape Securities which are bought back by the Responsible Entity will be cancelled once transferred to the Responsible Entity.

8.2.5 How will the Buy-Back be funded?

Refer to Sections 2.2, 2.3 and 6.3 for detailed information regarding how the Buy-Back will be funded.

8.2.6 Effects of the Buy-Back on Redcape

The financial effect of the Buy-Back (as a component of the Proposal) and the effect of the Buy-Back on control of Redcape, are detailed in Section 6.3 of this Explanatory Statement.

8.2.7 Eligibility to participate

Refer to Section 5.2 for information regarding eligibility to participate in the Buy-Back.

8.2.8 Intentions of material Redcape Securityholders to participate in the Buy-back

MA Financial Group and the MA SIV Property Fund have indicated that they will not participate in the Buy-back.

8.2.9 Restrictions on the payment of Buy-Back Price

The Responsible Entity will pay Redcape Securityholders the Buy-Back Price for each of their Redcape Securities that are bought back unless it is prohibited from doing so.

8.2.10 Rights under the Buy-Back cannot be transferred

Participation in the Buy-Back is personal to each Redcape Securityholder. Redcape Securityholders cannot transfer or renounce their rights to participate in the Buy-Back.

9 Tax implications and considerations

This Section provides a general summary of certain Australian income and capital gains tax consequences as well as New South Wales and Queensland duty implications for Buy-Back Eligible Securityholders and Rights Issue Eligible Securityholders arising from the Buy-Back and Rights Issue. The general summary of the income tax and capital gains tax consequences are limited to those as relevant to an Australian tax resident individual, company (other than a life insurance company) or complying superannuation fund and is not intended to be Australian tax advice to Redcape Securityholders and should not be relied upon on that basis.

Except where expressly stated, the Australian income tax consequences for non-Australian tax resident securityholders are not considered.

The capital gains tax information applies only to Redcape Securityholders who hold their Redcape Securities on capital account and therefore may be assessed for tax under the CGT provisions on securities bought back by Redcape. It does not apply to Redcape Securityholders who hold their securities as trading stock in the course of carrying on a business of trading in securities (e.g. in general, securityholders who are professional security/share traders) or who hold their Redcape Securities for the purpose of sale at a profit. The tax consequences for those Redcape Securityholders may differ significantly from those discussed below.

The information below is based on legislation and administrative practices as at 18 August 2021, but it is not intended to be an authoritative or complete statement of the law applicable to the particular circumstances of all Redcape Securityholders. These laws, the interpretation of them by the courts, and administrative practice may change at any time, and sometimes with retrospective effect. Redcape has not received a class ruling from the Australian Taxation Office (ATO) for Buy-Back Eligible Securityholders who participate in the Buy-Back, nor does it intend to seek such a ruling.

Redcape Securityholders should seek independent professional taxation advice regarding the tax and duty consequences of the Buy-Back and Rights Issue with regard to their own circumstances.

9.1 Buy-Back

Stapled Structure

Securityholders hold a stapled security comprising of a unit in each of Redcape Hotel Trust I (**RHT I**) and Redcape Hotel Trust II (**RHT II**).

RHT I

RHT I has previously made an election for RHT I to be an Attribution Managed Investment Trust (**AMIT**). Redcape does not expect the Buy-Back to impact the AMIT status of RHT I. However, the AMIT eligibility requirements are ongoing and are determined on a yearly basis. The Responsible Entity will notify Securityholders of any changes to the AMIT status of RHT I.

RHT II

RHT II is a public trading trust and accordingly is taxed as a company for Australian tax purposes. RHT II is the head company of a tax consolidated group. Distributions paid on RHT II units should be deemed to be dividends.

Tax considerations for Australian resident securityholders

For Australian tax purposes, RHT I and RHT II are separate and distinct entities. Each unit in RHT I and RHT II are considered a separate capital gains tax (**CGT**) asset. The Buy-Back will therefore involve a simultaneous buy-back by Redcape of the units in RHT I and RHT II respectively.

As the Buy-Back of securities are separate transactions for tax purposes and the tax treatment of the Buy-Back of securities in RHT I and RHT II is different, the two treatments are considered separately below.

Consideration for the sale of a security

Buy-Back Eligible Securityholders who participate in the Buy-Back will be deemed, for CGT purposes, to have disposed of each Security for the capital component plus the amount (if any) by which the market value exceeds the Buy-Back Price. The date of disposal will be taken, for CGT purposes, to be the Buy-Back date.

The Buy-Back Price of $1.15 per Security will be debited in full against amounts standing to the credit of the respective Trust's Capital Account. Guidance will be provided by the Responsible Entity on the split of the Buy-Back Price between RHT I and RHT II. The Buy-Back Price will be taken to have been received as consideration for the sale of the Security.

The Buy-Back facility is proposed to be funded by increasing Redcape's debt facilities and a Rights Issue. To the extent required, asset sales may be pursued by the Responsible Entity to reduce Directors Gearing after the Delisting is complete.

RHT I

It is expected that no part of the Buy-Back price of $0.85 referable to RHT I will be net income for income tax purposes because the Buy-Back will be fully funded from the Trust's capital account (i.e. the Buy-Back price is a return of contributed capital of RHT I).

The redemption of a RHT I unit under the Buy-Back does not constitute an off-market share buy-back within the meaning of Division 16K of Part III of the Income Tax Assessment Act 1936 (**ITAA 1936**).

The Buy-Back may be funded through the sale of assets in Redcape's portfolio. RHT I is expected to realise a capital gain on disposal of these properties and Redcape Responsible Entity proposes to exercise the power in its Constitution to attribute any capital gain realised from the sale of the properties to securityholders who participate in the Buy-Back. Any capital gains attributed to securityholders should be assessed in the hands of the securityholders when calculating their own net capital gain calculation (see capital gains section below).

The difference between the capital gain from the sale of the properties attributed to securityholders (if any) and the Buy-Back price will be funded from the Trust's capital account and should not be considered net (taxable) income for securityholders but instead a return of contributed capital of RHT I.

Information on the split between the capital gain and capital components will be provided to the securityholder in their AMMA statement.

RHT II

The capital component of the Buy-Back Price referable to RHT II of $0.30 is anticipated to be 100% funded from the Trust's capital account (i.e. the Buy-Back price is a return of contributed capital of RHT II) such that none of the Buy-Back Price will be treated as a dividend for Buy-Back Eligible Securityholders.

The ATO released Taxation Determination TD 2004/22 (**TD 2004/22**) which sets out the ATO's view in relation to determining the market value (**Tax Market Value**) of shares bought back off-market for the purposes of Division 16K of the ITAA 1936. TD 2004/22 provides that the market value should be determined as the volume weighted average price of the shares over the last five trading days before the first announcement of the Buy-Back, adjusted for the movement in the S&P/ASX 200 Index from the opening of trading on the announcement date to the close of trading on the day the Buy-Back closes.

The Tax Market Value may be determined in accordance with the following formula:

Tax Market Value = A x (B/C), where:

A = VWAP of securities traded on ASX over the last five trading days before the announcement of the Buy-Back on 18 August 2021

B = closing level of the S&P/ASX 200 Index on the last day of the Offer Period, being Thursday, 21 October 2021

C = opening level of the S&P/ASX 200 Index on 18 August 2021.

A special rule in these provisions applies where the Buy-Back Price is less than the Tax Market Value. In such cases the Tax Market Value of the security is taken to be the consideration in respect of the sale of the Security. Based on a Buy-Back price of $1.15 and a VWAP of $0.94, the S&P/ASX 200 Index would need to increase by at least 22.7% from the Announcement Date to the last day of the Offer Period for the above to apply.

Capital gain or loss on the sale of a securitiy

(a) Disposal of securities

The Redcape Securities will be taken to have been disposed of each of RHT I and RHT II securities for CGT purposes on the Buy-Back date.

An Australian resident Securityholder could make a capital gain or capital loss on the sale of their RHT I and RHT II securities in the Buy-Back. A capital gain will arise if the CGT cost base of the relevant securities disposed of in the Buy-Back is less than the Buy-Back price for each security. The CGT discount may apply if the Redcape Securityholder is an individual, a trust, a complying superannuation fund or a life insurance company to reduce the capital gain, by 50% for individuals and trusts and by 33 1/3% for complying superannuation funds and life insurance companies, where they have held the securities for a period of more than 12 months. If the Securityholder is a company, they are not entitled to any CGT discount.

A capital loss will arise if the CGT reduced cost base of the Redcape Securities disposed of in the Buy-Back exceeds the Buy-Back Price for each Security. If a capital loss arises as a result of the Buy-Back, the capital loss can only be used to offset capital gains. Capital losses that are not used in the income year in which they arise may be carried forward and used to offset capital gains made in later income years, subject to certain restrictions.

For the purposes of determining their net capital gain, the Securityholder must take into account all capital gains and capital losses arising in the income year.

(b) Distribution of discount capital gain by RHT I

An Australian resident Securityholder will be assessed on their share of the net capital gain distributed by RHT I. The securityholder will be required to gross up the capital gain by multiplying it by two to include in their own net capital gain calculation.

The Securityholder may then apply the CGT discount if the Securityholder is an individual, a trust, a complying superannuation fund or a life insurance company to reduce the capital gain, by 50% for individuals and trusts and by 33 1/3% for complying superannuation funds and life insurance companies, where it has held the securities for a period of more than 12 months. If the Securityholder is a company, it is not entitled to any CGT discount.

For the purposes of determining their net capital gain, the Securityholder must take into account all capital gains and capital losses arising in the income year.

CGT cost base of a security

The CGT cost base of each Redcape Security is allocated between RHT I and RHT II securities. The apportionment should be done on a reasonable basis. One possible method of apportionment is on the relative net assets of the individual entities where the Statutory Net Asset Value (NAV) is used. Please refer to the tax disclosures on the Redcape website. https://www.redcape.com.au/investor-centre/distributions/tax/

The CGT cost base will include the consideration paid by the Securityholder to purchase the Security plus any incidental costs of purchase and sale of the Security, for example stamp duty and brokerage.

The CGT cost base of RHT I will be reduced by any historical tax deferred distributions the Securityholder received on RHT I units from the date of purchase.

Tax considerations for certain non-Australian resident Redcape Securityholders

Non-Australian resident Securityholders who participate in the Buy-Back and hold their securities on capital account, will not be subject to the Australian CGT regime where they hold an associate include interest in Redcape of less than 10%.

Non-Australian resident Securityholders should seek their own tax advice.

Dividend substitution tax provisions

As RHT II is treated as a company for Australian income tax purposes, Redcape Securityholders should be aware that there are tax anti-avoidance provisions which can apply where a company distributes share capital in preference to dividends. If those provisions applied to the Buy-Back then some or all of the purchase price may be taken to be an unfranked dividend (instead of the treatment outlined above) and the relevant part of the Buy-Back Price may be included in the securityholder's assessable income.

Redcape considers that the Buy-Back should not attract the application of any of those provisions.

Stamp Duty

Buy-Back Eligible Securityholders who dispose of their Redcape Securities by participating in the Buy-Back and whose proportionate holding of Redcape Securities reduce (e.g. a disposal of all of their Redcape Securities) should not be liable for any duty.

9.2 Rights Issue

Issue of rights

The Rights Issue will not itself result in any amount being included in the assessable income of a Rights Issue Eligible Securityholder.

Exercise of Entitlements

Rights Issue Eligible Securityholders who exercise their entitlements under the Rights Issue and subscribe for new Redcape Securities will acquire those securities with a cost base for CGT purposes equal to the Offer Price of $1.15 payable by them for those securities plus any non-deductible incidental costs they incur in acquiring those securities, but will not make any capital gain or loss, or assessable income, from exercising the entitlements or subscribing for the New Securities. The cost of acquisition will need to be allocated between RHT I and RHT II.

New Securities

Rights Issue Eligible Securityholders who exercise their entitlements under the Rights Issue will acquire New Securities. Any future distributions/dividends made in respect of those new securities will be subject to the same taxation treatment as distributions made on securities held originally.

On any future disposal of New Securities, Rights Issue Eligible Securityholders may make a capital gain or capital loss, depending on whether the capital proceeds of that disposal are more than the cost base or less than the reduced cost base of the New Securities. The cost base of those securityholders is described above. New Securities will be treated for the purposes of the CGT discount as having been acquired when the Eligible Securityholder exercised their entitlement to subscribe for them. Accordingly, in order to benefit from the CGT discount in respect of a disposal of those securities, they must have been held for at least 12 months after the relevant exercise date before the disposal occurs.

Tax considerations for certain non-Australian resident Securityholders

Non-Australian resident Securityholders who participate in the Rights Issue and hold their securities on capital account, will not be subject to the Australian CGT regime where they hold an associate include interest in Redcape of less than 10%.

Non-Australian resident Securityholders should seek their own tax advice.

Stamp Duty

Rights Issue Eligible Securityholders who exercise their entitlements under the Rights Issue and subscribe for New Securities will acquire a further proportionate interest in RHT I, which is a landholder for the purposes of the New South Wales and Queensland duties legislation. Redcape Securityholders who do not participate in either the Buy-Back or the Rights Issue or participate in the Buy-Back for only a portion of their Redcape Securities, may also acquire a further proportionate interest in RHT I (i.e. because the total number of securities reduces).

Landholder duty can be charged where a person acquires an interest of 90% or more of a landholder that is a listed unit trust in these States. For the purposes of determining this 90% threshold, a person's interest is aggregated with any interests held or acquired by certain related persons or associated persons (in both cases, as defined in the duties legislation) or persons who acquire their interests as part of an arrangement.

The Buy-Back Limit and associated Scale Back is expected to operate in such a way that MA Financial Group and any related persons or associated persons (in both case, as defined in the duties legislation) hold less than 90% of the RHT I securities as a result of the Buy-Back and Rights Issue. Redcape Securityholders that are or may be a related person or associated person of MA Financial Group have been identified as part of this process.

9.3 Unlisted Redcape

Stamp duty

Once the Redcape Securities cease to be quoted for trading on the ASX, RHT I will cease to be a landholder and become a trust with an indirect interest in dutiable property for the purposes of the Queensland duties legislation. Depending on the take up of the Buy-Back and Rights Issue, RHT I may not satisfy the requirements of a public unit trust scheme as defined in the Queensland duties legislation.

Until the Manager is able to take such steps as are necessary to cause RHT to satisfy the requirements of a public unit trust, this means that any change in the proportionate interests of unitholders in RHT I can be charged with Queensland duty (i.e. there is no minimum threshold, in contrast to the position for landholder duty). This is relevant to the quarterly liquidity facility.

This duty is generally charged based on a person's increased proportionate interest in RHT I, multiplied by the gross market value of the Queensland assets, multiplied by the appropriate rate of duty. The rates of duty increase in line with the product of the first two variables, up to a maximum rate of 5.75% where the Queensland assets are not residential land. Where the increased proportionate interest multiplied by the Queensland asset value is $1m or more, the rate of duty is $38,025 plus 5.75% of the amount that exceeds $1m. At values between $540,000 and $1m, the marginal rate is 4.5% and at values between $75,000 and $540,000 the marginal rate is 3.5%.

As an illustrative calculation, for a liquidity event where the securityholders whose proportionate securityholdings increase by 2.5% and the Queensland assets have a value of $130.3 million, the duty would be up to approximately $168,000. In practice the duty may be significantly lower than this where each unitholder's increased proportionate entitlement is treated separately, as lower marginal rates of duty would apply.

This cost will be treated as an operating cost until such time as the Manager is able to take steps as to cause RHT I to be a public unit trust. The impact on Directors NAV is estimated to be in the order of $0.0004 per security under the illustrative analysis outlined above for every 2.5% proportionate increase in Redcape Securityholders' interest in Redcape. The Responsible Entity will make filings on behalf of investors who would otherwise be required to request an assessment from the Queensland Office of State Revenue.

10 Risk Factors

This Section describes some of the potential risks associated with the Proposal and an investment in Redcape, including by participating in the Rights Issue:

- Section 10.1 sets out risks associated with implementation of the Proposal, and risks preventing or delaying implementation of the Proposal.
- Section 10.2 sets out risks associated with participation in the Rights Issue and continuing to hold an investment in Redcape as a listed vehicle if the Proposal is not implemented.
- Section 10.3 sets out risks specific to Redcape and its business.
- Section 10.4 sets out general risks related to Redcape and its business.

These risks could, if they were to eventuate, have a material adverse effect on Redcape's business, financial position, operating and financial performance and the value of the Redcape Securities. Many of the circumstances giving rise to these risks are partially or completely outside the control of the Responsible Entity or its directors or management and either cannot be mitigated or can only be partially mitigated.

You should note that this Section 10 is a summary only and is not an exhaustive list of the risks relating to Redcape. There may be additional risks and uncertainties not currently known to Redcape, or not currently considered material, which may have a material adverse effect on Redcape's business, financial position, operating and financial performance and the value of the Redcape Securities.

Before deciding whether to participate in the Buy-Back or the Rights Issue, Redcape Securityholders should carefully read this Explanatory Statement in its entirety and specifically consider the risks in this Section 10.

This Explanatory Statement does not take into account the investment objectives, financial situation, or the particular needs or risk profiles of individual Redcape Securityholders. You should carefully consider the following risks, as well as the other information contained in this Explanatory Statement, and seek professional advice from your accountant, tax adviser, stockbroker, lawyer or other professional adviser before making any decision in relation to your Redcape Securities.

10.1 Risks associated with the Proposal

10.1.1 Risks associated with implementation of the Proposal

This Section sets out some of the key risks relating to the Proposal. These are additional to those risks set out in Section 10.3 and 10.4 that apply to your current investment in Redcape Securities.

(a) Liquidity

If the Proposal is implemented, Redcape will be delisted. As such, there will be no public market for the sale and purchase of Redcape Securities following implementation of the Proposal, nor is there expected to be any such market in the future.

Redcape Securityholders who retain their Redcape Securities may have limited opportunities to sell their Redcape Securities, other than under the Unlisted Liquidity Facility. The Unlisted Liquidity Facility is subject to conditions, caps and other limitations, and there is no guarantee that liquidity will be available under the Unlisted Liquidity Facility at any particular price, on any particular timing, or at all. If liquidity is available under the Unlisted Liquidity Facility, an investor's application for liquidity maybe scaled back. Refer to Section 2.5.2 for further details of the Unlisted Liquidity Facility.

Redcape's status as an unlisted group may affect the ability of a Redcape Securityholder to find a buyer for their Redcape Securities at a price acceptable to the Redcape Securityholder (notwithstanding that the financial performance of Redcape and its business or the financial statements of Redcape might suggest the value of those Redcape Securities is higher).

(b) Scale-back under the Buy-Back

There is a risk that the number of Redcape Securities bought back from each Buy-Back Eligible Securityholder who elects to participate in the Buy-Back will be scaled back from their election. This scale-back will occur if the total number of Redcape Securities to be bought back exceeds the Buy-Back Limit. Refer to Section 8.2.3 for details regarding how any scale-back under the Buy-Back will be conducted.

(c) Securityholder concentration

Depending on the level of take-up under the Buy-Back and the Rights Issue, MA Financial Group and its associates could control up to no more than 77.7% of Redcape Securities[14]. Accordingly, these parties will continue to be in a position to exert significant influence over matters relating to Redcape and may control Redcape. Although the interests of these Redcape Securityholders and other Redcape Securityholders are likely to be aligned in most cases, there may be instances where their respective interests diverge. For example, the Manager, which is a Subsidiary of MA Financial Group may obtain higher performance fees if Redcape undertakes transactions and raises additional capital which may not coincide with the preferences of particular Redcape Securityholders.

(d) Tax consequences for Redcape Securityholders

If the Proposal proceeds, there may be tax consequences for Redcape Securityholders. There will be capital gains tax consequences for Buy-Back Eligible Securityholders who hold their securities on capital account and participate in the Buy-Back. Further, if the Buy-Back is funded through the sale of assets in Redcape's portfolio, Responsible Entity proposes to attribute any capital gains realised from the sale of the properties to Redcape Securityholders who participate in the Buy-Back. If the take up of the Buy Back and Rights Issue proceeds in such a way that Unlisted Redcape does not qualify as a "public unit trust scheme" for Queensland duty purposes, the Unlisted Liquidity Facility and any proposed future equity raising may give rise to Queensland duty for investors. The Manager intends to take all reasonable steps to enable Unlisted Redcape to become a "public unit trust scheme" as soon as is practical to mitigate possible adverse Queensland duty implications.

Further information on the tax consequences of the Proposal is set out in Section 9. Redcape Securityholders should seek their own professional advice regarding the individual tax consequences of the Proposal.

(e) Increase in gearing

As a result of the Buy-Back, the level of gearing of the Trusts will increase. As described in Section 10.4.2 below, gearing exposes Redcape to any changes in interest rates and increases its exposure to movements in the value of its property portfolio or performance measures, potentially leading to an increase in the volatility of earnings. A higher level of borrowings also increases the risk associated with the use of debt, including having to sell assets or raise equity on disadvantageous terms in order to keep within loan covenants, or of being unable to sell assets or raise equity and defaulting on loan covenants, or being unable to refinance when the loan term expires.

If the value of Unlisted Redcape's assets fall and Directors Gearing increases above the targeted gearing level of 40.0 – 50.0% Directors Gearing, the Responsible Entity will implement a strategy to restore the level of Directors Gearing to 50.0% or below. To the extent its required, asset sales may be pursued by the Responsible Entity following the Delisting to reduce gearing. However, there is no guarantee that sale opportunities on commercially appropriate terms will be available to the Responsible Entity for this purpose.

(f) Listing Rules and Takeovers Rules will no longer apply

If the Proposal is implemented, Redcape will no longer be subject to the Listing Rules or Takeovers Rules. Refer to Sections 3.3.4 and 3.3.6 for further information.

(g) Change in control risk

The Responsible Entity has reviewed Redcape's material contracts and is not aware of any material contract which will have a termination right or other adverse right that it considers likely to be triggered as a result of the Proposed Transaction. However, there is a risk that change in control provisions in contracts to which Redcape is a party, including lease agreements, supplier agreements and licensing and regulatory approvals, may be triggered by the Proposal or by changes in the ownership of Redcape once unlisted if MA Financial Group and its associates move to a control position and if Redcape cannot obtain the relevant counterparty's consent. In such a case, this may give the counterparty a right to terminate the agreement, which in turn has the potential to affect Redcape's operations and financial performance.

14 Allows for the possibility that MA Financial Group and its associates creep by up to 3.0% prior to the Proposal being implemented. Assuming no creep acquisition, their relevant interest could increase to up to no more than 74.0% as a result of the Proposal

Additionally, Redcape Securityholders should be aware that future changes of control of Redcape following the Delisting may trigger a change of control under contracts in circumstances where it would not have been triggered prior to the Delisting. The reason for this is some of Redcape's contract include exclusions from the change of control provisions for changes that occur while the parent entity is listed. As a result, a future change of control of Redcape may give counterparties termination rights which they would not have had if Redcape had remained listed.

10.1.2 Risks preventing or delaying implementation of the Proposal

(a) Financing/underwriting risk

While the Responsible Entity has obtained financing and the Rights Issue has been underwritten, each of those funding arrangements contains conditions and termination events as summarised in Section 11. If a condition of that funding could not be satisfied or a termination event was triggered and the relevant funder relied on that matter to not provide the funding, the Buy-Back may not be able to be implemented which may affect the ability of the Responsible Entity to Implement the Proposal and to Delist Redcape.

(b) Securityholder approval/Conditions

The Proposal is subject to a number of conditions, including Redcape Securityholder approval of the Resolutions. Each of the Resolutions is inter-conditional and must be passed by the Requisite Majorities in order for the Proposal to proceed. There is a risk that Redcape Securityholder approval may not be obtained if not all Resolutions are passed by the Requisite Majorities, you will not be able to participate in the Buy Back or Rights Issue and Redcape Securities will continue to be listed.

10.1.3 Risks if the Proposal is not implemented

If the Proposal is not implemented, Redcape Securityholders will continue to hold their Redcape Securities, which will continue to be traded on ASX. There may be relatively few potential buyers or sellers of the Redcape Securities on ASX at any time. This may increase the volatility of the market price of the Redcape Securities and if the Proposal does not proceed, the price of Redcape Securities may fall. In these circumstances the price at which Redcape Securities may trade on ASX, and the liquidity of Redcape Securities, is uncertain. Further, Redcape will have incurred transaction costs in relation to the Proposal even if it does not proceed.

10.2 Risks associated with participation in the Rights Issue and continuing to hold an investment in Redcape as a listed vehicle if the Proposal is not implemented

If Redcape continues as a listed vehicle, the key risks which have been previously disclosed regarding investment in Redcape as a listed vehicle will continue to apply. These risks, which were disclosed in more detail in the IPO PDS, include the following:

10.2.1 Price fluctuation and trading volatility

While Redcape is listed on the ASX, it is subject to general market risk that is inherent in all securities listed on a securities exchange. This may result in fluctuations in the price of Redcape Securities including fluctuations that are not explained by the fundamental operations and activities of Redcape. The price of Redcape Securities quoted on ASX may rise or fall due to a number of factors, including but not limited general economic conditions, changes in government policy, legislation and regulation, and the nature of the markets in which Redcape operates.

While Redcape Securities are quoted on ASX, there can be no guarantee that there will be an active trading market for Redcape Securities or that the price of Redcape Securities will increase, and Redcape Securityholders risk loss of some or all of their capital. Redcape Securityholders will be subject to potential volatility in trading, including due to the effects of the COVID-19 pandemic.

10.2.2 Taxation changes

Changes to taxation law or duties, and interpretation of taxation or duties laws, may adversely impact Redcape Securityholder returns, as may changes to the tax payable by Redcape Securityholders in general. Changes in the tax status of one or both Trusts, such as if Trust I ceased to be an attribution managed investment trust (AMIT), or if Unlisted Redcape did not initially qualify as a "public unit trust scheme" for Queensland duty purposes (which may depend on the level of take-up of the Buy-Back and the Rights Issue), could have adverse taxation consequences for Redcape Securityholders.

An investment in Redcape Securities involves tax considerations which differ for each Redcape Securityholder. Redcape Securityholders are encouraged to seek professional tax advice in connection with any investment in Redcape.

10.3 Risks relating to the business and operations of Redcape

This Section sets out risks associated with an investment in Redcape Securities which are specific to Redcape's business activities and operations. This list of risks is not exhaustive and Redcape Securityholders should refer to the IPO PDS for further information.

10.3.1 COVID-19

The COVID-19 pandemic has caused, is currently causing, and may continue to cause significant disruption to, Redcape's business, the sectors in which Redcape operates as well as securities markets.

At the date of this Explanatory Statement, the lockdowns in Sydney and other parts of New South Wales and Queensland have caused and are causing significant disruption to Redcape's operations and impacting on its financial performance and cash position.

As outbreaks of COVID-19 have occurred and then become controlled, Australia has observed the iterative introduction and removal by Federal and State governments of laws and regulations intended to suppress the transmission of COVID-19. Examples of these measures include, but are not limited to social distancing rules, capacity limits at hospitality venues, and lockdowns. Once the restrictions in New South Wales and Queensland which are in place at the date of this Explanatory Statement are eased, Redcape may continue to experience significant disruptions to its operations which are caused by continuing laws and regulations designed to supress transmission of COVID-19, and the reintroduction of more severe measures in the case of further outbreaks or variants. Disruptions may also be caused by ongoing customer concerns regarding pandemic risks (which may discourage patronage of Redcape's hotels and pubs), and by any visitation of premises by people who have been exposed to COVID-19 (including both employees and customers) which may require Redcape to close those premises for periods of time or discourage customers from attending those premises. These disruptions may result in material adverse impacts on Redcape's financial and operating performance, cash position and ability to comply with its covenants. As it has done in previous lockdowns, Redcape would engage with its lenders to seek the appropriate waivers if it was at risk of breaching its covenants.

The long term impact of the COVID-19 pandemic upon Redcape's employees and suppliers, and on consumer preferences and behaviours, business activity levels, and regional and global economic conditions and cycles, is not yet known.

10.3.2 Regulatory risk

There is an extensive regulatory regime that affects many aspects of Redcape's business, including restrictions on the number of electronic gaming machines permitted in pubs, restrictions on Gaming Machine Entitlements and forfeitures and taxation of gaming machine revenues. It is likely that State and Territory governments will continue addressing issues such as alcohol-based violence, health reforms and problem gambling. The extent and degree of regulation differs on a state-by-state basis. Inconsistencies in the regulatory regimes, as well as potential changes in legislation and government policies, or the interpretation of legislation and policies, may adversely impact on Redcape's profitability. Any legislative or regulatory changes in NSW or QLD may have a greater adverse impact on Redcape's profitability given the geographic concentration of Redcape's pubs.

Redcape is bound by laws relating to the prevention of money laundering and the financing of terrorism, including the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 ("**AML/CTF Laws**"). Redcape could face civil penalty proceedings, and other legal and regulatory sanctions, as well as reputational damage, following any failure to comply with AML/CTF Laws. Penalties, fines or other compensation payable as a result of any breach of AML/CTF laws, and related reputational damage, could have a material adverse effect on the Redcape's business, financial condition and performance, and operating performance and growth.

There is a risk that liability arising from workplace health and safety matters at a Redcape pub may be attributable to Redcape and, to the extent that Redcape bears any such liability which is not covered by insurance, this may impact Redcape's financial performance. In addition, Redcape may have to pay monetary penalties, which may also adversely affect its financial performance.

A failure by Redcape to comply with any of the regulatory regimes and associated licenses which apply to its operations may significantly and adversely affect Redcape's reputation and financial performance and any Redcape Securityholder's investment in Redcape.

10.3.3 Supplier risks

Redcape has a number of agreements with certain suppliers for the supply of key business inputs, such as EGMs, liquor and food. All current supply arrangements are based on commercial supplier and customer terms, and the interruption or termination of these supply agreements may have a material adverse impact on Redcape. Additionally, Redcape cannot guarantee that its existing arrangements with key suppliers will be renewed, or renewed on terms similar to its current supply terms.

10.3.4 Demographics and changes in consumer preferences and tastes risk

Consumers' spend on entertainment and alcoholic beverages is discretionary in nature, and as such, Redcape's offering of products and services in its pubs, and its financial performance, may be affected by changes in consumers' disposable income, or their preferences as to the utilisation of that disposable income. Any decrease in the real disposable income of Redcape's patrons in NSW and QLD as a result of general economic forces, such as an increase in interest rates, may decrease consumer confidence and consumer demand, which may subsequently result in lower levels of trading activity and Redcape's profitability.

Additionally, any changes in population density, growth and demographics in local communities may adversely affect Redcape's financial performance and the value of an investment in Redcape. Conversely, any increase in the real disposable income of Redcape's patrons may lead to increased competition, from both existing and prospective entrants, in the NSW and QLD pub industry.

Further, any change in Australian attitudes towards, and societal norms concerning, gambling and alcohol consumption and their potential implications may affect Redcape's profitability.

Technology changes, including product development in the EGM industry and offerings for online and mobile gaming, could drive a change in the level of consumer demand for EGMs and lead to lower demand for Redcape's existing EGMs.

10.3.5 Competition risk

Redcape could be adversely affected by increased competition in the pub, gaming and retail liquor markets in NSW and QLD. Redcape's pubs compete for customers with a wide variety of other pubs and entertainment venues, and Redcape's competitors may be better equipped and could have access to greater financial resources than Redcape. Further, change to the design or application of the classification of Local Government Area gaming 'bands' in NSW may increase competition in the Local Government Areas in which Redcape operates.

Furthermore, the various offerings of online and mobile gaming also pose a risk to Redcape which may detrimentally affect its operations and financial performance. Increased competition in the retail liquor markets and other specialty stores in the regions of Australia in which Redcape operates, including competing with supermarkets where alcoholic and other products could be purchased more cheaply, as well as general competition with alternative entertainment and leisure activities, has the potential to adversely affect Redcape's profitability

Rapid changes in technology may lead to Redcape's competitors introducing technologies that provide them with a competitive advantage relative to Redcape and may lead to increased risk of asset obsolescence.

10.3.6 Acquisition and disposal risk

In seeking to maximise returns for Redcape Securityholders, Redcape may acquire further pubs in accordance with its acquisition strategy. The risks faced by Redcape in relation to a future acquisition will depend on the terms of the transaction at the time. Future acquisitions may affect the value of, and returns from, an investment in Redcape. There is a risk that Redcape may be unable to source and acquire properties or pubs, as well as dispose of any pubs or properties, on commercially appropriate terms, which may in turn limit Redcape's growth. There is also a risk that Redcape may be unable to successfully integrate any future acquisitions into its business model, or deliver the anticipated returns from those acquisitions.

Additionally, distributions may be adversely affected by future acquisitions or disposals, and there is no guarantee that any future acquisitions or disposals will enhance the investment returns of Redcape Securityholders.

10.3.7 Refurbishment and development risk

There is a risk that future refurbishments of the Redcape portfolio are delayed, take longer or cost more than anticipated to implement or be completed, which may detrimentally affect Redcape's profitability and future returns.

Additionally, there is no guarantee the refurbishment of gaming facilities of certain premises will add value to, or result in improved profitability of, the Redcape portfolio or its operations.

Furthermore, delays in obtaining any relevant development approvals, planning and zoning issues and any failure to complete renovations or developments according to previously agreed timelines may result in a loss of revenue, and may have a material detrimental effect on Redcape's profitability and financial performance.

10.4 General Risks

10.4.1 Global health pandemics

Global health pandemics, such as COVID-19, can cause significant disruption to consumer behaviours and activity levels, in the sectors in which Redcape operates, as well as to securities markets and global and regional economic conditions and cycles. These pandemics can therefore directly and adversely impact the operation of Redcape's venues and supply chains, including through changes in consumer behaviours, and the introduction laws and regulations designed supress the transmission of viruses and disease.

10.4.2 Gearing risk

Gearing exposes Redcape to any changes in interest rates and increases its exposure to movements in the value of its property portfolio or performance measures. If Redcape's level of gearing increases over the term of its debt financing, this will increase the volatility of earnings and increase the level of financial risk, including the risk of default under Redcape's financing facilities. Higher gearing may also affect Redcape's ability to refinance its financing facilities.

10.4.3 Funding and extension and refinancing of debt

Redcape's ability to raise funds from either debt or equity markets in the future, on favourable terms for future activities, depends on a number of factors, including the:

- state of debt and equity markets at the time;
- general economic and political climate;
- appetite of finance providers to provide debt to pub industry operators;
- appetite of finance providers to provide debt to unlisted vehicles as opposed to listed vehicles;
- performance, reputation and financial strength of Redcape; and
- value of Redcape's business and properties in its portfolio.

If Redcape raises further equity funding this may dilute the interest of Redcape Securityholders if they are not provided with an opportunity to participate, or do not participate, in the equity issue. For example, while the Rights Issue is intended to fund the Buy-Back, on a scenario where the take up of Rights by Redcape Securityholders exceeded the number of Redcape Securities in respect of which applications to sell in the Buy-Back are received, Continuing Securityholders who did not participate in the Rights Issue would be diluted.

There is a risk that Redcape may not be able to refinance its debt before expiry or may not be able to do so on as favourable terms as its current financing facilities.

10.4.4 Facility undertakings and covenants risk

Under Redcape's financing facilities, Redcape is subject to a number of undertakings and covenants, including in relation to loan to value levels and interest cover ratios. An event of default would occur if Redcape fails to maintain these financial covenants. This may be caused by unfavourable movements in interest rates (to the extent interest rates are not hedged) or deterioration in the income or the value of Redcape's operations or the properties in its portfolio. In the event that an event of default occurs, the lender may require immediate repayment of facility. Redcape may need to dispose of all or parts of its business or properties in its portfolio for less than their market value, raise additional equity, or reduce or suspend distributions in order to repay Redcape's financing facilities.

10.4.5 Interest rate risk

To the extent that interest rates are not hedged, unfavourable movements in interest rates could lead to increased interest being incurred by Redcape in respect of its current and future debt facilities. Any such movement may have a negative impact on Redcape's financial position and results.

Increased general interest rates may also result in a reduction in consumers' discretionary income (which may affect Redcape's operations), increased capitalisation rates for pub real estate (which may negatively impact the valuation of Redcape's existing pubs) and a reduction in the attractiveness of debt funding for Redcape's growth initiatives such as refurbishments and acquisitions.

10.4.6 Reputational risk

There is a risk that Redcape's reputation may erode if Redcape fails to comply with its licences and regulatory requirements, or if there is any episode of death, armed robbery or violence at any of Redcape's pubs or other occurrences which adversely affect the reputation of Redcape's pubs. Further, episodes of death, armed robbery or violence may result in the loss of patronage.

These risks may in turn detrimentally affect Redcape's profitability and financial performance.

10.4.7 Cyber security, data and privacy risk

Redcape collects a range of customer, supplier, employee and company data though its ordinary course of business. In addition, through providing certain online services, such as the ability for customers to reserve hotel bookings online, Redcape is exposed to risks relating to security of customer information and payment details.

Cyber-attacks, data breaches or unauthorised access to confidential information such as customer information may have a negative impact Redcape's operations and reputation and could cause Redcape to suffer financial loss and regulatory consequences.

10.4.8 Changing community expectations with respect to ESG standards

Changes in community expectations regarding ESG standards and risk management (such as responsible sourcing of products, serving of alcohol and gaming, and community engagement) may impact the hospitality and pub industries, including the operations and profitability of Redcape. These changes in community expectations may also lead to regulatory changes and increased operational and compliance costs for Redcape, and restrict Redcape's ability to attract financing and investment.

10.4.9 Reliance on the Manager, key management and ability to attract and retain key staff risk

Redcape relies on the expertise and experience of the Manager and its key executive directors and management. As a consequence, the breach or termination of the Investment Management Agreement or Hotel Operating Agreement by the Manager or the loss of key personnel and senior management by the Manager could have an adverse impact on the management and financial performance of Redcape, and returns to Redcape Securityholders.

Additionally, the operations of Redcape's business depend on its ability to attract and retain quality venue staff. Any changes that adversely impact Redcape's ability to attract and retain key venue staff may adversely impact Redcape's profitability, and Redcape Securityholder returns from Redcape Securities.

10.4.10 Employment costs and disputes risk

Redcape has a range of agreements with various employees and contractors which are on a rolling basis and may be amended, or terminated by complying with the relevant notice periods. In addition, Redcape's ability to appropriately manage its labour needs and requirements while controlling costs associated with hiring and training new employees is subject to external factors such as unemployment rates and minimum wage requirements imposed at law.

Disputes may arise in the course of such renegotiations that could disrupt Redcape's operations and in times of high employment or a shortage of appropriately skilled employees, there can be upward pressure on wages. If any of these events occur, Redcape's financial performance and position may be affected.

10.4.11 Property liquidity risk

The properties in Redcape's portfolio are, by their nature, illiquid investments. There is a risk that, if required to do so, Redcape may not be able to realise value for the properties within a short period of time or may not be able to realise the full valuation, which may affect an investment in Redcape.

10.4.12 General economic conditions risk

Redcape currently only has operations in Australia, and its financial performance is subject to general economic conditions in Australia, as well as general economic conditions globally. Prolonged downturn in general economic conditions (including as a result of the COVID-19 pandemic) may impact the demand for Redcape's services, decreasing consumer demand and lowering sentiment or its assets, which may affect the ability of Redcape to fulfil its investment objectives and could result in a loss of some or all of Redcape Securityholders' capital invested in Redcape. These events could be expected to have a material impact on Redcape's business and financial performance.

10.4.13 Accounting standards

Changes to Australian Accounting Standards issued by the Australian Accounting Standards Board or changes to the application and interpretation of those standards could materially adversely affect the financial performance and position reported in Redcape's financial statements.

10.4.14 General business risks

Redcape is subject to a number of additional general business risks, including but not limited to litigation, environment, IT systems and insurance risks, and the risk of counterparties failing to perform obligations under contracts with Redcape. Further information regarding these risks is disclosed in the IPO PDS.

11 Additional information

11.1 Regulatory relief

11.1.1 ASX conditions

The Responsible Entity has applied for in-principle advice from ASX that it would likely remove Redcape from the official list of ASX, subject to compliance with the following conditions:

- Redcape's removal from the official list of ASX is approved by a special resolution of ordinary securityholders of Redcape;
- the removal of Redcape from the official list of ASX will not take place any earlier than one month after Redcape Securityholders approve the Delisting; and
- the Responsible Entity implements the Buy-Back for a period of one month after Redcape Securityholders approve the Delisting.

The Responsible Entity will update Redcape Securityholders by ASX announcement once it has received a response to its application for in-principle advice.

11.1.2 ASIC relief

ASIC has reached an in-principle decision to grant relief from certain provisions in the Corporations Act, to enable the Responsible Entity to give effect to the Proposal, including relief:

- from s 601GA(4) and the withdrawal provisions in Part 5C.6, which will allow the Buy-Back to be undertaken in accordance with the Trust Constitutions (in their proposed amended form accessible at www.redcape.com.au/investor-centre), and will allow the Responsible Entity to fund the Buy-Back through an increase in its debt facilities, rather than selling its existing assets, as would be required under the Corporations Act if such relief had not been granted;
- from s 601FC(1)(a) which will allow the Responsible Entity to hold Redcape Securities if those securities are acquired at a price lower than the consideration that would be payable if those securities were they acquired by another person, which would be the case if there is a surge in the market price of Redcape Securities during the Buy-Back period which exceeds the Buy-Back Price;

- from s 601FC(1)(d) which will allow the Responsible Entity to: (i) selectively scale-back offers if the Buy-Back is oversubscribed (so that Redcape Securityholders are not left with Unmarketable Parcels); and (ii) round any fractional entitlements from calculating the number of interests to be sold by particular Redcape Securityholders through the Buy-Back;
- from Division 5A of Part 7.9 so that offers under the Buy-Back to purchase Redcape Securities are not prohibited under Division 5A of Part 7.9;
- modify s 611 to allow Redcape and Redcape Securityholders to acquire a relevant interest in Redcape Securities above the 20% permitted 'takeovers threshold' as a consequence of the Buy-Back; and
- modify s 609(4) so that the Responsible Entity entering into an agreement to buy back the Redcape Securities will not give rise to "relevant interests" under s 606.

11.2 Remedies Redcape Securityholders may pursue under the Corporations Act

The Corporations Act provides for remedies that Redcape Securityholders may pursue in the event that the Delisting occurs, and they consider it to have been contrary to the interests of Redcape Securityholders as a whole or oppressive, unfairly prejudicial or discriminatory to a securityholder or securityholders. Further, the Takeovers Panel may prevent the Delisting if it considers it to involve "unacceptable circumstances". Remedies that may be available include:

- (**Members' rights and remedies**) If a Redcape Securityholder considers the proposed delisting to be contrary to the interests of securityholders as a whole or oppressive to, unfairly prejudicial to, or unfairly discriminatory against a particular securityholder or securityholders, it may have rights to apply to the Court for an order under Part 2F.1 of the Corporations Act. This Part of the Corporations Act only explicitly applies to company (rather than trusts such as Trust 1 and Trust 2) and so the Court may not accept such an application. If the Court accepts the application it can make various orders under Part 2F.1 that it considers appropriate. Redcape Securityholders should obtain independent legal advice if they are considering such an application.
- (**Unacceptable circumstances**) If a Redcape Securityholder considers the proposed Delisting involves 'unacceptable circumstances', it may apply to the Takeovers Panel for a declaration of unacceptable circumstances. Under section 657D of the Corporations Act, if the Takeovers Panel has declared circumstances to be unacceptable, it may make an order that it thinks appropriate to protect the rights or interests of any person or group of persons, where the Takeovers Panel is satisfied that those rights or interests are being affected, or will be or are likely to be affected, by the circumstances.

11.3 Underwriting agreement

The Responsible Entity has entered into an underwriting agreement with MA Moelis Australia Advisory Pty Ltd (**Underwriter**) in respect of the Rights Issue (**Underwriting Agreement**), under which the Underwriter has agreed to act as underwriter of the Rights Issue.

The Underwriting Agreement contains representations and warranties and indemnities in favour of the Underwriter. The Underwriter may terminate the Underwriting Agreement if certain termination events occur, including but not limited to:

- any of the offer documents or any aspect of the Rights Issue do not comply with the Corporations Act;
- the Responsible Entity is prevented from allotting or issuing Redcape Securities under the Rights Issue within the time required by any applicable laws or regulatory requirements;
- the S&P/ASX 300 Index falls to 85% or lower than its level as at 5.00pm on the business day immediately preceding the date of the Underwriting Agreement and remains at or below this level for three consecutive Business Days, or closes at or below 85% this level on the Business Day prior to the date of settlement of the Rights Issue;
- a new circumstance arises which is outside the Underwriter's control and would have been required to be included if it had arisen before lodgement, which is materially adverse to applicants under the Rights Issue;
- there is an actual, or development involving a prospective, material adverse change or effect in or affecting, among other things, the business, operations, financial position or result of operations of the Group or otherwise in relation to the Group provided that no impact on the Group of COVID-19 related lockdowns or trading restrictions during the period up to 31 October 2021, or after that date where any such impact is substantially less than the impact of the lockdowns and restrictions in place as at 18 August 2021, will be taken to be a material adverse change or effect;
- any of the Group's existing facility or loan agreements is, among other things, withdrawn, varied, terminated or failed to be complied with or a condition to drawdown is breached or becomes incapable of being satisfied;
- a regulatory body withdraws or amends any regulatory approvals required for the Responsible Entity to perform its obligations under the Underwriting Agreement or to carry out the transactions contemplated by the disclosure relating to the Rights Issue;
- any member of the Group, the Responsible Entity and the Manager or any of their respective directors or officers engages in any fraudulent conduct, is charged with an indictable offence, or has any public action by any governmental agency commenced against them, or any director of the Responsible Entity or the Manager is disqualified from managing a corporation;

- New Securities issued under the Rights Issue are not granted unconditional approval for official quotation on ASX, or that approval is (or is likely to be) withdrawn, qualified or withheld;
- Without prior consent of the Underwriter, there is a material change in the ownership structure of Redcape or the Responsible Entity disposes or attempts to dispose of a substantial part of the business or property of a member of the Group, or the Constitution is amended.
- The Responsible Entity, the Manager or any Group Member becomes Insolvent, or an act occurs or an omission is made which may result in the Responsible Entity, the Manager or a Group Member becoming Insolvent;
- there is a timing delay in respect of certain events in connection the Rights Issue more than 2 Business Days without the prior written approval of the Underwriter; or
- the Responsible Entity does not provide any certificate as required by the Underwriting Agreement.

The Underwriter may also terminate the Underwriting Agreement if, in the Underwriter's reasonable opinion, an event has, or is likely to have, a material adverse effect on the success of the Rights Issue, the ability of the Underwriter to market or promote the Rights Issue, the willingness of persons to apply for, or settle obligations to subscribe for New Securities, the price at which New Securities are likely to trade, or has given or is likely to give rise to a contravention, or involvement in a contravention, by the Underwriter or its affiliates of any applicable law, or a liability for the Underwriter or its affiliates, including but not limited to the following:

- the commencement of legal proceedings, or a regulatory enquiry or public action, against the Responsible Entity, the Manager or any member of the Group or of legal proceedings against any of their directors;
- any modification or waiver by ASIC or ASX respectively, obtained in satisfaction of the condition precedents are withdrawn, revoked or amended without the prior written approval of the Underwriter;
- if the Responsible Entity, the Manager or any member of the Group is involved in any activity which breaches any law, the Listing Rules, its constitution or other constituent documents, any legally binding requirement by a Government Agency, or any other undertaking or instrument or authorisation binding on it;
- if a representation or warranty contained in the Underwriting Agreement on the part of the Responsible Entity is breached, becomes not true or is not performed;
- the Responsible Entity fails to comply with any of its obligations under the Underwriting Agreement;
- if a statement in a certificate provided in accordance with the Underwriting Agreement is untrue, incorrect or misleading or deceptive;
- if any of the obligations under any contracts that are material to the Group's business are not capable of being performed, or those contracts are amended without the Underwriter's consent, terminated or are capable of being terminated or of limited force and affect, or performance is or becomes illegal;
- in respect of any one or more of Australia, New Zealand, the United States of America, the United Kingdom, Japan, any member state of the European Union, and the People's Republic of China, North Korea and South Korea, hostilities not presently existing commence, a major escalation in existing hostilities occurs, or a terrorist act is perpetrated in any of those countries or a diplomatic, military, commercial or political establishment of any of those countries elsewhere in the world;
- there is: introduced into the Parliament of the New Zealand, the United States, the United Kingdom, Hong Kong, any member state of the European Union, Commonwealth of Australia or any State or Territory of Australia, or publicly proposed, a new law which regulates either or both of the Rights Issue and Redcape; or
- there are certain disruptions to political conditions, financial markets and commercial banking activities in various jurisdictions;
- trading on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for at least one day on which that exchange is open for trading

Exercise by the Underwriter of a termination right under the Underwriting Agreement would discharge the Underwriter from its obligations under the Underwriting Agreement.

If any termination event is triggered under the Underwriting Agreement (whether before or after the Meeting) and the Underwriter elects to terminate the Underwriting Agreement, leaving inadequate funding to implement the Buy-Back, the IBC will withdraw the Proposal (including the Buy-Back and Rights Issue) and the Proposal will not proceed.

11.4 Financing commitments

As at the date of this Explanatory Statement, Redcape's Lenders under its facilities have consented to the Buy Back and provided binding commitments to extend the facilities to the extent required to cover the debt funding component of the Buy-Back, in each case subject to customary conditions including full form documentation being entered into. The increase in facilities is expected to be fully documented before the Meeting.

11.5 International offer restrictions – Buy-Back

This document does not constitute an offer to purchase securities in any jurisdiction in which it would be unlawful. Securities may not be offered for purchase in any country outside Australia and New Zealand except to the extent permitted below.

China

This document does not constitute an offer to purchase any securities in the People's Republic of China (excluding, for purposes of this paragraph, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan). This document is being distributed only to existing shareholders of the Company in connection with a buy-back offer for cash.

Hong Kong

WARNING: The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Malaysia

This document may not be distributed to, and no offer of securities can be made to, the public in Malaysia. This document may only be distributed in Malaysia to Redcape Securityholders.

Singapore

This document and any other materials relating to the Stapled Securities have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer to purchase Stapled Securities may not be issued, circulated or distributed, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA. Moreover, statutory liability under the SFA in relation to the content of prospectuses would not apply. You should consider carefully whether the investment is suitable for you.

This document has been given to you on the basis that you are an existing holder of Redcape Securities. In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document and any other document or materials in connection with the offer to purchase Stapled Securities to any other person in Singapore.

South Africa

The Rights Issue does not constitute an offer of securities to the public under the South African Companies Act and, accordingly, this document does not constitute a prospectus prepared or registered under the South African Companies Act. This document may only be distributed in South Africa to existing Redcape Securityholders.

United Kingdom

Neither this document nor any other document relating to the Rights Issue has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the Stapled Securities. This document is issued on a confidential basis to Redcape Securityholders and does not relate to the offer of transferable securities to the public in the United Kingdom or the admission of transferable securities to trading on a regulated market situated or operating in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received in connection with the offer has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of FSMA does not apply to Redcape.

In the United Kingdom, this document is being distributed only to, and is directed at, persons to whom it may lawfully be made within the circumstances described in Article 43 of the FSMA (Financial Promotion) Order 2005 and/or any other persons to whom it may lawfully be communicated (all such persons being referred to as "Relevant Persons").

This document is available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

United States

Redcape Securityholders located in the United States should be aware that the Rights Issue is being conducted in accordance with applicable law and practice in Australia. The disclosure requirements in relation to a tender offer in Australia differ from those applying in the United States.

Redcape is an Australian stapled group. All of its directors and executive officers reside outside the United States and all of its assets are located outside the United States. As a result, it may be difficult for US investors to effect service of process in the United States upon such persons or to enforce against Redcape or such persons in foreign courts a judgement predicated upon the civil liability provisions of the federal securities laws of the United States.

This document has not been submitted to or reviewed by the US Securities and Exchange Commission or any US state securities regulator. None of these authorities has passed upon the merits of the Rights Issue nor the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence.

US Redcape Securityholders should consult their tax adviser to ascertain the specific tax implications of the Rights Issue in relation to their own affairs.

The Responsible Entity makes no recommendation as to whether securityholders should participate in the Buy-Back.

11.6 International offer restrictions – Rights Issue

This document does not constitute an offer of New Securities in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Securities may not be offered or sold, in any country outside Australia except to the extent permitted below.

New Zealand

The New Securities are not being offered to the public within New Zealand other than to existing securityholders of Redcape with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

This document has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

United Kingdom

Neither this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Securities.

The New Securities may not be offered or sold in the United Kingdom by means of this document or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This document is issued on a confidential basis in the United Kingdom to fewer than 150 persons who are existing securityholders of Redcape. This document may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the New Securities has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to Redcape.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investment to which this document relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this document.

Glossary of Terms

In this Explanatory Statement, unless the context otherwise provides, defined terms have the meaning shown below:

Term	Meaning
Additional New Securities	Redcape Securities applied for under the Rights Issue beyond the Redcape Securityholder's 1:4.2 Rights.
Announcement Date	the date when the Proposal was announced, being 18 August 2021.
ASIC	the Australian Securities and Investments Commission.
ASIC Relief	the relief described in section 11.1.2.
ASX Settlement Operating Rules	the operating rules (as defined in chapter 7 of the Corporations Act) of CHESS which are known as the ASX Settlement Operating Rules.
Board	the board of the Responsible Entity
Boardroom	the Registry
Business Day	a day that is not a Saturday, Sunday or public holiday, on which banks are open for general banking business in New South Wales.
Buy-Back	the proposed off-market buy-back under which Redcape Securityholders may sell their Redcape Securities subject to the terms and conditions set out in this Explanatory Statement.
Buy-Back Closing Date	the date on which the Buy-Back closes, being on Monday, 18 October 2021 as at the date of this Explanatory Statement.
Buy-Back Consideration	The cash consideration to be paid by the Responsible Entity to each Selling Shareholder for Redcape Securities bought back under the Buy-Back
Buy-Back Eligible Securityholder	A person who is registered as a holder of Redcape Securities as at the Record Date, currently expected to be Friday 17 September 2021.
Buy-Back Limit	up to 215.0 million Redcape Securities, which equates to $247.3 million at the Buy-Back Price
Buy-Back Price	$1.15 per Redcape security
Buy-Back Resolution	Resolution 1 set out in the Notice of Meeting to approve the Buy-Back.
Buy-Back Participation Form	the Buy-Back participation form which will be provided to Redcape Securityholders following the Meeting if the Resolutions are approved by the Requisite Majorities.
CGT	capital gains tax.
CHESS	ASX's Clearing House Electronic Sub-registry System, operated under the Corporations Act.

Term	Meaning
CHESS Holding	a securityholding registered under CHESS.
cps	cents per security.
Constitution Amendment Resolution	Resolution 2 set out in the Notice of Meeting to approve the proposed amendments to the Constitutions set out in the Constitution Amendments.
Constitution Amendments	The proposed form of the amended Constitutions which can be accessed at https://www.redcape.com.au and which will be tabled by the Chair at the meeting and initialed for the purpose of identification.
Constitutions	the constitution of Redcape Hotel Trust I dated 13 June 2017, as amended from time to time, and the constitution of Redcape Hotel Trust II dated 13 June 2017, as amended from time to time.
Continuing Securityholder	those Redcape Securityholders who continue to hold Redcape Securities at the Settlement Date.
Controlling Participant	has the meaning set out in the ASX Settlement Operating Rules.
Corporations Act	the *Corporations Act 2001* (Cth).
Delisting	the delisting of Redcape from the Official List as described in this Explanatory Statement.
Delisting Resolution	Resolution 3 set out in the Notice of Meeting to approve the voluntary delisting of Redcape under Listing Rule 17.11.
Directors	the directors of the Responsible Entity
Directors Gearing	adjusted Statutory Gearing calculation methodology which values Redcape's hotel assets based on Directors valuations in accordance with the Responsible Entity's valuation policy, rather than Australian Accounting Standards methodology. Directors Gearing will be calculated as follows: $\dfrac{\textit{Total loans and borrowings} - \textit{Cash}}{\textit{Total asset value} - \textit{Statutory Valuations} + \textit{Directors Valuations} - \textit{Cash}}$
Directors NAV	the NAV with such adjustments as the Responsible Entity determines appropriate to ensure the Directors NAV reflects the market value of each hotel asset (consistent with ordinary commercial practice for valuing that type of hotel asset) that is reasonably current at the time of determination of Directors NAV. Where appropriate, this may include adjustments by: (a) excluding the total of plant, property and equipment, investment properties and goodwill relating to hotel assets; and (b) adding back the sum of the most recent valuations of each of the hotel assets (which valuations may be conducted by the Responsible Entity and which valuation methods must be consistent with ordinary commercial practice for valuing the type of asset and produce a value that is reasonably current at the time of valuation) plus any capital invested into an hotel asset since the most recent valuation of that hotel asset.
EBITDA	earnings before interest, taxes, depreciation, and amortization
ESG	environment, social and governance

Redcape Hotel Group Glossary of Terms

Term	Meaning
Exiting Securityholders	Redcape Securityholders who sell all of their Redcape Securities through the Buy-Back.
Explanatory Statement	this document, including any attachments or revisions to it.
Ex-Entitlement Date	Thursday 16 September 2021 as at the date of this Explanatory Statement.
Gaming Machine Entitlements	gaming machine entitlements issued by the NSW State Government which allows the operation of one poker machine by the entitlement holder.
IBC or Independent Board Committee	the independent committee of the Board established by the Responsible Entity in connection with the Proposal.
Independent Expert	Grant Thornton Corporate Finance Pty Ltd
Investment Management Agreement	the Investment Management Agreement between the Responsible Entity and the Manager originally dated 18 October 2018 as novated on 8 November 2018.
Investment Vehicle	a company, trust, joint venture (incorporated or unincorporated) or partnership in which the Responsible Entity (in its capacity as trustee or responsible entity of Redcape) has a direct or indirect interest (through any number of interposed companies, trusts, joint ventures (incorporated or unincorporated) and partnerships).
IPO	initial public offering
Issuer Sponsored Holding	a holding of securities by a person which is managed by the issuer of those securities.
Lead Manager	Ord Minnett Limited
Listed	admitted to the Official List.
MA Financial Group	MA Financial Group Limited (ACN 142 008 428).
MA SIV Property Fund	MA Asset Management Ltd (ACN 142 008 535) as trustee for the MA SIV Property Fund
Manager or MAHM	MA Hotel Management Pty Ltd (ACN 619 297 228), a Subsidiary of MA Financial Group.
Meeting	the meeting of Redcape Securityholders to consider the Resolutions, scheduled to be held online on Friday 10 September 2021.
NAV	net asset value.
New Securities	Redcape Securities issued under the Rights Issue, including where applicable, Additional New Securities.
Non-Associated Securityholders	all securityholders not associated with MAF and its related entities
Nominated Securities	Redcape Securities that a Redcape Securityholder has nominated to sell under the Buy-Back.
Notice of Meeting	the notice of meeting set out as Appendix 1 in this Explanatory Statement, and which is taken to contain all information in this document.

Redcape Hotel Group Glossary of Terms

Term	Meaning
Offer Period	The period of time commencing on the Opening Date and ending at 5.00pm on the Buy-Back Closing Date during which the Buy-Back is open for acceptance by Eligible Redcape Securityholders.
Offer Price	$1.15 per Redcape Security.
Official List	has the same meaning given in the ASX Listing Rules.
Opening Date	the date on which the Buy-Back and Rights Issue open, scheduled for Monday 20 September 2021 as at the date of this Explanatory Statement.
Operating EBITDA	EBITDA excluding unrealized, non-recurring and non-operational items such as venue acquisition costs, gains/losses on asset revaluation, gains/losses on sale and disposal of venue/assets and performance fees.
Performance Fee	the performance fee payable to the Manager under the terms of the Constitutions and the Investment Management Agreement.
Proposal	The proposal to delist Redcape and conduct the Buy-Back and the Rights Issue as described in this Explanatory Statement.
Proxy Form	the proxy form for the Meeting to be held on Friday 10 September 2021 which accompanies this Explanatory Statement.
Record Date	the record date for each of the Buy-Back and the Rights Issue, scheduled for 7:00pm (Sydney time) on Friday 17 September 2021 as at the date of this Explanatory Statement.
Redcape	Redcape Hotel Trust I and Redcape Hotel Trust II.
Redcape Group	Redcape and its related bodies corporate.
Redcape Security	a stapled security in Redcape, comprising an ordinary unit in Redcape Hotel Trust I stapled to an ordinary unit in Redcape Hotel Trust II.
Redcape Securityholder or Securityholder	a registered holder of Redcape Securities.
Redcape Securityholder Information Line	1300 737 760 for callers within Australia and +61 2 9290 9600 for callers outside of Australia between 8:30am and 5:30pm Sydney time Monday to Friday.
Register	the register of Redcape Securityholders.
Registry	Boardroom Pty Limited (ABN 14 003 209 836).
Requisite Majorities	1 in relation to Resolution 1, the Requisite Majority is an ordinary resolution passed by more than 50.0% of the total number of votes cast by Redcape Securityholders entitled to vote on Resolution 1. 2 in relation to Resolutions 2 and 3, the Requisite Majority is ordinary special resolution passed by at least 75.0% of the total number of votes cast by Redcape Securityholders entitled to vote on Resolutions 2 and 3.
Resolutions	The resolutions set out in the Notice of Meeting, being the Buy-Back Resolution, the Constitution Amendment Resolution the Delisting Resolution.

Redcape Hotel Group Glossary of Terms

Term	Meaning
Responsible Entity	Redcape Hotel Group Management Limited (ACN 610 990 004) (AFSL 505932) in its capacity as responsible entity for the Trusts.
Right	The entitlement of a Redcape Securityholder to subscribe for 1 New Security for each 4.8 Redcape Securities the Redcape Securityholder holds on the Record Date
Rights Issue	The Rights Issue described in this Explanatory Statement.
Rights Issue Eligible Security Holder	A person who: (a) is registered as a holder of Redcape Securities as at the Record Date, currently expected to be Friday 17 September 2021; (b) has a registered address on the Register in Australia, New Zealand or the United Kingdom or any other jurisdiction in which the Responsible Entity determines it is reasonably practicable to permit participation in the Buy-back or Rights Issue; (c) is not in the United States and is not acting for the account or benefit of a person in the United States (to the extent such person holds Redcape Securities for the account or benefit of such person in the United States); and (d) are eligible under all applicable securities laws to receive an offer under the Rights Issue.
Rights Issue Ineligible Security Holder	A Redcape Securityholder who is not a Rights Issue Eligible Security Holder.
Rights Issue Entitlement and Application Form	The Form by that name provided by the Responsible Entity to facilitate participation in the Rights Issue.
Sale Nominee	MA Moelis Australia Securities Pty Ltd.
Securityholder or Redcape Securityholder	a registered holder of Redcape Securities.
Settlement Date	the date on which the sale of Redcape Securities under the Buy-Back will be settled, and the cash consideration in respect of that sale will be paid to Selling Securityholders.
Statutory Gearing	total borrowings less cash as a percentage of total assets less cash.
Subsidiaries	has the meaning given in the Corporations Act, but so that: ▪ an entity will also be considered to be a Subsidiary of a trustee, responsible entity or other entity if it is controlled by that trustee, responsible entity or other entity (expressions used in this paragraph have the meanings given for the purposes of Division 6 of Part 1.2 of the Corporations Act); ▪ a trust may be a Subsidiary, for the purposes of which a unit or other beneficial interest will be regarded as a share; and ▪ a corporation or trust may be a Subsidiary of a trust if it would have been a Subsidiary if that trust were a corporation.
Trusts	Redcape Hotel Trust I and Redcape Hotel Trust II

Term	Meaning
Underlying Earnings	Underlying Earnings comprises Operating EBITDA less cash rent, cash interest and maintenance capital expenditure (plus other unrealised or non-recurring items specifically excluded from Operating EBITDA).
Underwriter	MA Moelis Australia Advisory Pty Ltd
Unlisted Liquidity Facility	The liquidity mechanism which will apply to Redcape once it has been delisted, as described in Section 2.5.2.
Unlisted Redcape	Redcape after it has been delisted under the Delisting
Unmarketable Parcel	A holding of Redcape Securities that is: 1 valued at $2,000 or less at the Record Date before pro-rata scale-back; or 2 valued at $500 or less after pro-rata scale-back, in each case, the holder of which has elected to sell its entire Redcape Securities holding in the Buy-Back.
VWAP	volume weighted average price of Redcape Securities.

Appendix 1 – Notice of Meeting

NOTICE IS GIVEN that a general meeting of holders of securities in Redcape Hotel Group (**Redcape**) will be held at 11:00am Sydney time on Friday 10 September 2021 via an online platform at https://web.lumiagm.com/394879042 (**Meeting**).

In response to the potential health risks arising from the coronavirus (COVID-19) pandemic, the Meeting will be held online only. There will not be a physical meeting where Redcape Securityholders can attend in person. More information on how to participate in the Meeting is set out in the explanatory notes below.

Business of the Meeting

Resolution 1 - Buyback of Stapled Securities

To consider and, if thought fit, to pass the following resolution as an ordinary resolution of each of Redcape Hotel Trust I and Redcape Hotel Trust II:

*"Subject to Resolution 2 and 3 set out in the notice convening this meeting (**Notice of Meeting**) being passed, for the purposes of the Corporations Act i2001 (Cth) as modified by the ASIC Relief, the constitutions of each of those trusts and for all other purposes, approval is given to the Responsible Entity of Redcape Hotel Group, to undertake a buy-back of Stapled Securities in Redcape Hotel Group as described in and in accordance with the terms detailed in the Explanatory Statement accompanying this Notice of Meeting."*

Resolution 2 - Amendment to the Constitutions

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

"Subject to Resolutions 1 and 3 set out in the Notice of Meeting being passed, the constitutions of Redcape Hotel Trust I and Redcape Hotel Trust II each be amended in the manner set out in the constitutions tabled by the Chair and initialled for the purpose of identification, with effect from the conclusion of the Meeting."

Resolution 3 - Delisting of Redcape from Australian Securities Exchange (ASX)

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

"Subject to Resolutions 1 and 2 set out in the Notice of Meeting being passed, for the purpose of ASX Listing Rule 17.11 and for all other purposes, Redcape Hotel Group's removal from the official list of ASX on a date to be decided by ASX (being a date no earlier than one month after the date this resolution is passed) is approved and that the directors of the Responsible Entity be authorised to do all things reasonably necessary to give effect to the delisting."

Voting exclusion statement

Section 253E of the Corporations Act 2001 (Cth) (Act) provides that a responsible entity of a managed investment scheme and its associates are not entitled to vote their interest on any resolution if they have an interest in the resolution other than as a member, unless the vote is cast as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form.

In accordance with s 253E, no votes may be cast in respect of the Resolutions by the Responsible Entity or any of its associates, unless the vote is cast as a proxy for a person who is entitled to vote and in accordance with the directions on the Proxy Form.

Further, in accordance with the ASX Listing Rules, Redcape will disregard any votes cast in favour of any resolution by or on behalf of:

- MA Financial Group; or
- an associate of MA Financial Group.

However, this does not apply to a vote cast in favour of a resolution by:

- a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- 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 the following conditions are met:
  - 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.

Material accompanying this Notice of Meeting

The Explanatory Statement of which this Notice of Meeting forms part, provides additional information on matters to be considered at this Meeting.

Terms used in this Notice of Meeting, including the Resolutions set out in this Notice of Meeting have, unless otherwise defined, the same meanings as set out in the Explanatory Statement.

Entitlement to vote

The time for determining eligibility to vote at the Meeting is 7pm (Sydney time) on Wednesday 8 September 2021. Only those Redcape Securityholders entered on the Register at that time will be entitled to attend and vote at the online Meeting, by proxy or attorney, or in the case of a corporate Redcape Securityholder, by a body corporate representative.

Attendance and Voting

Redcape Securityholders can participate in the Meeting by attending the Meeting online at https://web.lumiagm.com/394879042.

In light of the risks associated with the COVID-19 pandemic, the Meeting will be conducted entirely online. There will not be a physical meeting where Redcape Securityholders and their proxies, attorneys or corporate representatives can attend in person.

The vote on each Resolution set out in this Notice of Meeting will be decided on a poll, subject to any requirements of the Corporations Act and the Constitutions. Each Redcape Securityholder present in by proxy, or voting online, has 1 vote for each dollar of the value of their total interests in Redcape.

If you are an Redcape Securityholder entitled to vote at the Meeting, you may vote by:

- attending and voting online (as further detailed below). Redcape Securityholders attending the Meeting will be able to vote between the commencement of the Meeting and the closure of voting as announced by the chair during the Meeting;
- appointing up to two proxies to attend the Meeting and vote on your behalf, using the proxy form that accompanies the Explanatory Statement (as further detailed below);
- appointing an attorney to attend the Meeting and vote on your behalf, using a power of attorney (as further detailed below); or
- in the case of a body corporate, appointing a body corporate representative to attend the Meeting and vote on your behalf, using a certificate of appointment of body corporate representative (as further detailed below).

Even if you plan to attend the Meeting, you are still encouraged to submit a directed proxy in advance of the Meeting so that your votes can still be counted if for any reason you cannot attend (for example, if there is an issue with your internet connection on the day of the Meeting).

Any updates in relation to the Meeting will be provided at Redcape's website at www.redcape.com.au/investor-centre.

Redcape recommends securityholders monitor this website ahead of the Meeting.

Attending the Meeting

In order to participate in the Meeting online, including by casting any votes or asking any questions, Redcape Securityholders will need to:

- access the online platform on their computer or other device at the time of the Meeting via https://web.lumiagm.com/394879042;
- login to the online platform using their Voting Access Code (**VAC**), the Meeting ID 394-879-042 and their password; and
- follow the relevant prompts on screen.

Redcape Securityholders attending the Meeting will be able to view the Meeting live, vote on the Resolutions and ask questions online in real-time.

Redcape Securityholders who participate in the Meeting online will need their VAC in order to vote or to lodge a question using the online platform. Redcape Securityholders can find their VAC located on the first page of their Proxy Form. For Australian resident securityholders, their password is the postcode of their registered address. For non-Australian resident securityholders, their password is their character country code available in the Virtual Meeting User Guide. Proxies, corporate representatives and attorneys need to contact Boardroom prior to the Meeting to obtain a username and password. This can be obtained by email via proxy@boardroomlimited.com.au or by calling 1300 737 760 or +61 2 9290 9655.

More information regarding participating in the Meeting online can be found by visiting https://www.redcape.com.au/investor-centre/.

The Meeting is viewable online from desktops and laptops and from personal devices.

It is recommended that Redcape Securityholders who elect to participate in the Meeting online log in at least 15 minutes prior to the schedule start time for the Meeting.

Voting by proxy

All securityholders as at the Record Time entitled to attend and vote at this Meeting may appoint a proxy for that purpose. A proxy need not be a securityholder of the Company.

If a securityholder is entitled to cast two or more votes at the Meeting, the securityholder may appoint two proxies and may specify the proportion or number of votes that each proxy is entitled to exercise. If the securityholder does not specify the proportion or number of votes each proxy may exercise, then each proxy will be entitled to exercise half of the votes. An additional Proxy Form will be supplied by the Company on request.

In the case of an individual, a Proxy Form must be executed by the individual or his or her attorney who has been authorised in writing. In the case of a corporation, a Proxy Form must be executed by the corporation under common seal or by its authorised officer or officers or attorney.

You may instruct your proxy how you wish to vote on each Resolution. If you do not direct your proxy how to vote, and you use the enclosed Proxy Form, your proxy may vote or abstain as he or she chooses.

Proxies must be lodged with the Registry no later than **11am Sydney time on Wednesday 8 September 2021**. You can do so by sending your completed Proxy Form direct to the Registry at Boardroom Pty Limited, GPO Box 3993, Sydney NSW 2001 Australia or by facsimile to +61 2 9290 9655.

Alternatively, you may register your proxy instructions electronically at the Registry website: https://www.votingonline.com.au/redcape2021

If you wish to return your Proxy Form to Boardroom, you should ensure that it is sent in sufficient time so that it is received by Boardroom no later than **11am Sydney time on Wednesday 8 September 2021**.

Voting by corporate representative or power of attorney

Any body corporate which is a securityholder may appoint a representative to act on its behalf. The appointment must comply with the requirements of Section 250D of the Corporations Act. Appointments of representatives must be lodged with the Company at any time before the time of the Meeting.

If a Proxy Form is signed under a power of attorney on behalf of a securityholder, then the Proxy Form and a certified copy of the power of attorney must be lodged at the address or fax number listed below at the same time the Proxy Form is due.

Proxy and corporate representative forms

Please send completed and signed Proxy Forms and appointments of corporate representatives to Boardroom:

By Facsimile:	+61 2 9290 9655
By Mail:	Boardroom Pty Limited GPO Box 3993 Sydney NSW 20001 Australia

Alternatively, you may register your proxy instructions electronically at the Registry website:
https://www.votingonline.com.au/redcape2021

To be valid, Proxy Forms or electronic instructions must be received no later than 11am (Sydney time) on Wednesday 8 September 2021.

Technical difficulties

Technical difficulties may arise during the course of the Meeting. The chair of the Meeting has discretion as to whether and how the Meeting should proceed in the event that a technical difficulty arises. In exercising their discretion, the chair of the Meeting will have regard to the number of Redcape Securityholders impacted and the extent to which participation in the Meeting is affected. Where the chair of the Meeting considers it appropriate, the chair may continue to hold the Meeting, including conducting a poll and voting in a poll and voting in accordance with valid proxy instructions.

For this reason, Redcape Securityholders who intend to attend the meeting online are encouraged to lodge a proxy vote by 11am (Sydney time) on Wednesday 8 September 2021.

Appendix 2 – Independent Expert Report

Redcape Hotel Group

Independent Expert's Report and Financial Services Guide

17 August 2021

#5998013v1

Grant Thornton Corporate Finance Pty Ltd
Level 17
383 Kent Street
Sydney NSW 2000
Locked Bag Q800
Queen Victoria Building NSW 1230

T +61 2 8297 2400

Mr Nicholas Collishaw
Independent Non-Executive Chairman
Redcape Hotel Group
Level 1, Cremorne Towers, 287 Military Rd
Cremorne NSW 2090

17 August 2021

Dear Independent Directors

INDEPENDENT EXPERT'S REPORT AND FINANCIAL SERVICES GUIDE

Introduction

Redcape Hotel Group[1] ("RDC", "Redcape" or "the Group") is a leading Australian hotel business operating a portfolio of 36 hotels located across NSW and QLD (34 freehold and 2 leasehold) predominantly in metropolitan areas ("Property Portfolio" or "Properties"). RDC is listed on the Australian Securities Exchange ("ASX") with a market capitalisation of c. A$519.06 million[2]. The responsible entity is Redcape Hotel Group Management Limited ("RHGM" or "Responsible Entity"), a wholly-owned subsidiary of MA Financial Group Limited ("MAF")[3], which, together with its related, associated and affiliated entities and groups, currently control c. 39.8% of the issued capital in RDC. The RE has appointed Moelis Australia Hotels Management ("MAHM")[4] as the external manager of Redcape to provide certain management and administration services under an Investment Management Agreement ("IMA") and to manage and operate all of Redcape's Property Portfolio under the Hotel Operating Agreement ("HOA").

Since listing on the ASX in November 2018, RDC has traded at a material discount to the Directors NAV[5] and the Directors and the Manager have continued to explore ways to close this gap. On or around 18 August 2021, RDC announced a proposal to delist Redcape from the ASX and at the same time provide liquidity via an equal access limited buyback ("Buyback") at a price closer to Directors NAV to those Securityholders who do not wish to retain their investment in an unlisted wholesale investment vehicle ("Delisting").

The Buyback will be in relation to up to a maximum of 215.0 million securities at a cash price of A$1.15 per security ("Buyback Price") equivalent to a maximum funding requirement of A$247.3 million. The Buyback Price is at a 20.3% premium to the 30-day volume weighted average price[6] ("VWAP") of RDC Securities up to and including 17 August 2021 and at a discount of 12.2% to the Directors NAV based on the unaudited Financial Accounts as at 30 June 2021.

[1] Which comprises stapled securities in the Redcape Hotel Trust I which owns the freehold properties and units in Redcape Hotel Trust II which owns the operating entities.
[2] Based on a closing share price of A$0.94 per share as at 17 August 2021.
[3] Following approval at the AGM on 29 May 2021, Moelis Australia Limited ("Moelis") changed its name to MA Financial Group Limited.
[4] Wholly-owned subsidiary of MAF. MAHM, MAF and the Responsible Entity are collectively referred to as "the Manager".
[5] It reflects Directors valuations of Redcape's hotels based on the independent real estate valuations comprising both the freehold and the operating business and therefore differs from statutory NAV under the accounting standards. The Directors NAV provides a better representation of the underlying fair value of the Properties.
[6] The VWAP is based on 30 trading days.

The funding for the Buyback will be derived from the following:

- Up to A$115.0 million from existing net debt ("Buyback Debt Facility") up to a maximum forecast gearing of 46.1%, funding will be fully derived from debt and cash.
- A$132.3 million funded by a rights issue to be fully underwritten by MAF ("Rights Issue") at the same price as the Buyback Price. Under the Rights Issue existing RDC Securityholders will be able to subscribe for one new security in RDC for every 4.8 RDC Securities currently held. Under the Rights Issue, RDC Securityholders will also be able to apply for additional securities above their entitlements subject to a cap of 2.0x their Rights Issue Entitlement.

The Rights Issue and the Buyback Debt Facility will provide an opportunity for at least c. 60.0% ("Buyback Limit") of all securityholders not associated with MAF and its related, associated and affiliated entities and groups ("Non-Associated Securityholders") to exit their holding at the Buyback Price. If the total value of the securities which elect to sell in the Buyback exceeds the Buyback Limit, a scale back would be applied on a pro-rata basis. Given the Rights Issue is fully underwritten by MAF, MAF's shareholding in RDC may increase materially as a result of the implementation of the Delisting.

Under the Buyback, Non-Associated Securityholders will have the option to either:

- Participate in the Buyback and tender their securities at the Buyback Price of A$1.15 per security ("Exiting Securityholders"). The RDC securities ("RDC Securities", or "Securities") bought back will be cancelled in accordance with the requirements of the Corporations Act.
- Retain all/a portion of their investment in RDC, which will continue as an open-ended unlisted trust if the Delisting is implemented ("Continuing Securityholders").

If the Delisting is implemented:

- Redcape will be delisted from the ASX and continue to operate as an open-ended unlisted fund.
- Total funds of up to A$115.0 million will be drawn down from existing debt facilities to fund the Buyback. The Group's gearing as at 30 June 2021 will increase from 35.9% to a maximum of 46.1% in conjunction with different level of participation into the Buyback and assuming no assets sale.
- Redcape's existing corporate entities, governance and management structure would be retained in the unlisted structure with the fund continuing to be managed, and the business operated, by MAHM and governed by the Responsible Entity.
- RDC intends to implement a liquidity facility for Continuing Securityholders in the unlisted fund to dispose of their RDC Securities ("Unlisted Liquidity Facility") commencing at the end of the June 2022 quarter. The Unlisted Liquidity Facility would be limited to allow only 2.5% of the value of the Directors NAV on each quarter end closing date to be transacted. Sale of the securities under the Unlisted Liquidity Facility would occur at a 7.5% discount to Directors NAV in June 2022 with the discount gradually reducing over time to allow Continuing Securityholders to realise a value which is closer to Directors NAV. For the following quarter ending September 2022, the discount will be reduced to 5% and it will be normalised at 2.5% from December 2022 onwards. The Responsible Entity may from time to time reduce the amount of discount applied at its discretion.

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- Depending on the level of participation into the Buyback and Rights Issue by Continuing and Exiting Securityholders, MAF is likely to increase its interest in RDC. However as at the date of this Report there are too many possible outcomes and it is not reasonable to estimate with a degree of certainty MAF's interest in RDC if the Delisting is implemented. The maximum interest is estimated as no more than 77.7% if full participation in the Buyback occurs and no Non-Associated Shareholders take their Rights. However, in our opinion and based on discussions with the RE, this is unlikely to occur.

The Delisting, Buyback and the Rights Issue are all interdependent between each other.

The RE has established an independent Board Committee ("IBC") comprising only independent directors to oversee the Buyback and Delisting given the conflict of interest between the RE and MAF[7], which owns c. 39.8% of the share register.

The Directors and IBC of RHGM, as responsible entity of Redcape, recommend that Non-Associated Shareholders vote in favour of the Delisting and Buyback, in the absence of a superior proposal, and subject to the Independent Expert continuing to conclude that they should vote in favour of the Buyback and the broader Delisting.

Scope of report

The IBC has engaged Grant Thornton Corporate Finance Pty Limited ("Grant Thornton Corporate Finance") to prepare an Independent Expert's Report ("IER" or "Report") to assist the Non-Associated Securityholders in considering the Buyback in accordance with the requirements of Australian Securities and Investment Commission ("ASIC") Regulatory Guide 110 'Share buy-backs' ("RG 110"). Accordingly, Grant Thornton Corporate Finance has performed a valuation of the RDC Securities and set out other relevant factors that Securityholders should consider when deciding whether to:

- Approve the Buyback, and
- Participate in the Buyback.

Our report is to be included with the notice of meeting ("Notice of Meeting") and explanatory statement ("Explanatory Statement") to be provided to Non-Associated Securityholders for the purposes of the Delisting.

Summary of opinion

After considering the quantitative and qualitative factors discussed below, Grant Thornton Corporate Finance has concluded that in our opinion Non-Associated Securityholders should vote in favour of the Buyback and the broader Delisting as they provide them with a number of key benefits including:

- The ability to sell their securities at the Buyback Price, which is between a 20.3% and 22.6% premium to the 1 month and 1 week VWAPs[8] of RDC Securities prior to the announcement of the Buyback respectively. Since listing on the ASX in November 2018, the average trading price discount to Directors NAV has been 15.4%. The Directors have sought to bridge the gap between the trading prices and the Directors NAV for a number of years now, however for the reasons discussed in section 7.3, this has not yet occurred and there is no guarantee that it will happen in the future if the Delisting does not proceed.

[7] Including its related, associated and affiliated entities and groups.
[8] as at 17 August 2021.

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- It provides significant liquidity of up to A$247.3 million for all the Securityholders (subject to scale back) who desire to exit their investment at a premium to the trading prices.
- Non-Associated Securityholders that approve the Buyback but elect not to participate may be able to sell their RDC Securities (subject to certain conditions) in the not too distant future at a price that is only a 2.5% discount to the Directors NAV from December 2022 onwards. Otherwise they will remain securityholders in the unlisted RDC which will have substantially the same structure and objectives (from a distributions and growth opportunities perspective) of the listed RDC. Whilst there are also some disadvantages for Continuing Securityholders in terms of potentially higher gearing levels and reduced liquidity, these are not uncommon for unlisted wholesale funds.

Valuation of RDC Securities

Grant Thornton Corporate Finance has estimated the fair value of a RDC Security to be in the range of A$1.04 to A$1.25 on a minority basis based on the market value of net assets approach. This methodology would normally provide the value of the Company on a control basis as it is mainly based on the market value of the balance sheet. However, we consider our valuation assessment to be more representative of a minority value as the valuation assessment of the Properties does not take into account any portfolio premium[9] (if applicable) and we have not normalised the cost structure to take into account the synergies available to a pool of potential purchasers.

Our valuation assessment is summarised in the table below.

Valuation assessment summary A$ million unless stated otherwise	*Section Reference*	Low	High
Director's Valuation of the Property Portfolio	*Note 1*	1,254.9	1,254.9
Uplift due to Adopted WACR	*Note 2*	41.9	86.7
GTCF Adopted Valuation of the Property Portfolio		**1,296.8**	**1,341.6**
Capitalised Corporate Costs	*Note 3*	(171.9)	(102.2)
Pro-forma other net assets / (liabilities)	*Note 4*	(536.9)	(536.9)
Expected underlying earnings decrement	*Note 5*	(14.4)	(14.4)
GTCF adjusted net assets		**573.6**	**688.1**
Number of units on issue (millions)	6.7	552.2	552.2
Value per RDC Share (A$ per security)		**1.04**	**1.25**

Source: Management, GTCF analysis

Note 1 – As a starting point, we have relied on the valuation assessment of the Property Portfolio undertaken by the independent valuers ("Independent Valuers") appointed by RDC as at 30 June 2021 ("Independent Valuations") which flows into the Directors' valuations. Management adds an additional asset balance onto the value of the Independent Valuations, referred to as Venue Support ("Venue Support")[10] which is aggregated to the Independent Valuations to determine the Directors Valuations ("Directors Valuations"). Refer to section 6 for an outline of the procedures undertaken by Grant Thornton Corporate Finance in relation to the Independent Valuations. The Directors Valuations differ to the combined statutory value of land, property, plant, equipment and intangible assets as the Directors Valuations contain the additional value uplift associated with operating the assets as a combined freehold and operational going concern which provides a better representation of the fair market value. We note that whilst the Independent Valuations were conducted before the recent and ongoing lockdown in NSW, we have held discussions with the Independent Valuers who have confirmed that

[9] It takes into account each property individually.
[10] Venue Support relates to the operational assets that are not directly attributable to a single venue, and is measured at cost less accumulated depreciation.

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their valuation assessment of the Properties does not change but they have advised that we should separately take into account short-term earning reduction, which we have discussed in Note 5 below.

Note 2 – In reviewing the Independent Valuations, we note that the Independent Valuers have overall adopted a 33bps compression in the yield (over a period of 16 months[11]) which appears conservative given that over the same period, the cash rate has fallen by 65bps. In our opinion, this is also due to the fact that there have only been a select few pub and hotel transactions in 2021 and therefore the Valuers have mostly relied on transactions which occurred in 2020. Cap rates have compressed materially in the first half of 2021. Based on our market observations and benchmark analysis outlined in section 6, we have captured in our valuation assessment a further compression of the weighted average cap rate ("WACR") between 25bps and 50bps compared with the WACR implied in the Independent Valuations.

Note 3 – As the value of the Properties does not reflect the costs of management and administration of RDC, we have considered in our valuation assessment an appropriate level of ongoing costs that are required to support the management of the portfolio. Given our valuation assessment has been calculated on a minority basis, we have not included synergies available to a pool of potential purchasers but have undertaken the valuation on an as-is basis. We have capitalised the normalised corporate costs based on the WACR adopted for the purpose of our valuation assessment.

Note 4 – We have added the remaining balances for other net assets and liabilities relating to RDC as at 30 June 2021 net of transactions costs.

Note 5 – We have deducted A$14.4 million as the result of the underlying earnings lost due to the 2021 COVID-19 outbreak and subsequent lockdowns in Queensland and New South Wales from June 2021. This assumes the hotels cannot reopen until November 2021, which aligns to the most recent expectations from the market and consistent with advice from NSW Health[12].

Premium / discount to net assets

We have set out in the graph below a comparison of the premium/discounts of the Buyback Price with the Directors NAV as at 30 June 2021 (unaudited), the low and high of our assessed valuation range based on the net assets approach and the recent trading prices.

[11] The previous valuations were completed between July 2018 and December 2020 (excluding the 4 recent acquisitions in April and May 2021) with a weighted average valuation date of the portfolio of February 2020, which is c. 18 months ago.
[12] "NSW set to hit 70 per cent vaccinations, 'normal life' late October", The Australian, 11 August 2021

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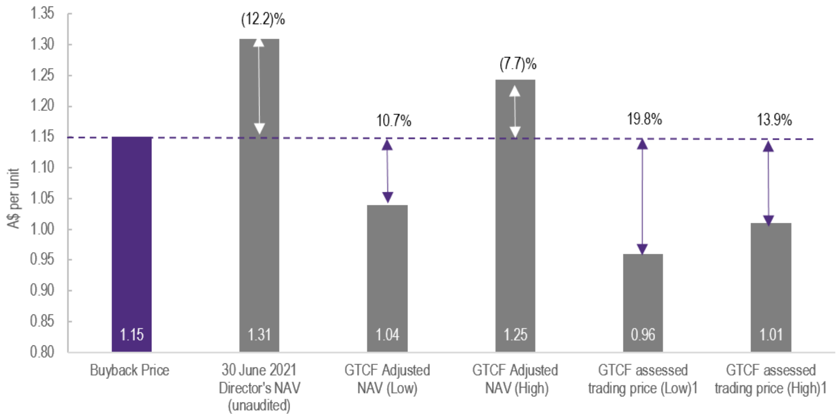
Premium/discount of the Buyback Price to various value benchmarks



Source: GTCF analysis; Management accounts; NOM.
Note 1: GTCF assessed low and high trading prices based on the 1- month and 3-month VWAPs respectively.

Based on the above, we make the following observations in relation to our valuation assessment and the Buyback Price:

- The Buyback Price, which is within our assessed valuation range for RDC, represents a circa 12.2% discount to the Directors NAV as at 30 June 2021. While there are no directly comparable listed companies to RDC, we have attempted to benchmark this discount by considering HPI Property Investments ("HPI") and ALE Property Group ("ALE"). Both are passive hotel REITs with only a freehold interest in the underlying properties and both are internally managed. Of the two, HPI is relatively more comparable for the reasons explained in section 7 and it is currently trading at a slight 0.3% premium to net assets. However, the net assets reflects outdated property valuations which were assessed between 31 December 2018 and 31 December 2019. Since then cap rates have compressed materially and it is likely that if HPI's property portfolio was revalued as at 30 June 2021, similar to RDC, it would also be trading at a discount to net assets. This provides directional support for the Buyback Price and our valuation assessment.

- It is in the range of our assessed value which, in our opinion, reflects the underlying value of RDC on a minority basis.

- The Buyback Price and our valuation assessment are at a premium to the trading prices before the announcement of the Buyback. This appears reasonable due to the following:

  - *Limited liquidity* — RDC's securities display limited liquidity evidenced by the low level of trading in RDC Securities and low free float of c. 53.4% (see Appendix E for further details relating to the liquidity of RDC Securities). The average monthly volume traded of c. 1.8% of total securities is also relatively low.

  - *Limited broker coverage* — RDC suffers from limited broker coverage with only two brokers providing coverage, one of which is MAF. This corresponds to a lower level of investor knowledge about Redcape further reducing liquidity.

  - *Not included in any major indices* — RDC suffers from a lack of widespread index inclusion and was recently removed from the ASX 300 index which also lead to limited institutional investors.

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- *Lack of contestability* — The significant level of entrenchment of MAF limits the level of contestability for the securities. MAF[13] has a 39.8% interest in the Securities and the Manager is entrenched. This limits the potential upside that would arise from a change of control transaction.
- *Externally managed* — RDC is externally managed by MAHM and this structure is increasingly out of favour with investors due to the materially higher cost structure and potential conflict of interest with performance fees compared to internally managed structures.
- *Significant cost structure* — In FY21 RDC incurred corporate and management costs of c. A$32 million, which includes performance fees of A$12.2 million. This high cost structure reduces the level of securityholders distributable income, which may reduce the appeal from potential investors.
- *Updated Directors NAV* — the trading prices prior to the announcement of the Buyback do not reflect the higher 30 June 2021 Directors NAV of A$1.31 per share, compared to A$1.22 as at 31 December 2020, as the FY21 results had not yet been announced to the market.

Distribution yields

We present in the table below RDC's distribution yields implied in our valuation assessment and in the Buyback Price which we have compared with the distribution yields of HPI and ALE.

RDC Cross-Check A$ (except where stated otherwise)	*Section Reference*	GTCF assessment Low	 High	Proposed buyback price
Value per RDC unit	*6.1*	1.04	1.25	1.15
Distribution Yield				
LTM Distributions (Cents per RDC unit)[1]		8.16	8.16	8.16
LTM Distribution Yield (%)[1]		7.9%	6.5%	7.1%
Comparable trading companies distribution yields		LTM[1]		
ALE Property Group	7.2	4.48%		
HPI Property Group	7.2	5.94%		

Source: S&P Capital IQ, RDC FY20 Investor Presentation, GTCF analysis.
Note 1: Last Twelve Months distributions for the four quarters beginning the September 2020 quarter and ending the June 2021 quarter.

As previously discussed, both ALE and HPI, as passive hotel REITs and internally managed trusts, have a lower risk profile than RDC as they only hold the freehold interest in the underlying properties and therefore they have no direct exposure to the ongoing profitability of the hotel operations. This is reflected in their lower distribution yield which provides directional support for our valuation assessment.

Key factors to consider when deciding whether or not to vote in favour of the Buyback and whether or not to participate in the Buyback

We note the following factors that Securityholders should consider when deciding whether or not to vote in favour of the Buyback and whether or not to participate in the Buyback. For each factor we have identified whether it applies to Continuing Securityholders, Exiting Securityholders or both.

[13] including its related, associated and affiliated entities and groups.

7

Listing Rules and Takeover provisions will no longer apply (Continuing Securityholders)

If the Delisting is completed, RDC will no longer have to adhere to the ASX Listing Rules and certain provisions in the Corporations Act. As a result, Securityholders will be giving up some of their related rights and protections in relation to continuous disclosure requirements and restrictions on new security issuance and material changes to the business will no longer apply. Further, the takeover provisions of Chapter 6 of the Corporations Act will no longer relate to RDC, which may cause future transactions to occur in a less regulated environment without the oversight of ASIC and the ASX. Refer to the EM for further details.

EPS, Distribution and Net Assets accretion (Continuing Securityholders)

The Buyback is expected to be accretive to Continuing Securityholders on an earnings per security ("EPS"), Distributions per security and Directors NAV per security basis, all other things being the same, as set out in the table below. Scenario 1 below assumes 100.0 million RDC securities participate in the Buyback, with no take up of Rights under the Rights issue ("Scenario 1"). Under this scenario, FY21 EPS accretion is 14.6%, FY21 distributions accretion is 14.6% and 30 June 2021 Directors NAV accretion is 0.2%.

Accretion analysis	30-Jun-21	Scenario 1
Securities on issue	552.2	452.2
FY21 EPS (cents per security)	10.2	11.7
Accretion	*na*	*14.6%*
FY21 Distributions[2]	8.2	9.3
Accretion	*na*	*14.6%*
30 June 2021 Director's NAV	1.31	1.31
Accretion	*na*	*0.2%*

Sources: Management, GTCF analysis.
Note (1): Assuming 100.0 million RDC Securities participate in the Buyback, with no take up of Rights under the Rights Issue, funded with A$115.0 million of net debt.
Note (2): Distributions are assumed to be 79.9% of underlying earnings.

Given that RDC will fund the Buyback with existing debt facilities (and some cash resources) and the Rights Issue, RDC will effectively swap shareholders' equity with an increase in the net debt, less any funding from the Rights Issue. The change in net assets per share is driven by the difference between the Directors NAV of RDC securities of A$1.31 at 30 June 2021 and the lower Buyback Price of A$1.15.

Continuing Securityholders may also benefit from earning accretion derived from RDC saving on listing costs and expenses once Delisting is completed.

Reduction in the liquidity of the Securities (Continuing Securityholders)

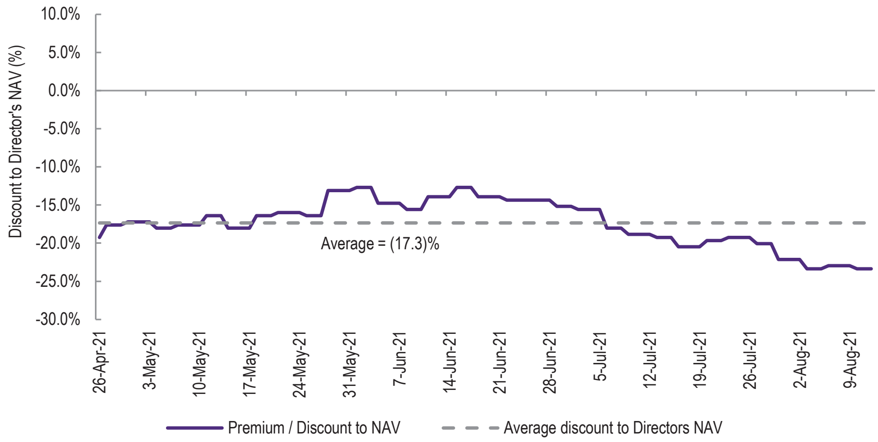
If the Delisting is approved, RDC will become an unlisted fund and Securityholders will have less ability to trade their RDC securities as and when they choose. However, to mitigate the reduction in liquidity, the RE has proposed to implement the Unlisted Liquidity Facility. Continuing Securityholders will be able to buy and sell RDC Securities using the Unlisted Liquidity Facility however each quarterly liquidity offer will be capped at 2.5% of Directors NAV subject to the RE's discretion, and depending on Redcape having sufficient cash reserves or headroom in its debt facilities.

The Unlisted Liquidity Facility will provide Continuing Securityholders with the ability to dispose of their RDC Securities on a quarterly basis at a discount to Directors NAV of 2.5% from December 2022.

Exit opportunities (Continuing Securityholders)

Given that Redcape openly trades on the ASX, investors are able to buy and sell securities at the listed price, which has consistently traded at a discount to Directors NAV. Since listing the discount to Directors NAV has been c. 15.4% (although this includes the period during COVID-19). Since April 2021, the discount has been approximately 17.3% as detailed in the chart below:

Premium / (discount) to Directors NAV



Sources: Management, GTCF analysis, S&P Global
Note (1): The above analysis reflects the share price and Directors NAV based on the latest publicly available information. Accordingly it does not reflect the increase in the Directors NAV to A$1.31 per security as at 30 June 2021 as this was not yet publicly available information and therefore not reflected in the trading prices.

If the Delisting goes ahead, the Unlisted Liquidity Facility will provide Continuing Securityholders the ability to buy and sell RDC Securities on a quarterly basis at a price closer to Directors NAV. While the Delisting offers less liquidity for Continuing Securityholders, they will be able to dispose of securities at a lower discount to Directors NAV (7.5% in June 2022, dropping to 2.5% from December 2022 onwards) compared to under the current listing status and by selling into the Buyback.

Effect of the Buyback on control of RDC (Continuing Securityholders)

The effect of the Buyback on control of the Company will not be known until the Delisting is completed, as the extent to which individual shareholders will participate in the Buyback is not yet known.

We note that MAF has advised that it does not intend to participate in the Buyback. Accordingly, as the level of participation from Non-Associated Securityholders in the Buyback increases, the level of control exerted by MAF will continue to increase, unless the number of new securities under the Rights Issue from Continuing Shareholders exceeds the number of securities bought back.

MAF[14] currently has a c. 39.8% interest in RDC Securities. Under certain circumstances, MAF could increase its interest in RDC up to a maximum of 77.7%[15] although this scenario appears unlikely. We note that a large number of Non-Associated Securityholders were also securityholders in the Company prior to it being listed, and therefore they may be used to holding securities in a private wholesale vehicle. Therefore it is unlikely that Non-

[14] including its related, associated and affiliated entities and groups.
[15] If full participation in the Buyback occurs and no Non-Associated Shareholders take their Rights.

Associated Securityholders will participate up to the Buyback Limit and no Continuing Securityholders will take up their Rights. We note that Continuing Securityholders participating into the Rights Issue may be able to benefit of a value arbitrage by buying securities at a discount of 9.9% to the Directors NAV and selling them from December 2022 at 2.5% discount to Directors NAV.

Below we present the interest held by MAF and Non Associated Securityholders currently, and under Scenarios 1 to 3. While we consider Scenarios 2 and 3 to be unlikely, we have included them to demonstrate both ends of the spectrum regarding the take up of the Buyback:

			MAF	Non-Associated Securityholders	Total
Current situation	Redcape immediately prior to the Delisting and Buyback	*Securities*	219.7	332.5	552.2
		%	*40%*	*60%*	*100%*
Scenario 1	Assuming 100.0 million RDC securities participate in the Buyback; no take up of Rights under the Rights Issue; funded with A$115.0 million of debt.	*Securities*	219.7	232.5	452.2
		%	*49%*	*51%*	*100%*
Scenario 2	Buyback Limit is reached, and no Continuing Shareholders take up their Rights. Asset sales not considered. Scale back ensures no more than 77.7% of shares held by MAF.	*Securities*	350.9	101.3	452.2
		%	*78%*	*22%*	*100%*
Scenario 3	No securityholders participate in the Buyback and all take up their Rights.	*Securities*	219.7	447.5	667.2
		%	*33%*	*67%*	*100%*

Sources: GTCF analysis, NOM.

Under Scenarios 1 and 2 Continuing Securityholders should be aware that the takeover contestability of RDC and the likelihood of receiving a control premium in the future may further decrease. However, in our opinion, this is not materially different from the current circumstances of RDC given the significant level of control already exerted by MAF, and the level of entrenchment of the Manager. Any successful takeover would require the co-operation of MAF, and the Manager to be terminated, triggering significant termination fees under the HOA and IMA. We note the Manager is significantly entrenched with over 7 years remaining in its initial period of 10 years under the HOA and IMA, plus automatic renewal every 5 years thereafter. We note the termination fees under the HOA and IMA are significant for RDC as a listed entity (we estimate these to be >A$160 million[16]) and limit the potential for a change of control transaction.

Effect of the Buyback on the Company's financial position (Continuing Securityholders)

In order to fund the Buyback, RDC will initially use a combination of cash, debt, and funds from the Rights Issue, depending on the level of participation from Non-Associated Securityholders in the Buyback and their take up of Rights Issue.

Below we outline the pro-forma balance sheet at 30 June 2021 and the potential effect of the Buyback under Scenario 1.

Pro forma Directors Gearing (%)	
As at 30 June 2021	35.9%
Scenario 1	46.1%

Source: NOM

[16] Based on Redcape's current status as a listed entity and assuming FY21 HOF of A$10.9 million, a remaining term of c. 7 years and a Gross Hotel Portfolio Value of c. A$1.3 billion.

Overall, we are of the opinion that the Buyback is not expected to be detrimental for the creditors of the Company and/or affect the ability of the Company to meet its debt covenants and obligations when they fall based on the current financial performance of RDC and current market conditions. However, the higher level of debt will potentially reduce the Company's ability to undertake value accretive acquisitions and developments over the short and medium term.

Continuing Securityholders should be aware that the current market conditions may change quickly and they may adversely affect the financial performance of RDC and gearing levels. For example, the extent of the impact of the current lockdown in NSW on the financial performance of the business is uncertain at this point in time as it depends on the severity of the outbreak, the length of the lockdown and the ability of the NSW Government to bring the outbreak under control. It is also not feasible to predict future outbreaks and extended lockdown.

No transaction costs (Exiting Securityholders)

RDC Securityholders participating in the Buyback will be able to do so without incurring brokerage costs.

No participation in future potential upside/risks of RDC (Exiting Securityholders)

Exiting Securityholders, who elect to participate fully in the Buyback, will give up the right to participate in the future potential upside and growth opportunities of RDC arising from refurbishment, redevelopment or acquisition opportunities. For example, in late 2020 and early 2021, RDC acquired two Sydney metropolitan hotels and two Brisbane metropolitan hotels that RDC intends to revitalise through significant capital investment to improve the quality of the hotel offerings. The Gladstone Hotel, located in Sydney's inner west, was acquired at an implied yield of c. 6.5% and has significant development upside due to its relatively inferior gaming offering and outdated interior layout and fit-out. The other Sydney hotel acquisition, O'Donoghues Irish Pub, is located in a relatively less densely populated area on the outskirts of Sydney although it has 30 gaming machines. The two SEQ acquisitions, the Shafston Hotel and Aspley Hotel, collectively have 74 gaming machines and were acquired for a consideration of A$27.5 million from a foreign buyer who had purchased the two hotels in 2018 for A$35 million. During this time, revenues and profitability at both hotels declined. RDC intends to revitalise the hotels to improve their profitability and value over time. Accordingly, there is potential value upside in the near term in the existing asset base for Continuing Securityholders.

On the flip side, Exiting Securityholders will no longer be exposed to the ongoing risks of the business including increased regulation, greater ESG scrutiny from the community and investors, further COVID-19 lockdowns and restrictions, and the continued growth of online betting.

Alternative transactions (Continuing and Exiting Securityholders)

Before deciding to proceed with the Buyback, the IBC and the Manager considered a range of other options to bridge the gap between Directors NAV and trading prices including remaining listed, whole of business transactions, and an orderly realisation of assets. The Buyback and Delisting was considered the superior option compared to the alternatives. By remaining listed, the IBC concluded that given the historical discount to Directors NAV, it was unlikely the future share price would trade in line with, or at a premium to, Directors NAV. In terms of whole of business transactions, the IBC also noted that the Group had not received any offers, and any such transaction would trigger significant termination payments to the Manager under both the IMA[17] and

[17] IMA termination payments are derived using Gross Hotel Portfolio Value, adjusted by factors including the remaining term on the contract. We estimate it to be c.1.5% of the Gross Hotel Portfolio Value (subject to other changes/variables), see Product Disclosure Statement for more detail.

HOA[18]. An orderly realisation of assets was considered inferior due to the significant execution risk involved and the significant transaction costs of between 2.5% to 3.0% of the value of each property sold.

Other factors

Taxation Consequences

We note the potential taxation consequences associated with the Buyback, in that Securityholders may be subject to capital gains tax or capital losses depending on their position sizing, purchase price and purchase dates. Further information on the relevant tax consequences for Australian residents is contained in Section 9 of the Explanatory Statement.

Independent Directors' recommendation

As set out in the Notice of Meeting and Explanatory Statement, at the date of this report, the Independent Directors of RDC have recommended that Non-Associated Securityholders vote in favour of the Buyback and Delisting in the absence of a superior proposal, and subject to the Independent Expert continuing to conclude that they should vote in favour of the Buyback and the broader Delisting.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to approve the Buyback is a matter for each RDC Securityholder based on their own views of value of RDC and expectations about future market conditions, RDC's performance, risk profile and investment strategy. If RDC Securityholders are in doubt about the action they should take in relation to the Buyback, they should seek their own professional advice.

Yours faithfully
GRANT THORNTON CORPORATE FINANCE PTY LTD

ANDREA DE CIAN
Director

JANNAYA JAMES
Director

[18] HOA termination payments are activated under specific default triggers, resulting in a termination payment equal to the larger of three times the most recent annual management fee, or the most recent management fee multiplied by the remaining term. We estimate it to be 3 the management fee (subject to other changes/variables), see Product Disclosure Statement for more detail.

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Contents

1 Overview of the Delisting, Buyback and Rights Issue

1.1 Delisting

Under the Delisting, RDC will be removed from the ASX and continue as an unlisted fund. As a result, there will be no public market for trading in RDC Securities. If the Delisting is approved, Redcape will make changes to the RHT I and RHT II Constitutions to better align them with an unlisted fund structure. The key Constitutional changes include the following (refer to section 6.9 of the Explanatory Statement for more details):

- Allowing Redcape to perform off-market buybacks.
- Amendments to the performance fee payable to the Manager to align aspects of the calculation to the unlisted fund nature if the Delisting is implemented.
- Providing for the Unlisted Liquidity Facility as described below.

1.1.1 Unlisted Liquidity Facility

The RE will aim to offer investors quarterly liquidity through the Unlisted Liquidity Facility. Each quarterly liquidity offer will be capped at 2.5% of Directors NAV with scope to adjust this subject to the RE's discretion. The RE's ability to offer investors with liquidity in the Unlisted Liquidity Facility will depend on Redcape having sufficient cash reserves or headroom in its debt facilities.

The Unlisted Liquidity Facility will provide Continuing Securityholders the ability to dispose of their RDC Securities on a quarterly basis commencing at the end of June 2022 initially at a 7.5% discount to Directors NAV, decreasing to a 5.0% discount to Directors NAV in the quarter ending 30 September 2022 and stabilising at a 2.5% discount to Directors NAV from 31 December 2022 onwards.

1.2 Buyback

Securityholders that choose to exit all or part of their investment before Delisting will be able to do so either on-market or alternatively through an equal access off-market buyback that will be open for one month period prior to Delisting.

The RE will offer to buy back up to 215.0 million RDC Securities representing at least 60.0% of RDC Securities held by the Non-Associated Securityholders. RDC Securities bought back will be cancelled. The Buyback will be capped at A$247.3 million reflecting A$115.0 million in net debt and A$132.3 million raised via the Rights Issue which is fully underwritten by MAF.

We note that the Responsible Entity intends to increase Redcape's existing target gearing range from 35.0 – 45.0% (Statutory Gearing) to a target range of 40.0 – 50.0% Directors Gearing[19]. Depending on RDC's level of gearing following the Buyback and Rights Issue, the RE may undertake asset sales to reduce gearing to be approximately in line with the mid-point of the targeted Directors Gearing range of 40% to 50%.

[19] Directors Gearing is calculated as (Total Debt – Cash) / (Total Assets – Cash), however Total Assets reflects the Directors NAV as opposed to the valuation of the Property Portfolio under statutory reporting requirements.

Depending on the level participation in the Buyback and Rights Issue, a combination of proceeds from debt facilities and the Rights Issue will be used to fund the acquisition of securities under the Buyback.

If the total number of RDC Securities that securityholders elect to sell in the Buyback exceeds the Buyback Limit, a scale back would be applied on a pro-rata basis.

1.3 Rights Issue

Below we provide an overview of the Rights Issue:

- An offer of 1 new Security for every 4.8 Redcape Securities held at the record date.
- Price of A$1.15 per security, the same as the Buyback Price.
- Redcape Securityholders who partake in the Rights Issue will be subject to a cap of 2.0x their Rights Issue entitlement.
- The Rights Issue is fully underwritten by MAF.

If there is a shortfall in take up of the Rights Issue, it will initially be allocated to Securityholders who applied for additional securities, pro rata to their applications for additional securities, with any further shortfall allocated to MAF as underwriter.

New securities will be issued in respect of valid applications for entitlements under the Rights Issue even if that funding is in excess of the funding required for the Buyback. However, additional new securities in respect of a shortfall under the Rights Issue will only be issued in the event that additional funding is required as decided by the IBC giving consideration to the level of take-up and pro forma gearing. New Securities will only be issued to MAF as the underwriter if required to fund Buyback applications.

MAF has informed the RE that it does not intend to participate in the Rights Issue, although MAF has agreed to fully underwrite the Rights Issue to increase funding available for RDC Securityholders to participate in the Buyback if they wish to do so.

Under a scenario where the Non-Associated Shareholders fully participate and no securityholders take up any rights and no sub-underwriters are secured, MAF could end up with holding up to 77.7% of the pro-forma securities on issue which may trigger adverse stamp duty implications. Accordingly, MAF's maximum underwriting under the Rights Issue has been limited to A$132.3 million to ensure the 77.7% threshold cannot be exceeded under any scenario.

1.4 Key Conditions precedent

The Delisting is subject to:

- The approval of Non-Associated Securityholders by the requisite majorities required under subsection 257C of the Corporations Act and ASX Listing Rule 17.11.
- Approval of Non-Associated Securityholders for the proposed amendments to the Constitution as detailed in the NOM.

If the above conditions are not satisfied then the Delisting may be terminated and the Buyback and Rights Issue will not proceed. The IBC can also terminate the Delisting if a majority of the IBC change their recommendation that Non-Associated Securityholders should vote in favour of the Delisting because of a change in the conclusion by the Independent Expert.

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2 Purpose and Scope of the report

2.1 Purpose

An off market equal access buyback, such as the Buyback, is regulated by the provisions of Part 2J.1 Division 2 of the Corporations Act, which requires the Buyback to be approved by RDC Securityholders by ordinary resolution.

Section 257C of the Corporations Act requires RDC to include in the notice of meeting a statement setting out all information known to the company that is material to the decision on how to vote on the resolution.

In addition to the Corporations Act, we note that RG 110 sets out what ASIC expects a company to provide when disclosing information to shareholders with a notice of meeting for the purposes of a buyback offer.

RG 110.18 states:

If a company proposes to buy back a significant percentage of securities or the holdings of a major shareholder, it should consider providing:

- a report by its independent directors about whether shareholders should vote in favour of the Buyback, particularly regarding how much the company is paying for the securities; and
- an independent expert's report with a valuation of the securities.

Further, RG 110.20 states:

- It is usually appropriate for shareholders to have the benefit of independent advice on whether to vote for a buy-back.

Accordingly, the Independent Directors have appointed Grant Thornton Corporate Finance to prepare an independent expert's report to assist RDC Securityholders in their consideration of the Buyback setting out the following:

- The fair market value of RDC Securities before the Buyback.
- The advantages and disadvantages of the Buyback for participating and non-participating securityholders.

We are not required and accordingly have not formed an opinion on the Delisting.

We note that we do not make any recommendation as to whether Non-Associated Securityholders should participate in the Buyback. This is a decision for individual Securityholders having regard to their views on the Company's prospects and market conditions and their individual circumstances, including their tax and risk profile.

We note that MAF has fully underwritten the Rights Issue and under a scenario where the Buyback is fully subscribed, no securityholders take up any rights and no sub-underwriters are secured, MAF[20] could end up increasing its shareholding from c. 39.8% up to 77.7% of the pro-forma securities on issue. Section 606

[20] including its related, associated and affiliated entities and groups.

of the Corporations Act prohibits the acquisition of a relevant interest in the issued voting shares of a company if the acquisition results in the person's voting power in the company increasing from either below 20% to more than 20%, or from a starting point between 20% and 90%, without making an offer to all shareholders of the company. However, Item 13 of Section 611 of the Corporations Act waives this requirement when the acquisition results from an issue of securities in the company in which the acquisition is made if the issue is to a person as underwriter to the issue, and the disclosure document disclosed the effect that the acquisition would have on the person's voting power in the company.

2.2 Basis of assessment

In preparing the Report, Grant Thornton Corporate Finance has had regard to the Regulatory Guides issued by ASIC, particularly Regulatory Guide 111 – Content of expert reports ("RG111") and Regulatory Guide 110 – Share Buy-backs ("RG110").

In considering our approach to the valuation assessment of RDC, we note the following:

- The securities bought back from RDC will be cancelled in accordance with the Corporations Act requirements.
- As a result of the Delisting, MAF will increase its interest in RDC, under some scenarios significantly, as a result of the agreement to underwrite the Rights Issue. However this is not in contravention of Chapter 6 of the Corporations Act as it occurs under Item 13 of Section 611 of the Corporations Act.
- The substance of the regulatory framework in relation to equal access buybacks is to ensure that the Non-Associated Securityholders and the creditors of the Company will not be economically and/or financially disadvantaged.
- The buyback and cancellation of the RDC Securities will not trigger any of the Non-Associated Securityholders to acquire a controlling interest in RDC.

Accordingly, Grant Thornton Corporate Finance has concluded that the Buyback is not a change of control transaction.

Based on a review of the regulatory environment and common market practice, we have adopted the following approach with respect to the evaluation of the Buyback:

- We have assessed the fair market value of RDC Securities before the Buyback on a minority basis.
- We have analysed key factors that RDC Securityholders should consider when deciding how to vote on the Buyback.
- We have analysed key factors that RDC Securityholders should consider when deciding whether to participate, or otherwise, in the Buyback.

2.3 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to the Buyback with reference to the ASIC Regulatory Guide 112 - Independence of Experts ("RG112").

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Buyback other than that of an independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Buyback.

2.4 Consent and other matters

Our report is to be read in conjunction with the Notice of Meeting and Explanatory Statement dated on or around 21 July 2021 in which this report is included, and is prepared for the exclusive purpose of assisting the Non-Associated Securityholders in their consideration of the Buyback.

This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issuance of this report in its form and context and consents to its inclusion in the Notice of Meeting and Explanatory Statement.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Buyback to the Non-Associated Securityholders as a whole. We have not considered the potential impact of the Buyback on individual shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Buyback on individual shareholders.

The decision of whether or not to approve the Buyback is a matter for each RDC Shareholder based on their own views of the value of RDC and expectations about future market conditions, RDC's performance, risk profile and investment strategy. If RDC Securityholders are in doubt about the action they should take in relation to the Buyback, they should seek their own professional advice.

2.5 Compliance with APES 225 Valuation Services

This report has been prepared in accordance with the requirements of the professional standard APES 225 Valuation Services ("APES 225") issued by the Accounting Professional & Ethical Standards Board. In accordance with the requirements of APES 225, we advise that this assignment is a Valuation Engagement as defined by that standard as follows:

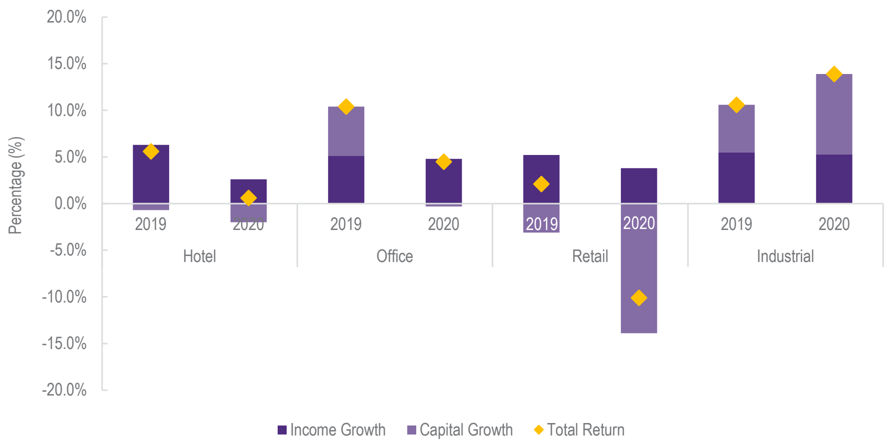
"An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time."

3 Industry overview

Redcape owns and operates approximately 36 hotels including the underlying land and property[21] at various locations in New South Wales and Queensland. Accordingly in our industry overview, we have focused on the property industry with an emphasis on the hospitality, hotels and pubs sector. We have also provided an overview of the gambling sub-sector.

There has been a wide divergence in property sub-sector returns since the outbreak of COVID-19 last year due to the different and particular characteristics of each of the sub-sectors. However, nearly all sub-sectors have experienced a compression in cap rates during 2020 and 2021 due to the significant decline in interest rates. In the hotel sector, total returns were affected by Government restrictions which forced the closure of venues in March 2020, although this was offset by a strong growth in off-premise liquor sales. Pent-up patron demand following the reopening of venues in June 2020 resulted in a rebound of trading levels, particularly for gaming, which is trending above prior years. Below we present the return for the various property sub sectors in 2019 and 2020:

Property Sector total performances



Source: MSCI, GTCF analysis

Below we provide a brief overview of the key Australian macroeconomic factors affecting the real estate industry.

- *Low interest rates* – To support the economic recovery following the Government's easing of COVID-19-related restrictions, the RBA reduced the cash rate to 0.10% in November 2020 from 0.75% at the start of the year. For the property sector, the current low interest rates mean a lower cost of debt which is expected to drive an increase in earnings. A decreasing interest rate environment typically leads to a compression in cap rates and as a consequence, an increase in market value. However interest rates have begun to increase from their recent lows as a result of the large fiscal and monetary measures implemented by Governments and Central Banks around the World. This has driven expectations for higher inflation going forward. Whilst the yield curve for government bonds has

[21] Excluding two leasehold properties.

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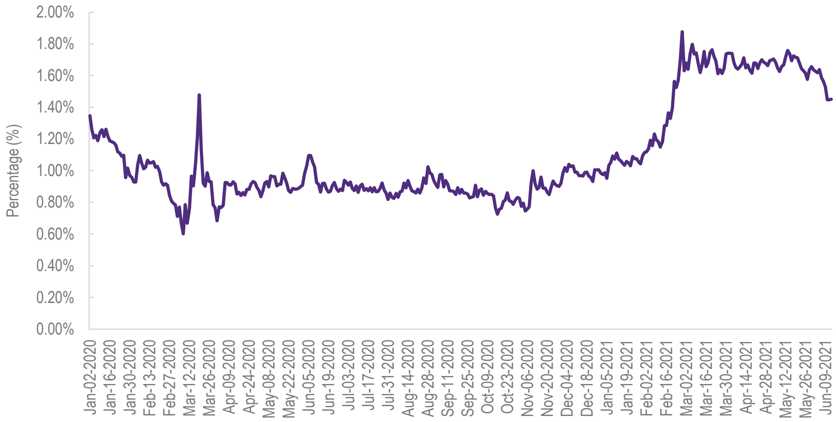
steepened in the first half of 2021, in the last few weeks it has first flattened and then slightly reduced as outlined below.

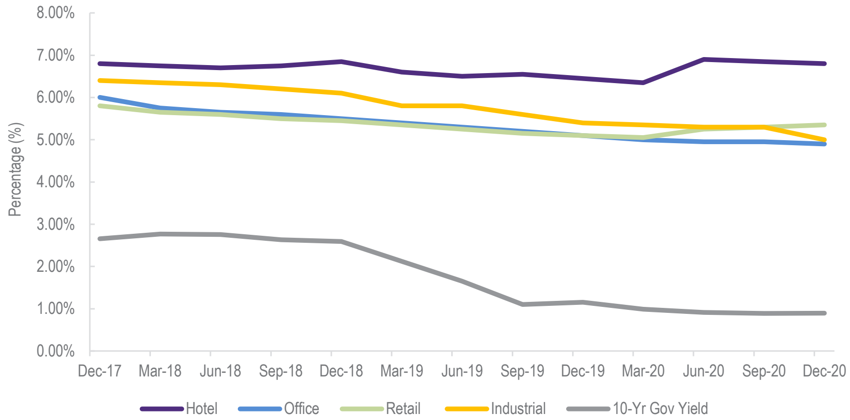
Australia 10-year Government Bond Yields



Source: S&P Capital IQ

- *Compressing real property yields* – The yield on real properties has closely followed the 10-year bond, which in turn is linked to the cash rate. The graph below illustrates the correlation between the declining yield on 10-year Australian Government Bonds and cap rate compression over the last three years:

Correlation between yield on 10-year Australian Government Bond and cap rate compression



Source: Reserve Bank of Australia, MSCI, GTCF analysis

As illustrated, the general decline in the 10-year Australian Government Bond yield is indicative of the overall compression in cap rates for the various property sectors. We note that the overall trend is a reduction for all property sectors, however the Hotel and Retail industries' weighted average cap rates moved counter cyclically to the 10 year government bond in the fourth quarter of FY20. This stemmed from the decline in revenue for the respective sectors as COVID-19 led to the introduction of prolonged domestic lockdowns and mandatory stay at home orders.

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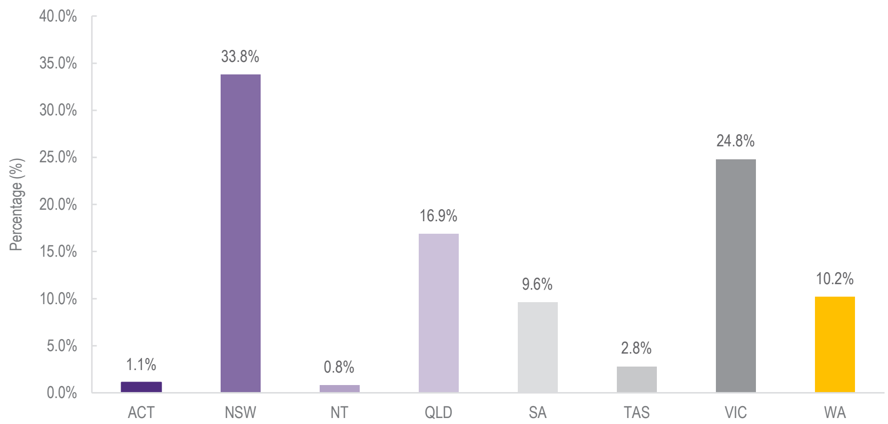
- *GDP Growth* – Recent economic data illustrates that Australia's recovery is well underway with GDP rebounding positively in the nine months ending 31 March 2021 following a severe contraction earlier in the year. GDP figures for the six months ending 31 December 2020 indicated that consumer spending had exceeded market expectations and, for the first time in more than 60 years, GDP had grown by more than 3.0% for two consecutive quarters. GDP growth has slowed slightly to 1.8% in the quarter ending March 2021, however this is still well above the historical 10 year high, illustrating the prevailing strong economic conditions. This phenomena has largely been propelled by extensive financial and fiscal stimulus implemented by the Australian Government that, when coupled with aggressive monetary policy and quantitative easing by the RBA, has helped support economic growth.

- *Inflation rate* – Higher inflationary expectations tend to improve the rental yields, values and ultimately distributions to investors[22]. Despite the recovery in the economy, inflation currently remains subdued, however the RBA expects that in the short term, CPI[23] inflation will temporarily increase above 3% in the June quarter. In the US, the annual inflation rate increased to 5% in May 2021 from 4.2% in April exceeding market forecasts of 4.7%. The increase in inflation (actual or expected) in Australia and the US is driven by a low base compared with last year when the economies were adversely affected by the outbreak of the pandemic. The reopening of the economy has led to rising consumer demand, increasing commodity prices, supply constraints and higher wages due to labour shortages. Higher inflationary expectations tend to increase the price of goods, favouring rental options.

3.1 Hotels, pubs and hospitality

There are approximately 5,000 licensed pubs in Australia. These are typically distributed based on population density of the surrounding area. At a state level, the three most populous states are New South Wales, Victoria and Queensland, and these states collectively account for c. 75.5% of total pubs nationwide. The chart below illustrates the breakdown of venues at a state level:

Venue distribution by state



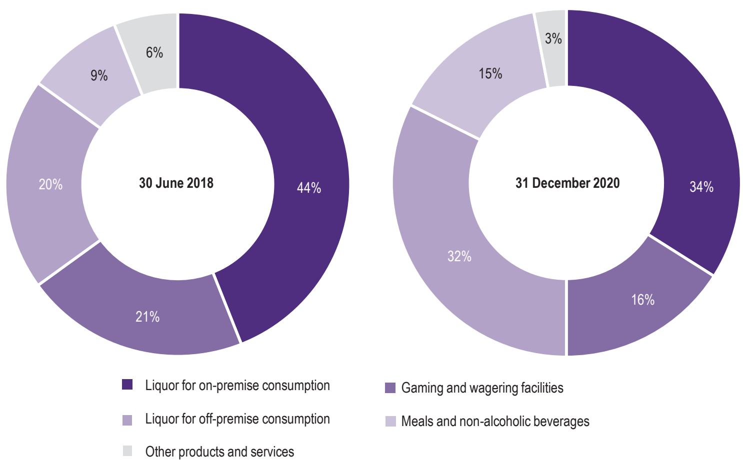
Source: IBIS World

[22] The macroeconomic forces that drive REIT returns in Australia by Woon Weng Wong as presented to the School of Property Construction and Project Management, RMIT University.
[23] Consumer Price Index.

The Industry is a significant contributor to the Australian economy generating revenues of c. $15.1 billion in the year ended 30 June 2020 across more than 5,000 venues and employing c. 188,000 staff. Venues include licenced bars, hotels and taverns offering patrons a diversified source of entertainment including food and beverage services, accommodation and function and event services.

Industry revenue is expected to decline 16.7% in the year ended 30 June 2021 to A$12.6 billion, largely due to closures and capacity restrictions as a result of the outbreak of COVID-19 and the subsequent period of temporary lockdowns that have impeded venue earning capacities. However, the decline has been partly offset by strong growth in consumption of off-premise liquor and takeaway meals. This has led to a significant change in the revenue contribution from the various products and services as set out in the graphs below:

Products and services segmentation – Six months ending 30 June 2018 and 31 December 2020



Source: IBIS World

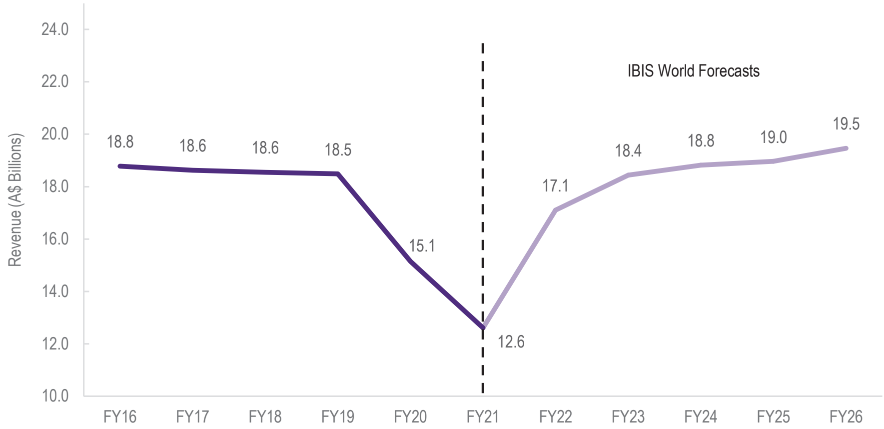
Initially, the COVID-19 outbreak led to industry establishments closing on-premise trading from late March 2020 until June 2020. Since July 2020, capacity restrictions in most states and territories, as well as an ongoing shutdown until late October 2020 in Victoria, also severely reduced revenue earning capacity. This was further exacerbated in the first half of 2021 with additional lockdown periods in Victoria and NSW. Throughout FY21 the imposed restrictions on venues—such as one person per four square metre, consumption of food and beverages whilst sitting and closure of some electronic gaming machines ("EGM") due to social distancing requirements in gaming rooms—have all limited on business' revenue generating capacities. In June 2021, Sydney was exposed to new cases of COVID-19 resulting in localised lockdowns on the 25th June, and expanded to include greater Sydney and large parts of NSW on the 26th June. The lockdowns are still ongoing, preventing hotels and restaurants to remain open to the public[24]. This significantly effects revenue, eliminating it completely for many hotels, which was already forecasted to dip to a five year low before the June 2021 COVID-19 outbreak.

In addition, industry operators have faced a mixture of challenges and opportunities over the past five years. Reducing alcohol consumption, rising competition from online gambling, and increased regulation for gaming machines and nightclubs has limited revenue growth. Despite these issues, industry operators

[24] Some takeaway options are still available for some service providers

have generated revenue through rising demand for premium, higher priced alcoholic beverages and food options. Notably and as set out in the graph below, industry revenue is forecast to return to previous growth levels over the next five years in line with the general recovery of the economy, predominately driven by domestic tourism as international travel is expected to remain relatively subdued.

Hotels, pubs and hospitality industry historical and forecast revenue growth



Source: IBIS World

3.1.1 Key Drivers

We have set out below a summary of the key value drivers of the industry.

- *Household discretionary income* – Fluctuations in a household's disposable income dictates expenditure on discretionary items. Generally speaking, throughout periods of high income growth, individuals and households tend to spend more on entertainment and leisure. This phenomena is exhibited through households increasing entertainment expenditure by c. 4.2% as the average household incomes have risen[25]. Throughout the year ended 30 June 2020, Australia's household income (measured as gross disposable income) rose by 5.4%[26], largely due to an increase in social assistance benefits provided by the Australian Government in response to COVID-19. Correspondingly, Australia's level of household savings also rapidly increased throughout the pandemic as concern over the economic outlook and a decline in spending opportunities saw individuals clamp down on spending habits.

- *Consumer confidence* – Consumer confidence is a key driver that indicates the future direction and developments of households' consumption and saving. Any decrease in consumer confidence and the subsequent consumer demand would likely result in lower levels of trading activity and a reduction in RDC's profitability. Notably, consumer confidence has surged to 10-year highs over recent months, largely driven by an unusually high level of savings and the re-opening of the economy post lockdowns and removal of mandatory stay at home orders.[27]

[25] IBIS World – Real Household Disposable income in Australia.
[26] IBIS World – Pubs, Bars and nightclubs in Australia.
[27] Westpac-Melbourne Institute Index of Consumer Sentiment.

- *Alcohol consumption* – The overall level of alcohol consumption is a key driver for revenue growth with evolving attitudes dictating the per capita alcohol consumption and expenditure at licensed establishments. There has been a notable decline in alcohol consumption amongst Australians in recent years with a 3.8% decline in alcohol consumption per capita between 2014 and 2020 widespread across all ages, socioeconomic groups and geographical regions. Increasing health consciousness, awareness of the health risks associated with excessive consumption and the increasing prevalence of anti-drinking campaigns such as 'Feb Fast' and 'Dry July' have all affected this trend. Interestingly, consumer spending data illustrated a large uptick in purchases of liquor for off-premise consumption recently, however this has primarily come from extended restrictions on licensed establishments throughout the pandemic.

- *Gambling expenditure* – Revenue derived from gaming and wagering activities has provided a steady and strong income stream for the Industry since the introduction of gaming machines in venues in the 1990s. These operations are highly profitable and require minimal labour to monitor, maintain and operate. It is not uncommon for gambling expenditure to account for upwards of 80% to 90% of a venue's revenues and accordingly it is a key driver of industry performance. As Australia's historical gambling expenditure per capita has increased so too has the Industry's revenue. Australia's gambling industry, specifically electronic gaming machines, is discussed further in section 3.3.

- *Population growth* – Australia's population growth is a key influence underpinning the growth of the Industry. Based on the latest figures from the Australian Bureau of Statistics, Australia's population is projected to grow between 1.4% and 1.8% by June 2027, reaching between 28.3 million and 29.3 million people[28]. This increase in population over time presents an important opportunity for the Industry to grow.

3.1.2 Responsible industry practices

Venues are required to have internal controls and processes in place that ensure compliance with numerous laws designed to protect people mitigate alcohol consumption and gambling problems. From this, the patrons themselves are able to enjoy the available options in a safe and controlled environment dependent on their own preferences. Some of these controls and processes include:

- The requirement of Responsible Servicing of Alcohol ("RSA") and Responsible Service of Gambling ("RSG") licenses for all staff members.

- Ability to refuse the service of alcohol to customers at the discretion of staff as well as limitations on the provision of alcohol content and strength of the drinks.

- Self-exclusion schemes that enable patrons to remove themselves from specific areas of a venue (predominately gaming areas) as well as multi venue self-exclusion;

- The inclusion of advertising materials that pertain to counselling services, gambling warnings and available helplines; and,

- Regular check-ups and monitoring by local liquor accords that aid in the improvement of the venues themselves in terms of entertainment as well as safety.

[28] Australian Bureau of Statistics – Population Projections Australia. May 2021.

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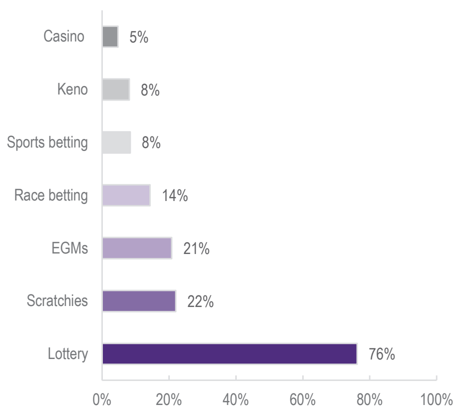
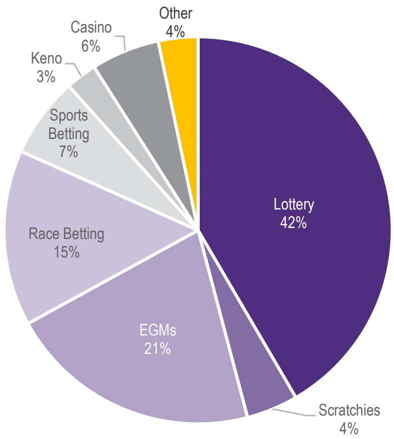
3.2 Gambling sector

Gambling is common in Australia, with an estimated c. 39% of adults participating in some form of gambling each month and c. 64% of Australians undertaking some form of gambling activity each year. In FY20 total annual gambling expenditure per capita was estimated to be c. A$1,037[29] , however this has fluctuated significantly over the last 5 years largely due to evolving industry regulations, growing market activity for online betting and the COVID-19 pandemic. Notable types of gambling in Australia include the lottery, scratchies, EGMs, race and sports betting, Keno and Casino table games. The following graphs illustrate both the Australian gambling participation by activity types and the Australian gambling expenditure by type in FY20:

Gambling participation by type



Gambling expenditure by type



Source: Australian Institute of Family Studies – Gambling activity in Australia

With regards to gambling participation, the key avenues were lotteries, scratchies and EGMs, however roughly 38% of gamblers participated in multiple forms of gambling. In terms of expenditure, typical monthly expenditure across the c. 6.8 million gamblers amounted to an estimated A$8.6 billion nationally, with lotteries, EGMs and race betting accounting for the vast majority at c. 78%[30]. Notably, the majority of national gambling expenditures by regular gamblers was accounted for by males aged 30 to 64 and skewed towards those with a lower socioeconomic background[31].

Australia ranked sixth globally in FY19 in terms of total gaming machines, yet first on a per capita basis at 7.8 machines per 1,000 people[32]. NSW is the largest EGM market in Australia with c. 89,000 machines as at 31 December 2020. Additionally, throughout 2020, EGM expenditure represented c. 65% of total gambling expenditure within the state[33]. In terms of per capita machine expenditure, Queensland and the Northern Territory rank second and third respectively, both of which benefit from a growing EGM base while restrictions have tightened within NSW in recent years. The major industry players associated with the manufacturing and maintenance of EGMs within Australia include Aristocrat Leisure and Ainsworth Game Technology, both of which have overseas operations and benefit from global supply chains.

[29] IBIS World – Per Capita Gambling Expenditure.
[30] Australian Institute of Family Studies – Gambling activity in Australia.
[31] Australian Institute of Family Studies – Gambling activity in Australia.
[32] IBIS World – Per Capita Gambling Expenditure.
[33] We note that this figure excludes expenditure on the lottery.

3.2.1 Regulation

Australian State and territory governments heavily regulate the number of licenses offered for EGMs, with WA banning EGMs outside of casinos altogether. In recent years the number of EGMs has declined as State Governments have tightened license caps. In NSW the number of gaming machines is capped at 99,000. Key legislation in the State includes the Gaming Machines Act 2001 and the Gaming Machines Amendment Bill 2008. In March 2018, the NSW Government passed a number of reforms to the Local Impact Assessment[34] scheme including more focused LIA assessments using ABS statistical zones as opposed to LGAs, caps on the number of gaming machines allowed in high-risk areas and increased community engagement. The changes are aimed at harm minimisation in certain regions based on the surrounding socio-economic factors, including but not limited to unemployment levels and average income. In addition, the NSW Government is attempting to reduce the number of gaming machines over time. When gaming machines are sold, one in every three traded must be forfeited to the Government. Noticeably, NSW makes-up over half of the EGMs in the country and represents c. 90% of Redcape's venues. Changes to legislation within the state are a key determinant for the industry as a whole, and Redcape in particular. Other industry regulation can relate to things such as minimum average payouts, rejection of larger bank notes, game frequency and pre-commitment limits.

In addition to regulations that deal with EGMs directly, indirect factors also have an influence on downstream demand. Notably, regulations that affect venues themselves such as rules on operating hours, propensities of ATMs, locations of machines with respect to the bar and requirements of specific licenses can limit EGM revenue and increase costs for venues, further discouraging the use of EGMs. Additionally, small venues derive the majority of their income from liquor and food sales, thus as additional limitations on EGM expenditure are implemented, larger venues will be the most effected, likely leading to many needing to reassess their existing business models.

3.2.2 Outlook

Over the next five years Australian per capita gambling expenditure is expected to rise at a compound annual growth rate of 4.5%[35], predominately driven by casinos, pubs, social clubs and sporting competition / leagues re-scaling operations back to pre-pandemic levels. Within this growth however Australia's gambling habits are forecasted to shift. EGM usage is projected to fall alongside a decline in the number of gaming machines domestically whilst both race and sport betting expenditure is forecast to grow. Notably, future regulations that could aid the decline in EGM usage include updated self-exclusion programs amongst patrons and venues as well as the potential introduction of facial recognition technology. Additional factors influencing gambling growth in the short term that need to be considered include the ongoing prevalence of venue restrictions, the potentiality of additional lockdowns, Australia's vaccine rollout and the continued closure of international borders into the foreseeable future.

Notably, the Interactive Gambling Act was amended in August 2017 to ban foreign-based gambling platforms from being operated within Australia. This reduced the availability of alternative gambling channels and shielded the EGM industry from general disruptions to their business model. Despite this, alternative forms of online gambling and gaming are still permitted so long as they aren't predicated on a casino based model and there is no advertising. During the pandemic these online gambling avenues saw a considerable uptick in usage and as a result, the digital gaming and gambling sub-sector is anticipated to surge in coming years.

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[34] Venues may or may not need to complete a Local Impact Assessment when applying to increase hotel's gaming machine threshold.
[35] IBIS World – Per Capita Gambling Expenditure.

4 Profile of RDC

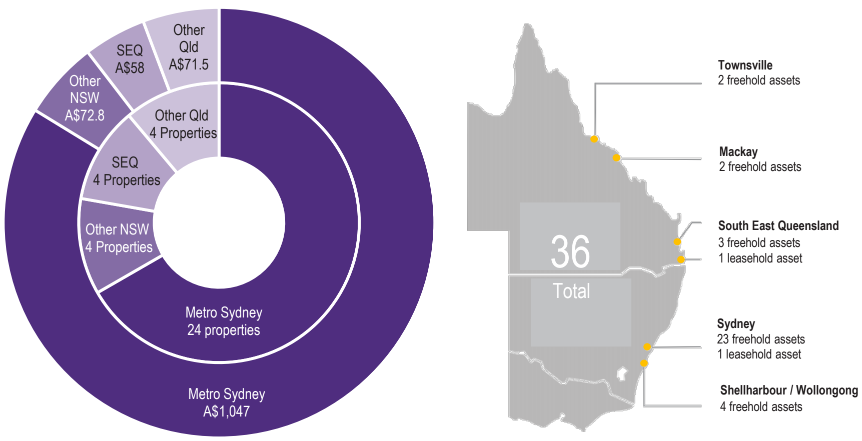
4.1 Introduction

RDC is an ASX-listed hospitality services group that owns and operates hotel and pub venues, most of which are located in metropolitan regions in New South Wales and Queensland. In addition, Redcape operates 27 bottle shops, 5 motels and the Australian Hotel and Brewery precinct in Sydney's North West. RDC has a strategic focus on tailoring it's venues to service the demand of local communities in high growth and density areas. Each venue typically includes one or more of the following:

- *Restaurant and or Bistros:* RDC either operates the venue or leases it out to specialist food providers.
- *Bars:* Traditional public bars and sports bars.
- *Gaming rooms:* Designated areas to operate and monitor EGMs.
- *Retail liquor:* Drive through and walk in bottle shops.

In July 2018, RDC acquired the Australian Hotel and Brewery, a venue and brewing facility allowing for the production and distribution of beer within the RDC Group, capable of producing in excess of 1.5 million litres of beer per annum which is sold via RDC venues. RDC's offerings sit within 36 underlying properties in the portfolio of which 34 are owned on a freehold going concern ("FHGC") basis and two on a leasehold going ("LHGC") concern basis. The majority of RDC's portfolio consists of hotels with a strong gaming focus operating in the western suburbs of the Sydney Metropolitan region, where many of NSW's top gaming hotels operate, due to favourable gaming demographics. In addition to the NSW hotels, RDC's portfolio also includes 8 hotels in Queensland, including 4 in South East Queensland, and two in each of the coastal cities of Townsville and Mackay. Below we provide a split of the revenues by geography and a map showing the locations of RDC's hotel portfolio.

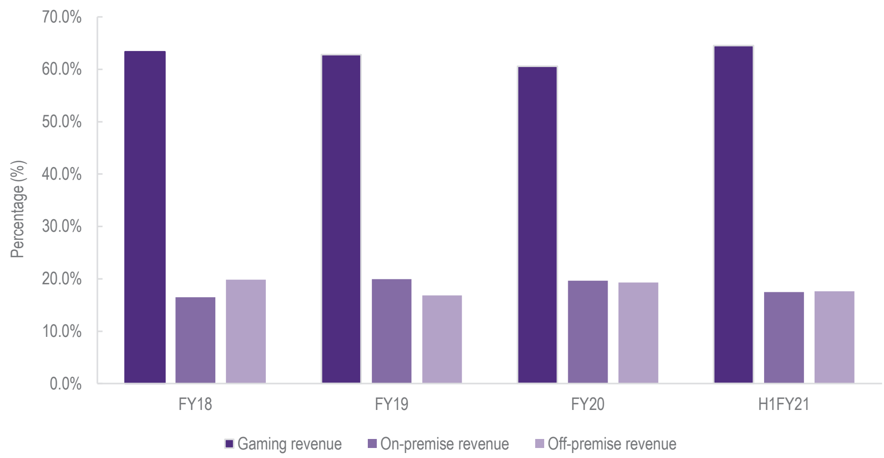
RDC Property values by state



Source: RDC 31 December 2020 Financial Statements, Management Information, GTCF analysis
Note (1): "SEQ" = South East Queensland

Redcape operates through three main revenue/cost centres: on-premise, off-premise and gaming. On-premise relates to food and beverage offerings, entertainment and accommodation from RDC's hotels, bars, restaurants and the Australian Hotel and Brewery. Gaming revenue is the largest revenue stream by contribution, and is derived from EGMs, Keno and wagering bets. As at 30 June 2021, RDC had licenses for c. 1,078 EGMs across its venues. Off-premise relates to the retail liquor operations for customers to consume off-premise. The chart below illustrates the historical revenue breakdown.

RDC historical revenue breakdown by state



Source: RDC 31 December 2020 Financial Statements, Management Information, GTCF analysis

4.2 Business model

RDC operates in a highly competitive and fragmented market[36], hence as a means to compete and grow, RDC has developed and focused on the following business model and growth strategy:

- *Management and Operating platform:* RDC has a centralised platform which offers the scalability and industry expertise and experience of being part of a larger group, whilst still providing each venue with sufficient autonomy to thrive in its local market. RDC has leveraged technology through investment in critical systems across both its venues and venue support services and it relies on financial and risk management reporting tools, human resource platforms, customer data, and enterprise data warehousing[37] software to improve customer experience and deliver staff efficiencies and scale. The structure and contracts underpinning the RDC platform offering are detailed further in Sections 4.3 and 4.4.

- *Freehold ownership:* This allows Management to retain greater autonomy and decision making power over the capital allocation process. It ensures agility with respect to meeting customer and regulatory demands, as well efficiencies in the planning, development and upgrading of facilities. As such, RDC gains from both the growth and profitability profiles and potential cap rate compression of the freehold property and operational businesses, while avoiding the potential operation complexities arising between landlords and tenants. Freehold ownership also enables RDC to retain any potential upside associated with future development and alternate use opportunities of the land. Given that RDC's

[36] We note the three largest players accounted for c. 9% of Australian pub ownership. Moelis Australia, RDC coverage initiation, 8 January 2019
[37] This aggregates and centralises key data sets across RDC's opertations.

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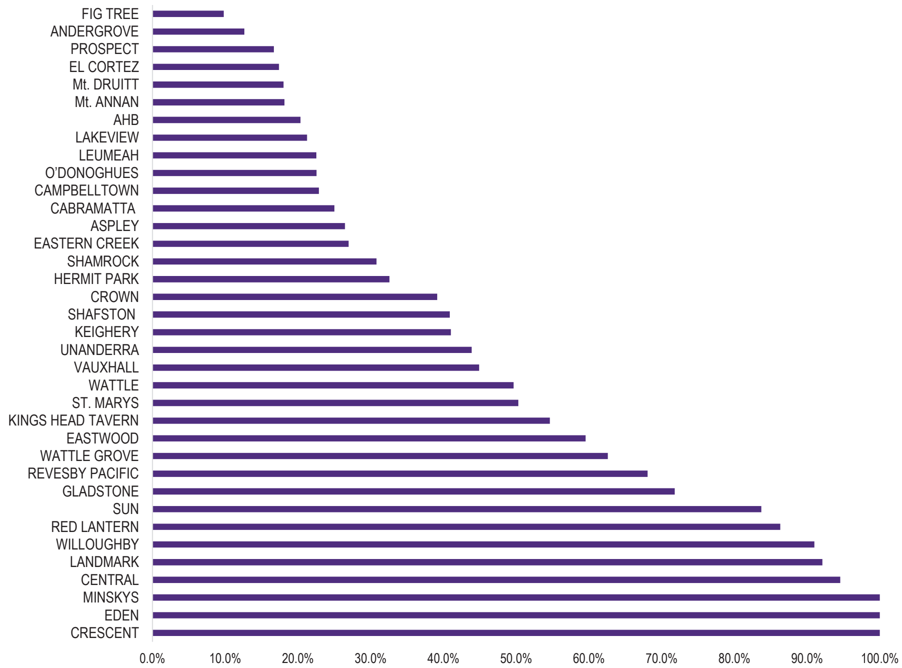
properties are typically located in high growth suburbs in Sydney as well as larger regional cities in Queensland, they are often located close to rail or main roads which increases exposure and easy access for customers. These properties also typically have large carparks and low site utilisation or coverage ratios[38], providing convenience to patrons as well as potential development opportunities to add value through property development, subdivision and sale. In the chart below we illustrate the site utilisation rates within the RDC portfolio, we note the venues with low site coverage ratios tend to comprise large car parks.

RDC Site utilisation rates



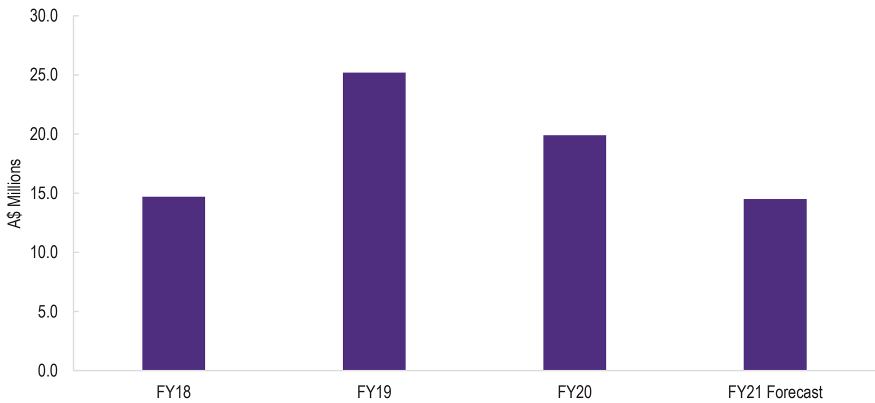
Source: RDC Management Information

- *Reoccurring and stable revenue base from Gaming:* RDC's gaming operations provide consistent and stable income. The inelastic demand for gaming allows for a relatively constant source of cash flows, enabling RDC to focus on its core strategy and long term development planning as opposed to operational issues associated with cash flow constraints.

- *Venue refurbishment, development and optimisation:* RDC has a consistent track record in acquiring, refurbishing and developing its hospitality and gaming venues to generate material value uplift. Once developed, the venues typically are beneficiaries of a substantial increase in revenue and an uplift in property values beyond the development capital expenditure. RDC made 4 acquisitions since 31 December 2020 namely the Gladstone Hotel in Dulwich Hill, NSW (settled on 1 February 2021), O'Donoghues Hotel in Emu Plains, NSW (settled on 15 February 2021), Aspley Hotel in Aspley, QLD (settled in May 2021) and the Shafston Hotel in Brisbane, QLD (settled in May 2021). We have set out below the historical acquisition and development capital deployed by the Company:

[38] The site coverage ratio is the proportion of a property site that is covered by buildings

Acquisition and development capex



Source: RDC Management Information

- *Vertical integration of brewery offering:* Through the acquisition of the Australian Hotel and Brewery, RDC can effectively now offer a full vertically integrated operation which allows the Group to retain additional margin in relation to beer supply offering lower input costs, product development and differentiation.

4.3 Management and operational structure

The name, structure and portfolio of RDC Properties have all changed over time. Redcape started off in 2007 as the ASX-listed Hedley Leisure Company and Gaming Property Partners Ltd ("HLG") prior to changing its name to Redcape in 2009. In 2012, RDC was delisted following a recapitalisation and, by 2012, was spun out and re-listed as Hotel Property Investments Limited on the ASX. Redcape, in its current form, came about in July 2017, when RDC was purchased by a fund established by Moelis Australia and associated managed funds for c A$677.0 million.

RDC is structured as a stapled fund and is comprised of two trusts, Redcape Hotel Trust I and Redcape Hotel Trust II ("RHTI" and "RHTII"). RDC is externally-managed by Moelis Australia Hotel Management ("MAHM") and Redcape Hotel Group Management ("RHGM") acts as the responsible entity ("Responsible Entity" or "RE"). Below we describe the relationship and activities performed by each of the entities:

- *RHTI and RHTII:* Each stapled security in RDC comprises one unit in Redcape Hotel Trust I, which owns the freehold properties, stapled to a unit in Redcape Hotel Trust II, which owns the operating entities.

- *RHGM:* It is the RE of RDC and a wholly-owned subsidiary of MAF. RHGM has contracted MAHM to provide certain investment management and administration services per the Investment Management Agreement ("IMA"). RHGM has also contracted MAHM to operate RDC assets under the Hotel Operating Agreement ("HOA").

- *MAHM:* The investment manager and hotel operator for RDC, bound by the terms of the IMA and HOA. MAHM is a wholly owned subsidiary of MAF, appointed by the RE on arm's length terms.

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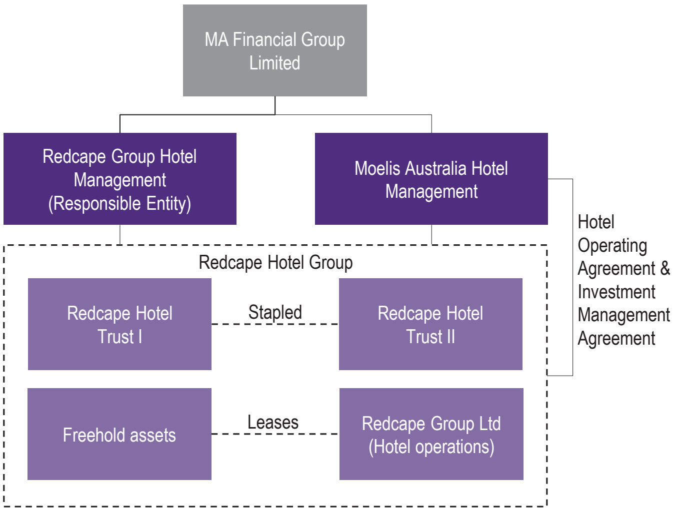
RDC structure



Source: RDC Product Disclosure Statement, GTCF analysis.

4.3.1 Investment Management Agreement

Under the IMA, MAHM is responsible for specific management and administration services, including capital management, preparation of financial statements, compliance, shareholder relations and arranging independent valuations. The IMA is contracted for 10 years with automatic renewal every 5 years until it terminates, and is subject to various termination provisions and payments. Termination payments are payable from the RE to the Manager if the IMA termination is approved by the securityholders, the payment amount is derived using Gross Hotel Portfolio Value, adjusted by factors including the remaining term on the contract. Given the structure of RDC, the IMA and fees are contracted via RHGM as the responsible entity. We note the IMA contains the following fee structure, payable to MAHM:

- *Management Fee:* monthly fee for acting as the RE of the trusts, equal to 0.5% of the Gross Hotel Portfolio Value[39]. This fee is payable to the Manager, MAHM, under the IMA.
- *Performance Fee:* semi-annual fees of 20.0% of the cumulative outperformance amount above an IRR hurdle of 10% p.a.
- *Debt Arranging Fees:* 0.5% of the total amount of any third-party debt finance or refinancing obtained for RDC payable on the binding commitment date.
- *Disposal and Acquisition Fees*: 1.0% of the total sale price or purchase price of any real property disposed of or acquired directly or indirectly by the trusts, payable on completion.

[39] Gross Hotel Portfolio Value is the most recent freehold going concern or leasehold going concern valuation of all of RDC's real property held as an asset by the RDC group.

4.3.2 Hotel Management Agreement

The agreement covers the operational aspects of the underlying portfolio, requiring MAHM to manage the operational efficiency, marketing, human resources, credit and credit cards, food and beverages, gaming and other key operational responsibilities. As with the IMA, the HOA is contracted for 10 years with automatic renewal every 5 years and is subject to various termination provisions and payments. Termination payments are payable from the RE to MAHM under specific default triggers, resulting in a termination payment equal to the larger of three times the most recent annual management fee, or the most recent management fee multiplied by the remaining term. There are two fee categories under the HOA:

- *Hotel Operating Fees*: monthly fees equal to 15.75% up to the indexed threshold[40] and 8.0% exceeding the indexed threshold of Redcape's Hotel operating profit, less the overhead costs and Queensland management fees[41].
- *Development Management Fee:* monthly payable fees in arrears equal to 5.0% of the total costs to develop, construct sell and market the development projects.

[40] The Indexed Threshold is equal to A$66.5 million indexed annually at 4% per annum from the 1st of July 2018. Management estimates this to be c. A$74.8 million for FY21
[41] The Queensland Management Fee is a fixed, annual amount per Queensland hotel, separately paid to MAHM by RDC for managing the Queensland properties.

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4.4 Financial overview

4.4.1 Financial performance

The table below shows the Group's audited consolidated statements of comprehensive income for FY19, FY20, the half year to 31 December 2020 and the whole year of FY21:

Consolidated statements of financial performance	FY19	FY20	FY21	H1FY21
A$'000s	Audited	Audited	Unaudited	Audited
Gaming revenue	179,099	157,131	207,763	110,980
On-premise revenue	56,877	50,977	64,925	30,103
Off-premise revenue	48,022	50,051	61,308	30,363
Other service	1,217	1,135	1,322	541
Revenues	**285,215**	**259,294**	**335,318**	**171,987**
Cost of Sales	(133,021)	(121,685)	(160,500)	(83,797)
Gross Profit	**152,194**	**137,609**	**174,818**	**88,190**
Operating Costs	(32,162)	(29,755)	(36,070)	(17,278)
Employment Costs	(38,522)	(35,992)	(48,407)	(21,311)
Management Fees	(14,421)	(14,731)	(16,286)	(8,682)
Underlying EBITDA	**67,089**	**57,131**	**74,055**	**40,919**
Business Acquisition Costs	(7,631)	(1,687)	(4,366)	-
Performance fee	(13,800)	-	(11,876)	(5,836)
Gain/ (loss) on disposal of non-current assets	502	(110)	48	(4)
Gain / (loss) on Asset Revaluation	(17,998)	(3,669)	4,390	5,223
Transaction costs	-	-	(5,000)	-
Reported EBITDA	**28,163**	**51,665**	**57,251**	**40,302**
Depreciation and Amortization Expenses	(11,360)	(14,180)	(15,014)	(7,118)
Depreciation Expense on Right-of-use Assets	-	(1,991)	(2,419)	(1,137)
Reported EBIT	**16,803**	**35,494**	**39,818**	**32,047**
Net Finance Costs	(17,324)	(14,775)	(12,316)	(5,889)
Reported EBT	**(522)**	**20,719**	**27,502**	**26,158**
Income tax benefit / (payable)	(1,328)	(5,500)	970	(798)
Statutory adjustments	(3,081)	(3,992)	-	-
Reported net profit after tax	**(4,930)**	**11,227**	**28,472**	**25,360**
Key Performance Indicators				
Revenue Growth	*17.4%*	*-9%*	*29%*	*n/a*
Gross Profit Margin	*53.4%*	*53%*	*52%*	*51%*
Underlying EBITDA Margin	*23.5%*	*22%*	*22%*	*24%*
Reported EBITDA Margin	*9.9%*	*20%*	*17%*	*23%*
Reported EBIT Margin	*5.9%*	*14%*	*12%*	*19%*
Interest Coverage Ratio	*3.95x*	*4.5x*	*7.4x*	*6.9x*

Source: Group annual and semi-annual reports, GTCF analysis

In relation to the above statement of financial performance, we note the following:

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- As illustrated, RDC has four operating segments that are revenue generating for the business. Constituting to c. 62.0% of total revenue in FY21, gaming revenue is the key income stream for RDC and is recognised as the net difference between gaming wins and losses at the close of business each day. On-premise and off-premise revenue generate approximately the same amount of revenue for the business each year and includes food and beverage sales and bottle shop sales. Finally, other services is associated with items such as accommodation and are recognised as performed. As outlined above, RDC has performed strongly in FY21 with sales rebounding due to pent up demand due to the lifting of restrictions and surging consumer and business sentiment. Notably, the vast majority of this increase in revenue was through gaming. This increase in gaming revenue was largely substantiated by an increase in the average disposable income underpinned by savings throughout COVID-19 and heightened levels of government stimulus. Furthermore, on 13 May 2021 the group announced an upgrade to the FY21 guidance, increasing underlying earnings by 5.2% to 10.2 cents per share and a Q4FY21 distribution increase of 2.67 cents per share versus the previous 1.83 cents per share.

- Operating costs are comprised of numerous different line items associated with the running of the business, namely being administrative expenses, advertising and marketing expenses, repairs and maintenance, rental expenses and short-term lease payments. With regard to JobKeeper, RDC has received a total amount of A$9.1 million during the 2020 calendar year, of which A$4.6 was received as at 30 June 2020 and the remaining A$4.5 million for the period from 1 July 2020 to 31 December 2020. Of these figures, A$2.7 million and A$4.0 million were captured within employment costs in FY20 and FY21 respectively, with the remainder passing through. Note, these JobKeeper figures are captured within employment costs.

- Management fees are comprised of two separate inputs, these being the hotel operating fees and the asset management fees. The historical breakdown of these two fees are as follows:

Management fee breakdown A$'000s	FY19 Audited	FY20 Audited	FY21 Unaudited	H1FY21 Audited
Hotel operating fee	9,138	9,449	10,918	6,085
Asset management fee	5,028	5,282	5,368	2,519
Total Management fee	**14,166**	**14,731**	**16,285**	**8,604**

Source: Group annual and semi-annual reports, GTCF analysis

Whilst the H1FY21 hotel operating fee of A$6.1 million may seem abnormally large compared to the annual historical figures, it is similar to prior corresponding period figure of c. A$5.9 million. The decline in the total hotel operating fee throughout H2FY20 relative to H1FY21 was largely due to a material decline in operational profit off the back of the pandemic. In this way, total hotel operating fees are expected to increase throughout FY21 relative to previous years as profit rises.

- As illustrated in the historical income statement, RDC received performance based fees in both of FY19 and FY21. Notably, the performance fee received in FY19 was in respect to RDC's listing on the ASX whereas as the performance fees for H1FY21 were in relation to asset outperformance and calculated as 20.0% of the cumulative outperformance above an IRR of 10%.

- We note that there have been considerable fluctuations in the underlying EBITA figures y-o-y. Importantly, these fluctuations have been driven largely by changes in total revenue throughout the periods, as shown by the relatively stable underlying EBITDA margins of c. 23%.

4.4.2 Financial position

The consolidated Statement of Financial Position is outlined in the table below:

Consolidated statements of financial position	30-Jun-19	30-Jun-20	31-Dec-20	30-Jun-21
A$'000s	Audited	Audited	Audited	Unaudited
Assets				
Cash and Cash Equivalents	16,981	101,433	55,257	48,109
Trade and Other Receivables	3,936	3,109	2,628	3,140
Inventories	5,130	4,708	5,448	6,305
Other Current Assets	2,760	2,417	7,977	2,507
Total Current Assets	**28,807**	**111,667**	**71,310**	**60,061**
Investment Property	-	-	-	2,999
Land	351,648	313,835	335,677	404,110
Right of Use Assets	-	42,241	41,935	44,610
Property, Plant and Equipment	134,953	139,302	138,412	153,428
Deferred Tax	15,645	6,692	6,858	7,662
Intangible Assets	590,757	559,370	559,370	615,239
Total non-current assets	**1,093,003**	**1,061,440**	**1,082,252**	**1,228,048**
Total Assets	**1,121,810**	**1,173,107**	**1,153,562**	**1,288,109**
Liabilities				
Trade and Other Payables	38,749	34,446	58,963	58,692
Employee Benefits	1,708	2,106	2,494	3,321
Lease Liabilities	-	1,039	1,129	1,584
Distribution Payable	12,030	1,712	10,105	14,744
Income tax	-	-	965	-
Total Current Liabilities	**52,487**	**39,303**	**73,656**	**78,341**
Loans and Borrowings	436,002	486,253	410,418	517,839
Lease Liabilities	-	43,885	44,082	46,907
Derivative Financial Instruments	3,489	1,084	1,195	292
Employee Benefits	255	205	176	372
Total Non-current liabilities	**439,746**	**531,427**	**455,871**	**565,410**
Total Liabilities	**492,233**	**570,730**	**529,527**	**643,751**
Net assets	**629,577**	**602,377**	**624,035**	**644,358**
Key Performance Indicators				
Shares on issue at end of period (millions)	*551.45*	*552.20*	*552.20*	*552.20*
Statutory net assets per share (A$)	*1.14*	*1.09*	*1.13*	*1.18*
Directors net assets per share (A$)	*n/a*	*1.09*	*1.22*	*1.31*
Statutory NTA per share (A$)	*0.07*	*0.08*	*0.12*	*0.05*
Leverage [1]	*14.9x*	*8.3x*	*9.9x*	*9.1x*
Gearing [2]	*38.0%*	*36.3%*	*32.3%*	*37.9%*

Source: Group annual and semi-annual reports, GTCF analysis
Note (1): Leverage is calculated as (Net Borrowings + Lease liabilities) / (Reported EBITDA)
Note (2): Gearing is calculated as (Total Borrowings – Cash) / (Total Assets – Cash)

In relation to the Group's financial position, we note the following:

- Land, property, plant, equipment and intangible assets, pertain to each of the property assets. Only land is fair valued based on highest and best use with the other assets held at cost and in some cases depreciated. The aggregated fair value of land, property, plant, equipment and intangible assets of A$1,164.0 million is referred to as the Statutory Value ("Statutory Value") of the properties. From FY19 to FY21 we note the Statutory Value per share remained relative stable. The Directors Value per share, which does value the properties as combined freehold and operational interests, is explained in detail in Section 6.2.

- RDC's target gearing ratio is between 40% - 50% and is calculated as total borrowings less cash as a percentage of total assets less cash. The Group's gearing ratios as at 31 December 2020 and 30 June 2021 are 32.3% and 38.2% respectively. The table below details the current borrowings of the Group:

Borrowings A$'000s	FY19 Audited	FY20 Audited	H1FY21 Audited	FY21 Unaudited
Bank loans	436,700	490,000	415,000	522,000
Capitalised loan establishment costs	(698)	(3,747)	(4,582)	(4,161)
Total Borrowings	**436,002**	**486,253**	**410,418**	**517,839**

Source: Group annual and semi-annual reports, GTCF analysis

RDC's borrowings are funded through a syndicated debt facility. The original facility limits of A$500.0 million required interest and line fees payable based on the LVR of the Group and are subject to financial covenants requiring RDC to maintain an interest coverage ratio of 2.5x and an LVR below 55% at all times. On 25 March 2020, RDC advised the market that it was in compliance with its loan facility terms with the exception of a specific covenant pertaining to the "suspension of business". Due to the unforeseen nature of COVID-19 and the associated Government mandated shutdown of venues, RDC obtained a formal waiver from the lenders. In December 2020, the facility was refinanced with an additional A$100.0 million funding facility expiring in December 2025. This increased the total facility amounts to A$600.0 million, not including RDCs ability to access an additional A$4.0 million ancillary facility of which A$1.4 million is currently unused. As at 30 June 2021, the weighted average maturity of the total debt facility was c. 4 years with $517.8 million drawn on the debt facility and A$2.6 million of the ancillary facility.

Debt facilities	Expiry	Amount A$ million
Tranche A and Revolver	September 2022	62.5
Tranche B	December 2024	250.0
Tranche A1 and Revolver A1 Facility	December 2025	187.5
Tranche C	December 2025	100.0
Total value of facilities		**600.0**

Sources: RDC 31 December 2020 Financial Statements
Note: This does not include the A$4.0 million ancillary facility

- As illustrated, there is a growing material difference between the statutory reported net assets per share ("NAV") and the directors NAV (refer to section 6.2 for details).

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4.4.3 Cash Flows

The table below shows the Group's audited consolidated statements of cash flows for FY19, FY20 and FY21:

Consolidated statements of cash flows A$'000s	FY19 Audited	FY20 Audited	FY21 Unaudited
Cash flows from operating activities			
Receipts from customers (inclusive of GST)	311,559	286,080	368,819
Payments to suppliers and employees (inclusive of GST)	(257,638)	(229,990)	(286,919)
Interest received	259	162	169
Interest and other finance costs paid	(18,183)	(23,348)	(13,033)
Income taxes paid	-	-	-
Net cash from operating activities	**35,997**	**32,904**	**69,036**
Cash flows from investing activities			
Payment for business acquisition, net of cash acquired	(153,349)	(38,426)	(96,676)
Business acquisition transaction costs	(7,631)	(1,687)	(4,366)
Payments for property, plant and equipment	(25,182)	(19,943)	(20,118)
Payments for intangibles	-	(880)	-
Proceeds from disposal of business	20,430	95,682	-
Proceeds from disposal of property, plant and equipment	112	253	48
Net cash from / (used in) investing activities	**(165,620)**	**34,999**	**(121,112)**
Cash flows from financing activities			
Proceeds from issue of stapled securities	89,757	819	-
Transaction costs from issue of stapled securities	(3,724)	-	-
Proceeds from borrowings	119,000	152,650	122,000
Repayment of borrowings	(49,000)	(99,350)	(90,000)
Repayment of leases		(1,192)	(1,221)
Distributions paid	(44,484)	(36,378)	(32,027)
Net cash from financing activities	**111,549**	**16,549**	**(1,248)**
Net increase / (decrease) in cash and cash equivalents	(18,074)	84,452	(53,324)
Cash and cash equivalents at the beginning of the financial year	35,055	16,981	101,433
Cash and cash equivalents at the end of the financial year	**16,981**	**101,433**	**48,109**

Source: Group annual and semi-annual reports, GTCF analysis

- Cash flows from operating activities remained relatively stabled from FY19 to FY20 despite a material 8.2% decrease in receipts from customers, largely due to a corresponding proportional decrease in payments to suppliers and employees throughout the pandemic. Holistically, the decline in these two line items was driven by COVID-19, however FY21 figures show promising growth on the FY20 figures indicative of RDC's operational recovery post-pandemic.

- Cash flows from investing activities saw a c. A$200 million increase year on year from FY19 to FY20, predominately derived from a decline in business acquisitions in the latter year. Additionally, RDC saw a material increase in proceeds from disposal of businesses through the sale of St George Hotel for c. A$47.1 million and the sale of Royal Hotel for A$5.0 million throughout FY20. Conversely however and throughout FY21, RDC saw another material decline in their cash flows from investing activities, largely due to the purchase of assets such as the Gladstone Hotel, the Shafston Hotel and O'Donoghues Hotel throughout the period.

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- For both of FY18 and FY19 RDC delivered upon their 8.75cps distribution to securityholders as advised within the IPO Product Disclosure Statement. Notably however, the payment of the March 2020 quarterly distributions was suspended as a result of the impact of COVID-19 on the business. June 2020 saw the reintroduction of RDC's distribution payments (albeit at a lower level), with further distributions paid in the first half of FY21, although at lower levels than previous years. The following table shows the historical distributions on a quarterly basis:

Historical Distributions A$ cents per share unless otherwise specified	FY18	FY19	FY20	FY21
September quarter	2.205	2.205	2.199	1.830
December quarter	2.205	2.205	2.211	1.830
March quarter	2.158	2.158	-	1.830
June quarter	2.182	2.182	0.310	2.670
Per share total	**8.750**	**8.750**	**4.720**	**8.160**

Source: Group annual and semi-annual reports, GTCF analysis

4.5 Units on issue and quoted prices

As at the date of this report, RDC has 552,195,195 fully paid stapled units on issue. Set out below is the top 10 security holders of RDC as at 2 June 2021:

Top 10 unitholders as at 11 June 2021 A$ per unit		No. of units	Interest (%)
1	Moelis Australia Asset Mgt	219,698,917	39.8%
2	FIL Investment Mgt Australia	29,317,559	5.3%
3	Mr & Mrs Kenneth R Lowe	9,635,000	1.7%
4	Mr Andrew R Pridham	6,090,435	1.1%
5	Realindex Investments	6,031,097	1.1%
6	Centuria Capital	5,411,075	1.0%
7	Mr & Mrs Anthony C Smith	5,000,000	0.9%
8	Wyllie Group	5,000,000	0.9%
9	Mr Nicholas Peters	4,629,630	0.8%
10	Private Clients of HUB 24 Custodial Services	4,036,313	0.7%
Top 10 unitholders total		**294,850,026**	**53.4%**
Remaining unitholders		257,345,169	46.6%
Total units outstanding		**552,195,195**	**100%**

Source: S&P Global, GTCF analysis

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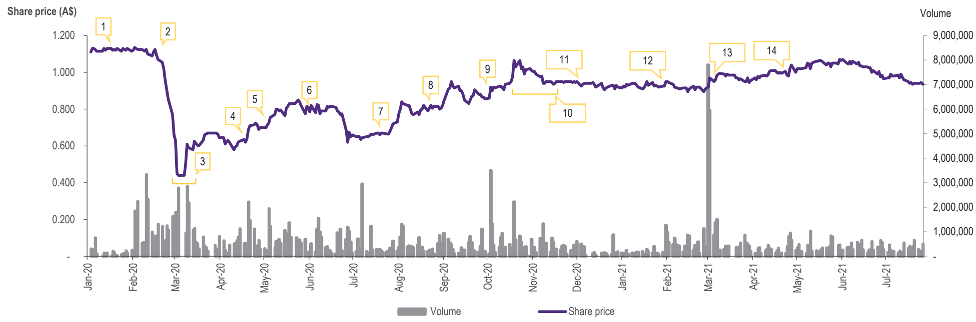
Our analysis of the daily movements in RDC's unit price and volumes for the period from January 2020 to June 2021 is set out below:

Historical share trading prices and volumes of RDC



The following table illustrates the key events which may have impacted the unit price and volume movements shown above:

Events	Date	Comment
1	Feb-20	RDC released its half-yearly accounts for the period ending 31 December 2019: - Revenues from ordinary activities were reported as A$160.6 million, up 12.7% from 31 December 2018. - Statutory net profit after tax was reported as A$17.4 million, up 249.6% from 31 December 2018. - The Directors Net Assets Value ("NAV") per security increased to A$1.1516 per share, up from A$1.1302 per share in the previous period
2	Feb-20	In late February and early March, the ASX decreased by over 30% due to investor panic surrounding the COVID-19 outbreak. This event was felt at all levels of the economy and widespread mandatory isolation in Australia led to the first technical recession in over 30 years. We note that RDC's share price declined by c. 57% throughout this period, largely due to the fact that the hospitality industry was one of the worst affected industries as lockdowns severely reduced revenue generating capacity.
3	March-20	RDC's securities were initially placed into a trading halt at the request of the business pending the release of an announcement on 25 March 2020. On 25 March 2020 RDC provided a business update to the market pertaining to the mandatory COVID-19 shutdowns: - The Group announced it closed its 32 venues in response to stage 1 Government restrictions on social gatherings. - The group announced it had A$100 million cash on hand as at the date of announcement. Additionally, RDC estimated that cash expenses associated with maintaining the business would approximately be A$10m per quarter. - RDC also announced that it intended to stand down the majority of its permanent staff.
4	May-20	RDC announced that it had received debt facility support from its lending partners through agreeing to temporarily vary a number of terms contained within the Group's loan agreements. Namely, various amendments to financial covenants that were negatively impacted due to the shutdown of RDC's trading business.
5	May-20	RDC announced that the majority of venues will be reopening on 1 June in line with the Australia Government scaling back lockdowns and venue closures.
6	June-20	RDC announced the following to the market: - Trading for June 2020 was expected to be EBITDA positive for the Group, illustrative of a recovery in earnings following the easing of restrictions and the reopening of venues. - All 26 NSW venues had been fully opened and 5 out of 6 Queensland venues were also fully operational. - Re-instatement of RDC's quarterly distributions for the fourth quarter of FY20 at A$0.301c per security, taking the total FY20 distribution to A$0.472c per security.
7	Aug-20	RDC released its annual report for the financial year ending 30 June 2020 announcing the following: - Revenues from ordinary activities were reported as A$259.3 million, down 9.1% from the previous period.

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Events	Date	Comment
		- Net profit after tax was reported as A$11.227 million, up from 30 June 2019. - The Directors NAV per security decreased to A$1.0909 per share, down from A$1.1516 per share as at 31 December 2019
8	Oct-20	RDC released its half-yearly accounts for the Redcape Hotel Trust 1 for the period ending 31 December 2019: - Revenues from ordinary activities were reported as A$46.0 million, down from the A$60.4 million reported in the previous period. - Profit for the year attributable to the security holders of Redcape Hotel Trust 1 was A$33.9 million, up 21.2% from the previous period. - Cash and cash equivalents at the end of the financial year was A$75.3 million, up from A$1.4 million as at 30 June 2019.
9	Oct-20	RDC announced that it had exceeded its operating EBITDA and Distributable Earnings forecast for the first quarter ending 30 September 2020. Operating EBITDA and Distributable Earnings increased by 23.6% and 53.5% respectively from the prior corresponding period.
10	Nov-20	RDC announces a series of asset purchases, namely: - The Gladstone Hotel, Dulwich Hill for A$38.0 million with an implied yield of 6.58%. - The Shafston Hotel, Kangaroo Point and The Aspley Hotel, Aspley, collectively for A$27.5 million with an implied yield of 9.09%. - The O'Donoghues Hotel, Emu Plains for A$30.5 million with an implied yield of 7.92%.
11	Dec-20	RDC announced that it had exceeded its operating EBITDA and Distributable Earnings forecast for the first half of FY21. Operating EBITDA and Distributable Earnings increased by 4.7% and 23.1% respectively from the prior corresponding period. Additionally, RDC announced that it had secured an additional A$100 million funding facility with an expiry of December 2025.
12	Feb-21	RDC released its half-yearly accounts for the period ending 31 December 2020: - Revenues from ordinary activities were reported as A$172.0 million, up 7.1% from 31 December 2019. - Statutory net profit after tax was reported as A$25.4 million, up 45.9% from 31 December 2019. - The directors NAV per security increased to A$1.2200 per share, up from A$1.0909 per share as at 30 June 2020
13	Mar-21	RDC announced an interim distribution of A$.0183 per stapled security for the quarter ending 31 March 2021. Additionally, RDC also announced that the Distribution Reinvestment Plan ("DRP") would not be operating in respect of the said interim distribution.
14	May-21	RDC announced an upgrade to their FY21 guidance and increase in their FY21 4th quarter distributions from A$0.0183 per security to A$0.0267 per security. This represented a c. 8.3% annualised yield for the year ended 30 June 2021.

Source: ASX announcements

The monthly unit price performance of RDC since May 2020 is summarised below:

Redcape Hotel Group	Share Price High $	Share Price Low $	Share Price Close $	Average weekly volume 000'
Month ended				
Jun 2020	0.870	0.745	0.815	3,203
Jul 2020	0.815	0.610	0.660	2,964
Aug 2020	0.845	0.640	0.785	2,040
Sep 2020	0.960	0.770	0.900	1,870
Oct 2020	0.945	0.815	0.935	2,980
Nov 2020	1.080	0.935	0.950	2,751
Dec 2020	0.960	0.905	0.920	1,518
Jan 2021	0.940	0.892	0.920	792
Feb 2021	0.995	0.910	0.910	1,829
Mar 2021	1.010	0.870	0.990	5,326
Apr 2021	1.010	0.932	1.010	1,641
May 2021	1.060	0.945	1.060	1,858
Jun 2021	1.080	1.000	1.035	1,832
Week ended				
23 Apr 2021	0.982	0.960	0.980	1,076
30 Apr 2021	1.010	0.955	1.010	1,597
7 May 2021	1.020	0.990	0.995	937
14 May 2021	1.060	0.945	1.040	2,943
21 May 2021	1.040	1.000	1.020	1,471
28 May 2021	1.060	1.015	1.050	2,222
4 Jun 2021	1.080	1.040	1.060	1,186
11 Jun 2021	1.060	1.020	1.050	2,508
18 Jun 2021	1.070	1.040	1.070	1,387
25 Jun 2021	1.065	1.040	1.060	1,884
2 Jul 2021	1.065	1.000	1.030	2,257
9 Jul 2021	1.040	1.000	1.010	1,480
16 Jul 2021	1.010	0.965	0.965	1,957
23 Jul 2021	0.995	0.950	0.980	1,265
30 Jul 2021	0.995	0.950	0.960	1,246
6 Aug 2021	0.965	0.930	0.940	1,988

Sources: S&P Global, GTCF analysis
Note: The above analysis has been calculated as at 18 June 2021.

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4.6 Pro forma effect of the Delisting

We note the uptake under the Buyback can result in many different outcomes for Securityholders. As such, to help illustrate the potential outcomes and effects on the balance sheet, units on issue and Statutory and Directors NAV as at 30 June 2021, we have considered the scenario outlined in the Explanatory Statement.

Scenario 1 displays an example where 100.0 million RDC Securities are purchased under the Buyback, with no uptake of the Rights Issue, funded with A$115.0 million of net debt. This results in pro forma Directors Gearing of 46.1%. As the Gearing is comfortably within the Directors Gearing range, no asset sales have been assumed. We have set out below a summary, pro-forma balance sheet, refer to the NOM and EM for detailed calculations and assumptions.

Scenario 1 - consolidated pro forma balance sheet A$ million unless stated otherwise	30-Jun-21	Expected underlying earnings	Trans. Costs	Buyback	Pro forma
Cash	48.1	(14.4)	(5.5)		28.3
Property assets	1,175.8				1,175.8
Right of use assets	44.6				44.6
other assets	19.6				19.6
Total assets	**1,288.1**	**(14.4)**	**(5.5)**	**-**	**1,268.3**
Borrowings	(522.0)		0.2	(115.0)	(636.8)
Lease liability	(46.9)				(46.9)
Other liabilities	(74.8)		5.0		(69.8)
Total liabilities	**(643.7)**	**-**	**5.2**	**(115.0)**	**(753.5)**
Statutory NAV	**644.4**	**(14.4)**	**(0.3)**	**(115.0)**	**514.8**
Directors NAV	**723.4**	**(14.4)**	**(0.3)**	**(115.0)**	**593.8**
MAF holding (Units)	219.7				219.7
Non-Associated Securityholders (Units)	332.5				232.5
Total units on issue	552.2			(100.0)	452.2
Statutory NAV per unit	1.17				1.14
Accretion / (dilution)	n.a				-2.4%
Directors NAV per unit	1.31				1.31
Accretion / (dilution)	n.a				0.2%
Gearing - Statutory	38.2%				49.1%
Gearing - Directors	35.9%				46.1%
Directors property adjustment	79.1				79.1
Directors Valuations	1254.9				1254.9

Source: MAF Advisory

We have also performed sensitivity analysis on Scenario 1 outlined in the table below. This illustrates the effects of varying levels of participation in the Buyback in increments of 15 million Securities, and the resulting effect on Directors Gearing and Directors NAV.

	Scenario 1 - Buy-back take-up (Units, millions)				
	40.0	55.0	70.0	85.0	100.0
Pro forma Director's Gearing (%)	40.9%	42.2%	43.5%	44.8%	46.1%
Pro forma Directors NAV (A$ / Unit)	1.29	1.30	1.30	1.31	1.31

Source: MAF Advisory

We also note the pro forma balance sheet includes a provision for A$14.4 million of expected underlying earnings losses due to the 2021 COVID-19 outbreak and subsequent lockdowns in Queensland and New South Wales from June 2021. Given the lockdowns are still ongoing, we have also displayed the sensitivity to the Directors gearing and Directors NAV with of decreases and increases in the time period by increments of 4 weeks, and the resulting increases and decreases of losses of earnings of A$3.3 million per every 4 weeks.

	Scenario 1 - Incremental Underlying earnings losses (A$ millions)				
	(8) weeks	(4) weeks	0 weeks	+ 4 weeks	+ 8 weeks
Underlying earnings losses (A$ million)	6.5	3.3	-	(3.3)	(6.5)
Pro forma Director's Gearing (%)	45.7%	45.9%	46.1%	46.4%	46.6%
Pro forma Directors NAV (A$ / Unit)	1.33	1.32	1.31	1.31	1.30

Source: MAF Advisory

We have also presented two additional Scenarios to highlight the effects on the number of outstanding securities. In Scenario 2, we have assumed the Non-Associated Shareholders fully participate in the Buyback and none of the Continuing Shareholders take up their Rights Issue entitlements. This results in the utilisation of net debt of A$115.0 million and MAF taking up the majority of the $132.3 million Right issue at the Buyback Price of A$1.15 per unit, with it scaled back to prevent MAF controlling 77.7%. This results in MAF and the Continuing Shareholders holding 350.9 million and 101.3 million Securities in unlisted RDC respectively. We have also performed another calculation at the opposite side of the spectrum of possibilities, Scenario 3, in which there is no participation in the Buyback and the Continuing Shareholders take up all of their Rights in the Rights Issue. This Scenario reflects the situation in which Securityholders want to retain and increase their holding in RDC. This results in MAF and the Continuing Shareholders holding 219.7 million and 447.5 million securities in RDC as displayed in the table below.

			MAF	Non-Associated Securityholders	Total
Scenario 2	Buyback Limit is reached, and no Continuing Shareholders take up their Rights. Asset sales not considered. Scale back ensures no more than 77.7% of shares held by MAF	*Securities*	350.9	101.3	452.2
		%	*78%*	*22%*	*100%*
Scenario 3	No securityholders participate in the Buyback and all take up their Rights.	*Securities*	219.7	447.5	667.2
		%	*33%*	*67%*	*100%*

Source: GTFC analysis

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5 Valuation methodologies

5.1 Introduction

We have assessed the value of RDC on a minority basis using the concept of fair market value. Fair market value is commonly defined as:

"the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length."

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

5.2 Valuation methodologies

RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, capital reductions, schemes of arrangement, takeovers and prospectuses. The indicated methodologies include:

- The discounted cash flow method and the estimated realisable value of any surplus assets.
- The application of earnings multiples (appropriate to the business or industry in which the entity operates) to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets.
- The amount that would be available for distribution to security holders in an orderly realisation of assets;
- The quoted price for listed securities, when there is a liquid and active market and allowing for the fact that the quoted price may not reflect their value.
- 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.

Further details on these methodologies are set out in Appendix C to this report. Each of these methodologies is appropriate in certain circumstances.

RG111 does not prescribe the above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

5.3 Selected valuation methods

In our assessment of the fair value of RDC, Grant Thornton Corporate Finance has relied on a number of valuation methodologies as outlined below:

- *Net Assets approach ("Net Assets")*: Grant Thornton Corporate Finance has adopted the Net Assets approach as it is a commonly used for valuing companies and trusts operating in the real estate sector. The Net Assets approach requires a valuer to determine the market value of the assets and liabilities at the valuation date, before deducting an allowance for the capitalised value of corporate costs incurred to manage the underlying properties and other adjustments. This approach is appropriate for RDC as the value lies in the underlying properties and the fair market value of each property has been recently estimated. This methodology would normally provide the value of the Group on a control basis as it is mainly based on the balance sheet. However, we consider our valuation assessment to be more representative of a minority value due to the following:
  - The valuation assessment of the properties does not take into account a potential portfolio premium.
  - We have not normalised the cost structure to take into account the synergies available to a pool of potential purchasers.
- *Cross checks:* In our valuation cross-check, we have had regard to the quoted security price method, the premium / discount to net assets and distribution yields implied by our primary approach and compared them with those of the comparable listed companies, trusts and recent transactions.

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6 Valuation Assessment of RDC Securities

6.1 Summary

In order to derive the market value of RDC we have relied on the independent valuations of the property portfolio completed at 30 June 2021 which flows into the Directors NAV and then we have considered the following adjustments:

- Adjustments for further yield compression.
- Capitalised corporate costs to account for overhead, Management Fees and Hotel Operating Fees not captured in the Independent Valuations.
- Adjustments for other assets and liabilities based on the unaudited balance sheet as at 30 June 2021.

The valuation assessment of RDC is calculated in the table below:

Valuation assessment summary A$ million unless stated otherwise	*Section Reference*	Low	High
Directors Valuation of the Property Portfolio	*6.2*	1,254.9	1,254.9
Uplift due to Adopted WACR	*6.3*	41.9	86.7
GTCF Adopted Valuation of the Property Portfolio		**1,296.8**	**1,341.6**
Capitalised Corporate Costs	*6.4*	(171.9)	(102.2)
Pro-forma other net assets / (liabilities)	*6.5*	(536.9)	(536.9)
Expected underlying earnings decrement	*6.6*	(14.4)	(14.4)
GTCF adjusted net assets		**573.6**	**688.1**
Number of units on issue (millions)	*6.7*	552.2	552.2
Value per RDC Share (A$ per Security)		**1.04**	**1.25**

Source: Management information, GTCF analysis

6.2 Independent vs Directors Valuations

Grant Thornton Corporate Finance has relied on the independent valuation assessment of the properties as at 30 June 2021 undertaken by the Independent Valuers for the entire portfolio. We note the properties were valued on a standalone, individual basis without considering the value in the context of an aggregated portfolio. The properties are valued as a business, in which the underlying value of the freehold interest is combined with the operational interest. We provide a breakdown of the asset portfolio and relative key performance indicators of the assets below:

Asset Portfolio A$ million unless stated otherwise	State	Number of FHGC / Number of LHGC	Weighted average cap rate (%)	Independent Valuations (A$ m)
Queensland Independent Valuations as at 30 June 2021	QLD	7 / 1	10.9%	130.3
New South Wales Independent Valuations as at 30 June 2021	NSW	27 / 1	7.3%	1,120.6
Total Independent Valuations as at 30 June 2021		**34 / 2**	**7.7%**	**1,250.9**
Venue support				4.0
Directors Valuations as at 30 June 2021		**34 / 2**	**7.7%**	**1,254.9**

Source: RDC Management Information, Independent Valuations, GTCF analysis.
Note: Venue support is not a property but relates to operational assets not directly attributable to a single venue and is measured at cost less accumulated depreciation.

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We note that Management adds an additional asset balance onto the value of the Independent Valuations, referred to as Venue Support. Venue Support relates to the operational assets that are not directly attributable to a single venue, and is measured at cost less accumulated depreciation. Once Venue Support is added to the Independent Valuations, the aggregated value is reviewed by Management, and approved by the Board. These approved valuations are referred to as the Directors Valuations and they form the basis of the Directors NAV. This is displayed in the table above, which shows how the 30 June 2021 Independent Valuations of A$1,250.9 million are aggregated with Venue Support of A$4.0 million to derive the Directors Valuations of A$1,254.9 million.

It is important to highlight that the Directors Valuation balance of A$1,254.9 million differs to the combined Statutory Value of Land, property, plant, equipment and intangible assets on the unaudited balance sheet as at 30 June 2021 of A$1,164.0 million discussed in Section 4.4.2. This difference is due to the Directors Valuations being based on the Independent Valuations which contain the additional value uplift associated with operating the assets as a combined freehold and operational going concern. This difference or gap in value ("Directors Gap"), relates to synergies and other benefits of the combined freehold-operational interest, which are not recognised in statutory, fair value financial reporting.

For the purpose of our Valuation assessment, we have relied on the Independent and Directors Valuations as this better reflects the underlying value of the businesses on a freehold and operational going concern basis. Given the independent valuations form the starting point of our valuation under the net assets approach, in accordance with the requirements of RG 111, we have critically reviewed them before relying on them. In relation to the independent propery valuations, Grant Thornton Corporate Finance notes the following:

- The Independent Valuers are independent of both RDC and MAF.
- The engagement instructions were consistent for all Independent Valuers and did not limit the scope of the valuations.
- The property valuations were undertaken by well-regarded valuation practitioners who have the necessary experience and qualifications in accordance with the standards of the Australian Property Institute.
- The Independent Valuers have considered both the Capitalisation of Earnings and Direct Comparison Approaches in their assessment, which is common in the industry.
- The valuations prepared by the property Independent Valuers were ultimately adopted by RDC.
- As part of our procedures, we have held discussions with some of the Independent Valuers and RDC Management regarding the valuations methodologies and key assumptions. This has helped inform our view on capitalisation rates, yields and other property specific adjustments.

6.3 Review of the independent valuations

RDC has engaged four different Independent Valuers to assess the value of its 34 FHGC and 2 LHGC properties as at 30 June 2021. The four Independent Valuers have all adopted a capitalisation of normalised EBITDA approach which involves assessing a normalised level of EBITDA for each property, and applying a yield based on market evidence to derive a value of the property. Where the Independent Valuers differ is the approach adopted for assessing the normalised EBITDA and the yields applied to

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each property. Since the outbreak of COVID-19, hotels have been impacted in different ways, with on-premise food and beverage sales substantially lower due to social distancing measures which have reduced capacities at the venues. However gaming revenues have performed above pre-COVID-19 levels as the significant Government stimulus in the form of JobKeeper and early access to super has supported incomes. Accordingly, hotels that are more heavily reliant on food and beverage sales have suffered whereas gaming hotels have performed significantly better, with the two effects broadly offsetting one another.

Below we summarise the different approaches adopted by the Independent Valuers to assess the normalised EBITDA broken down by revenue and cost line item as well as details of any adjustments, including for COVID-19. We have not disclosed the names of the Independent Valuers for reasons of confidentiality:

Valuer	Bar	Bottleshop	Food	Gaming	COGS	Labour	Admin & General	Advertising & marketing	Rates & Taxes	Adjustments	COVID adjustment
1	Mgmt forecast to Mar-21	Pre-COVID	Avg of last 2 yrs	Normalised level based on last 3 yrs	In lin with mgmt fcast	Pre-COVID	Standalone basis	Benchmark to similar venues	Single holding company basis	Costs adjusted to reflect single holding basis	No covid adjustment to earnings
2	6 months to Mar-21	n/d	6 months to Mar-21	6 months to Mar-21	6 months to Mar-21	6 months to Mar-21	Standalone basis	6 months to Mar-21	At run rate	Costs adjusted to reflect single holding basis	No covid adjustment to earnings
3	Avg last 2 yrs ex COVID closures	Avg last 2 yrs ex COVID closures	Avg last 2 yrs ex COVID closures	6 months to Mar-21	Avg last 2 yrs ex COVID closures	Pre-COVID	Standalone basis	n/d	Single holding company basis	Costs adjusted to reflect single holding basis	COVID adjustment for trade downturn (reduction of 16%-25% of 1yr EBITDA to value)
4	Hybrid of Pre-covid and post Feb-21 period	Hybrid of pre and post COVID	Hybrid of Pre-covid and post Feb-21 period	Hybrid of Pre-covid and Sep-20 to Mar-21 period	Hybrid of pre and post COVID	Generally Pre-COVID	Standalone basis	Standalone basis	Single holding company basis	Costs adjusted to reflect single holding basis	COVID downturn adjustment (6 month EBITDA reduction to value)

Sources :Independent Valuations, GTCF analysis.

The approaches adopted by the different Independent Valuers varies with some adopting hybrids of pre and post COVID-19 figures to assess revenues and costs and others placing more reliance on recent periods between October 2020 and March 2021. Two of the Independent Valuers have applied a COVID-19 adjustment of between 16% and 50% of one year's EBITDA which they have deducted to arrive at their adopted value of the venue to reflect short-term expectation of subdued financial performance. The other two Independent Valuers have not adopted any COVID-19 adjustment. The valuation reports include an allowance for standalone administrative, accounting, stocktake and payroll related costs currently carried out by Redcape head office. In our valuation, we have added back these standalone costs to avoid double counting. Following discussions with Management and the Independent Valuers, we have also considered the effects of the June 2021 COVID-19 lockdowns in Queensland and New South Wales in Section 6.6.

Based on the above, we are of the view that the approach adopted to assess the normalised EBITDA appears reasonable. However, we note that the current lockdown afflicting Australia, and NSW in particular, does represent some downside risk given the portfolio's significant weighting (c. 90%) to NSW.

The yields adopted by the Independent Valuers have been determined based on the implied yield of transactions in the sector. Below we summarise the June 2021 independent valuation and the movement in earnings, yield and valuation compared to the last prior valuation for each of the properties:

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Summary of Valuations			June 2021 Valuations			Movement to Prior Independent Valutions			
Hotel	State	Type	Yield	Earnings	Valuation	Prior val date	Yield	Earnings	Valuation
The Sun Hotel	QLD	FHGC	10.76%	2,495,869	23,200,000	Jul-2018	0.49%	391,869	2,700,000
Hermit Park	QLD	FHGC	12.06%	940,630	7,800,000	May-2019	0.03%	176,630	1,450,000
Wattle	QLD	FHGC	9.50%	2,148,051	22,600,000	May-2019	(0.51%)	205,851	3,200,000
Eden Brewhouse	QLD	LHGC	13.97%	1,215,352	8,700,000	Sep-2019	0.81%	(298,248)	(2,800,000)
Andergrove	QLD	FHGC	11.98%	1,856,785	15,500,000	May-2019	1.99%	537,585	2,300,000
Shamrock Hotel	QLD	FHGC	12.02%	3,004,489	25,000,000	May-2019	(0.48%)	230,389	2,800,000
Aspley	QLD	FHGC	9.21%	921,411	10,000,000	Jun-2021	0.67%	67,045	-
Shafston	QLD	FHGC	9.02%	1,578,618	17,500,000	Jun-2021	0.57%	99,440	-
Total Valuer 1			**10.87%**	**14,161,205**	**130,300,000**		**0.30%**	**1,410,561**	**9,650,000**
Vauxhall Inn	NSW	FHGC	6.76%	3,169,993	46,900,000	Sep-2018	(0.74%)	208,055	7,400,000
Figtree Hotel	NSW	FHGC	8.24%	1,516,116	18,400,000	Oct-2018	(2.30%)	72,165	4,700,000
Unanderra Hotel	NSW	FHGC	8.04%	1,028,502	12,800,000	Oct-2018	(2.73%)	(398,012)	(450,000)
Keighery	NSW	FHGC	6.75%	5,166,048	76,500,000	May-2019	(0.98%)	1,359,962	27,250,000
Willoughby	NSW	FHGC	7.02%	2,191,090	31,200,000	May-2019	(0.98%)	(470,542)	(2,050,000)
Lakeview	NSW	FHGC	8.75%	1,521,738	17,400,000	May-2019	(1.25%)	162,749	3,800,000
Total Valuer 2			**7.18%**	**14,593,487**	**203,200,000**		**(1.22%)**	**934,377**	**40,650,000**
Cabramatta	NSW	FHGC	6.76%	4,531,734	67,000,000	May-2019	(0.47%)	11,042	4,500,000
Eastern Creek	NSW	FHGC	7.24%	1,562,963	21,600,000	May-2019	(1.14%)	26,453	3,250,000
St Marys	NSW	FHGC	7.15%	2,539,545	35,500,000	May-2019	(1.33%)	192,752	7,850,000
Total Valuer 3			**6.95%**	**8,631,000**	**124,100,000**		**(0.79%)**	**227,005**	**15,600,000**
AHB - Hotel	NSW	FHGC	7.32%	3,148,521	43,000,000	Sep-2018	0.32%	137,867	-
AHB - Brewery	NSW	n.a.	na	na	na	na	na	na	na
Cremorne	NSW	FHGC	7.21%	1,749,347	24,250,000	May-2019	(0.77%)	(397,372)	(2,650,000)
Central Hotel	NSW	FHGC	8.01%	1,943,531	24,250,000	Oct-2018	(2.80%)	(548,201)	1,200,000
Mt Druitt	NSW	LHGC	10.98%	2,032,172	18,500,000	May-2019	(1.02%)	(107,649)	675,000
Kings Head	NSW	FHGC	6.20%	1,674,569	27,000,000	Feb-2020	(0.80%)	(217,101)	-
Campbelltown	NSW	FHGC	7.50%	3,318,271	44,250,000	Dec-2020	0.01%	98,211	1,250,000
Crescent	NSW	FHGC	7.51%	3,303,940	44,000,000	Dec-2020	0.02%	(7,300)	(200,000)
Crown	NSW	FHGC	7.33%	5,130,454	70,000,000	Dec-2020	(0.04%)	113,476	1,875,000
Eastwood	NSW	FHGC	7.25%	4,531,191	62,500,000	Dec-2020	(0.24%)	(123,669)	350,000
El Cortez	NSW	FHGC	7.25%	6,163,415	85,000,000	Dec-2020	(0.12%)	218,689	4,300,000
Landmark	NSW	FHGC	7.48%	3,854,744	51,500,000	Dec-2020	(0.00%)	61,785	850,000
Leumeah	NSW	FHGC	7.50%	3,001,250	40,000,000	Dec-2020	(0.11%)	165,595	2,750,000
Mt Annan	NSW	FHGC	7.62%	3,579,991	47,000,000	Dec-2020	(0.00%)	(20,978)	(275,000)
Prospect	NSW	FHGC	7.50%	3,188,698	42,500,000	Dec-2020	0.01%	69,421	850,000
Red Lantern	NSW	FHGC	7.46%	2,909,979	39,000,000	Dec-2020	(0.02%)	152,758	2,150,000
Revesby	NSW	FHGC	7.51%	2,780,120	37,000,000	Dec-2020	0.02%	26,763	250,000
Wattle Grove	NSW	FHGC	7.53%	1,881,548	25,000,000	Dec-2020	0.04%	9,501	-
Gladstone	NSW	FHGC	6.46%	2,456,512	38,000,000	Apr-2021	-	(60)	-
O'Donohues	NSW	FHGC	7.92%	2,414,563	30,500,000	Apr-2021	-	-	-
Total Valuer 4			**7.45%**	**59,062,816**	**793,250,000**		**(0.17%)**	**(368,264)**	**13,375,000**
Total All			**7.71%**	**96,448,508**	**1,250,850,000**		**(0.33%)**	**2,203,679**	**79,275,000**

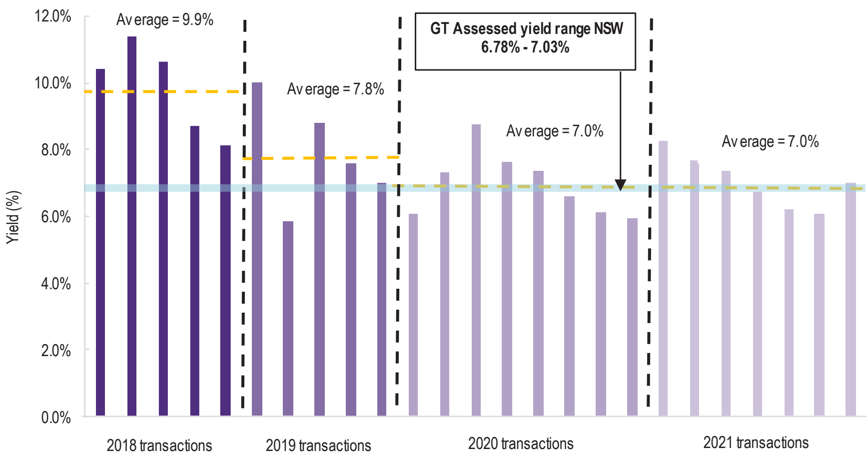
Source: Independent Valuations, GTCF analysis

In reviewing the Independent Valuations, we note that the previous valuations were completed between July 2018 and December 2020 (excluding the 4 recent acquisitions in April and June 2021) with a weighted average valuation date of the portfolio of February 2020, which is c. 16 months ago. Overall the Independent Valuers have adopted a 33bps compression in the yield which appears conservative given that over the same period, the cash rate has fallen by 65bps. In our opinion, this is also due to the fact that there have only been a select few pub and hotel transactions in 2021 and therefore the Independent

Valuers have mostly relied on transactions which occurred in 2020. Cap rates have compressed materially in the first half of 2021.

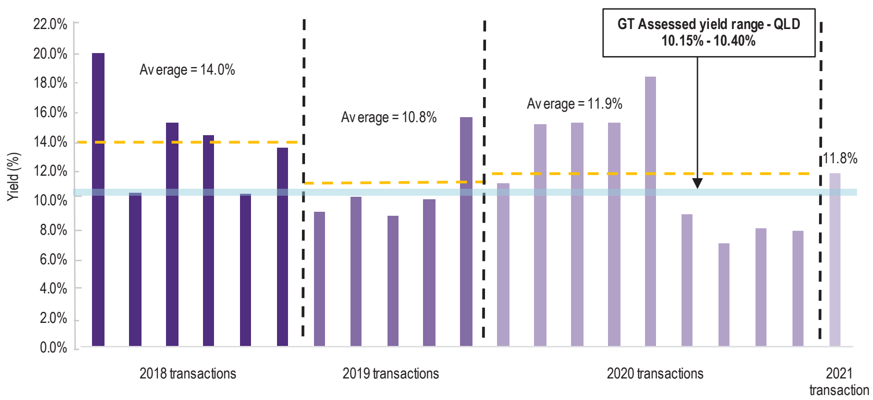
In order to benchmark the yields and adjusted WACRs adopted in the Independent Valuations, we conducted a search of both individual hotels as well as hotel portfolios transactions in Australia in recent years. Whilst we were unable to corroborate any significant data from transactions involving hotel portfolios due to the limited public information, we have obtained information on yields from 24 individual hotel transactions in NSW and 20 hotels in Queensland. As illustrated in the graph below, there has been gradual reduction in yields both in NSW and Queensland.

GT assessed yield and compression in NSW hotel cap rates over time[1]



Source: Management Information, GTCF analysis. Note 1: Excludes LHGC hotels

GT assessed yield and compression in QLD hotel cap rates over time[1]



Source: Management Information, GTCF analysis
Note 1: Excludes LHGC hotels

Based on the analysis above, we have incorporated in our valuation assessment a cap rate compression between 25bps and 50bps compared with the WACR implied in the Independent Valuations as outlined below:

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- NSW – Our adopted yields of 6.78% to 7.03% for RDC's NSW FHGC hotels closely aligns to the 7.0% yields measured in 2020 and 2021 for NSW FHGC hotel transactions. We note the transactions also include a combination of metropolitan and regional hotels, although the majority relate to Sydney metropolitan hotels.

- Queensland – Our adopted yield of 10.15% to 10.40% aligns with the average yields for Queensland hotel transaction in 2020 and 2021. We note that four of the eight hotels in RDC's Queensland portfolio are located in South East Queensland, and the remaining four are located in the tourism and mining focused coastal cities of Townsville and Mackay. We note that yields on SEQ hotels have been tightening as a growing number of buyers have entered the region in recent times. In Townsville and Mackay, yields can vary quite materially, typically between 10% and 15%, driven by limited competitive pressure (only a handful of buyers operate in these regions) and the cyclical nature of the economies, given their exposure to the mining sector (particularly Mackay).

The GT adjusted overall WACR is between 7.21% and 7.46% compared with 7.71% WACR across the portfolio implied in the Independent Valuations.

As refurbishment and development is one of RDC's key competitive advantages, it is important to consider any latent value that may be embedded in the land and existing properties. Given that RDC's Properties are typically located in high growth suburbs and larger regional cities, the Properties typically have large carparks and low site utilisation or coverage ratios, providing potential development opportunities to add value through land and building development, subdivision and sale.

The Independent Valuers have considered alternate uses for the Properties however have deemed the current operations to be the highest and best use for the Properties. While there are potential development opportunities at some of the sites where there exists excess land or air rights, the Independent Valuers have considered this potential value uplift whilst also taking into account the significant disruptions to the existing operations during development, which would have a negative impact on the hotel operations. Accordingly, we consider the potential latent value embedded in the land and existing properties to be captured in the Directors Valuations.

6.4 Capitalised corporate costs

As the value of the Properties does not reflect the costs of management and administration of RDC, we have considered in our valuation assessment an appropriate level of ongoing costs that are required to support the management of the portfolio. Given our valuation assessment has been calculated on a minority basis, we have not included synergies available to a pool of potential purchasers but undertaken the valuation on an as-is basis.

In our valuation assessment we have considered the following costs:

Note 1 – Corporate overhead. We note that operating the RDC model requires certain corporate overhead costs including consultancy fees, corporate expenses and travel, amongst others, which we have assessed based on the expenses incurred as at 30 June 2021.

Note 2 – Asset Management Fees. We note the value of properties from the Independent Valuations do not include the Asset Management costs associated with the IMA. In order to capture these costs going forward, we have considered the following fees payable under the IMA:

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- Management fees payable monthly for acting as the RE of the trusts, equal to 0.5% of the Gross Hotel Portfolio Value, based on a normalised FY21 costs provided by Management.

- Performance fees are payable semi-annually and they are calculated as 20.0% of the outperformance amount above a return hurdle of 10% p.a. We note that a A$6.4 million provision has been included in the 30 June 2021 balance sheet for performance fees payable in August FY21 relating to 2HFY21, hence we have not capitalised this fee. No other performance fees have been included in our valuation assessment given the static nature of the balance sheet approach.

- Other transaction fees such as debt arranging disposal, or acquisition fees have not been considered as our valuations only reflect the assets currently in the portfolio. This is also supported by Management's view that the current debt levels and share price discount to NTA limits the ability to undertake further acquisitions funded via capital raisings.

Note 3 – Hotel Operation Fees. The HOA covers costs regarding the day to day operations of the RDC portfolio and it is calculated as 15.75% up to the indexed threshold[42] and 8.0% exceeding the indexed threshold of Redcape's Hotel operating profit, less the overhead costs and Queensland management fees[43]. In order to reflect the maintainable level of HOF, we have assessed a normalised level of operating profit based on the current property portfolio[44]. We note that the hotel operations and resulting Hotel Operation Fees are unique to RDC when compared to other listed asset managers in the hospitality sector[45]. Whilst the fees have an obvious cost and drag on value, they enable RDC to employ and implement their competitive advantage in acquiring, developing and optimising venues to generate excess returns over the long run. Given our valuation approach is based on the portfolio in its current form, and does not consider future potential acquisitions, portfolio optimisations, developments and active management, we have adjusted our valuation to remove a portion of the HOF costs, given we have not reflected the value creation from the HOA into our valuations. As such, for the purpose of our valuation assessment we have calculated a low and high valuation range based on a 50% and 100% reduction of the HOF.

Note 4 – Capitalised value of cost savings using RDC platform - The Independent Valuations have been prepared on the basis of standalone business operations and therefore include an allowance for management and standalone costs required to run an independent standalone business. As such, there is an element of double counting given these costs are reflected into the independent property valuations, but we have also capitalised corporate overheads incurred by RDC[46]. Accordingly, we have removed the administration costs from the independent valuations based on the underlying administration and general fees for each of the venues.

We have then capitalised the normalised annual costs estimated above using the adjusted WACR to assess the capitalised value of the corporate costs.

[42] The Indexed Threshold is equal to A$66.5 million indexed annually at 4% per annum from the 1st of July 2018. Management estimates this to be c. A$74.8 million for FY21
[43] The Queensland Management Fee is a fixed, annual amount per Queensland hotel, separately paid to MAHM by RDC for managing the Queensland properties.
[44] We have not considered future potential Development Management fees as our analysis is current and does not consider future potential acquisitions.
[45] Includes ALE Property Group, Hotel Property Investments and Endeavour Group Limited, these are discussed further in our cross-check in Section 6.3.1
[46] We note by considering the need for capitalised value of cost savings, we are also removing any potential double counting associated with venue administration costs.

6.5 Other assets and liabilities on the balance sheet as at 30 June 2021

We have added the remaining balances for other net assets and liabilities relating to RDC as at 30 June 2021 and believe that the book values are representative of their fair market value. We have also assumed that RDC will incur transaction costs of c. A$5.5 million which, we understand, have not been provided on the unaudited draft balance sheet as at 30 June 2021. This results in a net liability position as displayed below:

Other net assets A$ million unless stated otherwise	
Cash and cash equivalents	48.1
Other current and non-current assets	64.2
Current liabilities	(78.3)
Loans and borrowings	(522.0)
Other non-current liabilities	(43.4)
One-off transaction costs	(5.5)
Other assets / (liabilities) as at 30 June 2021	**(536.9)**

Source: RDC Management Information, GTCF analysis.

6.6 Expected underlying earnings decrement

We have also considered the underlying earnings lost due to the 2021 COVID-19 outbreak and subsequent lockdowns in Queensland and New South Wales occurring in June 2021. This assumes the hotels cannot reopen until November 2021, which aligns to the most recent forecast provided by NSW Health. We have considered the loss of earnings, the cash required and the maintenance capital expenditure over the period from July to October 2021, which results in an expected underlying earning decrement of A$14.4 million which has been subtracted from the net assets.

6.7 Number of units on issue

RDC currently has 552,195,195 stapled units on issue which we have relied upon to calculate the value per unit.

7 Valuation cross-check

7.1 Introduction

As a cross check to our valuation of RDC Securities we have considered the following:

- The premium / discount to net assets ("NAV") and distribution yields for the listed comparable companies.
- The trading price of RDC Securities (i.e. Quoted Security Price Method).

7.2 Premium / (discount) to Net Assets and Distribution Yields

RDC is a unique player in the industry as it combines the freehold and leasehold structure and accordingly there is a shortage of comparable companies.

The two most comparable listed companies are both passive hotel REITs with only a freehold interest in the underlying properties (and therefore no direct exposure to the ongoing profitability of the hotel operations) and they are internally managed. Accordingly, this results in a less meaningful comparison with RDC, given the significantly lower risk profile of the two listed peers. Despite the above, we are of the opinion that the analysis undertaken provides directional support for our valuation assessment of RDC based on the net assets approach. Below we present RDC's distribution yields and premium / (discount) to Directors NAV:

RDC Cross-Check A$ (except where stated otherwise)	*Section Reference*	GTCF assessment Low	 High	Proposed buyback price
Value per RDC unit	*6.1*	1.04	1.25	1.15
Distribution Yield				
LTM Distributions (Cents per RDC unit)[1]		8.16	8.16	8.16
LTM Distribution Yield (%)[1]		7.9%	6.5%	7.1%
Premium / (Discount) to net assets				
Director's NAV as at 30 June 2021		1.31	1.31	1.31
Premium / (Discount) to Director's NAV (%)		(20.7%)	(4.9%)	(12.2%)

Source: S&P Capital IQ, RDC FY20 Investor Presentation, GTCF analysis.

Below we present premium / (discount) to NTA and distribution yields of the 2 identified comparable listed companies along with certain other KPIs:

Comparable Companies Company Name	Market Cap $m[1]	Premium / (Discount) to NA[2]	Total AUM $m	Gearing Ratio[3]	WALE Yrs	WACR %	Distribution Yield LTM[12]
ALE Property group	962	48.1%	1,226	40.1%	8.00	4.94%	4.48%
HPI Property investments	566	0.3%	850	35.4%	10.80	5.97%	5.94%
Average	**764**	**24.2%**		**37.8%**	**9.40**	**5.46%**	**5.21%**
Median	**764**	**24.2%**		**37.8%**	**9.40**	**5.46%**	**5.21%**

Source: S&P Global, GTCF analysis
Notes (1) Market Capitalisation as at 5 July 2021 ; (2) Net Assets – Calculated as at 31 December 2020 based off of historical financial statements and reports ; (3) Gearing ratio is calculated as a ratio of Net Debt / Total Assets

We discuss the two comparable listed companies below.

ALE Property Group ("ALE")

ALE Property Group is an internally-managed passive REIT listed on the ASX that owns one of the largest portfolios of freehold hotel properties in Australia with approximately 86 properties located in 5 states. All of ALE's properties are leased on a long term basis to Australian Leisure and Hospitality Group Limited ("ALH"), a wholly-owned subsidiary of Endeavour Group. The leases are triple net and have an average remaining initial lease term of over 7.8 years as at 31 December 2020, plus four ten-year renewal options for ALE. A recent rent review conducted by ALE's independent property valuers found its property portfolio was significantly under-rented. The analysis indicated that uncapped/uncollared rent was 33% higher than the current passing rent. The first uncapped/uncollared rent review will take place in 2028.

In relation to the comparison of the key value metrics, we note the following:

- ALE's significant premium to net assets appears reasonable when compared to RDC's discount to net assets. ALE is internally managed and has a significantly lower cost structure, is expected to benefit from significant upside from a full market rent review in 2028, has comparatively stronger tenant covenants, and has relatively more outdated property valuations than RDC, all valued in October 2020. We note that since then interest rates and cap rates have decreased, reflecting latent value in the investment property valuations which is reflected in the premium to net assets.

- Due to the lower risk profile compared to RDC, it is reasonable that ALE trades at a WACR of 4.94% compared to our adopted WACR range of 7.21% and 7.46% and at a lower distribution yield of 4.5%, compared to between 7.6% and 6.4% implied in our valuation.

Hotel Property Investments ("HPI")

Hotel Property Investments is an internally-managed passive REIT listed on the ASX that owns a portfolio of 47 freehold properties comprising hotels and other specialty stores attached to the hotel sites. Of their 47 properties, 42 of them are Queensland-based and leased to Queensland Venture Company ("QVC"), a joint venture of Coles and Australian VenuCo. The remaining 5 properties are leased to ALH and are located in South Australia and New South Wales. As at 31 December 2020 the portfolio's WALE was 10.8 years, providing HPI with stable rental income underpinned by long term lease agreements.

HPI is currently trading at a slight premium to net assets of 0.3%. However, the independent property valuations for the property portfolio were undertaken as at 31 December 2019 and 31 December 2018. Since then, cap rates have tightened significantly, which once reflected into the valuations would likely result in the share price being at a discount to net assets. In addition, the majority of ALE's properties by value are focussed in Queensland (c. 93%) with the residual assets dotted around Australia. This is in contrast with RDC, which primarily operates in New South Wales with only a small exposure to Queensland. We note the current small premium to net assets would likely be a discount to net assets if the properties were revalued as at 30 June 2021. This supports the discount to Directors NAV implied in our valuation of RDC.

Other comparable companies

As part of our analysis we have also considered but not relied upon numerous other listed companies, namely gaming companies such as Aristocrat Leisure Ltd and Tabcorp Holdings Ltd as well as other hotel, pubs and alcoholic beverage based companies such as Endeavour Group Ltd ("EDV") and other passive REITs operating in the retail, office and industrial sector.

EDV operates a considerable portfolio of hotels around Australia. Whilst these hotels reflect RDC's business model closely, EDV is unsuitable as a comparable company as its hotels business only generated c. 23% of EDV's consolidated EBIT in FY20, with the remainder being generated by its retail drinks business. Accordingly, we have been unable to extract any meaningful insights from EDV as a comparable company.

We also note that there exists a handful of unlisted pub and hotel property groups that are owner-operators much like RDC, these namely being Laundy Hotels, Merivale and Iris Capital. Despite operating in the same market as RDC and running comparative business models we are unable to include them as comparable companies for the purpose of our valuation cross-check due to the limited availability of data.

7.3 Trading prices of RDC

In our valuation assessment of RDC, we have also considered RDC's share trading price as cross check to our valuation. We have mostly relied on the trading price after the Group announced an upgrade to its FY21 guidance on 13 May 2021 as it takes into account the most up to date information released to the market and the recent lockdowns in Victoria and NSW. Prior trading prices were more greatly affected by the industry downturn following the outbreak of COVID-19 which saw the share price reduce to a low of A$0.44 in March 2020. Since then it has gradually recovered and is close to its pre-COVID levels.

Below we present our adopted share price range for RDC, which we have compared to our assessed valuation under the net assets approach.

Quoted Security Price Method A$ per Security	*Section Reference*	Low	High
GTCF adopted trading price range[1]		0.96	1.01
GTCF assessed value range under the net assets approach	*6.1*	1.04	1.25
Premium / (discount) to RDC trading prices		**7.4%**	**18.7%**

Source: S&P Global, GTCF analysis
Note: Our adopted trading price range is based on the 1-month VWAP on the low end and 3-month VWAP on the high end for the period ending 12 August 2021.

We note that our assessed valuation range under the net assets approach is at a premium of between 7.4%% and 18.7% to our selected trading prices of RDC. This appears reasonable for the following reasons:

- *Limited liquidity* — RDC's securities display limited liquidity evidenced by the low level of trading in RDC securities and low free float of c. 53.4% (see Appendix E for further details relating to the liquidity of RDC Securities). The average monthly volume traded of c. 1.8% of total securities is also relatively low.

- *Limited broker coverage* — RDC suffers from limited broker coverage with only two brokers providing coverage, one of which is MAF. This corresponds to a lower level of investor knowledge about Redcape further reducing liquidity.

- *Not included in any major indices* — RDC suffers from a lack of widespread index inclusion and was recently removed from the ASX 300 index which limit the number of institutional investors seeking exposure to the stock.

- *Lack of contestability* — The significant level of entrenchment of MAF as the Manager and the current shareholding limits the level of contestability for the securities. MAF[47] has a c. 39.8% interest in the Securities and the Manager is entrenched with over 7 years remaining in its initial period of 10 years, plus automatic renewal every 5 years thereafter. We note the termination fees under the HOA and IMA are significant. For the IMA this varies depending on if Redcape is listed or not but is calculated as 1% of the gross hotel portfolio value multiplied by the number of years for the remaining term (if listed), or 3% of gross hotel portfolio value when unlisted. For the HOA, termination fees are the greater of three times the HOF in the most recent financial year ending before termination, or the number of years in the remaining term multipled by the HOF in the most recent financial year ending before termination.

- *Externally managed* — RDC is externally managed by MAHM and this structure is increasingly out of favour with investors due to the significant cost structure and potential conflict of interests compared to internally managed structures.

- *Significant cost structure* — In FY21 RDC incurred corporate and management costs of c. A$32 million, which includes performance fees of A$12.2 million. This high cost structure reduces the level of shareholder distributable income, which may reduce the appeal from potential investors. Outside of performance fee, the corporate cost structure is substantially fixed which penalises the business during period of downturn.

The above factors have all weighed on the share price and accordingly RDC has historically traded at a significant discount to net asset value. Since inception, RDC's share price has on average traded at a discount of 15.4% to Directors NAV. Below we present the trading performance and discount to Directors NAV[48] since March 2021 noting that we have not considered the trading price in earlier periods given the significant effects of COVID-19:

[47] including its related, associated and affiliated entities and groups.
[48] As at 30 June 2021.

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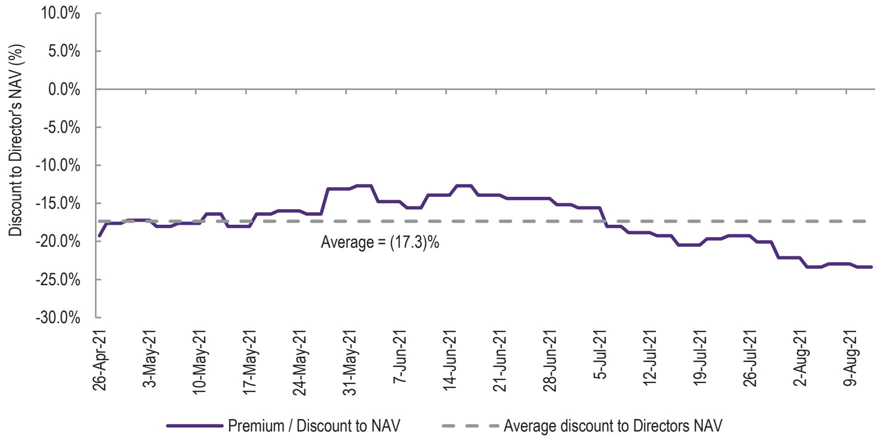
Historical trading price premium / (discount) to GTCF mid value[1] under the NAV



Sources: S&P Global, GTCF analysis, RDC annual and semi-annual reports.
Note 1: Mid value assessed as the average of the low and high values

We are of the opinion that the above analysis supports our valuation assessment based on the net assets approach.

8 Sources of information, disclaimer and consents

8.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Draft board letter outlining transaction.
- Annual reports/ consolidated accounts of RDC from FY18 to H1FY21.
- Independent property valuations prepared by independent valuers.
- Management Accounts.
- Press releases and announcements by RDC on the ASX.
- Management accounts for FY19 – FY20 as well as YTD June 2021.
- S&P Global.
- IBISWorld reports.
- Various industry and broker reports.
- Other publicly available information.

In preparing this report, Grant Thornton Corporate Finance has also held discussions with, and obtained information from Management of RDC.

8.2 Qualifications and independence

Grant Thornton Corporate Finance Pty Ltd holds Australian Financial Service Licence number 247140 under the Corporations Act and its authorised representatives are qualified to provide this report.

Grant Thornton Corporate Finance provides a full range of corporate finance services and has advised on numerous takeovers, corporate valuations, acquisitions, and restructures. Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to RDC and all other parties involved in the Buyback with reference to the ASIC Regulatory Guide 112 “Independence of expert” and APES 110 “Code of Ethics for Professional Accountants” issued by the Accounting Professional and Ethical Standard Board. We have concluded that there are no conflicts of interest with respect to RDC, its shareholders and all other parties involved in the Buyback.

Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with RDC or its associated entities that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Buyback.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Buyback, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Buyback. Grant Thornton Corporate Finance’s out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

8.3 Limitations and reliance on information

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by the Group, and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by the Group through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of the Group.

This report has been prepared to assist the Directors of RDC in advising the RDC Shareholders in relation to the Buyback. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether Non-Associated Securityholders should vote in favour of the Buyback and the broader Delisting.

RDC has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by the Group, which the Group knew or should have known to be false and/or reliance on information, which was material information the Group had in its possession and which the Group knew or should have known to be material and which did not provide to Grant Thornton Corporate Finance. The Group will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

8.4 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Notice of General Meeting and Explanatory Statement to be sent to RDC Shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.

Appendix A – Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by RDC to provide general financial product advice in the form of an independent valuation of RDC's share for the purpose of the Buyback. This report is included in RDC's Explanatory Statement.

2 Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the Report, Grant Thornton Corporate Finance's client is the Group. Grant Thornton Corporate Finance receives its remuneration from the Group. In respect of the Report, Grant Thornton Corporate Finance will receive from RDC a fee of A$175,000 (plus GST) which is based on commercial rates, plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of RDC in order to provide this report. The guidelines for independence in the preparation of independent expert's reports are set out in RG 112 *Independence of expert* issued by ASIC. The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with RDC (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Buyback.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Buyback, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Buyback. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of RG 112 "Independence of expert" issued by the ASIC."

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Australian Financial Complaints Authority. All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Complaints Authority who can be contacted at:

Australian Financial Complaints Authority Limited
GPO Box 3
Melbourne, VIC 3001
Telephone: 1800 931 678

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the Buyback Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

7 Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

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Appendix B – Glossary

A$	Australian Dollar
ABS	Australian Bureau of Statistics
ALE	ALE Property Group
ALH	Australian Leisure and Hospitality Group Limited
AM	Asset Management
APES 225	Professional standard APES 225 valuation services
APRA	Australian Prudential Regulatory Authority
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
ASX 200	S&P/ASX 200
Buyback Price	A$ 1.15 per unit
C.	Circa
EBITDA	Earnings before interest, tax, depreciation & amortisation
EGM	Electronic Gaming Machine
EDV	Endeavour Group Limited
EMH	Efficient Market Hypothesis
ENN	Elanor Investors Group
Rights Issue Facility	A$150 million facility designed to provide the buyback with additional liquidity
EV	Enterprise Value
FHGC	Freehold Going Concern
FSG	Financial Services Guide
GTAL	Grant Thornton Australia Limited
GTCF	Grant Thornton Corporate Finance
GTIL	Grant Thornton International Ltd
HOA	Hotel Operation Agreement
HPI	Hotel Property Investments
IER or Report	Independent Expert's Report
IMA	Investment Management Agreement
LHGC	Leasehold Going Concern
LVR	Loan to Value Ratio
MAHM	MA Hotel Management
Management	Management of Redcape Hotel Group
Moelis	Moelis Australia Limited or MA Financial Group Ltd

QVC	Queensland Venue Company
Real Estate Asset Managers Index	Peers index made of real estate asset managers
Redcape or RDC	Redcape Hotel Group
Responsible Entity or RE	RHGM
RG110	ASIC Regulatory Guide 110 - Share buy-backs
RG111	ASIC Regulatory Guide 111 - Content of expert reports
RG112	ASIC Regulatory Guide 112 - Independence of expert's report
RHGM	Redcape Hotel Group Management Ltd or Responsible Entity
RHTI and RHTII	Redcape Hotel Trust I and Redcape Hotel Trust II
RSA	Responsible Service of Alcohol
RSG	Responsible Service of Gambling
Section 257D	Section 257D of the Corporations Act
WACR	Weighted Average Capitalisation Rate
WALE	Weighted Average Lease Expiry
VWAP	Volume weighted average price

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Appendix C – Valuation methodologies

1 Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which securities in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

2 Discounted future cash flows

An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

3 Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

4 Market value of quoted securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the securities of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of securities, and does not reflect the market value offering control to the acquirer.

5 Comparable market transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company. The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

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Appendix D – Comparable companies

Comparable Companies	Description
ALE Property Group	ALE Property Group (ASX:LEP) is the owner of Australia's largest portfolio of freehold pub properties. Established in November 2003, ALE owns a portfolio of around 86 pub properties across the five mainland states of Australia. All of the properties are leased to Australian Leisure and Hospitality Group Limited (ALH) for an average initial term of around a further 9 years. ALH is owned by a joint venture (ALH Group); 75% is controlled by Endeavour Limited, Australia's leading retailer and the remaining 25% by one of Australia's leading hoteliers, the Bruce Mathieson Group (BMG). ALH Group, through its ownership of MGW, BMG and Taverner is Australia's leading pub operator. Woolworths is Australia's leading liquor retailer. Its operations include Dan Murphys and BWS.
Hotel Property investments	HPI owns a Portfolio of freehold hotels and associated specialty tenancies located throughout Queensland and South Australia. The pubs are leased to the Queensland Venue Company ("QVC"), a joint venture between Coles group and Australian Venue Company, and to Australian Leisure & Hospitality ("ALH"), a joint venture 75% owned by the Woolworths group. HPI's objective is to maximise the long term income and capital returns from its investments for the benefit of its Securityholders. Approximately 93% of the income is earned from the pubs leased to QVC and ALH. The remaining rental income is derived from Speciality Tenants leasing the On-site Specialty Stores. Specialty Tenants include a mix of franchisors and franchisees including 7-Eleven, Nightowl, Nando's, Subway, Noodle Box, The Good Guys and Quest Apartments. The Responsible Entity of the Trust is Hotel Property Investments Limited.

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Appendix E – RDC Liquidity Analysis

In accordance with the requirements of RG111, we have analysed the liquidity of RDC Securities before relying on them for the purpose of our valuation assessment. The following table sets out the monthly trading volume of RDC Securities since August 2020 as a percentage of the total securities outstanding as well as free float securities outstanding.

Month end	Volume traded ('000)	Monthly VWAP ($)	Total value of shares traded ($'000)	Volume traded as % of free float shares	Cumulative volume traded as a % of free float shares	Volume traded as % of total shares	Cumulative volume traded as a % of total shares
Aug 2020	8,566	0.7692	6,589	2.9%	2.9%	1.6%	1.6%
Sep 2020	8,230	0.8433	6,940	2.8%	5.7%	1.5%	3.0%
Oct 2020	13,110	0.8939	11,719	4.4%	10.1%	2.4%	5.4%
Nov 2020	11,555	1.0011	11,568	3.9%	14.1%	2.1%	7.5%
Dec 2020	6,981	0.9397	6,560	2.4%	16.4%	1.3%	8.8%
Jan 2021	3,168	0.9179	2,908	1.1%	17.5%	0.6%	9.3%
Feb 2021	7,318	0.9414	6,889	2.5%	20.0%	1.3%	10.7%
Mar 2021	24,501	0.9377	22,975	8.3%	28.3%	4.4%	15.1%
Apr 2021	7,219	0.9668	6,979	2.4%	30.7%	1.3%	16.4%
May 2021	7,804	1.0196	7,956	2.6%	33.4%	1.4%	17.8%
Jun 2021	8,062	1.0495	8,461	2.7%	36.1%	1.5%	19.3%
Jul 2021	6,876	0.9928	6,827	2.3%	38.4%	1.2%	20.5%
Min				**1.1%**		**0.6%**	
Average				**3.2%**		**1.7%**	
Median				**2.7%**		**1.4%**	
Max				**8.3%**		**4.4%**	

Source: S&P Global, GTCF analysis

With regard to the above analysis, we note that:

- The level of the free float of RDC Securities is c. 53.44%[49]. From August 2020 to July 2021, c. 38.4% of the free float securities were traded with an average monthly volume of c. 3.2% of the total free float securities.
- In the absence of a takeover or alternative transactions, the trading price represents the value at which minority shareholders could realise their portfolio investment.
- RDC complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of RDC.

As part of the liquidity analysis, we have also compared below the free float of RDC Securities with a selection of peers listed on the ASX.

[49] This comprises of the total securities outstanding 552,195,200 less 257,113,295 securities held by company employees and strategic investors.

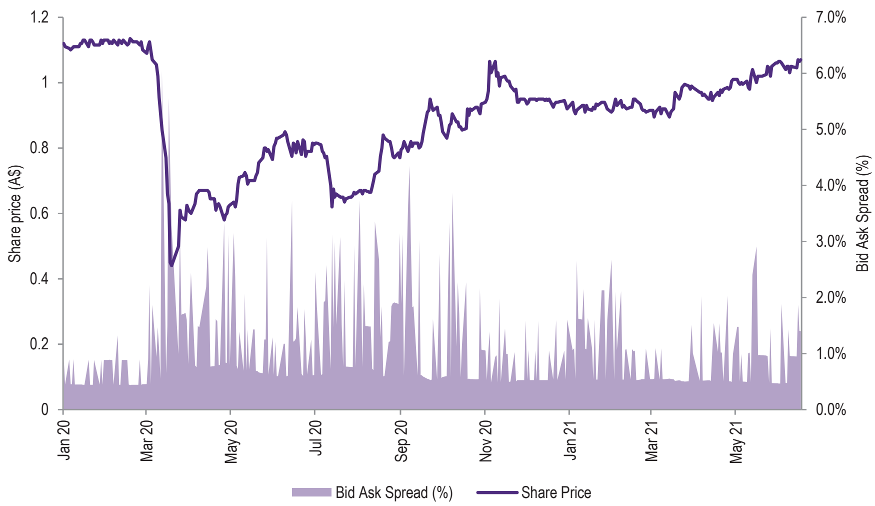
Liquidity analysis Company	Country	Free float (%)	Average volume traded as a % of total shares	Average volume traded as a % of free float shares	Cumulative volume traded as a % of total shares	Cumulative volume traded as a % of free float shares
Redcape Hotel Group	**Australia**	**53.4%**	**1.7%**	**3.2%**	**20.5%**	**38.4%**
Hotel Property Investments	Australia	90.3%	4.6%	5.1%	55.0%	60.9%
ALE Property Group	Australia	45.5%	1.0%	2.2%	12.0%	26.4%
Low		**45.5%**	**1.0%**	**2.2%**	**12.0%**	**26.4%**
Average		**63.1%**	**2.4%**	**3.5%**	**29.2%**	**41.9%**
Median		**53.4%**	**1.7%**	**3.2%**	**20.5%**	**38.4%**
High		**90.3%**	**4.6%**	**5.1%**	**55.0%**	**60.9%**

Sources: S&P Global, GTCF analysis

We note that the free float of RDC is c. 53.4% which is relatively low, albeit similar to ALE Property Group. Other liquidity metrics of RDC appear to show low to moderate liquidity, such as the volume traded as a percentage of free float securities. This is due to the relatively concentrated shareholder structure of the Group.

In addition to the above, where a company's stock is not heavily traded or relatively illiquid, the market typically observes a difference between the 'bid' and 'ask' price for the stock as there may be a difference in opinion between the buyer and seller on the value of the stock. As set out in the graph below, we note that the historical average bid-ask spread has been relatively low (1.2%) in the 18 month period before announcing the Buyback.

RDC: Spread between Bid and Ask Price



Sources: S&P Global, GTCF analysis.

As can be observed from the following table, RDC's 18 month average bid-ask spread is higher than that of the listed peers:

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Liquidity analysis			12 month average
Company	Country	Market Cap (A$m)	Bid ask spread
Redcape Hotel Group	**Australia**	**569**	**1.2%**
Hotel Property Investments	Australia	566	0.6%
ALE Property Group	Australia	962	0.8%
Average			**0.9%**
Median			**0.8%**

Sources: S&P Global, GTCF analysis.

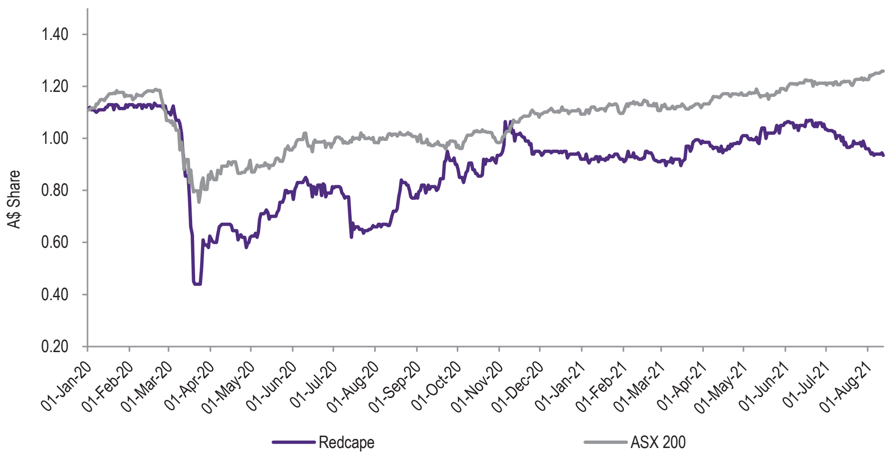
Based on the analysis above, notwithstanding that RDC has a more modest level of liquidity than the selected listed peers, we have concluded that it is not unreasonable to adopt the Quoted Share Price Security method in order to assess the Buyback for the Non-Associated Shareholders.

Appendix F – Detailed share price analysis of RDC compared to the ASX and listed peers

We have also conducted further analysis on the movements in RDC's share price against the ASX 200 and the listed peers.

Below we present the share price movements of the ASX 200 rebased to RDC's share price since 1 January 2020.

RDC's share price vs S&P/ASX 200



Source: S&P Global, GTCF analysis.

We note that the ASX 200 was materially impacted by the pandemic, albeit to a lesser extent than RDC, a result of the diversification of the index relative to the Group. We note however that since this sharp decline, the index itself has since exceeded its pre-pandemic levels, largely due to a sharp economic recovery driven by the substantial monetary and fiscal policies implemented by Federal and State Governments in response to COVID-19. We note the ASX 200's recovery has been more accelerated and greater than RDC's. This is predominately a function of the specific restrictions affecting the hotel and pubs industry over the last 12 months that impacted RDC's revenue earning capacities, namely social distancing limiting the number of patrons within the venues and ad-hoc snap lockdowns. Recently, the prolonged lockdowns in NSW and Victoria due to the Delta strain outbreak have led to RDC further diverging away from the ASX 200, as illustrated in the graph above.

Furthermore, we have also benchmarked the Group's trading price to a peers index comprised of hotels and pub asset managers ALE Property Group and Hotel Property Investments ("Peers Index"):

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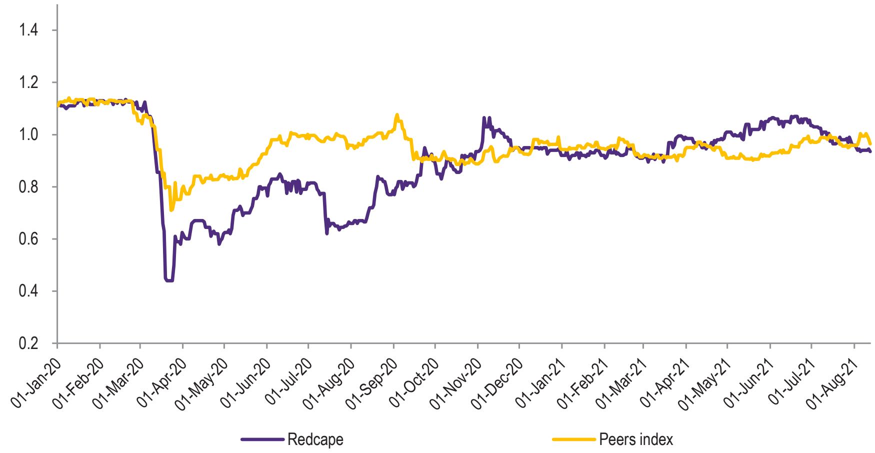
RDC's share price vs Peers Index



Source: S&P Global, GTCF analysis.
Note: The Hotel and Pubs Assets Managers Peers index includes: Hotel Property Investments and ALE Property Group

As illustrated, RDC and the Peer's index have been largely correlated with one another over the last 18 months. Notably, the larger drop seen by RDC relative to the Peer Index at the start of the pandemic is likely attributable to the operational nature of the Group's business. Whereas the peers are passive REITs whose portfolios are the underlying properties with no operational component, and accordingly they are materially less exposed to underlying performance of the assets. Similarly, the higher growth displayed by RDC since the COVID-19 crash with respect to the peers also likely stems from the significantly improved market and trading conditions, which benefits RDC significantly more than the peers due its exposure to the underlying profitability of the operations. More recently, RDC has converged again with the Peers index, largely due to the prolonged lockdowns in NSW and Victoria as a result of the Delta strain.

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