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NAVIGATOR RESOURCES LIMITED

Proposed Acquisition of AF Legal Pty Ltd

Independent Expert's Report and Financial Services Guide
28 February 2019

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28 February 2019

The Directors
Navigator Resources Limited
Level 29, 201 Elizabeth Street
Sydney NSW 2000

Dear Directors,

Independent Expert's Report for Navigator Resources Limited

1. Introduction

Navigator Resources Limited ("**Navigator**") is a mining exploration company listed on the Australian Stock Exchange ("**ASX**").

AF Legal Pty Ltd ("**AF Legal**") is a family and relationship law firm headquartered in Melbourne. AF Legal was established in 2015 and uses a digital marketing strategy, marketing tools and techniques for lead generation.

On 18 December 2018, Navigator, AF Legal and Oscar Churchill Pty Ltd as trustee of the Finn Family Trust ("**Finn Family Trust"**) entered into a Share Purchase Deed ("**SPD**") for Navigator to acquire 100% of the securities in AF Legal ("**Proposed Transaction"**). The consideration for AF Legal is to be satisfied by $2.5 million in cash on completion ("**Cash Consideration**"), an additional cash payment of up to $325,000 to extinguish the debt facility held by the vendor of AF Legal, another $0.5 million in cash payable in two instalments of $0.25 million each, subject to AF Legal's normalised earnings before interest tax, depreciation and amortisation ("**EBITDA**") exceeding $1 million in any half yearly period ("**Deferred Consideration**") and the issue of 10,875,000 Navigator shares ("**Share Consideration**"). The number of shares is on a post consolidation basis as discussed below.

We have defined the combined Navigator and AF Legal business after the Proposed Transaction as the ("**Proposed Merged Entity**").

In conjunction with the Proposed Transaction, Navigator is planning a one for 20 share consolidation and capital raising of between $4.0 million and $6.5 million through the issue of shares at $0.20 per share ("**Planned Capital Raising**").

Further information regarding the Proposed Transaction is set out in Section 1 of this report.

2. Purpose of the report

If the Proposed Transaction is approved, the vendors of AF Legal would acquire a shareholding of 17.3% to 21.5% in Navigator, depending on the level of capital raised. An acquisition of securities that enables a shareholder to increase its relevant interests in a listed company from below 20% to above 20% is prohibited, except in certain circumstances. One of the exceptions is if the acquisition is approved at a general meeting of the target company. The approval of the Proposed Transaction is therefore being sought at a general meeting of Navigator's shareholders ("**Shareholders**").

In order to assist Shareholders evaluate the Proposed Transaction, the directors of Navigator have engaged Leadenhall Corporate Advisory Pty Ltd ("**Leadenhall**") to prepare an independent expert's report assessing whether the Proposed Transaction is fair and reasonable. This report is to be included in the notice of meeting that will be sent to Shareholders regarding the Proposed Transaction.

Further information regarding the purpose of this report is provided in Section 2 of the body of the report.

3. Basis of evaluation

In order to assess whether the Proposed Transaction is fair and reasonable we have:

- Assessed it as fair if the value of a Navigator share after the Proposed Transaction is greater than or equal to the value of a Navigator share before the Proposed Transaction.
- Assessed it as reasonable if it is fair, or despite not being fair, the advantages to Shareholders outweigh the disadvantages.

Further details of the basis of evaluation are provided in Section 2 of the body of this report.

4. The Proposed Transaction is Fair

4.1 Value of Navigator before the Proposed Transaction

We have assessed the fair market value of Navigator, based on the net asset approach, as follows:

Table 1: Valuation of Navigator

$000	Low	High
Cash	699	699
Working capital	(30)	(30)
Net assets	**669**	**669**
Listed Shell	500	750
Subsequent expenditure	(50)	(50)
Transaction costs	(420)	(420)
Total equity value	**699**	**949**
Fully paid shares outstanding (000s) (post-consolidation)	19,661	19,661
Assessed value per share (cents) (post-consolidation)	**3.56**	**4.83**

Source: Leadenhall analysis

Further details of our valuation of Navigator are provided in Section 7 of this report.

4.2 Value of the Proposed Merged Entity

The Proposed Merged Entity's business will be focused on the provision of legal services and thus we have determined the fair market value of a share in the Proposed Merged Entity by valuing the AF Legal business post the Proposed Transaction and adding the net assets owned by Navigator. We have assessed the fair market value of AF Legal using the capitalisation of future maintainable earnings approach ("**CFME**"). In applying the CFME approach we have selected maintainable earnings before interest and tax ("**EBIT**") of $1.6 million to $1.7 million and an EBIT multiple of 5.0 times to 6.0 times.

The following were also deducted from the value of AF Legal to determine the value of the Proposed Merged Entity:

- Cash Consideration and Deferred Consideration
- Transaction costs and subsequent expenditure.

This assessment has been made on a minority interest basis (i.e. excluding a control premium) as Navigator's existing shareholders would be minority shareholders in the Proposed Merged Entity.

The following table shows the fair market value of the Proposed Merged Entity.

Table 2: Valuation of Proposed Merged Entity

$000	Low	High
Assessed equity value of AF Legal on a minority basis	6,800	9,000
Navigator net assets	669	669
Cash consideration	(2,500)	(2,500)
Consideration for debt extinguishment	(325)	(325)
Deferred consideration	(451)	(451)
Transaction costs and net subsequent loss	(900)	(900)
Total equity value	**3,294**	**5,494**
Fully paid shares outstanding (000s) (post-consolidation)	30,536	30,536
Assessed value per share (cents) (post-consolidation)	**10.8**	**18.0**

Source: Leadenhall analysis

Further details of our valuation of the Proposed Merged Entity are provided in Section 8 of the body of this report. We note that the figures presented above are before the Proposed Capital Raising.

Conclusion

The Proposed Transaction is fair because the fair market value of a share in the Proposed Merged Entity (i.e. Navigator plus AF Legal after the Proposed Transaction) is greater than the fair market value of a Navigator share before the Proposed Transaction, as set out in the table below:

Table 3: Assessment of fairness

	Section	Low (cents)	High (cents)	Mid (cents)
Fair market value of a Navigator share before the Proposed Transaction	7.2	3.6	4.8	4.2
Fair market value of a share in the Proposed Merged Entity	8.5	10.8	18.0	14.4

Source: Leadenhall analysis

5. The Proposed Transaction is Reasonable

We have defined the Proposed Transaction as being reasonable if it is fair, or if despite not being fair, the overall advantages of the proposal outweigh its disadvantages to Shareholders. We have therefore considered the advantages and disadvantages to Shareholders of the Proposed Transaction.

Advantages

We have identified the following significant advantages to Shareholders of the Proposed Transaction:

Exposure to a revenue generating business

Navigator has no principal activity following the expiry of its exploration licence. By contrast, if the Proposed Transaction proceeds, Shareholders will have exposure to a profitable business that has the potential to generate significant returns over the next several years if the business is successful.

Increased liquidity

Market trading in Navigator shares is currently suspended. By acquiring AF Legal and successfully completing the Planned Capital Raising, it will facilitate the resumption of trading in Navigator shares. In the absence of the Proposed Transaction (or similar transaction), Navigator will not be able to comply with the requirement for re-admission to the ASX.

No transaction costs for Shareholders

If the Proposed Transaction is completed, Shareholders will effectively exit an illiquid position in a company with no material operating business and have exposure to an operating business without having to sell their Navigator shares. Shareholders will avoid transaction costs such as brokerage and potentially capital gains taxation that might apply if they sought alternative ways to achieve a similar result.

Disadvantages

We have identified the following significant disadvantages to Shareholders of the Proposed Transaction:

Significant change in investment risk profile

Investors who acquired Navigator shares for exposure to the mining industry may not wish to hold an investment in the Proposed Merged Entity, which would predominantly be AF Legal's business in the legal services industry. Whilst the AF Legal business would likely provide the potential for increased returns on investment, this exposure may not be desirable for some investors due to individual investment preferences.

Potential further capital requirements and further dilution

AF Legal is still at a growth stage of its development and while it is expected that the Planned Capital Raising will be sufficient to fund its capital requirements, there is a risk that additional funding will be required for further growth which may further dilute Shareholders.

Loss of control

If the Proposed Transaction is approved the vendors of AF Legal would acquire effective control of Navigator. This would include the ability to control the assets, the strategic direction of the company, and the decision of when to pay dividends. The vendors of AF Legal may not always act in the best interest of Navigator's other shareholders, subject to compliance with relevant laws and regulations.

Significant transaction costs

Transaction costs of approximately 20% of the purchase consideration for AF Legal are relatively high for transactions of this size. This therefore represents a significant dilution to Shareholders should the Proposed Transaction be approved. We understand a significant portion of these costs relate to the Proposed Capital Raising.

Conclusion on Reasonableness

As the Proposed Transaction is fair it is also reasonable.

6. Opinion

In our opinion, the Proposed Transaction is fair and reasonable to Shareholders. This opinion should be read in conjunction with our detailed report which sets out our scope, analysis and findings in more detail.

Yours faithfully

Simon Dalgarno
Director

Richard Norris
Director

Note: All amounts stated in this report are in Australian dollars unless otherwise stated.
Tables in this report may not add due to rounding.

LEADENHALL CORPORATE ADVISORY PTY LTD

ABN 11 114 534 619

Australian Financial Services Licence No: 293586

FINANCIAL SERVICES GUIDE

Leadenhall Corporate Advisory Pty Ltd ("Leadenhall" or "we" or "us" or "our" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

Financial Services Guide

In providing this report, we are required to issue this Financial Services Guide ("FSG") to retail clients. This FSG is designed to help you to make a decision as to how you might use this general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

Financial Services we are licensed to provide

We hold Australian Financial Services Licence 293586 which authorises us to provide financial product advice in relation to securities (such as shares and debentures), managed investment schemes and derivatives.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product. Our report will include a description of the circumstances of our engagement and the party who has engaged us. You will not have engaged us directly but will be provided with a copy of the report because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial service licensee authorised to provide the financial product advice contained in that report.

General financial product advice

The advice produced in our report is general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis. Leadenhall is entitled to receive a fixed fee of $30,000 (excl. GST) for preparing this report. This fee is not contingent upon the outcome of the transaction.

Except for the fees referred to above, neither Leadenhall, nor any of its directors, consultants, employees or related entities, receive any pecuniary or other benefit, directly or indirectly, for or in connection with the provision of this report.

Remuneration or other benefits received by our employees, directors and consultants

All our employees receive a salary. Our employees are eligible for bonuses which are not based on the outcomes of any specific engagement or directly linked to the provision of this report. Our directors and consultants receive remuneration based on time spent on matters.

Associations and relationships

Leadenhall is an affiliate of the international Valuation Research Group.

Other than the benefits received for the report disclosed above, we have no other associations or relationships with the financial product issuer or otherwise which would influence or impact our ability to provide the services.

Complaints resolution

As the holder of an Australian Financial Services Licence, we are required to have a system in place for handling complaints from persons to whom we have provided reports. All complaints must be in writing, to the following address:

Leadenhall Corporate Advisory Pty Ltd
GPO Box 1572
Adelaide SA 5001
Email: office@leadenhall.com.au

We will try to resolve your complaint quickly and fairly and will endeavour to settle the matter within 14 days from the time the matter is brought to our attention.

If you do not get a satisfactory outcome, you have the option of contacting the Australian Financial Complaints Authority ("AFCA"). AFCA will then be able to advise you as to whether or not they can assist in this matter. AFCA can be contacted as follows:

Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001
Website: www.afca.org.au
Email: info@afca.org.au
Telephone: 1800 931 678 (free call)

Leadenhall's AFCA membership number is 12224

28 February 2019

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1 THE PROPOSED TRANSACTION

1.1 Acquisition of AF Legal

Navigator is an ASX listed company engaged in mining exploration activities. Until recently the company had only one mining exploration licence, the Violet Gold Project in Western Australia, which was due for renewal in November 2018 and was not renewed.

AF Legal is an Australian law firm specialising in family and relationship law, providing advice in relation to divorce, separation, property and children's matters. Ancillary services provided by AF Legal include estate planning and litigation.

On 18 December 2018 Navigator, AF Legal and Finn Family Trust entered into an SPD for Navigator to acquire 100% of the securities in AF Legal. Under the Proposed Transaction, the consideration for 100% of AF Legal is:

- $2.5 million in cash
- An additional cash payment of up to $325,000 to extinguish the debt facility held by the vendor of AF Legal, secured by an agreement over the business and assets of AF Legal
- $0.5 million in cash payable in two instalments of $0.25 million each, conditional on AF Legal's normalised EBITDA exceeding $1 million in any half yearly period
- 10,875,000 ordinary shares in Navigator (post the share consolidation described below).

1.2 Share consolidation and cancellation of options

As a condition precedent to the Proposed Transaction, Navigator will undergo a share consolidation prior to being reinstated on the ASX. The consolidation will be on a basis of one new share for each 20 shares currently owned.

Furthermore, as part of the Proposed Transaction, Navigator intends to cancel the majority of its existing unlisted options for no consideration as agreed with the majority of option holders. It is anticipated that post the Proposed Transaction, approximately 1.5 million options (post share consolidation) will remain outstanding.

1.3 Planned capital raising

In conjunction with the Proposed Transaction, the Planned Capital Raising will raise between $4.0 million and $6.5 million from new investors. The Planned Capital Raising is expected to be undertaken at $0.20 per share. The Planned Capital Raising will be used to fund the cash payment to the vendors of AF Legal, a partial debt reduction, meeting future working capital requirements and payment of transaction costs.

1.4 Board restructure

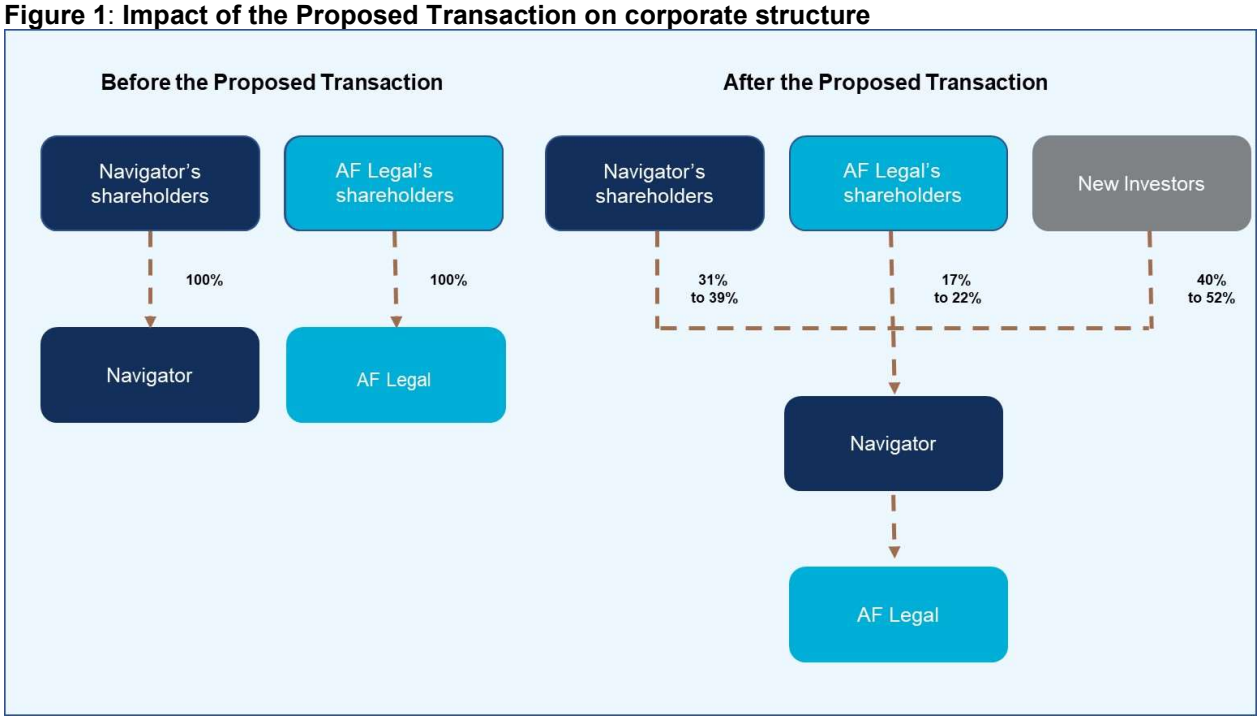
If the Proposed Transaction proceeds, there will be a restructure of Navigator's board to include one director from AF Legal, an Executive Director and Chairman and one existing Navigator director. At present the board is expected to be comprised of one AF Legal director, Edward Finn, one Navigator director, Glen Dobbie and one Executive Director and Chairman, Grant Dearlove. Peter Bergin will serve as Chief Financial Officer ("**CFO**").

Should the Proposed Transaction proceed, the company proposes to change its name from Navigator to AF Legal Group Ltd. The company also intends to change its ASX ticker code to "AFL".

1.5 Summary of the Proposed Transaction

The existing corporate structures of Navigator and AF Legal as well as that of the Proposed Merged Entity are outlined in the simplified diagram below.

Figure 1: **Impact of the Proposed Transaction on corporate structure**



Source: Leadenhall analysis

Note: The range shown in ownership of the Proposed Merged Entity is due to the low end of the Planned Capital Raising being at $4 million and the high end being at $6.5 million. The ownership post the Proposed Transaction is shown on an undiluted basis (i.e. not reflecting the options outstanding).

1.6 Conditions

The Proposed Transaction is subject to a number of conditions including the approval by Shareholders and receipt of approval from the ASX that Navigator has met the requirements of Chapters 1 and 2 of the Listing Rules for re-instatement on the ASX.

2 SCOPE

2.1 Purpose of the report

An acquisition of securities that enables a shareholder to increase its relevant interests in a listed company from below 20% to above 20% is prohibited under Section 606 of the Corporations Act 2001 ("**s606**"), except in certain circumstances.

One of the exceptions to s606 is where the acquisition is approved at a general meeting of the target company in accordance with item 7 ("**Item 7**") of Section 611 of the Corporations Act 2001 ("**s611**"). Approval for the Proposed Transaction is therefore being sought at a general meeting of Navigator's shareholders in accordance with Item 7.

Item 7 requires shareholders to be provided with all of the information known to the company and to the potential acquirer that is material to the shareholders' decision. *Regulatory Guide 74: Acquisitions Approved by Members* ("**RG74**") issued by the Australian Securities and Investment Commission ("**ASIC**") provides additional guidance on the information to be provided to shareholders. RG74 states that the directors of the target company should provide shareholders with an independent expert's report or a detailed directors' report in relation to transactions to be approved under Item 7. *Regulatory Guide 111: Content of Expert Reports* ("**RG111**") issued by ASIC requires an independent expert assessing a transaction that has a similar effect to a takeover bid to assess whether the transaction is fair and reasonable.

The directors of Navigator have therefore requested Leadenhall to prepare an independent expert's report assessing whether the Proposed Transaction is fair and reasonable to Navigator's Shareholders. This report has been prepared for the exclusive purpose of assisting Shareholders in their consideration of the Proposed Transaction.

2.2 Basis of evaluation

Introduction

RG111.25 requires an independent expert to evaluate an issue of securities under s611 that has a similar effect to a takeover offer as if it was a takeover offer. As the vendors of AF Legal will hold the majority of the shares outstanding in Navigator should the Proposed Transaction be approved, we have assessed the Proposed Transaction as a control transaction. RG111 requires a separate assessment of whether a control transaction under s611 is '*fair*' and whether it is '*reasonable*'. We have therefore considered the concepts of '*fairness*' and '*reasonableness*' separately. The basis of assessment selected and the reasons for that basis are discussed below.

Fairness

RG111.11 defines a takeover offer as being fair if the value of the consideration is equal to, or greater than, the value of the securities subject to the offer. Accordingly, we have assessed whether the Proposed Transaction is fair by comparing the value of a Navigator share before the Proposed Transaction with the consideration offered to Shareholders. As Shareholders would retain their Navigator shares if the Proposed Transaction proceeds (as opposed to exchanging them for cash or the acquirer's scrip as in a takeover offer) the effective consideration is the continued ownership of a Navigator share, which will become a share in the Proposed Merged Entity.

The value of a Navigator share before the Proposed Transaction has been determined on a control basis (i.e. including a control premium). This is consistent with the requirement of RG111.11 that the comparison for a takeover must be made assuming a 100% interest in the target company.

After the Proposed Transaction, a Navigator share will effectively be a share in the Proposed Merged Entity (i.e. Navigator and AF Legal combined). This has been assessed on a minority interest basis (i.e. excluding a control premium) as Shareholders would own a minority stake in the Proposed Merged Entity should the Proposed Transaction occur.

We have assessed the values of a Navigator share and a Proposed Merged Entity share at fair market value, which is defined by the International Glossary of Business Valuation Terms as:

> *The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.*

While there is no explicit definition of value in RG111, this definition of fair market value is consistent with basis of value described at RG111.11 and common market practice.

Special value is defined as the amount a specific purchaser is willing to pay in excess of fair market value. A specific purchaser may be willing to pay a premium over fair market value as a result of potential economies of scale, reduction in competition or other synergies they may enjoy arising from the acquisition of the asset. However, to the extent a pool of hypothetical purchasers could all achieve the same level of synergies the value of those synergies may be included in fair market value. Special value is typically not considered in forming an opinion on the fair market value of an asset. Our valuations of Navigator and the Proposed Merged Entity do not include any special value.

Reasonableness

In accordance with RG111, we have defined the Proposed Transaction as being reasonable if it is fair, or if, despite not being fair, Leadenhall believes that there are sufficient reasons for Shareholders to vote for the proposal. We have therefore considered whether the advantages to Shareholders of the Proposed Transaction outweigh the disadvantages. To assess the reasonableness of the Proposed Transaction we have considered the following significant factors recommended by RG111.13:

- The liquidity of the market in Navigator's shares
- Any special value of Navigator to AF Legal
- The likely market price of Navigator shares if the Proposed Transaction is rejected
- The value of Navigator to an alternative bidder and the likelihood of an alternative offer

We have also considered other significant advantages and disadvantages to Shareholders of the Proposed Transaction.

2.3 Individual circumstances

We have evaluated the Proposed Transaction for Shareholders as a whole. We have not considered its effect on the particular circumstances of individual investors. Due to their personal circumstances, individual investors may place a different emphasis on various aspects of the Proposed Transaction from the one adopted in this report. Accordingly, individuals may reach a different conclusion to ours on whether the Proposed Transaction is fair and reasonable. If in doubt investors should consult an independent financial adviser about the impact of the Proposed Transaction on their specific financial circumstances.

3 PROFILE OF NAVIGATOR

3.1 Background

Established in 1994, Navigator is a mining exploration company listed on the ASX. On 20 February 2013, the company was suspended from official quotation on the ASX and in March 2013, the company was placed into voluntary administration. At the meeting of creditors in August 2015, the company's creditors voted in favour of a recapitalisation proposal from a syndicate. Thereafter, Navigator entered into a Deed of Company Arrangement ("**DOCA**") which was implemented in February 2016.

The company was reinstated on the ASX in March 2016. The company's principal activity at reinstatement was the exploration of the Cummins Range Project. The tenement was due for renewal in 2017, however, Navigator decided not to renew the tenement as it concluded that the project was not feasible.

On 9 December 2016, Navigator acquired the Violet Gold Project, which comprises a single prospecting licence, within the North Coolgardie Mineral field covering the Keith-Kilkenny Tectonic Zone. This is discussed further in Section 3.2 below.

On 27 March 2017, the company announced that it had entered into a binding heads of agreement for the acquisition of First Pharma Pty Limited ("**First Pharma**"), an Australian company providing over-the-counter pharmaceutical products. However, in January 2018 the owners of First Pharma notified Navigator that they had decided not to proceed with that transaction. The directors of Navigator then sought alternative investments / opportunities.

3.2 Exploration project

The Violet Gold Project was acquired by Navigator for $22,500 and consists of a prospecting licence P40/1349. The Violet Gold Project is located 5 kilometres ("**km**") west of Kookynie, 55 km north of Menzies and 52 km south of Leonora in Western Australia. Small scale historical gold production has occurred in the late 1800s to early 1900s within the site resulting in a total of 1,566 oz being produced.

Navigator undertook geochemical exploration activities and on 23 August 2017, it announced that 84 soil geochemical samples were taken, and two discrete mineralised trends were identified which warranted further investigation. However, further investigation was not undertaken and thus the prospecting licence expired in November 2018.

3.3 Key personnel

The experience of Navigator's directors is shown below:

Table 4: Navigator Key Personnel

Name and title	Experience
Greg Ruddock Non-executive Chairman	Mr Ruddock is the Joint Chief Executive Officer and founding partner of Ironbridge, an Australian private equity firm. Mr Ruddock has 19 years of private equity experience with Gresham Private Equity ("**GPE**") and Ironbridge. Prior to joining GPE in 1999, Mr Ruddock had twelve years' operational experience at Wesfarmers and with diversified listed company Avatar, where he was Managing Director of one of its major subsidiaries. Mr Ruddock's experience includes representing the Ironbridge Funds on the boards of Stardex, Super A-Mart, EnviroWaste, Easternwell, FleetPartners, ISG Management and Australian Offshore Solutions. Mr Ruddock was appointed as a director of Navigator on 12 February 2016.

Name and title	Experience
Glen Dobbie Managing Director	Mr Dobbie is the Managing Partner of Auxano LLP, an investment and advisory firm. Prior to joining Auxano, Mr Dobbie was the Group Commercial Director at Arowana & Co. Mr Dobbie has operational management experience across a variety of industries including education, media, infrastructure, engineering, waste management and technology businesses. Mr Dobbie has held directorships across a range of sectors for listed and unlisted companies as well as private equity funds. Mr Dobbie was appointed as a director of Navigator on 12 February 2016.
Josh McKean Non-executive Director	Mr McKean is a partner at IronBridge. Mr McKean began his private equity career at JPMorgan where he helped establish their Small Caps Mergers & Acquisitions and Private Equity practice in Sydney. He subsequently joined Cashcard as Business Development Manager. Mr McKean then joined the leading global private equity manager CVC Capital Partners before joining Ironbridge in October 2005. Mr McKean was appointed as a director of Navigator on 12 February 2016.
Malcolm Keefe Non-executive Director	Mr Keefe has over three decades' experience in general management across in a variety of businesses including education, information technology, print, and office products. Mr Keefe was the Non-Executive Independent Chairman and Director of Arowana International Limited from November 2011 to March 2015. He was an Executive Director and Chief Operating Officer at Corporate Express Australia Ltd until February 2010. Mr Keefe has also served as Chief Executive Officer of Kalamazoo (Aust) Pty Limited and he has held senior management positions with the Swire Group in Hong Kong and with Kalamazoo PLC in the United Kingdom. Mr Keefe was appointed as a director of Navigator on 12 February 2016.

Source: Navigator

3.4 Financial performance

The financial year ("**FY**") for Navigator is a twelve-month period ending 30 June. The audited consolidated statements of financial performance for FY16, FY17 and FY18 are set out below.

Table 5: Statement of Financial Performance of Navigator

$000	FY16	FY17	FY18
Revenue			
Other revenue	19,118	-	150
Total revenue	**19,118**	**-**	**150**
Expenses			
Exploration expenses	(75)	(12)	(12)
General and administration expenses	(390)	(235)	(218)
Total expenses	**(465)**	**(247)**	**(229)**
EBITDA	**18,653**	**(247)**	**(79)**
Depreciation and amortisation	-	-	-
EBIT	**18,653**	**(247)**	**(79)**
Interest income	4	6	4
Net profit before tax	**18,657**	**(241)**	**(76)**
Income tax expense	-	-	-
Net profit/ (loss) after tax	**18,657**	**(241)**	**(76)**

Source: Navigator

In relation to the financial performance of Navigator set out above, we note the following:

- There has been no revenue generated from ordinary activities in recent financial years. The other revenue in FY16 relates to the writeback of loans which were extinguished when the DOCA was implemented. The other revenue in FY18 relates to the break-fee paid by First Pharma following the cancellation of the transaction with First Pharma.
- General and administration expenses in FY17 and FY18 comprised ASX, registry and secretarial fees, in addition to legal and other professional fees as well as insurance costs and other general administrative expenses. General and administration expenses in FY16 also included $165,000 relating to the remuneration of the company's administrators.
- The taxable loss from operations in FY16 was $461,086 after deducting the income of $19.1 million relating to the write-back of extinguished loans. Thus, no tax was payable in that year.

3.5 Financial position

The audited consolidated statements of financial position as at 30 June 2016, 30 June 2017 and 30 June 2018 are set out in the table below.

Table 6: Statement of Financial Position of Navigator

$000	30-Jun-16	30-Jun-17	30-Jun-18
Current assets			
Cash and cash equivalents	984	751	699
Trade and other receivables	40	16	17
Total current assets	**1,024**	**767**	**716**
Non-current assets			
Exploration tenement	-	27	27
Total non-current assets	**-**	**27**	**27**
Total assets	**1,024**	**794**	**743**
Current liabilities			
Trade and other payables	19	22	47
Total current liabilities	**19**	**22**	**47**
Total liabilities	**19**	**22**	**47**
Net assets	**1,005**	**772**	**696**

Source: Navigator

In relation to the historical financial position of Navigator set out above, we note the following:

- The cash balance as at 30 June 2016 consisted predominantly of cash proceeds from the issue of shares ($2,000,050) less cash outflow relating to share issue costs, cash payment relating to the DOCA and payments to suppliers and employees. Furthermore, cash outflows in subsequent periods related mostly to payments to suppliers and employees. Cash proceeds in FY18 included the break-fee from First Pharma.
- Trade and other receivables relate to goods and services tax recoverable and prepayments.
- The exploration tenement relates to the Violet Gold Exploration project licence acquired on 9 December 2016. The exploration licence expired in November 2018 and accordingly has no value.

3.6 Capital structure and shareholders

The details in this section are as at 16 October 2018, which is therefore on a pre-consolidation basis. On that date, Navigator had a total of 393,223,695 ordinary shares on issue. In addition, there were a total of 225 million share options on issue, with exercise prices between $0.01 and $0.02. Management of Navigator intends to cancel the majority of the share options as part of the Proposed Transaction as agreed with the majority of option holders. It is anticipated that only approximately 1.5 million options will remain outstanding (post the one for 20 share consolidation).

The following table sets out details of Navigator's substantial shareholders as at 16 October 2018:

Table 7: Navigator's top seven shareholders

Shareholder name	Number of shares	% of total shares
Glen Dobbie	41,500,000	10.6%
Malcolm Keefe	25,000,000	6.4%
Gregory Ruddock	25,000,000	6.4%
Joshua McKean	24,600,000	6.3%
Beverley Gay Richards	24,000,000	6.1%
Steve Suprapto	24,000,000	6.1%
Paul Welch	24,000,000	6.1%
Other	205,123,695	52.2%
Total ordinary shares	**393,223,695**	**100.0%**

Source: Navigator and Capital IQ

Note: Includes holdings of related entities.

We note that there are no controlling shareholders and only seven shareholders with holdings over 5%, of which four are currently directors of Navigator.

3.7 Share price performance

Navigator shares have been suspended from trading on the ASX since 27 March 2017, pending the release of an announcement in relation to a backdoor listing transaction. Navigator shares were last traded at $0.008 per share and ranged from $0.007 to $0.012 with trading volumes of approximately 22.9 million shares (representing 6% of the total shares outstanding) in total from April 2016 to suspension.

4 INDUSTRY

4.1 Overview

Legal services include legal advice, legal representation and preparation of legal documents. Legal services are typically offered by solicitors, barristers and legal aid officers. Firms offering legal services may provide expertise in a range of areas or in specific areas of law, such as criminal law, corporate law, family and estate law, intellectual property law, real estate law, or tax law.

4.2 Trends in Australian Legal Industry

The Australian legal services industry[1] has been undergoing significant structural changes, characterised by changing consumer needs, increased competition, increased use of legal technology, and connectivity and globalisation.

According to The Future of Law and Innovation in the Profession report by The Law Society of New South Wales ("**Flip Report**"), clients are seeking better value for money, that is, greater value and efficiency, coupled with a deep understanding of the clients' needs. An important trend highlighted in the report is that a growing number of corporate clients are opposed to time-based billing, which is the traditional method of billing for law firms. This has prompted some law firms to respond by providing alternative arrangements such as capped fees or collared fee arrangements. Under a capped fee arrangement, the law firm and the client agree that the fees, which are worked out on an hourly basis will not exceed a certain amount. Under a collared fee arrangement, the practice keeps track of the number of hours spent and compares it to a capped fee and if actual time exceeds the cap by an agreed percentage or amount, the client agrees to pay an agreed proportion of the excess and likewise the practice refunds or credits some of the difference if the time spent is less than the cap.

Another key trend which has recently emerged, is growing competition and globalisation. Over the past five years, the big four accounting firms have expanded their legal service offerings in order to increase their client base and provide greater value to their existing clients. Industry demand and margins have also been impacted by the expansion of in-house legal teams in both Government and the private sector. Traditional law firms are also facing competition from new online players, such as LegalVision which are providing affordable services to small businesses and individuals.

Many larger Australian firms have broadened their geographical reach by expanding into international markets. Many large international law firms have also established Australian offices to strengthen their presence in the Asia-Pacific region.

According to the Flip Report, access to the right technological tools optimised to the lawyer's needs is likely to increase productivity and efficiency. Additionally, competition, lower prices and changing client expectations are driving law firms towards technological use.

4.3 Personal Legal Services

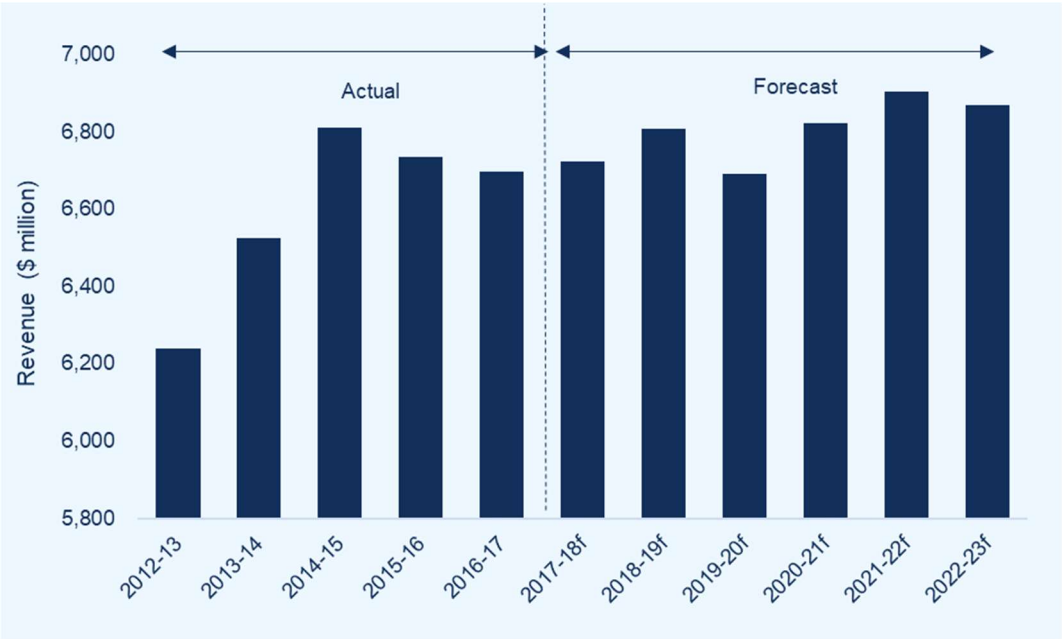
As AF Legal is a legal services firm specialising in family law, the performance and growth of its business is highly correlated with the personal legal services industry[2]. The personal legal services industry is a sub-category of the broader legal services industry and includes provision of advice relating to family law, personal injury law, property law, class actions, and wills, estates and probate. At the beginning of 2018, IBISWorld was forecasting personal legal services industry revenue to grow at a compound annual growth rate ("**CAGR**") of 1.5% over the five years to 2018, reaching a total revenue of $6.7 billion in 2018.

Revenue growth has been driven by an increase in class actions, alternative dispute resolution, a rise in mortality rates (leading to an increase for wills, estate and probate services) and demand for family law services. IBISWorld notes that revenue growth within the property law segment has been subdued over the past five years despite an increase in housing transfers. There has also been a decline in personal injury cases relating to vehicle accident deaths and work accidents.

[1] *Sub-section based on the FLIP Report and IBISWorld "Legal Services in Australia" – July 2018.*
[2] *Sub-section based on IBISWorld "Personal Legal Services in Australia" – January 2018.*

IBISWorld also notes that competition for personal injury cases has intensified over the past five years. Many large law firms offering personal injury services have either been involved in acquisitions of smaller players or have invested heavily in marketing campaigns to boost their market share.

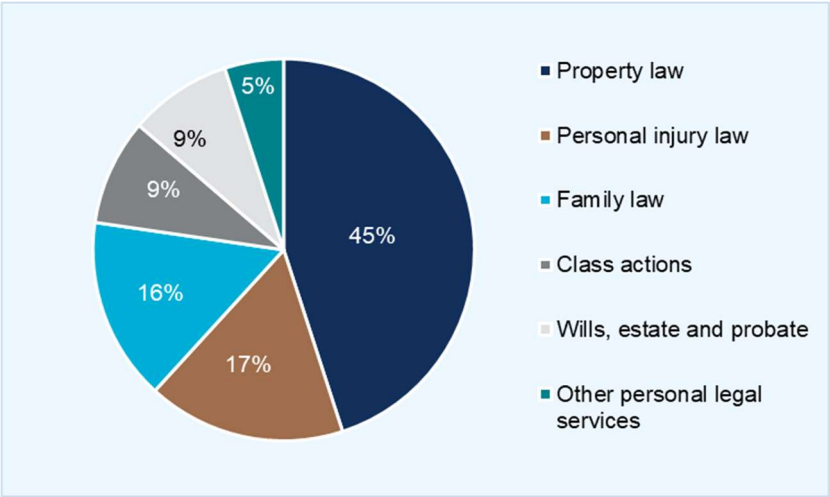
Figure 2: Revenue of Australian personal legal services industry



Source: IBISWorld

Over the past five years, property legal services such as conveyancing contributed the largest share of revenue. Personal injury and family law are other important contributors to industry revenue. Family law services generated revenue of approximately $1 billion, representing 16% of total personal legal services industry revenue in 2017-18. A breakdown of the industry segments is set out below[3]:

Figure 3: Breakdown of 2017-18 industry revenue by type of legal services



Source: IBISWorld

The personal legal services industry is dominated by sole proprietorships and small firms that employ less than 20 people. However, there are several large players specialising in personal injury and class actions. These include Maurice Blackburn and the ASX listed Slater and Gordon and Shine Lawyers.

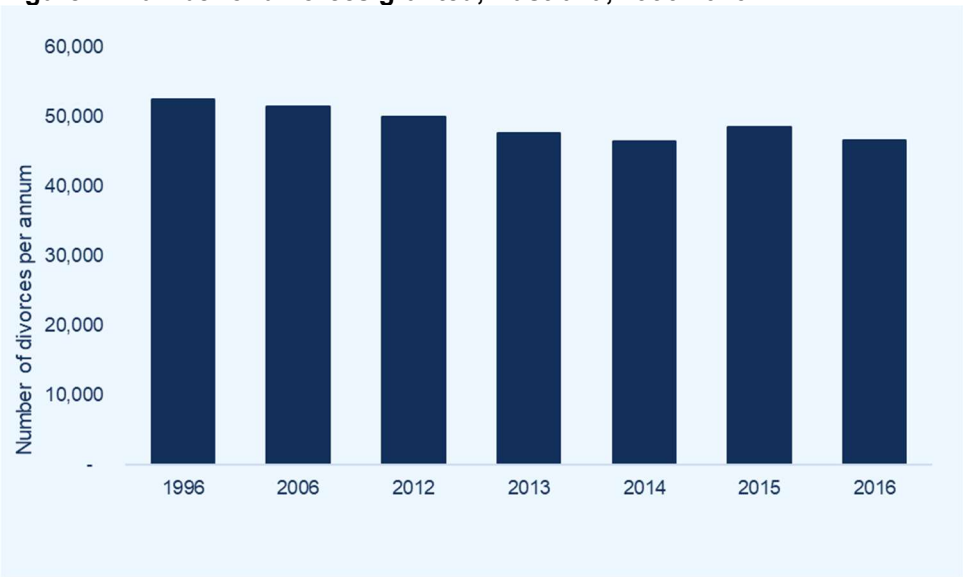
[3] *Sourced from IBISWorld "Personal Legal Services in Australia" – January 2018.*

4.4 Family Law

The number of divorces is a key determinant of demand for family law services[4]. Divorce procedures tend to be complex legal matters and parenting arrangements, property arrangements (tied to household wealth), child support and family violence are main reasons for involving lawyers.

The number of divorces granted has fallen by an annualised rate of 0.6% over the 20-year period from 1996 to 2016. Figure 4 below exhibits the decline in the number of divorces in Australia between 1996 and 2016.

Figure 4: Number of divorces granted, Australia, 1996-2016



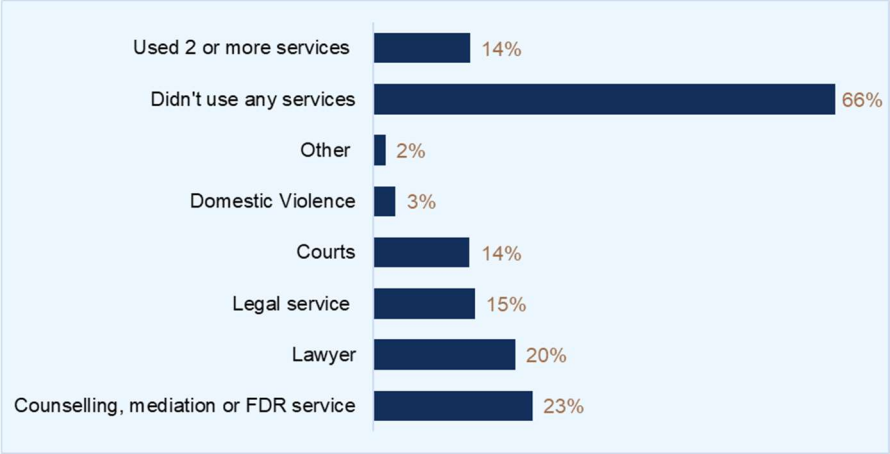
Source: Australian Bureau of Statistics ("ABS") (various years). Marriage and divorces Australia

In 2006, a range of family law pathway initiatives were introduced to change the ways in which separation and post-separation child-related issues were managed. The initiatives included the establishment of new service types such as Family Relationship Centres ("**FRCs**"), a telephone dispute resolution service, a national advice line and an online service as well as the expansion and integration of existing early intervention and post-separation relationship services. The changes led to diversion of some cases from litigation and litigation-driven strategies, to community-based processes that encouraged and supported cooperative approaches to parenting.

A survey undertaken by the Australian Institute of Family Studies ("**AIFS**") in 2012 showed that in the third year and fourth year following separation, 34% of separated parents made use of counselling, mediation and Family Dispute Resolution ("**FDR**") services, a lawyer, courts, legal services and domestic violence services. As shown in the chart below, a lawyer was used by 20% of parents surveyed.

[4] *Based on AIFS "Post-separation parenting, property and relationship dynamics after five years", published 2014, Australian Institute of Health and Wellbeing ("AIHW") "Family, domestic and sexual violence in Australia - 2018", statistics obtained from the Australian Bureau of Statistics, ALRC" Review of the Family Law System" and newspaper articles including http://www.abc.net.au/news/2018-05-30/sweping-changes-to-family-court-as-broader-review-continues/9813434 and https://www.lawyersweekly.com.au/politics/23339-family-court-federal-circuit-court-to-merge.*

Figure 5: Use of services by separated parents



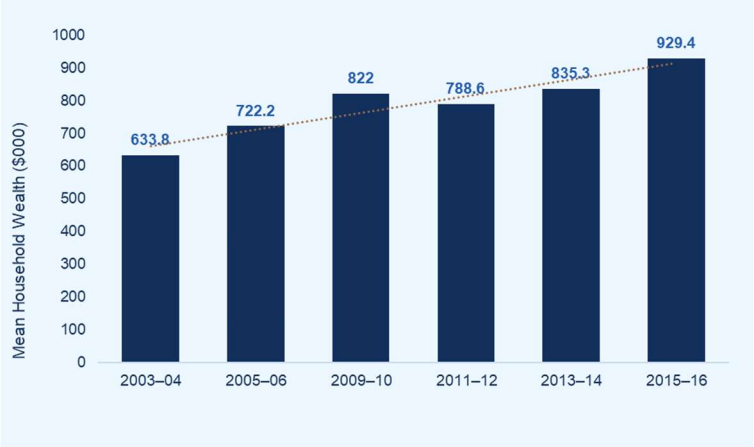
Source: AIFS "Post-separation parenting, property and relationship dynamics after five years"

Using the most recently attended service as a reference point, the most common reason for seeking access to the services was to deal with parenting arrangements (69% of parents surveyed), followed by issues of family violence/abuse (17%), child support issues (14%) and resolving property arrangements (13.5%). For those who went to lawyers, 57% stated that it was for parenting arrangements, 40% for property arrangements, 19% for child support, 13% for family violence and 10.5% for other reasons[5].

As well as parenting arrangements and child support, the key drivers of demand for family law services include:

- **Australian household wealth:** property arrangements, which are tied to household wealth is a key reason for people to seek advice from a family lawyer. Mean household wealth has increased by a CAGR of 3% from 2003-04 to 2015-16, as shown in the figure below.

Figure 6: Average Australian household wealth 2003-04 to 2015-16



Source: ABS

- **Family Violence:** One in six Australian women and one in 16 men have been subjected, since the age of 15, to physical and/or sexual violence by a current or previous cohabiting partner. Furthermore, approximately one in four (23%) women and one in six (16%) men have experienced emotional abuse from a current or previous partner since the age of 15. One in six women reported having experienced physical and/or sexual abuse before the age of 15 and one in nine men reported having experienced this abuse when they were boys.

[5] *More than 100% because respondents were allowed multiple responses.*

Family Law Reforms

In August 2017, the then Attorney-General of Australia, asked the Australian Law Reform Commission ("**ALRC**") to conduct a review of the family law system. According to the former Attorney General "despite profound social changes and changes to the needs of families in Australia over the past 40 years, there has not been a comprehensive review of the Family Law Act 1975 (Cth) (the Act) since its commencement in 1976". The ALRC will be submitting its report to the Attorney General by 31 March 2019.

Furthermore, in May 2018, the current Attorney-General announced the amalgamation of the Family Court and Federal Circuit Court. The Family Court is responsible for hearing family law cases involving complex financial arrangements, trusts, serious parenting arguments, allegations of child abuse in custody arrangements and protracted family disputes while the Federal Circuit Court is responsible for the rest. The changes will come into effect in January 2019 and according to the Attorney General, the changes will lead to faster dispute resolution.

4.5 Industry Outlook

According to IBISWorld revenue for the personal legal services industry is forecast to grow at a CAGR of 0.4% over the five years to 2022-23, reaching $6.9 billion[6]. This is expected to be driven by growth in demand for family law services and wills, estates and probate services as well as a rise in class actions. However, decline in the number of workplace incidents and motor vehicle accidents are forecast to limit revenue growth.

Furthermore, the industry is being impacted by the emergence of firms offering alternative business models in comparison to traditional firms ("**NewLaw**"). This includes provision of flexible, client-focused services, alternative pricing strategy such as fixed fee models, increased flexibility and agility and, flexible working arrangements. The Benchmarks and Leading Practices Report released by the Association of Corporate Counsel ("**ACC**") indicates that in-house legal departments budgeted to spend around 9% on NewLaw firms in 2017, representing a 7% increase from 2015. Firms such as LexVoco, LegalVision and LawPath continue to gain market share in the industry with new entrants expected to continue to rise over the next three years. The market size for NewLaw services is also expanding, with more NewLaw firms tapping into demand from small and medium enterprises.

[6] *Based on IBISWorld "Personal Legal Services in Australia" – January 2018 and the ACC "Benchmarks and Leading Practices Report - 2017"*

5 PROFILE OF AF LEGAL

5.1 Background

Established in February 2015, AF Legal is an Australian law firm specialising in family and relationship law. AF Legal uses a digital marketing strategy supported by a digital marketing platform for lead generation.

The services provided by AF Legal include advice in relation to divorce, separation, spousal maintenance, children's matters, family violence, property settlements, appeals, estate challenges, will disputes, estate planning, drafting and redrawing wills, probate and letters of administration. The firm is headquartered in Melbourne and has offices in Sydney CBD, Werribee (Victoria) and Frankston (Victoria). The firm is currently considering expansion into Greater Sydney, Brisbane and the Gold Coast. As at September 2018, the firm employed 17 staff, including 15 lawyers.

5.2 AF Legal Operations

Digital strategy and client acquisition model

Large firms typically offer family and relationship law as an ancillary service due to the non-recurring nature of their work. Client acquisition costs and operational costs are high compared with the revenue generated for these matters as much of the work is done by senior staff, which makes it difficult to generate the level of profit required by large firms. Smaller firms are dependent on partners to generate work and they are often restricted to a geographic location.

AF Legal differentiates itself from traditional law firms through the use of digital marketing techniques to acquire new clients and scale its operations. This allows senior lawyers to focus on provision of legal services, as opposed to business development activities.

AF Legal employs several digital marketing tools and techniques to target potential clients. Some of the paid marketing tools used by AF Legal include long-term Search Engine Optimisation ("**SEO**"), social media, Pay-Per-Click ("**PPC**") advertising, programmatic advertising, adwords and banner placements. The marketing techniques employed by AF Legal include granular targeting on social media platforms, analysis of key market trends and optimisation of advertising based on results observed and the use of artificial intelligence in continuous data mining.

AF Legal uses the data from its digital marketing and customer relationship management systems ("**CRM**") to improve each stage of the marketing and client acquisition process, which in turn leads to higher revenue to advertising spend.

Operational Structure

The business operates a leaner structure compared with traditional law firms, by relying on technology and having limited reliance on technical and secretarial staff. The reliance on a digital strategy to acquire clients means that AF Legal's operations are more easily scalable at lower costs than traditional law firms.

Furthermore, in traditional law firms, utilisation which takes into account the number of hours billed by lawyers is the main revenue driver. In contrast, target revenue for each fee earner at AF Legal is determined on a salary multiplier basis whereby the revenue generated is based on a multiple of the salary paid to the fee earner. This allows for greater flexibility in working arrangements.

5.3 Competitive position

The table below sets out the strengths, weaknesses, opportunities and threats analysis ("**SWOT**") for AF Legal.

Table 8: SWOT analysis of AF Legal

Strengths	Weaknesses
♦ AF Legal uses digital marketing tools and techniques to acquire new clients, reducing reliance on key senior lawyers to generate leads and thus, revenue. ♦ Less focus on business development activities allows senior staff to focus on the quality of the output/ advice. ♦ AF Legal relies heavily on technology and thus has low reliance on support staff. ♦ Ability to scale operations at lower costs than traditional law firms.	♦ Key man risk due to reliance on Mr Finn's expertise in both digital marketing and family law. ♦ As with any professional service business, the business is dependent upon the quality of output delivered by its fee earning staff and the ability to retain and motivate staff. ♦ Non-recurring nature of the work means that revenue is more volatile than in other areas of law.
Opportunities	**Threats**
♦ Access to capital markets will allow the business to fund expansion into new geographical regions. ♦ Family law reforms will enable a more efficient process, potentially increasing demand ♦ The highly fragmented nature of the family law market, with a large number of small providers provides an opportunity for consolidation.	♦ Adoption of similar digital marketing strategies for client acquisition by competitors. Legal firms are becoming increasingly aware of the need to place heavier reliance on technology. ♦ Rapid expansion without clear strategy could impact future profitability. ♦ Operates in a highly competitive environment. ♦ Family law reforms may lead to lower requirements for legal assistance.

Source: AF Legal and Leadenhall analysis

5.4 Key personnel

The current directors and senior management team of AF Legal comprises:

Table 9: AF Legal directors and senior management team

Name and title	Experience
Edward Finn Managing Director	Mr Finn is the founder and Managing Director of AF Legal. Mr Finn's responsibilities include operational management and setting the overall strategic direction of the firm. Mr Finn worked as a lawyer at Alpass & Associates, specialising in relationship and family law, prior to establishing AF Legal. He also co-founded an online travel guide and an online retailer, Tomorrow's Laundry.
Peter Bergin Chief Financial Officer and Company Secretary	Mr Bergin is the CFO of AF Legal and is a partner of Prime Capital, the advisory division of ASX listed Prime Financial Group. Mr Bergin was formerly the head of Eaton Capital Partners' (now Prime Capital) outsourced CFO practice, where he undertook several interim CFO roles. Mr Bergin has over 25 years' financial management experience in various industries, including professional services, health, engineering and infrastructure and telecommunications. This included roles at Cardno, WDScott, Telstra, Cable & Wireless and OXFAM.
Melissa Muir Head of Family Law, Melbourne	Ms Muir leads the practice in Melbourne, has more than 10 years' experience in legal practice and is an accredited specialist in family law. Prior to joining AF Legal. Ms Muir was the Family Law Practice Manager at boutique law firm Callea Pearce, and a lawyer with Forte Family Lawyers prior to that.
Annabel Murray Head of Family Law, Sydney	Ms Murray leads the practice in Sydney and is an accredited specialist in family law. Ms Murray has more than 11 years' experience in family law. Prior to joining AF Legal, Ms Murray was the Head of the Family Law Department at Atkinson Vinden Lawyers.
Catherine Weir Special Counsel	Ms Weir is an experienced family law specialist with more than 30 years' experience in Family Law. Ms Weir established the Family Law practice at Moores Legal, where she was a partner. She later moved to Hogg and Reid as a partner, led the family law department at Williams Winter Solicitors and joined the Leo Cussen Institute teaching Practical Legal Training as an instructor in family law.
Pamela Horton Special Counsel	Ms Horton has 30 years' experience in the legal profession. Ms Horton's positions have ranged from corporate solicitor, sole practitioner to sessional lecturer in business and property law at R.M.I.T University. In 2008 Pamela became an Accredited Specialist in Wills and Estates. Ms Horton is responsible for the wills and estates practice.

Source: AF Legal

5.5 Financial performance

The audited statements of financial performance for AF Legal for FY17 and FY18 are set out below.

Table 10: Statement of Financial Performance of AF Legal

$000	FY17	FY18
Revenue		
Fee revenue	2,054	4,175
Total revenue	**2,054**	**4,175**
Cost of sales		
Fees and wages	(1,077)	(1,838)
Total cost of sales	**(1,077)**	**(1,838)**
Gross profit	**977**	**2,336**
Expenses		
Administrative expenses	(536)	(658)
Marketing expenses	(206)	(331)
Other expenses	(289)	(313)
Total expenses	**(1,031)**	**(1,302)**
EBITDA	**(53)**	**1,035**
Depreciation	(10)	(12)
EBIT	**(63)**	**1,023**
Interest income	17	35
Interest expense	(64)	(81)
Profit before tax	**(111)**	**976**
Income tax expense	9	(244)
Profit after tax	**(102)**	**732**
Fee revenue growth		*103%*
Gross profit margin (%)	*48%*	*56%*
EBITDA margin (%)	*-3%*	*25%*
EBIT margin (%)	*-3%*	*24%*

Source: AF Legal audited financial statements.

In relation to the historical financial performance of AF Legal, we note the following:

- Fee revenue grew by 103% in FY18 compared with the previous corresponding period. Management of AF Legal has indicated that the revenue growth was driven by an increase in the number of fee earning staff as a result of the opening of the Sydney office. In June 2018, there were 12.4 full time fee earners compared with 7.8 full time fee earners as at February 2017. Furthermore, according to management of AF Legal the increase in revenue was also driven by an increase in productivity of staff and hiring staff who are 'better fits' for the business in the Melbourne office as well as greater efficiency derived from the marketing tools and techniques applied by AF Legal.
- Marketing expenses as a percentage of revenue declined from 10% to 8% from FY17 to FY18.
- Administrative expenses as a percentage of revenue declined from 26% to 16%. This is partly due to a decline in the number of support staff.

5.6 Financial position

The audited statements of financial position as at 30 June 2017 and 30 June 2018 are set out in the table below.

Table 11:Statement of Financial Position of AF Legal as at 30 June 2017 and 30 June 2018

$000	30-Jun-17	30-Jun-18
Current assets		
Cash at bank	5	-
Trade and other receivables	516	1,042
Loans to directors	752	1,055
Other assets	152	160
Total current assets	**1,425**	**2,257**
Non current assets		
Property, plant and equipment	24	27
Deferred tax assets	(19)	10
Total non current assets	**6**	**38**
Total assets	**1,431**	**2,295**
Current liabilities		
Trade and other payables	406	431
Borrowings	1,155	1,288
Current tax liabilities	(27)	124
Employee benefits	40	77
Other liabilities	4	27
Total current liabilities	**1,578**	**1,947**
Total liabilities	**1,578**	**1,947**
Net assets	**(147)**	**348**

Source: AF Legal audited financial statements.

In relation to the historical financial position of AF Legal, we note the following:

- The loan to directors relates to a seven-year term loan to Mr Finn. We understand that the loan will be settled as part of the Proposed Transaction.
- Other assets include prepayments and accrued income (work in progress).
- Borrowings includes a bank overdraft, a business loan from Westpac, credit card debt as well as other financial liabilities. The limit on the total loan facility is $1.7 million.
- Employee benefits include provisions for long service leave and annual leave.

5.7 Capital Structure

The firm was founded by Edward Finn and Alan Alpass who each owned 50% of the business at the time of incorporation. In September 2016, Edward Finn, through his personal investment vehicle, Finn Family Trust acquired Alan Alpass' shareholding, thus making Finn Family Trust the sole shareholder in AF Legal. As at September 2018, Finn Family Trust was the sole shareholder in AF Legal.

6 VALUATION METHODOLOGY

6.1 Available valuation methodologies

To estimate the fair market value of Navigator and the Proposed Merged Entity (inclusive of AF Legal) we have considered common market practice and the valuation methodologies recommended in RG 111. There are a number of methods that can be used to value a business including:

- The discounted cash flow method ("**DCF**")
- The CFME method
- Asset based methods
- Analysis of share market trading
- Industry specific rules of thumb

Each of these methods is appropriate in certain circumstances and often more than one approach is applied. The choice of methods depends on several factors such as the nature of the business being valued, the return on the assets employed in the business, the valuation methodologies usually applied to value such businesses and the availability of the required information. A detailed description of these methods and when they are appropriate is provided in Appendix 2.

6.2 Selected methodology – Navigator

In selecting an appropriate valuation methodology to value Navigator, we have considered the following factors:

- Navigator is currently loss making and thus, the capitalisation of earnings method is not appropriate.
- Navigator has no principal activity following the expiry of its exploration licence.
- Share market trading in Navigator shares has been suspended since 27 March 2017. This means that an analysis of share market trading is not a reliable measure of the value of a Navigator share.
- The main assets of Navigator are cash and its status as a listed shell company. These assets can be valued individually and aggregated using an asset approach.

Accordingly, we are of the opinion that the most appropriate methodology to value Navigator is an asset based method and have considered an analysis of recent share market trading in Navigator shares as a high level cross-check.

6.3 Selection of valuation methodology – Proposed Merged Entity

The Proposed Merged Entity has been valued by assessing the AF Legal business. To that we have added the value of the net assets of Navigator. In selecting an appropriate valuation methodology to value AF Legal we have considered the following factors:

- AF Legal is neither an asset based business nor an investment holding company. It is also considered to be a going concern, thus an asset based approach is not the most appropriate.
- There are some listed companies engaged in somewhat similar businesses to AF Legal as well as companies operating in comparable industries. We are also aware of a number of comparable transactions involving similar companies. Therefore, we consider the CFME approach to be appropriate.
- AF Legal has experienced significant growth from FY16 to FY18 and is expecting strong growth to continue. A DCF approach can capture this expected earnings growth and the associated capital costs. However, we have not selected this approach as there is no reasonable basis for the preparation of forecasts beyond FY19.
- Revenue multiples are commonly used in professional services businesses.

Accordingly, we are of the opinion that the most appropriate methodology to value the AF Legal business is using the CFME method. Our assessed range for AF Legal was cross checked to the revenue multiple implied by our valuation compared to listed comparable companies.

7 VALUATION OF NAVIGATOR

7.1 Background

We have assessed the fair market value of Navigator before the Proposed Transaction using the net assets on a going concern basis, with a cross-check by reference to recent trading in Navigator shares.

7.2 Net Asset Approach

We set out below our assessment of the fair market value of Navigator, based on the net asset approach.

Table 12: Net asset based valuation of Navigator

$000	Low	High
Cash	699	699
Working capital	(30)	(30)
Net assets	**669**	**669**
Listed Shell	500	750
Subsequent expenditure	(50)	(50)
Transaction costs	(420)	(420)
Total equity value	**699**	**949**
Fully paid shares outstanding (000s) (post-consolidation)	19,661	19,661
Assessed value per share (cents) (post-consolidation)	**3.56**	**4.83**

Source: Navigator and Leadenhall analysis

Cash

As at 30 June 2018, Navigator held a cash balance of approximately $0.7 million.

Working capital

As at 30 June 2018 Navigator had a net working capital liability of $30,000, with the working capital predominantly relating to trade payables and accruals.

Exploration tenement

The exploration tenement which was due for renewal in November 2018 has now expired.

Listed shell

Navigator's listing on the ASX provides shareholder value as a potential vehicle for a backdoor listing such as the Proposed Transaction. Based on discussions we have had with stock brokers and insolvency professionals, we understand the typical value for a listed shell company is in the range of $0.5 million to $1.0 million. However, due to recent changes in ASX rules there is increased difficulty and cost in bringing about a backdoor listing transaction and an over-supply of shell companies. For the purpose of our analysis we have assessed the value of Navigator's shell to be $0.5 million to $0.75 million.

Subsequent expenditure

Navigator's loss for the three months to 30 September 2018 was $24,680. Based on this we have estimated the net loss to completion to be $50,000. We have deducted this from the valuation to arrive at a current fair market value of a Navigator share.

Transaction costs

The transaction costs of approximately $420,000 comprise legal costs, ASX fees, due diligence costs, contingency transaction costs, printing costs and a maximum break fee of $75,000 payable by Navigator to the vendors of AF Legal if Navigator decides not to proceed with the transaction or if Navigator does not satisfy relevant conditions precedent.

We have deducted these costs in calculating the fair market value of a Navigator share.

Shares outstanding

Navigator currently has 393 million ordinary shares and 225 million share options outstanding. As explained in Section 3.6, the share options outstanding currently have exercise prices between $0.01 and $0.02 (pre-consolidation) and are thus significantly out of the money and hence have no economic value. Therefore, we have not included these instruments in our analysis. We note however that as part of the share consolidation, the options outstanding will be reconstructed and thus will have higher exercise prices.

Following the 1:20 share consolidation there will be 19.7 million shares on issue.

Premium for control

A premium for control can be defined as an amount or a percentage by which the pro-rata value of a controlling interest exceeds the pro-rata value of a non-controlling interest in a business enterprise, to reflect the power of control. The requirement for an explicit valuation adjustment for a control premium depends on the valuation methodology and approach adopted. This valuation is based on the net assets approach, which is premised on the ability to control the assets of an entity and therefore incorporates any relevant premium for control. Thus, no further adjustment is required.

7.3 Analysis of Share Market Trading

The most recent share trading history can normally be expected to provide evidence of the fair market value of the shares in a company where they are publicly traded in an informed and liquid market. As Navigator's shares have been suspended since 27 March 2017 and as there was limited trading in Navigator shares prior to that date, we do not consider the share price to be a reliable measure of the intrinsic value of a Navigator share.

8 VALUATION OF THE PROPOSED MERGED ENTITY

8.1 Introduction

The Proposed Merged Entity's business will be focused on the provision of legal services and thus we have determined the fair market value of a share in the Proposed Merged Entity by valuing the AF Legal business post the Proposed Transaction and including Navigator's net assets as surplus assets. This assessment has been made on a minority interest basis (i.e. excluding a control premium) as Navigator's existing shareholders would be minority shareholders in the Proposed Merged Entity.

We have determined the fair market value of AF Legal using the CFME method, with a cross-check to revenue multiples.

8.2 The Capitalisation of Future Maintainable Earnings Method

The CFME approach requires consideration of the following factors:

- An appropriate level of maintainable earnings
- An appropriate earnings multiple
- The value of any non-operating assets and liabilities.

These considerations are discussed in more detail below.

Maintainable earnings

The first step in the valuation process is to determine the measure of earnings to be capitalised for valuation purposes. The following measures of earnings are often used for business valuations:

- Revenue: mostly used for companies that do not make a positive EBITDA or as a cross-check of a valuation conclusion derived using another method.
- EBITDA: most appropriate where depreciation distorts earnings, for example, in a company that has significant level of depreciating assets but intermittent ongoing capital expenditure requirement.
- Earnings before interest, tax and amortisation ("**EBITA**"): in most cases EBITA will be more reliable than EBITDA as it takes into account the capital intensity of the business.
- EBIT: while commonly used in practice, multiples of EBITA are more reliable as they remove the impact of amortisation, which is a non-cash accounting entry that does not reflect a need for future capital investment (unlike depreciation).
- Net profit after tax ("**NPAT**"): relevant in valuing businesses where interest is a major part of the overall earnings of the group (e.g. financial services such as banks).

Multiples of EBITDA, EBITA and EBIT are commonly used to value the whole business for acquisition purposes where gearing is in the control of the acquirer. In contrast, NPAT (or price earnings ("**P/E**")) multiples are often used for valuing a minority interest in a company as the investor has no control over the level of debt.

We have selected to analyse multiples of EBIT because:

- Earnings multiples based on EBITDA and EBIT are not affected by different financing structures which impact multiples of net profit after tax.
- The varying capital intensity of the comparable companies means that an analysis of EBIT is a more reliable measure than the multiples of EBITDA.
- Third party forecasts of EBITA for comparable companies are not readily available making EBITA multiples difficult to calculate without making assumptions about ongoing levels of depreciation and amortisation (i.e. most brokers do not separately forecast depreciation and amortisation).

When considering an appropriate level of future maintainable earnings, it is important to base the analysis on a maintainable level of earnings which includes adjustment for any non-recurring items as these items will not impact the ongoing earnings of the business. The following table sets out normalised EBIT for AF Legal for FY17 and FY18.

Table 13: Normalised earnings

Description $'000	FY17	FY18
Reported EBIT	**(63)**	**1,023**
Recruitment	127	-
Bad debts	154	-
Director remuneration, annual listing fees etc.	(175)	(175)
Office establishment fees	11	8
Redundancy costs	22	-
Advisory costs	21	91
Travel expenses / other	12	31
Normalised EBIT	**110**	**977**
Adjusted EBIT margin	*5%*	*23%*

Source: AF Legal and Leadenhall Analysis

The 'Normalised EBIT' for FY17 and FY18 includes the following adjustments to reported EBIT:

- Recruitment fees of $127,000 have been added back to the FY17 reported EBIT as they relate to the recruitment of staff for commencement of Sydney operations as well as replacement of Melbourne based fee earners who exited in that year.
- Bad debts of $154,000 have been added back to the reported EBIT for FY17 as they relate to services which were rendered in previous financial years.
- Annual ASX listing fees, remuneration of company directors and additional compliance costs have been subtracted from the reported EBIT to determine a normalised EBIT if the Proposed Transaction is successful.
- Office establishment fees relate to the costs of setting up the Sydney office and relocating the Melbourne office.
- Redundancy costs relating to the payments made to employees who were made redundant during the year. We understand that during FY17 there were several employees who were considered to be "bad fits" for the business and either resigned or were asked to leave the company.
- The advisory fees relate to tax and merger and acquisition advice.
- Travel expenses were adjusted for as they relate to travel costs incurred while exploring several business opportunities such as acquisitions and potential private equity investment.

In addition to the above, we have been provided with AF Legal's financial forecasts to FY21. We have not disclosed these forecasts due to the commercially sensitive nature of the information contained. As noted in Section 5.2, the business operates a leaner structure compared with traditional law firms due to its reliance on technology which allows it to scale at lower costs compared with traditional law firms. In the forecasts to FY21 AF Legal is anticipating relatively strong organic growth. AF Legal anticipates that it will be able to generate EBIT and EBITDA growth through marketing efficiencies, that is, generating more leads through the marketing tools and techniques and hiring more staff to generate work on the matters whilst having to incur marginal additional overheads and marketing expenditure. The forecasts provided to us include the addition of four new fee earning staff members and do not include opening of additional offices. We have also been provided with AF Legal's financial performance for the first quarter of FY19 ("**Q1 FY19**") and compared it with the previous corresponding period ("**Q1 FY18**") as well as budgeted figures. We note that the business experienced solid growth in revenue in Q1 FY19 compared with Q1 FY18, and after adjusting for certain non-recurring items, the actual Q1 FY19 is broadly in line with budgeted figures for the period.

Having considered the historical earnings, forecast earnings, and margins of comparable companies we have selected the following maintainable earnings. In selecting this range, we have placed more weight on the FY19 forecasts and current run rate than the historical figures.

Table 14: Selected maintainable earnings

$000	EBIT	
	Low	High
Maintainable earnings	1,600	1,700

Source: Leadenhall analysis

Earnings multiple

The multiples selected to apply to maintainable earnings implicitly reflect expectations about future growth, risk and the time value of money. Multiples can be derived from three main sources:

- The trading prices of companies that are engaged in the same or similar lines of business and that are actively traded on a public stock market. We have set out our analysis of the trading multiples below.
- From transactions of significant interests in companies engaged in the same or similar lines of business.
- It is also possible to build a multiple from first principles based on an appropriate discount rate and growth expectations. This approach is generally used when the first two are not possible. We have not taken this approach in valuing AF Legal.

In respect of public company trading multiples, we note that there are no companies which specialise in family law listed on the ASX. However, there are a number of listed Australian companies that operate in the legal sector and in the broader professional services sector that have similar growth and risk factors to AF Legal. We have also considered listed law firms in the United Kingdom ("**UK**").

The following table sets out the historical and forecast trading EBIT multiples for the selected comparable companies. Refer to Appendix 3 for further details.

Table 15: Trading multiples of comparable companies

Summary	EBITDA multiple		EBIT multiple	
	Current	Forecast	Current	Forecast
Australian listed comparable companies				
Average				
Domestic legal firms	4.7x	4.4x	5.5x	5.1x
Domestic IP firms	9.2x	8.6x	10.3x	9.5x
Domestic accounting and advisory firms	5.1x	4.7x	5.5x	4.9x
Median				
Domestic legal firms	4.7x	4.4x	5.5x	5.1x
Domestic IP firms	8.3x	7.6x	8.9x	8.1x
Domestic accounting and advisory firms	5.1x	4.7x	5.5x	4.9x
UK listed comparable companies				
Average (UK firms)	12.9x	11.3x	15.5x	12.3x
Median (UK firms)	9.9x	9.4x	10.9x	10.2x

Source: Capital IQ and Leadenhall analysis as at 19 October 2018

Notes:
1. Current EBITDA and EBIT relate to the EBITDA and EBIT for the current financial year.

Our key considerations in selecting appropriate earnings multiples to apply to our valuation of AF Legal are summarised below:

- There are no directly comparable listed firms in Australia. The most comparable firm listed on the ASX is Shine Corporate Ltd ("**Shine**"). Shine's core services relate to personal injury matters although it also offers other legal services.
- Due to the unavailability of forecasts, we have excluded Slater & Gordon as well as ASX listed accounting and advisory firms Countplus Limited ("**Countplus**") and Prime Financial Group Limited ("**Prime**") from our analysis.
- Shine derives a significant portion of its revenue from personal injury matters, for which revenue is on a no win no fee basis, whereby fees are only paid upon achievement of a successful outcome. The other general legal services offered by Shine Corporate operate on a fixed fee, time and materials or contingent arrangement. Given the significance of Shine's personal injury practice, Shine's revenue is subject to greater volatility and uncertainty than AF Legal's revenue. This would lead to lower EBIT and EBITDA multiples than less volatile businesses such as AF Legal. On the other hand, Shine is much larger and more diverse than AF Legal and thus on that basis, we would expect it to trade on higher multiples than a smaller business such as AF Legal.
- The IP firms include Qantm Intellectual Property Limited ("**Qantm**"), IPH Limited ("**IPH**") and Xenith IP Group Limited ("**Xenith**"). There are several processes involved in the identification, registration, management, commercialisation, and enforcement of IP rights thus, IP firms are able to bill their clients at each stage of completion. Therefore, these firms have more stable revenue than the listed personal injury firms. Furthermore, unlike AF Legal, IP firms typically derive a significant portion of revenue from recurring clients and these firms are also much larger than AF Legal. Thus, we would expect these firms to trade at higher multiples than AF Legal.
- We have also considered the ASX listed accounting and advisory firm, Kelly Partners Group Holdings Limited ("**Kelly Partners**"). It has been included in the basket of comparable companies due to its similarity to law firms in terms of nature of the services provided and its broadly similar operational model. However, accounting and advisory firms have different demand drivers and are exposed to different sets of risks.
- In addition to the listed legal services, IP and accounting and advisory firms in Australia, we have also had regard to law firms listed on the Alternative Investment Market ("**AIM**") in the UK. While these firms specialise in the provision of legal services, their comparability is limited by their size and geographical location. The UK listed law firms are listed below.
  - Gateley (Holdings) Plc ("**Gateley**") primarily services corporate clients but also offers family law services
  - Keystone Law Group Plc ("**Keystone**") provides both corporate and personal legal services
  - Knights Group provides corporate and commercial legal services
  - Rosenblatt Group Plc ("**Rosenblatt**") provides a range of services, including banking and finance, corporate, IP, etc.
  - Whilst Gordon Dadds Group Plc's ("**Gordon Dadds**") core services are legal services, it also provides other professional services
  - Murgitroyd Group Plc ("**Murgitroyd**") specialises in IP services. It operates in the United Kingdom, the United States, France, the Republic of Ireland, Italy, Germany, Nicaragua, Canada, Taiwan, China, Japan, the Netherlands, and Switzerland.
- AF Legal is smaller than all of the comparable listed companies. All other things being equal, smaller companies trade on lower multiples.

In addition to our analysis of trading multiples, we have also reviewed relevant transaction multiples, for transactions involving Australian law firms. Appendix 3 sets out a summary of the historical and forecast (where available) EBITDA and EBIT multiples from relevant transactions with publicly available data. Based on the data available we note the following:

- The historical EBITDA multiple ranged from 7.6 times to 11.7 times and related to acquisition of IP firms.
- The forecast EBITDA multiple is the metric for which there were the most available datapoints from the set of comparable transactions. The multiples ranged from 3.5 times to 11.7 times. The low end of the range related to acquisitions made by the listed personal injury firms, Slater & Gordon and Shine and involved smaller targets than the transactions at the higher end of the range which related to IP firms.
- The forecast EBIT multiple was only available in relation to the acquisition of Griffith Hack Group by Xenith.

We have considered the following factors in relation to the transaction multiples from the comparable data set in determining appropriate earnings multiple to apply to the valuation of AF Legal.

- Transaction multiples incorporate varying degrees of control premium and possibly an element of special value to the extent this was paid for by the acquirers.
- The most comparable transactions are Shine's acquisition of Sciaccas Lawyers and the acquisition of Schultz Toomey O'Brien Lawyers by Slater & Gordon, which had significant family law and personal injury practices. It should be noted, however that both of these transactions involve targets which were not specialist family law firms. At the announcement of the acquisition of Sciaccas, Shine indicated that the initial consideration of $8.75 million represented between 4 to 5 times FY15 EBITDA. Slater & Gordon announced that the EBITDA acquisition multiple for the acquisition of Schultz Toomey O'Brien Lawyers was between 3.5 times and 4.5 times.
- The acquisitions made by Xenith IP and IPH relate to the acquisition of IP firms, which for the reasons outlined in the analysis of the trading multiples would be expected to have higher multiples compared with a business such as AF Legal. Furthermore, we note that Xenith IP's acquisition of Griffith Hack was primarily to boost Xenith IP's market share in patent and trade marks in Australia as Griffith Hack had a larger market share than Xenith's subsidiaries at the time of the transaction.

Our key considerations in selecting appropriate earnings multiples to apply to our valuation of AF Legal are summarised below:

- We have placed more reliance on the trading multiples as the transaction multiples include a premium for control. The most comparable listed company is Shine, however, it is a much larger company compared to AF Legal thus we would expect it to have a higher multiple.
- The financial forecasts for AF Legal provided to us anticipate continuing high growth in EBIT and EBITDA, primarily resulting from efficiencies in the marketing techniques applied by AF Legal.
- There is a risk that competitors will try to emulate the strategies used by AF Legal, thus potentially dampening the growth being forecast by AF Legal.

Based on the consideration discussed above, we have selected the following earnings multiple to apply to our valuation of AF Legal (on a minority basis).

Table 16: Selected earnings multiples

Description	EBIT	
	Low	High
Selected earnings multiple	5.0x	6.0x

Source: Leadenhall analysis

We note the selection of the multiple, within a fairly broad range, does not impact our conclusion on the Proposed Transaction.

Non-operating assets and liabilities

In order to assess the value of AF Legal, it is necessary to identify any other assets and liabilities not included in the enterprise value calculated. These can be:

- Surplus assets: assets held by the company that are not utilised in its business operation. This could be investments, unused plant and equipment held for resale, or any other asset that is not required to run the operating business. It is necessary to ensure that any income from surplus assets (i.e. rent and dividends) is excluded from the business value. We have not identified any surplus assets relating to AF Legal.
- Non-operating liabilities are liabilities that are not related to the ongoing business operations, although they may relate to previous business activities, for example legal claims against the entity. We have not identified any non-operating liabilities in relation to the business of AF Legal.
- Net debt: the purchase price for the Proposed Transaction is based on a net debt level of $1.2 million. To the extent actual net debt is a different amount upon completion the purchase price will be adjusted for the difference.

CFME summary

Based on the CFME analysis set out above, the value of AF Legal (on a minority basis) is as set out in the table below.

Table 17: CFME valuation summary

$000	Low	High
Maintainable earnings	1,600	1,700
EBIT multiple	5.0x	6.0x
Enterprise value	**8,000**	**10,200**
Net debt	(1,200)	(1,200)
Equity value (minority basis)	**6,800**	**9,000**

Source: Leadenhall analysis

8.3 Cross Check to revenue multiple

The table below shows implied revenue multiples for FY18 based on our preferred valuation range for AF Legal.

Table 18: AF Legal implied revenue multiple

$000	Low	High
FY18 revenue	4,175	4,175
FY18 revenue multiple	1.9x	2.4x

Source: Leadenhall analysis

To cross-check the assessed multiple, we have identified revenue multiples implied by the market for the comparable companies identified in Section 8.2, as set out in the table below, and compared these implied multiples to those calculated for AF Legal in the table above. The multiples set out below are based on market trading and consequently do not include the impact of a control premium, therefore they are also calculated on a minority basis, consistent with the implied AF Legal multiples in the table above.

Table 19: Revenue multiples for comparable companies

Company	Market Cap (AUD'm)	Current	Forecast
Domestic legal services firms			
Shine Corporate Ltd	152	1.0x	1.0x
Domestic IP services firms			
Qantm Intellectual Property Limited	173	1.6x	1.6x
IPH Limited	1,127	4.4x	4.3x
Xenith IP Group Limited	118	1.0x	1.0x
Average (domestic IP firms)		**2.4x**	**2.3x**
Median (domestic IP firms)		**1.6x**	**1.6x**
UK legal services and IP services firms			
Gateley (Holdings) Plc	297	1.7x	1.6x
Gordon Dadds Group plc	95	1.1x	1.0x
Keystone Law Group plc	217	2.8x	2.4x
Knights Group Holdings plc	252	3.1x	2.5x
Rosenblatt Group Plc	126	3.0x	2.6x
Murgitroyd Group PLC	102	1.1x	1.1x
Average (UK firms)		**2.1x**	**1.9x**
Median (UK firms)		**2.2x**	**2.0x**
Domestic accounting and advisory firms			
Kelly Partners Group Holdings Limited	58	1.8x	1.6x
Average (overall)		**2.1x**	**1.9x**
Median (overall)		**1.7x**	**1.6x**

Source: Capital IQ as at 19 October 2018

The revenue multiple implied by our valuation of AF Legal (on a minority basis) is within the range for the listed comparable companies. Overall, the revenue multiples provide support as a broad cross-check to our assessed valuation range.

8.4 Conclusion on the value of AF Legal

We assessed the value of 100% of the equity value of AF Legal to be in the range of $6.8 million to $9.0 million on a minority basis, based on a CFME approach. This was broadly supported by a crosscheck of the revenue multiple implied by the transaction compared with listed comparable companies.

8.5 Summary of the valuation of the Proposed Merged Entity

We set out below our assessment of the fair market value of a share in the Proposed Merged Entity.

Table 20: Valuation of Proposed Merged Entity

$000	Low	High
Assessed equity value of AF Legal on a minority basis	6,800	9,000
Navigator net assets	669	669
Cash consideration	(2,500)	(2,500)
Consideration for debt extinguishment	(325)	(325)
Deferred consideration	(451)	(451)
Transaction costs and net subsequent loss	(900)	(900)
Total equity value	**3,294**	**5,494**
Fully paid shares outstanding (000s) (post-consolidation)	30,536	30,536
Assessed value per share (cents) (post-consolidation)	**10.8**	**18.0**

Source: Leadenhall Analysis

Assessed value of AF Legal on a minority basis

In Section 8.4, we valued 100% of the equity value in AF Legal at $6.8 million to $9.0 million on a minority basis.

Surplus Assets

Since the business is being valued post the Proposed Transaction and the business will be primarily involved in the provision of legal services, the following assets have therefore been considered surplus assets. Refer to Section 7.2.

- Cash held in Navigator prior to the Proposed Transaction
- Working capital in Navigator.

We believe that once the Proposed Transaction has been completed, Navigator would lose its value as a potential shell company. In valuing the Proposed Merged Entity, we have therefore excluded this component of Navigator's stand-alone value.

Cash consideration

A cash payment of $2.5 million is payable to the vendors of as consideration for the Proposed Transaction. Therefore, we have included this as an outflow for the purpose of our analysis. We have also subtracted the cash payment of $325,000 to extinguish the debt facility held by the vendor of AF Legal, secured over the business and assets of AF Legal. As stated in Section 1.1, there is also a contingent consideration of $0.5 million in cash payable in two instalments of $0.25 million each, conditional on AF Legal's normalised EBITDA exceeding $1 million in any half yearly period. We have calculated the sum of the present value of these two future payments to be $451,000.

Transaction costs and net subsequent loss

The total for transaction costs and net subsequent loss was obtained by adding:

- Navigator's transaction costs of approximately $350,000 (excluding the break fee)
- Success related fees of approximately $500,000 due to be paid upon completion of the Proposed Transaction
- Navigator's estimated $50,000 loss to completion (refer to Section 7.2).

8.6 Number of shares in Proposed Merged Entity

In our consideration of the number of shares in the Proposed Merged Entity we have included:

- 19.7 million shares currently on issue
- 10.9 million shares to be issued as consideration for AF Legal

The number of shares outstanding post-transaction and after the 20:1 share consolidation is set out in the table below:

Table 21: Shares outstanding post-transaction and post consolidation

Thousands (000)	Post - consolidation
Navigator shares currently on issue	19,661
Shares to be issued as consideration	10,875
Total ordinary shares (pre-capital raising)	**30,536**

Source: Leadenhall analysis

As noted in Section 1.2, Navigator intends to cancel the majority of its existing unlisted options for no consideration and it is anticipated that post the Proposed Transaction, approximately 1.5 million options (post share consolidation) will remain outstanding.

8.7 Capital raising

Subject to the Shareholders' approval and pursuant to a prospectus, Navigator is intending to raise a minimum of $4.0 million and a maximum of $6.5 million through the issue of ordinary shares at $0.20 each. As the Planned Capital Raising is intended to be above our assessed valuation range it would increase our assessed value per share for the Proposed Merged Entity. This would not alter our opinion on the Proposed Transaction.

9 EVALUATION

9.1 Fairness

In order to assess whether the Proposed Transaction is fair we have compared:

- Our assessed fair market value of a Navigator share before the Proposed Transaction on a control basis (i.e. including a control premium); with
- Our assessed fair market value of a share in the Proposed Merged Entity, on a minority interest basis

This comparison is set out below.

Table 22: Assessment of fairness

	Section	Low (cents)	High (cents)	Mid (cents)
Fair market value of a Navigator share before the Proposed Transaction	7.2	3.6	4.8	4.2
Fair market value of a share in the Proposed Merged Entity	8.5	10.8	18.0	14.4

Source: Leadenhall analysis

The Proposed Transaction is fair because the fair market value of a share in the Proposed Merged Entity (i.e. Navigator plus AF Legal after the Proposed Transaction) is greater than the fair market value of a Navigator share before the Proposed Transaction.

9.2 Reasonableness

We have defined the Proposed Transaction as reasonable if it is fair, or if despite not being fair, there are sufficient reasons for Shareholders to vote for the proposal. Whilst the Proposed Transaction is fair, we have also considered the following advantages and disadvantages of the Proposed Transaction to Shareholders.

We have defined the Proposed Transaction as being reasonable if it is fair, or if despite not being fair, the overall advantages of the proposal outweigh its disadvantages to Shareholders. We have therefore considered the advantages and disadvantages to Shareholders of the Proposed Transaction.

Advantages

We have identified the following significant advantages to Shareholders of the Proposed Transaction:

Exposure to a revenue generating business

Navigator has no principal activity following the expiry of its exploration licence. By contrast, if the Proposed Transaction proceeds, Shareholders will have exposure to a profitable business that has the potential to generate significant returns over the next several years if the business is successful.

Increased liquidity

Market trading in Navigator shares is currently suspended. By acquiring AF Legal and successfully completing the Planned Capital Raising, it will facilitate the resumption of trading in Navigator shares. In the absence of the Proposed Transaction, Navigator will not be able to comply with the requirement for re-admission to the ASX.

No transaction costs for Shareholders

If the Proposed Transaction is completed, Shareholders will effectively exit an illiquid position in a company with no material operating business and have exposure to an operating business without having to sell their Navigator shares. Shareholders will avoid transaction costs such as brokerage and potentially capital gains taxation that might apply if they sought alternative ways to achieve a similar result.

Disadvantages

We have identified the following significant disadvantages to Shareholders of the Proposed Transaction:

Significant change in investment risk profile

Investors who acquired Navigator shares for exposure to the mining industry may not wish to hold an investment in the Proposed Merged Entity, which would predominantly be AF Legal's business in the legal services industry. Whilst the AF Legal business would likely provide the potential for increased returns on investment, this exposure may not be desirable for some investors due to individual investment preferences.

Potential further capital requirements and further dilution

AF Legal is still at a growth stage of its development and while it is expected that the Planned Capital Raising will be sufficient to fund its capital requirements, there is a risk that additional funding will be required for growth which may further dilute Shareholders.

Loss of control

If the Proposed Transaction is approved the vendors of AF Legal would acquire effective control of Navigator. This would include the ability to control the assets, the strategic direction of the company, and the decision of when to pay dividends. The vendors of AF Legal may not always act in the best interest of Navigator's other shareholders, subject to compliance with relevant laws and regulations.

Significant transaction costs

Transaction costs of approximately 20% of the purchase consideration for AF Legal are relatively high for transactions of this size. This therefore represents a significant dilution to Shareholders should the Proposed Transaction be approved. We note that a significant portion of these costs relate to the Proposed Capital raising.

Conclusion on reasonableness

As the Proposed Transaction is fair it is also reasonable.

9.3 Opinion

The Proposed Transaction is fair and reasonable to Shareholders.

An individual shareholder's decision in relation to the Proposed Transaction may be influenced by their own circumstances. If in doubt, the shareholder should consult an independent financial adviser.

APPENDIX 1: GLOSSARY

Term	Meaning
ACC	Association of Corporate Counsel
AF Legal	AF Legal Pty Ltd
AIFS	Australian Institute of Family Studies
AIM	Alternative Investment Market
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited
ATO	Australian Taxation Office
CAGR	Compound annual growth rate
Cash Consideration	$2.5 million payable in cash to AF Legal's vendors.
CFME	Capitalisation of future maintainable earnings method
CFO	Chief Financial Officer
Chapter 2E	Chapter 2E of the Corporations Act
Corporations Act	The Corporations Act 2001
Countplus	Countplus Limited
CRM	Customer Relationship Management
DCF	Discounted cash flow method
Deferred Consideration	$0.5 million in cash payable to the vendors of AF Legal in two instalments of $0.25 million each, subject to AF Legal's normalised earnings before interest tax, depreciation and amortisation ("EBITDA") exceeding $1 million in any half yearly period
DOCA	Deed of Company Arrangement
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation
EBITDA	Earnings before interest, tax, depreciation and amortisation
Fair market value	The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arms' length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts
FDR	Family Dispute Resolution
First Pharma	First Pharma Pty Limited
Finn Family Trust	Oscar Churchill Pty Ltd as trustee of the Finn Family Trust
Flip Report	The Future of Law and Innovation in the profession report published by The Law Society of New South Wales
FOS	Financial Ombudsman Service
FRC	Family Relationship Centres
FSG	Financial Services Guide
FY	Financial year
Gateley	Gateley (Holdings) Plc
Gordon Dadds	Gordon Dadds Group Plc
GPE	Gresham Private Equity
IP	Intellectual property
IPH	IPH Limited
Item 7	item 7 of Section 611 of the Corporations Act 2001
Kelly Partners	Kelly Partners Group Holdings Limited
Keystone	Keystone Law Group Plc
km	Kilometres
Leadenhall	Leadenhall Corporate Advisory Pty Ltd

Term	Meaning
Murgitroyd	Murgitroyd Group Plc
Navigator	Navigator Resources Limited
NewLaw	Non-traditional law firms offering alternative business models
NPAT	Net profit after tax
PBT	Profit before tax
Planned Capital Raising	Minimum $4 million public offer of new shares pursuant to a prospectus
PPC	Pay-Per-Click
Prime	Prime Financial Group Limited
Proposed Merged Entity	Combination of Navigator and AF Legal after the Proposed Transaction
Proposed Transaction	Acquisition of 100% of AF legal
P/E	Price to earnings
Qantm	Qantm Intellectual Property Limited
Q1 FY18	First quarter of FY18
Q1 FY19	First quarter of FY19
RG74	Regulatory Guide 74: Acquisitions Approved by Members
RG76	Regulatory Guide 76: Related Party Transactions
RG111	Regulatory Guide 111: Content of Expert Reports
Rosenblatt	Rosenblatt Group Plc
SEO	Search Engine Optimisation
s606	Section 606 of the Corporations Act 2001
s611	Section 611 of the Corporations Act 2001
Share Consideration	10,875,000 ordinary shares in Navigator being offered to the vendors of AF Legal as part of the purchase
Shareholders	Navigator's shareholders
Shine	Shine Corporate Ltd
SPD	Share Purchase Deed dated 18 December 2018 between Navigator, AF Legal and Oscar Churchill as trustee of the Finn Family Trust
SWOT	Strengths, weaknesses, opportunities and threats
UK	United Kingdom
Xenith	Xenith IP Group Limited

APPENDIX 2: VALUATION METHODOLOGIES

In preparing this report we have considered valuation methods commonly used in practice and those recommended by RG 111. These methods include:

- The discounted cash flow method
- The capitalisation of earnings method
- Asset based methods
- Analysis of share market trading
- Industry specific rules of thumb

The selection of an appropriate valuation method to estimate fair market value should be guided by the actual practices adopted by potential acquirers of the company involved.

Discounted Cash Flow Method

Description

Of the various methods noted above, the discounted cash flow method has the strongest theoretical standing. It is also widely used in practice by corporate acquirers and company analysts. The discounted cash flow method estimates the value of a business by discounting expected future cash flows to a present value using an appropriate discount rate. A discounted cash flow valuation requires:

- A forecast of expected future cash flows
- An appropriate discount rate

It is necessary to project cash flows over a suitable period of time (generally regarded as being at least five years) to arrive at the net cash flow in each period. For a finite life project or asset this would need to be done for the life of the project. This can be a difficult exercise requiring a significant number of assumptions such as revenue growth, future margins, capital expenditure requirements, working capital movements and taxation.

The discount rate used represents the risk of achieving the projected future cash flows and the time value of money. The projected future cash flows are then valued in current day terms using the discount rate selected.

The discounted cash flow method is often sensitive to a number of key assumptions such as revenue growth, future margins, capital investment, terminal growth and the discount rate. All of these assumptions can be highly subjective sometimes leading to a valuation conclusion presented as a range that is too wide to be useful.

Use of the Discounted Cash Flow Method

A discounted cash flow approach is usually preferred when valuing:

- Early stage companies or projects
- Limited life assets such as a mine or toll concession
- Companies where significant growth is expected in future cash flows
- Projects with volatile earnings

It may also be preferred if other methods are not suitable, for example if there is a lack of reliable evidence to support a capitalisation of earnings approach. However, it may not be appropriate if:

- Reliable forecasts of cash flow are not available and cannot be determined
- There is an inadequate return on investment, in which case a higher value may be realised by liquidating the assets than through continuing the business

Capitalisation of Earnings Method

Description

The capitalisation of earnings method is a commonly used valuation methodology that involves determining a future maintainable earnings figure for a business and multiplying that figure by an appropriate capitalisation multiple. This methodology is generally considered a short form of a discounted cash flow, where a single representative earnings figure is capitalised, rather than a stream of individual cash flows being discounted. The capitalisation of earnings methodology involves the determination of:

- A level of future maintainable earnings
- An appropriate capitalisation rate or multiple

A multiple can be applied to any of the following measures of earnings:

Revenue – most commonly used for companies that do not make a positive EBITDA or as a cross-check of a valuation conclusion derived using another method.

EBITDA - most appropriate where depreciation distorts earnings, for example in a company that has a significant level of depreciating assets but little ongoing capital expenditure requirement.

EBITA - in most cases EBITA will be more reliable than EBITDA as it takes account of the capital intensity of the business.

EBIT - whilst commonly used in practice, multiples of EBITA are usually more reliable as they remove the impact of amortisation which is a non-cash accounting entry that does not reflect a need for future capital investment (unlike depreciation).

NPAT - relevant in valuing businesses where interest is a major part of the overall earnings of the group (e.g. financial services businesses such as banks).

Multiples of EBITDA, EBITA and EBIT are commonly used to value whole businesses for acquisition purposes where gearing is in the control of the acquirer. In contrast, NPAT (or P/E) multiples are often used for valuing minority interests in a company.

The multiple selected to apply to maintainable earnings reflects expectations about future growth, risk and the time value of money all wrapped up in a single number. Multiples can be derived from three main sources. Using the guideline public company method, market multiples are derived from the trading prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market, such as the ASX. The merger and acquisition method is a method whereby multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business. It is also possible to build a multiple from first principles.

Use of the Capitalisation of Earnings Method

The capitalisation of earnings method is widely used in practice. It is particularly appropriate for valuing companies with a relatively stable historical earnings pattern which is expected to continue. This method is less appropriate for valuing companies or assets if:

- There are no suitable listed company or transaction benchmarks for comparison
- The asset has a limited life
- Future earnings or cash flows are expected to be volatile
- There are negative earnings or the earnings of a business are insufficient to justify a value exceeding the value of the underlying net assets

Asset Based Methods

Description

Asset based valuation methods estimate the value of a company based on the realisable value of its net assets, less its liabilities. There are a number of asset based methods including:

- Orderly realisation
- Liquidation value
- Net assets on a going concern basis
- Replacement cost
- Reproduction cost

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realisation costs.

The asset / cost approach is generally used when the value of the business' assets exceeds the present value of the cash flows expected to be derived from the ongoing business operations, or the nature of the business is to hold or invest in assets. It is important to note that the asset approach may still be the relevant approach even if an asset is making a profit. If an asset is making less than an economic rate of return and there is no realistic prospect of it making an economic return in the foreseeable future, an asset approach would be the most appropriate method.

Use of Asset Based Methods

An asset-based approach is a suitable valuation method when:

- An enterprise is loss making and is not expected to become profitable in the foreseeable future
- Assets are employed profitably but earn less than the cost of capital
- A significant portion of the company's assets are composed of liquid assets or other investments (such as marketable securities and real estate investments)
- It is relatively easy to enter the industry (for example, small machine shops and retail establishments)

Asset based methods are not appropriate if:

- The ownership interest being valued is not a controlling interest, has no ability to cause the sale of the company's assets and the major holders are not planning to sell the company's assets
- A business has (or is expected to have) an adequate return on capital, such that the value of its future income stream exceeds the value of its assets

Analysis of Share Trading

The most recent share trading history provides evidence of the fair market value of the shares in a company where they are publicly traded in an informed and liquid market. There should also be some similarity between the size of the parcel of shares being valued and those being traded. Where a company's shares are publicly traded then an analysis of recent trading prices should be considered, at least as a cross-check to other valuation methods.

Industry Specific Rules of Thumb

Industry specific rules of thumb are used in certain industries. These methods typically involve a multiple of an operating figure such as eyeballs for internet businesses, numbers of beds for hotels etc. These methods are typically fairly crude and are therefore usually only appropriate as a cross-check to a valuation determined using an alternative method.

APPENDIX 3: COMPARABLE COMPANIES

The following company descriptions are extracted from descriptions provided by S&P Capital IQ.

Company	Description
Slater & Gordon	Slater & Gordon, a law firm, operates legal practices in Australia.
Shine	Shine, through its subsidiaries, provides damages based plaintiff litigation legal services in Australia; and insurance recovery consulting services in New Zealand.
Qantm Intellectual Property Limited	QANTM Intellectual Property Limited providing IP services for start-up technology businesses, multinationals, public research institutions, and universities in Australia and internationally.
IPH Limited	IPH Limited, together with its subsidiaries, provides intellectual property (IP) services and products.
Xenith IP Group Limited	Xenith IP Group Limited provides intellectual property (IP) services relating to the identification, registration, management, commercialization, and enforcement of IP rights in Australia and internationally.
Gateley (Holdings) Plc	Gateley (Holdings) Plc provides legal advisory services in the United Kingdom, rest of Europe, the Middle East, North and South America, Asia, and internationally.
Gordon Dadds Group plc	Gordon Dadds Group plc provides acquisitive legal and professional services.
Keystone Law Group plc	Keystone Law Group plc provides legal services in the United Kingdom.
Knights Group Holdings plc	Knights Group Holdings plc provides legal and professional services in the United Kingdom.
Rosenblatt Group Plc	Rosenblatt Group Plc provides various legal services.
Murgitroyd Group PLC	Murgitroyd Group PLC, through its subsidiaries, provides intellectual property advisory services.
Kelly Partners Group Holdings Limited	Kelly Partners Group Holdings Limited provides chartered accounting services to private businesses and clients, and families in Australia.
Countplus Limited	Countplus Limited, together with its subsidiaries, provides accounting, business advisory, and financial planning services in Australia.
Prime Financial Group Limited	Prime Financial Group Limited provides integrated accounting and business advisory, wealth management, and capital advisory services in Australia.

The table below shows the current and forecast EBITDA and EBIT multiples for the comparable companies listed above.

Company	Market Cap (AUD'm)	EBIT growth	EBITDA multiple Current	EBITDA multiple Forecast	EBITDA margin	EBIT multiple Current	EBIT multiple Forecast	EBIT margin
Domestic legal services firms								
Shine Corporate Ltd	152	9%	4.7x	4.4x	21%	5.5x	5.1x	18%
Domestic IP services firms								
Qantm Intellectual Property Limited	173	10%	8.3x	7.6x	19%	8.9x	8.1x	17%
IPH Limited	1,127	8%	13.3x	12.4x	33%	14.2x	13.1x	30%
Xenith IP Group Limited	118	9%	6.1x	5.8x	16%	7.8x	7.2x	12%
Average (domestic IP firms)		**9%**	**9.2x**	**8.6x**	**22%**	**10.3x**	**9.5x**	**20%**
Median (domestic IP firms)		**9%**	**8.3x**	**7.6x**	**19%**	**8.9x**	**8.1x**	**17%**
UK legal services and IP services firms								
Gateley (Holdings) Plc	297	8%	8.8x	8.2x	19%	9.7x	9.0x	17%
Gordon Dadds Group plc	95	22%	8.6x	7.5x	20%	9.9x	8.0x	17%
Keystone Law Group plc	217	12%	25.8x	22.7x	11%	27.7x	24.7x	10%
Knights Group Holdings plc	252	91%	14.8x	11.4x	21%	25.2x	13.2x	17%
Rosenblatt Group Plc	126	9%	8.3x	7.5x	35%	8.4x	7.7x	34%
Murgitroyd Group PLC	102	4%	10.9x	10.5x	10%	11.9x	11.4x	10%
Average (UK firms)		**24%**	**12.9x**	**11.3x**	**19%**	**15.5x**	**12.3x**	**17%**
Median (UK firms)		**11%**	**9.9x**	**9.4x**	**20%**	**10.9x**	**10.2x**	**17%**
Domestic accounting and advisory firms								
Kelly Partners Group Holdings Limited	58	12%	5.1x	4.7x	34%	5.5x	4.9x	32%
Average (overall)		**18%**	**10.4x**	**9.3x**	**22%**	**12.2x**	**10.2x**	**19%**
Median (overall)		**9%**	**8.6x**	**7.6x**	**20%**	**9.7x**	**8.1x**	**17%**

Source: CapitalIQ.
Note: market capitalisation calculated as at 19 October 2018.

APPENDIX 4: COMPARABLE TRANSACTIONS

The table below shows the historical and forecast (where available) EBITDA and EBIT multiples from relevant transactions with publicly available data.

Target	Acquirer	Date	Purchase Consideration		EV/EBITDA multiple [1]				EV/EBIT multiple [1]			
					Historical		Forecast		Historical		Forecast	
			Low ($m)	High ($m)	Low	High	Low	High	Low	High	Low	High
Griffith Hack Group [2]	Xenith IP Group Limited	Nov 16	152	172	10.3x	11.7x	10.3x	11.7x	11.1x	12.5x	n/a	n/a
Watermark Group [3], [4]	Xenith IP Group Limited	Aug 16	16	21	n/a	n/a	5.9x	8.2x	n/a	n/a	n/a	n/a
Cullens Services Pty Ltd [5], [6]	IPH Limited	May 16	36	43	7.6x	9.2x	n/a	n/a	n/a	n/a	n/a	n/a
Sciaccas Lawyers Pty Ltd and Sciaccas Family Lawyers Pty Ltd [7]	Shine Corporate Ltd	Oct 14	9	11	n/a	n/a	4.0x	5.0x	n/a	n/a	n/a	n/a
All States Legal Co Pty Ltd (Nowicki Carbone) [8], [9]	Slater and Gordon Limited	Aug 14	10	45	n/a	n/a	3.5x	4.5x	n/a	n/a	n/a	n/a
Schultz Toomey O'Brien Lawyers [9]	Slater and Gordon Limited	Aug 14	16	19	n/a	n/a	3.5x	4.5x	n/a	n/a	n/a	n/a
Average						**9.7x**		**6.1x**		**11.8x**		**n/a**
Median						**9.7x**		**4.8x**		**11.8x**		**n/a**

Source: Capital IQ, company announcements and annual reports and Leadenhall analysis

Notes:

1. *Multiples calculated based on the enterprise value of the acquired business for the acquisitions of Griffith Hack, Watermark and Cullens. Multiples for the other acquisitions based on the initial consideration and multiple announced by the acquirer.*
2. *The high end of the transaction value includes the earn-out of $20 million.*
3. *The high end of the transaction value includes the maximum earnout of $5.6 million.*
4. *Forecast EBITDA based on announcement made by Xenith.*
5. *The high end of the transaction value includes earnout and deferred consideration*
6. *Historical EBITDA based on announcement made by IPH that the initial consideration of $35.6 million represents 7.9 times FY15 EBITDA. The multiples shown above are calculated based on the enterprise value.*
7. *The announced value of the transaction was $8.75 million (Initial consideration). Based on the company announcement, the Initial consideration represents between 4 to 5 times FY15 EBITDA.*
8. *The amount actually paid was $10 million. Amount at announcement was $45 million including $10 million cash, $ 15 million equity (subject to restraint conditions) and $20 million deferred consideration and earnout.*
9. *Slater & Gordon indicated that the EBITDA acquisition multiples paid for All States Legal Co Pty Ltd and Schultz Toomey O'Brien Lawyers was in the range of 3.5 times to 4.5 times.*

n/a: not available.

APPENDIX 5: QUALIFICATIONS, DECLARATIONS AND CONSENTS

Responsibility and purpose

This report has been prepared for Navigator's shareholders for the purpose of assessing the fairness and reasonableness of the Proposed Transaction. Leadenhall expressly disclaims any liability to any shareholder, or anyone else, whether for our negligence or otherwise, if the report is used for any other purpose or by any other person.

Reliance on information

In preparing this report we relied on the information provided to us by Navigator and AF Legal being complete and accurate and we have assumed it has been prepared in accordance with applicable Accounting Standards and relevant national and state legislation. We have not performed an audit, review or financial due diligence on the information provided. Drafts of our report were issued to Navigator's management and AF Legal's management for confirmation of factual accuracy.

Prospective information

To the extent that this report refers to prospective financial information, we note that the forecasts and projections supplied to us are, by definition, based upon assumptions about events and circumstances that have not yet transpired. Actual results in the future may be different from the prospective financial information of AF Legal referred to in this report and the variation may be material, since anticipated events frequently do not occur as expected. Accordingly, we give no assurance that any forecast results will be achieved. Any future variation between the actual results and the prospective financial information utilised in this report may affect the conclusions included in this report.

Market conditions

Leadenhall's opinion is based on prevailing market, economic and other conditions as at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon the conclusion reached in this report. As a valuation is based upon expectations of future results it involves significant judgement. Although we consider the assumptions used and the conclusions reached in this report are reasonable, other parties may have alternative expectations of the future, which may result in different valuation conclusions. The conclusions reached by other parties may be outside Leadenhall's preferred range.

A substantially complete draft of our report was provided for regulatory review on 21 December 2018. Due to the significant delay between that date and finalisation of this report we have obtained information regarding recent trading performance for Navigator and AFL as well as reviewing movements in market multiples. We did not identify anything in this additional information that would result in a changed opinion.

Indemnities

In recognition that Leadenhall may rely on information provided by Navigator and AF Legal and their officers, employees, agents or advisors, Navigator has agreed that it will not make any claim against Leadenhall to recover any loss or damage which it may suffer as a result of that reliance and that it will indemnify Leadenhall against any liability that arises out of Leadenhall's reliance on the information provided by Navigator and AF Legal and their officers, employees, agents or advisors or the failure by Navigator and AF Legal and their officers, employees, agents or advisors to provide Leadenhall with any material information relating to this report.

Qualifications

The personnel of Leadenhall principally involved in the preparation of this report were Simon Dalgarno, B.Ec, FCA, F.FINSIA, Richard Norris, BA (Hons), FCA, M.App.Fin, F.Fin, Tim Lebbon, FCPA, FAICD, F.FINSIA and Risha Pursem, B.Fin, M.Fin.

This report has been prepared in accordance with "APES 225 – Valuation Services" issued by the Accounting Professional & Ethical Standards Board and is a valuation engagement in accordance with that standard.

Independence

Leadenhall has acted independently of Navigator. Compensation payable to Leadenhall is not contingent on the conclusion, content or future use of this report.