42 Cambridge Street
Collingwood, VIC 3066
1300 338 496

22 December 2023

Dear Shareholder,

General Meeting – Letter to Shareholders

Navalo Financial Services Group Limited ("Navalo" or the "Company") advises that a General Meeting (GM) of Shareholders will be held virtually at 10:00am (AEDT) on Wednesday, 17 January 2024.

In accordance with Part 1.2AA of the *Corporations Act 2001*, the Company will only be dispatching physical copies of the Notice of Meeting (**Notice**) to Shareholders who have elected to receive the Notice in physical form. The Notice is being made available to Shareholders electronically and can be viewed and downloaded online at the following link:

https://www.navalo.com.au/investors/announcements/.

This Notice is given based on circumstances as at the date of this letter. Should circumstances change, the Company will make an announcement on the Company's website at https://www.navalo.com.au/investors/announcements/. Shareholders are urged to monitor the Company's website.

Your vote is important

The business of the Meeting affects your shareholding and your vote is important.

To vote in person, attend the Meeting on the date and at the place set out above.

To vote by proxy please use one of the following methods:

Online	Lodge the Proxy Form online at https://investor.automic.com.au/#/loginsah by following the instructions: Login to the Automic website using the holding details as shown on the Proxy Form. Click on 'View Meetings' – 'Vote'. To use the online lodgement facility, Shareholders will need their holder number (Securityholder Reference Number (SRN)) as shown on the front of the Proxy Form.
By post	Completing the enclosed Proxy Form and posting it to: Automic, GPO Box 5193, Sydney NSW 2001
By hand	Completing the enclosed Proxy Form and delivering it by hand to: Automic, Level 5, 126 Phillip Street, Sydney NSW 2000
By email	Completing the enclosed Proxy Form and emailing it to: meetings@automicgroup.com.au

Your Proxy instruction must be received no later than 10:00am on Monday, 15 January 2024. **Proxy Forms received later than this time will be invalid.**

The Chair intends to vote all open proxies in favour of all resolutions, where permitted.

Yours faithfully

Saara Mistry

General Counsel, Company Secretary

Navalo Financial Services Group Limited
2 Ridge Street, North Sydney, New South Wales 2060
ACN: 605 753 535

https://www.navalo.com.au/

Navalo Financial Services Group Limited

Notice of General Meeting

Explanatory Statement | Proxy Form

17 January 2024

10:00am AEDT

To be conducted as a virtual meeting.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

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Important Information for Shareholders about the General Meeting

This Notice is given based on circumstances as at 22 December 2023. Should circumstances change, the Company will make an announcement on the Company's website at https://www.navalo.com.au/investors/announcements/. Shareholders are advised to monitor the Company's website.

Letter from the IBC Chair

Dear Shareholders,

The board of directors of Navalo Financial Services Group Limited (the **Company**) encloses for your review a Notice of General Meeting containing a resolution for Shareholders to approve the acquisition of all of the issued shares in Metrics Business Finance Holdings Pty Ltd (**MBFH** or **Target**), with the meeting to be held on 17 January 2024.

Following a sustained period of internal consolidation and strategic realignment, the Company's renewed growth focus is expected to deliver improved results for Shareholders. The acquisition of MBFH will assist in meeting the Company's immediate working capital needs, and provide a substantial expansion in lending capabilities as well as a more robust foundation for the business to expand from.

MBFH is a controlled entity of MCH Investment Management Services Pty Ltd as trustee for MCP Credit Trust 1 (**MCH Investment**). MCH Investment is the Company's largest Shareholder, with a shareholding of approximately 85.19% of Shares in the Company.

MBFH provides commercial real estate (**CRE**) and equipment finance (**EF**) solutions to commercial borrowers. MBFH has a loan portfolio of ~$270m, comprising both CRE and EF loans with significant growth opportunities available in market.

Acquisition of MBFH

The Proposed Transaction (as defined in section 1.1 of the Explanatory Statement) involves the acquisition by the Company of all of the issued shares in the Target from the Vendors for a purchase price of $115,000,000[1]. The purchase price will be satisfied by the Company issuing fully paid shares in the Company to the Vendors.

Completion of the Proposed Transaction is subject to a number of conditions precedent, including the Company obtaining the approval of Shareholders. This approval will be sought at the General Meeting of Shareholders to be held on 17 January 2024.

The board of directors of the Company has also commissioned RSM Corporate Australia Pty Ltd as an Independent Expert to report on the Proposed Transaction.

The Independent Expert has concluded that the transaction is not fair but reasonable to the non-associated Shareholders. The "non-associated Shareholders" are those Shareholders who are not associated with MCH Investment and its associates (which includes the Vendors).

The Independent Expert has concluded that the transaction is not fair to the non-associated Shareholders on the basis that the Independent Expert's calculation of the fair value of a share in the Company prior to the transaction is greater than the Independent Expert's calculation of the fair value of a share in the Company immediately after the Proposed Transaction.

The Independent Expert's assessment of the fair value of a share in the Company prior to the Proposed Transaction, and immediately after the Proposed Transaction, is summarised on page 8 of the Independent Expert's Report.

As set out in the Independent Expert's Report, the Independent Expert considers the transaction reasonable to the non-associated Shareholders on the basis that the position of non-associated Shareholders of the Company if the transaction is approved is more advantageous than if the transaction is not approved. A summary of the reasons why the Independent Expert considers

[1] Subject to adjustment in relation to the net tangible assets of the Company as at the Completion Date.

the transaction to be reasonable to the non-associated Shareholders is set out in section 6 of the Explanatory Statement. A copy of the Independent Expert's Report is included in Appendix 2.

Further information about the transaction, including detailed information about MBFH and the potential advantages, disadvantages and the risks to Shareholders relating to the Transaction is set out in the attached Explanatory Statement.

Given the nature of the relationship between MBFH and the majority shareholder of the Company MCH Investment, the board of directors of the Company established an Independent Board Committee (**IBC**) comprising Mr Matthew Pringle and Mr Mark Licciardo. The IBC was supported with advice from independent advisor Mr Peter McCluskey.

The IBC and the Vendors have agreed on a purchase price for the acquisition of the Target based on their assessment of the value that the Target Group will bring to the Company Group, having relied on the work of independent advisers, and having regard to the key benefits of the proposed transaction. The key benefits are expected to include the provision of an immediate cash injection to the Company Group, and the acquisition of a business that has traded profitably in the later months of FY23 and all of FY24 to date. Further information in relation to this is set out in the "Key Questions" section of the Explanatory Statement.

The IBC has concluded that the transaction will be transformative for the Company and is in the best interests of Shareholders. By combining the Company with MBFH, the Company will address its immediate working capital needs, expand its product set, diversify the markets in which it operates, increase the scale of its balance sheet and better position the Company for continued sustainable growth.

The IBC also believes that the benefits and advantages of the transaction outweigh the potential disadvantages and risks of the transaction. The IBC unanimously recommends that Shareholders vote in favour of the transaction.

What do you need to do?

I encourage you to read the Notice of Meeting in full (including the enclosed Independent Expert's Report) before deciding how to vote. I also recommend that you seek advice from an accountant, solicitor or other professional advisor (including in respect of taxation matters).

I also strongly encourage all Shareholders to vote either in person or by proxy. A proxy form is enclosed in the NOM.

On behalf of the board, I would like to take this opportunity to thank you for your continued support of the Company.

Matthew Pringle
Non-Executive Director & Chair of Independent Board Committee
Navalo Financial Services Group Limited

Venue and Voting Information

The General Meeting of the Shareholders to which this Notice of Meeting relates will be held at **10:00am** (AEDT) on **17 January 2024 as a virtual meeting**.

To be able to hold this Meeting as a virtual meeting, the Company is relying upon s249R(c) of the Corporations Act and section 8.2(c) of the Company's constitution.

If you wish to virtually attend the General Meeting (which will be broadcast as a live webinar), please **pre-register** in advance for the virtual meeting here:
https://us02web.zoom.us/webinar/register/WN_sboODxPeS5isEyk67TId-A

After registering, you will receive a confirmation containing information on how to attend the virtual meeting on the day of the General Meeting.

Shareholders will be able to vote (see the "Voting virtually at the Meeting" section of this Notice of Meeting below) and ask questions at the virtual meeting.

Shareholders are also encouraged to submit questions in advance of the Meeting to the Company.

Questions must be submitted in writing to Saara Mistry, Company Secretary, at investors@navalo.com.au at least 48 hours before the Meeting.

The Company will also provide Shareholders with the opportunity to ask questions during the Meeting in respect to the formal items of business as well as general questions in respect to the Company and its business.

Your vote is important

The business of the General Meeting affects your shareholding and your vote is important.

Voting virtually at the Meeting

Shareholders who wish to vote virtually on the day of the Meeting will need to login to the online meeting platform powered by the Share Registry.

Shareholders who do not have an account with Automic are strongly encouraged to register for an account **as soon as possible and well in advance of the Meeting** to avoid any delays on the day of the Meeting. An account can be created via the following link investor.automic.com.au and then clicking on "register" and following the prompts.

Shareholders will require their holder number (Securityholder Reference Number (SRN)) to create an account with the Share Registry.

To access the virtual meeting on the day:

1. Open your internet browser and go to investor.automic.com.au
2. Login with your username and password or click "**register**" if you haven't already created an account. **Shareholders are encouraged to create an account prior to the start of the Meeting to ensure there is no delay in attending the virtual meeting**
3. After logging in, a banner will display at the bottom of your screen to indicate that the meeting is open for registration, click on "**Register**" when this appears. Alternatively, click on "**Meetings**" on the left-hand menu bar to access registration
4. Click on "**Register**" and follow the steps

5. Once the Chair of the Meeting has declared the poll open for voting click on "Refresh" to be taken to the voting screen
6. Select your voting direction and click "confirm" to submit your vote. Note that you cannot amend your vote after it has been submitted

For further information on the live voting process please see the **Registration and Voting Guide** at https://www.automicgroup.com.au/wp-content/uploads/2021/01/Virtual-Meeting-Registration-and-Voting-Shareholder-Guide-V2.pdf

Voting by proxy

A Shareholder who is entitled to attend and vote at the Meeting may appoint a person as the Shareholder's proxy to attend and vote on that Shareholder's behalf.

To vote by proxy, please use one of the following methods:

Online	Lodge the Proxy Form online at https://investor.automic.com.au/#/loginsah by following the instructions: Login to the Automic website using the holding details as shown on the Proxy Form. Click on 'View Meetings' – 'Vote'. To use the online lodgement facility, Shareholders will need their holder number (Securityholder Reference Number (SRN)) as shown on the front of the Proxy Form. For further information on the online proxy lodgement process please see the **Online Proxy Lodgement Guide** at https://www.automicgroup.com.au/wp-content/uploads/2020/09/Online-Proxy-Lodgment-web.pdf
By post	Complete the enclosed Proxy Form and post it to: Automic, GPO Box 5193, Sydney NSW 2001
By hand	Complete the enclosed Proxy Form and deliver it by hand to: Automic, Level 5, 126 Phillip Street, Sydney NSW 2000
By email	Complete the enclosed Proxy Form and email it to: meetings@automicgroup.com.au

Your Proxy instruction must be received not later than 48 hours before the commencement of the Meeting. **Proxy Forms received later than this time will be invalid.**

If you appoint the Chair as your proxy, or the Chair is appointed your proxy by default, and the proxy form does not specify whether to vote "For", "Against" or "Abstain", your appointment will be taken as a direction to the Chair to vote in accordance with his or her stated voting intention, which is to vote in favour of the Resolution.

Shareholders have the ability to appoint the Chair as their proxy and to direct that he or she vote contrary to the Chair's stated voting intention or to abstain from voting on a particular Resolution.

Power of Attorney

If the proxy form is signed under a power of attorney on behalf of a shareholder, then the attorney must make sure that either the original power of attorney or a certified copy is sent with the proxy form, unless the power of attorney has already been provided to the Share Registry.

Corporate Representatives

If a representative of a corporate shareholder or a corporate proxy will be attending the Meeting, the representative should provide the Share Registry with adequate evidence of their appointment, unless this has previously been provided to the Share Registry.

Enquiries

Shareholders are asked to contact the Company Secretary, Saara Mistry, at investors@navalo.com.au if they have any queries in respect of the matters set out in these documents.

Notice of Meeting

Notice is hereby given that a General Meeting of Shareholders of Navalo Financial Services Group Limited ACN 605 753 535 will be held at **10:00am** (AEDT) on **17 January 2024** as a **virtual meeting**.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Meeting. The Explanatory Statement and the Proxy Form form part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at **10.00am** (AEDT) on **15 January 2024**.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

Agenda

Resolutions

1. **Resolution 1** – Approval of transaction and issue of shares

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

"That, for the purposes of item 7 of section 611 of the Corporations Act, section 208 of the Corporations Act and for all other purposes, approval is given for:

*(a) Navalo Commercial Finance Pty Ltd, a subsidiary of the Company, to acquire all of the issued share capital in Metrics Business Finance Holdings Pty Ltd ACN 638 490 776 (**Target**); and*

(b) to the issue to, and acquisition by:

*a. Metrics Business Finance Group Pty Ltd of 24,560,186 fully paid ordinary shares in the capital of the Company (**Shares**);*
b. Creighton Pty Ltd as trustee of the Creighton Discretionary Trust of 1,539,874 Shares;
c. Alexandria Investments Pty Ltd as trustee of the Alexandria Investment Trust of 1,539,874 Shares;
d. Predebon Investments Pty Ltd as trustee of the Predebon Investment Trust of 1,539,874 Shares; and
e. Perpetual Corporate Trustee Limited as trustee of the Metrics S Partnership Trust of 1,620,920 Shares,

as consideration for the acquisition of their shares in the Target, and the resulting increase in the voting power in the Company of MCH Investment and its associates,

on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

BY ORDER OF THE BOARD

Saara Mistry
General Counsel, Company Secretary

Explanatory Statement

This Explanatory Statement has been prepared for the information of Shareholders in connection with the business to be conducted at the General Meeting to be held at **10:00am** (AEDT) on **17 January 2024**.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolution in the Notice of Meeting.

If you are in any doubt about what to do in relation to the Resolution contemplated in the Notice of Meeting and this Explanatory Statement, it is recommended that you seek advice from an accountant, solicitor or other professional advisor.

Full details of the business to be considered at the Meeting are set out below.

Key Questions

This section answers some key questions that Shareholders may have about the Proposed Transaction. It is not intended to address all relevant issues for Shareholders. This section should be read together with all other parts of the Notice of Meeting and Explanatory Statement.

Question	Answer	More information
Why have I received this Explanatory Statement?	The information set out in this Explanatory Statement will assist Shareholders in deciding how to vote on the Resolution to approve the Proposed Transaction.	N/A
What is the Proposed Transaction?	The Company (through one of its subsidiaries, Navalo Commercial Finance Pty Ltd) is proposing to acquire the Metrics Business Finance Group business (**MBF Business**) through an acquisition of all of the shares in Metrics Business Finance Holdings Pty Ltd from its shareholders, the Vendors.	Section 1.1
What is the purchase price for the MBF Business?	The purchase price for the acquisition of the MBF Business is $115,000,000, subject to adjustment in relation to the net tangible assets of the Company as at the completion date. Please refer to Table 1 in Section 4.1 for further information in relation to the proposed net tangible asset adjustment. The purchase price will be satisfied by the Company issuing fully paid ordinary shares to the Vendors. The price per share attributable to the shares to be issued to the Vendors will be $3.5474 (rounded to 4 decimal places).	Sections 6 and 7.

Question	Answer	More information
	The Independent Board Committee and the Vendors have agreed on the purchase price for the Target Group based on their assessment of the value of the Target Group, having relied on the work of independent advisors, as well as the value of the Merged Group on completion of the Proposed Transaction. In particular, in determining the purchase price for the Target Group, the Independent Board Committee has had regard to a number of key benefits that the Proposed Transaction will bring to the Company Group, including: • the acquisition of the Target Group will expand and diversify the portfolio of lending products provided by the Company Group across the CRE and EF industries; • if the Proposed Transaction does not proceed and a suitable alternative does not eventuate, the Company will be required to raise equity capital within 30 to 60 days to maintain its solvency. If a capital raising cannot be completed, there is a significant risk that the Company would be insolvent and unable to meet its obligations as and when they fall due; • the acquisition of the Target Group will provide an immediate cash injection to the Company Group, which will assist in enabling the Company to meet its working capital needs; • the Proposed Transaction would see an increase in total gross assets under management of 146%, allowing the Merged Group to potentially access more efficient capital sources, broaden the product offering and over time leverage operational capabilities and resources which will benefit the group as a whole; • the Target Group's differentiated originations network and client base present exciting origination opportunities for the Company to provide consumer products to directors and associates of the Target Group's corporate borrowers; and • the Company is currently loss-making and unlikely to become cashflow positive in the near	

Question	Answer	More information
	term. The Target Group has traded profitably in the later months of FY23 and all of FY24 to date. As such, if the Target Group continues to trade profitably, it will provide much needed working capital support to the Company Group. A summary of the key benefits of the Proposed Transaction that support the Independent Board Committee's determination of the purchase price of the Target Group is set out in Sections 6 and 7.	
Why are Shareholders being asked to approve the Proposed Transaction?	Some of the Vendors are associated with the Company's current largest shareholder MCH Investment Management Services Pty Ltd as trustee for MCP Credit Trust 1 (**MCH Investment**). As a result of the share issues to those associated Vendors, after the Proposed Transaction is implemented, MCH Investment and the associated Vendors will together hold approximately 93.26% of shares on issue in the Company. Additionally, one of the Vendors associated with MCH Investment, being Metrics Business Finance Group Pty Ltd, is a related party of the Company as that term is defined in section 228 of the *Corporations Act 2001* (Cth) (**Corporations Act**). Under the Corporations Act: • a person must not acquire a relevant interest in an unlisted company with more than 50 shareholders if, as a result of that acquisition, any person's voting power increases from a starting point that is above 20% and below 90% unless an exception applies (in this case, the shareholder approval exception under item 7 of section 611); and • a public company must not give a financial benefit to a related party unless, among other things, the giving of the financial benefit is approved by shareholders (section 208). The Company is seeking shareholder approval for the purposes of item 7 of section 611 of the Corporations Act and section 208 of the Corporations Act.	Section 1.11

Question	Answer	More information
Who are the Vendors?	The Vendors are: (a) Metrics Business Finance Group Pty Ltd; (b) Creighton Pty Ltd as trustee for Creighton Discretionary Trust; (c) Alexandria Investments Pty Ltd as trustee for Alexandria Investments Trust; (d) Predebon Investments Pty Ltd as trustee for Predebon Investment Trust; (e) Perpetual Corporate Trustee Limited as trustee for Metrics S Partnership Trust; and (f) RLS Network Holdings Pty Ltd as trustee for Spano IAM Trust. Metrics Business Finance Group Pty Ltd is associated with the Company's largest shareholder, MCH Investment Management Services Pty Ltd as trustee for MCP Credit Trust 1. For good governance reasons, for the purposes of calculating MCH Investment's voting power in the Company, the Company has also decided to treat the Vendors specified in paragraphs (b) to (e) above (the Management Shareholders and MSPT) as associates of MCH Investment and to seek shareholder approval of the acquisition of Shares by them. Creighton Pty Ltd as trustee for Creighton Discretionary Trust is an entity owned and controlled by the Company's interim Chief Executive Officer, Stewart Creighton. Alexandria Investments Pty Ltd as trustee for Alexandria Investments Trust is an entity owned and controlled by the Company's interim Chief Financial Officer, Tom Kellaway. Predebon Investments Pty Ltd as trustee for Prebedon Investment Trust is an entity owned and controlled by Max Predebon, a Managing Director of MBF.	Section 1.6
Will MCH Investment, alone or with	As a result of the Proposed Transaction, immediately after Completion, MCH Investment together with MBFG, the Management Shareholders and MSPT will hold	Section 4.2

Question	Answer	More information
other parties, be entitled to compulsorily acquire the remaining securities in the Company after Completion?	more than 90% of the issued voting shares in the Company. However, they will not have the power to compulsorily acquire the remaining shares on issue in the Company, or to acquire all of the securities in every class of shares or securities convertible into shares in the Company, under the compulsory acquisition power in sections 664A(1) or 664A(2) of the Corporations Act. This is because none of the above mentioned entities will hold, either individually or together with any of their related bodies corporate, the full beneficial interest in 90% or more of securities (by number) in a class, or 90% or more of the voting power in the Company together with full beneficial interest in 90% or more of all the securities (by value) in the Company that are either shares or convertible into shares.	
What is the MBF Business?	The MBF Business currently offers Commercial Real Estate (**CRE**) and Equipment Finance solutions to small and medium enterprise borrowers. The MBF Business' CRE offering extends across a number of real estate verticals including pre-development, construction, residual stock and investment facilities.	Section 1.2
What will the merged business of the Company be after completion of the Proposed Transaction?	After completion of the Proposed Transaction, the Company's business will expand to become a multi-product lending platform, combining both the consumer products currently offered by the Company together with the commercial property and equipment financing products offered by the MBF Business.	Section 1.5
What are the conditions to completion of the Proposed Transaction?	Completion of the Proposed Transaction is conditional upon: • the parties obtaining all necessary approvals under certain material contracts of the Company (and its subsidiaries) and the Target Group in relation to the change in control of the Company and Metrics Business Finance Holdings Pty Ltd; and	Section 4.1

Question	Answer	More information
	• the Shareholders passing the Resolution as an Ordinary Resolution.	
Who is the Independent Expert?	The Independent Board Committee, on behalf of the Company, has engaged RSM Corporate Australia Pty Ltd to prepare the Independent Expert's Report to assist the non-associated Shareholders in deciding how to vote on the Resolution.	Section 6
What has the Independent Expert said about the Proposed Transaction?	The Independent Expert has concluded that the Proposed Transaction is not fair but reasonable to Shareholders. Specifically, the Independent Expert considers the Proposed Transaction to be: (a) not fair to the non-associated Shareholders on the basis that the Independent Expert's calculation of the fair value of the Shares on a per share basis prior to the Proposed Transaction is greater than the Independent Expert's calculation of the fair value of the Shares on a per share basis immediately after the Proposed Transaction; and (b) reasonable, on the basis that the position of non-associated Shareholders of the Company if the Proposed Transaction is approved is more advantageous than if the Proposed Transaction is not approved. The Independent Expert has also provided Shareholders with a summary of key advantages and disadvantages associated with the Proposed Transaction, which are summarised on page 10 of the Independent Expert's Report and in section 6 of this Explanatory Statement. The Independent Expert's assessment of the fair value of a share in the Company prior to the Proposed Transaction, and immediately after the Proposed Transaction is summarised on page 8 of the Independent Expert's Report. The Independent Expert's assessment of the fair value of the Company (pre and post the Proposed	Section 6. Please also see Appendix 2 for a full copy of the Independent Expert's Report.

Question	Answer	More information
	Transaction), the Target and the Merged Group are set out in sections 6 -8 of the Independent Expert's Report.	
Why does the Independent Expert's valuation of the Target differ from the proposed purchase price?	As set out in section 5.3 of the Independent Expert's Report, the Independent Expert is required to determine a valuation methodology that it considers appropriate having regard to the requirements of ASIC Regulatory Guide 111 *Content of expert reports* (**RG 111**). RG 111 also imposes certain requirements on the Independent Expert in relation to the preparation of its report, including that the expert should not include prospective financial information in its report unless there are reasonable grounds for the prospective financial information. As noted elsewhere in this Explanatory Statement, the Independent Board Committee and the Vendors have agreed on the purchase price for the Target Group based on their assessment of the value of the Target Group, having relied on the work of independent advisors, as well as the value of the Merged Group on completion of the Proposed Transaction. In doing so, they have had regard to a number of key benefits of the Proposed Transaction for the Company Group, as summarised in Sections 6 and 7. In agreeing to the purchase price for the Proposed Transaction, the members of the Company's Independent Board Committee have carefully considered the matters set out in the Independent Expert's Report. Having regard to those matters, as well as the key benefits that the members of the Independent Board Committee expect will arise for the Company as a result of the Proposed Transaction and the strategic value that the Target Group will bring to the Company Group, the members of the Independent Board Committee consider that the proposed purchase price for the Target is reasonable in the circumstances.	Sections 5.3 and 7 of Appendix 2 (Independent Expert's Report)
When will completion of the Proposed Transaction take place?	The Company expects completion of the Proposed Transaction to occur on or around 31 January 2024, subject to the conditions to completion of the Proposed Transaction being satisfied or waived in accordance with the terms of the Transaction Documents.	Section 4.1

Question	Answer	More information
What is the Independent Board Committee?	As at the date of this Notice, the board of directors of the Company is comprised of: • Allan Griffiths (Chair); • Andrew Lockhart (non-executive director); • Mark Licciardo (independent non-executive director); and • Matthew Pringle (independent non-executive director). It is anticipated that, following the date of this Notice, Allan Griffiths will step down from the role of Chair (while remaining as a Director of the Company) and Andrew Lockhart will be appointed as the Chair of the Board. For the reasons set out in this Explanatory Statement, each of Andrew Lockhart and Allan Griffiths have a material personal interest in the outcome of the Resolution. Having regard to the interests of Mr Lockhart and Mr Griffiths, the Board has established an independent board committee comprised of independent non-executive directors Mark Licciardo and Matthew Pringle to ensure independent consideration of the Proposed Transaction.	Section 5
Does the Independent Board Committee recommend Shareholders vote in favour of the Proposed Transaction?	The Independent Board Committee unanimously recommends that Shareholders vote in favour of the Resolution.	Section 7
Why does the Independent Board Committee recommend	The Independent Board Committee's reasons for recommending Shareholders vote in favour of the Proposed Transaction and the key benefits of the Proposed Transaction include the following:	Section 7

Question	Answer	More information
that Shareholders vote in favour of the Proposed Transaction and what are the key benefits of the Proposed Transaction?	• the Company is currently loss-making and unlikely to become cashflow positive in the near term. The acquisition of the Target Group will provide an immediate cash injection to the Group, which will assist in enabling the Company to meet its working capital needs; • if the Proposed Transaction does not proceed and a suitable alternative does not eventuate, the Company will be required to raise equity capital within 30 to 60 days to maintain its solvency. If a capital raising cannot be completed, there is a significant risk that the Company would be insolvent and unable to meet its obligations as and when they fall due; • as a single product lender, the Company Group is vulnerable to industry challenges such as congestion and regulatory challenges. These challenges create additional headwinds for the Company Group in its current form, such as being unable to aggressively scale, secure material and cost effective capital and realise operational efficiencies available to a more product diverse lender. The Proposed Transaction would see an increase in total gross assets under management of 146%[2], allowing the Merged Group to potentially access more efficient capital sources, broaden the product offering and over time leverage operational capabilities and resources which will benefit the group as a whole; • as noted above, the Company remains loss making and is unlikely to become cashflow positive in its own right within the next 12 months. The Target Group has recently begun to trade profitably and would be able to provide working capital support to the group, reducing the need for further capital injections and/or working capital debt; • the Target Group's differentiated originations network and client base present exciting origination opportunities for the Company	

[2] Based on the total assets reported by the Company and the Target Group for the period ended 30 June 2023

Question	Answer	More information
	Group to provide consumer products to directors and associates of the Target Group's corporate borrowers; and • potential operational and staffing synergies post completion of the acquisition present opportunities to improve operational and cost efficiencies for the Merged Group through shared service functionalities that would otherwise be borne separately by the Company Group and the Target Group.	
What are the key risks associated with the Proposed Transaction going ahead?	If the Proposed Transaction proceeds, Shareholders may be exposed to several risks, including: • the dilutive effect of the issue of the Consideration Shares on existing Shareholders; • integration risk; and • market and credit risks relating to the commercial real estate and equipment finance lending sectors.	Section 1.10
What happens if the Proposed Transaction is not approved?	The Company remains loss making and is forecast to continue to trade unprofitably for at least 12 months on a standalone basis. If the Proposed Transaction is not approved, the Company would require further capital to ensure its solvency within the next 30 to 60 days, noting the Company Group's warehouse funding structure may be impacted by reduced working capital levels. As noted in this document, the Target Group has traded in a cashflow positive manner over the past few months. If it continues to do so, on a consolidated basis, this would significantly reduce the cashflow pressures on the Company Group on a post-acquisition basis. If Shareholders do not approve the Resolution and the Proposed Transaction does not proceed, it is likely that: • the Company will be required to conduct an immediate capital raising in order to fund the business' working capital requirements. Further capital raises would also likely be required in the future;	Section 4.2

Question	Answer	More information
	• the proposed capital raising would be on the basis that the Company continues to trade as a single product, unlisted business, with limited pathway to cashflow positive trading in the immediate future; and • the support of Shareholders (and in particular the Company's majority shareholder, MCH Investment) would largely be required to ensure that the Company Group's working capital needs were met. If MCH Investment agrees to provide support to the Company by participating in and/or underwriting a further capital raising (which is not guaranteed), then it is possible that MCH Investment's shareholding in the Company will increase to above 90%. This will mean that MCH Investment will be entitled to compulsorily acquire the remaining shares on issue in the Company.	
What are the taxation implications for Shareholders arising from the Proposed Transaction?	Taxation implications of the implementation of the Proposed Transaction will vary depending on the particular circumstances of individual shareholders. Shareholders are advised to obtain their own professional taxation advice before making a decision on how to vote in relation to the Proposed Transaction. The Vendors are expected to be eligible to choose to obtain rollover relief in respect of any gain they make on disposal of the Sale Shares to the extent the consideration they receive is Consideration Shares. Where rollover is obtained, the Proposed Transaction should not be taxable to the Vendors, with any potential tax liability effectively deferred until there is a disposal of the Consideration Shares. Upon completion of the Proposed Transaction, the Target is expected to join the Company's tax consolidated group. This means that the Target will be treated as forming part of the Company for the purposes of calculation and payment of income tax. To the extent rollover relief is chosen by the Vendors, the Company should inherit the Vendor's tax cost in the Target shares. The inherited tax cost will be used to recalculate the tax cost of certain underlying assets of the Target, which could then determine any tax implications to the Company upon the subsequent holding or disposal of these assets.	N/A
Further questions	If you have any questions in respect of the matters set out in the Notice of Meeting, you may contact the	N/A

Question	Answer	More information
	Company's company secretary, Saara Mistry, at investors@navalo.com.au.	

Agenda

Resolution 1 – Approval of transaction and issue of shares

1 Background

1.1 Proposed Transaction

The Company and its subsidiary Navalo Commercial Finance Pty Ltd have entered into a conditional share sale deed (**SSD**) with the Vendors in relation to:

(a) the acquisition by Navalo Commercial Finance Pty Ltd of all of the issued share capital of Metrics Business Finance Holdings Pty Ltd, being 12,959,779 fully paid ordinary shares (**Sale Shares**) from the Vendors; and

(b) the issue by the Company of 32,418,407 fully paid ordinary shares in the capital of the Company (**Consideration Shares**) in aggregate to the Vendors, in consideration for the Sale Shares,

(**Proposed Transaction**).

1.2 Target Group

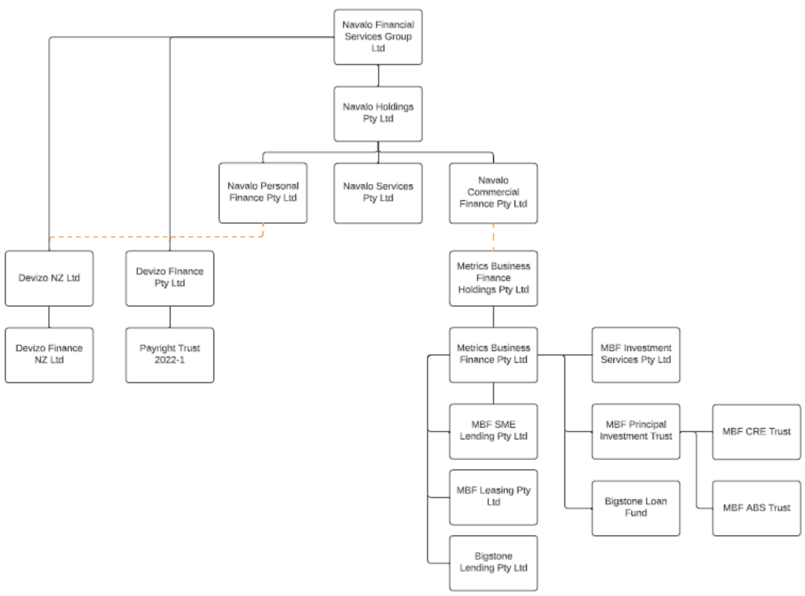
As at the date of this Notice, the Target:

(a) directly owns 100% of the issued share capital of Metrics Business Finance Pty Ltd; and

(b) indirectly owns 100% of the issued equity in a number of entities which form part of the business conducted by the Target Group as shown in the below diagram,

(together with the Target, the **Target Group**).

A diagram of the proposed structure of the Company's group on completion of the Proposed Transaction is set out below.



The solid black lines on the above diagram depict the existing group structure of the Company and Target Group. The dotted lines shows the intended Company Group structure following completion of the Proposed Transaction showing the ownership by Navalo Commercial Finance Pty Ltd of the shares in the Target and the reorganisation of some of the Company member group entities.

1.3 The Target Group's business

The Proposed Transaction aims to bring together the existing consumer focused lending business operated by the Company, with the commercial real estate and equipment finance lending products offered by the Target Group.

Metrics Credit Holdings Pty Ltd (**MCH**) and its subsidiaries (together, the **Metrics Group**) is Australia's largest non-bank corporate lender. It was incorporated in 2011 and established its initial fund in 2013. The Metrics Group now employs more than 120 people with representation in Sydney, Melbourne, Brisbane, Perth, Auckland, London and Ireland. The Metrics Group currently manages in excess of A$15 billion invested across a portfolio of loans from A$10 million plus in corporate, project finance, leveraged finance and property finance.

Established by the Metrics Group in late 2021 with the acquisition of Bigstone Capital Pty Ltd (renamed post-acquisition to Metrics Business Finance Pty Ltd), the Target Group was created to complement the Metrics Group's established corporate loan offering and provide targeted lending solutions to borrowers in the SME non-bank lending market.

The Target Group currently offers Commercial Real Estate (**CRE**) and Equipment Finance (**EF**) solutions to SME borrowers. The Target Group's CRE offering extends across a number of real estate verticals including pre-development, construction, residual stock and investment facilities.

To date, the majority of the CRE loans written by the Target Group have been for existing clients of the Metrics Group. This reduces the risk profile of the loans as the clients typically have a known repayment history and track record. It also reduces the cost of acquisition and should facilitate accelerated origination growth for the Company. The Target Group's EF solutions provide fixed term facilities to SME borrowers, secured by serialised equipment, typically purchased from a reputable equipment/vehicle vendor.

Utilising a broad network of commercial finance brokers as well as a team of experienced lending professionals, the Target Group has grown its commercial loan assets under management to ~$260m across both CRE and EF lending products. The Target Group has leveraged the strong market reputation of the Metrics Group to source direct clientele, as well as working with specialised property solutions agents. The Target Group has a further network of some 170 certified loan introducers specialising in EF who provide the majority of the volume of EF loan originations.

The Target Group generates the majority of its income through the net interest margin arbitrage between interest rates applied to customer borrowings and the Target Group's cost of funds. In the case of the CRE lending portfolio, establishment and other settlement fees provide material net profit contributions of between 1-3% per transaction to enhance the overall transaction returns.

The Target Group's commercial offerings are targeted at the non-bank lending market, specialising in products that have traditionally been under serviced by major lending institutions. The EF market, while mature, has considerable annual volumes and is experiencing consolidation and change due to changing interest rates and broader macro-economic conditions. The Target Group has been able to leverage the expertise, networks and resources of the Metrics Group in its early stages which has brought forward its profit breakeven point by enabling the Target Group to provide funding solutions in a less competitive segment of the market.

The Target Group has a largely stable cost base, with a scalable work force which allows the business to trade profitably on very low loan volumes. This has allowed the Target Group's business to reach a profitable trading position within 12 months of launching its first lending product to the market.

1.4 Market outlook

Globally, there is a trend towards growth rates in non-bank financial institutions (**NBFIs**) outpacing that of authorised deposit-taking institutions (**Banks**) and the market share of NBFIs for financial assets in Australia is well below that of global peers.[3]

A structural shift is currently taking place in the Australian lending market, with agile non-Bank lenders gaining share on major Banks that are dealing with regulatory burdens imposed after the Global Financial Crisis and the Hayne Royal Commission.

With heightened scrutiny and regulatory interference, Banks are looking to streamline their offering and homogenise products and processes to reduce complexity in their business. With the need to invest in legacy core systems, greater capital requirements and a strategic imperative to simplify processes, Banks are demonstrating a reluctance to offer bespoke solutions for clients. As such, NBFIs have the opportunity to take advantage of the opening in this segment of the lending market.

The Company Group and the Target Group (together, the **Merged Group**) will combine the CRE and EF lending business units of Australia's largest non-bank corporate loans fund manager (the Metrics Group) with an established commercial and consumer non-banking financial institution (the Company Group). This will assist the Merged Group in scaling the business during a period of growth in the market where other non-banking financial institutions have been challenged.

1.5 The Merged Group

The Merged Group will be a multi-product lending platform, offering commercial and consumer finance solutions to Australian borrowers.

[3] See: *Global Monitoring Report on Non-Bank Financial Intermediation*, Financial Stability Board, 20 December 2022 and *Shadow Banking – International and Domestic Developments,* Josef Manalo, Kate McLoughlin and Carl Schwartz, Reserve Bank of Australia Bulletin – March 2015, 19 March 2015

The Merged Group will seek to enable broad vertical product integration across existing and pipeline lending products. Strong credit assessment procedures and policies will assist in ensuring lending is conducted in a sustainable manner.

The Merged Group's anticipated product suite on completion of the Proposed Transaction will include:

Lending Product	**Key Features**
Commercial Real Estate	• Commercial only product (not available to consumers) • Variable rate solution reducing the impact of interest rate risks • Available across a host of transaction types including investment, transitional, residual stock and development loans • Wide range of underlying property classes including residential, industrial and commercial
Commercial Construction	• Commercial only product • Designed to support known sponsor developers with identifiable track record • Provides strong vertical integration link to support financing lifecycle of property purchase, through construction and into residual stock loans • Wide range of underlying property classes including residential, industrial and commercial
Equipment Finance	• Commercial only product • Targeting primary and secondary assets being purchased by seasoned business owners • Highly diverse portfolio of nationwide business owners • Specific security charges over assets financed, secured on the Personal Property Securities Register
Buy Now-Pay Later (**BNPL**)	• Consumer product sold through network of accredited merchants • Strong expansion capabilities, with potential upside available through broadcast regulatory changes • Medium sized loans with regular repayments at low cost and interest free provide customer certainty and simplicity
Consumer Loans	• Interest bearing products available to consumers through accredited merchants at a higher price point and loan term than BNPL • Higher margin returns, with more flexible promotional periods to support origination growth

The Merged Group will utilise experienced lending professionals as well as technology enabled platforms to create an enhanced user experience, encouraging repeat business and high levels of customer advocacy.

The Merged Group will benefit from robust technology platforms that are expected to have minimal impact on transitional lending activities, while ensuring broader cross sell opportunities across the consumer and commercial client base.

1.6 Vendors

The Sale Shares are owned by the parties set out in the table below (**Vendors**).

A summary of each Vendor's relationship to the Company's largest shareholder, MCH Investment, is also set out in the table below.

MCH Investment is a wholly-owned subsidiary of MCH.

Vendor	No. of Sale Shares	Relationship to MCH Investment
Metrics Business Finance Group Pty Ltd ACN 638 489 791 (**MBFG**)	9,818,254	Wholly owned subsidiary of MCH, the holding company of MCH Investment.
RLS Network Holdings Pty Ltd ACN 607 169 595 as trustee for Spano IAM Trust	646,768	None
Creighton Pty Ltd ACN 604 939 693 as trustee for Creighton Discretionary Trust[4]	615,590	Controlled by Stuart Creighton, the interim CEO of the Company who is employed by MCH Corporate Services a wholly owned subsidiary of MCH, the holding company of MCH Investment. MBFG, a wholly owned subsidiary of MCH, the holding company of MCH Investment, has also lent funds to Creighton Pty Ltd as trustee for the Creighton Discretionary Trust and taken security over the Sale Shares held by Creighton Pty Ltd as

[4] Creighton Pty Ltd as trustee for Creighton Discretionary Trust is an entity that is owned and controlled by Stewart Creighton, the interim CEO of the Company. Stewart Creighton is not on the board of directors of the Company and therefore is not a related party by virtue of being a director of the Company.

Vendor	No. of Sale Shares	Relationship to MCH Investment
		trustee for the Creighton Discretionary Trust
Alexandria Investments Pty Ltd ACN 614 401 562 as trustee for Alexandria Investments Trust [5]	615,589	Controlled by Thomas Kellaway, the interim CFO of the Company who is employed by MCH Corporate Services, a wholly owned subsidiary of MCH, the holding company of MCH Investment. MBFG, a wholly owned subsidiary of MCH, the holding company of MCH Investment, has also lent funds to Alexandria Investments Pty Ltd as trustee for the Alexandria Investments Trust and taken security over the Sale Shares held by Alexandria Investments Pty Ltd as trustee for the Alexandria Investments Trust.
Predebon Investments Pty Ltd ACN 652 395 241 as trustee for Predebon Investment Trust	615,589	Controlled by Max Predebon, a managing director of Metrics Business Finance Pty Ltd who is employed by MCH Corporate Services a wholly owned subsidiary of MCH the holding company of MCH Investment. MBFG a wholly owned subsidiary of MCH the holding company of MCH Investment has also lent funds to Predebon Investments Pty Ltd as trustee for the Predebon Investment Trust and taken security over the Sale Shares held by Predebon Investments Pty Ltd as trustee for the Predebon Investment Trust

[5] Alexandria Investments Pty Ltd as trustee for Alexandria Investments Trust is an entity that is owned and controlled by Thomas Kellaway, the interim CFO of the Company. Thomas Kellaway is not on the board of directors of the Company and therefore is not a related party by virtue of being a director of the Company.

Vendor	No. of Sale Shares	Relationship to MCH Investment
Perpetual Corporate Trustee Limited ACN 000 341 533 as trustee for Metrics S Partnership Trust	647,989	Metrics Credit Partners Pty Ltd (**MCP**), a wholly owned subsidiary of MCH , the holding company of MCH Investment is appointed as the investment manager of Metrics S Partnership Trust
Total:	12,959,779	

For the purposes of item 7 of section 611 of the Corporations Act, MBFG is an associate of MCH Investment as each is a wholly owned subsidiary of, and controlled by, MCH.

MBFG will acquire a relevant interest in the Consideration Shares which are issued to the Management Shareholders because those Management Shareholders will be granting security over those Shares to MBFG to secure obligations under the loans (noted above) that were previously made by MBFG to the Management Shareholders (which were previously secured over Shares in the Target).

For good governance reasons the Company has also decided to treat as an associate of MCH Investment:

(a) MSPT, as MCP is the investment manager for the Metrics S Partnership Trust, and MCP is wholly owned by MCH the holding company of MCH Investment; and

(b) each of the Management Shareholders given employment, borrowing and other relationships between them.

For the purposes of section 228 of the Corporations Act, MBFG is a related party of the Company as the Company is controlled by MCH and MBFG is also controlled by MCH (but not controlled by the Company).

1.7 Consideration Shares

The following table sets out the number of Consideration Shares that each Vendor will receive in consideration for the sale of its respective Sale Shares under the SSD and their post-Completion respective shareholding in the Company:

Vendor	No. of Consideration Shares	Percentage shareholding in the Company after Completion
Metrics Business Finance Group Pty Ltd ACN 638 489 791	24,560,186	62.23%

Vendor	No. of Consideration Shares	Percentage shareholding in the Company after Completion
RLS Network Holdings Pty Ltd ACN 607 169 595 as trustee for Spano IAM Trust	1,617,679	4.10%
Creighton Pty Ltd ACN 604 939 693 as trustee for Creighton Discretionary Trust	1,539,874	3.90%
Alexandria Investments Pty Ltd ACN 614 401 562 as trustee for Alexandria Investment Trust	1,539,874	3.90%
Predebon Investments Pty Ltd ACN 652 395 241 as trustee for Predebon Investment Trust	1,539,874	3.90%
Perpetual Corporate Trustee Limited ACN 000 341 533 as trustee for Metrics S Partnership Trust	1,620,920	4.11%
Total:	32,418,407	82.14%

In addition to the Consideration Shares held by MBFG after Completion, MBFG will have a relevant interest in the 4,619,622 Consideration Shares which are issued to the Management Shareholders because those Management Shareholders will grant security over those Shares to MBFG to secure obligations under loans previously made by MBFG to the Management Shareholders (which were previously secured over Shares in the Target). MBFG will therefore have a relevant interest in 73.94% of the issued Shares after Completion.

1.8 Financial effect of Proposed Transaction

Appendix 1 contains pro-forma financial statements in relation to the Merged Group using a balance date of 30 June 2023 and assuming that completion of the Proposed Transaction took place on 30 June 2023.

1.9 Effect on Company's capital structure

NAV Issued Securities	Current	Post-Completion
Shares	7,047,480	39,465,887
Options	39,188	39,188

Warrants	21,713	21,713
Convertible Notes	35,555,560	35,555,560[6]

1.10 Risks

For the reasons set out in section 7, the Independent Board Committee believes that the benefits and advantages of the Proposed Transaction outweigh the potential disadvantages and risks of the Proposed Transaction.

However, Shareholders should be mindful that any transaction of this nature involves a number of risks. The risks associated with approving the Proposed Transaction include:

(a) the Proposed Transaction will result in the issue of 32,418,407 new Shares which will have a material dilutive effect on the holdings of existing Shareholders (noting that approximately 82.14% the enlarged capital of the Company after Completion will be held by the Vendors);

(b) while the Company has undertaken due diligence on the Target Group, that due diligence is limited to the scope of the review conducted (which is based on a reasonable scope for due diligence for a transaction such as this) and it is possible that the due diligence has not revealed issues that will later have an adverse impact on the expected benefits to the Company;

(c) following completion of the Proposed Transaction, the Company will be exposed to new economic and regulatory environments that it has previously been unexposed to, being the commercial real estate and equipment financing environments;

(d) as the industry of NBFI lending grows, there is the possibility that regulators will increase their level of scrutiny of the business and impose regulatory changes that may impact on the Merged Group;

(e) while the Target Group has traded at a consistent profit in the later months of FY23 and all of FY24 to date, there is a possibility that the Target Group will not continue to achieve this level of profitability in the future;

(f) the acquisition of the Target Group may lead to potential synergies that will be beneficial to the Company. However, as with any transaction of this nature, the merger may result in integration issues between the two businesses; and

(g) new competitors may enter the market place in which the Target Group operates and affect the Target Group's financial performance.

1.11 Shareholder approval

[6] As a result of the issue of the Consideration Shares, the conversion price of the Convertible Notes will be adjusted from $4.5375 to $13.6127 (rounded to 4 decimal places) pursuant to the terms of the Convertible Note Deed Poll.

Completion of the Proposed Transaction under the SSD is subject to a number of conditions precedent, including the approval by the Company's shareholders of the Proposed Transaction.

The Company is seeking Shareholder approval to approve the Proposed Transaction for the purposes of:

- item 7 of section 611 of the Corporations Act in relation to the issue to, and acquisition by each of MCH Investment, MSPT and each of the Management Shareholders of the Consideration Shares; and
- section 208 of the Corporations Act in relation to the Company providing a financial benefit to MBFG who is a related party of the Company as a result of the acquisition of Sale Shares from, and the issue of Consideration Shares to, MBFG (summarised in section 3 of this Notice).

2 Item 7 of section 611 of the Corporations Act

2.1 The general prohibition

Section 606(1) of the Corporations Act provides that a person must not acquire a "relevant interest" in issued voting shares in a company if:

(a) the company is a listed company or an unlisted company with more than 50 members;

(b) the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person; and

(c) because of the transaction, that person's or someone else's voting power in the company increases from 20% or below to more than 20% or from a starting point that is above 20% and below 90%.

Although the Company is no longer listed on the official list of ASX, as at the date of this Notice the Company has more than 50 members.

As at the date of this Notice, the Company's largest shareholder MCH Investment holds a relevant interest in approximately 85.19% of the issued voting shares of the Company, being 6,003,655 Shares.

Pursuant to the Proposed Transaction:

(a) MBFG will acquire a relevant interest in (and MCH and Pinnacle Investment Management Ltd (**Pinnacle**) will be deemed to have acquired a relevant interest in):

(i) 24,560,186 Consideration Shares which are issued to it; and

(ii) 4,619,622 Consideration Shares which are issued to the Management Shareholders because those Management Shareholders will be granting security over those Shares to MBFG to secure obligations under loans previously made by MBFG to the Management Shareholders (which were previously secured over Shares in the Target);

(b) each of the Management Shareholders will acquire a relevant interest in 1,539,874 Shares; and

(c) MSPT will acquire a relevant interest in 1,620,920 Shares,

which will result in the voting power of MCH Investment increasing from 85.19% to 93.26%

As such, the acquisition of a "relevant interest" in issued voting shares in the Company by MBFG, the Management Shareholders, MSPT, MCH and Pinnacle is subject to the general prohibition in section 606(1), unless an exception applies.

2.2 Relevant interest

Section 608 of the Corporations Act provides that a person has a relevant interest in securities if they:

(a) are the holder of the securities; or

(b) have power to exercise, or control the exercise of, a right to vote attached to securities; or

(c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

Section 608 also provides that:

(a) it does not matter how remote the relevant interest is or how it arises;

(b) if two or more people can jointly exercise one of these powers, each of them is taken to have that power; and

(c) a person has the relevant interests in any securities that any of the following has:

 (i) a body corporate in which the person's voting power is above 20%; and

 (ii) a body corporate that the person controls.

MBFG, the Management Shareholders and MSPT will acquire a relevant interest in Shares because they will become the holders of Shares as a result of the Proposed Transaction. MBFG will also acquire a relevant interest in the Shares issued to the Management Shareholders as it will be taking security over those Shares to secure obligations under loans previously made by MBFG to the Management Shareholders (which were previously secured over Shares in the Target). MCH is deemed to acquire a relevant interest in the Shares in which MBFG acquires a relevant interest because it has voting power of more than 20% in MBFG. Pinnacle is deemed to acquire a relevant interest in the Shares in which MBFG has a relevant interest because it has voting power of more than 20% in MCH.

2.3 Voting power and associates

Section 610 of the Corporations Act provides that a person's voting power is determined by calculating the total number of voting shares in which a person and their "associates" has a relevant interest and dividing that number by the total number of votes attached to all voting shares in the company.

A person (second person) will be an "associate" of the other person (first person) if:

(a) the first person is a body corporate and the second person is:

   (i) a body corporate the first person controls;

   (ii) a body corporate that controls the first person; or

   (iii) a body corporate that is controlled by an entity that controls the first person;

(b) the second person has entered or proposes to enter into a relevant agreement with the first person for the purposes of controlling or influencing the composition of the company's board or the conduct of the company's affairs; or

(c) the second person is a person with whom the first person is acting, or proposing to act, in concert in relation to the company's affairs.

2.4 Associates of MCH Investment

As noted in the table in section 1 of this Notice, Metrics Business Finance Group Pty Ltd ACN 638 489 791 (one of Vendors) is an associate of MCH Investment.

As noted in the table in section 1.6 of this Notice:

(a) as MCP is the investment manager for MSPT, and MCP is wholly owned by MCH, the holding company of MCH Investment, Perpetual Corporate Trustee Limited ACN 000 341 533 as trustee for Metrics S Partnership Trust has been treated as an associate for good governance reasons; and

(b) due to employment, borrowing and other relationships with the Management Shareholders, the following Vendors have been treated as associates of MCH Investment for good governance reasons:

- Creighton Pty Ltd ACN 604 939 693 as trustee for Creighton Discretionary Trust;
- Alexandria Investments Pty Ltd ACN 614 401 562 as trustee for Alexandria Investments Trust; and
- Predebon Investments Pty Ltd ACN 652 395 241 as trustee for Predebon Investment Trust.

As such, when calculating the voting power of MCH Investment in Shares, any Shares in which the above Vendors who are, or are treated as, associates of MCH Investment have a relevant interest will be aggregated with the Shares in which MCH Investment has a relevant interest.

2.5 Exception to the general prohibition – item 7 approval

Item 7 of section 611 (item 7) of the Corporations Act provides an exception to the general prohibition in section 606(1) of the Corporations Act in circumstances where shareholders approve an acquisition of a relevant interest that would otherwise contravene the general prohibition.

Specifically, the exception will apply where the acquisition is approved by shareholders at a general meeting of the company before the acquisition is made, if:

(a) no votes are cast in favour of the resolution by:

  (i) the person proposing to make the acquisition and their associates; or

  (ii) the persons (if any) from whom the acquisition is to be made and their associates; and

(b) shareholders of the company are given all information known to the person proposing to make the acquisition or their associates, or known to the company, that is material to the decision on how to vote on the resolution, including:

  (i) the identity of the person proposing to make the acquisition and their associates;

  (ii) the maximum extent of the increase in that person's voting power in the company that would result from the acquisition;

  (iii) the voting power that person would have as a result of the acquisition;

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

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

2.6 Maximum voting power of MCH Investment and its associates

As at the date of this Notice, MCH Investment has voting power of approximately 85.19% in the Company. Following the issue of the Consideration Shares to the Vendors, the voting power of MCH Investment, MBFG, MSPT and the Management Shareholders will increase to 93.26%.

The table below sets out the current shareholding and voting power of MCH Investment, MBFG, MSPT and the Management Shareholders in the Company, as well as their shareholding and voting power in the Company following the issue of the Consideration Shares, assuming that the Resolution set out in this Notice is approved.

Entity	Shares directly held as at the date of this Notice (by number)	Voting power as at the date of this Notice (%)	Consideration Shares to be issued (by number)	Shares directly held on completion of the Proposed Transaction (as a % of total issued Shares)	Maximum Voting Power on completion of the Proposed Transaction
MCH Investment and associates					
MCH Investment	6,003,655	85.19%	0	15.21%	93.26%
MBFG	0	0%	24,560,186	62.23%	93.26%
Management Shareholders and MSPT treated as associates					
Creighton	0	0%	1,539,874	3.90%	93.26%
Alexandria Investments	0	0%	1,539,874	3.90%	93.26%
Predebon	0	0%	1,539,874	3.90%	93.26%
MSPT	0	0%	1,620,920	4.11%	93.26%
Totals	**6,003,655**	**-**	**30,800,728**	**-**	**-**

Notes:

1. The total issued capital of the Company as at the date of this Notice is 7,047,480 Shares.

2. This table assumes that none of the Options, Warrants or Convertible Notes on issue will be converted into Shares after the date of this Notice.

3. In addition to the 24,560,186 Shares held on Completion by MBFG, MBFG will have a relevant interest in the Shares held on Completion by each of the Management Shareholders.

3 Chapter 2E of the Corporations Act

3.1 Shareholder approval requirement for related party transactions

Section 208 of the Corporations Act provides that for a public company, or an entity that the public company controls, to give a financial benefit to a "related party" of the public company, the public company or entity must:

(c) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and

(d) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

3.2 Related party

"Related party" is defined in section 228 of the Corporations Act. It includes, in relation to a public company:

(a) an entity that "controls" the public company;

(b) directors of the public company;

(c) directors of an entity that "controls" the public company;

(d) if the public company is "controlled" by an entity that is not a body corporate – each of the persons making up the controlling entity;

(e) an entity "controlled" by a party referred to in paragraphs (a) to (d) above, unless the entity is also "controlled" by the public company;

(f) an entity that was captured by paragraphs (a) to (e) above at any time during the previous six months;

(g) an entity that believes or has reasonable grounds to believe that it is likely to become a related party of the public company of the kind referred to in paragraphs (a) to (e) above; and

(h) an entity that acts in concert with a related party of the public company on the understanding that the related party will receive a financial benefit if the public company gives the entity a financial benefit.

3.3 Control

Under section 50AA of the Corporations Act, an entity (the first entity) "controls" a second entity if the first entity has the capacity to determine the outcome of decisions about the second entity's financial and operating policies. In determining whether the first entity has this capacity:

(a) the practical influence the first entity can exert (rather than the rights it can enforce) is the issue to be considered; and

(b) any practice or pattern of behaviour affecting the second entity's financial or operating policies is to be taken into account (even if it involves a breach of an agreement or a breach of trust.

3.4 Relationship between the Company and MBFG

As noted above in section 1 of this Notice MBFG is a related party of the Company because the Company is controlled by MCH and MBFG is also controlled by MCH (but not controlled by the Company).

3.5 Financial benefit

The giving of a financial benefit is defined broadly for the purposes of section 208 of the Corporations Act, and includes:

(a) issuing securities to a related party; and

(b) giving a financial benefit indirectly, such as through one or more interposed entities.

As such, the issue of the Consideration Shares to the Vendors who are "related parties" of the Company will amount to the giving of a financial benefit by the Company to a related party.

3.6 Exceptions to the shareholder approval requirement

An exception to the requirement to obtain shareholder approval under section 208 applies where the financial benefit is given on arm's length terms.

Specifically, section 210 of the Corporations Act provides that shareholder approval is not needed to give a financial benefit to a related party on terms that:

(a) would be reasonable in the circumstances if the public company or entity and the related party were dealing at arm's length; or

(b) are less favourable to the related party than the terms referred to in paragraph (a) above.

The Independent Board Committee (as summarised in section 5 of this Notice) has considered whether the Proposed Transaction is on "arm's length" terms for the purposes of section 210 of the Corporations Act.

The Independent Board Committee has formed the view that the Proposed Transaction is on arm's length terms, having regard to a range of factors in relation to the Proposed Transaction, including:

- the Company establishing an independent board committee to review and make decisions in relation to the Proposed Transaction, including whether the Proposed Transaction is in the best interests of the Company;
- the fact that the Company and the Vendors have been represented by separate legal counsel in relation to the Proposed Transaction; and
- the fact that the material terms of the Proposed Transaction, including the number of Consideration Shares to be issued to the Vendors, have been negotiated between the parties, having regard to the benefits that the Proposed Transaction will bring to the Company Group as well as the work of independent advisers.

However, the Independent Board Committee have nonetheless formed the view that, having regard to the related party relationship between the Company and the Vendors, Shareholders should be given the opportunity to approve the Proposed Transaction for the purposes of section 208 of the Corporations Act.

4 Information regarding the Proposed Transaction

This section provides Shareholders with the information required to be provided under the Corporations Act and ASIC Regulatory Guides in relation to the Proposed Transaction.

Specifically:

- Table 1 sets out the information required by item 7 in section 611 of the Corporations Act and ASIC Regulatory Guide 74 (in relation to the item 7 approval); and
- Table 2 sets out the information required by section 219 of the Corporations Act and ASIC Regulatory Guide 76 (in relation to the related party transaction approval).

Shareholders should also refer to the Independent Expert Report set out in Appendix 2.

4.1 Table 1

The following information is provided for the purposes of item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74:

Information required	
Item 7 of section 611 of the Corporations Act	
The identity of the person proposing to make the acquisition and their associates.	On Completion, MCH Investment's voting power in the Company will increase from approximately 85.19% to 93.26%, as a result of the following Vendors being issued Consideration Shares: • Metrics Business Finance Group Pty Ltd ACN 638 489 791 • Creighton Pty Ltd ACN 604 939 693 as trustee for Creighton Discretionary Trust • Alexandria Investments Pty Ltd ACN 614 401 562 as trustee for Alexandria Investment Trust

	• Predebon Investments Pty Ltd ACN 652 395 241 as trustee for Predebon Investment Trust • Perpetual Corporate Trustee Limited ACN 000 341 533 as trustee for Metrics S Partnership Trust
The maximum extent of the increase in that person's voting power in the company that would result from the acquisition.	MCH Investment's voting power (which includes the relevant interests of its associates) would increase from 85.19% to 93.26%. Accordingly, the maximum increase in voting power of MCH Investment would be 8.07%.
The voting power that person would have as a result of the acquisition.	MCH Investment would increase its voting power to 93.26%.
The maximum extent of the increase in the voting power of each of that person's associates that would result from the acquisition.	Details in respect of the maximum voting power of MCH Investment, MBFG, MSPT and the Management Shareholders is set out above at in section 2.6 of this Explanatory Statement.
The voting power that each of that person's associates would have as a result of the acquisition.	Details in respect of the maximum voting power of MCH Investment, MBFG, MSPT and the Management Shareholders is set out above at in section 2.6 of this Explanatory Statement.
Paragraph 74.25 of ASIC Regulatory Guide 74	
An explanation of the reasons for the Proposed Transaction.	• The Company is currently loss-making and unlikely to become cashflow positive in the near term. The acquisition of the Target Group will provide an immediate cash injection to the Group, which will assist in enabling the Company to meet its working capital needs. • If the Proposed Transaction does not proceed and a suitable

	alternative does not eventuate, the Company will be required to raise equity capital within 30 to 60 days to maintain its solvency. If a capital raising cannot be completed, there is a significant risk that the Company would be insolvent and unable to meet its obligations as and when they fall due. • As a single product lender, the Company is vulnerable to industry challenges such as congestion and regulatory challenges. These challenges create additional headwinds for the Company in its current form, such as being unable to aggressively scale, secure material and cost effective capital and realise operational efficiencies available to a more product diverse lender. • The Proposed Transaction would see an increase in total gross assets under management of 146%, allowing the Merged Group to potentially access more efficient capital sources, broaden the product offering and over time leverage operational capabilities and resources which will benefit the group as a whole. • As noted above, the Company remains loss making and is unlikely to become cashflow positive in its own right within the next 12 months. The Target Group has recently begun to trade profitably and would be able to provide working capital support to the Merged Group, reducing the need for further capital injections and/or working capital debt.

	• The Target Group's differentiated originations network and client base present exciting origination opportunities for the Company to provide consumer products to directors and associates of the Target Group's corporate borrowers. • Operational and staffing synergies post completion of the acquisition present opportunities to improve operational and cost efficiencies for the Merged Group through shared service functionalities that would otherwise be borne separately by each of the businesses. Detailed modelling cannot yet be undertaken to determine potential cost savings from expected synergies until a more in-depth review of the ongoing requirements of each business. However, it is noted that there are some opportunities for synergistic benefits in areas such as payroll, finance & accounting, legal & compliance, information technology, risk management and marketing. There may also be potential benefits from combined buying power of the Merged Group in negotiations with various suppliers such as managed service providers, credit bureaus and other infrastructure providers such as telecommunications.
When the Proposed Transaction is to occur.	Completion under the Transaction Documents is expected to occur on or around 17 January 2024 subject to the Company receiving shareholder approval at the General Meeting and all other conditions precedent in the SSD being satisfied or waived in accordance with the terms of the SSD.

The material terms of the Proposed Transaction.	The material terms of the Proposed Transaction are as follows: • the purchase price of the Target Group is $115,000,000, subject to adjustment in relation to the net tangible assets of the Target Group as at the completion date (as described below); • after Completion, the Vendors and Navalo Commercial Finance Pty Ltd (the purchasing entity) will review and determine the actual value of the net tangible assets of the Target Group as at the date that Completion occurred (**Completion Net Tangible Assets**) against an agreed target net tangible asset amount (**Target Net Tangible Assets**). If the difference between the Completion Net Tangible Assets and the Target Net Tangible Assets is greater than $5 million, then: o if the Completion Net Tangible Assets exceeds the Target Net Tangible Assets, Navalo Commercial Finance Pty Ltd (the purchasing entity) will pay the Vendors the difference by way of a cash payment; and o if the Completion Net Tangible Assets is less than the Target Net Tangible Assets, the Vendors will pay Navalo Commercial Finance Pty Ltd (the purchasing entity) the difference by way of a cash payment. If the difference between the Completion Net Tangible

	Assets and the Target Net Tangible Assets is less than $5 million, no adjustment will be made.
	
	• the purchase price of $115,000,000 is comprised of:
	  ○ $110,000,000 (being the valuation of the Target Group agreed by the parties); and
	  ○ $5,000,000 (being the forecast unrestricted cash of the Target Group).
	
	• the purchase price is payable by the Company issuing shares to the Vendors at an aggregate value of $115,000,000, being 32,418,407 shares in aggregate;
	
	• the number of Consideration Shares to be issued to the Vendors in aggregate, being 32,418,407, has been determined assuming a valuation for the Company of approximately $20 million. The value of the Consideration Shares is therefore $20,000,000 plus $5,000,000 (being the forecast unrestricted cash of the Company);
	
	• the Vendors have given a number of customary warranties relating to the Target Group and its business in favour of Navalo Commercial Finance Pty Ltd (the purchasing entity);
	
	• as the purchase price is payable through the issue of shares in the Company, the Company has also given a number of customary warranties relating to the

	Company Group and its business in favour of the Vendors; • the SSD also includes customary limitations on liability for the Vendors and the Company; and • Completion is subject to a number of conditions precedent, including: o the Independent Board Committee approving the entry of the Company and its subsidiary, Navalo Commercial Finance Pty Ltd, into the Transaction Documents and the performance of their respective obligations under the Transaction Documents (subject to the receipt of Shareholder approval at the Meeting); o the Shareholders approving the issue and allotment of the Consideration Shares to the Vendors and such other necessary resolutions determined by the Independent Board Committee to give effect to the Proposed Transaction; and o the parties obtaining all necessary approvals under certain material contracts of the Company (and its subsidiaries) and the Target Group in relation to the change in control of the Company and the Target Group, including: ▪ the approval of the Company's

	convertible noteholders who together hold more than 50% of the issued notes under the Convertible Note Deed Poll; and ▪ the prior consent of Goldman Sachs International Bank and iPartners Nominees Pty Ltd in its capacity as trustee for the Payright Warehouse Series 1 Trust under the Company's warehouse facility to the technical change in control of the Company brought about by the Proposed Transaction.
Details of the terms of any other relevant agreement between the acquirer and the target entity or vendor (or any of their associates) that is conditional on (or directly or indirectly depends on) members' approval of the proposed acquisition (**Relevant Agreement**)	In connection with the Proposed Transaction, it is proposed that a member of the Company Group enter into a transitional services agreement with a member of the Metrics Group, in order to facilitate transitional services relating to the premises, employees and IT support for the Target Group post-Completion.
A statement of the acquirer's (MCH Investment's) intentions regarding the future of the target entity if members approve the acquisition and, in particular: (a) any intention to change the business of the entity; (b) any intention to inject further capital into the entity;	MCH Investment's intention is to build a multi product lending business that will provide consumer and commercial products that benefit from vertical integration alignment not currently available to the acquirer. There is no plan to alter the consumer lending strategy of the Company or the commercial lending focus of the Target Group.

(c) the future employment of present employees of the entity; (d) any proposal where assets will be transferred between the entity and the acquirer or vendor or their associates; and (e) any intention to otherwise redeploy the fixed assets of the entity.	Further capital raisings may be required to support the Merged Group's growth. Capital may also be sourced by way of debt to the extent that the Board view this as appropriate. There is no immediate intention to conduct any capital raisings within the Merged Group. It is expected that current employees of the Target Group will remain employed post completion of the Proposed Transaction. To the extent any employees of the Metrics Group whose employment relates to the Target Group are not employed by a member of the Target Group, Metrics will enter into a transitional services agreement with the Target Group which will allow those employees to provide services to the Target Group during an agreed transitional period. During the transitional period, duplication of functions will be assessed and where duplication is occurring staff may be redeployed into new roles if appropriate. There is no intention to move assets within the Merged Group, noting that all assets would be held by wholly owned subsidiaries of the Merged Group. There is no intention to move or redeploy any of the Merged Group's fixed assets post completion of the Proposed Transaction.
Any intention of the acquirer to significantly change the financial or dividend distribution policies of the entity.	There is no intention to change the dividend policy of the Target Group or the Company.
The interests that any director has in the acquisition or any Relevant Agreement.	Section 5 of this Notice sets out the interests that Andrew Lockhart and Allan Griffiths have in the Proposed Transaction.

The following details of any person who is intended to become a director if shareholders approve the acquisition: (a) name; (b) qualifications and relevant professional or commercial experience; (c) any associations that the proposed director has with the acquirer, vendor or any of their associates; and (d) any interest that the proposed director has in the acquisition or any Relevant Agreement.	It is proposed that MBFH Director Robert Spano will become an independent director of the Company on completion of the Proposed Transaction. Mr Spano is currently an independent Director of MBFH. Mr Spano has over 40 years experience in asset finance and commercial lending. Mr Spano was previously on the Board of Alleasing and served as its CEO from 2013-2015, prior to its sale by major shareholder CPE Capital. Mr Spano also served as CEO of Integrated Asset Management for over 10 years, managing lending portfolios exceeds $1bn to government, corporate and medium sized commercial businesses. Mr Spano, through his shareholding entity RLS Network Holdings Pty Ltd atf Spano IAM Trust, would hold 1,617,679 shares in the Company on completion of the Proposed Transaction, being approximately 4.10% of the issued capital in the Company.

4.2 Table 2

The following information is provided for the purposes of section 219 of the Corporations Act and ASIC Regulatory Guide 76:

Information required	
Section 219 of the Corporations Act	
The related parties to whom the Resolution would permit financial benefits to be given.	Metrics Business Finance Group Pty Ltd ACN 638 489 791
The nature of the financial benefits.	The financial benefit being given by the Company under the Proposed Transaction is the issue of the Consideration Shares to Metrics Business Finance Group Pty Ltd

	ACN 638 489 791, which is a related party of the Company. The Consideration Shares are being issued to the above party in consideration for the sale and purchase of the Sale Shares. The Company has agreed to satisfy the consideration for the Sale Shares through the issue of shares in the Company (rather than a cash payment) as a cash payment would otherwise require the Company to fund the purchase price through debt, equity or a mixture of both. The Independent Board Committee does not consider that it has foregone any benefits as a result of the issue of the Consideration Shares to Metrics Business Finance Group Pty Ltd. The potential cost and detriment to Shareholders of the Company giving the financial benefit to Metrics Business Finance Group Pty Ltd (through the issue of Consideration Shares to it) is that Shareholders' existing shareholding in the Company will be diluted as a result of the share issues. There also a number of risks and potential detriments involved in the Proposed Transaction which are summarised in Section 1.10. Notwithstanding the above, the Company has decided to proceed with the Proposed Transaction based on the Independent Board Committee's view that the Proposed Transaction is in the best interests of Shareholders, for the reasons outlined in Sections 6 and 7.
In relation to each director of the Company: (a) if the director wanted to make a recommendation to members	A summary of the directors' recommendations is set out in section 7 of this Notice.

about the Resolution – the recommendation and his or her reasons for it; or (b) if not -- why not; or (c) if the director was not available to consider the proposed resolution – why not.	
In relation to each director of the Company: (a) whether the director has an interest in the outcome of the Resolution; and (b) if so -- what the interest is.	Matthew Pringle and Mark Licciardo, who together comprise the Independent Board Committee, do not have an interest in the outcome of the Resolution. A summary of the interests of Allan Griffiths and Andrew Lockhart in the outcome of the Resolution is set out in section 5 of this Notice.
All other information that: (a) is reasonably required by members in order to decide whether or not it is in the Company's interests to pass the Resolution; and (b) is known to the Company or any of its directors.	The Company and the Independent Board Committee are not aware of any other information that is known to the Company or any Director that would be reasonably required by members in order to decide whether or not it is in the Company's interests to pass the Resolution that has not been detailed in this Explanatory Statement.
ASIC Regulatory Guide 76, paragraphs 76.99 – 76.102 and Table 2 in paragraph 76.104	
The value of the financial benefit and its impact on the Company in dollar terms.	The financial benefit being provided is the issue of 24,560,186 Consideration Shares to Metrics Business Finance Group Pty Ltd ACN 638 489 791. The implied price per share of the Consideration Shares is $3.5474 (rounded to 4 decimal places). As noted elsewhere in this Explanatory Statement, the Independent Board Committee and the Vendors have agreed on the price per share based on the Independent Board Committee's and the Vendors' assessment of the valuations of the Company Group and the Target Group, having regard to the work of

	independent advisers and the expected key benefits of the Proposed Transaction for the Company Group, as summarised in Sections 6 and 7.
Information about existing arrangements between the Company (and its related entities) and the related parties receiving the financial benefit (and their related entities).	As at the date of this Notice, MCH Investment (MCH and Pinnacle) hold a relevant interest in approximately 85.19% of issued voting shares in the Company, being 6,003,655 Shares. MCH Investment also holds 14,545,454 unsecured convertible notes (**Notes**). The Notes currently have a conversion price of $4.5375 per Share. If the Proposed Transaction is completed, the conversion price of the Notes will be adjusted in accordance with their terms to $13.6127 per Share (rounded to 4 decimal places). MCH Investment has also appointed two nominee directors to the board, being Allan Griffiths and Andrew Lockhart. Metrics has also seconded two of its employees, Stewart Creighton and Tom Kellaway, to the Company in order to fill the positions of Chief Executive Officer and Chief Financial Officer, respectively.
The directors' recommendations in relation to the Proposed Transaction.	A summary of the directors' recommendations is set out in section 7 of this Notice.
Alternative options to the related party transaction and the reasons for choosing the related party transaction (and the implications of not proceeding with the Proposed Transaction).	The Company has undertaken an extensive forecasting process on the basis that no transaction is contemplated. The Company remains loss making and is forecast to continue to trade unprofitably for at least 12 months on a standalone basis. The Company would require immediate further capital to ensure its solvency, noting the Company's warehouse funding structure may be impacted by reduced working capital levels.

	As noted in this document, the Target Group has traded in a cashflow positive manner over the past few months and is expected to continue to do so. On a consolidated basis, this would significantly reduce the cashflow pressures on the group on a post-acquisition basis. Should the Company and its Shareholders not progress with the Proposed Transaction, it is likely that: • the Company will be required to conduct an immediate capital raising (within the next 30 to 60 days) to support the business' working capital requirements. Further capital raises would also likely be required in the future; • the proposed capital raising would be on the basis that the Company continues to trade as a single product, unlisted business, with limited pathway to cashflow positive trading in the immediate future; and • the support of Shareholders (and in particular the Company's majority shareholder, MCH Investment) would largely be required to ensure that the Company's working capital needs were met. If MCH Investment agrees to provide support to the Company by participating in and/or underwriting a further capital raising (which is not guaranteed), then it is possible that MCH Investment's percentage shareholding in the Company will increase to above 90%. This will mean that MCH Investment will be entitled to compulsorily acquire the remaining shares on issue in the Company.

	The Board have not been presented with any proposed transactions that could be completed on terms as favourable as the Proposed Transaction that relate to a non-arms length opportunity, or an opportunity to raise capital to support the ongoing business of the Company with no change.
The impact of the transaction on the Company.	As a result of the Proposed Transaction proceeding, 32,418,407 fully paid ordinary shares in the Company will be issued to the Vendors in aggregate. As such, immediately following Completion: • MCH Investment's total voting power in the Company would increase to 93.26% (this includes the relevant interest in Shares that will be held by MBFG, the Management Shareholders and MSPT); • 6.74% of the Company's issued voting shares would be held by shareholders not associated with MCH Investment; and • MCH Investment's voting power in the Company would be more than 90%. By having voting power of more than 90% in the Company, any further acquisitions of a relevant interest in Shares that increase MCH Investment's voting power would not be subject to the general prohibition in section 606(1) of the Corporations Act. As such, the conversion of MCH Investment's Notes into Shares would not need to be approved by Shareholders under item 7 of section 611 of the Corporations Act.

	Although MCH Investment together with MBFG, the Management Shareholders and MSPT would hold more than 90% of the issued voting shares in the Company, they would not have the power to compulsorily acquire the remaining shares on issue in the Company, or to acquire all of the securities in every class of shares or securities convertible into shares in the Company, under the compulsory acquisition power in sections 664A(1) or 664A(2) of the Corporations Act. This is because none of the above mentioned entities will hold, together with any of their related bodies corporate, the full beneficial interest in 90% or more of securities (by number) in a class, or 90% or more of the voting power in the Company together with full beneficial interest in 90% or more of all the securities (by value) in the Company that are either shares or convertible into shares.
Valuation of the financial benefit.	The implied price per share attributable to the Consideration Shares is $3.5474 per share (rounded to 4 decimal places). As noted elsewhere in this Explanatory Statement, the Independent Board Committee and the Vendors have agreed on the price per share based on their assessment of the valuations of the Company Group and the Target Group, having regard to the work of independent advisers and the expected key benefits of the Proposed Transaction for the Company Group, as summarised in Sections 6 and 7.
Related parties' existing interests.	As at the date of this Notice, MBFG does not have a relevant interest in any Shares. MCH Investment and MCH, associates of MBFG, hold a relevant interest in approximately 85.19% of the Company's

	issued voting shares, being 6,003,655 Shares. MCH Investment also holds 14,545,454 unsecured convertible notes convertible into fully paid ordinary shares.
Dilution effect of the transaction on existing members' interests.	On Completion, subject to the satisfaction or waiver of conditions precedent under the SSD (including the Company obtaining shareholder approval at the General Meeting), the Vendors will be issued 32,418,407 Consideration Shares in aggregate. As a result, MCH Investment (together with MBFG and the Management Shareholders) will together hold 93.26% of the issued share capital of the Company and 92.35% of the fully diluted share capital of the Company (assuming all securities convertible into Shares have been converted). Shareholders who are not associated with MCH Investment will hold 6.74% of the issued share capital of the Company and 7.65% of the fully diluted share capital of the Company (assuming all securities convertible into Shares have been converted).

5 Independent Board Committee

As at the date of this Notice, the board of directors of the Company is comprised of:

- Allan Griffiths (Chair);
- Andrew Lockhart (non-executive director);
- Mark Licciardo (independent non-executive director); and
- Matthew Pringle (independent non-executive director).

It is anticipated that after the date of this Notice, Allan Griffiths will step down from the role of Chair (while remaining on the Board) and Andrew Lockhart will be appointed as Chair of the Board.

Each of Allan Griffiths and Andrew Lockhart have a material personal interest in the outcome of the Resolution. Specifically:

- Andrew Lockhart is:
  - a director of the Target; and
  - a director and a 16.25% shareholder in MCH via a controlled entity, and a director of other MCH subsidiaries, including MBFG.
- Allan Griffiths is:
  - a director of the Target; and
  - a director of MCH and other MCH subsidiaries, including MBFG.

Having regard to the interests of Mr Lockhart and Mr Griffiths, the Board has established an independent board committee comprised of independent non-executive directors Mark Licciardo and Matthew Pringle (**Independent Board Committee**) to ensure independent consideration of the Proposed Transaction.

The Company has given the Independent Board Committee the authority to make decisions on behalf of the Company, including making recommendations to Shareholders in respect of the Resolution.

Since its establishment, the Independent Board Committee has made all decisions in relation to the Proposed Transaction on behalf of the Company and Mr Lockhart and Mr Griffiths have abstained from participating in, and voting on, any such decisions.

6 Independent Expert Report

The Independent Board Committee, on behalf of the Company, engaged the Independent Expert to prepare the Independent Expert's Report to assist the non-associated Shareholders in deciding how to vote on the Resolution.

The Independent Expert has concluded that the Proposed Transaction is not fair but reasonable to non-associated Shareholders.

When considering the Proposed Transaction, the Independent Expert considered the Resolution and terms and conditions of the Proposed Transaction. The Independent Expert's Report accompanies the Notice as Appendix 2.

In summary, the Independent Expert considers the Proposed Transaction to be:

(a) not fair to the non-associated Shareholders as the Independent Expert's calculation of the fair value of the Shares prior to the Proposed Transaction is greater than the Independent Expert's calculation of the fair value of the Shares immediately after the Proposed Transaction; and

(b) reasonable, on the basis that the position of non-associated Shareholders of the Company if the Proposed Transaction is approved is more advantageous than if the Proposed Transaction is not approved.

The Independent Expert has also identified a number of key advantages of the Proposed Transaction in the Independent Expert's Report, including:

- the Company is currently loss-making and unlikely to become cashflow positive in the near term. If the Proposed Transaction does not proceed and a suitable alternative does not eventuate, the Company will be required to raise equity capital to maintain its solvency and will likely be reliant on its major shareholder, MCH Investment, to complete a capital raising. If a capital raising cannot be completed, there is a significant risk that the Company would be insolvent and unable to meet its obligations as and when they fall due;

- if the Proposed Transaction proceeds, the Company intends to expand and diversify its product offering to include lending products in the CRE and EF industries. The Company also has an intention to launch a regulated consumer finance product, with an Australian Credit License in place. If the Proposed Transaction proceeds, the Company may be better positioned to successfully fund and launch this product than on a stand-alone basis with its current limited funding capability;

- the Target Group has grown its loan book from $13.5m as at 30 June 2022 to $184.9m as at 30 September 2023. Consequently, gross revenue has increased from $1.5m (from circa 8 months trading) to $6.4m for YTD24. Furthermore, the Target traded profitability for YTD24, generating a net profit before tax of $1.1m. To date, the majority of CRE loans written by MBFH have been for existing clients of the wider Metrics Group;

- the Target has provided the Company with forecast financial information that includes significant growth in the loan book, revenue, profit and cash flow. The forecast financial performance is dependent upon generating profitable origination volumes and securing sources of funding. The acquisition of the Target Group provides non-associated Shareholders with the opportunity to participate in the potential upside of the Target Group's business;

- after completion of the Proposed Transaction, MCH Investment and its associates will remain incentivised to continue providing CRE and other loan origination opportunities which underpins a portion of the forecast growth strategy;

- the historical financial performance of the Company and near-term outlook indicate that the Company lacks sufficient scale to operate profitability in the BNPL and consumer lending markets. Further, there are significant challenges in terms of accessing sufficient funding to reach the required scale as a stand-alone entity; and

- the Target Group has demonstrated an ability to secure loan book funding since inception in November 2022 and there is a potential opportunity for the existing Company's business to access funding sources that are currently not available to it.

7 Directors' recommendation

Matthew Pringle and Mark Licciardo, who together comprise the Independent Board Committee, unanimously recommend that Shareholders vote in favour of the Resolution.

In addition to the key advantages of the Proposed Transaction identified by the Independent Expert, the Independent Board Committee's reasons for recommending that Shareholders vote in favour of the Resolution include:

- the Company is currently loss-making and unlikely to become cashflow positive in the near term. The Target Group has recently begun to trade profitably and would be able to provide working capital support to the Company's group. The acquisition of the Target Group will provide an immediate cash injection to the Group, which will assist in enabling the Company to meet its working capital needs;
- If the Proposed Transaction does not proceed and a suitable alternative does not eventuate, the Company will be required to raise equity capital within the next 30 to 60 days to maintain its solvency. If a capital raising cannot be completed, there is a significant risk that the Company would be insolvent and unable to meet its obligations as and when they fall due;
- the Independent Board Committee believes that the Proposed Transaction will be transformative for the Company. By combining the Target Group's CRE and FE lending business with the Company's consumer based financing business, the Merged Group will be well positioned to take advantage of the growing market for NBFI lending in Australia;
- as a single product lender, the Company is vulnerable to industry challenges such as congestion and regulatory challenges. These challenges create additional headwinds for the Company in its current form, such as being unable to aggressively scale, secure material and cost effective capital and realise operational efficiencies available to a more product diverse lender;
- the Proposed Transaction would see an increase in total gross assets under management of 146%, allowing the Merged Group to potentially access more efficient capital sources, broaden the product offering and over time leverage operational capabilities and resources which will benefit the group as a whole;
- the Target Group's differentiated originations network and client base present exciting origination opportunities for the Company to provide consumer products to directors and associates of the Target Group's corporate borrowers; and
- while detailed modelling cannot yet be undertaken to determine the potential cast savings until a more in-depth review of the ongoing requirements of each business is undertaken, it is expected that there will be opportunities for synergistic benefits in areas such as payroll, finance & accounting, legal & compliance, information technology, risk management and marketing. There may also be potential benefits from combined buying power of the Merged Group in negotiations with various

suppliers such as managed service providers, credit bureaus and other infrastructure providers such as telecommunications.

Allan Griffiths and Andrew Lockhart decline to make a recommendation in relation to the Resolution because they each have a material personal interest in the outcome of the Resolution, as summarised in section 5 of this Notice.

8 Voting exclusions

8.1 Item 7 approval

It is a condition of approval under item 7 of section 611 that no votes are cast in favour of the resolution by:

(a) the person proposing to make the acquisition and their associates; or

(b) the persons (if any) from whom the acquisition is to be made and their associates.

As noted in Section 1.6, for the purposes of item 7 of section 611 of the Corporations Act, Metrics Business Finance Group Pty Ltd is an associate of MCH Investment Management Services Pty Ltd as trustee for the MCP Credit Trust 1, the Company's largest shareholder, as each is a wholly owned subsidiary of, and controlled by, Metrics Credit Holdings Pty Ltd.

Additionally, for good governance reasons, the Company has also decided to treat as an associate of MCH Investment Management Services Pty Ltd as trustee for the MCP Credit Trust 1:

(a) Perpetual Corporate Trustee Limited ACN 000 341 533 as trustee for Metrics S Partnership Trust, as Metrics Credit Partners Pty Ltd is the investment manager for the Metrics S Partnership Trust, and Metrics Credit Partners Pty Ltd is wholly owned by Metrics Credit Holdings Pty Ltd, the holding company of MCH Investment Management Services Pty Ltd as trustee for the MCP Credit Trust 1; and

(b) each of the Management Shareholders given employment, borrowing and other relationships between them.

8.2 Section 208 approval

Section 224(1) of the Corporations Act provides that, at a general meeting, a vote to approve a transaction for the purposes of section 208 of the Corporations Act must not be cast (in any capacity) by or on behalf of:

(a) a related party of the public company to whom the resolution would permit a financial benefit to be given; or

(b) an associate of such a related party.

Section 224(1) does not prevent the casting of a vote if:

(a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and

(b) it is not cast on behalf of a related party or associate of a kind referred to in section 224(1).

As noted in Section 1.6, for the purposes of section 208 of the Corporations Act, Metrics Business Finance Group Pty Ltd is a related party of the Company as the Company is controlled by Metrics Credit Holdings Pty Ltd and Metrics Business Finance Group Pty Ltd is also controlled by Metrics Credit Holdings Pty Ltd (but not controlled by the Company).

8.3 Voting exclusion statement

Resolution 1 seeks approval for the purposes of both item 7 of section 611 of the Corporations Act and section 208 of the Corporations Act.

Accordingly, MCH Investment Management Services Pty Ltd ACN 630 333 649 as trustee for the MCP Credit Trust 1 and its associates (including Mr Griffiths and Mr Lockhart) are excluded from voting in favour of Resolution 1. As at the date of this Notice, none of the parties that would be restricted from voting on Resolution 1 other than MCH Investment Management Services Pty Ltd ACN 630 333 649 as trustee for the MCP Credit Trust 1 are shareholders in the Company.

8.4 Chair's intention

The Chair intends to vote all undirected proxies in favour of Resolution 1.

Glossary

Acquisition has the meaning given in the Resolution.

AEDT means Australian Eastern Daylight Time as observed in Sydney, New South Wales.

ASX means ASX Limited ACN 008 624 691 or the financial market operated by it, as the context requires, of 20 Bridge Street, Sydney, NSW 2000.

Bank has the meaning given in section 1.4 of the Explanatory Statement.

Board means the current board of Directors of the Company.

Chair means the person chairing the Meeting.

Company means Navalo Financial Services Group Limited ACN 605 753 535.

Company Group means the Company and each of its subsidiaries immediately prior to Completion.

Completion means completion of the Proposed Transaction.

Consideration Shares has the meaning given in section 1.1 of the Explanatory Statement.

Convertible Note Deed Poll means the convertible note deed poll executed by the Company on 5 May 2022.

Corporations Act means the *Corporations Act 2001* (Cth) as amended or replaced from time to time.

CRE means commercial real estate.

Director means a current director of the Company.

EF means equipment finance.

Explanatory Statement means the explanatory statement accompanying this Notice of Meeting.

General Meeting or **Meeting** means a General Meeting of the Company and, unless otherwise indicated, means the meeting of the Company's members convened by this Notice of Meeting.

IBC or **Independent Board Committee** means the independent board committee established by the Board comprised of independent non-executive directors Mark Licciardo and Matthew Pringle.

Independent Expert means RSM Corporate Australia Pty Ltd.

Independent Expert Report means the independent expert report prepared by the Independent Expert in relation to the Proposed Transaction, as set out in Appendix 2.

Management Shareholders means Creighton Pty Ltd as trustee for Creighton Discretionary Trust, Alexandria Investments Pty Ltd as trustee for Alexandria Investments Trust and Predebon Investments Pty Ltd as trustee for Predebon Investment Trust;

MBFG has the meaning given in section 1.6 of the Explanatory Statement.

MCH means Metrics Credit Holdings Pty Ltd.

MCH Investment means MCH Investment Management Services Pty Ltd as trustee for MCP Credit Trust 1.

MCP means Metrics Credit Partners Pty Ltd .

Merged Group has the meaning given in section 1.4 of the Explanatory Statement.

Metrics Group means Metrics Credit Holdings Pty Ltd and its subsidiaries.

MSPT means Perpetual Corporate Trustee Limited ACN 000 341 533 as trustee for Metrics S

Partnership Trust.

NBFI has the meaning given in section 1.4 of the Explanatory Statement.

Notice of Meeting or **Notice** means this notice of general meeting dated 22 December 2023 including the Explanatory Statement.

Ordinary Resolution means a resolution that can only be passed if more than 50% of the total votes cast by Shareholders entitled to vote on the resolution are voted in its favour at the Meeting.

Pinnacle means Pinnacle Investment Management Ltd.

Proposed Transaction has the meaning given in section 1.1 of the Explanatory Statement.

Proxy Form means the proxy form attached to this Notice of Meeting.

Resolution means the resolution set out in this Notice of Meeting.

Sale Shares has the meaning given in section 1.1 of the Explanatory Statement.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Share Registry or **Automic** means Automic Pty Ltd.

SME means small and medium-sized enterprises.

SSD has the meaning given in section 1.1 of the Explanatory Statement.

Target or **MBFH** means Metrics Business Finance Holdings Pty Ltd.

Target Group has the meaning given in section 1.2 of the Explanatory Statement.

Transaction Documents means the SSD.

Vendors has the meaning given in section 1.6 of the Explanatory Statement.

Appendix 1 – Pro Forma Financial Statements

A1 Introduction

The following pro forma financial statements show the likely trading position of the consolidated entity (i.e. the Merged Group) if the Proposed Transaction had completed on 30 June 2023. The audited figures of the Company Group alone (NAVU) are included as a comparative to the Merged Group.

The combination of the loan portfolios of the Target Group provide material uplift to the size and strength of the Merged Group's balance sheet. The Target Group contributed a small net loss to the Merged Group in FY23, however has traded at a consistent profit in the later months of FY23 and all of FY24 to date. If the Target Group continues to trade profitably, this will provide support to the Company's capital shortfall.

A2 Basis of preparation

The pro forma financial statements have been prepared in accordance with those preparation notes disclosed by the Company in its annual report for the period ended 30 June 2023. This was made available to all Shareholders and is available on the Company's website. The pro forma consolidation set out below has removed intercompany transactions to the extent that any exist.

A3 Pro-forma Statement of Profit and Loss

The following table shows the pro-forma statement of profit and loss for the year ending 30 June 2023, assuming that the Target Group formed part of the Company Group during the year ending 30 June 2023.

	FY23 Pro Forma Merged Group 000's	FY23 Company 000's	FY23 Target 000's
Gross Revenue	$28,557	$18,813	$10,190
Direct Costs	($14,767)	($9,112)	($5,655)
Net Profit	$13,791	$9,701	$4,535
Expenses			
Employee, General and Administration Costs	($22,160)	($17,696)	($4,910)
Finance Costs	($1,034)	($1,016)	($18)
Other Expenses	($1,806)	($1,115)	($691)
Loss before Income tax	($11,210)	($10,126)	($1,084)
Income Tax Benefit/(Expense)	$325	-	$325
Total Comprehensive Loss	($10,885)	($10,126)	($759)

Footnotes:

1. The Pro Forma Statement of Profit and Loss set out above is derived from the financial statements of the Company and the Target Group for the year ending 30 June 2023. Those

statements have been adjusted to reflect the impact of the Company acquiring the Target Group as if the two entities had always been part of the same group. It is presented in an abbreviated form and does not include all of the presentation disclosures, statements or comparative information required by the Australian Accounting Standards.

A3 Pro-forma Statement of Financial Position

The following table shows the pro-forma statement of financial position as at 30 June 2023, assuming that the Target Group formed part of the Company Group as at 30 June 2023.

	FY23 Pro Forma Merged Group 000's	FY23 Company 000's	FY23 Target 000's
Assets			
Cash and Equivalents	$23,861	$11,208	$12,653
Loan Receivables	$228,154	$63,896	$164,259
Other Current Assets	$3,641	$1,513	$2,297
Total Current Assets	$255,656	$76,617	$179,208
Loan Receivables	$48,705	$48,705	-
Other non-current assets	$4,128	$60	$4,068
Total Non Current Assets	$52,833	$48,765	$4,068
Total Assets	$308,489	$125,382	$183,276
Liabilities			
Trade Payables	$2,162	$2,139	$192
Loans & Borrowings	$171,389	-	$171,389
Other Current Liabilities	$2,284	$840	$1,444
Total Current Liabilities	$175,834	$2,980	$173,024
Loans & Borrowings	$103,885	$103,885	$0
Other non-current liabilities	$7,704	$7,704	-
Total non-current liabilities	$111,589	$111,589	$0
Total Liabilities	$287,424	$114,569	$173,024
Net Assets	$21,065	$10,813	$10,252
Equity	$21,065	$10,813	$10,252

Footnotes:

1. The Pro Forma Statement of Financial Position set out above is derived from the financial statements of the Company and the Target Group for the year ending 30 June 2023. Those statements have been adjusted to reflect the impact of the Company acquiring the Target Group as if the two entities had always been part of the same group. It is presented in an abbreviated form and does not include all of the presentation disclosures, statements or comparative information required by the Australian Accounting Standards.

Appendix 2 – Independent Expert's Report

NAVALO FINANCIAL SERVICES GROUP LIMITED

Financial Services Guide and Independent Expert's Report

December 2023

We have concluded that the Proposed Transaction is Not Fair but Reasonable to Non-Associated Shareholders

THE POWER OF BEING UNDERSTOOD
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RSM

FINANCIAL SERVICES GUIDE

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 ("**RSM Corporate Australia Pty Ltd**" or "**we**" or "**us**" or "**ours**" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("**FSG**"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the financial services that we will be providing you under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the financial services that we will be providing to you;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial services we will provide

For the purposes of our report and this FSG, the financial service we will be providing to you is the provision of general financial product advice in relation to securities.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client 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 services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report we provide 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 various fees for providing different financial services. However, in respect of the financial service being provided to you by us, fees will be agreed, and paid by, the person who engages us to provide the report and such fees will be agreed on either a fixed fee or time cost basis. You will not pay to us any fees for our services; the Company will pay our fees. These fees are disclosed in the Report.

Except for the fees referred to above, neither RSM Corporate Australia Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Australia Partners.

From time to time, RSM Corporate Australia Pty Ltd, RSM Australia Partners, RSM Australia and / or RSM Australia related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints should be directed to The Complaints Officer, RSM Corporate Australia Pty Ltd, P O Box R1253, Perth, WA, 6844.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination. If a complaint is received in advance of a shareholder meeting or other key date where shareholders or investors may be making decisions which are influenced by our report, we will make all reasonable efforts to respond to complaints prior to that date.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority ("**AFCA**"). AFCA is an independent dispute resolution scheme that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about AFCA are available at the AFCA website www.afca.org.au. You may contact AFCA directly by email, telephone or in writing at the address set out below.

Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001
Toll Free: 1800 931 678
Email: info@afca.org.au

Time limits may apply to make a complaint to AFCA, so you should act promptly or consult the AFCA website to determine if or when the time limit relevant to your circumstances expires.

Contact details

You may contact us using the details set out at the top of our letterhead on page 5 of this report.

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6 December 2023

The Directors
Navalo Financial Services Group Limited
42 Cambridge St
Collingwood VIC 3066

Dear Directors

INDEPENDENT EXPERT'S REPORT ("**REPORT**")

Introduction

This Independent Expert's Report (the "**Report**" or "**IER**") has been prepared to accompany the Notice of Meeting and Explanatory Statement) ("**Notice**") to be provided to shareholders for a general meeting of Navalo Financial Services Group Limited ("**NFS**" or the "**Company**") expected to be held on or around 17 January 2024, at which shareholder approval will be sought for the purchase of 100% of the issued share capital of Metrics Business Finance Holdings Pty Limited ("**MBFH**" or the **"Target"**) ("the **Proposed Transaction**").

As part of the Proposed Transaction, Navalo Commercial Finance Pty Ltd, a wholly owned subsidiary of NFS, will acquire 100% of the issued share capital of MBFH, being 12,959,779 fully paid ordinary shares, in exchange for the issue of 32,418,408 fully ordinary paid shares in NFS to the shareholders of MBFH ("**Vendors**"). Some of the Vendors are associated with the Company's largest shareholder MCH Investment Management Services Pty Ltd as trustee for MCP Credit Trust 1 ("**MCH Investment**").

Purpose of the report

Corporations Act ("the Act")

Section 606 of the Act prohibits:

- a person from acquiring a relevant interest in the issued voting shares of a public company if the acquisition results in that person's voting interest in the company increasing from a starting point that is below 20% to an interest that is above 20%; or

- a person from increasing a relevant interest in the issued voting shares of a public company from a starting point that is above 20% and below 90%. Item 9 of Section 11 of the Act provides an exemption to this prohibition if the acquisition results in the person holding a voting interest in the company no more than 3% higher than the voting interest they had 6 months before the acquisition.

Under item 7 of section 611 of the Act, the prohibition contained in section 606 does not apply if the acquisition has been approved by the Non-Associated Shareholders of the Company.

Accordingly, the Company is seeking approval from the Non-Associated Shareholders for Resolution 1 under item 7 of section 611 of the Act.

Section 611(7) of the Act states that shareholders must be given all information that is material to the decision on how to vote at the meeting. ASIC Regulatory Guide 111 ("**RG 111**") advises the requirement to commission an Independent Expert's Report in such circumstances and provides guidance on the content.

Additionally, section 208 of the Act prohibits a public company from giving a financial benefit to a related party of the public company unless providing the benefit falls within a prescribed exception to the general prohibition, as set out in sections 210 and 218 of the Act. Relevantly, there is an exception if the company first obtains the approval of its Shareholders in a general meeting in circumstances where certain requirements specified in Chapter 2E in relation to the convening of that meeting have been met.

The parent company of MCH Investment is Metrics Credit Holdings Pty Ltd ("**MCH**"), which holds a 75.76% interest in MBFH via its wholly owned subsidiary, Metrics Business Finance Group Pty Limited.

On the basis that MCH Investment is a substantial shareholder in NFS, the Company is seeking approval from shareholders not associated with the Proposed Transaction ("**Non-Associated Shareholders**") under Chapter 2E of the Act.

Metrics Business Finance Group Pty Ltd ("**MBFG**") is a related party of NFS as they are both under the common control of MCH. The Independent Board Committee ("**IBC**"), comprised of independent non-executive directors, Mark Licciardo and Matthew Pringle, consider that the transaction is on arm's length terms, which is an exception to the requirement to obtain shareholder approval to give a financial benefit to a related party under Chapter 2E of the Act. However, given the related party nature of the relationships between the parties, the Company considers that Shareholders should be provided with an opportunity to approve the transaction for the purpose of section 208 of the Act.

We note that although MCH Investment together with MBFG, the Management Shareholders (as defined in the Notice of Meeting) and Perpetual Corporate Trustee Limited as trustee for Metrics S Partnership Trust would hold more than 90% of the issued voting shares in the Company immediately after the Proposed Transaction, they would not have the power to compulsorily acquire the remaining shares on issue in the Company, or to acquire all of the securities in every class of shares or securities convertible into shares in the Company, under the compulsory acquisition power in sections 664A(1) or 664A(2) of the Corporations Act.

This is because none of the above-mentioned entities will hold, together with any of their related bodies corporate, the full beneficial interest in 90% or more of securities (by number) in a class, or 90% or more of the voting power in the Company together with full beneficial interest in 90% or more of all the securities (by value) in the Company that are either shares or convertible into shares.

General

The IBC has requested that RSM Corporate Australia Pty Ltd ("**RSM**"), being independent and qualified for the purpose, express an opinion as to whether the Proposed Transaction is fair and reasonable to Non-Associated Shareholders.

The request for approval of the Proposed Transaction is included as Resolution 1 in the Notice. We have set out Resolution 1 below.

Resolution 1 – Approval of transaction and issue of shares

To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution

"That, for the purposes of item 7 of section 611 of the Corporations Act, section 208 of the Corporations Act and for all other purposes, approval is given for:

(a) Navalo Commercial Finance Pty Ltd, a subsidiary of the Company, to acquire all of the issued share capital in Metrics Business Finance Holdings Pty Ltd ACN 638 490 776 (Target); and

(b) to the issue and acquisition by:

a. Metrics Business Finance Group Pty Ltd of 24,560,186 fully paid ordinary shares in the capital of the Company (Shares);
b. Creighton Pty Ltd as trustee of the Creighton Discretionary Trust of 1,539,874 Shares;
c. Alexandria Investments Pty Ltd as trustee of the Alexandria Investment Trust of 1,539,874 Shares;
d. Predebon Investments Pty Ltd as trustee of the Predebon Investment Trust of 1,539,874 Shares; and
e. Perpetual Corporate Trustee Limited as trustee of the Metrics S Partnership Trust of 1,620,920 Shares,

as consideration for the acquisition of their shares in the Target, and the resulting increase in the voting power in the Company of MCH Investment and its associates, on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

The ultimate decision whether to approve the Proposed Transaction should be based on each Non-Associated Shareholder's assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt as to the action they should take with regard to the Proposed Transaction, or the matters dealt with in this Report, Shareholders should seek independent professional advice.

Summary of opinion

In the absence of any other relevant information and/or a superior proposal, RSM considers the Proposed Transaction to be **not fair but reasonable** to Non-Associated Shareholders.

We have formed this opinion for the reasons set out below.

Approach

In assessing whether the Proposed Transaction is fair and reasonable to Non-Associated Shareholders, we have considered Australian Securities and Investment Commission ("**ASIC**") Regulatory Guide 111 – Content of Expert Reports, which provides specific guidance as to how an expert is to appraise transactions.

RG 111 provides ASIC's views on how an expert can help security holders make informed decisions about transactions. Specifically, it gives guidance to experts on how to evaluate whether or not a proposed transaction is fair and reasonable.

RG 111 states that the expert's report should focus on:

- the issues facing the security holders for whom the report is being prepared: and

- the substance of the transaction rather than the legal mechanism used to achieve it.

We have considered whether or not the Proposed Transaction is “fair” to Non-Associated Shareholders by assessing and comparing:

- the Fair Value of a NFS Share prior to the Proposed Transaction, taking into account the total interest in NFS held by Non-Associated Shareholders prior to the Proposed Transaction; with
- the Fair Value of a NFS Share on a non-controlling basis immediately after the Proposed Transaction.

We have then considered whether the Proposed Transaction is “reasonable” to Non-Associated Shareholders by undertaking an analysis of the other factors relating to the Proposed Transaction which are likely to be relevant to Non-Associated Shareholders in their decision of whether or not to approve the Proposed Transaction.

Further information of the approach we have employed in assessing whether the Proposed Transaction is “fair” and “reasonable” is set out at Section 2 of this Report.

Fairness opinion

Our assessed Fair Value of NFS prior to the Proposed Transaction and comparison to the Fair Value of NFS (non-controlling basis) immediately after the Proposed Transaction is summarised in the table and figure below.

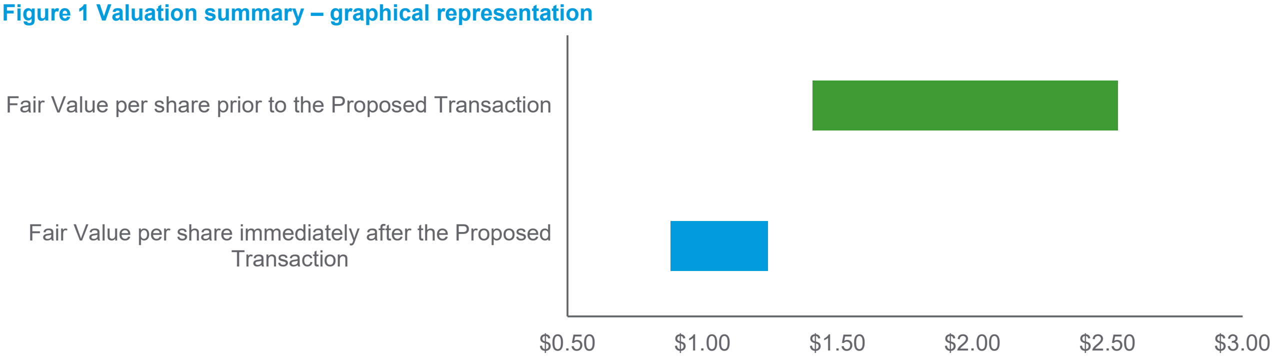
Table 1 Valuation summary

	Low $	High $	Preferred $
Fair Value per share prior to the Proposed Transaction	1.41	2.54	1.97
Fair Value per share immediately after the Proposed Transaction	0.88	1.24	1.06

Source: RSM analysis

We have summarised the values included in the table above in the chart below.

Figure 1 Valuation summary – graphical representation



The chart above indicates that the range of Fair Values post the Proposed Transaction is less than the range of Fair Values prior to the Proposed Transaction.

The Fair Value per share of NFS prior to the Proposed Transaction is assessed having regard to the fact that prior to the Proposed Transaction, Non-Associated Shareholders hold a combined interest in NFS of 14.81%, representing a minority interest (given the remainder of the issued share capital is held by a single shareholder). Therefore, to assess the Fair Value of a NFS share prior to the Proposed transaction, we have assessed the Fair Value of the Company on a minority interest basis.

In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, we consider the Proposed Transaction to be **not fair** to Non-Associated Shareholders of NFS.

Reasonableness

RG 111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the offer closes. As such, we have also considered the following factors in relation to the reasonableness aspects of the Proposed Transaction:

- the future prospects of NFS if the Proposed Transaction does not proceed;
- other commercial advantages and disadvantages to Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding; and
- alternative proposals to the Proposed Transaction.

Future prospects of NFS if the Proposed Transaction does not proceed

NFS is currently loss making and has generated losses before tax of $12.7m, $12.7m and $10.1m in FY21, FY22 and FY23, respectively. Whilst we have not utilised or relied on the financial forecast prepared in relation to NFS, we note that based on the forecast prepared, the Directors expect NFS to remain loss making and cash flow negative on a stand-alone basis for at least the next 12 months. Given the company's current and forecast operating cash outflows, the Directors consider that, if the Proposed Transaction does not proceed, NFS will be required to raise equity capital in order to maintain solvency, including compliance with the warehouse funding structure that underpins its business.

We note that the audited financial statements for the year ended 30 June 2023 included a significant accounting policy note in relation to the preparation of the financial statements on a going concern basis noting the following matters:

- at the date of signing the financial statements, the Directors stated that they had reasonable grounds to believe that NFS will continue to be successful in sourcing debt and/or equity funding in the future, as and when required.
- In the event that sourcing new or additional funding arrangements is not successful, NFS has options available including but not limited to slowing down growth, further reductions in operating costs and pursuing alternate strategic opportunities to preserve cash reserves.
- Should NFS be unsuccessful in achieving the matters set out above, a material uncertainty would exist that may cast significant doubt on the ability of NFS to continue as a going concern, and therefore, whether it will realise its liabilities in the normal course of business.

In the event that NFS is required to raise equity capital on a stand-alone basis, we make the following points:

- NFS is an unlisted public company with less access to equity markets than an ASX listed business.
- The historical and forecast trading results and cash flow projections generated from current revenue streams and operating activities, reflect the limited scale and product diversification of NFS on a stand-alone basis.

- Recent equity capital raisings undertaken in FY23 were heavily supported by MCH Investment. NFS has noted in previous public announcements that recent capital raisings have indicated a lack of support from equity markets generally[1].

Based on the above, we consider that an equity capital raising undertaken on a stand-alone basis would likely be highly dependent upon the participation of the major shareholder, MCH Investment. Furthermore, we consider that there is a risk that the pricing of an equity capital raise may be at a level that is unpalatable to Non-Associated Shareholders. In the event that an equity capital raise could not be completed, and the Directors could not secure an alternative transaction or funding source, there is a significant risk that NFS would be insolvent and unable to meets its obligations as and when they fall due. We note that, as at the date of this Report, the Directors consider that no such alternative transaction has been identified.

Advantages and disadvantages of approving the Proposed Transaction

The key advantages of the Proposed Transaction are:

Table 2 Advantages of the Proposed Transaction

Advantages	Details
Improved outlook for NFS to continue trading as a going concern	NFS is currently loss making and unlikely to become cash flow positive in the near-term. As set out above, if the Proposed Transaction does not proceed and a suitable alternative does not eventuate, NFS will be required to raise equity capital to maintain its solvency and will likely be reliant on its major shareholder to complete a capital raising. If a capital raising cannot be completed there is a significant risk that NFS would be insolvent and unable to meets its obligations as and when they fall due.
Opportunity to participate in the potential upside of the merged NFS and MBFH business	If the Proposed Transaction proceeds, NFS intends to expand and diversify its product offering to include lending products in commercial real estate and equipment finance. NFS has recently introduced a regulated consumer finance product, with an Australian Credit License ("**ACL**") in place. If the Proposed Transaction proceeds, it may be better positioned to successfully fund and grow this product than on a stand-alone basis with its current limited funding capability. MBFH has grown its loan book from $13.5m as at 30 June 2022 to $194.6m as at 31 October 2023. Consequently, gross revenue has increased from $1.5m (from circa 8 months trading) to $8.8m for YTD24. Furthermore, MBFH traded profitability for YTD24, generating a net profit before tax of $1.7m. To date, the majority of commercial real estate loans written by MBFH have been for existing clients of the wider Metrics Group. MBFH has provided NFS with forecast financial information that includes significant growth in the loan book, revenue, profit and cash flow. The forecast financial performance is dependent upon generating profitable origination volumes and securing sources of funding, the acquisition of MBFH provides Non-Associated Shareholders with the opportunity to participate in the potential upside of the MBFH business. After the Proposed Transaction, MCH Investment and its associates, as a major shareholder will remain incentivised to continue providing commercial real estate and other loan origination opportunities which underpins a portion of the forecast growth strategy.
Potential opportunity to increase scale, efficiency and access to debt and equity capital	The historical financial performance of NFS and near-term outlook indicate that NFS lacks sufficient scale to operate profitably in the BNPL and consumer lending markets. Further, there are significant challenges in terms of accessing sufficient funding to reach the required scale as a stand-alone entity. MBFH has demonstrated an ability to secure loan book funding since inception in November 2022 and there is a potential opportunity for the existing NFS business to access funding sources that are currently not available to it.
Potential realisation of operational synergies	The Directors consider that there may be an opportunity to generate cost and operational synergies that, if realised, will improve the profitability of the combined business.

[1] ASX announcement dated 22 May 2023 – Payright announces proposed voluntary delisting, share consolidation and name change

The key disadvantages of the Proposed Transaction are:

Table 3 Disadvantages of the Proposed Transaction

Disadvantages	Details
The Proposed Transaction is not Fair	The Proposed Transaction is not Fair to Non-Associated Shareholders.
Dilutionary impact	Non-Associated Shareholders, collectively, will be diluted from a 14.81% to 2.64% ownership interest in NFS.
Convertible note conversion will not require shareholder approval	Immediately following completion of the Proposed Transaction, MCH Investment together with the Management Shareholders (as defined in the Notice of Meeting) and Perpetual Corporate Trustee Limited as trustee for Metrics S Partnership Trust will hold more than 90% of the issued voting shares in the Company. Any further increase in MCH Investment's voting power would not be subject to the general prohibition in section 606(1) of the Corporations Act. As such, the conversion of MCH Investment's convertible notes into NFS ordinary shares would not need to be approved by Shareholders under item 7 of section 611 of the Corporations Act.
Further capital raisings may be required	The Directors consider that equity capital raisings may be required to support business growth of the combined entity. Debt capital may also be sought if considered appropriate. The Directors have stated that there is no immediate intention to conduct any capital raisings after the Proposed Transaction.

Alternative proposals to the Offer

We are not aware of any alternative proposals which may provide a greater benefit to Non-Associated Shareholders of NFS at this time.

Conclusion on Reasonableness

In our opinion, the position of Non-Associated Shareholders of NFS if the Proposed Transaction is approved is more advantageous than if the Proposed Transaction is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Transaction is **reasonable** for Non-Associated Shareholders of NFS.

General

An individual Shareholder's decision in relation to the Proposed Transaction may be influenced by their individual circumstances. If in doubt, Shareholders should consult an independent advisor.

Yours faithfully

RSM CORPORATE AUSTRALIA PTY LTD

A. Clifford	Nadine Marke
Andrew Clifford Director	**Nadine Marke** Director

1. Summary of Proposed Transaction

Overview

NFS and its wholly owned subsidiary Navalo Commercial Finance Pty Ltd intend to respectively enter into a conditional subscription deed and a conditional share sale deed to facilitate the Proposed Transaction, being the acquisition of 100% of the issued share capital of MBFH, being 12,959,779 fully paid ordinary shares, in exchange for the issue of 32,418,408 fully ordinary paid shares in NFS to the MBFH Shareholders.

Prior to the Proposed Transaction, MCH Investment holds 85.19% of the issued share capital of NFS. As part of the Proposed Transaction, MCH Investment and its associated parties' interest in NFS will increase from 85.19% to 93.26% interest after the Proposed Transaction with the remaining MBFH Shareholder holding a 4.10% interest after the Proposed Transaction. Consequently, Non-Associated Shareholders will be diluted from a 14.81% interest in NFS to 2.64%.

Impact of Proposed Transaction on NFS' Capital Structure

The table below sets out a summary of the capital structure of NFS prior to and post the Proposed Transaction.

Table 4 Share structure of NFS pre and post the Proposed Transaction

Navalo Financial Services Group Ltd Capital structure	Number of Shares	%
NFS capital structure prior to the Proposed Transaction		
Number of ordinary shares held by MCH Investments or associates	6,003,655	85.19%
Number of ordinary shares held by Non-Associated Shareholders	1,043,825	14.81%
Total NFS shares immediately prior to the Proposed Transaction	**7,047,480**	**100.00%**
NFS capital structure immediately after the Proposed Transaction		
Number of ordinary shares held by MCH Investments or associates	36,804,383	93.26%
Number of ordinary shares held by other MBFH Shareholder	1,617,679	4.10%
Number of ordinary shares held by Non-Associated Shareholders	1,043,825	2.64%
Total NFS shares immediately after the Proposed Transaction	**39,465,887**	**100.00%**

Source: NFS share register, Notice of Meeting and RSM calculations

Note: Number of ordinary shares on issue includes restricted ESOP Gift Shares

2. Scope of the Report

2.1 Purpose of this Report

The IBC of the Company have requested that RSM, being independent and qualified for the purpose, express an opinion as to whether the Proposed Transaction is fair and reasonable to Non-Associated Shareholders.

2.2 Basis of evaluation

In determining whether providing the Proposed Transaction is “fair” and “reasonable” we have given regard to the views expressed by the ASIC in RG 111.

RG 111 provides ASIC’s views on how an expert can help security holders make informed decisions about transactions. Specifically, it gives guidance to experts on how to evaluate whether or not a proposed transaction is fair and reasonable.

RG 111 states that the expert’s report should focus on:

- the issues facing the security holders for whom the report is being prepared: and
- the substance of the transaction rather than the legal mechanism used to achieve it.

Where an issue of shares by a company otherwise prohibited under section 606 is approved under item 7 of section 611 and the effect on the company’s shareholding is comparable to a takeover bid, RG 111 states that the transaction should be analysed as if it was a takeover bid.

Therefore, we have considered whether or not the Proposed Transaction is “fair” to Non-Associated Shareholders by assessing and comparing:

- the Fair Value of a NFS Share prior to the Proposed Transaction, taking into account the total interest in NFS held by Non-Associated Shareholders prior to the Proposed Transaction; with
- the Fair Value of a NFS Share on a non-controlling basis immediately after the Proposed Transaction.

We have also considered whether the Proposed Transaction is “reasonable” to Non-Associated Shareholders by undertaking an analysis of the other factors relating to the Proposed Transaction which are likely to be relevant to Non-Associated Shareholders in their decision of whether or not to approve the Proposed Transaction.

Where an expert assesses whether a related party transaction is “fair and reasonable” (for the purposes of Chapter 2E of the Corporations Act), RG 111 also states that this should not be applied as a composite test – that is, there should be a separate assessment of whether the transaction is “fair” and “reasonable”, as in a control transaction.

The other significant factors to be considered include:

- the prospects of the Company if the Proposed Transaction does not proceed;
- any other commercial advantages and disadvantages to Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding; and
- alternative proposals to the Proposed Transaction.

Our assessment of the Proposed Transaction is based on economic, market and other conditions prevailing at the date of this Report.

3. Profile of NFS

3.1 Overview

NFS, previously Payright Limited, was listed on the ASX until circa 28 July 2023, when it delisted from the exchange.

NFS provides Buy Now-Pay Later ("**BNPL**") consumer finance products to a range of borrowers throughout Australia. It engages directly with merchant stores to offer a point-of-sale finance solution, where a customer elects to use finance as a method of settling their purchase. An application for finance is made via a merchant specific online portal with NFS who settle a transaction directly to the merchant, net of an agreed Merchant Service Fee ("**MSF**").

NFS generates revenue via the MSF and other fees charged to the end customer in place of applying an interest rate. In addition to the MSF, NFS charges customers an establishment fee and account keeping and payment processing fees on a monthly basis.

NFS currently has circa 45,000 active customers, with over 135,000 customers served across over 3,200 merchant stores. The average transaction value financed by NFS is circa $4,500. The Company has circa 50 staff in offices located in Melbourne and Sydney.

The Company typically services a merchant base that includes home improvement, health and beauty, education, retail, photography and automotive. The merchant base typically has a higher price point of transactions than many of NFS' competitors that operate under a 4 equal instalment repayment model. NFS finances these higher value transactions with more diversified loan terms of up to 60 months.

NFS is funded by a mix of equity capital and a $175m, 2-year debt warehouse funding facility provided by Goldman Sachs as senior lender, with a maturity date of June 2025.

3.2 Regulatory Environment

NFS' BNPL product is not regulated by the National Consumer Credit Protection Act (Cth) 2009 ("**NCCP**") as it falls under the exemptions available to certain types of credit in Schedule 1 to the Credit Act (the National Credit Code). BNPL products are not subject to the responsible lending standards or other requirements of the Credit Act and BNPL providers do not need to hold an Australian Credit License ("**ACL**").

NFS is an accredited member of the BNPL Code of Practice.

On 22 May 2023, the Commonwealth Government announced the intent to change the law, so that BNPL products are regulated as credit products under the NCCP. Whilst the proposed legislation is still to be finalised, the Federal Government has indicated that providers will be required to:

- hold an ACL;
- comply with responsible lending obligations;
- meet statutory dispute resolution and hardship requirements
- abide by existing restrictions on unacceptable marketing; and
- meet a range of other minimum standards in relation to conduct and products.

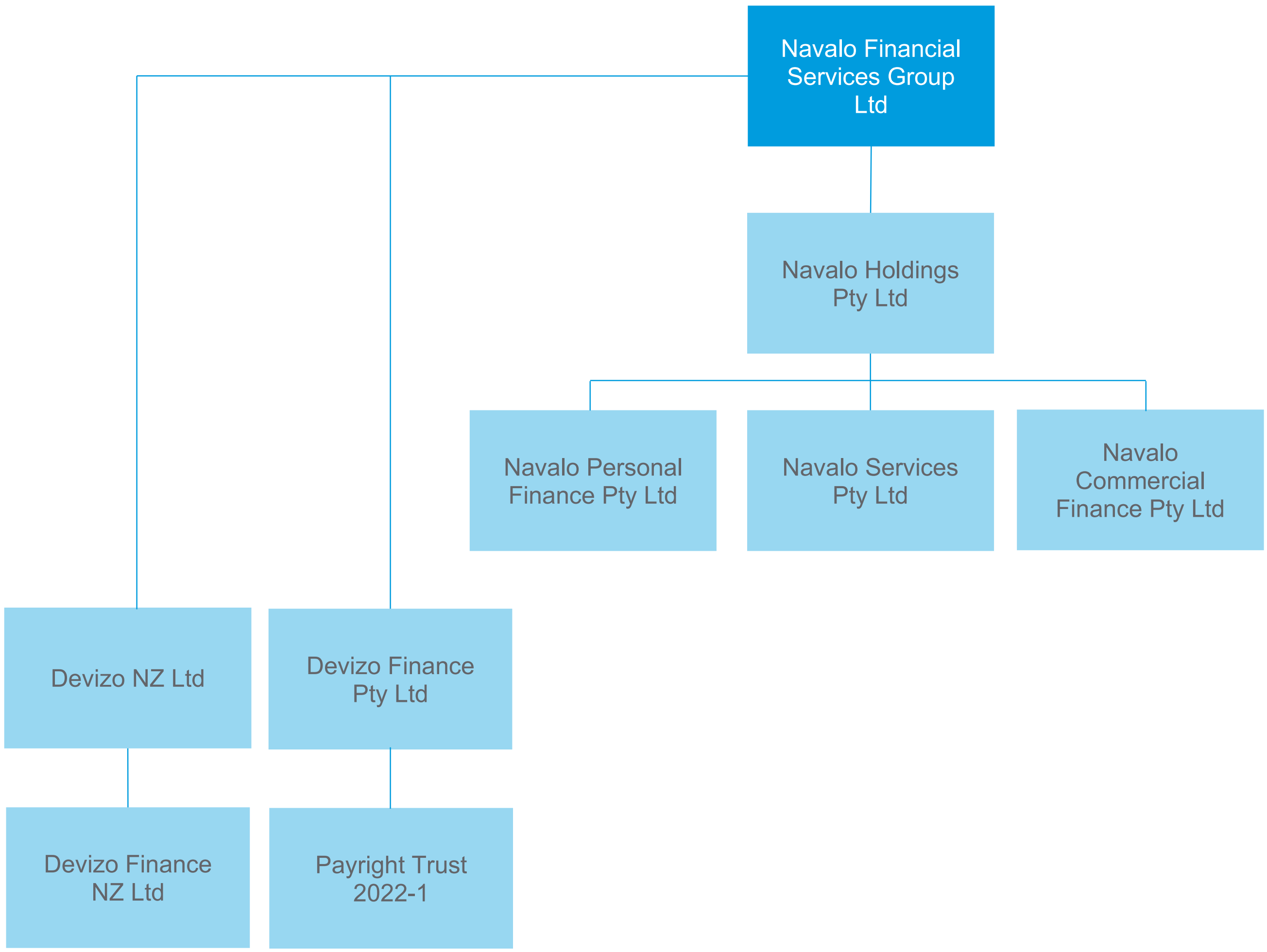
NFS has been granted an ACL and has recently introduced a regulated consumer loan product. NCCP loans will be used to fund larger loans and longer-term loans where the existing BNPL product is unprofitable.

3.3 Legal structure

An overview of NFS's current company structure is set out below.

NFS is the ultimate parent of the NFS Group with the following wholly owned subsidiaries.

Figure 2 NFS Group company structure



3.4 Directors and management

The directors and company secretary of NFS are summarised in the table below.

Table 5 NFS Directors and Key Management Personnel

Name	Title	Experience
Allan Griffiths	Chairman and Non-Executive Director	Allan has more than 40 years' experience in, and extensive understanding of, the financial services industry. Allan held a number of executive positions within the industry, most notably as Chief Executive Officer of Aviva Australia (formerly Norwich Union) and later, Managing Director South Asia, Aviva Asia Pte Ltd based in Singapore. Prior to joining Aviva, he held executive positions with Colonial Ltd. Allan is Chairman of ASX listed Insignia Financial (formerly IOOF), having been appointed Chairman in 2019 and Director since 2014, St Andrew's Insurance Group and Metrics Credit Holdings Pty Ltd as trustee for MCH Investments Trust. Allan has a Bachelor of Business and is a member of NFS' Audit and Risk Committee.
Andrew Lockhart	Non-executive Director	Andrew has more than 30 years' banking, funds management and financial markets experience and is the Managing Partner and Director of Metrics Credit Holdings Pty Ltd, a leading Australian non-bank corporate lender and alternative asset manager specialising in fixed income, private credit, equity and capital markets, with in-excess of $15bn of assets under management. Andrew has considerable experience in loan origination, structuring and portfolio risk management, previously specialising in leverage and acquisition finance and corporate institutional lending at National Australia Bank. Andrew is also a Non-executive Director of several non-bank finance companies. Andrew holds a Bachelor of Business and Master of Business Administration from Queensland University of Technology. Andrew is a director of MCH Investment Management Services Pty Ltd (a member of the Metrics group). Andrew is a member of NFS' Audit and Risk Committee and Capital Management Committee.
Matthew Pringle	Non-executive Director	Matthew has extensive experience in corporate finance, audit and assurance, governance and strategy, including over 25 years' experience as a Partner at Pitcher Partners. His roles with Pitcher Partners included leading the corporate finance practice group, senior audit partner and leading the corporate governance and board advisory practice area. Matthew holds a Bachelor of Commerce from the University of Melbourne and is a Chartered Accountant. Matthew is a member and Chair of the Audit and Risk Committee and Capital Management Committee.
Mark Licciardo	Non-executive Director	Mark has extensive experience working with boards of high-profile ASX-listed companies, with expertise in the listed investment, infrastructure, biotechnology and digital sectors. Mark is the founder of Mertons Corporate Services, now part of Acclime Australia and is responsible for Acclime Australia's Listed Services Division. He currently serves as a director on ASX listed Frontier Digital Ventures (ASX:FDV) as well as a number of other unlisted public company boards and foreign-controlled entities and private companies. Mark holds a Bachelor of Business degree in accounting, a Graduate Diploma in Governance and is a Fellow of the Chartered Governance Institute, the Governance Institute of Australia and the Australian Institute of Company Directors
Saara Mistry	General Counsel, Chief Risk Officer and Company Secretary	Saara has over 20 years of experience performing numerous in-house legal counsel, compliance and risk professional roles across financial services in Australia, the United Kingdom and the Middle East. She specialises in consumer finance, regulatory compliance and reform, as well as privacy and wealth management compliance. Prior to her role at NFS', Saara held roles at Barclays Bank in the UK, HSBC in the Middle East and National Australia Bank and Liberty Financial in Australia. She holds a Bachelor of Science/Bachelor of Laws (Hons) from Monash University.

3.5 Financial Performance

The following table sets out a summary of the financial performance of NFS for the 3 years ended 30 June 2023 extracted from the audited financial statements of the Company.

Table 6 NFS historical financial performance

Navalo Financial Services Group Ltd Financial performance ($000)	FY21 *Audited*	FY22 *Audited*	FY23 *Audited*
Revenue			
Customer fees	4,107	5,700	6,415
Merchant fees	7,345	10,229	11,657
Total fee income	**11,452**	**15,929**	**18,071**
Finance costs (product)	(5,259)	(7,722)	(8,225)
Revenue net of finance costs	**6,193**	**8,207**	**9,846**
Net revenue margin	*54.08%*	*51.52%*	*54.49%*
Expected credit losses	(3,188)	(4,791)	(5,144)
Revenue net of finance costs and ECL	**3,005**	**3,416**	**4,702**
Operating expenses			
Administrative expenses	(1,122)	(1,625)	(1,951)
Advertising and marketing	(2,062)	(543)	(189)
Employee costs	(8,872)	(10,241)	(7,518)
Professional fees	(2,290)	(1,941)	(2,700)
Rent and occupancy	(96)	(62)	(69)
Other	(1,091)	(1,002)	(888)
Total operating expenses	**(15,533)**	**(15,414)**	**(13,315)**
Other income	722	386	816
EBITDA	**(11,806)**	**(11,612)**	**(7,796)**
EBITDA margin %	*(57.17%)*	*(24.42%)*	*2.85%*
Depreciation	(159)	(176)	(125)
EBIT	**(11,965)**	**(11,788)**	**(7,922)**
EBIT margin %	*(58.56%)*	*(25.53%)*	*2.16%*
Interest income	-	-	89
Finance costs	(769)	(874)	(2,294)
Net profit before tax	**(12,734)**	**(12,662)**	**(10,126)**
Income tax expense	-	-	-
Net profit after tax	**(12,734)**	**(12,662)**	**(10,126)**

Source: Audited accounts for FY20, FY21, FY22 and FY23

We note the following in relation to NFS' financial performance:

- NFS has generated revenue growth at a compound annual growth rate ("**CAGR**") of 25.6% over the 2 years to 30 June 2023.
- Merchant fees represent circa 65% of total revenue. Customer fees represent circa 35% of total revenue split by establishment fees (8%), account keeping fees (10%) and payment processing fees (17%).
- Growth in merchant and customer fees in FY23 was primarily driven by an increase in average loan terms.

- Net revenue margin improved in FY23 due to lower funding costs driven by a new warehouse facility established in May 2022.

- Expected credit losses ("**ECL**") represented between 28% and 30% of revenue over the Historical Period and are based on the difference between the contractual cash flows due in accordance with the receivable terms and all the cash flows that NFS expects to receive. The improvement in ECL to 28% in FY23 was driven by a focus on customer quality and proactive focus on arrears reduction strategies.

- Overheads declined over the Historical Period primarily due to:

    - a reduction in head count with circa 35% of employment positions made redundant, partly offset by increased consulting and professional services costs.

    - advertising and marketing expenses declined from $2.1m in FY21 to $189k in FY23. The cost incurred in FY21 was partly due to promotional and branding activities related to the launch of Payright. Further reductions have been driven by cost management activities.

- Finance costs include the revaluation of the embedded derivative with the convertible notes representing a gain in FY22 of $1.1m and a loss of $391k in FY23.

- Whilst NFS has generated revenue growth and undertaken a reduction in overhead costs, the Company has generated significant trading losses over the past 3 financial years. Based on financial forecasts prepared in relation to NFS, the Directors expect NFS to remain loss making and cash flow negative on a stand-alone basis for at least the next 12 months.

3.6 Financial Position

The table below sets out a summary of the audited financial position of NFS for the 3 years ended 30 June 2023.

Table 7 NFS historical financial position

Navalo Financial Services Group Ltd Balance sheet ($'000)	30-Jun-21 *Audited*	30-Jun-22 *Audited*	30-Jun-23 *Audited*
Current assets			
Cash and cash equivalents	7,088	12,683	9,640
Receivables	44,605	54,591	63,896
Prepayments	215	877	1,627
Other current assets	179	-	-
Total current assets	**52,088**	**68,151**	**75,163**
Non-current assets			
Receivables	19,972	40,989	48,705
Property Plant and Equipment	93	47	12
Right of use assets	161	80	-
Other assets	48	980	1,567
Total non-current assets	**20,274**	**42,096**	**50,284**
Total assets	**72,363**	**110,247**	**125,448**
Current liabilities			
Trade and other payables	3,068	4,605	2,501
Borrowings	16,740	4,558	-
Lease liabilities	95	91	-
Employee benefit liabilities	624	621	544
Total current liabilities	**20,526**	**9,875**	**3,045**
Non-current liabilities			
Borrowings	33,807	92,826	110,516
Derivative liability	-	462	853
Lease liabilities	83	-	-
Employee benefit liabilities	102	162	220
Total non-current liabilities	**33,992**	**93,450**	**111,589**
Total liabilities	**54,518**	**103,325**	**114,634**
Net assets	**17,844**	**6,922**	**10,813**

Source: Audited accounts for FY20, FY21, FY22 and FY23

We note the following in relation to NFS' financial position:

- Movements in net assets over the Historical Period have been driven primarily by the losses generated and $15m of equity capital raised (prior to costs) during FY23.
- Cash and cash equivalents as at 30 June 2023 includes restricted cash of $1.5m related to minimum balance requirements under the debt warehouse agreement.
- Receivables comprise the loan receivables net of the ECL provision of $8.7m.
- Other assets relates primarily to a liquidity reserve account that is required to be maintained at circa $1.5m, related to debt obligations.
- NFS is subject to an ATO payment agreement in relation to overdue GST until May 2024 at $22k per month.

- Borrowings comprise:
  - secured loans of $104.3m comprising class A and class B notes. Loans are sold into the warehouse upon origination and funded by the class A and class B notes, with a portion funded by NFS. The total warehouse facility is $175m with 95% of the facility available for draw down and NFS retaining the remaining 5%; and
  - unsecured convertible notes of $6.6m with a face value of $8m and a conversion price of $4.54, issued on 13 May 2022 and maturing on 13 May 2026.
- The derivative liability accounts for the embedded financial instrument in the convertible notes.

3.7 Capital Structure

At the date of this Report, NFS has 7,047,137 ordinary shares on issue (excluding escrowed ESOP Gift shares). The top 20 shareholders of NFS are set out below.

Table 8 NFS top 20 shareholders

Navalo Financial Services Group Ltd	Number of ordinary shares fully paid	
Ordinary shares on issue	**shares held**	**%**
MCH Investment Management Services Pty Ltd	6,003,655	85.19%
PG Capital Pty Ltd	200,000	2.84%
Mr Amarandhar Reddy Kotha	88,598	1.26%
Piers Redward	74,963	1.06%
Mr Irwin David Klotz	72,000	1.02%
M Redward Investments Pty Ltd	71,264	1.01%
Great White Shark Services Pty Ltd	34,795	0.49%
Merrill Lynch (Australia) Nominees Pty Limited	26,213	0.37%
J E International Pty Ltd	24,080	0.34%
Philippa Statham Pty Ltd	19,971	0.28%
Mr Paul Samuel Cowan	16,000	0.23%
Mr Ronald Mark Evans & Mrs Janet Elizabeth Evans	15,917	0.23%
J P Morgan Nominees Australia Pty Limited	14,803	0.21%
Plecjam Pty Ltd	13,541	0.19%
Yavern Creek Holdings Pty Ltd	13,457	0.19%
Mr George Lygoyris	12,808	0.18%
Fincap Custodians Australia Pty Ltd	12,122	0.17%
HSBC Custody Nominees (Australia) Limited	11,180	0.16%
Invia Custodian Pty Limited	10,230	0.15%
Vulcancrest Pty Ltd	9,969	0.14%
Total Top 20 holders of ordinary fully paid shares	**6,745,566**	**95.72%**
Total remaining holders balance	301,571	4.28%
Total ordinary shares on issue	**7,047,137**	**100.00%**

Source: NFS share register

As at the date of this Report, MCH Investment holds 85.19% of NFS. MCH Investment also holds 14,545,454 convertible notes issued by NFS.

Pinnacle Investment Management Group Limited is a substantial shareholder of NFS as a result of indirectly holding 20% of the Metrics Group.

The tables below set out a summary of share options, warrants and convertible notes on issue as at the date of this report.

Table 9 NFS Summary of unquoted securities

Navalo Financial Services Group Ltd Unquoted securities	Number on issue	Number of holders	Exercise price $	Expiry date
Options over ord. shares issued (issued under the ESOP see table 8)	39,188	8	See below	See below
Convertible notes	35,555,560	31	4.54	13 May 2026
Warrants	21,713	1	4.54	16 May 2026

Source: NFS share register

Table 10 NFS Summary of restricted securities

Navalo Financial Services Group Ltd Retricted securities Description	Type of restriction	Number on issue	Exercise price $	End date of escrow period
ESOP director options	Voluntary escrow	33,000	260.91	23 December 2023
ESOP employee options	Voluntary escrow	6,188	77.16	30 October 2023
ESOP gift shares	Voluntary escrow	343	NA	21 December 2023

Source: NFS share register

We consider the options and warrants are significantly out of the money as at the Valuation Date and note that the exercise price of the convertible notes is significantly above our assessed Fair Value of the Company.

4. Profile of MBFH

4.1 Overview

MBFH offers commercial real estate and equipment finance solutions to the Australian business market. MBFH is focused on serving the SME market which it considers to be a fragmented and under resourced segment of the commercial lending market. Commercial real estate solutions include land, investment or residual stock loans and construction facilities. Equipment finance solutions include chattel mortgage style goods loans, finance leases and equipment rentals.

MBFH was established in November 2021 following the acquisition of Bigstone Lending Pty Limited ("**Bigstone**") and forms part of the broader Metrics Group of businesses ("**Metrics Group**") held by Metrics Credit Holdings Pty Limited. The wider Metrics Group manages in excess of $15b invested in a portfolio of loans comprising corporate, project finance, leveraged finance and property finance. Since inception, MBFH's strategy has been to grow by leveraging the existing Metrics Group customer base that are seeking smaller property facilities as well as the existing Bigstone broker origination network.

In late 2022, MBFH secured a 5-year funding facility agreement with Spirit Superannuation ("**Spirit**") to invest $250m into a dedicated managed fund, to provide funding to MBFH's origination strategies. The $250m comprises an existing loan portfolio of circa $120m which MBFH manages for Spirit. As the existing portfolio runs off, the cash is redeployed into new assets originated by MBFH. The Spirit investment has a mandate allowing investment in a range of funding vehicles across the capital structure including senior, mezzanine equity tranches as appropriate.

The commercial real estate products offered by MBFH range up to $15m limited with average terms of between 12 to 24 months. Equipment and motor vehicle finance ranges up to $500k with average terms of between 1 to 5 years.

The key competitors of MBFH are set out in the table below.

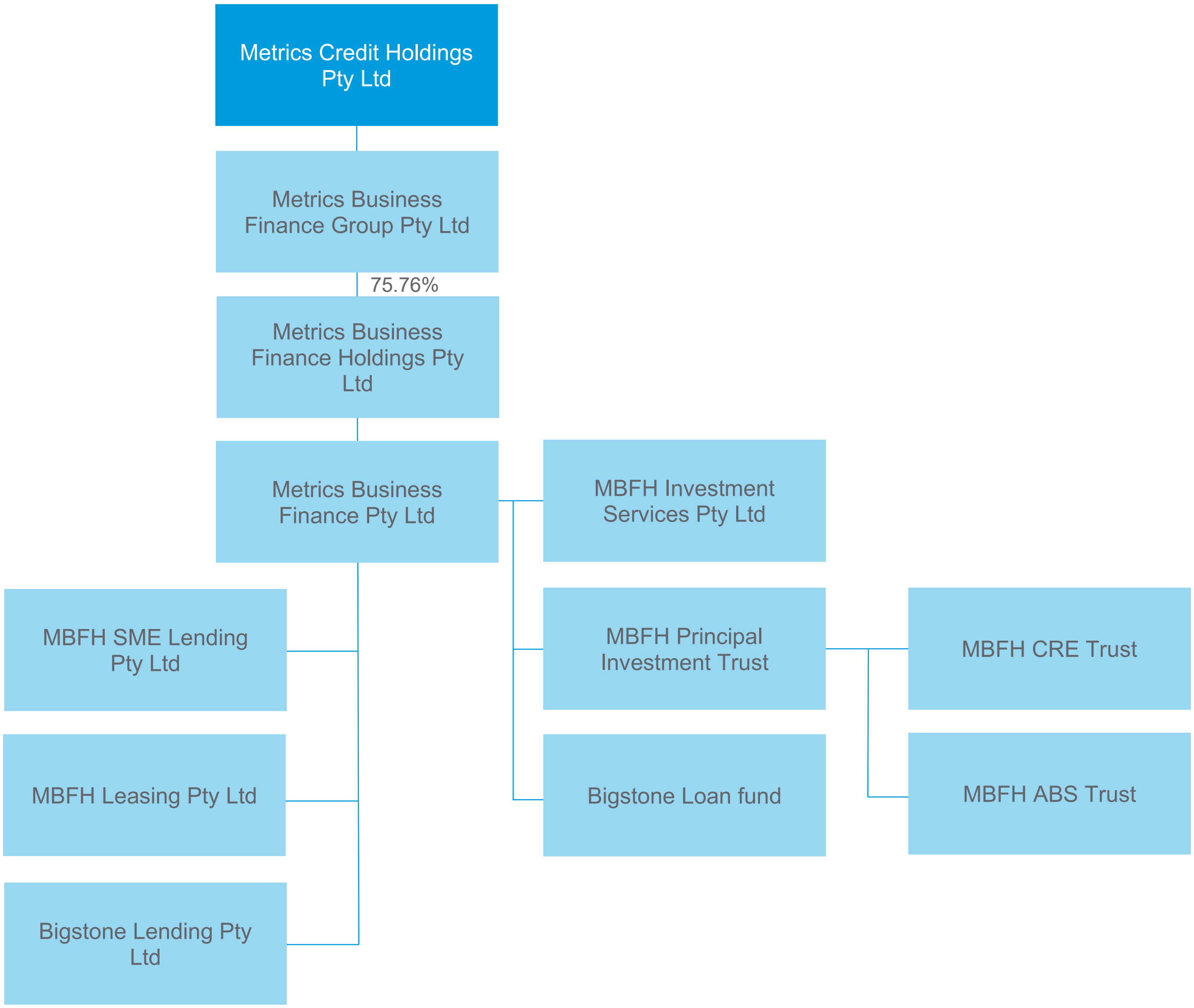
Table 11 MBFH key competitors

Commercial real estate	Equipment finance
Wingate	Earlypay
Qualitas	Shift
Maxcap	Flexigroup
CVS Lane	Capital Finance
Gemi	Scottish Pacific
Trilogy	Grow Finance
Aquamore	Maia Financial
Balmain	Angle Finance
Thinktank	Pepper
Judo	Metro Finance
Liberty	Judo
La Trobe	Bank of Queensland
Pallas	Macquarie Bank
	Big four banks

4.2 Legal structure

An overview of MBFH's current company structure is set out below.

Figure 2 MBFH company structure



4.3 Directors and management

The directors and key management of MBFH are summarised in the table below.

Table 12 MBFH Directors and Key Management Personnel

Name	Title	Experience
Allan Griffiths	Chairman and Director	Allan has more than 30 years' experience in, and extensive understanding of, the financial services industry. Allan held a number of executive positions within the industry, most notably as Chief Executive Officer Aviva Australia (formerly Norwich Union) and later, Managing Director South Asia, Aviva Asia Pte Ltd based in Singapore. Prior to joining Aviva, he held executive positions with Colonial Ltd. Allan is Chairman of ASX listed Insignia Financial (formerly IOOF), having been appointed Chairman in 2019 and Director since 2014, St Andrew's Insurance Group. Allan has a Bachelor of Business. Allan is a board member of NFS and is a member of NFS' Audit and Risk Committee.
Graham McNamara	Director and Managing Partner (MCH)	Graham has 40 years of experience in banking, funds management and financial markets and has established the loan syndications and agency businesses at major Australian banks. He has considerable experience in risk management, debt origination and distribution, agency management and corporate banking. Graham has been a director of the Asia Pacific Loan Market Association's Australian Branch. He is a member of the Australian Institute of Company Directors.
Justin Hynes	Director and Managing Partner (MCH)	Justin has more than 20 years of experience working across loan origination, structuring and portfolio management. Justin has extensive acquisition and corporate finance experience in both advisory and principal capacity in Australia and South East Asia, including workouts and restructurings. Justin holds a Bachelor of commerce and Bachelor of Japanese studies from the Australian National University.
Andrew Lockhart	Director and Managing Partner (MCH)	Andrew has more than 30 years' banking, funds management and financial markets experience and is the Managing Partner and Director of Metrics Credit Holdings Pty Ltd, a leading Australian non-bank corporate lender and alternative asset manager specialising in fixed income, private credit, equity and capital markets, with in-excess of $14bn of assets under management. Andrew has considerable experience in loan origination, structuring and portfolio risk management, previously specialising in leverage and acquisition finance and corporate institutional lending at National Australia Bank. Andrew is also a Non-executive Director of several non-bank finance companies. Andrew holds a Bachelor of Business and Master of Business Administration from Queensland University of Technology. Andrew is a director of NFS and is a member of NFS' Audit and Risk Committee and Capital Management Committee.
Robert Spano	Director	Mr Spano has over 40 years' experience in asset finance and commercial lending. Mr Spano was previously on the Board of Alleasing and served as its CEO from 2013-2015, prior to its sale by major shareholder CPE Capital. Mr Spano also served as CEO of Integrated Asset Management for over 10 years, managing lending portfolios exceeding $1bn to government, corporate and medium sized commercial businesses.
Andrew Tremain	Director and Managing Partner (MCH)	Andrew has more than 30 years of experience in corporate loans, structured, leverage, leverage and acquisition finance, funds management, portfolio management and relationship management across Australia, Europe and Asia. Andrew holds a Bachelor of Commerce from Macquarie University.

4.4 Financial Performance

The following table sets out a summary of the financial performance of MBFH for FY22 based on audited financial statements, FY23 based on unaudited management accounts and the 4 months to 31 October 2023 ("**YTD24**").

Table 13 MBFH historical financial performance

Metrics Business Finance Holdings Pty Ltd Financial performance ($000)	FY22 *Audited*	FY23 *Unaudited*	YTD24 *Unaudited*
Revenue			
Fee income	-	1,420	1,842
Interest income	1,217	7,753	6,641
Other income	309	837	288
Total revenue	**1,526**	**10,010**	**8,772**
Finance costs (product)	(911)	(5,655)	(5,389)
Revenue net of finance costs	**615**	**4,355**	**3,383**
Net revenue margin %	*40.30%*	*43.51%*	*38.56%*
Cost of services	(59)	-	-
Expected credit losses	(378)	(349)	(13)
Revenue net of finance costs and ECL	**178**	**4,006**	**3,370**
Revenue net of finance costs and ECL %	*11.66%*	*40.02%*	*38.42%*
Operating expenses			
Advertising and marketing	-	(335)	(8)
Employee costs	(1,192)	(3,604)	(1,535)
Infrastructure costs	-	(849)	(61)
Other	(440)	(450)	(176)
Total operating expenses	**(1,632)**	**(5,238)**	**(1,780)**
EBITDA	**(1,454)**	**(1,232)**	**1,590**
EBITDA margin %	*(95.28%)*	*(12.31%)*	*18.12%*
Depreciation	(13)	(12)	(61)
EBIT	**(1,467)**	**(1,245)**	**1,529**
EBIT margin %	*(96.13%)*	*(12.43%)*	*17.43%*
Interest revenue	-	179	153
Finance costs	-	(18)	(3)
Net profit before tax	**(1,467)**	**(1,084)**	**1,679**
Income tax benefit	-	706	-
Net profit after tax	**(1,467)**	**(378)**	**1,679**

Source: Audited accounts FY22, draft financial statements for FY23 and management accounts for YTD24

The table above includes financial information sourced from unaudited draft financial statements accounts for the year ended 30 June 2023. As at the date of this Report, final audited financial statements were not available in relation to MBFH for the year ended 30 June 2023. In order to assess the reasonableness of the unaudited financial information for FY23 we had regard to a financial due diligence report in relation to MBFH prepared for the Proposed Transaction.

We note the following in relation to the financial performance of MBFH:

- MBFH purchased Bigstone on 5 November 2022 and commenced generating revenue on this date.
- MBFH generates revenue from commercial real estate ("**CRE**") loans and equipment finance ("**EF**") loans by way of interest revenue and fees including establishment fees and lines fees.

- Finance costs (loan book) represent the finance costs of the CRE and EF loan books.
- Expected credit losses ("**ECL**") relate to the movements in the provision for the probability weighted assessment of credit losses on CRE and EF loans.
- Revenue, net of finance costs and ECL increased considerably on an annualised basis for YTD24, driven by volume growth in the CRE loan book, partly offset by run off in relation to the EF loan book.
- Other income in FY23 primarily comprised income generated from NFS in relation to staff seconded from MBFH. This is considered to be non-recurring revenue.
- Advertising and marketing expenses in FY23 comprised re-branding expenses associated with the change in branding for the Bigstone lending products.
- Employee costs increased over the period, primarily as a result of increased staff numbers to facilitate revenue growth.
- MBFH turned profitable in YTD24 driven by an increase in CRE loan volumes and revenue growth.

4.5 Financial Position

The table below sets out a summary of the audited financial position of MBFH as at 30 June 2022 and unaudited financial position as at 30 June 2023 and 31 October 2023.

Table 14 MBFH historical financial position

Metrics Business Finance Holdings Pty Ltd Balance sheet ($'000)	FY22 *Audited*	FY23 *Unaudited*	YTD24 *Unaudited*
Current assets			
Cash and cash equivalents	4,005	12,653	11,709
Loans receivable	5,423	138,334	194,627
Other current assets	116	513	2,662
Total current assets	**9,544**	**151,500**	**208,998**
Non-current assets			
Plant and equipment	6	123	113
Intangibles	3,783	3,941	3,596
Loans receivable	8,026	27,388	
DTA	-	706	706
Total non-current assets	**11,815**	**32,158**	**4,415**
Total assets	**21,359**	**183,658**	**213,413**
Current liabilities			
Trade and other payables	727	905	1,005
Inter-entity loans	8,000		-
Investor Lease Payable	-	166,933	197,175
Undeployed investor funds	943	33	298
Borrowings	4,344		2,265
Employee benefit liabilities	279	722	386
Total current liabilities	**14,293**	**168,593**	**201,129**
Non-current liabilities			
Borrowings	4,079	4,456	-
Total non-current liabilities	**4,079**	**4,456**	**-**
Total liabilities	**18,372**	**173,049**	**201,129**
Net assets / (liabilities)	**2,987**	**10,609**	**12,284**

Source: Audited accounts for FY22, draft unaudited financial statements for FY23 and unaudited mgt accounts for YTD24

We make the following comments in relation to financial position of MBFH:

- MBFH disclosed a net asset position of $12.3m and a net tangible asset position of $8.7m as at 31 October 2023.
- Cash and cash equivalents at 31 October 2023 include $140k of operating cash, with the balance comprising restricted cash amounts including investor funds, deposits and provision funding. Operating cash as at 30 June 2023 was circa $1.7m.
- Loans receivable represent the CRE and EF loan books. As at 31 October 2023, the CRE loan book receivable represented $185.7m and the EF loan book receivable represented $8.9m, respectively.
- The loans receivable are primarily funded by the investor lease payable. CRE is funded by an external pool funding facility and funding is provided through loan notes. EF is funded by individual investors including MBFH.
- Intangible assets primary comprises goodwill related to the Bigstone acquisition and capitalised IT systems and infrastructure costs.
- Undeployed investor funds represents undrawn investor balances.
- Borrowings as at 31 October 2023 represents a debt funding facility.

4.6 Capital Structure

At the date of this Report, MBFH has 12,959,779 ordinary shares on issue. The shareholders of MBFH are set out below.

Table 15 MBFH share register

Metrics Business Finance Holdings Pty Ltd Ordinary shares on issue	Number of ordinary shares fully paid shares held	%
Metrics Business Finance Group Pty Ltd	9,818,254	75.76%
Perpetual Corporate Trust Limited	647,989	5.00%
RLS Network Holdings Pty Ltd	646,768	4.99%
Creighton Pty Ltd	615,590	4.75%
Predebon Investments Pty Ltd	615,589	4.75%
Alexandria Investments Pty Ltd	615,589	4.75%
Total ordinary shares on issue	**12,959,779**	**100.00%**

Source: MBHF and NOM

5. Valuation approach

5.1 Basis of evaluation

The valuation of a NFS share prior to, and immediately after the Proposed Transaction has been prepared on the basis of Fair Value being the value that should be agreed in a hypothetical transaction between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, acting at arm's length.

5.2 Valuation methodologies

In assessing the Fair Value of a NFS share prior to and immediately following the Proposed Transaction, we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:

- the discounted cash flow ("**DCF**") method and the estimated realisable value of any surplus assets;
- the application of earnings multiples to the estimated future maintainable earnings or cash flows added to the estimated realisable value of any surplus assets;
- the amount which would be available for distribution on an orderly realisation of assets;
- the quoted price for listed securities; and
- any recent genuine offers received.

We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows.

Market based methods

Market based methods estimate the Fair Value by considering the market value of a company's securities or the market value of comparable companies. Market based methods include;

- the quoted price for listed securities; and
- industry specific methods.

The recent quoted price for listed securities method provides evidence of the Fair Value of a company's securities where they are publicly traded in an informed and liquid market.

Industry specific methods usually involve the use of industry rules of thumb to estimate the Fair Value of a company and its securities. Generally, rules of thumb provide less persuasive evidence of the Fair Value of a company than other market based valuation methods because they may not account for company specific risks and factors.

Income based methods

Income based methods estimate value by calculating the present value of a company's estimated future stream of earnings or cash flows. Income based methods include:

- discounted cash flow;
- capitalisation of future maintainable earnings.

The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company's cash flows at the end of the forecast period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.

The capitalisation of future maintainable earnings is generally considered a short form DCF, where an estimation of the Future Maintainable Earnings ("**FME**") of the business, rather than a stream of cash flows is capitalised based on an appropriate capitalisation multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading multiples of comparable companies.

Asset based methods

Asset based methodologies estimate the Fair Value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method;
- liquidation of assets method; and
- net assets on a going concern basis.

The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.

The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame. The liquidation of assets method will result in a value that is lower than the orderly realisation of assets method and is appropriate for companies in financial distress or where a company is not valued on a going concern basis.

The net assets on a going concern method estimates the market values of the net assets of a company but unlike the orderly realisation of assets method it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company's assets are liquid, or for asset holding companies.

5.3 Selection of valuation methodologies

Valuation of a NFS share prior to the Proposed Transaction

Our valuation methodology adopted for assessing the Fair Value of a NFS share prior to the Transaction was selected on the following basis:

- income based methods are appropriate where earnings of the business are maintainable and sufficient to justify a value exceeding the value of the underlying assets;
- we have been provided with long-term financial forecasts NFS;
- RG111 states that an expert should not include prospective information (including forecasts and projections) or any other statements or assumptions about future matters (together, 'forward-looking information') in its report unless there are reasonable grounds for the forward-looking information;
- we have reviewed the forecast information provided and consider there to be inherent uncertainty implicit in the long-term nature of the forecast and the additional revenue streams provided by the new consumer loan product;

- in our opinion, the DCF approach cannot be used, as we do not consider that long term forecasts could be prepared with a sufficient degree of confidence to meet the reasonable grounds requirements of RG111;
- whilst NFS has generated revenue growth, it has disclosed significant trading losses over FY21 to FY23 and is not forecast to trade profitability for at least 12 months; and
- having regard to the above, we have utilised the capitalisation of future maintainable earnings methodology based on a multiple of revenue.

Valuation of a NFS share immediately after the Proposed Transaction (minority interest basis)

To assess the fairness of the Proposed Transaction, we have assessed the Fair Value of the NFS based on the combined Fair Values of NFS and MBFH on a sum of the parts basis immediately following the completion of the Proposed Transaction.

Our valuation methodology adopted for assessing the Fair Value of MBFH was selected on the following basis:

- MBFH commenced trading after the acquisition of Bigstone on 5 November 2022 and, whilst disclosing trading losses for FY22 and FY23, generated improved financial performance driven by increased revenue from origination volumes, partly offset by increased operating costs including employee expenses;
- MBFH generated a net profit before tax of $1.7 million for the 4 months ended 31 October 2023;
- we have been provided with a long-term financial forecast in relation to MBFH which includes significant growth assumptions in relation to origination volumes and access to funding facilities. In terms of the medium to long term prospective financial information we consider there to be inherent uncertainty implicit in the forecast assumptions. Having regard of the requirements of RG 111 in relation to forward looking information, we have formed the view that the medium to long-term forecast financial information could not be prepared with a sufficient degree of confidence to meet the reasonable grounds requirements of RG111;
- notwithstanding the above, we have reviewed and considered the short-term financial projections and related assumptions, together with the recent trading results; and
- we have utilised the capitalisation of future maintainable earnings methodology based on a multiple of net profit after tax (P/E multiple).

6. Valuation of NFS prior to the Proposed Transaction

As stated in section 5 of this report, we have assessed the value of a NFS share prior to the Proposed Transaction using the multiple of revenue as our primary methodology.

Our assessment of the Fair Value of NFS prior to the Proposed Transaction is set out below.

Table 16 Assessed Fair Value of NFS prior to the Proposed Transaction

Navalo Financial Services Group Ltd Valuation Summary - Capitalisation of FME	Low $'000	High $'000	Preferred $'000
FME (assessed at revenue level)	20,700	20,700	20,700
Assessed revenue multiple (controlling basis)	6.00	6.50	6.25
Enterprise Value (100% interest)	**124,200**	**134,550**	**129,375**
Less: net debt	(111,305)	(111,305)	(111,305)
Fair Value of equity (controlling basis)	**12,895**	**23,245**	**18,070**
Discount for minority interest	(23.1%)	(23.1%)	(23.1%)
Fair Value of equity (minority interest basis)	**9,916**	**17,875**	**13,896**
Number of shares on issue ('000)	**7,047**	**7,047**	**7,047**
Assessed Fair Value per share (minority interest) ($)	**1.41**	**2.54**	**1.97**

Source: RSM analysis

We have assessed the Fair Value per share of NFS prior to the Proposed Transaction to be in the range of $1.41 to $2.54, with a preferred mid-point of $1.97.

Net debt excludes restricted cash related to minimum balance requirements under the debt warehouse agreement. We have excluded any dilutive impact of options, warrants and convertible notes on issue on the basis that these instruments are significantly out of the money as at the date of this Report and, therefore, do not have a material impact on the Fair Value of NFS.

Minority interest / control premium adjustment

The Fair Value of equity on a controlling basis set out above reflects a 100% controlling interest in NFS. However, prior to the Proposed Transaction, Non-Associated Shareholders hold a combined interest in NFS of 14.81% of NFS, representing a minority interest. Therefore, to assess the Fair Value of a NFS share prior to the Proposed transactions, we have applied a minority interest discount being to remove the control premium to reflect a non-controlling interest.

6.1 Assessment of Future Maintainable Earnings

In our assessment of future maintainable earnings at the revenue level of $20.7m, we have considered the following:

- NFS generated normalised revenue of $18.4m for FY23 (after removal of non-recurring tax related credits for research and development costs). This represents revenue growth of 15.8% on FY22 revenue driven by an increase in loan receivables and origination volumes together with longer term loans provided to customer; and

- we have reviewed management information in relation to the trading results for the 4 months ended 31 October 2023 ("**YTD24**") and considered the implications for an appropriate level of future maintainable earnings;

- our assessment of future maintainable earnings at the revenue level is based primarily on historical revenue, inclusive of the consideration of revenue generated for YTD24. We have considered the rate of revenue growth from FY22 to FY23 rate of circa 13.5% noting that our assessed level of FME represents an increase of 14.5% above FY23. This is broadly consistent with the level of revenue growth achieved in the 3 months to 30 September 2023. Our assessment excludes any revenue to be derived from the new consumer loan product.

6.2 Assessment of Earnings Capitalisation Multiple

The information available for valuation of entities in general is limited to public company data (share prices and earnings multiples). As such we have assessed the appropriate earnings multiple by reference to an equivalent revenue multiple from the public arena and after consideration of the differences between the public companies and NFS.

In selecting an appropriate capitalisation multiple to value NFS, we have reviewed trading multiples for equities of companies which are listed on the ASX or relevant international markets and are operating in the same or similar industry sectors as NFS.

Details of the comparable companies are set out in Appendix D and the comparable company multiple analysis is set out in Appendix C.

We make the following comments in relation to the comparable companies considered:

- EV/revenue LTM multiples for BNPL companies on the ASX were between 2.6x and 9.3x (excluding outliers), with a mean and median multiple of 5.5x and 5.1x, respectively.
- EV/ revenue LTM multiples for consumer finance companies on the ASX were between 3.2x and 9.6x with a mean and median multiple of 5.8x and 5.8x, respectively.
- EV/revenue NTM multiples for BNPL companies on the ASX were between 0.9x and 6.3x (excluding outliers), with a mean and median multiple of 3.8x and 4.0x, respectively.
- EV/ revenue NTM multiples for consumer finance companies on the ASX were between 3.2x and 8.9x with a mean and median multiple of 5.6x and 5.2x, respectively.
- There is no evidence of a premium in relation to company size based on the observed data.
- NFS typically has longer loan terms on its BNPL product than the comparable BNPL companies and expects to achieve growth in its consumer loan product in the near future.

On the above basis, we have assessed the comparable listed revenue multiple for NFS to be in the range from 4.5x to 5.0x on a minority interest basis.

We have applied a revenue multiple in the range from 6.0x to 6.5x adjusted for a control premium.

Table 17 Assessed revenue multiple of NFS

Navalo Financial Services Group Ltd Capitalisation multiple (Revenue)	Low	High	Preferred
Comparable listed revenue multiple	4.50	5.00	4.75
Assessed revenue multiple minority interest basis	**4.50**	**5.00**	**4.75**
Premium for control	30.0%	30.0%	30.0%
Assessed revenue multiple (controlling basis)	**5.85**	**6.50**	**6.18**
Say[1]	**6.00**	**6.50**	**6.25**

Source: Capital IQ and RSM calculations

[1] Adjusted to narrow the spead between the low and high range.

Control premium

Obtaining control of an entity usually provides the acquirer with a number of advantages including the following:

- access to potential synergies;
- control over decision making and strategic direction;
- access to underlying cash flows; and
- control over dividend policies.

In the case of publicly traded securities, given the advantages control of an entity provides an acquirer, they are usually expected to pay a premium to the quoted market price to achieve control, which is often referred to as a control premium. A control premium is the 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 premium a buyer will pay to acquire control in a business enterprise. Consequently, multiples for listed companies do not reflect the market value of a controlling interest in the company as they are derived from market prices which usually represent the buying and selling of non-controlling portfolio holdings (small parcels of shares).

RSM has conducted a study on 605 takeovers and schemes of arrangements involving companies listed on ASX over the 15.5 years ended 31 December 2020 ("**RSM Control Premium Study 2021**"). In determining the control premium, RSM compared the offer price to the closing trading price of the target company 20, 5 and 2 trading days pre the date of the announcement of the offer. Where the consideration included shares in the acquiring company, RSM used the closing share price of the acquiring company on the day prior to the date of the offer.

Table 18 Control premium study

	Number of transactions	20 days pre	5 days pre	2 days pre
Average control premium (all industries)	605	34.7%	29.2%	27.1%

Source: RSM Control Premium Study 2021

Based on the above, we consider that a control premium of 30% is appropriate in assessing the value of a NFS on a controlling basis.

Implied discount for size and business risk factors

The discount for size and business risk factors reflects individual risk factors of the company. We have not applied a discount for size or business risk factors based on the following considerations:

- there is no evidence of a premium in relation to company size based on the observed data and NFS is of comparable size to a number of the BNPL comparable companies; and

- we consider that NFS faces broadly the same business, regulatory and economic risks as the other BNPL comparable companies.

Based on the above, our assessed value of a NFS Share prior to the Transaction on a minority interest basis is $1.41 to $2.54 with a preferred value at the mid-point of $1.97.

6.3 Valuation cross check

In order to cross check the reasonableness of the assessed value of a NFS share set out above, we have considered the Fair Value of a NFS share implied by the capital raising undertaken by NFS in March and April 2023.

NFS issued 5.4 million ordinary shares (5.12 million issued to MCH Investment) for $1.88 per share to raise $10.1 million (after conversion for the 125:1 share consolidation with effect on 27 June 2023). The capital raise implies an equity value of $13.2m. We consider this to be supportive of our assessed Equity Value of $10.8m to $18.8m, with a preferred mid-point of $14.8m.

7. Valuation of NFS immediately after the Proposed Transaction

We have assessed the Fair Value of NFS immediately after the Proposed Transaction utilising a sum of the parts methodology.

7.1 Assessed Fair Value of MBFH

Our assessment of the Fair Value of MBFH is set out below.

Table 19 Assessed Fair Value of MBFH

Metrics Business Finance Holdings Pty Ltd Valuation Summary - Capitalisation of FME	Low $'000	High $'000	Preferred $'000
FME (assessed at NPAT level)	3,900	4,600	4,250
Assessed P/E multiple (controlling basis)	8.30	8.80	8.55
Assessed Fair Value (100% interest)	**32,370**	**40,480**	**36,425**

Source: RSM analysis

7.2 Estimation of Future Maintainable Earnings

In our assessment of future maintainable earnings at the NPAT level of $3.9m to $4.6m, we have considered the following:

- MBFH commenced trading after the acquisition of Bigstone on 5 November 2022. Whilst MBFH generated a trading loss of $1.5m for FY22, we do not consider this to be relevant to our assessment of FME.

- MBFH generated a loss at the NPAT level of $378k for FY23 with the improved trading results driven by increased revenue, partly offset by increased operating costs including employee expenses.

- The company generated net revenue after expected credit losses of $3.4m and net profit before tax of $1.7 million for the 4 months ended 31 October 2023. On an annualised basis this represents a net profit after tax of circa $3.5m, representing a significant improvement in trading results on FY23.

- We have been provided with a long-term financial forecast in relation to MBFH which includes significant growth assumptions in relation to origination volumes and access to funding facilities. In terms of the medium to long term prospective financial information we consider there to be inherent uncertainty implicit in the forecast and the origination growth assumptions.

- Notwithstanding the above, we have reviewed the short-term financial projections and related assumptions and had regard to this information in forming our view on future maintainable earnings. The forecast net profit after tax for the 8 months ended 30 June 2024 implies an annualised net profit after tax of circa $4.7m. Growth in the loan book driven by increased origination volume represents the key driver of forecast net profit after tax growth with forecast new loan originations of circa $22m per month (circa $21m per month for FY23). In assessing the short-term financial projections we have had regard to a financial due diligence report in relation to MBFH for the Proposed Transaction, the historical run-rate of new loan originations and the current pipeline of new loan originations and, therefore, consider we have reasonable grounds to consider the short term financial projections to 30 June 2024 within our valuation of MBFH.

We have assessed future maintainable earnings at the NPAT level to be in the range of $3.9m to $4.6m.

7.3 Assessment of Earnings Capitalisation Multiple

The earnings multiple applied in a valuation based on future maintainable earnings must reflect, as a minimum, the risks of the business, the future growth prospects of the business and the time value of money. Different multiples are used for application to different measures of earnings.

The information available for valuation of entities in general is limited to public company data (share prices and earnings multiples). As such we have assessed the appropriate earnings multiple by reference to an equivalent P/E multiple from the public arena and after consideration of the differences between the public companies and MBFH.

In selecting an appropriate capitalisation multiple to value MBFH, we have reviewed trading multiples for equities of companies which are listed on the ASX and are operating in the same or similar industry sectors as MBFH.

Details of the comparable companies are set out in Appendix F and the comparable company multiple analysis is set out in Appendix E.

In assessing the PE multiple to be applied to MBFH's FME, we have considered the following:

- P/E LTM multiples for comparable companies listed on the ASX and relevant international markets were between 4.6x and 23.2x (excluding outliers), with a mean and median multiple of 11.7x and 11.3x, respectively.
- P/E NTM multiples comparable companies listed on the ASX and relevant international markets were between 4.8x and 13.9x (excluding outliers), with a mean and median multiple of 8.5x and 8.9x, respectively.
- MBFH commenced trading in FY22 and is in the growth phase of its business cycle. In its limited trading history, it has demonstrated an ability to generate growth in origination volumes and to secure funding arrangements to support this growth. However, we note that net revenue growth has been primarily driven by growth in commercial real estate loans written by MBFH for existing clients of the wider Metrics Group. We note that the forecast growth on loan originations may not be available in the absence of the support of the wider Metrics Group and, therefore, a portion of the forecast growth would likely be discounted by a market participant in the absence of a significant ownership interest in the Company by the Metrics Group.
- Analysis of the listed comparable companies indicates that companies with a higher forecast growth rate, typically trade on P/E multiples at the higher end of the range. Given the current size of the company and opportunities for growth, we do not consider it unreasonable to have regard to a level of forecast growth beyond the next 12 months in our assessment of the P/E multiple.

On the above basis, we have assessed the comparable listed P/E multiple for MBFH to be in the range of 7.5x to 8.0x on a minority interest basis.

We have applied a P/E multiple in the range of 8.3x to 8.8x adjusted for a discount for size and a control premium.

Table 20 Assessed P/E multiple of MBFH

Metrics Business Finance Holdings Pty Ltd Capitalisation multiple (P/E)	Low	High	Preferred
Comparable listed P/E multiple	7.50	8.00	7.75
Discount for size	(15.0%)	(15.0%)	(15.0%)
Assessed P/E multiple (minority interest basis)	**6.38**	**6.80**	**6.59**
Premium for control	30.0%	30.0%	30.0%
Assessed P/E multiple	**8.29**	**8.84**	**8.56**
Say[1]	**8.30**	**8.80**	**8.55**

Source: Capital IQ and RSM calculations

[1] Rounded to the nearest decimal place

Control premium

Based on the considerations set out in section 6 in relation to control premiums, we consider that a control premium of 30% is appropriate in assessing the value of a MBFH on a controlling basis.

Discount for size

In assessing the appropriate P/E multiple for MBFH, we considered the following:

- MBFH is smaller than all the publicly listed comparable companies with respect to market capitalisation. Smaller businesses, like MBFH, inherently carry greater risk as it has less diversified revenue streams, less geographic diversification, lack of economies of scale and relatively less efficient processes and systems.

- The discount for size represents the discount an investor will demand for investing in a small business relative to market peers. A number of studies have been undertaken attempting to establish the existence of and measure the size discount or size premium (applied in the calculation of the cost of capital), in particular in the US. The most notable US study is the Valuation Handbook published by Kroll (formerly known as Duff & Phelps), which contains calculations of the size premium for each decile of market capitalisation of US companies. The reasonability of applying size discounts to Australian equities based on US studies have been widely debated and criticised in the past, with the resulting market consensus being that this approach is not reasonable. Several Australian studies have been undertaken demonstrating the existence of the size premium, including the most recent study by Macquarie University as set out in their Business Valuation paper entitled The Size Premium: Australian Evidence, which found evidence supporting the existence of a size premium. However, there is no Australian study which quantifies or measures the size discounts/premiums. Accordingly, the application of size premiums in Australia are somewhat subjective and largely based on professional judgement. We have applied a size discount of 15% based on MBFH's size relative to the comparable public companies observed in estimating an appropriate valuation multiple.
- Whilst the 15% is largely based on professional judgement, as part of our assessment, we have considered the discount rate size premiums inferred by the studies referred to above and the broad inverse relationship between discount rates and earnings multiples.

Based on the above, our assessed value of MBFH on a controlling basis is in the range of $32.4m to $40.5m, with a preferred value at the midpoint of $36.3m.

8. Valuation of the Merged Group

As required by RG 111, in order to provide an indication of the value to NFS Shareholders immediately after the Proposed Transaction, we have calculated the theoretical value of NFS, including MBFH as a wholly owned subsidiary, immediately after the completion of the Proposed Transaction (the "**Merged Group**").

The table below sets out our assessment of the Fair Value per share of the Merged Group (on a non-controlling interest basis) and has been calculated based on the combined Fair Values of NFS and MBFH immediately following completion of the Proposed Transaction.

Table 21 Assessed Fair Value of the Merged Group immediately post the Proposed Transaction

Navalo Financial Services Group Ltd Valuation summary - Merged Group	Low $'000	High $'000	Preferred $'000
Assessed Equity Value of NFS (controlling basis)	12,895	23,245	18,070
Assessed Equity Value of MBFH (controlling basis)	32,370	40,480	36,425
Total Equity Value of Merged Group	**45,265**	**63,725**	**54,495**
Total number of shares in NFS immediately after the Proposed Transaction ('000)	39,466	39,466	39,466
Assessed Fair Value per share (controlling basis)	**1.15**	**1.61**	**1.38**
Discount for non-controlling interest	(23.1%)	(23.1%)	(23.1%)
Assessed Fair Value per share (minority interest basis)	**0.88**	**1.24**	**1.06**

Source: RSM analysis

We have assessed the Fair Value per share on a minority interest basis, immediately after the Proposed Transaction, to be in the range of $0.88 to $1.24 with a preferred mid-point of $1.06.

9. Is the Proposed Transaction Fair to Non-Associated Shareholders?

In assessing whether we consider the Proposed Transaction to be fair to Non-Associated Shareholders, we have valued a share in NFS prior to and immediately after the Proposed Transaction to determine whether a Non-Associated Shareholder would be better or worse off should the Proposed Transaction be approved. Our assessed values are summarised in the table below.

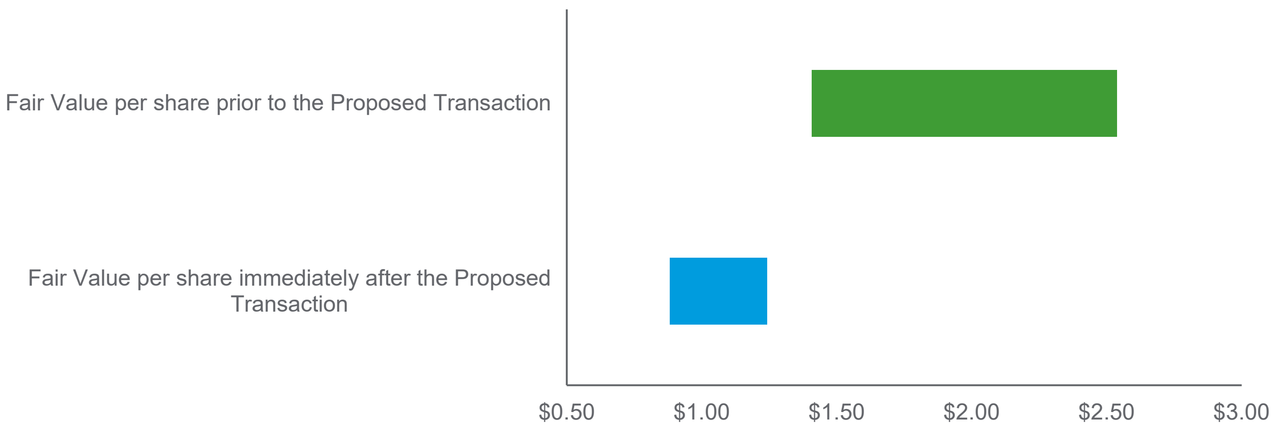
Table 22 Assessed Fair Values of a NFS Share Prior to and after the Proposed Transaction

	Low $	High $	Preferred $
Fair Value per share prior to the Proposed Transaction	1.41	2.54	1.97
Fair Value per share immediately after the Proposed Transaction	0.88	1.24	1.06

Source: RSM analysis

The above comparison is depicted graphically in the chart below:

Figure 4 Valuation summary- graphical representation



In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of complying with section 611 of the Act and section 208 of the Act, we consider the Proposed Transaction to be **Not Fair** to Non-Associated Shareholders of NFS as the Fair Value of a NFS share prior to the Proposed Transaction is greater than the Fair Value of a NFS share immediately after the Proposed Transaction.

10. Is the Proposed Transaction Reasonable to Non-Associated Shareholders?

RG111 establishes that an offer is reasonable if it is fair. If an offer is not fair it may still be reasonable after considering the specific circumstances applicable to the offer. In our assessment of the reasonableness of the Proposed Transaction, we have given consideration to:

- the future prospects of NFS if the Proposed Transaction does not proceed;
- other commercial advantages and disadvantages to Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding; and
- alternative proposals to the Proposed Transaction.

10.1 Future prospects of NFS if the Proposed Transaction does not proceed

NFS is currently loss making and has generated losses before tax of $12.7m, $12.7m and $10.1m in FY21, FY22 and FY23, respectively. Whilst we have not utilised or relied on the financial forecast prepared in relation to NFS, we note that based on the forecast prepared, the Directors expect NFS to remain loss making and cash flow negative on a stand-alone basis for at least the next 12 months. Given the company's current and forecast operating cash outflows, the Directors consider that, if the Proposed Transaction does not proceed, NFS will be required to raise equity capital in order to maintain solvency, including compliance with the warehouse funding structure that underpins its business.

We note that the audited financial statements for the year ended 30 June 2023 included a significant accounting policy note in relation to the preparation of the financial statements on a going concern basis noting the following matters:

- at the date of signing the financial statements, the Directors stated that they had reasonable grounds to believe that NFS will continue to be successful in sourcing debt and/or equity funding in the future, as and when required.
- In the event that sourcing new or additional funding arrangements is not successful, NFS has options available including but not limited to slowing down growth, further reductions in operating costs and pursuing alternate strategic opportunities to preserve cash reserves.
- Should NFS be unsuccessful in achieving the matters set out above, a material uncertainty would exist that may cast significant doubt on the ability of NFS to continue as a going concern, and therefore, whether it will realise its liabilities in the normal course of business.

In the event that NFS is required to raise equity capital on a stand-alone basis, we make the following points:

- NFS is an unlisted public company with less access to equity markets than an ASX listed business.
- The historical and forecast trading results and cash flow projections generated from current revenue streams and operating activities, reflect the limited scale and product diversification of NFS on a stand-alone basis.
- Recent equity capital raisings undertaken in FY23 were heavily supported by MCH Investment. NFS has noted in previous public announcements that recent capital raisings have indicated a lack of support from equity markets generally[2].

[2] ASX announcement dated 22 May 2023 – Payright announces proposed voluntary delisting, share consolidation and name change

Based on the above, we consider that an equity capital raising undertaken on a stand-alone basis would likely be highly dependent upon the participation of the major shareholder, MCH Investment. Furthermore, we consider that there is a risk that the pricing of an equity capital raise may be at a level that is unpalatable to Non-Associated Shareholders. In the event that an equity capital raise could not be completed, and the Directors could not secure an alternative transaction or funding source, there is a significant risk that NFS would be insolvent and unable to meets its obligations as and when they fall due. We note that, as at the date of this Report, the Directors consider that no such alternative transaction has been identified.

10.2 Advantages and disadvantages

In assessing whether Non-Associated Shareholders are likely to be better off if the Proposed Transaction proceeds, than if it does not, we have also considered various advantages and disadvantages that are likely to accrue to Non-Associated Shareholders.

10.3 Advantages of approving the Proposed Transaction

The key advantages of the Proposed Transaction are:

Table 23 Advantages of the Proposed Transaction

Advantages	Details
Improved outlook for NFS to continue trading as a going concern	NFS is currently loss making and unlikely to become cash flow positive in the near-term. As set out above, if the Proposed Transaction does not proceed and a suitable alternative does not eventuate, NFS will be required to raise equity capital to maintain its solvency and will likely be reliant on its major shareholder to complete a capital raising. If a capital raising cannot be completed there is a significant risk that NFS would be insolvent and unable to meets its obligations as and when they fall due.
Opportunity to participate in the potential upside of the merged NFS and MBFH business	If the Proposed Transaction proceeds, NFS intends to expand and diversify its product offering to include lending products in commercial real estate and equipment finance. NFS has recently introduced a regulated consumer finance product, with an Australian Credit License ("**ACL**") in place. If the Proposed Transaction proceeds, it may be better positioned to successfully fund and grow this product than on a stand-alone basis with its current limited funding capability. MBFH has grown its loan book from $13.5m as at 30 June 2022 to $194.6m as at 31 October 2023. Consequently, gross revenue has increased from $1.5m (from circa 8 months trading) to $8.8m for YTD24. Furthermore, MBFH traded profitability for YTD24, generating a net profit before tax of $1.7m. To date, the majority of commercial real estate loans written by MBFH have been for existing clients of the wider Metrics Group. MBFH has provided NFS with forecast financial information that includes significant growth in the loan book, revenue, profit and cash flow. The forecast financial performance is dependent upon generating profitable origination volumes and securing sources of funding, the acquisition of MBFH provides Non-Associated Shareholders with the opportunity to participate in the potential upside of the MBFH business. After the Proposed Transaction, MCH Investment and its associates, as a major shareholder will remain incentivised to continue providing commercial real estate and other loan origination opportunities which underpins a portion of the forecast growth strategy.
Potential opportunity to increase scale, efficiency and access to debt and equity capital	The historical financial performance of NFS and near-term outlook indicate that NFS lacks sufficient scale to operate profitably in the BNPL and consumer lending markets. Further, there are significant challenges in terms of accessing sufficient funding to reach the required scale as a stand-alone entity. MBFH has demonstrated an ability to secure loan book funding since inception in November 2022 and there is a potential opportunity for the existing NFS business to access funding sources that are currently not available to it.

Potential realisation of operational synergies	The Directors consider that there may be an opportunity to generate cost and operational synergies that, if realised, will improve the profitability of the combined business.

10.4 Disadvantages of approving the Proposed Transaction

The key disadvantages of the Proposed Transaction are:

Table 24 Disadvantages of the Proposed Transaction

Disadvantages	Details
The Proposed Transaction is not Fair	The Proposed Transaction is not Fair to Non-Associated Shareholders.
Dilutionary impact	Non-Associated Shareholders, collectively, will be diluted from a 14.81% to a 2.64% ownership interest in NFS.
Convertible note conversion will not require shareholder approval	Immediately following completion of the Proposed Transaction, MCH Investment together with the Management Shareholders (as defined in the Notice of Meeting) and Perpetual Corporate Trustee Limited as trustee for Metrics S Partnership Trust will hold more than 90% of the issued voting shares in the Company. Any further increase in MCH Investment's voting power would not be subject to the general prohibition in section 606(1) of the Corporations Act. As such, the conversion of MCH Investment's convertible notes into NFS ordinary shares would not need to be approved by Shareholders under item 7 of section 611 of the Corporations Act.
Further capital raisings may be required	The Directors consider that equity capital raisings may be required to support business growth of the combined entity. Debt capital may also be sought if considered appropriate. The Directors have stated that there is no immediate intention to conduct any capital raisings after the Proposed Transaction.

10.5 Alternative proposals

We are not aware of any alternative proposal at the current time which might offer Non-Associated Shareholders of NFS a greater benefit than the Proposed Transaction.

10.6 Conclusion on Reasonableness

In our opinion, the position of Non-Associated Shareholders if the Proposed Transaction is approved is more advantageous than the position if it is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Transaction is **reasonable** for Non-Associated Shareholders of NFS.

An individual Shareholder's decision in relation to the Proposed Transaction may be influenced by their individual circumstances. If in doubt, Shareholders should consult an independent advisor.

APPENDICES

A. DECLARATIONS AND DISCLAIMERS

Declarations and Disclosures

RSM Corporate Australia Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

Qualifications

Our report has been prepared in accordance with professional standard APES 225 “Valuation Services” issued by the Accounting Professional & Ethical Standards Board.

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia Pty Ltd (RSM) a large national firm of chartered accountants and business advisors.

Andrew Clifford and Nadine Marke are directors of RSM Corporate Australia Pty Ltd. Both Andrew Clifford and Nadine Marke are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert’s reports for transactions involving publicly listed and unlisted companies in Australia.

Reliance on this Report

This report has been prepared solely for the purpose of assisting Shareholders of the Company in considering the Proposed Transaction. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

Reliance on Information

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the Directors and management of Navalo Financial Services Group Limited and we have no reason to believe that this information was inaccurate, misleading or incomplete. RSM Corporate Australia Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Corporate Australia Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

Disclosure of Interest

At the date of this report, none of RSM Corporate Australia Pty Ltd, RSM, Andrew Clifford, Nadine Marke, nor any other member, director, partner or employee of RSM Corporate Australia Pty Ltd and RSM has any interest in the outcome of the Proposed Transaction, except that RSM Corporate Australia Pty Ltd are expected to receive a fee of approximately $35,000 to $40,000 based on time occupied at normal professional rates for the preparation of this report. The fees are payable regardless of whether Navalo Financial Services Group Services receives Shareholder approval for the Proposed Transaction, or otherwise.

Consents

RSM Corporate Australia Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the Notice of Extraordinary General Meeting and Explanatory Memorandum to be issued to Shareholders. Other than this report, none of RSM Corporate Australia Pty Ltd or RSM Australia Pty Ltd or has been involved in the preparation of the Notice of Extraordinary General Meeting and Explanatory Memorandum. Accordingly, we take no responsibility for the content of the Notice of General Meeting and Explanatory Statement.

B. SOURCES OF INFORMATION

In preparing this Report we have relied upon the following principal sources of information:

- Drafts of the Notice of Meeting.
- NFS annual audited financial statements for the 3 years ended 30 June 2023.
- NFS unaudited management accounts for the 3 months ended 30 September 2023.
- MBFH audited financial statements for the year ended 30 June 2022.
- MBFH unaudited management accounts for the year ended 30 June 2023 and the 4 months ended 31 October 2023.
- NSF forecast financial information.
- MBFH forecast financial information.
- NFS business overview.
- MBFH business overview.
- Public announcements in relation to NSF.
- IBISWorld.
- S&P Capital IQ.

C. NFS COMPARABLE LISTED TRADING MULTIPLES

Ticker	Company Name	Country	Market Cap. $'M	Enterprise Value $'M	Revenue LTM $'M	Revenue NTM $'M	F/cast Rev. Growth	NPAT LTM $'M	NPAT NTM $'M	NPAT LTM Margin	EV/Rev LTM	EV/Rev NTM
BNPL (or similar)												
ASX:ZIP	Zip Co Limited	Australia	342.2	3,104.3	693.2	768.5	11%	(223.6)	(95.7)	(32%)	4.5x	4.0x
ASX:HUM	Humm Group Limited	Australia	222.2	3,847.4	413.7	609.1	47%	3.8	34.3	1%	9.3x	6.3x
ASX:SZL	Sezzle Inc.	United States	82.6	100.1	230.5	219.3	(5%)	23.0	25.7	10%	0.4x	0.5x
ASX:SPT	Splitit Payments Ltd	Israel	30.4	96.6	17.1	NA	NA	(20.7)	NA	(121%)	5.6x	NA
ASX:B4P	Beforepay Group Limited	Australia	22.8	34.7	13.3	37.0	178%	(4.1)	(4.4)	(31%)	2.6x	0.9x
	All											
	Min		**22.8**	**34.7**	**13.3**	**37.0**	**(5%)**	**(223.6)**	**(95.7)**	**(121%)**	**0.4x**	**0.5x**
	Max		**342.2**	**3,847.4**	**693.2**	**768.5**	**178%**	**23.0**	**34.3**	**10%**	**9.3x**	**6.3x**
	Mean		**140.1**	**1,436.6**	**273.6**	**408.5**	**58%**	**(44.3)**	**(10.0)**	**(35%)**	**4.5x**	**2.9x**
	Median		**82.6**	**100.1**	**230.5**	**414.2**	**29%**	**(4.1)**	**10.6**	**(31%)**	**4.5x**	**2.5x**
	Selected											
	Min		**22.8**	**34.7**	**13.3**	**37.0**	**11%**	**(223.6)**	**(95.7)**	**(121%)**	**2.6x**	**0.9x**
	Max		**342.2**	**3,847.4**	**693.2**	**768.5**	**178%**	**3.8**	**34.3**	**1%**	**9.3x**	**6.3x**
	Mean		**154.4**	**1,770.7**	**284.3**	**471.5**	**79%**	**(61.2)**	**(21.9)**	**(46%)**	**5.5x**	**3.8x**
	Median		**126.3**	**1,600.4**	**215.4**	**609.1**	**47%**	**(12.4)**	**(4.4)**	**(32%)**	**5.1x**	**4.0x**
Consumer finance												
ASX:HMY	Harmoney Corp Limited	New Zealand	50.0	722.8	105.5	128.2	21%	(4.7)	0.7	(4%)	6.8x	5.6x
ASX:LFS	Latitude Group Holdings Limited	Australia	1,211.2	6,679.3	927.0	NM	NM	(75.7)	61.5	(8%)	7.2x	NA
ASX:MME	MoneyMe Limited	Australia	61.2	1,088.0	229.7	228.8	(0%)	7.7	26.8	3%	4.7x	4.8x
ASX:PLT	Plenti Group Limited	Australia	117.1	1,992.8	174.9	209.6	20%	(7.6)	4.8	(4%)	11.4x	9.5x
ASX:QFE	QuickFee Limited	Australia	14.8	47.5	14.8	-	NA	(5.0)	-	(34%)	3.2x	NA
ASX:SVR	Solvar Limited	Australia	224.7	697.7	209.3	220.1	5%	44.4	26.6	21%	3.3x	3.2x
ASX:WZR	Wisr Limited	Australia	27.3	877.4	91.9	98.4	7%	(8.2)	3.4	(9%)	9.6x	8.9x
	All											
	Min		**14.8**	**47.5**	**14.8**	**-**	**(0%)**	**(75.7)**	**-**	**(34%)**	**3.2x**	**3.2x**
	Max		**1,211.2**	**6,679.3**	**927.0**	**228.8**	**21%**	**44.4**	**61.5**	**21%**	**11.4x**	**9.5x**
	Mean		**243.8**	**1,729.4**	**250.4**	**147.5**	**11%**	**(7.0)**	**17.7**	**(5%)**	**6.6x**	**6.4x**
	Median		**61.2**	**877.4**	**174.9**	**168.9**	**7%**	**(5.0)**	**4.8**	**(4%)**	**6.8x**	**5.6x**
	Selected											
	Min		**14.8**	**47.5**	**14.8**	**-**	**(0%)**	**(75.7)**	**-**	**(34%)**	**3.2x**	**3.2x**
	Max		**1,211.2**	**6,679.3**	**927.0**	**228.8**	**21%**	**44.4**	**61.5**	**21%**	**9.6x**	**8.9x**
	Mean		**264.9**	**1,685.5**	**263.0**	**135.1**	**8%**	**(6.9)**	**19.8**	**(5%)**	**5.8x**	**5.6x**
	Median		**55.6**	**800.1**	**157.4**	**128.2**	**6%**	**(4.9)**	**15.0**	**(6%)**	**5.8x**	**5.2x**

Source: Capital IQ

Shaded data represents outliers excluded from the selected multiples

D. NFS COMPARABLE COMPANY DESCRIPTIONS

Company	Business Description
Zip Co Limited	Zip Co Limited engages in the provision of digital retail finance and payments solutions to consumers, and small and medium sized merchants (SMEs) in Australia, New Zealand, Canada, and the United States. The company offers Buy Now Pay Later services, which offer line of credit and instalment products to consumers through online and in-store. It also provides unsecured loans and lines of credit to SMEs. The company was formerly known as ZipMoney Limited and changed its name to Zip Co Limited in December 2017. Zip Co Limited was incorporated in 2009 and is headquartered in Sydney, Australia.
Humm Group Limited	Humm Group Limited provides various financial services in Australia, New Zealand, Ireland, the United Kingdom, and Canada. The company operates through four segments: Point of Sale Payment Plans (PosPP), New Zealand Cards, Australia Cards, and Commercial. It offers long term interest free finance and everyday spend solutions under the humm90 brand; Q Mastercard, an interest free credit card; FlexiCommercial, a business financing solution, which includes leasing and chattel mortgages for small and medium businesses; and leasing solutions and small and medium enterprise financing services. The company was formerly known as FlexiGroup Limited and changed its name to Humm Group Limited in November 2020. Humm Group Limited was founded in 1988 and is headquartered in Sydney, Australia.
Sezzle Inc.	Sezzle Inc. operates as a technology-enabled payments company primarily in the United States and Canada. The company provides payment solution at online stores and various brick-and-mortar retail locations that connects consumers with merchants. Its platform enables customers to make online purchases and split the payment for the purchase in four equal interest free payments over six weeks. Sezzle Inc. was incorporated in 2016 and is headquartered in Minneapolis, Minnesota.
Splitit Payments Ltd	Splitit Payments Ltd, together with its subsidiaries, provides payment solution services in North America, the United Kingdom, Europe, and Australia. Its solution enables customers to pay for instalments with an existing credit with no applications, redirects or loans. Splitit Payments Ltd was incorporated in 2008 and is headquartered in Atlanta, Georgia.
Beforepay Group Limited	Beforepay Group Limited engages in the provision of pay-on-demand services through mobile applications in Australia. The company provides finance to individuals by way of pay advances. It serves construction, retail trade, hospitality and restaurant, healthcare and social, transport and delivery services, manufacturing, mining, and other sectors. Beforepay Group Limited was incorporated in 2019 and is based in Sydney, Australia.
Harmoney Corp Limited	Harmoney Corp Limited provides online secured and unsecured personal loans in Australia and New Zealand. The company's personal loans are used for various purposes, including debt consolidation, home improvement, wedding, car, holiday, education, business, and medical expenses. It operates Stellare, a marketing platform. The company was incorporated in 2014 and is headquartered in Auckland, New Zealand.
Latitude Group Holdings Limited	Latitude Group Holdings Limited operates in instalments and lending business in Australia, New Zealand, and internationally. It provides various instalment products to support customers and partners. The company also offers lending products comprising credit cards, personal loans, and motor loans through commercial partners, as well as various channels, such as direct and online. In addition, it provides debt consolidation, home renovation, medical, and travel loans, as well as insurance services. The company was incorporated in 2015 and is based in Docklands, Australia. Latitude Group Holdings Limited is a subsidiary of KVD Singapore Pte. Ltd.
MoneyMe Limited	MoneyMe Limited, a digital financial service company, provides consumer finance under the MONEYME and SocietyOne brands in Australia. It offers personal loans, credit cards, and debt consolidation services. MoneyMe Limited was founded in 2013 and is based in Sydney, Australia.
Plenti Group Limited	Plenti Group Limited engages in the fintech lending business in Australia. The company offers personal, car, wedding, legal fee, motorcycle, and dental loans; green, holiday, debt consolidation, and EV loans, as well as engages in auto refinancing activities. It also offers automotive and renewable energy related loans. Plenti Group Limited was founded in 2014 and is headquartered in Sydney, Australia.
QuickFee Limited	QuickFee Limited provides a suite of payment and lending offerings through an online portal to professional, commercial, and homeowner services providers in Australia and the United States. The company's integrated online payment platform and financing solutions enables merchants to accept payments by ACH/EFT or card, payment plan/loan, or a 'buy now, pay later' instalment plan. QuickFee Limited was founded in 2009 and is based in Baulkham Hills, Australia.

Company	Business Description
Solvar Limited	Solvar Limited provides automotive and personal finance in Australia and New Zealand. The company offers vehicle loans that include loans for new and used cars, motorbikes, utility vehicles, trailers, tractors, trucks, caravan, boats, horse floats, ride on mowers, equipment, and jet skis, as well as secured and unsecured personal loans. It provides loans through brokers and dealers under the Money3, AFS, and Go Car Finance brand names. The company was formerly known as Money3 Corporation Limited and changed its name to Solvar Limited in November 2022. Solvar Limited was founded in 2000 and is headquartered in Bundoora, Australia.
Wisr Limited	Wisr Limited engages in the lending business in Australia. The company provides personal and secured vehicle loans to consumers. Wisr is based in The Rocks, Australia.

E. MBFH COMPARABLE LISTED TRADING MULTIPLES

Ticker	Company Name	Country	Market Cap. $'M	NTA $'M	Rev. LTM $'M	Rev. NTM $'M	NPAT LTM $'M	NPAT NTM $'M	P/E LTM	P/E NTM	P/NTA
Australia											
ASX:EPY	Earlypay Limited	Australia	63.7	44.6	61.1	41.8	(5.2)	7.0	(12.3x)	9.1x	1.4x
ASX:JDO	Judo Capital Holdings Limited	Australia	954.0	1,438.8	298.4	397.1	68.1	68.7	14.0x	13.9x	0.7x
ASX:LFG	Liberty Financial Group Limited	Australia	1,245.6	910.9	629.4	597.7	129.4	142.8	9.6x	8.7x	1.4x
ASX:N1H	N1 Holdings Limited	Australia	15.9	0.5	14.1	NA	0.3	NA	57.7x	NA	33.9x
ASX:PPM	Pepper Money Limited	Australia	503.6	691.0	438.1	443.5	109.5	94.6	4.6x	5.3x	0.7x
ASX:PNC	Pioneer Credit Limited	Australia	40.2	41.4	73.7	89.6	0.1	3.5	619.0x	11.5x	1.0x
ASX:RMC	Resimac Group Limited	Australia	358.4	386.9	902.1	917.0	59.6	52.6	6.0x	6.8x	0.9x
ASX:QAL	Qualitas Limited	Australia	617.7	361.6	93.9	89.3	19.9	28.2	31.0x	21.9x	1.7x
International (AUD)											
LSE:DVNO	Develop North PLC	United Kingdom	40.0	41.1	1.4	-	0.2	-	168.9x	NA	1.0x
LSE:OSB	OSB Group Plc	United Kingdom	2,788.6	3,911.3	1,089.9	1,369.3	413.5	582.0	6.7x	4.8x	0.7x
LSE:PAG	Paragon Banking Group PLC	United Kingdom	2,027.6	2,195.3	648.1	870.7	369.8	359.4	5.5x	5.6x	0.9x
NYSE:FOA	Finance Of America Companies Inc.	United States	123.6	(161.9)	842.4	442.7	254.3	(24.2)	0.5x	(5.1x)	(0.8x)
NYSE:GHLD	Guild Holdings Company	United States	1,141.9	(302.4)	1,230.6	1,219.4	49.2	115.0	23.2x	9.9x	(3.8x)
NYSE:PFSI	PennyMac Financial Services, Inc.	United States	6,098.0	5,299.0	2,347.5	2,722.3	296.0	683.2	20.6x	8.9x	1.2x
NYSE:UWMC	UWM Holdings Corporation	United States	810.8	(6,540.3)	3,252.6	2,936.2	(200.2)	626.6	(4.1x)	1.3x	(0.1x)
NYSE:VEL	Velocity Financial, Inc.	United States	701.3	634.8	177.3	219.9	58.7	76.8	12.0x	9.1x	1.1x
NYSE:WD	Walker & Dunlop, Inc.	United States	4,581.9	884.2	1,566.6	1,688.7	149.9	184.0	30.6x	24.9x	5.2x
TSX:AI	Atrium Mortgage Investment Corporation	Canada	507.1	563.4	72.2	98.8	37.9	54.8	13.4x	9.3x	0.9x
TSX:FC	Firm Capital Mortgage Investment Corporatio	Canada	401.3	459.1	53.1	-	28.1	39.3	14.3x	10.2x	0.9x
TSX:FN	First National Financial Corporation	Canada	2,530.2	774.3	848.5	1,026.3	245.1	263.9	10.3x	9.6x	3.3x
TSX:MKP	MCAN Mortgage Corporation	Canada	624.9	604.5	143.5	138.4	58.2	-	10.7x	NA	1.0x
TSX:TF	Timbercreek Financial Corp.	Canada	616.4	805.0	96.7	131.8	47.3	70.4	13.0x	8.8x	0.8x
DB:ENGL	EV Digital Invest AG	Germany	29.8	10.1	7.1	-	(2.2)	-	(13.8x)	NA	3.0x
	Selected										
	Min		**358.4**	**(302.4)**	**53.1**	**-**	**28.1**	**-**	**4.6x**	**4.8x**	**(3.8x)**
	Max		**6,098.0**	**5,299.0**	**2,347.5**	**2,722.3**	**413.5**	**683.2**	**23.2x**	**13.9x**	**3.3x**
	Mean		**1,464.2**	**1,312.3**	**641.1**	**725.2**	**140.7**	**186.0**	**11.7x**	**8.5x**	**0.8x**
	Median		**827.7**	**732.7**	**533.8**	**520.6**	**63.9**	**85.7**	**11.3x**	**8.9x**	**0.9x**

Source: Capital IQ

Shaded data represents outliers excluded from selected multiples

F. MBFH COMPARABLE COMPANY DESCRIPTIONS

Company	Business Description
Earlypay Limited	Earlypay Limited offers financial solutions to businesses in Australia. It operates through Invoice Finance, Equipment Finance, and Other Services segments. The company offers invoice factoring and discounting, and clean energy finance services, as well as business line of credit. It also provides equipment finance services for old and new equipment, such as sale back of owned or partially owned equipment, private sales, and mid-term financing. In addition, the company offers employment solutions comprising labour sourcing and project management; and trade finance services. Further, it operates Skippr, an online platform that provides finance solutions to SME's. The company was formerly known as CML Group Limited and changed its name to Earlypay Limited in November 2020. Earlypay Limited was incorporated in 2001 and is based in North Sydney, Australia.
Judo Capital Holdings Limited	Judo Capital Holdings Limited provides various banking products and services for small and medium businesses in Australia. It accepts term deposits; and provides business loans, lines of credit, home loans, residential mortgages, asset financing, equipment loan, and bank guarantees, as well as agribusiness. The company was incorporated in 2016 and is based in Melbourne, Australia.
Liberty Financial Group Limited	Liberty Financial Group Limited engages in the financial services business in Australia and New Zealand. It operates in three segments: Residential Finance, Secured Finance, and Financial Services. The company offers residential and commercial mortgages; motor vehicle, commercial, and self-managed superannuation funds (SMSF) lending services; unsecured and secured personal loans; business, commercial, lease income, residential and commercial SMSF loans, and business lines of credit; and commercial property, home, and car loans. It also offers mortgage broking services; insurance solutions; and specialty lending, finance and general insurance broking, receivables, consumer insurance underwriting, real estate, and fund management services. The company was founded in 1997 and is based in Melbourne, Australia. Liberty Financial Group Limited is a subsidiary of Vesta Funding BV.
N1 Holdings Limited	N1 Holdings Limited, a property-backed private credit lending company, engages in the provision of property financing, and mortgage management and broking services to customers in Australia. It operates through four segments: Financial Services, Real Estate Services, Migration Services and Other. The company offers direct lending and private credit for the purpose of bridging finance, purchase and urgent settlement, renovation of business premises, working capital, business expansion, equipment acquisition and/or upgrade, debt consolidation, equity release for business, and external administration/receivership for small and medium enterprises. It is also involved in the provision of mortgage, home, and commercial loans for property owners and investors, as well as fund management, migration, and real estate property sale and management services. In addition, the company offers financial advisory and trustee services, such as project advisory and establishment, information memorandum and offer documents production, custody, fund compliance and risk management, and fund administration and accounting, as well as unit subscription, registration, pricing, and redemption services. N1 Holdings Limited was founded in 2011 and is headquartered in Sydney, Australia.
Pepper Money Limited	Pepper Money Limited operates as a non-bank lender in the mortgage and asset finance markets in Australia and New Zealand. It operates through three segments: Mortgages, Asset Finance, and Loan and Other Servicing. The Mortgages segment engages in the financing of residential home loans and small balance commercial real estate loans. The Asset Finance segment finances a range of asset types for consumer and commercial customers. The Loan and Other Servicing segment provides independent loan servicing for mortgages and personal loans, and broker administration servicing. It also engages in auto and equipment finance, and novated leasing as well as third party loan servicing. The company was formerly known as Pepper Group Pty Limited. The company was incorporated in 2000 and is based in North Sydney, Australia.
Pioneer Credit Limited	Pioneer Credit Limited, together with its subsidiaries, provides financial services in Australia. It acquires and services retail debt portfolios. The company was incorporated in 2002 and is headquartered in Perth, Australia.

Company	Business Description
Resimac Group Limited	Resimac Group Limited, a non-bank financial institution, provides residential mortgage and asset finance lending solutions in Australia and New Zealand. The company operates in two segments, Australian Lending Business and New Zealand Lending Business. It offers prime and specialist lending products; SME/commercial finance products; and home and car loans. The company also provides mortgage originator, trustee, lender, and mortgage manager and broker services; consumer and commercial lending; and LMI captive insurer and record lending services. In addition, it acts as a trust manager and servicer; warehouse mortgages; and an issuer of residential mortgage-backed securities. Further, the company provides warehouse mortgages and managed investment trust services. Resimac Group Ltd offers its products and services through brokers and wholesale channel primarily under the Resimac, Resimac Asset Finance, and homeloans.com.au brands. The company was formerly known as Homeloans Limited and changed its name to Resimac Group Resimac Group Limited in December 2018. Resimac Group Limited was founded in 1985 and is based in Sydney, Australia.
Qualitas Limited	Qualitas is a real estate investment firm which focuses on direct investment in all real estate classes and geographies, acquisitions and restructuring of distressed debt, third party capital raisings and consulting services. It seeks to provide bridge loans in the major markets of the Australian east coast, and particularly the medium and high density residential development sector. Qualitas is based in Melbourne, Australia with an additional office in Sydney, Australia. It operates as a subsidiary of Qualitas Group.
Develop North PLC	Develop North PLC, an investment company, provides a portfolio of fixed rate loans primarily secured over land and/or property in the United Kingdom. The company also invests in financial assets comprising loans. It makes investments primarily through senior secured loans; and other loans, such as bridging loans, selected loan financings, subordinated loans, and other debt instruments. The company was formerly known as TOC Property Backed Lending Trust Plc and changed its name to Develop North PLC in May 2022. Develop North PLC was incorporated in 2016 and is based in Chelmsford, the United Kingdom.
OSB Group Plc	OSB Group Plc, through its subsidiaries, operates as a specialist mortgage lending and retail savings company in the United Kingdom and the Channel Islands. It provides private rented sector related buy-to-let, commercial and semi-commercial mortgages, residential development finance, secured funding, bridging, and asset finance services. The company also provides buy-to-let and specialist residential mortgages, mortgage servicing, administration and analytical, mortgage originator and servicer, and retail savings products; and back office processing services. The company was founded in 1847 and is based in Chatham, the United Kingdom.
Paragon Banking Group PLC	Paragon Banking Group PLC provides financial services in the United Kingdom. It operates through Mortgage Lending and Commercial Lending segments. The Mortgage Lending segment provides buy-to-let, and owner-occupied first and second charge lending and related services. The Commercial Lending segment undertakes leasing activities, development finance, structured lending, and other offerings primarily for SME customers; and engages in motor finance business. The company was formerly known as The Paragon Group of Companies PLC and changed its name to Paragon Banking Group PLC in September 2017. Paragon Banking Group PLC was founded in 1985 and is headquartered in Solihull, the United Kingdom.
Finance Of America Companies Inc.	Finance of America Companies Inc. operates a consumer lending platform in the United States. The company operates through five segments: Mortgage Originations, Reverse Originations, Commercial Originations, Lender Services, and Portfolio Management segments. It provides residential mortgage loans to the government sponsored entities; government-insured agricultural lending solutions to farmers; product development, loan securitization, loan sales, risk management, asset management, and servicing oversight services to enterprise and third-party funds; and ancillary business services, title agency and title insurance services, mortgage servicing rights valuation and trade brokerage, transactional fulfilment services, mortgage loan third party review or due diligence services, and appraisal management services to residential mortgage, student lending, and commercial lending industry customers. The company was founded in 2013 and is headquartered in Plano, Texas.
Guild Holdings Company	Guild Holdings Company originates, sells, and services residential mortgage loans in the United States. It operates in two segments, Origination and Servicing. The company originates residential mortgages through retail and correspondent channels. Guild Holdings Company was incorporated in 1960 and is headquartered in San Diego, California.

Company	Business Description
PennyMac Financial Services, Inc.	PennyMac Financial Services, Inc., through its subsidiaries, engages in the mortgage banking and investment management activities in the United States. It operates through three segments: Production, Servicing, and Investment Management. The Production segment is involved in the origination, acquisition, and sale of loans. It sources first-lien residential conventional and government-insured or guaranteed mortgage loans. The Servicing segment engages in the servicing of newly originated loans, and execution and management of early buyout transactions and servicing of loans. It performs loan administration, collection, and default management activities, including the collection and remittance of loan payments, response to customer inquiries, accounting for principal and interest, holding custodial funds for the payment of property taxes and insurance premiums, counselling delinquent borrowers, and supervising foreclosures and property dispositions, as well as administers loss mitigation activities, such as modification and forbearance programs. The Investment Management segment is involved in sourcing, performing diligence, bidding, and closing investment asset acquisitions; managing correspondent production activities for PennyMac Mortgage Investment Trust; and managing acquired assets. PennyMac Financial Services, Inc. was founded in 2008 and is headquartered in Westlake Village, California.
UWM Holdings Corporation	UWM Holdings Corporation engages in the residential mortgage lending business in the United States. The company originates mortgage loans through wholesale channel. It originates primarily conforming and government loans. UWM Holdings Corporation was founded in 1986 and is headquartered in Pontiac, Michigan.
Velocity Financial, Inc.	Velocity Financial, Inc. operates as a real estate finance company in the United States. The company originates and acquire loans, which is secured by mortgage liens on income-producing and/or owner/user commercial properties, including investor 1-4, a non-owner occupied residential rental properties with 1-4 units; residential apartments combined with office or retail space; and multi-family comprising traditional apartment buildings, condominiums, and other residential properties with 5+ units. It also finances for retail properties with various types of retail products and merchandise or services; commercial properties occupied by professional or business offices; and warehouse and other properties, which include self-storage units, auto services, hospitality, light industrial, and other commercial enterprises, as well as provides short-term and interest-only loans for acquisition and improvement of 1-4-unit residential properties. The company offers its products through a network of independent mortgage brokers for independent real estate investors and small business owners. Velocity Financial, Inc. was founded in 2004 and is headquartered in Westlake Village, California.
Walker & Dunlop, Inc.	Walker & Dunlop, Inc., through its subsidiaries, originates, sells, and services a range of multifamily and other commercial real estate financing products and services for owners and developers of real estate in the United States. The company offers first mortgage, second trust, supplemental, construction, mezzanine, preferred equity, and small-balance loans. It also provides finance for multifamily, manufactured housing communities, student housing, affordable housing, and senior housing properties under the Fannie Mae's DUS program; and construction and permanent loans to developers and owners of multifamily housing, affordable housing, senior housing, and healthcare facilities. In addition, the company acts as a debt broker to work with life insurance companies, banks, and other institutional lenders to find debt and/or equity solution for the borrowers' needs; and offers property sales brokerage services to owners and developers of multifamily properties, and commercial real estate and multifamily property appraisals for various investors. Further, it provides appraisal and valuation services; and real estate-related investment banking and advisory services, including housing market research. Additionally, the company offers servicing and asset-managing the portfolio of loans; originates loans through its principal lending and investing activities; and manages third-party capital invested in tax credit equity funds focused on the affordable housing and other commercial real estate sectors. Walker & Dunlop, Inc. was founded in 1937 and is headquartered in Bethesda, Maryland.
Atrium Mortgage Investment Corporation	Atrium Mortgage Investment Corporation, a non-bank lender, provides residential and commercial mortgages services in Canada. The company offers various types of mortgage loans, such as land and development financing, construction and mezzanine financing, and commercial term and bridge financing services for residential, multi-residential, and commercial real properties. Atrium Mortgage Investment Corporation was incorporated in 2001 and is headquartered in Toronto, Canada.

Company	Business Description
Firm Capital Mortgage Investment Corporation	Firm Capital Mortgage Investment Corporation, through its mortgage banker, Firm Capital Corporation, provides residential and commercial short-term bridge, and conventional real estate finance in Canada. The company engages in originating, funding, purchasing, and servicing mortgage investments. It also offers mortgage services, such as real estate financing, real estate investment financing, capital market, and loan servicing and advisory services; and a line of lending programs, including construction and development lending, investment property financing, short term lending, bridge finance, mezzanine and equity investments, capital market facilities, alternative residential lending program, and infill construction lending program. The company was founded in 1988 and is based in Toronto, Canada.
First National Financial Corporation	First National Financial Corporation, together with its subsidiaries, originates, underwrites, and services commercial and residential mortgages in Canada. The company operates in two segments, Residential and Commercial segments. It offers single-family and multi-unit residential, and commercial mortgages. The company provides its services through mortgage broker distribution channel, as well as online. First National Financial Corporation was founded in 1988 and is headquartered in Toronto, Canada.
MCAN Mortgage Corporation	MCAN Mortgage Corporation operates as a loan and mortgage investment corporation in Canada. The company engages in the real estate lending and investing activities, including residential mortgage, residential construction, non-residential construction, and commercial loans, as well as portfolio of real estate investments trusts and private investment activities. It also provides term deposits through a network of independent financial agents. The company was formerly known as MCAP Inc. and changed its name to MCAN Mortgage Corporation in September 2006. MCAN Mortgage Corporation was founded in 1980 and is headquartered in Toronto, Canada.
Timbercreek Financial Corp.	Timbercreek Financial Corp., a mortgage investment company, provides shorter-duration structured financing solutions to commercial real estate investors in Canada. It focuses on lending against income-producing real estate properties, such as multi-residential, retail, and office properties in urban markets. The company was founded in 2016 and is headquartered in Toronto, Canada.
EV Digital Invest AG	EV Digital Invest AG provides real estate financing services to private and institutional customers in Germany and internationally. It offers financial services for construction projects, existing properties and land for property developers, portfolio holders, and project developers. The company was incorporated in 2015 and is based in Berlin, Germany. EV Digital Invest AG operates as a subsidiary of FOX Beteiligungen GmbH.

G. INDUSTRY OVERVIEW

1. Buy Now Pay Later[3]

The Australian finance sector is made up of companies that provide banking and lending services and investment trusts in Australia. The finance sector can be broken down into domestic banks, foreign banks, non-depository financiers and financial asset investors.

Navalo Financial Services Group Limited is a provider of debtor financing, equipment financing and trade financing. The Company operates in the buy now pay later sector in Australia.

The BNPL industry in Australia includes financiers that lend money or provide credit to consumers. Operators in this industry allow consumers to purchase goods and services immediately and make interest-free repayments in instalments over a specified period of time.

Widespread adoption of new payment technology over the last decade has resulted in the growth of the BNPL industry in Australia. Industry operators provide substitute services to challenge traditional payment methods such as credit cards and short-term loans. The adoption of this technology has been prevalent particularly in younger demographics and has increased alongside online shopping. Overall, industry revenue has increased by 20.4% over the five years ended 2023-24, to reach $1.2 billion.

The emergence of new providers, alongside financial institutions offering BNPL services to their established suite of payment options, has resulted in many players in the industry operating at a loss, despite growing revenue. As interest rates rise, firms may face more expensive credit in addition to changing consumer sentiment and business confidence. Amid economic concerns, more high-profile mergers and acquisition may occur within this industry.

In May 2023, the Federal Government announced its intention to regulate BNPL providers in Australia. Providers will be required to hold an ACL and adhere to responsible lending obligations. Despite the material impact of regulatory changes on the performance of the industry, revenue is forecast to rise over the coming years.

The BNPL industry in Australia is highly competitive, as they face strong competition from banks and financial institutions providing substitute services, such as short-term loans and credit cards. The key performance drivers for industry businesses are as follows:

- consumer sentiment index;
- demand from online shopping;
- demand from department stores; and
- demand from credit card issuance.

Consumer sentiment index

The consumer sentiment index measures how people feel about their financial situation and the economy. Positive consumer sentiment indicates that consumers are spending more. This translates into more purchases using BNPL methods, since consumers are more confident in their ability to pay the debt later.

[3] Source: IBISWorld Report OD5547 – Buy Now Pay Later in Australia, June 2023

Demand from online shopping

Many consumers are becoming increasingly wary of credit card debts and are using BNPL services to make online shopping purchases. As demand from online shopping increases, merchants process an increased value and volume of transactions.

Demand from department stores

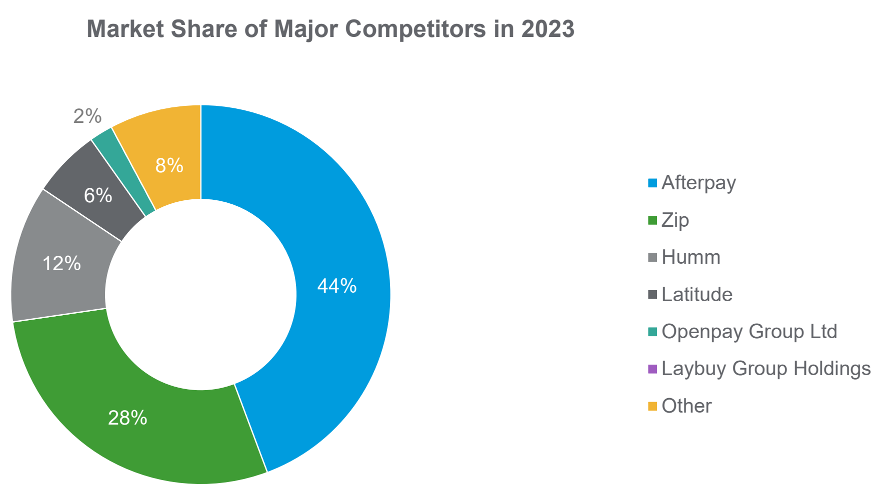
Department stores have an advantage over online operators, as consumers can physically inspect products, receive face-to-face customer service and acquire products instantly. Many department stores, including Myer, David Jones and Kmart, now offer BNPL services.

Demand from credit card issuance

Demand for credit cards influences demand for BNPL services. A higher number of credit card accounts means that consumers can access credit, without using BNPL services. Conversely, declining demand for credit cards boosts the number of consumers using BNPL services.

Companies in the Buy Now Pay Later Industry in Australia[4]

The chart below summarises the market share of major competitors in the BNPL industry in Australia.



As set out above, the major competitors in the Buy Now Pay Later industry in Australia include Afterpay, Zip, Humm and Latitude.

IBISWorld has forecast industry revenue to increase at an annualised rate of 7.9% per annum over the five years to 2028-29 to total $1.7 billion.

[4] Source: IBISWorld Report OD5547 – Buy Now Pay Later in Australia, June 2023

2. Non-depository Financing[5]

The Australian finance sector is made up of companies that provide banking and lending services and investment trusts in Australia. The finance sector can be broken down into domestic banks, foreign banks, non-depository financiers and financial asset investors.

MBFH is a provider of debtor financing, equipment financing and trade financing. The Company operates in the non-depository financing sector in Australia.

The non-depository financing industry in Australia includes financiers that lend money or provide credit to retail, corporate and wholesale customers. These financiers usually raise funds through wholesale channels and do not incur the liabilities of deposits. Financiers also lease plant, equipment and machinery on a financial services basis.

The non-depository financing industry in Australia has typically operated in a low interest rate environment over the past five years to 2023-24. Accordingly, the low interest rate environment lowered profit margins for non-bank lenders despite higher volumes of activity.

Non-bank lenders have benefited from tighter lending standards implemented by major banks and the fallout from the Financial Services Royal Commission. Households, and small and medium enterprises (SMEs) have increasingly turned towards non-bank lenders for funding. Strong housing market growth and capital expenditure by the private sector have driven total industry assets and performance upward over the past five years. Overall, non-bank lenders are expected to have grown at an annualised 9.7% to $23.8 billion through to 2023-24.

More recently, the RBA’s increases to the official cash rate has seen funding for both banks and non-banks rise. However, strong competition from major banks with significant scale have made it difficult for non-bank lenders to significantly grow their loan books and customer bases. The reliance on loan securitisation by non-banks, which is disadvantaged by increases in the cash rate, has caused some companies to raise their rates above the RBA’s official cash rate, which has benefitted industry profitability but discouraged some price conscious borrowers from taking out loans.

The non-depository financing industry in Australia is highly competitive, as they face strong competition from major banks. The key performance drivers for industry businesses are as follows:

- capital expenditure (capex) by the private sector;
- cash rate;
- business confidence index;
- household savings ratio; and
- residential housing loan rates.

Capital expenditure (capex) by the private sector

The business sector accounts for the majority of the industry's lending portfolio. Companies borrow money to fund their capital purchases or manage their working capital requirements. Private capex is occasionally funded by industry operators, effectively driving industry demand. As a result, industry demand increases when private capital expenditure rises, providing an opportunity for industry operators.

[5] Source: IBISWorld Report K6230 - Non-Depository Financing in Australia, June 2023

Cash rate

Industry revenue is typically generated from interest income earned on financiers' lending portfolio. The interest rate charged on loans is calculated based on cash rate movements. Interest revenue and industry revenue generally moves in line with the cash rate. Any declines in the cash rate tend to have a negative effect on interest revenue. Recent increases in the cash rate are likely to increase profit margins, however, comparative rises in interest expenses are expected to offset this increase.

Business confidence index

The business confidence index measures general business sentiment. This is also an indicator of businesses' economic outlook and can be used to gauge the overall economic conditions. A high index implies that businesses are more willing to spend and invest. When the index increases, demand for credit and financing generally grows as businesses seek funds for growth and investments.

Household savings ratio

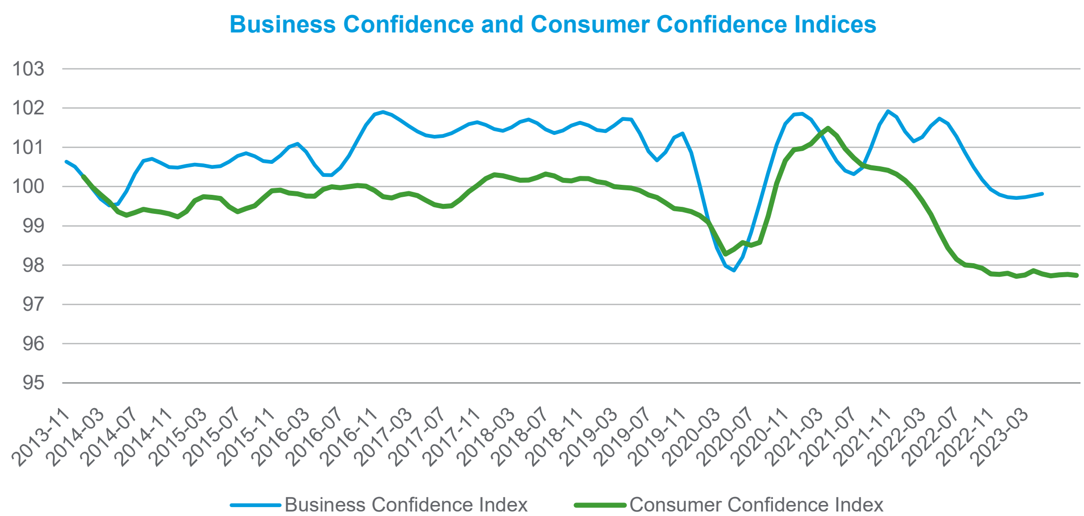
The household savings ratio is calculated by dividing household savings by household disposable income. A higher household savings ratio generally indicates that households are spending less. Lower spending typically reduces demand for credit, negatively affecting industry revenue.

Residential housing loan rates

Residential housing loan rates indicate interest rates charged on mortgages and housing loans provided by industry operators. The increase of the residential housing loan rates contributes to a higher amount of interest income for the industry.

Business and Consumer Confidence Indices[6]

The chart below summarises the movement in the Business and Consumer Confidence Indices from January 2014 to September 2023.



As set out above, both the Business and Consumer Confidence Indices have displayed a declining trend from the period May 2022 to May 2023.

IBISWorld's report has forecast industry revenue to increase at an annualised rate of 1.9% per annum over the five years to 2028-29 to total $24.5 billion.

[6] Source: OECD Business Confidence Index and OECD Consumer Confidence Index

H. GLOSSARY OF TERMS

Term or Abbreviation	Definition
$	Australian dollar
ACL	Australian Credit License
Act	Corporations Act 2001 (Cth)
AFCA	Australian Financial Complaints Authority
AFSL	Australian Financial Services Licence
APES	Accounting Professional & Ethical Standards Board
ASIC	Australian Securities & Investments Commission
Bigstone	Bigstone Lending Pty Limited
BNPL	Buy now pay later
CAGR	Compound annual growth rate
CFME	Capitalisation of future maintainable earnings
Company or NFS	Navalo Financial Services Group Limited
Control basis	An assessment of the Fair Value on an equity interest, which assumes the holder or holders have control of the entity in which the equity is held
CRE	Commercial real estate
DCF	Discounted Cash Flow
Directors	Directors of the Company
Enterprise Value or EV	The market value of a business on a cash free and debt free basis
ECL	Expected credit losses
EF	Equipment finance
Explanatory Statement	The explanatory statement accompanying the Notice
Fair Value	The amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer, both acting at arm's length
FME	Future Maintainable Earnings
FSG	Financial Services Guide
FY20xx	Financial year ended 30 June 20xx
IER	This Independent Expert Report
IBC	Independent Board Committee as described in the Notice of Meeting
k	Thousands
LTM	Last twelve month
m	Millions
Management	The management of Navalo Financial Services Group Limited
MBFG	Metrics Business Finance Group Pty Limited
MBFH	Metrics Business Finance Holdings Pty Limited

MCH	Metrics Credit Holdings Pty Ltd
MCH Investment	MCH Investment Management Services Pty Limited as trustee for the MCP Credit 1 Trust
Merged Group	NFS, including MBFH as a wholly owned subsidiary, immediately after the completion of the Proposed Transaction
Metrics Group	The group of business owned by Metrics Credit Holdings Pty Limited
Minority or Non-Controlling Interest	A non-controlling ownership interest, generally less than 50.0% of a company's voting shares.
MSF	Merchant Service Fee
NCCP	National Consumer Credit Protection Act (Cth) 2009
Non-Associated Shareholders	Shareholders who are not a party, or associated to a party, to the Proposed Transaction
Notice	The notice of meeting to vote on, inter alia, the Proposed Transaction
NPAT	Net profit after tax
NTM	Next twelve month
P/E	Price / Earnings multiple
Proposed Transaction	The purchase of 100% of the issued share capital of MBFH and the issue of 32,418,407 fully paid ordinary shares in Navalo Financial Services Group Limited to the shareholders of MBFH
Report	This Independent Expert's Report prepared by RSM dated 10 November 2023
Resolution	The resolutions set out in the Notice
RG 111	ASIC Regulatory Guide 111 Content of Expert Reports
RSM or We or Us or Ours	RSM Corporate Australia Pty Ltd
S&P Capital IQ	An entity of Standard and Poors which is a third party provider of company and other financial information
Share or NFS Share	Ordinary fully paid share in the capital of the Company
Shareholder	A holder of Shares in NFS
SME	Small and medium enterprises
Spirit	Spirit Superannuation
Target	Metrics Business Finance Holdings Pty Limited
Vendors	The vendors of the Target: • Metrics Business Finance Group Pty Ltd; • Creighton Pty Ltd as trustee for Creighton Discretionary Trust; • Alexandria Investments Pty Ltd as trustee for Alexandria Investments Trust; • Predebon Investments Pty Ltd as trustee for Predebon Investment Trust; • Perpetual Corporate Trustee Limited as trustee for Metrics S Partnership Trust; and • RLS Network Holdings Pty Ltd as trustee for Spano IAM Trust
YTD24	The 4 months ended 31 October 2023

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