

Scheme Booklet

for a scheme of arrangement between Mortgage Choice Limited (ABN 57 009 161 979) and its shareholders in relation to the proposed acquisition of Mortgage Choice Limited by REA Financial Services Holding Co. Pty Ltd, a wholly-owned subsidiary of REA Group Ltd.

Each of the Mortgage Choice Directors recommends that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Mortgage Choice Shareholders.

Vote in favour

This is an important document and requires your immediate attention.

You should read it in its entirety before deciding whether or not to vote in favour of the Scheme Resolution required to implement the Scheme. If you are in any doubt about what to do, you should consult your financial or other professional adviser.

If, after reading this Scheme Booklet, you have any questions about this Scheme Booklet or the Scheme, please contact the Mortgage Choice Shareholder Information Line on 1300 034 141 (within Australia) or +61 03 9415 4816 (outside Australia) between 8.30am and 5.00pm (Sydney time) Monday to Friday, excluding public holidays.

Important notices

Nature of this document

This Scheme Booklet is important and requires your immediate attention. You should carefully read this Scheme Booklet in its entirety before deciding whether or not to vote in favour of the Scheme Resolution required to implement the Scheme.

This Scheme Booklet provides Mortgage Choice Shareholders with information about the proposed acquisition of all of the Scheme Shares by REA BidCo by way of a scheme of arrangement between Mortgage Choice and Mortgage Choice Shareholders under Part 5.1 of the Corporations Act.

This Scheme Booklet also sets out the manner in which the Scheme will be considered and implemented (if all of the conditions to the Scheme are satisfied or (if permitted) waived) and provides such information as is prescribed by law or is otherwise material to the decision of Mortgage Choice Shareholders whether to vote in favour of the Scheme.

This Scheme Booklet is not a disclosure document required by Chapter 6D of the Corporations Act.

If you have sold all of your Mortgage Choice Shares, please disregard this Scheme Booklet.

Interpretations

Capitalised terms used in this Scheme Booklet are defined in the Glossary in Section 10 of this Scheme Booklet, or otherwise in the sections in which they are used. Section 10 of this Scheme Booklet also sets out rules of interpretation which apply to this Scheme Booklet. Some of the documents reproduced in the Annexures to this Scheme Booklet may have their own defined terms, which may sometimes be different from those in the Glossary.

Responsibility for information

Mortgage Choice has been solely responsible for preparing the Mortgage Choice Information. The Mortgage Choice Information concerning Mortgage Choice and the intentions, views and opinions of Mortgage Choice and the Mortgage Choice Directors contained in this Scheme Booklet has been prepared by Mortgage Choice and is the responsibility of Mortgage Choice. REA BidCo, its Related Bodies Corporate and their respective directors, officers, employees and advisers have not verified any Mortgage Choice Information and do not assume any responsibility for the accuracy or completeness of any Mortgage Choice Information.

REA has been solely responsible for preparing the REA Information. The REA Information concerning REA BidCo and REA Group, and the intentions, views and opinions of REA BidCo and REA Group contained in this Scheme Booklet, has been prepared by REA and is the responsibility of REA. Mortgage Choice, its Related Bodies Corporate and their respective directors, officers, employees and advisers have not verified any of the REA Information and do not assume any responsibility for the accuracy or completeness of any REA Information.

The Independent Expert, Grant Thornton Corporate Finance Pty Ltd, has prepared the Independent Expert's Report in relation to the Scheme and takes responsibility for that report. None of Mortgage Choice, REA BidCo, or their respective Related Bodies Corporate, or any of their respective directors, officers, employees or advisers takes any responsibility for the Independent Expert's Report. The Independent Expert does not assume any responsibility for the accuracy or completeness of the information contained in this Scheme Booklet other than the Independent Expert's Report. The Independent Expert's Report is set out in Annexure A of this Scheme Booklet.

Regulatory information and role of ASIC and ASX

This Scheme Booklet is the explanatory statement for the scheme of arrangement between Mortgage Choice and the Scheme Shareholders for the purposes of section 412(1) of the Corporations Act. A copy of the Scheme is included in this Scheme Booklet as Annexure B.

A copy of this Scheme Booklet (including the Independent Expert's Report) was provided to ASIC for examination in accordance with section 411(2) of the Corporations Act. It was then registered by ASIC under section 412(6) of the Corporations Act before being sent to Mortgage Choice Shareholders.

ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. ASIC's policy in relation to statements under section 411(17)(b) of the Corporations Act is that it will not provide such a statement until the Second Court Date. This is because ASIC will not be in a position to advise the Court until it has had an opportunity to observe the entire Scheme process. If ASIC provides that statement, it will be produced to the Court at the Second Court Hearing to approve the Scheme. Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet has been lodged with ASX. Neither ASX nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

Forward-looking statements and intentions

This Scheme Booklet contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements.

All forward-looking statements in this Scheme Booklet reflect views only as at the date of this Scheme Booklet, and generally may be identified by the use of forward-looking words such as "believe", "aim", "expect", "anticipate", "intend", "foresee", "likely", "should", "planned", "may", "estimate", "potential", or other similar words. Similarly, statements that describe Mortgage Choice's or the REA Group's objectives, plans, goals or expectations are or may be forward-looking statements. The statements contained in this Scheme Booklet about the impact that the Scheme may have on the results of Mortgage Choice's operations, and the advantages and disadvantages anticipated to result from the Scheme, are also forward-looking statements.

All forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that could cause the actual conduct, results, performance or achievements of Mortgage Choice to be materially different from the future conduct, results, performance or achievements expressed or implied by such statements or that could cause the future conduct, results, performance or achievements to be materially different from historical conduct, results, performance or achievements. These risks, uncertainties, assumptions and other factors include, among other things, the risks set out in Section 7 of this Scheme Booklet.

Although Mortgage Choice believes that the views reflected in any forward-looking statements included in the Mortgage Choice Information have been made on a reasonable basis, no assurance can be given that such views will prove to be correct. Other than as required by law, none of the Mortgage Choice Group or the REA Group, or any of their respective directors, officers, employees or advisers, or any person named in this Scheme Booklet with their consent, or otherwise involved in the preparation of this Scheme Booklet, gives any (express or implied) representation, assurance, warranty or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this Scheme Booklet will actually occur.

Mortgage Choice Shareholders are cautioned about relying on any forward-looking statements.

The forward-looking statements in this Scheme Booklet reflect views held only as at the date of this Scheme Booklet and are made only as at the date of this Scheme Booklet. Subject to any continuing obligations under applicable law or the ASX Listing Rules (including obligations of supplementary disclosure referred to in section 9.14), the Mortgage Choice Group, the REA Group, and their respective directors and officers, disclaim any obligation to update any forward-looking statements after the date of this Scheme Booklet to reflect any change in expectations in relation to those statements or change in events, conditions or circumstances on which any such statement is based.

Not investment advice

The information contained in this Scheme Booklet does not contain or constitute financial product advice and does not take into account the particular investment objectives, financial situation, taxation position or particular needs of any individual Mortgage Choice Shareholder or any other person. Before making any decision (including a decision in relation to the Scheme or in relation to Mortgage Choice generally), you should consider, with your financial or other professional adviser, whether that decision is appropriate in light of your particular investment needs, objectives and financial circumstances.

Foreign jurisdictions

The release, publication or distribution of this Scheme Booklet in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside Australia who come into possession of this Scheme Booklet should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. Mortgage Choice disclaims all liabilities to such persons.

This Scheme Booklet has been prepared in accordance with Australian law and the information contained in this Scheme Booklet may not be the same as that which would have been disclosed if this Scheme Booklet had been prepared in accordance with the laws and regulations of jurisdictions other than Australia. No action has been taken to register or qualify this Scheme Booklet or any aspect of the Scheme in any jurisdiction outside Australia.

Mortgage Choice Shareholders who are resident outside of Australia, or who are nominees, trustees or custodians for beneficial holders resident outside Australia, are encouraged to seek independent advice as to how they should proceed (including specific taxation advice in relation to the Australian and overseas tax implications of their participation in the Scheme).

Important notice associated with Court order under section 411(1) of the Corporations Act

The fact that, under section 411(1) of the Corporations Act, the Court has ordered that the Scheme Meeting be convened, and has approved the Scheme Booklet required to accompany the Notice of Scheme Meeting, does not mean that the Court:

- has formed any view as to the merits of the proposed Scheme or as to how Mortgage Choice Shareholders should vote (on this matter, Mortgage Choice Shareholders must reach their own decision); or
- has prepared, or is responsible for the content of, the Scheme Booklet.

The order of the Court that the Scheme Meeting be convened is not, and should not be treated as, an endorsement by the Court of, or any other expression of opinion by the Court on, the Scheme.

Notice of Scheme Meeting

The Notice of Scheme Meeting is set out in Annexure D of this Scheme Booklet.

Notice of Second Court Hearing

At the Second Court Hearing, the Court will consider whether to approve the Scheme following the votes at the Scheme Meeting.

Any Mortgage Choice Shareholder may appear at the Second Court Hearing, which is expected to be held at 9.15am (Sydney time) on Thursday, 17 June 2021 at the Supreme Court of New South Wales, 184 Phillip Street, Sydney New South Wales 2000.

Any Mortgage Choice Shareholder who wishes to oppose approval of the Scheme at the Second Court Hearing may do so by filing with the Court and serving on Mortgage Choice a notice of appearance in the prescribed form, together with any affidavit on which the Mortgage Choice Shareholder proposes to rely.

Mortgage Choice Shareholders should note that the protocols for attendance at the Second Court Hearing may change at short notice in light of any developments relating to the COVID-19 pandemic. Any change will be announced to the ASX and will be available under Mortgage Choice's profile on the ASX at www.asx.com.au.

Tax implications of the Scheme

If the Scheme becomes Effective and is implemented, there will be tax consequences for Scheme Shareholders which may include tax being payable on any gain on disposal of Mortgage Choice Shares. For further detail about the general Australian tax consequences of the Scheme, refer to Section 8 of this Scheme Booklet.

The tax treatment may vary depending on the nature and characteristics of each Mortgage Choice Shareholder and their specific circumstances. Accordingly, Mortgage Choice Shareholders should seek professional tax advice in relation to their particular circumstances.

Privacy

Mortgage Choice and REA BidCo may collect personal information in connection with the Scheme.

The personal information may include the names, contact details and details of holdings of Mortgage Choice Shareholders, together with contact details of individuals appointed as proxies, attorneys or corporate representatives for the Scheme Meeting. The collection of some of this information is required or authorised by the Corporations Act.

The primary purpose of the collection of this personal information is to assist Mortgage Choice to conduct the Scheme Meeting and to assist Mortgage Choice and REA BidCo to implement the Scheme. If this personal information is not collected, Mortgage Choice may be hindered in, or prevented from, conducting the Scheme Meeting or implementing the Scheme.

The personal information may be disclosed to Mortgage Choice, REA BidCo and their respective Related Bodies Corporate and advisers, the Share Registry, print and mail service providers, authorised securities brokers and any other service provider to the extent necessary to effect the Scheme, and also where disclosure is otherwise required or permitted by law.

Mortgage Choice Shareholders who are individuals, and other individuals in respect of whom personal information is collected, have certain rights to access the personal information collected about them. Mortgage Choice Shareholders should contact the Share Registry in the first instance if they wish to exercise these rights.

Mortgage Choice Shareholders who appoint an individual as their proxy, attorney or corporate representative to vote at the applicable Scheme Meeting should inform that individual of the matters outlined above.

External websites

Unless expressly stated otherwise, the content of Mortgage Choice's website does not form part of this Scheme Booklet and Mortgage Choice Shareholders should not rely on any such content.

Charts and diagrams

Any diagrams, charts, graphs and tables appearing in this Scheme Booklet are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in diagrams, charts, graphs and tables is based on information available at the date of the Last Practicable Date. All numbers are rounded, unless otherwise indicated.

Effect of rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding. Accordingly, the actual calculation of figures, amounts, percentages, prices, estimates, calculations of value and fractions may differ from the figures, amounts, percentages, prices, estimates, calculations of value and fractions set out in this Scheme Booklet. Any discrepancies between totals in tables or financial information, or in calculations, graphs or charts are due to rounding.

Financial amounts and exchange

The financial amounts in this Scheme Booklet are expressed in Australian currency, unless otherwise stated.

All share prices and trading volumes refer to Mortgage Choice shares trading on the ASX.

Times and dates

All times referred to in this Scheme Booklet are references to times in Sydney, unless otherwise stated.

All dates following the Scheme Meeting referred to in this Scheme Booklet are indicative only and, among other things, are subject to the Court approval process and the satisfaction or (if permitted) waiver of the Conditions Precedent to the Scheme.

Date of this Scheme Booklet

This Scheme Booklet is dated 7 May 2021.

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Letter from the Chairman of Mortgage Choice Limited



7 May 2021

Dear Mortgage Choice Shareholder,

On behalf of the Mortgage Choice Board of Directors, I am pleased to provide you with this Scheme Booklet containing information about the proposed acquisition of Mortgage Choice Limited by REA Financial Services Holding Co. Pty Ltd, a wholly-owned subsidiary of REA Group Ltd.

Overview of the transaction

On 29 March 2021, Mortgage Choice announced that it had entered into a Scheme Implementation Agreement with REA Group Ltd (**REA**), in respect of the acquisition by REA Financial Services Holding Co. Pty Ltd, a wholly-owned subsidiary of REA Group Ltd, of 100% of the shares in Mortgage Choice by way of a Scheme of Arrangement (**Scheme**). The Scheme is subject to Mortgage Choice Shareholder and court approval in accordance with the requirements of Part 5.1 of the Corporations Act, and certain other conditions (including FIRB approval).

If the Scheme is approved and implemented, Mortgage Choice Shareholders will be entitled to \$1.95 per Mortgage Choice Share (referred to in this Scheme Booklet as **Scheme Consideration**).

The Scheme Consideration of \$1.95 per share represents a:

- 66.0% premium to Mortgage Choice's closing share price of \$1.175 per Mortgage Choice Share on 26 March 2021, being the last closing price prior to announcing the Scheme;
- 66.8% premium to the 1-month VWAP of \$1.17 per Mortgage Choice Share;
- 42.5% premium to the 3-month VWAP of \$1.37 per Mortgage Choice Share; and
- 52.0% premium to the 6-month VWAP of \$1.28 per Mortgage Choice Share.

Mortgage Choice Board of Directors recommendation

After careful consideration, each Mortgage Choice Director recommends that Mortgage Choice Shareholders vote in favour of the Scheme, subject to no Superior Proposal emerging and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Mortgage Choice Shareholders. Each Mortgage Choice Director intends to vote, or procure the vote of, all the Mortgage Choice Shares held or controlled by them in favour of the Scheme, subject to those same qualifications.

In recommending the Scheme to you, the Mortgage Choice Board of Directors considered and evaluated a range of factors including shareholder value, execution of strategy and certainty of returns to shareholders. While the Mortgage Choice Directors note the considerable investments in the business over the past three years which are intended to provide a platform to deliver sustainable growth for Mortgage Choice Shareholders, the proposal from REA provides an attractive alternative and accelerates returns to Mortgage Choice Shareholders that may have taken several years to generate organically (and such returns may not be realised in any event). The Mortgage Choice Board of Directors have also considered the significant premium to Mortgage Choice's share price (relative to recent trading prices) that the Scheme Consideration constitutes.

Reasons to vote in favour of the Scheme are outlined in detail in Section 1.2 of this Scheme Booklet. Reasons why you may choose to vote against the Scheme which are outlined in Section 1.3 of this Scheme Booklet.

Independent Expert

The Mortgage Choice Board of Directors has appointed Grant Thornton as an Independent Expert to assess the merits of the Scheme. The Independent Expert has concluded that the Scheme is fair and reasonable and is in the best interests of Mortgage Choice Shareholders in the absence of a Superior Proposal.

The Independent Expert has concluded that the value of Mortgage Choice Shares on a control basis to be in the range of \$1.66 and \$1.97 per Mortgage Choice Share. The Scheme Consideration of \$1.95 per Mortgage Choice Share is within (and is at the upper end of) this range.

How to vote

The Scheme needs to be approved by at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting, and a majority in number (i.e. more than 50%) of Mortgage Choice Shareholders present and voting (whether in person, or via Mortgage Choice's online meeting platform, or by proxy attorney or corporate representative).

The Scheme Meeting is a hybrid meeting and is scheduled to be held at the offices of Mortgage Choice at Level 10, 100 Pacific Highway, North Sydney NSW 2060 and via Mortgage Choice's online meeting platform at <https://agmlive.link/MOCSM21>, at 10.00am on Thursday, 10 June 2021. See the Notice of Scheme Meeting in Annexure D for further details.

Mortgage Choice Shareholders should note that the protocols for attendance in person at the Scheme Meeting may change at short notice in response to developments relating to the COVID-19 pandemic. Any change will be announced by Mortgage Choice to the ASX.

Your vote is important in determining whether the Scheme proceeds. If the Scheme is not approved at the Scheme Meeting by the required majorities of Mortgage Choice Shareholders, the Scheme will not be implemented and you will not receive the Scheme Consideration.

You may vote on the Scheme Resolution by attending the Scheme Meeting in person or via Mortgage Choice's online meeting platform, or by appointing a proxy, attorney or body corporate representative to attend the Scheme Meeting and vote on your behalf.

If you do not wish to, or are unable to, attend the Scheme Meeting in person or via Mortgage Choice's online meeting platform, you may vote on the Scheme Resolution by completing the personalised Proxy Form accompanying this Scheme Booklet and returning it to the Share Registry in one of the ways set out in Section 9.3 of this Scheme Booklet. To be valid, Proxy Forms must be received by the Share Registry by no later than by no later than 10.00am on Tuesday, 8 June 2021.

What to do next

The Scheme Booklet sets out important information regarding the Scheme, including the reasons why each of the Mortgage Choice Directors recommend Mortgage Choice Shareholders vote in favour of the Scheme, and the Independent Expert's Report.

I encourage you to read this Scheme Booklet in its entirety before making any decision in relation to the Scheme as it contains important information.

If you have any queries in relation to how the Scheme may affect your specific financial situation, investment objectives or other particular needs, you should consult your financial or other professional adviser before making any decision in relation to your Mortgage Choice Shares and the Scheme.

If you have any questions regarding the Scheme, please contact the Mortgage Choice Information Line on 1300 034 141 (within Australia) or +61 03 9415 4816 (outside Australia) between 8.30am and 5.00pm (Sydney time) Monday to Friday, excluding public holidays.

On behalf of the Mortgage Choice Board, I would like to reiterate each Mortgage Choice Director's support for the Scheme and thank you for your ongoing support of Mortgage Choice. Your vote is important, and I look forward to your participation in the Scheme Meeting on 10 June 2021.

Yours sincerely



Vicki Allen

Chairman

Mortgage Choice Limited

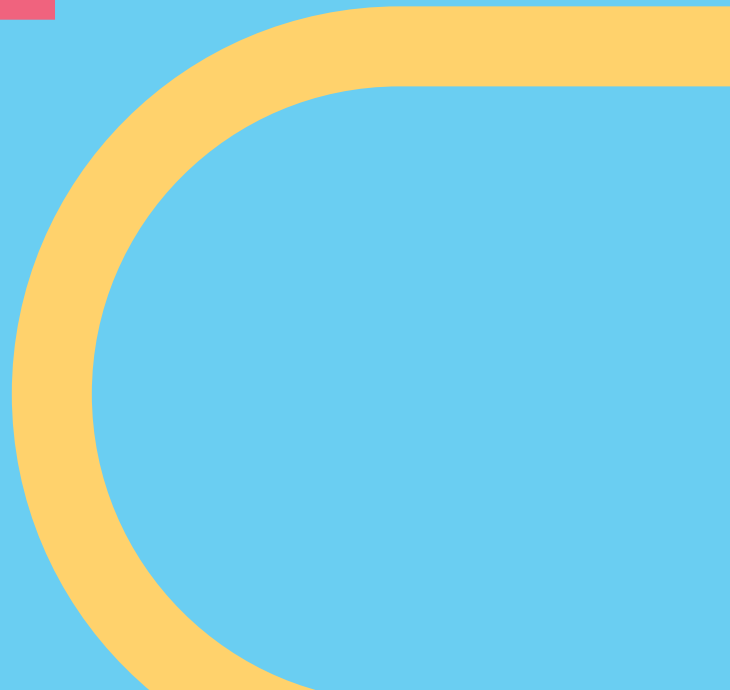
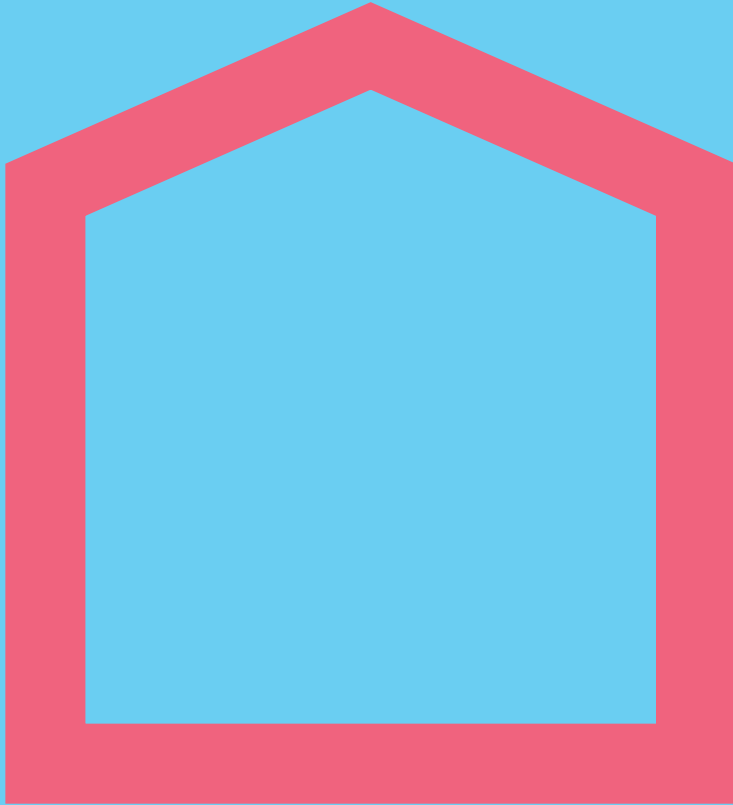
Important dates and expected timetable for the Scheme

| Key dates | Time and date |
|--|-------------------------------------|
| First Court Date The date on which the Court made orders convening the Scheme Meeting | Thursday, 6 May 2021 |
| Date of this Scheme Booklet | Friday, 7 May 2021 |
| Proxy Forms/powers of attorney Latest time and date for receipt of completed Proxy Forms or powers of attorney by the Share Registry for Scheme Meeting (including Proxy Forms lodged online) | Tuesday, 8 June 2021, at: 10.00am |
| Voting eligibility Time and date for determining eligibility to vote at the Scheme Meeting | Tuesday, 8 June 2021, at: 7.00pm |
| Scheme Meeting to be held at the offices of Mortgage Choice at Level 10, 100 Pacific Highway, North Sydney NSW 2060 and via Mortgage Choice's online meeting platform at https://agmlive.link/MOCSM21 . Further details relating to the Scheme Meeting are set out in the Notice of Scheme Meeting set out at Annexure D to this Scheme Booklet | Thursday, 10 June 2021, at: 10.00am |
| If the Scheme Resolution is approved by the required majorities of Mortgage Choice Shareholders | |
| Second Court Date for approval of the Scheme | Thursday, 17 June 2021 |
| Effective Date The date on which the Scheme becomes Effective and is binding on Mortgage Choice Shareholders Scheme Order lodged with ASIC and lodgement is announced on the ASX Last day of trading in Mortgage Choice Shares on the ASX (with Mortgage Choice Shares suspended from trading on the ASX from close of trading) | Friday, 18 June 2021 |
| Scheme Record Date for determining entitlements to Scheme Consideration | Tuesday, 22 June 2021 |
| Implementation Date Payment of Scheme Consideration and transfer of Scheme Shares to REA BidCo | Thursday, 1 July 2021 |

All times and dates in the above timetable are references to the time and date in Sydney, Australia. All dates following the date of this Scheme Booklet are indicative only and, among other things, are subject to all necessary approvals from the Court and any other conditions to the Scheme having been satisfied or, if applicable, waived. Mortgage Choice reserves the right to vary the times and dates set out above. Any changes to the above timetable will be announced on the ASX.

SECTION 1









Considerations relevant
to your vote



1.1. Summary






Section 1.2 sets out reasons why Mortgage Choice Shareholders may wish to vote in favour of the Scheme. These reasons are summarised in the table below.

Reasons to vote in favour of the Scheme

| | |
|---|--|
|  | Each of your Mortgage Choice Directors recommends that you vote in favour of the Scheme, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Mortgage Choice Shareholders. Each of your Mortgage Choice Directors will also be voting, or procuring the vote of, all Mortgage Choice Shares held or controlled by them in favour of the Scheme (subject to the same qualifications) |
|  | The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, is in the best interests of Mortgage Choice Shareholders in the absence of a Superior Proposal |
|  | The Scheme Consideration of \$1.95 cash per Mortgage Choice Share represents a significant premium to the market price of Mortgage Choice Shares prior to announcement of the Scheme |
|  | You will receive certain cash value of \$1.95 per Mortgage Choice Share for your entire investment in Mortgage Choice and you will not be exposed to risks associated with Mortgage Choice's business |
|  | Since the announcement of the Scheme, no Superior Proposal has emerged |
|  | The Scheme has limited conditionality |
|  | The Mortgage Choice Share price is likely to fall if the Scheme is not implemented and no Superior Proposal emerges |
|  | Brokerage charges will not be payable by you for the transfer of your Mortgage Choice Shares under the Scheme |

Section 1.2 should be read in conjunction with Section 1.3, which sets out reasons why Mortgage Choice Shareholders may wish to vote against the Scheme. These reasons are summarised in the table below.

Reasons why you may choose to vote against the Scheme

| | |
|---|--|
|  | You may disagree with the Mortgage Choice Directors' recommendation and the Independent Expert's conclusion, and believe that the Scheme is not in your best interests |
|  | You may prefer to continue your investment in the Mortgage Choice business, and continue to share in any potential upside or downside associated with that investment |
|  | You may believe it is in your best interests to maintain your current investment and risk profile |
|  | The tax consequence of transferring your Mortgage Choice Shares pursuant to the Scheme may not be attractive to you |
|  | You may consider that there is potential for a Superior Proposal to emerge |

These reasons are discussed in more detail in Section 1.3 of this Scheme Booklet.

1.2. Reasons to vote in favour of the Scheme

- a. Each of your Mortgage Choice Directors recommends that you vote in favour of the Scheme, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Mortgage Choice Shareholders. Each of your Mortgage Choice Directors will also be voting, or procuring the vote of, all Mortgage Choice Shares held or controlled by them in favour of the Scheme (subject to the same qualifications)**

In reaching their recommendation, your Mortgage Choice Directors have assessed the Scheme having regard to the reasons to vote in favour of, or against, the Scheme, as set out in this Scheme Booklet.

The Mortgage Choice Directors' interests in Mortgage Choice Shares are set out in Section 9.1 of this Scheme Booklet.

Mortgage Choice Shareholders should note that one of the Mortgage Choice Directors, Rodney Higgins, owns or controls 15,385,212 Mortgage Choice Shares or approximately 12.3% of the Mortgage Choice Shares – but is not receiving any financial benefit that is different to the financial benefits available to Scheme Shareholders generally. Accordingly, the Mortgage Choice Directors have deemed it appropriate to include Rodney Higgins' recommendation together with the recommendation of the other Mortgage Choice Directors. Rodney Higgins also intends to vote, or procure the vote of, all the Mortgage Choice Shares held or controlled by him in favour of the Scheme (in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Mortgage Choice Shareholders).

- b. The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, is in the best interests of Mortgage Choice Shareholders in the absence of a Superior Proposal**

Your Mortgage Choice Directors appointed Grant Thornton to prepare an Independent Expert's Report, including an opinion as to whether the Scheme is fair and reasonable and in the best interests of Mortgage Choice Shareholders. The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, is in the best interests of Mortgage Choice Shareholders, in the absence of a Superior Proposal.

The Independent Expert has assessed the value of a Mortgage Choice Share to be in the range of \$1.66 to \$1.97 on a control basis. The Scheme Consideration of \$1.95 per Mortgage Choice Share accordingly falls within (and is at the upper end of) the Independent Expert's assessed valuation range on a control basis.

Your Mortgage Choice Directors encourage you to read the Independent Expert's Report, which is set out in Annexure A of this Scheme Booklet, before deciding whether or not to vote in favour of the Scheme.

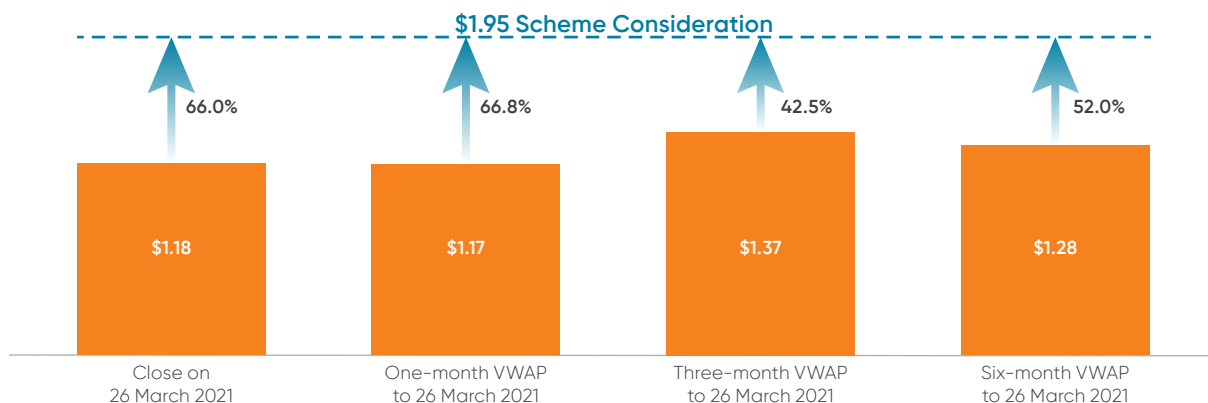
- c. The Scheme Consideration of \$1.95 cash per Mortgage Choice Share represents a significant premium to the market price of Mortgage Choice Shares prior to announcement of the Scheme**

The Scheme Consideration is \$1.95 per Mortgage Choice Share, which represents a premium of:

- 66.0% to the closing price of Mortgage Choice Shares of \$1.175 on 26 March 2021 (being the last trading day before the Announcement Date);
- 66.8% to the one-month VWAP of Mortgage Choice Shares to 26 March 2021 of \$1.17;
- 42.5% to the three-month VWAP of Mortgage Choice Shares to 26 March 2021 of \$1.37; and
- 52.0% to the six-month VWAP of Mortgage Choice Shares to 26 March 2021 of \$1.28.

Figure 1 shows the premium to the Mortgage Choice Share price on 26 March 2021, as well as the premium to the VWAP of Mortgage Choice Shares over the periods referred to above.

Figure 1:



d. You will receive certain cash value of \$1.95 per Mortgage Choice Share for your entire investment in Mortgage Choice and you will not be exposed to risks associated with Mortgage Choice's business

The Scheme will provide you with the opportunity to obtain certain and immediate value of \$1.95 per Mortgage Choice Share for all of your Mortgage Choice Shares.

In particular, the Scheme Consideration, with its significant premium (see paragraph (c) above), provides certainty against the risks associated with the execution of Mortgage Choice's long term strategy. If the Scheme does not proceed, the amount which Mortgage Choice Shareholders will be able to realise in terms of price and future dividends will necessarily be uncertain and subject to a number of risks, including (but not limited to) those risks set out in Section 7 of this Scheme Booklet.

While there have been considerable investments in the business over the past three years which are intended to provide a platform to deliver sustainable growth for Mortgage Choice Shareholders, the proposal from REA provides an attractive alternative and accelerates returns to Mortgage Choice Shareholders that may have taken several years to generate organically (and such returns may not be realised in any event).

e. Since the announcement of the Scheme, no Superior Proposal has emerged

Since the proposed Scheme was announced on 29 March 2021 and up to the date of this Scheme Booklet, no Superior Proposal has emerged. Additionally, at the date of this Scheme Booklet, your Mortgage Choice Directors are not aware of any Superior Proposal that is likely to emerge.

If Mortgage Choice receives a Competing Proposal from a third party, there are certain steps that must be taken by Mortgage Choice in respect of that Competing Proposal, including providing REA with the opportunity to submit a counterproposal within four Business Days of providing REA with the material terms and conditions of the Competing Proposal. See Section 9.5(i) for further details.

f. The Scheme has limited conditionality.

The Scheme is not subject to any financing conditions or further due diligence.

The Scheme is subject to customary conditions consistent with schemes of arrangement (including Mortgage Choice Shareholder approval, Court approval, FIRB approval, there being no Material Adverse Change or Mortgage Choice Prescribed Event, and the Independent Expert continuing to conclude that the Scheme is in the best interests of Mortgage Choice Shareholders). See Section 9.5(c) for further details.

g. The Mortgage Choice Share price is likely to fall if the Scheme is not implemented and no Superior Proposal emerges

The closing Mortgage Choice Share price on the ASX on 26 March 2021 was \$1.175, being the last trading day prior to the announcement of the parties' entry into the Scheme Implementation Agreement.

Since market close on 26 March 2021, the Mortgage Choice Share price has increased 63.8% up to a closing price of \$1.925 on the Last Practicable Date.

If the Scheme is not implemented, and no Superior Proposal emerges, your Mortgage Choice Directors believe it is likely that the Mortgage Choice Share price will fall below the price at which it has traded since the announcement of the parties' entry into the Scheme Implementation Agreement.

h. Brokerage charges will not be payable by you for the transfer of your Mortgage Choice Shares under the Scheme.

You will not incur any brokerage charges on the transfer of your Mortgage Choice Shares to REA BidCo under the Scheme.

It is possible that such brokerage charges (and, potentially GST on those charges) would be incurred if you dispose of your Mortgage Choice Shares other than under the Scheme.

1.3. Reasons why you may choose to vote against the Scheme

Each of your Mortgage Choice Directors recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Mortgage Choice Shareholders.

The Independent Expert has also concluded that the Scheme is fair and reasonable and, therefore, is in the best interests of Mortgage Choice Shareholders, in the absence of a Superior Proposal.

However, there may be reasons which lead you to consider voting against the Scheme, including those set out below.

a. You may disagree with the Mortgage Choice Directors' recommendation and the Independent Expert's conclusion, and believe that the Scheme is not in your best interests

In concluding that the Scheme is in the best interests of Mortgage Choice Shareholders, absent a Superior Proposal, your Mortgage Choice Directors and the Independent Expert are making judgements based on future trading conditions and events which cannot be predicted with certainty and which may prove to be inaccurate (either positively or negatively).

You may hold a different view from, and are not obliged to follow the recommendation of, your Mortgage Choice Directors, and you may not agree with the Independent Expert's conclusion.

b. You may prefer to continue your investment in the Mortgage Choice business, and continue to share in any potential upside or downside associated with that investment

If the Scheme is implemented, you will no longer be a Mortgage Choice Shareholder and will forgo any benefits that may result from being a Mortgage Choice Shareholder.

This will mean that you will not participate in the future performance of Mortgage Choice, retain any exposure to Mortgage Choice's business or assets, or have the potential to share in the value that could be generated by Mortgage Choice in the future. However, there is no guarantee as to Mortgage Choice's future performance, as is the case with all investments in listed securities.

In particular, you may prefer to continue your investment in the Mortgage Choice business to achieve a return in respect of your exposure to the considerable investments in the business over the past three years (although there is no certainty as to the value or timing of any return). These investments are intended to provide a platform to enable substantial increases in the number and productivity of mortgage brokers and accordingly to deliver sustainable growth for Mortgage Choice Shareholders.

c. You may believe it is in your best interests to maintain your current investment and risk profile

You may prefer to keep your Mortgage Choice Shares to preserve your investment in a listed company with the specific characteristics of Mortgage Choice.

In particular, you may consider that, despite the risk factors relevant to Mortgage Choice's potential future operations (including those set out in Section 7 of this Scheme Booklet), Mortgage Choice may be able to return greater value from its assets by remaining a stand-alone entity or by seeking alternative corporate transactions in the future.

You may also consider that it would be difficult to identify or invest in alternative investments that have a similar investment profile to that of Mortgage Choice or may incur transaction costs in undertaking any new investment.

d. The tax consequences of transferring your Mortgage Choice Shares pursuant to the Scheme may not be attractive to you

The tax consequences of the Scheme will depend on your personal situation. You may consider that the tax consequences of transferring your Mortgage Choice Shares to REA BidCo pursuant to the Scheme are not attractive to you. A general guide to the taxation implications of the Scheme is set out in Section 8 of this Scheme Booklet. However, the outline in Section 8 is expressed in general terms only, and Mortgage Choice Shareholders should consult with their own independent taxation advisers regarding the taxation implications of the Scheme.

e. You may consider that there is potential for a Superior Proposal to emerge

Implementation of the Scheme will mean that Mortgage Choice Shareholders will not have the opportunity to benefit from the potential of a Superior Proposal in the future.

It is possible that a more attractive proposal for Mortgage Choice Shareholders could materialise in the future, in the form of a takeover bid, another scheme of arrangement or some alternative transaction proposal, which would deliver a total consideration for Mortgage Choice Shareholders in excess of the Scheme Consideration.

However, since the proposed Scheme was announced on 29 March 2021 and up to the date of this Scheme Booklet, no Superior Proposal has emerged. Additionally, at the date of this Scheme Booklet, your Mortgage Choice Directors are not aware of any Superior Proposal that is likely to emerge.

The Scheme Implementation Agreement prohibits Mortgage Choice from soliciting a Competing Proposal. However, Mortgage Choice is permitted to respond to any unsolicited Competing Proposal should the Mortgage Choice Board determine, acting in good faith and after receiving written advice from Mortgage Choice's financial and legal advisers, that such Competing Proposal is, or may reasonably be expected to constitute, a Superior Proposal and that failing to respond would be reasonably likely to constitute a breach of fiduciary duties or statutory obligations.

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SECTION 2

Frequently asked
questions



This section answers some questions you may have about the Scheme. It is not intended to address all relevant issues for Mortgage Choice Shareholders. This section should be read together with all other parts of this Scheme Booklet.

| Question | Answer | More information |
|---|---|---------------------------------|
| Overview of the Scheme | | |
| When was the Scheme first announced? | On 29 March 2021, the Mortgage Choice Board announced that it had entered into a Scheme Implementation Agreement under which REA proposes to acquire 100% of the issued share capital of Mortgage Choice through one of its wholly-owned subsidiaries. | Section 9.5 |
| Why have I received this Scheme Booklet? | <p>This Scheme Booklet has been sent to you because you are a Mortgage Choice Shareholder and Mortgage Choice Shareholders are being asked to vote on the Scheme. This Scheme Booklet is intended to help you consider and decide on how to vote on the Scheme Resolution at the Scheme Meeting which, if approved, will result in REA BidCo acquiring all of the Mortgage Choice Shares.</p> <p>If you have sold all of your Mortgage Choice Shares, please disregard this Scheme Booklet as you will not be entitled to vote at the Scheme Meeting.</p> | Section 4 |
| What is the Scheme? | <p>The Scheme is a scheme of arrangement between Mortgage Choice and the Scheme Shareholders.</p> <p>A "scheme of arrangement" is a statutory procedure in the Corporations Act that is commonly used in transactions in Australia that may result in a change of ownership or control of a company. In addition to requiring Court approval, schemes of arrangement require a shareholder vote in favour of a resolution to implement the scheme of arrangement by the Requisite Majorities.</p> <p>If the Scheme becomes Effective, REA BidCo will acquire all of the Scheme Shares for the Scheme Consideration. Mortgage Choice will be delisted from the ASX and become a wholly-owned Subsidiary of REA BidCo.</p> | Section 3 and Annexure B |
| Who is REA BidCo and REA? | <p>REA BidCo is a newly incorporated Australian company established for the purpose of acquiring all of the Mortgage Choice Shares if the Scheme is implemented. REA BidCo was incorporated on 16 April 2021 and is a wholly-owned Subsidiary of REA.</p> <p>REA is a multinational digital advertising business specialising in property. REA operates Australia's leading residential property website – realestate.com.au, among many other leading portals and businesses across Australia and Asia. REA is listed on the ASX with a market capitalisation of approximately A\$20.75 billion (as at 27 April 2021) and has a global team of more than 2,800¹ people. News Corporation is REA's majority shareholder, holding 61.4% of the total issued share capital of REA.</p> | Section 6 |
| Does the REA Group own any Mortgage Choice Shares? | No. As at the date of this Scheme Booklet, neither REA BidCo, REA, nor any of its Associates own any Mortgage Choice Shares. | Section 6.9 |

1. This figure includes employees of India's Elara Technologies Pte. Ltd and its subsidiaries, in which REA holds a controlling interest.

| Question | Answer | More information |
|---|---|-----------------------------------|
| The Scheme consideration | | |
| What payment will I receive if the Scheme is implemented? | <p>If the Scheme is approved and is implemented, Mortgage Choice Shareholders who are registered as such on the Scheme Record Date will receive a cash amount of \$1.95 per Mortgage Choice Share (this is the Scheme Consideration).</p> <p>If a Mortgage Choice Shareholder sells all of their Mortgage Choice Shares before the Scheme Record Date, they will not receive the Scheme Consideration. Refer to the question, "Can I sell my Mortgage Choice Shares now?" for more information.</p> | Section 3.1 |
| What premium is being offered to Mortgage Choice Shareholders? | <p>The Scheme Consideration of \$1.95 cash per Mortgage Choice Share represents a premium of:</p> <ul style="list-style-type: none"> • 66.0% to the closing price of Mortgage Choice Shares on 26 March 2021 (being the last trading day before the Announcement Date); • 66.8% to the one-month VWAP of Mortgage Choice Shares to 26 March 2021 of \$1.17; • 42.5% to the three-month VWAP of Mortgage Choice Shares to 26 March 2021 of \$1.37; and • 52.0% to the six-month VWAP of Mortgage Choice Shares to 26 March 2021 of \$1.28. | Section 1.2(c) |
| How is REA funding the Scheme Consideration? | REA intends to fund the amount of the Scheme Consideration by an increase in REA's syndicated debt facilities. REA's existing A\$170 million syndicated debt facility, which is currently due to expire in December 2021, is expected to be refinanced as part of this process. | Section 6.7 |
| When and how will I receive my Scheme Consideration? | <p>If the Scheme becomes Effective, Scheme Shareholders will be sent the Scheme Consideration on the Implementation Date (currently expected to be 1 July 2021).</p> <p>All payments will be made by direct deposit into your nominated bank account, as advised to the Share Registry as at the Scheme Record Date. If you have not nominated a bank account, payment will be made by Australian dollar cheque sent by post to your Registered Address.</p> | Section 3.2 |
| What are the tax implications of the Scheme? | <p>The tax implications of the Scheme will depend on your personal circumstances.</p> <p>A general outline of the Australian tax implications of the Scheme is set out in Section 8 of this Scheme Booklet.</p> <p>As the outline is general in nature, you should consult your taxation adviser for detailed taxation advice before making a decision as to whether or not to vote in favour of the Scheme.</p> | Section 8 |
| The Scheme Meeting and voting details | | |
| When and where will the Scheme Meeting be held? | <p>The Scheme Meeting is a hybrid meeting and will be held at 10.00am (Sydney time) on Thursday, 10 June 2021, at the offices of Mortgage Choice at Level 10, 100 Pacific Highway, North Sydney NSW 2060 and via Mortgage Choice's online meeting platform at https://agmlive.link/MOCSM21.</p> <p>See the Notice of Scheme Meeting in Annexure D for further details.</p> <p>Mortgage Choice Shareholders should note that the protocols for attendance in person at the Scheme Meeting may change at short notice in response to developments relating to the COVID-19 pandemic. Any change will be announced by Mortgage Choice to the ASX.</p> | Section 4.3 and Annexure D |

| Question | Answer | More information |
|---|---|--|
| What am I being asked to vote on? | <p>You are being asked to vote on whether or not to approve the Scheme by voting on the Scheme Resolution.</p> <p>The text of the Scheme Resolution is set out in the Notice of Scheme Meeting in Annexure D of this Scheme Booklet.</p> | Annexure D |
| What vote is required to approve the Scheme? | <p>The Scheme can only proceed if, at the Scheme Meeting, the Scheme Resolution is passed. For this to occur, the Scheme Resolution must be approved by:</p> <ul style="list-style-type: none"> unless the Court orders otherwise, a majority in number (more than 50%) of Mortgage Choice Shareholders who vote on the Scheme Resolution (either in person or via Mortgage Choice's online meeting platform, or by proxy, attorney or, in the case of corporate Mortgage Choice Shareholders, body corporate representatives); and holders of at least 75% of the votes cast by Mortgage Choice Shareholders on the Scheme Resolution. <p>In this Scheme Booklet, approval of this nature is described as the Requisite Majorities.</p> <p>Even if the Scheme is approved at the Scheme Meeting, the Scheme is still subject to other outstanding conditions and the approval of the Court.</p> | Section 3.8 and Annexure D |
| Who is entitled to vote at the Scheme Meeting? | Each Mortgage Choice Shareholder who is registered on the Register at 7.00 pm on Tuesday, 8 June 2021 is entitled to attend and vote at the Scheme Meeting. | Section 4.4 and Annexure D |
| How do I vote? | <p>You may vote on the Scheme Resolution:</p> <ul style="list-style-type: none"> in person or via Mortgage Choice's online meeting platform, by attending the Scheme Meeting; by proxy or attorney, by lodging your Proxy Form online at www.linkmarketservices.com.au in accordance with the instructions given there, or completing and lodging the Proxy Form enclosed with this Scheme Booklet, or a duly executed power of attorney, as applicable so that it is received by 10.00am on Tuesday, 8 June 2021; or by a corporate representative (in the case of a Mortgage Choice Shareholder which is a body corporate). | Section 4.5 and Annexure D |
| Is voting compulsory? | Voting is not compulsory. However, your vote is important and the Scheme may be implemented even if you do not vote on the relevant Scheme Resolution required to implement the Scheme. | Section 4.5 and Annexure D |
| How will voting at the Scheme Meeting be conducted? | <p>Voting at the Scheme Meeting will be conducted by way of a poll.</p> <p>This means that every Mortgage Choice Shareholder, at the Scheme Meeting, who is present in person or via Mortgage Choice's online meeting platform, or by proxy, attorney or corporate representative will have one vote for each Mortgage Choice Share held by them.</p> | Annexure D |
| What choices do I have as a Mortgage Choice Shareholder? | <p>As a Mortgage Choice Shareholder, you have the following choices in relation to the Scheme:</p> <ul style="list-style-type: none"> vote in favour of the Scheme Resolution at the Scheme Meeting; vote against the Scheme Resolution at the Scheme Meeting; sell your Mortgage Choice Shares on the ASX; or do nothing. | For key considerations that may be relevant to your vote, see Section 1 |

| Question | Answer | More information |
|--|--|--------------------------|
| What can I do if I oppose the Scheme? | <p>If you, as a Mortgage Choice Shareholder, oppose the Scheme, you can do the following:</p> <ul style="list-style-type: none"> call the Mortgage Choice Shareholder Information Line on 1300 034 141 (inside Australia) or +61 03 9415 4816 (outside Australia) on Business Days between 8.30am and 5.00pm (Sydney time) Monday to Friday, excluding public holidays, and obtain further information; attend the Scheme Meeting in person or via Mortgage Choice's online meeting platform, or appoint a proxy, attorney or (in the case of a Mortgage Choice Shareholder which is a body corporate) corporate representative to attend the Scheme Meeting, and vote against the Scheme Resolution; and/or if the Scheme Resolution is approved by the Requisite Majorities at the Scheme Meeting and you wish to appear and be heard at the Second Court Hearing and oppose the approval of the Scheme at the Second Court Hearing, you must file with the Court and serve on Mortgage Choice a notice of appearance (together with any affidavit on which you propose to rely), attend the Second Court Hearing and indicate your opposition to the Scheme. | Important Notices |
| What will happen to my Mortgage Choice Shares if I do not vote, or vote against the Scheme, and the Scheme becomes Effective? | <p>You will be bound by the Scheme Resolution, whether or not you voted and whether or not you voted in favour of it.</p> <p>This means that, if the Scheme Resolution is approved and the Scheme becomes Effective:</p> <ul style="list-style-type: none"> any Mortgage Choice Shares held by you on the Scheme Record Date (expected to be 7.00pm (Sydney time) on Tuesday, 22 June 2021) will be Scheme Shares and will be transferred to REA BidCo on the Implementation Date; and you will receive the Scheme Consideration (provided you are registered as a Mortgage Choice Shareholder on the Scheme Record Date). | Section 3.7 |
| When will the result of the Scheme Meeting be available? | The results of the Scheme Meeting will be available as soon as possible after the conclusion of the Scheme Meeting and will be announced to the ASX (www.asx.com.au) once available. | N/A |
| Voting considerations | | |
| What do the Mortgage Choice Directors recommend? | <p>Each of your Mortgage Choice Directors recommend that all Mortgage Choice Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Mortgage Choice Shareholders.</p> <p>Section 1.2 of this Scheme Booklet provides a summary of the reasons why your Mortgage Choice Directors consider that Mortgage Choice Shareholders should vote in favour of the Scheme, again in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Mortgage Choice Shareholders.</p> | Section 1.2 |
| What are the intentions of the Mortgage Choice Directors? | <p>Each Director who holds or controls Mortgage Choice Shares intends to vote, or procure the vote of, all Mortgage Choice Shares held or controlled by them in favour of the Scheme, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Mortgage Choice Shareholders.</p> <p>Details of the Mortgage Choice Directors' interests in Mortgage Choice Shares are set out in Section 9.1 of this Scheme Booklet.</p> | Section 1.2 |
| What is the opinion of the Independent Expert? | The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, is in the best interests of Mortgage Choice Shareholders, in the absence of a superior proposal. | Annexure A |

| Question | Answer | More information |
|---|--|-----------------------------------|
| What if the Independent Expert changes its conclusion? | If the Independent Expert changes its conclusion, this will be announced to the ASX and the Mortgage Choice Directors will carefully consider the Independent Expert's revised conclusion and advise of you of their recommendation. | Section 9.5 |
| Why might I vote in favour of the Scheme? | Reasons why you might vote in favour of the Scheme are set out in Section 1.2 of this Scheme Booklet. | Section 1.2 |
| Why might I vote against the Scheme? | Reasons why you might vote against the Scheme are set out in Section 1.3 of this Scheme Booklet. | Section 1.3 |
| Is the Mortgage Choice Board aware of a Superior Proposal? | No. As at the date of this Scheme Booklet, no Superior Proposal has emerged and the Mortgage Choice Board is not aware of any Superior Proposal that may emerge. In this regard, Mortgage Choice Shareholders should also bear in mind the restrictions imposed on Mortgage Choice under the Scheme Implementation Agreement, which are summarised in the Frequently Asked Questions immediately below and in Section 9.5(i) of this Scheme Booklet, which may reduce the likelihood that a Superior Proposal emerges or is ultimately completed. | Sections 1.2(e) and 9.5(i) |
| What happens if a Competing Proposal emerges? | <p>Until the Scheme is approved by the Court, there is nothing preventing other parties from making Competing Proposals for Mortgage Choice.</p> <p>During the Exclusivity Period, Mortgage Choice must promptly inform REA if it (or any of its subsidiaries, representatives or advisers):</p> <ul style="list-style-type: none"> receives any unsolicited approach with respect to any Competing Proposal and must disclose to REA all material terms and conditions of the Competing Proposal, including consideration and the identity of the third party proposing the Competing Proposal; or receives any requests for information relating to members of the Mortgage Choice Group or any of their businesses or operations or any request for access to books or records of members of the Mortgage Choice Group, which Mortgage Choice has reasonable grounds to suspect may relate to a current or future Competing Proposal. <p>These (and other exclusivity) provisions of the Scheme Implementation Agreement are summarised in greater detail in Section 9.5(i) of this Scheme Booklet.</p> <p>If a Competing Proposal for Mortgage Choice emerges, the Mortgage Choice Directors will carefully consider the proposal and determine whether it is a Superior Proposal. Your Mortgage Choice Directors will keep you informed of any material developments.</p> | Section 9.5(i) |

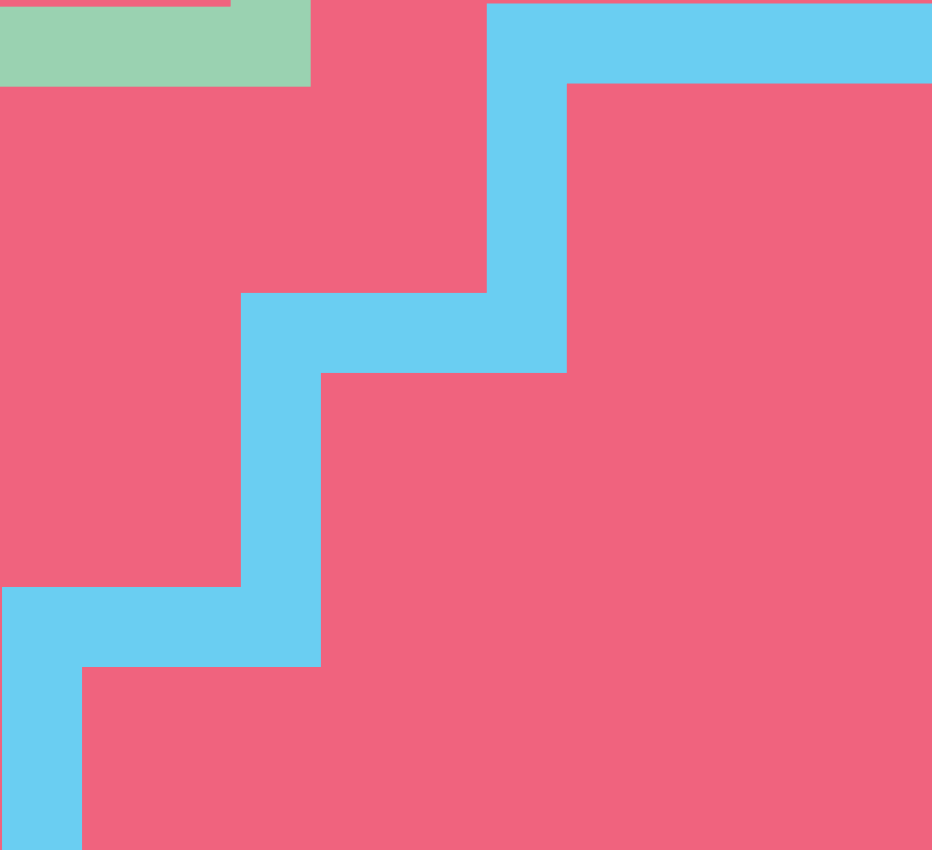
| Question | Answer | More information |
|--|--|--------------------------------|
| Conditions and implementation of the Scheme | | |
| What are the conditions to the Scheme? | <p>The Scheme is subject to a number of outstanding conditions, including (but not limited to) the following:</p> <ul style="list-style-type: none"> • (FIRB approval) REA must receive written notification by or on behalf of the Treasurer of the Commonwealth of Australia under the FATA to the effect that the Commonwealth Government has no objection under its foreign investment policy to REA acquiring all the Mortgage Choice Shares under the Scheme, either on an unconditional basis or subject only to Standard Tax Conditions or such other conditions which are acceptable to REA (acting reasonably). As at the Last Practicable Date, REA has applied for, but the Treasurer has not yet provided, notice that there are no objections to the Scheme under the FATA. An update on the status of FIRB approval will be provided at or before the Scheme Meeting; • (no Mortgage Choice Prescribed Event) during the period commencing on the date of this document and ending at 8.00am on the Second Court Date, no Mortgage Choice Prescribed Event occurs; and • (no Material Adverse Change) during the period commencing on the date of this document and ending at 8.00am on the Second Court Date, no Material Adverse Change occurs. <p>These conditions to the Scheme are considered to be customary for a transaction of this nature. A summary of the conditions to the Scheme is set out in Sections 3.3 and 9.5(c) of this Scheme Booklet.</p> <p>As at the date of this Scheme Booklet, the Mortgage Choice Directors are not aware of any reason why any condition to the Scheme will not be satisfied.</p> | Sections 3.3 and 9.5(c) |
| What is required for the Scheme to become Effective? | <p>The Scheme will become Effective if:</p> <ul style="list-style-type: none"> • the Scheme is approved by the Requisite Majorities of Mortgage Choice Shareholders at the Scheme Meeting to be held on 10 June 2021; • the Court approves the Scheme at the Second Court Hearing; and • all of the other Conditions Precedent are satisfied or waived (if permitted). | Sections 3.3 and 9.5(c) |
| Are there any regulatory approvals required for the Scheme to become Effective? | <p>The Scheme is conditional on REA receiving written notification by or on behalf of the Treasurer of the Commonwealth of Australia under the FATA to the effect that the Commonwealth Government has no objection under its foreign investment policy to REA acquiring all the Mortgage Choice Shares under the Scheme, either on an unconditional basis or subject only to Standard Tax Conditions or such other conditions which are acceptable to REA (acting reasonably).</p> <p>As at the Last Practicable Date, REA has applied for, but the Treasurer has not yet provided, notice that there are no objections to the Scheme under the FATA. An update on the status of FIRB approval will be provided at or before the Scheme Meeting.</p> | Sections 3.3 and 9.5(c) |
| When will the Scheme become Effective? | <p>Subject to the satisfaction or (if applicable) waiver of the Conditions Precedent to the Scheme, the Scheme will become Effective on the date on which the Court order approving the Scheme is lodged with ASIC (this is the Effective Date).</p> <p>This is expected to occur on Friday, 18 June 2021.</p> | Section 3.8, Step 3 |
| What happens on the Implementation Date? | <p>On the Implementation Date:</p> <ul style="list-style-type: none"> • REA BidCo will acquire all the Scheme Shares; and • Scheme Shareholders will be paid the Scheme Consideration. <p>The Implementation Date is currently expected to be Thursday, 1 July 2021.</p> | Section 3.8, Step 5 |

| Question | Answer | More information |
|--|---|-----------------------|
| What happens if the Scheme is not implemented? | <p>If the Scheme is not implemented:</p> <ul style="list-style-type: none"> • you will not receive the Scheme Consideration; and • you will retain your Mortgage Choice Shares and continue to have exposure to the benefits and risks associated with an investment in Mortgage Choice, and, in the absence of a Competing Proposal which is implemented: • Mortgage Choice will continue to operate as a stand-alone entity and remain listed on the ASX; and • in the opinion of the Mortgage Choice Directors, the price of Mortgage Choice Shares traded on the ASX is likely to fall. | Section 3.6 |
| Can the Scheme Implementation Agreement be terminated? | <p>The Scheme Implementation Agreement may be terminated in certain circumstances. These are summarised in Section 9.5(e) of this Scheme Booklet.</p> <p>If the Scheme Implementation Agreement is terminated, the Scheme will not proceed.</p> | Section 9.5(e) |
| Is there a reimbursement or break fee payable? | <p>Under the Scheme Implementation Agreement, a Reimbursement Fee of \$2.4 million may become payable by Mortgage Choice to REA if certain events occur. The circumstances in which the Reimbursement Fee is payable by Mortgage Choice are summarised in Section 9.5(j) of this Scheme Booklet.</p> <p>The failure to pass the Scheme Resolution by the Requisite Majorities will not trigger the payment of the Reimbursement Fee by Mortgage Choice.</p> <p>Further, a Reimbursement Fee of \$2.4 million may become payable by REA to Mortgage Choice if REA is in material breach of the Scheme Implementation Agreement and the Scheme Implementation Agreement is terminated by Mortgage Choice.</p> | Section 9.5(j) |
| Additional information | | |
| Will I have to give any warranties in relation to the Scheme? | <p>Yes.</p> <p>Each Scheme Shareholder will be deemed to have warranted to REA that all of its Scheme Shares will, as at the time of transfer, be fully paid and free from various encumbrances and interests of third parties of any kind, and restrictions on transfer of any kind, and that they have full power and capacity to sell and transfer their Scheme Shares to REA BidCo (together with all rights and entitlements attaching to such shares).</p> | Section 3.9 |
| Can I sell my Mortgage Choice Shares now? | <p>You can sell your Mortgage Choice Shares on market at any time before close of trading on the ASX on the Effective Date at the then prevailing market price.</p> <p>Mortgage Choice intends to apply to the ASX for Mortgage Choice Shares to be suspended from official quotation on the ASX from close of trading on the Effective Date (which is currently expected to be Friday, 18 June 2021).</p> <p>You will not be able to sell your Mortgage Choice Shares on market after this time.</p> <p>If you sell your Mortgage Choice Shares on market, you may be required to pay brokerage.</p> | Section 3.7 |
| Will I need to pay brokerage or stamp duty? | <p>Scheme Shareholders will not incur any brokerage or stamp duty on the transfer of their Scheme Shares under the Scheme.</p> | Section 8 |
| Is there a number that I can call if I have further queries about the Scheme? | <p>If, after reading this Scheme Booklet, you have any questions about the Scheme, please contact the Mortgage Choice Shareholder Information Line on 1300 034 141 (inside Australia) or +61 03 9415 4816 (outside Australia) on Business Days between 8.30am and 5.00pm (Sydney time) Monday to Friday, excluding public holidays.</p> | N/A |

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SECTION 3

Summary of the Scheme



Introduction

On Monday, 29 March 2021, Mortgage Choice announced that it had entered into a Scheme Implementation Agreement, under which REA proposes (through REA BidCo, a wholly-owned subsidiary) to acquire all of the issued shares in Mortgage Choice.

3.1. Scheme Consideration

If the Scheme becomes Effective, Mortgage Choice Shareholders who are registered as such on the Scheme Record Date will receive the Scheme Consideration of \$1.95 per Mortgage Choice Share.

3.2. Provision of Scheme Consideration

The Scheme Consideration will be sent to Scheme Shareholders on the Implementation Date (currently expected to be Thursday, 1 July 2021).

It is important to note that you will only receive the Scheme Consideration if you are a Scheme Shareholder. You will be a Scheme Shareholder if you hold Mortgage Choice Shares at the Scheme Record Date (currently expected to be Tuesday (7.00pm time) on 22 June 2021) or such other time and date as Mortgage Choice and REA agree in writing).

All payments will be made by direct deposit into your nominated bank account as advised to the Share Registry as at the Scheme Record Date. If you have not nominated a bank account, payment will be made by Australian dollar cheque sent by post to your Registered Address.

For Mortgage Choice Shares held in joint names, Mortgage Choice will make the payment to the joint holders and will send the relevant amount to the holder whose name appears first in the Register.

Where the calculation of the Scheme Consideration to be issued to a particular Scheme Shareholder would result in that Scheme Shareholder becoming entitled to a fraction of a cent, the entitlement will be rounded down to the nearest whole cent.

3.3. Conditions Precedent

Pursuant to the Scheme Implementation Agreement, a number of outstanding Conditions Precedent need to be satisfied or (if permitted) waived before the Scheme can be implemented. Some of these conditions include (but are not limited to) the following.

- a. **Mortgage Choice Shareholder approval:** The Scheme Resolution is passed by the Requisite Majorities at the Scheme Meeting;
- b. **Court approval:** The Court approves the Scheme;
- c. **FIRB approval:** REA must receive written notification by or on behalf of the Treasurer of the Commonwealth of Australia under the FATA to the effect that the Commonwealth Government has no objection under its foreign investment policy to REA Group acquiring all the Mortgage Choice Shares under the Scheme either on an unconditional basis or subject only to Standard Tax Conditions or such other conditions which are acceptable to REA (acting reasonably);
- d. **No Material Adverse Change:** No Material Adverse Change occurs between 28 March 2021 and 8.00am on the Second Court Date;
- e. **No Mortgage Choice Prescribed Event:** No Mortgage Choice Prescribed Event has occurred between 28 March 2021 and 8.00am on the Second Court Date; and
- f. **Representations and warranties:** Each of the representations and warranties given by Mortgage Choice and REA under the Scheme Implementation Agreement are true and correct as at the time given in all material respects in the context of the Scheme as a whole (or has been remedied by Mortgage Choice or REA (as applicable) within five Business Days, or is not of such materiality that the other party could terminate the Scheme Implementation Agreement for breach).

The Conditions Precedent to the Scheme are summarised in section 9.5(c) of this Scheme Booklet. The Scheme will not proceed unless all of the Conditions Precedent are satisfied or (if permitted) waived in accordance with the Scheme Implementation Agreement.

As at the Last Practicable Date, REA has applied for, but the Treasurer has not yet provided, notice that there are no objections to the Scheme under the FATA. An update on the status of FIRB approval will be provided at or before the Scheme Meeting.

3.4. Directors' unanimous recommendation and voting intentions

Each of your Mortgage Choice Directors recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal, and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Mortgage Choice Shareholders.

Each Director intends to vote, or procure the vote of, all the Mortgage Choice Shares held or controlled by them in favour of the Scheme, subject to those same qualifications. As at the Last Practicable Date, the Mortgage Choice Directors held Relevant Interests in an aggregate of 15,934,025 Mortgage Choice Shares, comprising approximately 12.7% of the issued capital in Mortgage Choice. See Section 9.1 of this Scheme Booklet for more information about the interests of the Mortgage Choice Directors in Mortgage Choice Shares.

In reaching their recommendation, your Mortgage Choice Directors have assessed the Scheme having regard to the reasons to vote in favour of, or against, the Scheme, as set out in this Scheme Booklet. These reasons and other relevant considerations for Mortgage Choice Shareholders are set out in Section 1 of this Scheme Booklet.

3.5. Independent Expert's conclusion

Your Mortgage Choice Directors appointed Grant Thornton as the Independent Expert to assess the merits of the Scheme. The Independent Expert has concluded that the Scheme is fair and reasonable and, therefore, is in the best interests of Mortgage Choice Shareholders, in the absence of a Superior Proposal.

The Independent Expert has assessed the value of a Mortgage Choice Share to be in the range of \$1.66 to \$1.97 on a control basis. The Scheme Consideration of \$1.95 per Mortgage Choice Share accordingly falls within (and is at the upper end of) the Independent Expert's assessed valuation range on a control basis.

The reasons why the Independent Expert reached its conclusion are set out in the Independent Expert's Report, a copy of which is included in Annexure A of this Scheme Booklet. Your Mortgage Choice Directors encourage you to read the Independent Expert's Report in full before deciding whether or not to vote in favour of the Scheme.

3.6. Implications if the Scheme is not implemented

If the Scheme is not implemented:

- Mortgage Choice Shareholders will continue to hold their Mortgage Choice Shares and will be exposed to the benefits and risks both general and specific to Mortgage Choice, including those set out in Section 7 of this Scheme Booklet;
- Mortgage Choice Shareholders will not receive the Scheme Consideration; and
- a Reimbursement Fee of \$2.4 million (excluding GST) may be payable by Mortgage Choice to REA under certain circumstances. Those circumstances do not include the failure by Mortgage Choice Shareholders to approve the Scheme at the Scheme Meeting. Further information on the Reimbursement Fee is set out in Section 9.5(j) of this Scheme Booklet.

Further, in the absence of a Competing Proposal which is implemented:

- Mortgage Choice will continue to operate as a stand-alone, ASX-listed entity with management continuing to implement the business plan and financial and operating strategies it had in place prior to the Announcement Date; and
- the Mortgage Choice Directors are of the opinion that the price of a Mortgage Choice Share on the ASX is likely to fall.

3.7. Your choices as a Mortgage Choice Shareholder

As a Mortgage Choice Shareholder, you have four choices currently available to you, which are as follows:

| | |
|--|---|
| Vote in favour of the Scheme | <p>This is the course of action unanimously recommended by the Mortgage Choice Directors, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Mortgage Choice Shareholders.</p> <p>To follow the Mortgage Choice Directors' unanimous recommendation, you should vote in favour of the Scheme at the Scheme Meeting. For a summary of how to vote on the Scheme, please refer to Section 4 and the Notice of Scheme Meeting contained in Annexure D of this Scheme Booklet.</p> |
| Vote against the Scheme | <p>If, despite the Mortgage Choice Directors' unanimous recommendation and the Independent Expert's conclusion that the Scheme is fair and reasonable and, therefore, is in the best interests of Mortgage Choice Shareholders, you do not support the Scheme, you may vote against the Scheme at the Scheme Meeting.</p> <p>However, if all the Conditions Precedent for the Scheme are satisfied or waived (if permitted) and the Scheme becomes Effective, the Scheme will bind all Mortgage Choice Shareholders, including those who vote against the Scheme Resolution at the Scheme Meeting and those who do not vote at all.</p> |
| Sell your Mortgage Choice Shares on the ASX | <p>The Scheme does not preclude you from selling some or all of your Mortgage Choice Shares on market, if you wish, provided you do so before close of trading on the ASX on the Effective Date (currently expected to be Friday, 18 June 2021), when trading in Mortgage Choice Shares will end if the Scheme becomes Effective.</p> <p>If you are considering selling some or all of your Mortgage Choice Shares:</p> <ul style="list-style-type: none"> • you should have regard to the prevailing trading prices of Mortgage Choice Shares and compare those to the Scheme Consideration. You may ascertain the current trading prices of Mortgage Choice Shares through the ASX website (www.asx.com.au); and • you should contact your broker for information on how to effect that sale, and you should also contact your financial or other professional adviser. <p>Mortgage Choice Shareholders who sell some or all of their Mortgage Choice Shares on market:</p> <ul style="list-style-type: none"> • may receive payment (which may vary from the Scheme Consideration) for the sale of their Mortgage Choice Shares sooner than they would receive the Scheme Consideration under the Scheme; • may incur a brokerage charge; • will not be able to participate in the Scheme or, if one emerges, a Superior Proposal, in respect of those Mortgage Choice Shares they have sold; and • subject to their individual circumstances, may have a tax liability on the disposal of their Mortgage Choice Shares (as they also have under the Scheme – see Section 8 of this Scheme Booklet). |
| Do nothing | <p>Mortgage Choice Shareholders who elect not to vote at the Scheme Meeting on Thursday, 10 June 2021 or do not sell their Mortgage Choice Shares on market will:</p> <ul style="list-style-type: none"> • if the Scheme is implemented – have their Mortgage Choice Shares transferred to REA BidCo by operation of the Scheme and receive the Scheme Consideration; or • if the Scheme is not implemented – retain their Mortgage Choice Shares. |

3.8. Keys steps to implement the Scheme

If the Scheme Resolution is approved by Mortgage Choice Shareholders and all other Conditions Precedent (other than Court approval and lodgement of the Court order approving the Scheme with ASIC) have been satisfied or (if permitted) waived, then the steps described below will be taken to implement the Scheme.

Each key step to implement the Scheme and relevant information concerning these steps are set out below. All dates following the Scheme Meeting are indicative only and may be subject to change. Mortgage Choice will announce to the ASX any change to the dates set out in the "Important Dates and Expected Timetable for the Scheme" on page 6.

Step 1. Scheme Meeting and Scheme approval requirements

In accordance with an order of the Court dated 6 May 2021, Mortgage Choice has convened the Scheme Meeting to be held at the offices of Mortgage Choice at Level 10, 100 Pacific Highway, North Sydney NSW 2060 and via Mortgage Choice's online meeting platform at <https://agmlive.link/MOCSM21> at 10.00am (Sydney time) on Thursday, 10 June 2021. The Notice of Scheme Meeting is set out in Annexure D of this Scheme Booklet. Mortgage Choice Shareholders should note that the protocols for attendance in person at the Scheme Meeting may change at short notice in response to developments relating to the COVID-19 pandemic. Any change will be announced by Mortgage Choice to the ASX.

At the Scheme Meeting, the Mortgage Choice Shareholders will be asked to approve the Scheme. The Requisite Majorities of Mortgage Choice Shareholders to approve the Scheme are:

- a. **(headcount test)** unless the Court orders otherwise, a majority in number (i.e. more than 50%) of Mortgage Choice Shareholders present and voting at the Scheme Meeting (either in person or via Mortgage Choice's online meeting platform, or by proxy, attorney or, in the case of corporate Mortgage Choice Shareholders, body corporate representative); and
- b. **(voting test)** at least 75% of the total number of votes cast on the Scheme Resolution by Mortgage Choice Shareholders present and voting at the Scheme Meeting (either in person or via Mortgage Choice's online meeting platform, or by proxy, attorney or, in the case of corporate Mortgage Choice Shareholders, body corporate representative).

The Court has the power to waive the first requirement.

Instructions on how to vote at the Scheme Meeting are set out in Section 4 and the Notice of Scheme Meeting in Annexure D of this Scheme Booklet.

The results of the Scheme Meeting will be available as soon as possible after the conclusion of the Scheme Meeting and will be announced to the ASX (www.asx.com.au) once available.

Step 2. Court approval of the Scheme

In the event that:

- the Scheme Resolution is approved by the Requisite Majorities (or the Court waives the headcount test while the voting test is satisfied); and
- all of the other Conditions Precedent to the Scheme (other than Court approval and lodgement of the Court order approving the Scheme with ASIC) have been satisfied or (if permitted) waived,

Mortgage Choice will apply to the Court for an order approving the Scheme.

The Court has a broad discretion whether or not to approve the Scheme under section 411(4)(b) of the Corporations Act.

The Second Court Hearing is expected to take place on Thursday, 17 June 2021. Any Mortgage Choice Shareholder and, with the Court's permission, any other interested person, has a right to appear at the Second Court Hearing.

Step 3. Effective Date

If the Court makes an order approving the Scheme at the Second Court Hearing (referred to in this Scheme Booklet as the **Scheme Order**), Mortgage Choice will lodge an office copy of the Scheme Order with ASIC. Once lodged, the Scheme will become Effective and binding on REA, REA BidCo, Mortgage Choice and each Scheme Shareholder.

On the Effective Date, Mortgage Choice will also notify ASX that the Scheme has become Effective and lodge a copy of the Scheme Order with ASX. Trading in Mortgage Choice Shares on the ASX will be suspended from the close of trading on the Effective Date. If the Scheme Order is made (and the Second Court Hearing occurs on the expected date), the Effective Date is expected to be Friday, 18 June 2021.

Once the Scheme becomes Effective, each Scheme Shareholder, without the need for any further act, irrevocably appoints Mortgage Choice and each of its directors and officers (jointly and each of them severally) as its attorney and agent for the purposes of enforcing the Deed Poll against REA or REA BidCo and executing any document or doing any other act necessary, desirable or expedient to give full effect to the Scheme and the transactions contemplated by it. This includes executing a proper instrument of transfer in respect of a Scheme Shareholder's Scheme Shares.

Step 4. Scheme Record Date and entitlement to Scheme Consideration

Those Mortgage Choice Shareholders on the Register on the Scheme Record Date (currently expected to be 7.00pm (Sydney time) on Tuesday, 22 June 2021), will be entitled to receive the Scheme Consideration in respect of the Mortgage Choice Shares they hold at that time.

a. Dealings in Mortgage Choice Shares on or prior to the Scheme Record Date

For the purpose of determining which Mortgage Choice Shareholders are eligible to receive Scheme Consideration, dealings in Mortgage Choice Shares will be recognised only if:

- i. in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Register as the holder of the relevant Mortgage Choice Shares as at the Scheme Record Date; and
- ii. in all other cases, registrable transmission applications or transfers in respect of those dealings are received by the Share Registry before the Record Date.

For the purposes of determining entitlements under the Scheme, Mortgage Choice will not accept for registration or recognise any transfer or transmission applications in respect of Mortgage Choice Shares received after such times or received prior to such time but not in registrable form.

b. Dealings in Mortgage Choice Shares after the Scheme Record Date

For the purposes of determining entitlements to the Scheme Consideration, Mortgage Choice must maintain (or procure the maintenance of) the Register in its form as at the Scheme Record Date until the Scheme Consideration has been paid to Scheme Shareholders. The Register in this form will solely determine entitlements to the Scheme Consideration.

After the Scheme Record Date:

- i. all holding statements for Scheme Shares will cease to have effect as documents of title in respect of such Scheme Shares; and
- ii. each entry on the Register will cease to have any effect other than as evidence of the entitlements of Scheme Shareholders to the Scheme Consideration.

Step 5. Implementation Date

Pursuant to the Deed Poll, REA must, no later than the day that is two Business Days before the Implementation Date, pay or procure the payment into an Australian dollar denominated trust account, operated by Mortgage Choice as trustee for the Scheme Shareholders, for the purpose of paying an amount equal to the aggregate amount of the Scheme Consideration payable to all Scheme Shareholders.

On the Implementation Date (which is expected to occur on Thursday, 1 July 2021):

- a. each Scheme Shareholder will be paid the Scheme Consideration from the trust account operated by Mortgage Choice; and
- b. once the Scheme Consideration has been provided, the Scheme Shares will be transferred to [REA BidCo], without the Scheme Shareholders needing to take any further action, and the Register will be updated so that REA BidCo is listed as the holder of all the Scheme Shares.

Details about the funding of the Scheme Consideration are set out in Section 6.7 of this Scheme Booklet.

3.9. Deemed warranties by Scheme Shareholders

The Scheme provides that each Scheme Shareholder is taken to have warranted to REA BidCo, and appointed and authorised Mortgage Choice as its attorney and agent to warrant to REA BidCo, that:

- a. all their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) which are transferred under the Scheme will, at the date of transfer of them to REA BidCo, be fully paid and free from all:
 - i. mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise; and
 - ii. restrictions on transfer of any kind; and
- b. they have full power and capacity to transfer their Scheme Shares to REA BidCo together with any rights attaching to those shares.

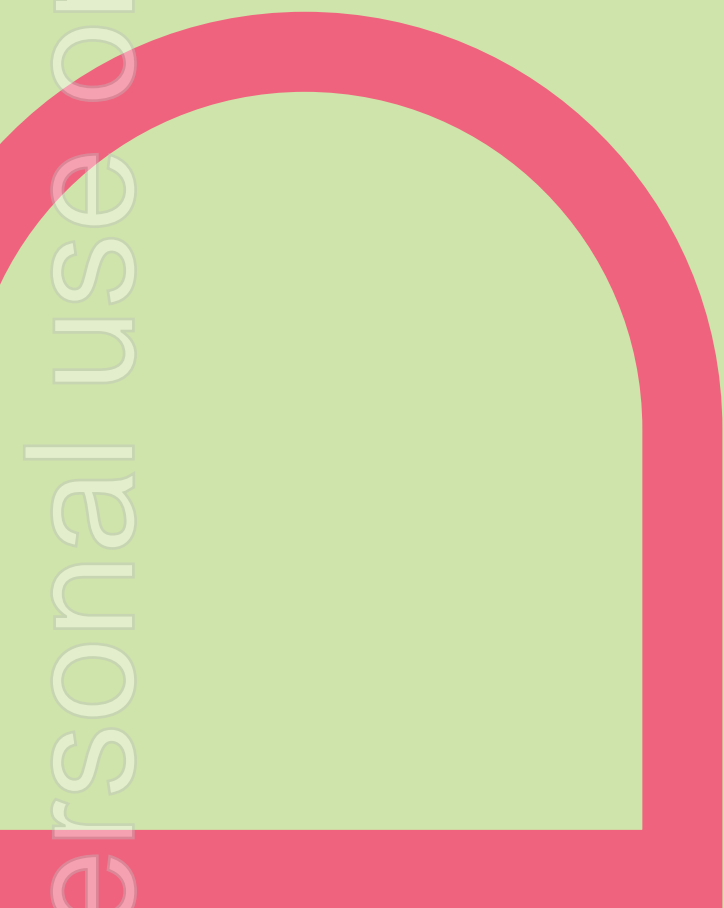
3.10. Delisting from ASX

On or after the Implementation Date, Mortgage Choice will apply for termination of the official quotation of Mortgage Choice Shares on the ASX, and for Mortgage Choice to be removed from the official list of the ASX.

SECTION 4

How to vote at the Scheme

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4.1. What you should do

You should carefully read this Scheme Booklet in its entirety before deciding whether to vote in favour of the Scheme.

Mortgage Choice Shareholders should refer to Sections 1.2 and 1.3 of this Scheme Booklet for further guidance on the reasons to vote for and against the Scheme. However, as noted elsewhere in this document, this Scheme Booklet does not take into account the investment objectives, financial situation and particular needs of any individual Mortgage Choice Shareholder.

If you have any questions about this Scheme Booklet or the Scheme, please contact the Mortgage Choice Shareholder Information Line on 1300 034 141 (within Australia) or +61 03 9415 4816 (outside Australia) between 8.30am and 5.00pm (Sydney time) Monday to Friday, excluding public holidays.

If you require further advice in relation to the Scheme, contact your financial or other professional adviser.

4.2. Your vote is important

For the Scheme to proceed, the Scheme Resolution must be approved by the Requisite Majorities at the Scheme Meeting.

Each of your Mortgage Choice Directors recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Mortgage Choice Shareholders.

If you are unable to attend the Scheme Meeting, the Mortgage Choice Directors recommend that you lodge your Proxy Form in one of the ways set out in Section 9.3 of this Scheme Booklet.

4.3. Details of the Scheme Meeting

The Scheme Meeting will be a hybrid meeting, held at 10.00am (Sydney time) on Thursday, 10 June 2021, at the offices of Mortgage Choice at Level 10, 100 Pacific Highway, North Sydney NSW 2060 and via Mortgage Choice's online meeting platform at <https://agmlive.link/MOCSM21>.

Further details about the Scheme Meeting are set out in the Notice of Scheme Meeting contained in Annexure D of this Scheme Booklet.

Mortgage Choice Shareholders should note that the protocols for attendance in person at the Scheme Meeting may change at short notice in response to developments relating to the COVID-19 pandemic. Any change will be announced by Mortgage Choice to the ASX.

4.4. Entitlement to vote

Each Mortgage Choice Shareholder who is registered on the Register at 7.00pm (Sydney time) on 8 June 2021 is entitled to attend and vote at the Scheme Meeting.

In the case of jointly held Mortgage Choice Shares, only one of the joint shareholders is entitled to vote. If more than one Mortgage Choice Shareholder votes in respect of jointly held Mortgage Choice Shares, only the vote of the Mortgage Choice Shareholder whose name appears first in the Register will be counted.

Details about the permitted methods of voting are set out in Section 4.5 and in the Notice of Scheme Meeting contained in Annexure D of this Scheme Booklet.

4.5. How to vote

Voting on the Scheme Resolution will be conducted by way of a poll.

If you are a Mortgage Choice Shareholder entitled to vote at the Scheme Meeting, you may vote:

- **in person or online:** by attending and voting in person or via Mortgage Choice's online meeting platform;
- **by proxy:** by lodging your Proxy Form in one of the ways set out in Section 9.3 of this Scheme Booklet;
- **by attorney:** by appointing an attorney to attend the Scheme Meeting and vote on your behalf, using a duly executed power of attorney so that it is received by 10.00am on Tuesday, 8 June 2021; or
- **by corporate representative:** in the case of a body corporate, appointing a body corporate representative to attend the Scheme Meeting and vote on your behalf, using a duly executed certificate of appointment of body corporate representative.

Further information on how to vote using each of these methods is contained in the Notice of Scheme Meeting contained in Annexure D to this Scheme Booklet.

The Scheme will not be implemented unless the Scheme Resolution is approved at the Scheme Meeting by the Requisite Majorities.

SECTION 5

Information relating to the
Mortgage Choice Group



5.1. Introduction and business overview

Mortgage Choice is a mortgage and home loan broker that was founded in 1992, and was listed on the ASX (ASX: MOC) in 2004. Mortgage Choice provides mortgage broking services through a network of over 380 franchises and over 500 mortgage brokers across Australia as well as financial planning services. For the 12 months to 31 December 2020, Mortgage Choice generated settlements of \$11.1 billion through its mortgage broker franchise network. As at 31 December 2020, the outstanding balance of loans originated by Mortgage Choice (its loan book) was \$54.1 billion. Mortgage Choice has over 100 employees as at the Last Practicable Date.

As at 26 March 2021, being the last trading day prior to Mortgage Choice's announcement that it had entered into the Scheme Implementation Agreement, Mortgage Choice had a market capitalisation of approximately \$146.0 million (based on a closing price of \$1.175 per Mortgage Choice Share).

5.2. Overview of Mortgage Choice's divisions and operations

a. Mortgage Choice's divisions

Mortgage Choice's has two divisions: mortgage broking and financial planning.

Mortgage broking: Mortgage Choice's primary business is the origination of mortgages through its franchise network (94.5% of revenue in the first half of the 2020-21 financial year). Mortgage Choice brokers operate under Franchise Agreements whereby a Franchisee has the right to use the Mortgage Choice brand name and systems in a defined marketing territory. Some Franchisees also employ additional mortgage brokers within their business. Mortgage Choice provides support and services to its franchise network in the form of lender panel management, training, marketing and lead generation, back-office support, and information technology.

Financial planning: Mortgage Choice also provides financial planning, wealth advice and insurance advice services (5.5% of revenue in the first half of the 2020-21 financial year) through its FinChoice business. This business has a network of 33 financial planning franchisees and 39 financial advisers. As at 31 December 2020, Mortgage Choice had \$1.2 billion in funds under administration and \$35.0 million premiums-in-force.

Mortgage Choice has recently advised its FinChoice financial planning franchisees that it seeks to restructure this segment of Mortgage Choice's operations. The restructuring proposal involves Alliance Wealth Pty Limited (**CPAL**) being appointed to provide licensing and financial planning support services to FinChoice advisers. The FinChoice advisers are currently authorised representatives under FinChoice's AFSL. As part of the restructure, it is proposed that the FinChoice advisers would instead become authorised representatives under CPAL's AFSL. The expected financial impact on Mortgage Choice of this initiative going forward would be to remove the losses that have historically occurred in the financial planning division. FinChoice is currently consulting with its franchisees and financial advisers and obtaining legal advice in relation to the proposed restructure as part of its assessment of the viability of the restructure. There will be some discrete non-recurring costs associated with the restructure including professional indemnity run-off insurance cover and costs of implementation of the restructure. Run-off professional indemnity insurance would be obtained to mitigate Mortgage Choice's exposure to claims for past events that may arise following the transfer of advisers to CPAL's AFSL.

b. How Mortgage Choice generates revenue

Mortgage Choice primarily generates mortgage broking revenue through commissions received from lenders on loan products provided by lenders and originated by Mortgage Choice franchisees. The commissions from lenders comprise two components:

- **Upfront commission:** Commission received at settlement from lenders. Upfront commissions are paid based on a percentage of the mortgage settlement value; and
- **Trailing commission:** Commission received from lenders throughout the life of a loan (paid on a monthly basis). Trailing commissions are paid based on a percentage of the outstanding loan balance (excluding when loans are in arrears). Trail commission revenue, recognised in the financial accounts of Mortgage Choice, reflects the net present value of future expected trail commission receivable for loans originated during the period.

Commission rates paid by lenders vary and are negotiated under lender agreements on a lender-by-lender basis. Mortgage Choice subsequently pays a proportion of the commissions it receives from lenders to its Franchisees – the percentage that is paid to Franchisees is based on both the mortgage settlements and aggregate balance of loans outstanding for each Franchisee. Trail payments to Franchisees, recognised in the financial accounts of Mortgage Choice, reflects the net present value of future expected trail commission payable for loans originated during the period.

Mortgage Choice also generates mortgage broking revenue from diversified commissions in relation to the distribution of other financial products (including car loans, personal loans, credit cards, commercial loans and asset finance), Franchise income (fees paid by Franchisees in relation to acquiring a Franchise, training and other services) and income from its partnership development program which covers network training and education.

Mortgage Choice revenue in relation to FinChoice comprises two components:

- **Financial planning income:** Advice fees for one-off or ongoing advice arrangements paid by financial planning customers; and
- **Life insurance commissions:** Upfront and trailing commissions received from life insurance providers.

c. Mortgage Choice's operations

Key components of Mortgage Choice's operations include:

- **Franchise network recruitment and support:** Mortgage Choice has developed a nationwide network of over 380 mortgage broking Franchises and over 500 mortgage brokers managed by the Mortgage Choice state distribution and recruitment teams. The Mortgage Choice Franchise network is highly experienced with 46% of Franchisees having over 10 years' tenure with Mortgage Choice.
- **Lender panel management:** Mortgage Choice provides its Franchisees with access to over 28 lenders at rates negotiated with lenders directly by Mortgage Choice. In the first half of the 2020-21 financial year, Mortgage Choice settlements comprised the four Australian major banks (40.1%), non-major banks (46.3%), building societies & credit unions (10.8%) and other credit providers (2.8%).
- **Marketing and lead generation:** Over its approximately 30-year history, Mortgage Choice has created a trusted and recognisable brand through its marketing activities and long-term brand strategy built upon customer advocacy. Mortgage Choice conducts national marketing campaigns across a range of channels and media (including online, radio, referral marketing, press advertising, television and sponsorships) to generate leads through its call centre and website. These leads are distributed to the Franchise network. Mortgage Choice supports its Franchisees in developing their own local area marketing strategy.
- **Technology platform development:** Mortgage Choice has invested significantly over recent years to improve the Franchisee and customer digital experience with the development of a proprietary end-to-end broker technology platform. The system is fully integrated with the loan origination platform, customer relationship management, customer portal and workflow management systems. The technology platform assists brokers with:
 - providing single access point for all customer and lender product data;
 - pre-qualifying potential loan applicants;
 - identifying mortgage products which are in the best interest of customers based on their unique situation and requirements;
 - managing the loan application process and workflow (including document storage); and
 - managing and recording compliance requirements under Mortgage Choice's ACL and other relevant legislation.

5.3. Mortgage Choice Board and senior management

a. Mortgage Choice Board

As at the date of this Scheme Booklet, the Mortgage Choice Board comprised:

| Name | Position |
|---------------------|------------------------------------|
| Vicki Allen | Independent Non-Executive Chairman |
| Peter Higgins | Non-Executive Director |
| Rodney Higgins | Non-Executive Director |
| Sean Clancy | Independent Non-Executive Director |
| Sarah Brennan | Independent Non-Executive Director |
| Andrew Gale | Independent Non-Executive Director |
| Dharmendra Chandran | Independent Non-Executive Director |

b. Senior management

As at the date of this Scheme Booklet, Mortgage Choice's key management personnel are:

| Name | Position |
|---------------------|---|
| Susan Mitchell | Chief Executive Officer |
| Ian Parkes | Chief Financial Officer |
| David Zammit | General Manager, Distribution and Wealth |
| Emma Dupont-Brown | General Manager, Product and Corporate Communications |
| Stephan Gervois | General Manager, Marketing |
| Marie Pitton | General Manager, Human Resources |
| Vincent ten Krooden | General Manager, Technology |

5.4. Mortgage Choice capital structure

a. Mortgage Choice securities on issue

As at the Last Practicable Date, the capital structure of Mortgage Choice comprised the following securities:

- 124,997,440 fully paid ordinary shares (including 765,039 treasury shares held by Pacific Custodians Pty Limited for the purposes of transferring shares to satisfy rights under the Mortgage Choice Share Rights Plan on issue); and
- 3,313,458 performance share rights to subscribe for a Mortgage Choice Share (being the **Mortgage Choice Share Rights**).

Please refer to Section 9.2 for more information with respect to the Mortgage Choice Share Rights, including their intended treatment.

No other securities in Mortgage Choice were on issue as at the Last Practicable Date.

b. Substantial shareholders

Based on publicly available information in the form of substantial holding notices filed with ASX, the substantial shareholders of Mortgage Choice as at the Last Practicable Date are set out below.

| Name | Number of Mortgage Choice Shares | Percentage shareholding ¹ |
|---|----------------------------------|--------------------------------------|
| Commonwealth Bank of Australia ² | 21,806,731 | 16.5% |
| Rodney Gordon Higgins and Ochoa Pty Ltd | 15,385,212 | 12.3% |
| Spheria Asset Management Pty Limited | 12,123,285 | 9.7% |
| Lakeville Capital Management Limited | 7,638,527 | 6.1% |

5.5. Recent Mortgage Choice Share price performance

Mortgage Choice Shares are listed on the ASX under the ASX ticker code 'MOC'.

On 26 March 2021, being the last trading day prior to the announcement of entry into the Scheme Implementation Agreement, the closing Mortgage Choice Share price on the ASX was \$1.175. From announcement of entry into the Scheme Implementation Agreement to 30 April 2021 (being the Last Practicable Date), the closing Mortgage Choice Share price on the ASX has ranged from \$1.91 to \$1.93. During the period leading up to the announcement of the entry into the Scheme Implementation Agreement on 29 March 2021, the VWAP³ for Mortgage Choice Shares was:

- \$1.17 per Mortgage Choice Share for the 1-month VWAP;
- \$1.25 per Mortgage Choice Share since the announcement of Mortgage Choice's 1H21 results on 18 February 2021;
- \$1.37 per Mortgage Choice Share for the 3-month VWAP; and
- \$1.28 per Mortgage Choice Share for the 6-month VWAP.

The closing price of Mortgage Choice Shares on the ASX on 30 April 2021, being the Last Practicable Date, was \$1.925, being a discount of 1.3% to the Scheme Consideration of \$1.95 per Mortgage Choice Share.

The figure below shows the Mortgage Choice Share price performance over the 12 months to the Last Practicable Date as well as the volume of shares traded over these periods.

Figure 2:



1. % shareholding based on number of Mortgage Choice Shares on issue on the Last Practicable Date.
2. Relevant interests in 1,194,946 ordinary shares are/were held by Colonial First State Investment Limited (CFS) as responsible entity of the specified registered managed investment schemes and relate(d) to holdings in connection with the Colonial First State First Choice product range. Decisions to buy/sell those securities and exercise voting rights in relation to those securities are made by external managers (unrelated to the Commonwealth Bank of Australia) to whom CFS has outsourced those functions. By instrument dated 29 October 2001, the Australian Securities and Investments Commission has granted certain relief to CFS and its related bodies corporate for these holdings from the provisions of Chapter 6 of the Corporations Act in relation to the acquisition of such securities.
3. Volume weighted average share price (VWAP) based on market trading volume and value up to and including 26 March 2021 (being the last trading day prior to announcement).

5.6. Intentions regarding the continuation of Mortgage Choice's business

The Corporations Regulations require a statement by the Mortgage Choice Directors of their intentions regarding Mortgage Choice's business. If the Scheme is implemented, the existing Mortgage Choice Directors will resign, and the Mortgage Choice Board will be reconstituted in accordance with the instructions of REA after the Implementation Date. For further information about the reconstitution of the Mortgage Choice Board see Section 6.8(c).

It is for the reconstituted Mortgage Choice Board to determine its intentions as to:

- a. the continuation of the business of Mortgage Choice or how Mortgage Choice's existing business will be conducted;
- b. any major changes, if any, to be made to the business of Mortgage Choice; or
- c. the future employment of the present employees of Mortgage Choice,

and, accordingly, it is not possible for the Mortgage Choice Directors to provide such a statement.

REA BidCo's intentions regarding Mortgage Choice's business if the Scheme is implemented are set out in Section 6.8 of this Scheme Booklet.

If the Scheme is not implemented, the Mortgage Choice Directors intend to continue to operate Mortgage Choice in the ordinary course of business. The Mortgage Choice Directors note the considerable investments in the business over the past three years which are intended to provide a platform to deliver sustainable growth for Mortgage Choice Shareholders – however, it may take several years to generate returns organically when compared to the attractive alternative proposal put forward by REA (and such returns may not be realised in any event).

5.7. Risks relating to Mortgage Choice's business

If the Scheme does not proceed, Mortgage Choice will continue to be subject to a number of risks and uncertainties. One or more or a combination of these risks could materially impact Mortgage Choice's businesses, its operating and financial performance, the price of Mortgage Choice Shares or any dividends which might be paid in respect of Mortgage Choice Shares. You should carefully consider the risk factors described in Section 7, as well as the other information contained in this Scheme Booklet before voting on the Scheme. You should also consult your legal, financial, tax or other professional adviser.

5.8. Historical financial information

This Section 5.8 contains financial information relating to Mortgage Choice for the financial years ended 30 June 2019 (**FY19**) and 30 June 2020 (**FY20**), and for the half-year ended 31 December 2020 (**1HFY21**).

The financial information in this Section 5.8 is a summary only and has been prepared and extracted for the purposes of this Scheme Booklet only. The information has been extracted from the audited financial reports of Mortgage Choice for the financial years ended 30 June 2019 and 30 June 2020, and from the reviewed financial report for the half-year ended 31 December 2020. The financial information has not been subject to further review by an independent accountant.

a. Basis of interpretation

The historical financial information of Mortgage Choice presented is in an abbreviated form and does not contain all the disclosures, presentations, statements or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act. Accordingly, Mortgage Choice recommends that Mortgage Choice Shareholders read the following in conjunction with the financial statements of Mortgage Choice for the respective periods including the description of the significant accounting policies contained in those financial statements and the notes to those financial statements (copies of which are available on Mortgage Choice's website at <https://www.mortgagechoice.com.au/> and on the ASX's website as www.asx.com.au).

The historical financial information of Mortgage Choice has been prepared in accordance with the recognition and measurement principles contained in the Australian Accounting Standards. The historical financial information in this Scheme Booklet is presented on a stand-alone basis and accordingly does not reflect any impact of the Scheme.

b. Consolidated statement of profit or loss and other comprehensive income

The following table presents the historical consolidated statement of profit or loss and other comprehensive income for the FY19 and FY20 financial years and for the 1H FY21 half-year.

| 30 June YE (\$m) | FY19 | FY20 | 1H FY21 |
|---|--------------|--------------|-------------|
| Revenue | | | |
| Origination commission | 57.9 | 61.5 | 36.4 |
| Trailing commission excluding discount unwind | 82.6 | 80.9 | 43.9 |
| Trailing commission discount unwind | 17.7 | 16.2 | 7.5 |
| Diversified products commission | 4.7 | 4.0 | 2.5 |
| Insurance trailing commission excl. discount unwind | 2.5 | 1.7 | 1.5 |
| Insurance trailing commission discount unwind | 0.9 | 0.8 | 0.3 |
| Financial Planning income | 7.1 | 6.7 | 3.5 |
| Franchise income | 1.1 | 1.2 | 0.6 |
| Interest | 0.6 | 0.5 | 0.2 |
| Sponsorship and other income | 2.4 | 2.1 | 0.2 |
| Total revenue | 177.4 | 175.4 | 96.6 |
| Direct costs | | | |
| Origination commission | (44.4) | (47.7) | (28.8) |
| Trailing commission excluding discount unwind | (58.7) | (59.8) | (34.0) |
| Trailing commission discount unwind – finance costs | (12.6) | (11.4) | (5.3) |
| Diversified products commission | (3.4) | (2.8) | (1.9) |
| Insurance trailing commission excl. discount unwind | (2.0) | (1.4) | (1.2) |
| Insurance trailing commission discount unwind | (0.8) | (0.7) | (0.3) |
| Financial planning commission | (5.9) | (5.5) | (3.0) |
| Gross profit | 49.5 | 46.1 | 22.2 |
| Operating expenses | | | |
| Sales | (9.6) | (10.7) | (4.9) |
| Technology | (5.2) | (5.7) | (3.0) |
| Marketing | (6.4) | (6.8) | (3.5) |
| Corporate | (8.3) | (9.2) | (4.8) |
| Profit before income tax | 19.9 | 13.6 | 6.1 |
| Income tax expense | (6.2) | (4.2) | (2.0) |
| Profit for the period from continuing operations | 13.7 | 9.4 | 4.1 |
| Net profit attributable to the owners of Mortgage Choice | 13.7 | 9.4 | 4.1 |

c. Consolidated statement of financial position

The following table presents the historical consolidated statement of financial position as at the FY19 and FY20 financial years and for the 1HFY21 half-year.

| 30 June YE (\$m) | FY19 | FY20 | 1HFY21 |
|-------------------------------------|--------------|--------------|--------------|
| Assets | | | |
| Cash and cash equivalents | 1.9 | 6.1 | 4.7 |
| Trade and other receivables | 18.0 | 17.6 | 19.4 |
| Contract assets | 376.5 | 372.0 | 373.5 |
| Other non-current assets | 10.8 | 14.7 | 14.6 |
| Total assets | 407.2 | 410.4 | 412.2 |
| Liabilities | | | |
| Trade and other payables | 11.1 | 13.6 | 13.6 |
| Future trailing commissions payable | 272.4 | 270.7 | 273.5 |
| Deferred tax liabilities | 32.2 | 31.1 | 30.8 |
| Other liabilities | 5.1 | 6.2 | 5.2 |
| Total liabilities | 320.7 | 321.5 | 323.0 |
| Equity | | | |
| Total equity | 86.5 | 88.9 | 89.2 |

d. Consolidated statement of cash flows

The following table presents the historical consolidated statement of cash flows for the FY19 and FY20 financial years and for the 1HFY21 half-year.

| 30 June YE (\$m) | FY19 | FY20 | 1HFY21 |
|---|---------------|---------------|--------------|
| Cash flows from operating activities | | | |
| Receipts from customers | 195.4 | 196.5 | 101.8 |
| Payments to suppliers and employees | (176.2) | (174.2) | (94.8) |
| Net receipts | 19.2 | 22.3 | 7.0 |
| Income taxes paid | (5.1) | (5.4) | (2.6) |
| Net cash inflow from operating activities | 14.1 | 16.9 | 4.4 |
| Cash flows from investing activities | | | |
| Payments for PP&E and intangibles | (3.8) | (3.3) | (1.8) |
| Loans to franchisees net of repayments | 0.2 | 1.1 | 0.8 |
| Interest received | 0.6 | 0.5 | 0.2 |
| Net cash (outflow) from investing activities | (3.0) | (1.7) | (0.9) |
| Cash flows from financing activities | | | |
| Redraw/(payment) of external borrowings | 2.5 | (2.5) | – |
| Payment of lease liabilities | – | (1.0) | (0.5) |
| Interest paid | (0.1) | (0.0) | – |
| Dividends paid to Company's shareholders | (15.0) | (7.5) | (4.4) |
| Net cash (outflow) from financing activities | (12.6) | (11.1) | (4.9) |
| Net increase/(decrease) in cash and cash equivalents | (1.4) | 4.2 | (1.4) |
| Beginning Cash and cash equivalents | 3.4 | 1.9 | 6.1 |
| Ending Cash and cash equivalents | 1.9 | 6.1 | 4.7 |

5.9. Material changes in Mortgage Choice's financial position

Other than:

- as disclosed in this Scheme Booklet or as otherwise disclosed to ASX by Mortgage Choice;
- payment of the interim dividend of \$0.04 per Mortgage Choice Share on 15 April 2021;
- the accumulation of profits in the ordinary course of trading;
- in accordance with generally known market conditions; and
- the proposed restructuring of how the FinChoice services are provided,

to the knowledge of the Mortgage Choice Directors, the financial position of Mortgage Choice has not changed materially since 30 June 2020, being the last date of the period to which the audited financial statements for the financial year ended 30 June 2020 relate.

Copies of Mortgage Choice's periodic reports (including for the FY19 and FY20 financial years and for the 1HFY21 half-year) can be obtained from Mortgage Choice's website at <https://www.mortgagechoice.com.au/>, ASX's website at www.asx.com.au and from Mortgage Choice free of charge following a request in writing received before the Scheme is approved by the Court.

5.10. Public information available for inspection

As an ASX listed company, Mortgage Choice is a disclosing entity for the purposes of section 111AC(1) of the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. Broadly, these require Mortgage Choice to announce price sensitive information as soon as it becomes aware of the information, subject to some exceptions. Mortgage Choice is also required to prepare and lodge with ASIC and ASX both annual and half-year financial statements.

Further announcements concerning Mortgage Choice will continue to be made available on the ASX's website after the date of this Scheme Booklet.

Copies of the documents filed with the ASX in relation to Mortgage Choice may be obtained from ASX's website at www.asx.com.au. Copies of the documents lodged with ASIC in relation to Mortgage Choice may be obtained from, or inspected via, ASIC's online registry portal ASIC Connect at www.asicconnect.gov.au.

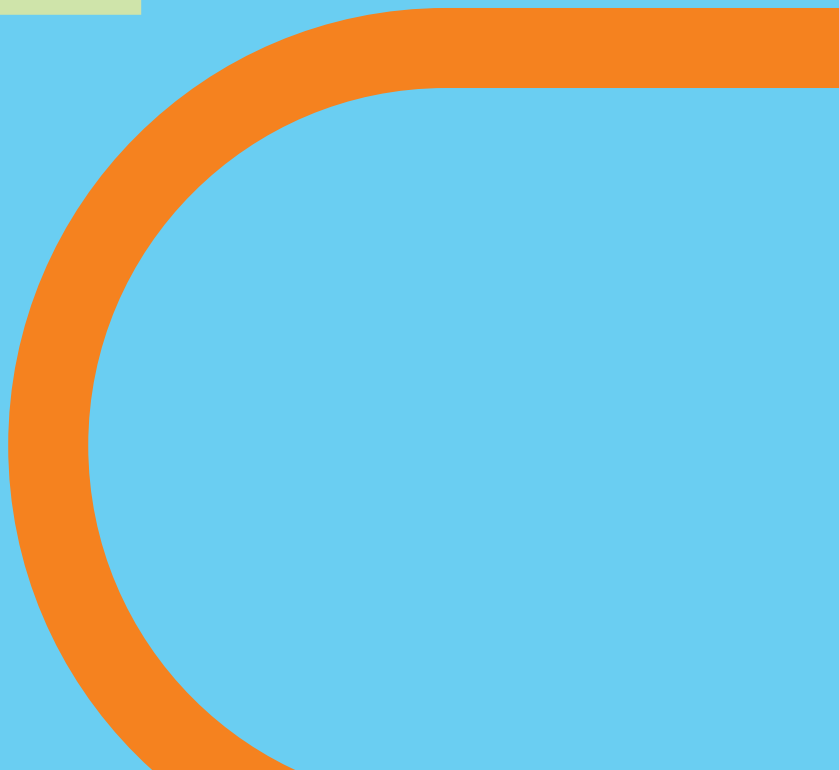
The below table contains ASX announcements by Mortgage Choice from 27 August 2020 (being the date on which Mortgage Choice lodged its financial report for the financial year ended 30 June 2020) until the Last Practicable Date.

| Date of ASX announcement | ASX announcement |
|--------------------------|---|
| 30 April 2021 | Change in Substantial Holding |
| 28 April 2021 | Becoming a Substantial Holder |
| 22 April 2021 | Change in Substantial Holding |
| 16 April 2021 | Ceasing to be a Substantial Holder from PNI |
| 15 April 2021 | Change in Substantial Holding |
| 29 March 2021 | REA: Proposed acquisition of Mortgage Choice Limited |
| 29 March 2021 | Mortgage Choice enters into Scheme Implementation Agreement |
| 18 March 2021 | Extension of CEO Contract |
| 17 March 2021 | Appendix 3G |
| 18 February 2021 | Half Year Accounts |
| 18 February 2021 | Half Year Report – Presentation |
| 18 February 2021 | Half Year Report Media Release |
| 18 February 2021 | Dividend/Distribution – MOC |
| 18 February 2021 | Appendix 4D Half Year Report |
| 12 February 2021 | Appendix 3G |
| 21 October 2020 | Results of Meeting |
| 21 October 2020 | Chairman's Address to Shareholders |
| 16 September 2020 | Notice of Annual General Meeting/Proxy Form |

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SECTION 6

Information relating
to the REA Group



6.1. Introduction

The information contained in this Section 6 has been prepared by REA. The information concerning REA and its businesses, and the intentions, views and opinions contained in this Section 6 are the responsibility of REA. Mortgage Choice and its officers and advisers do not assume any responsibility for the accuracy or completeness of this section.

6.2. Overview of REA

REA is a multinational digital advertising business specialising in property. REA operates Australia's leading residential and commercial property websites – realestate.com.au and realcommercial.com.au – as well as the leading website dedicated to share property, Flatmates.com.au. REA owns Smartline Home Loans Pty Ltd (**Smartline**), an Australian mortgage broking franchise group, and PropTrack Pty Ltd, a leading provider of property data services.

In Asia, REA owns leading portals in Malaysia (iproperty.com.my) and Hong Kong (squarefoot.com.hk), a prominent portal in China (myfun.com) and a leading property review site in Thailand (thinkofliving.com). REA holds a controlling interest in India's Elara Technologies Pte. Ltd. which operates the established brands of Housing.com, Makaan.com and PropTiger.com. REA also holds a significant shareholding in property websites realtor.com in the US, 99.co and iproperty.com.sg in Singapore and rumah123.com in Indonesia.

REA is listed on the ASX with a market capitalisation of approximately A\$20.75 billion (as at 27 April 2021) and has a global team of more than 2,800¹ people. News Corporation is REA's majority shareholder, holding 61.4% of the total issued share capital of REA. For the year ended 30 June 2020, REA's revenue was A\$820 million and EBITDA (excluding share of losses of associates and joint ventures) was A\$492 million.² REA reports across key segments: Property & Online Advertising (Australia), Asia, Financial Services (Australia) and North America.

Figure 3: REA's global footprint



1. This figure includes employees of India's Elara Technologies Pte. Ltd and its subsidiaries, in which REA holds a controlling interest.
2. EBITDA excludes share of losses of associates and joint ventures. Financial results from core operations exclude significant non-recurring items such as restructure costs, gain/loss on acquisitions and disposals, and transaction costs. In the prior comparative period they excluded items such as revaluation, unwind and finance costs of contingent consideration, transaction costs relating to acquisitions by associates and impairment charges.

6.3. Overview of REA's Financial Services business

In 2016, REA entered the Financial Services sector through a strategic partnership with National Australia Bank to create an Australian-first end-to-end digital property search and financing experience. REA's Financial Services business and offering has since expanded, with the launch of realestate.com.au Home Loans and the acquisition of mortgage broking franchise group, Smartline, in 2017. Realestate.com.au Home Loans and Smartline were subsequently integrated in 2020. Smartline has a loan book of over A\$27.6 billion (as at 31 March 2021) and a network of just over 400 brokers, and was recognised as Australia's top franchise group in November 2019 by Topfranchise.com.au.

REA's overall strategy for its Financial Services business is focused on creating compelling property and home loan led journeys for buyers and refinancers on realestate.com.au and on other relevant channels. REA's Financial Services business is core to REA's broader growth strategy.

For the year ended 30 June 2020, REA's Financial Services business reported revenue of A\$26 million and EBITDA of A\$10 million.

6.4. Overview of REA BidCo

REA BidCo is a special purpose company controlled by REA that was incorporated on 16 April 2021. REA BidCo will acquire (under the Scheme) and will hold (following implementation of the Scheme) all the shares in Mortgage Choice. REA BidCo is an unlisted Australian proprietary company that has not conducted business and does not own any assets or have any liabilities other than in connection with its incorporation and the taking of such other actions as are necessary to facilitate the implementation of the Scheme.

REA BidCo is wholly-owned by realestate.com.au Pty Ltd which is in turn wholly-owned by REA.

6.5. REA Board and REA's executive leadership team

The members of the board of directors of REA (the **REA Board**) and REA's executive leadership team as at the date of this Scheme Booklet are:

| Name | Position |
|----------------------|--|
| Board | |
| Hamish McLennan | Chairman |
| Owen Wilson | Chief Executive Officer and Executive Director |
| Tracey Fellows | Non-Executive Director |
| Kathleen Conlon | Non-Executive Director |
| Nick Dowling | Non-Executive Director |
| Richard Freudenstein | Non-Executive Director |
| Jennifer Lambert | Non-Executive Director |
| Michael Miller | Non-Executive Director |

| Name | Position |
|----------------------------------|--|
| Executive leadership team | |
| Janelle Hopkins | Chief Financial Officer |
| Henry Ruiz | CEO – REA Group Asia and Chief Strategy and Customer Product Officer |
| Val Brown | Chief Consumer Product Officer |
| Melina Cruickshank | Chief Audience and Marketing Officer |
| Tamara Kayser | General Counsel and Company Secretary |
| Mary Lemonis | Chief People Officer |
| Kul Singh | Chief Sales Officer |
| Chris Venter | Chief Technology Officer ³ |

Profiles of each of the directors of REA, including their appointment dates, can be found at: <https://www.rea-group.com/company/about-us/board/>.

6.6. Rationale for the proposed acquisition of Mortgage Choice

The proposed acquisition of Mortgage Choice aligns with REA's Financial Services strategy by:

- leveraging REA's digital expertise, high intent property seeker audience and unique data insights across a larger network;
- providing a compelling opportunity to establish a leading mortgage broking business with increased scale; and
- complementing the existing Smartline broker footprint resulting in greater national brokerage coverage.

6.7. Funding of the Scheme Consideration

The Scheme Consideration is \$1.95 in cash per Scheme Share.

The maximum amount expected to be required to fund the Scheme Consideration is approximately A\$249 million based on Mortgage Choice's fully diluted issued share capital as at the date of this Scheme Booklet.

REA intends to fund the amount of the Scheme Consideration by an increase in REA's syndicated debt facilities. REA's existing A\$170 million syndicated debt facility, which is currently due to expire in December 2021, is expected to be refinanced as part of this process.

The availability of increased funds under the existing debt facilities is expected to be subject to satisfaction of a number of conditions precedent customary for a facility of this nature, being the conditions precedent specific to the Scheme Implementation Agreement (which are more generally summarised in Section 3.3) and other customary conditions precedent, such as:

- the Scheme becoming Effective;
- there being no breach of certain material provisions of the facility agreement and certain limited representations and warranties being true in all material respects; and
- other customary conditions in respect of matters such as payment of fees and expenses, delivery of certain financial information and the delivery of customary legal opinions.

The Scheme is not conditional on REA obtaining finance to fund the payment of the Scheme Consideration. REA is not aware of any reason that would result in the non-satisfaction of any of the anticipated conditions precedent under the proposed refinanced debt facilities in time to allow REA to pay the Scheme Consideration.

3. Appointed as Chief Technology Officer in March 2021, commencing mid-2021.

In the unlikely event that REA is unable to drawdown funds under the refinanced debt facilities in time to pay the Scheme Consideration, REA has reasonable grounds to believe that it will be able to pay the Scheme Consideration through a combination of existing cash reserves and by obtaining lender consent to a further drawdown on its existing debt facilities.

REA will use its best endeavours to ensure that all conditions precedent are satisfied as at the time drawdown is required to pay the Scheme Consideration.

6.8. REA BidCo's intentions following implementation of the Scheme

a. Introduction

REA's intentions have been formed on the basis of facts and information concerning Mortgage Choice which are known to REA as at the date of this Scheme Booklet. Final decisions on these matters will be made by REA in light of all material facts and circumstances at the relevant time. Accordingly, the statements set out in this Section 6 are statements of current intention only, which may change as new information becomes available or as circumstances change, and the statements in this Section 6 should be read in this context.

b. Removal from ASX

If the Scheme becomes Effective, REA will require that Mortgage Choice applies to the ASX for removal of Mortgage Choice from the official list of the ASX on or around the Business Day immediately following the Implementation Date. It is also intended that REA will apply to convert Mortgage Choice from a public to a proprietary company.

c. Board of directors, management and employees

If the Scheme is implemented, REA will replace the board members of Mortgage Choice and its Subsidiaries with nominees of REA (who are yet to be identified as at the date of this Scheme Booklet).

REA recognises that there is significant value and knowledge held by the existing staff of Mortgage Choice who are an integral part of the Mortgage Choice business. Following implementation of the Scheme, REA will review Mortgage Choice's business operations and organisational structure to ensure Mortgage Choice has the appropriate mix and level of employees and skills to ensure the successful ongoing operation of the business and to enable it to best leverage REA's assets and pursue growth opportunities.

If the Scheme is implemented, Mortgage Choice's business and employees will be included within REA's Financial Services segment and will comply with the reporting and delegated authorities of that business.

d. Head office

If the Scheme is implemented, it is the intention of REA that Mortgage Choice will continue to operate in its current locations, including its head office. No decision to the contrary has been made as at the date of this Scheme Booklet.

e. Business continuity and operations

REA's current intention is to continue the business and strategic direction of Mortgage Choice, including actively pursuing growth opportunities available to Mortgage Choice.

f. Changes to Mortgage Choice's constitution

REA intends to replace Mortgage Choice's constitution with a constitution appropriate for a proprietary company limited by shares (consistent with the intention expressed in Section 6.8(b) to convert Mortgage Choice into a proprietary company limited by shares following implementation of the Scheme).

6.9. Interests and dealings in Mortgage Choice Shares

As at the date of this Scheme Booklet:

- neither REA nor any of its Associates hold a relevant interest in any Mortgage Choice Shares;
- no Mortgage Choice Shares are held by or for any REA directors; and
- REA has no voting power in Mortgage Choice.

Other than pursuant to the Scheme Implementation Agreement, Scheme or Deed Poll, neither REA nor, to the best of its knowledge, any of its Associates has provided or agreed to provide consideration for any Mortgage Choice Shares or other Mortgage Choice securities under any other transaction during the period of four months before the date of this Scheme Booklet.

6.10. Benefits to holders of Mortgage Choice Shares

During the four months before the date of this Scheme Booklet, neither REA nor, to the best of its knowledge, any of its Associates, has given or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person or an Associate to:

- vote in favour of the Scheme; or
- dispose of Mortgage Choice Shares,

where the benefit was not offered to all Mortgage Choice Shareholders.

6.11. Benefits to a Mortgage Choice director, secretary or executive officer

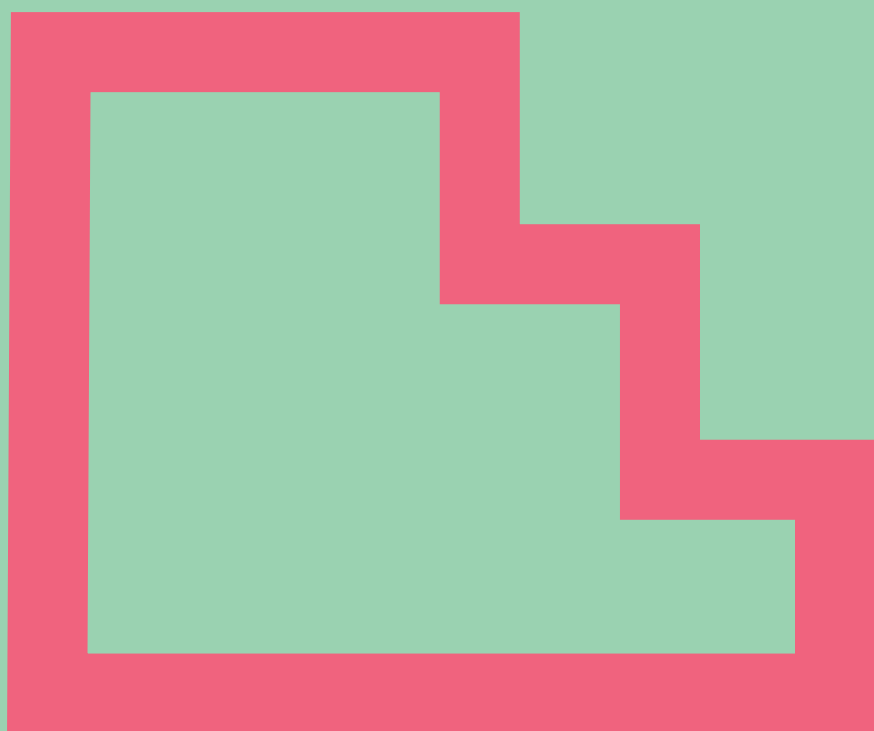
Neither REA nor, to the best of its knowledge, any of its Associates will be making any payment or giving any benefit to any current director, secretary or executive officer of Mortgage Choice or its Related Bodies Corporate as compensation for, or otherwise in connection with, his or her resignation from their respective offices if the Scheme is implemented.

6.12. No other material information

Except as disclosed elsewhere in this Scheme Booklet, at the date of this Scheme Booklet there is no other information that is known by REA, in relation to REA, that is material to the making of a decision in relation to the Scheme which has not previously been publicly disclosed by REA.

SECTION 7

Risk factors



In considering the Scheme, Mortgage Choice Shareholders should be aware that there are a number of risk factors, both general and specifically relating to Mortgage Choice, which could materially adversely affect the future operating and financial performance of Mortgage Choice and the value of Mortgage Choice Shares and Mortgage Choice's dividends – these are set out below. While some of these risks can be mitigated, some are out of the control of Mortgage Choice and the Mortgage Choice Directors and cannot be mitigated. While Mortgage Choice has in place what it considers are appropriate policies and procedures to help manage these risks, there is no guarantee that Mortgage Choice will be able to manage these risks completely.

The risk factors in this Section 7 are existing risks that relate to Mortgage Choice's business and the industry in which it operates, or that are generally associated with an investment in listed securities. These risks will only continue to be relevant to you if the Scheme does not proceed, in which case (in the absence of a Competing Proposal that is ultimately implemented) Mortgage Choice will continue to operate as a stand-alone entity, and you will retain your investment in Mortgage Choice. In the Mortgage Choice Directors' opinion, the Mortgage Choice Shares are likely to trade at a lower price in the near term, as compared to the current Mortgage Choice Share price on the date of this Scheme Booklet in the absence of substantially improved market conditions and costs incurred by Mortgage Choice in relation to the Scheme will still be payable. You will continue to be exposed to risks and opportunities associated with that investment in the Mortgage Choice business. Further, if the conditions described in Section 9.5(j) are met, the Reimbursement Fee will be payable by Mortgage Choice.

If the Scheme proceeds, Mortgage Choice Shareholders will receive the Scheme Consideration and, from implementation of the Scheme, will cease to be Mortgage Choice Shareholders and will no longer be exposed to the risks set out in this Section 7.

You should carefully consider the risks discussed in this Section 7, as well as the other information contained in this Scheme Booklet generally, before voting on the Scheme Resolution. These risk factors do not take into account the individual investment objectives, financial situation, position or particular needs of Mortgage Choice Shareholders. You should consult your financial or other professional adviser if you are unclear or uncertain about any matter mentioned in this Section 7 or elsewhere in this Scheme Booklet.

Additional risks and uncertainties not currently known to Mortgage Choice may also have a material adverse effect on Mortgage Choice's financial and operational performance and the information set out in this Section 7 does not purport to be, nor should it be construed as representing, an exhaustive list of the risks affecting Mortgage Choice, its business or an investment in Mortgage Choice Shares.

Whilst each of the Mortgage Choice Directors recommends that Mortgage Choice Shareholders vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Mortgage Choice Shareholders, Mortgage Choice Shareholders are encouraged to make their own independent assessment as to whether to vote in favour of the Scheme.

7.1. General risk factors

As with any entity with listed securities on the ASX, the future prospects and operating and financial performance of Mortgage Choice and the value of Mortgage Choice Shares may be affected by a variety of factors. These general risk factors may include:

- a. changes in investor sentiment and overall performance of the Australian and overseas stock markets;
- b. recommendations by securities analysts;
- c. changes in general business, industry cycles, and economic conditions including inflation, interest rates, exchange rates, commodity prices, employment levels and consumer demand;
- d. economic and political factors in Australia and overseas, including economic growth;
- e. changes in legislation and government, fiscal, monetary and regulatory policies including foreign investment;
- f. natural disasters, catastrophes and disease or pandemic (including the outbreak, escalation or impact of, and recovery from, the COVID-19 pandemic) and other macroeconomic occurrences, including but not limited to geopolitical events such as an outbreak of hostilities, acts of terrorism and declarations of war;

- g. uncertainty around the likelihood, timing, franking or quantum of future dividends;
- h. failure to make or integrate any future acquisitions or business combinations (including the realisation of synergies), significant one-time write-offs or restructuring charges, and unanticipated costs and liabilities;
- i. liquidity or lack of liquidity of trading volumes in Mortgage Choice Shares on the ASX;
- j. changes in accounting or financial reporting standards; and
- k. changes in taxation laws (or their interpretation).

Some of these factors could affect the Mortgage Choice Share price regardless of Mortgage Choice's underlying operating performance.

7.2. Specific risk factors for the Mortgage Choice business

There are a range of business-specific risks associated with your current investment in Mortgage Choice Shares, as set out below (in no order of significance).

a. Changes in regulatory environment and failure to meet regulatory obligations

In Australia, the mortgage broking industry is primarily regulated by ASIC under the *National Consumer Credit Protection Act 2009* (Cth) (**NCCP Act**). The industry is also subject to other laws including privacy, financial transaction reporting laws and money laundering laws when acting on behalf of a lender.

If Mortgage Choice does not meet regulatory requirements, such as responsible lending obligations and best interests duty under the NCCP Act, it may suffer penalties or Mortgage Choice's Australian credit licence (**ACL**) could be affected, which would be likely to have a material impact on Mortgage Choice's business and financial performance. These penalties or other regulatory action taken may include:

- civil penalty orders or infringement notices;
- compensation required to be paid to consumers; and
- cancellation or suspension of authority under its ACL to carry on business.

In addition, the regulatory framework may change, which could have an impact on the mortgage broking industry or Mortgage Choice's operations. Depending on the nature of any such changes, this may adversely impact the operations or future financial performance of Mortgage Choice. Upcoming legislative changes that impact the industry include the commencement of the design and distribution obligations and mandatory breach reporting obligations for ACL holders in October 2021.

The Australian Prudential Regulation Authority (**APRA**) directly oversees members of the Mortgage Choice lending panel who are authorised deposit-taking institutions (**ADIs**). Accordingly, although Mortgage Choice is not regulated by APRA, APRA's decisions may indirectly impact Mortgage Choice's business. Introduction of regulatory measures designed to strengthen lending standards for some or all of the ADIs would impact the type of mortgage product being made available by the ADI to the market and this, in turn, could impact upon Mortgage Choice's earnings. An increase of the buffer on serviceability, for example, would reduce the amount a customer would be able to borrow from an ADI. A cap on the percentage of investor loans for an ADI might see a reduced offering for the product, which could be reflected in a higher interest rate being charged for that loan product. Further, an increase in the amount of allocated capital for various loan products may see the internal cost of holding those assets become higher with this cost being passed on to the end customer.

The mortgage broking market has undergone a number of recent reviews including ASIC's Report 516 broker remuneration review and the Royal Commission into 'Misconduct in the Banking, Superannuation and Financial Services Industry'. Following these reviews, there were a number of changes implemented to the mortgage broker remuneration model including banning of conflicted remuneration such as volume-based payments. The Council of Financial Regulators and ACCC are expected to further review the mortgage broker remuneration model in 2022. Any changes to the regulatory framework as a result of this review could have an impact on the mortgage broking industry or Mortgage Choice's operations and may adversely impact the operations and future financial performance of Mortgage Choice.

b. Increased competition may affect Mortgage Choice's competitive position

Mortgage Choice operates in a competitive market. Mortgage Choice faces the risk that increasing levels of competition, including competition from business models using new technology platforms could result in, among other things, Mortgage Choice foregoing a greater proportion of its profit margin to retain volumes of mortgages written, reduced upfront commissions and trail commissions and changes to the structure of upfront commissions and trail commissions by lenders (such as the replacement of trail commissions with upfront commissions only). This may result in reduced revenue, reduced operating margins and a loss of market share, which may have a material adverse effect on Mortgage Choice's business, operating and financial performance and position and future prospects.

c. Inability to retain existing key Mortgage Choice Franchisees or attract new mortgage brokers

Mortgage Choice currently has over 500 mortgage brokers across over 380 Mortgage Choice Franchises originating mortgage products through Mortgage Choice's platform. The success of Mortgage Choice's business relies on its ability to attract and retain the Mortgage Choice Franchises, as well as its ability to attract productive mortgage brokers into these Franchises. If Mortgage Choice is not able to retain the existing key Mortgage Choice Franchises, or attract new productive Franchises and mortgage brokers, this could have an adverse impact on Mortgage Choice's business, operating and financial performance.

d. Reduced demand for mortgages

Mortgage Choice's business benefits from robust mortgage settlements. Mortgage settlements could be negatively impacted by a period of reduced property sales and/or refinancing activity, which may be correlated to property prices, unemployment rates, wage growth, interest rates, consumer sentiment and other macroeconomic factors. For instance, an increase in interest rates could impact a Mortgage Choice customer's borrowing capacity and correspondingly the loan amount that they can borrow. If there is a reduced demand for mortgages, Mortgage Choice's settlement volumes and subsequent financial performance would be adversely affected.

e. Reduced lender reliance on third party distribution channels

Mortgage Choice's business depends on lenders originating loans through mortgage brokers rather than directly (for example, through a lender's own branches or other distribution platforms such as mobile lending services or online services) and providing competitive products and service levels. Mortgage Choice's business would be impacted by any significant changes in the business practices of lenders such as increased reliance on direct distribution methods including new technologies.

Mortgage Choice, and the mortgage broking industry generally, is reliant on lenders' willingness to employ third party distribution channels as a means of marketing their loan products. Depending on the relative cost of other distribution methods, in the future, lenders may also decide to decrease their reliance on (or not to use) third party channels, develop competing distribution channels or reduce current upfront or trail commission terms, any of which could have a significant adverse effect on the mortgage broking industry generally and on Mortgage Choice.

Mortgage Choice is also reliant on receiving access to competitive products from Mortgage Choice's lending panel to enable Franchisees to attract customers in an increasingly competitive mortgage market. There can be no assurance that Mortgage Choice will continue to be able to access competitive products.

f. Reliance on relationships with lenders

The success of Mortgage Choice's business and its ability to grow relies on Mortgage Choice's relationship with lenders on Mortgage Choice's lending panel. There are a number of risks associated with Mortgage Choice's agreements with lenders. For example, lenders generally have an ability under the agreements to change the terms or rates of payments to Mortgage Choice for future originations. Such a change may have a material adverse effect on Mortgage Choice's financial performance.

Lenders also have the right to terminate their agreements with Mortgage Choice for the lodgement of new loans, including without cause or by notice (depending on the termination event or circumstances). Notice periods for termination may be as short as seven days. In circumstances where Mortgage Choice has breached an agreement with a lender, in some cases the lender may cease paying trail commissions.

A loss of a substantial proportion of Mortgage Choice's agreements with lenders on Mortgage Choice's lending panel, or a reduction in the number of lenders on Mortgage Choice's lending panel, could reduce Mortgage Choice's competitive advantage and have an adverse impact on Mortgage Choice's business, operating and financial performance.

g. Exposure to risks associated with Mortgage Choice credit representative conduct

Mortgage Choice faces a number of risks arising from the conduct of the Mortgage Choice Franchisees, including additional risks associated with Mortgage Choice Franchisees who are Mortgage Choice credit representatives. Mortgage Choice currently has over 500 Mortgage Choice credit representatives.

Under the NCCP Act, Mortgage Choice is liable to customers for any loss or damage that they suffer as a result of a Mortgage Choice credit representative's relevant conduct. This applies to conduct that relates to credit activity on which the customer could reasonably be expected to rely and in fact relied in good faith. Where Mortgage Choice is responsible for the conduct of its credit representatives, the customer has the same remedies against Mortgage Choice as it has against the credit representative. This means that customers can take action against Mortgage Choice in respect of the Mortgage Choice credit representative's conduct.

Mortgage Choice also has obligations in respect of its credit representatives as an ACL holder. These obligations include:

- taking reasonable steps to ensure that its representatives comply with the credit legislation;
- ensuring that its representatives are adequately trained, and are competent, to engage in the credit activities authorised by the ACL; and
- taking reasonable steps to ensure that its credit representative acts in the best interests of the consumer when providing credit assistance.

Failure by Mortgage Choice to meet these requirements could result in penalties, more onerous ACL conditions, the imposition of restrictions on Mortgage Choice's ACL or the loss of Mortgage Choice's ACL. In order to provide mortgage broking services Mortgage Choice must either hold an ACL or be authorised to provide those services under a third party's ACL. Therefore, the loss of Mortgage Choice's ACL could result in Mortgage Choice being unable to continue its mortgage broking business.

Although Mortgage Choice has professional indemnity insurance in place, Mortgage Choice could nevertheless incur significant losses if there was widespread or systemic fraud or other breaches of the law by Mortgage Choice Franchisees. Losses to Mortgage Choice could result if the limits of the insurance policy were exhausted or if it did not adequately respond to the claims. Claims on Mortgage Choice's professional indemnity insurance policy may also have an adverse effect on Mortgage Choice's ability to negotiate competitive renewal terms as well as on Mortgage Choice's reputation and brand name.

As an ACL holder, Mortgage Choice must also have processes in place to resolve disputes with customers of Mortgage Choice credit representatives, be a member of the external dispute resolution scheme (AFCA) and have compensation arrangements in place. It may be costly for Mortgage Choice to deal with customer complaints and Mortgage Choice may be required to pay compensation to resolve complaints. Customers can take action against Mortgage Choice in respect of the Mortgage Choice credit representative's conduct, including lodging a complaint with the Australian Financial Complaints Authority (AFCA) against Mortgage Choice.

There is also a risk that, despite training and compliance oversight, misconduct by a Mortgage Choice mortgage broker relating to falsifying or misstating loan application information and documentation that is provided to lenders may go undetected by Mortgage Choice. This is because application information and documentation is generally submitted to lenders without review by Mortgage Choice. This could lead to significant reputational damage, regulatory action and financial loss to Mortgage Choice.

h. Damage to Mortgage Choice reputation or brand

The success of Mortgage Choice is reliant on the maintenance of its reputation and brand name. Reputational damage could arise due to a number of circumstances, including improper conduct, human error, actions by third parties or adverse media coverage. In particular, illegal practices by Mortgage Choice mortgage brokers such as fraud or non-compliance with regulatory requirements (for example, Mortgage Choice recommending products which were not in the best interests of their customers) could adversely affect Mortgage Choice's reputation. These actions could also lead to regulatory action including penalties which could materially affect Mortgage Choice's business.

Any factors that damage Mortgage Choice's reputation may potentially affect its ability to attract and retain productive Mortgage Choice Franchisees and maintain relationships with its existing panel of lenders, as well as Mortgage Choice's ability to attract key employees. In such situations, Mortgage Choice's business and operating and financial performance could be materially adversely affected.

i. Exposure to risks associated with FinChoice financial adviser conduct

Mortgage Choice faces a number of risks arising from the conduct of FinChoice advisers including prior to any proposed transfer of those authorised representatives from the FinChoice AFSL to CPAL's AFSL. FinChoice currently has 39 authorised representatives.

Under the Corporations Act, FinChoice is liable to customers for any loss or damage that they suffer as a result of a FinChoice authorised representative's conduct relating to their provision of financial services, including the giving of personal financial advice to retail clients. This means that customers can take action against FinChoice in respect of the FinChoice authorised representative's conduct, including lodging a complaint with the AFCA against FinChoice. As an AFSL holder, FinChoice must have processes in place to resolve disputes with customers of FinChoice authorised representatives, be a member of the external dispute resolution scheme (AFCA) and have compensation arrangements in place. It can be costly for FinChoice to deal with customer complaints and FinChoice may be required to pay compensation to resolve complaints.

FinChoice also has obligations in respect of its authorised representatives as an AFSL holder. These obligations include:

- taking reasonable steps to monitor and ensure that its representatives comply with financial services law, including to provide the authorised services honestly, fairly and efficiently; and
- ensuring that its representatives are adequately trained, and are competent, to engage in the financial services authorised by the AFSL.

Failure by FinChoice to meet these requirements prior to any proposed restructure resulting in the transfer of FinChoice advisers to CPAL could also attract investigation by ASIC and possibly penalties and the loss of FinChoice's AFSL (if not already voluntarily cancelled as part of the restructure of FinChoice). If the restructure ultimately proceeds, detailed processes for dealing with any such customer claims will be implemented as part of the transition plan.

Although Mortgage Choice has professional indemnity insurance in place to cover Mortgage Choice's exposure to claims for past events that may arise following the transfer of advisers to CPAL's AFSL, Mortgage Choice could nevertheless incur significant losses if there was widespread or systemic fraud or other breaches of the law by FinChoice advisers. Losses to Mortgage Choice could result if the limits of the insurance policy were exhausted or if it did not adequately respond to the claims. Claims on Mortgage Choice's professional indemnity insurance policy may also have an adverse effect on Mortgage Choice's ability to negotiate competitive renewal terms as well as on Mortgage Choice's reputation and brand name.

j. Unsuccessful implementation of Mortgage Choice's business initiatives or growth strategy

There is no guarantee that any of Mortgage Choice's growth initiatives will be successfully implemented, deliver expected returns and market share gains or ultimately be profitable. Mortgage Choice may also fail to adopt and execute the business initiatives that will enable it to successfully maintain or improve its service and product offering to its customers and meet their requirements. Failure to do so could result in customers choosing to utilise Mortgage Choice's competitors to meet their broking requirements, potentially leading to a decline in Mortgage Choice's market position and financial performance.

k. Reliance on information technology systems

Mortgage Choice's ability to service and pay Mortgage Choice Franchisees is dependent on its information technology systems and relationships with service providers. Interruptions, failure or delay in the provision of services could severely impact the business operations of Mortgage Choice and Mortgage Choice Franchisees as well as damaging Mortgage Choice's reputation. Any issue with Mortgage Choice's information technology systems may also impact on Mortgage Choice's operational capabilities and financial performance.

l. Security software and technology breaches

The use of information technology and the effectiveness of Mortgage Choice's technology platforms are critical to the ability of Mortgage Choice to deliver services to its customers and to continue to grow the business. By their nature, information technology systems are susceptible to cyber attacks. Security breaches may involve unauthorised access to Mortgage Choice's networks, systems and databases, exposing financial, proprietary and personal user information. It is possible that the measures taken by Mortgage Choice to protect its proprietary information and the private information of its customers may not be sufficient to prevent unauthorised access to, or disclosure of, such data. Any accidental or deliberate security breaches or other unauthorised access to Mortgage Choice's information technology systems or customer data may subject Mortgage Choice to reputational damage, a loss of confidence in the services it provides, claims by customers, loss of customers, a disruption of services to clients, legal action and regulatory scrutiny.

m. Loss of key management

Mortgage Choice relies on a management team with significant mortgage broking industry knowledge and experience. If Mortgage Choice is not able to retain key members of its management team, or if there is any delay in their replacement, Mortgage Choice may not be able to operate its business to the current standard or implement its business strategies. These occurrences may adversely impact Mortgage Choice's business and operating and financial performance, including its ability to grow.

n. Inability to retain or attract sufficiently skilled and trained employees

Mortgage Choice employs individuals who are key to the success of its business. These individuals typically possess deep industry or professional expertise and over time develop sound relationships with Mortgage Choice Franchisees and Mortgage Choice's lending panel. The loss of key employees could undermine Mortgage Choice's ability to operate its business to the current standard. These occurrences may have a material adverse impact on Mortgage Choice's earnings and profitability.

While the departure of an individual employee from Mortgage Choice may not have a material impact on Mortgage Choice, the departure of a number of key personnel simultaneously or over a short period of time could have a material adverse effect on Mortgage Choice's operations and financial performance.

o. Exposure to operational risks and costs

Mortgage Choice is exposed to operational risks present in the current business, including risks arising from process error, fraud, system failure, failure of security and physical process systems, customer services, staff skills and performance, and product development and maintenance. Operational risk has the potential to have a material adverse effect on Mortgage Choice's financial performance and position as well as on Mortgage Choice's reputation.

p. Litigation risk

Mortgage Choice may in the ordinary course of business be involved in litigation and disputes, for example with Franchisees or customers. Any litigation or dispute could be costly and damaging to Mortgage Choice's reputation and business relationships, which could have an adverse effect on its financial performance and industry standing.

7.3. Risks specific to the Scheme**a. Conditions Precedent**

The implementation of the Scheme is subject to a number of conditions, which are summarised in Section 9.5(c) of this Scheme Booklet and set out in full in clause 3.2 of the Scheme Implementation Agreement. The Scheme will not proceed to the Second Court Date unless all Conditions Precedent (other than approval by the Court and lodgement of the Court order approving the Scheme with ASIC) are satisfied or waived (if permitted).

If the Conditions Precedent are not satisfied or waived (as applicable) by the End Date of 30 September 2021, the Scheme Implementation Agreement may be terminated, which will mean the Scheme will not be implemented.

A failure to satisfy any of the Conditions Precedent, or a delay in satisfying the Conditions Precedent and implementing the Scheme, may adversely affect the trading price of Mortgage Choice Shares.

b. Court approval

The Court may not approve the Scheme, either at all or in the form proposed, or the Court's approval of the Scheme may be delayed. In particular, if there is a material change in circumstances between the Scheme Meeting and the Second Court Date, the Court will take the change into account in deciding whether it should approve the Scheme. If there is a material change of sufficient importance so as to materially alter the Scheme, there is a risk that the Court may not approve the Scheme on the Second Court Date.

c. Tax consequences for Scheme Shareholders

If the Scheme is implemented, there may be tax consequences for Scheme Shareholders that may include tax being payable on any gain on the transfer of Scheme Shares to REA BidCo.

The tax treatment may vary depending on the nature and characteristics of each Scheme Shareholder and their specific circumstances.

Accordingly, Scheme Shareholders should seek professional tax advice in relation to their particular circumstances.

For general information about the general Australian tax consequences of the Scheme, please refer to Section 8 of this Scheme Booklet.

d. Implications for Mortgage Choice and Mortgage Choice Shareholders if the Scheme is not implemented

If the Scheme is not implemented:

- i. Mortgage Choice Shares will not be transferred to REA BidCo (and will be retained by Mortgage Choice Shareholders);
- ii. Mortgage Choice Shareholders will not receive the Scheme Consideration;
- iii. Mortgage Choice Shareholders will continue to be exposed to the benefits and risks associated with an investment in Mortgage Choice on a stand-alone basis (refer to Sections 7.1 and 7.2 of this Scheme Booklet for further details about these risks);
- iv. Mortgage Choice will continue, in the absence of implementation of a Competing Proposal, to operate as a stand-alone entity, and remain listed on the ASX; and
- v. in the Mortgage Choice Directors' opinion, Mortgage Choice Shares are likely to fall and trade at a discount to the Independent Expert's valuation range (of \$1.66 to \$1.97) and to the Scheme Consideration (of \$1.95).

In addition, some circumstances which cause the Scheme not to proceed may result in the payment of a Reimbursement Fee by Mortgage Choice to REA BidCo. See Section 9.5(j) for further details.

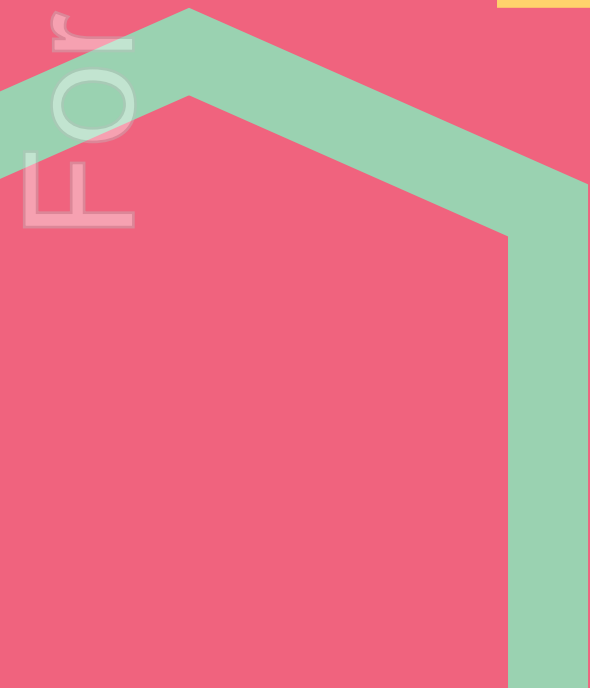
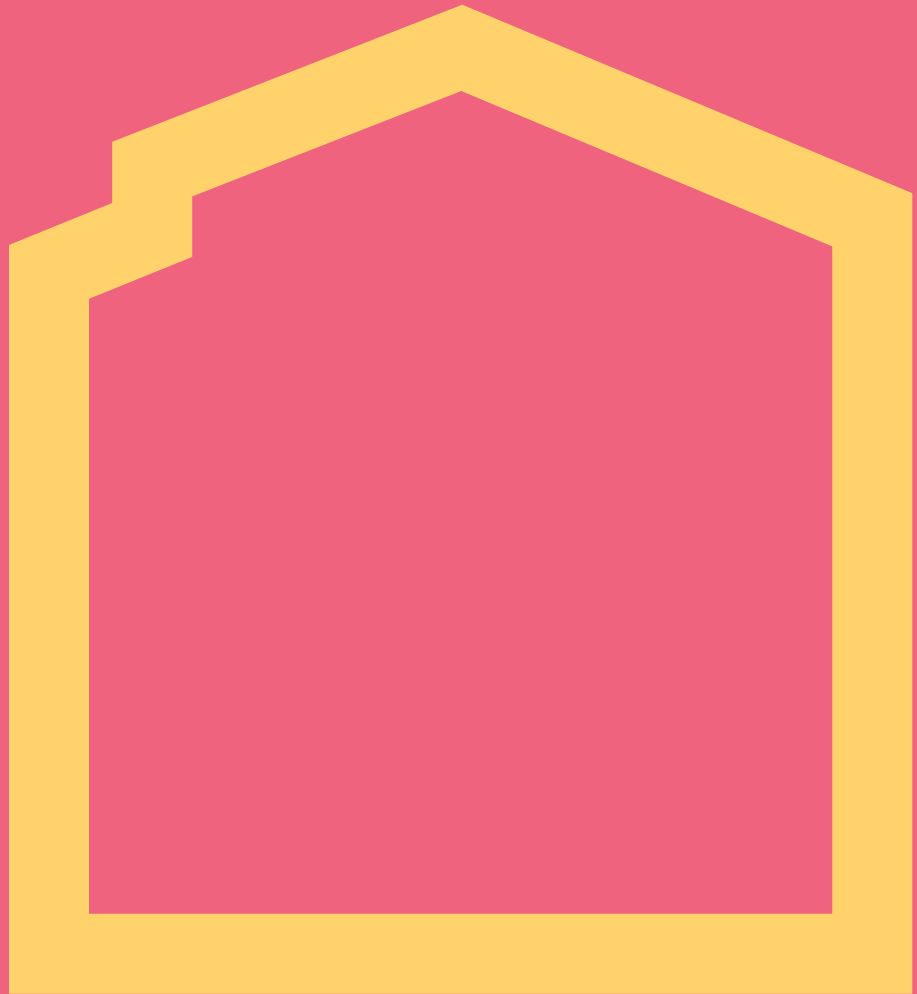
e. Transaction and other costs

Transaction and other costs of approximately \$2.15 million (excluding GST) are expected to be paid by Mortgage Choice in connection with the Scheme which will be paid irrespective of whether the Scheme becomes Effective (and is implemented). The costs include advisory fees for Mortgage Choice's financial, legal, accounting and tax advisers, the Independent Expert's and Share Registry's fees, general administrative fees, Scheme Booklet design, printing and distribution costs, and expenses associated with convening and holding the Scheme Meeting.

SECTION 8

Taxation implications

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8.1. Introduction

The following is a general summary of the main Australian income tax, stamp duty and GST consequences from disposing of your Scheme Shares under the Scheme.

This summary only applies to Scheme Shareholders who hold their Scheme Shares on capital account for Australian income tax purposes. In particular, it does not apply to Scheme Shareholders who buy and sell shares in the ordinary course of business or who otherwise hold their Scheme Shares on revenue account or as trading stock for Australian tax purposes.

In addition, this summary does not apply to:

- a. Scheme Shareholders who acquired their Scheme Shares under an employee share or option scheme;
- b. Scheme Shareholders who are subject to special taxation rules (for example, attribution managed investment trusts (AMITs), trusts that are subject to tax as companies, insurance companies, listed investment companies and tax exempt organisations);
- c. Scheme Shareholders whose Scheme Shares are subject to the "taxation of financial arrangements" rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth); and
- d. temporary residents (as defined for Australian tax purposes) and non-Australian resident Scheme Shareholders who have held their shares at any time in carrying on business at or through a permanent establishment in Australia.

Except where otherwise stated, this summary does not apply to Scheme Shareholders that are partnerships or trusts or persons that are partners of such partnerships, or beneficiaries of such trusts. If a partnership or trust is a Scheme Shareholder, the partners of such partnership or the beneficiaries of such trust should consult their own tax advisers in relation to the Australian taxation consequences to them of the partnership or the trust (as applicable) participating in the Scheme.

This summary does not address the tax consequences of the Scheme under the laws of any jurisdiction other than Australia. Scheme Shareholders who are tax residents of a country other than Australia should obtain professional advice in relation to the taxation consequences of the Scheme in their country of residence.

The information in this summary is based upon Australian taxation law and administrative practice in effect at the Last Practicable Date. It is not intended to be tax advice or an authoritative or comprehensive analysis of the taxation laws of Australia. The summary does not consider any specific facts or circumstances that may apply to your circumstances.

As the tax consequences to a Scheme Shareholder participating in the Scheme will depend on each Scheme Shareholder's own individual circumstances, all Scheme Shareholders are advised to seek their own independent professional advice regarding the Australian and, if relevant, foreign tax consequences of disposing of their Scheme Shares based on their own particular circumstances.

8.2. Scheme Shareholders who are Australian residents for tax purposes

This section applies to Scheme Shareholders who are residents of Australia (other than temporary residents for Australian tax purposes) for Australian income tax purposes and hold their Scheme Shares on capital account.

a. CGT consequences of the disposal of Scheme Shares

If you are an Australian resident for Australian income tax purposes, the disposal of your Scheme Shares pursuant to the Scheme will constitute a capital gains tax (CGT) event.

The CGT event will happen at the time that the Scheme Shareholder disposes of its Scheme Shares under the Scheme, which will be the Implementation Date.

b. Calculation of the capital gain or loss

The disposal of your Scheme Shares should give rise to a capital gain or loss equal to the difference between:

- a. the capital proceeds received for the disposal of your Scheme Shares (i.e. the Scheme Consideration); and
- b. the cost base (or, in the case of a capital loss, the reduced cost base) of your Scheme Shares (which would generally include the amount paid to acquire the Scheme Shares plus any non-deductible incidental costs of acquisition, e.g. brokerage fees and stamp duty).

If your Scheme Shares were acquired at or before 11.45am on 21 September 1999, and you are an individual, complying superannuation entity or the trustee of a trust, you may choose to adjust the cost base (but not the reduced cost base) of the Scheme Shares, to the extent it includes expenditure incurred at or before that time, to include indexation by reference to changes in the consumer price index from (generally) the calendar quarter in which the expenditure was incurred until the quarter ended 30 September 1999. If you make this choice, you are not entitled to discount the amount of the capital gain as described below. If you are a company, the cost base will include that indexation adjustment until the quarter ended 30 September 1999.

Each Scheme Share constitutes a separate asset for CGT purposes. You will need to separately consider the consequences of the disposal of your Scheme Shares which were acquired in different parcels at different times.

Your net capital gain for the income year is included in your assessable income for the income year. Broadly, your net capital gain for an income year is the total of all the capital gains made during the income year less capital losses made in the income year and available net capital losses made in previous income years. That amount may be reduced further by other concessions, particularly under the discount capital gains tax rules discussed below.

If you make a capital loss from the disposal of your Scheme Shares, the capital loss may be used to offset capital gains made in the same or subsequent years of income (subject to satisfying any applicable carry forward loss conditions) but cannot be offset against ordinary income, nor carried back to offset net capital gains made in earlier income years.

c. Discount capital gains

If you are an individual, or hold your Scheme Shares as a trustee of a trust or a complying superannuation fund, and have held your Scheme Shares for at least 12 months before disposal, the discount capital gain provisions may apply as follows:

- a. If you are an individual, one half of the capital gain (after offsetting any applicable capital losses) will be included in your assessable income.
- b. If you are a trustee of a trust (but not a superannuation fund), one half of the capital gain (after offsetting any applicable capital losses) will be included in the "net income" of the trust. The discount capital gains provisions may also apply to capital gains to which beneficiaries in the trust (other than individuals that are companies) are entitled. The CGT provisions applying to trustees and beneficiaries of trusts are complex and you should seek advice from your professional tax adviser in this regard.
- c. If you are a trustee of a complying superannuation fund, two-thirds of the capital gain (after offsetting applicable capital losses) will be included in the fund's assessable income.

The discount capital gain provisions generally do not apply to companies.

Where the discount capital gain provisions apply, any available capital losses will be applied to reduce the nominal capital gain before discounting the resulting net amount by either one-half or one-third (as applicable) to calculate the net capital gain that is included in assessable income.

8.3. Scheme Shareholders who are not Australian residents for tax purposes

This section applies to Scheme Shareholders who are not Australian residents for tax purposes and hold their Scheme Shares on capital account. It does not apply to Scheme Shareholders who have held their Scheme Shares at any time in carrying on a business at or through a permanent establishment in Australia.

If you are not a resident of Australia for Australian income tax purposes, any gain or loss arising on the disposal of your Scheme Shares should generally be disregarded for CGT purposes on the basis that your Scheme Shares are not “taxable Australian property” at the time you dispose of your Scheme Shares for CGT purposes.

8.4. Foreign resident CGT withholding

On the basis the Scheme Shares held by Scheme Shareholders should not be considered “taxable Australian property”, the foreign resident CGT withholding tax regime should not apply. Accordingly, the regime should not operate to require REA Group to withhold an amount of the Scheme Consideration.

8.5. Stamp duty

You will not be required to pay any stamp duty on the transfer of your Scheme Shares under the Scheme. Under the terms of the Scheme Implementation Agreement, REA must pay all stamp duty payable on the Scheme Implementation Agreement, or any instrument or transaction contemplated in or necessary to give effect to the Scheme Implementation Agreement.

8.6. GST

No liability to GST should arise for you in respect of a disposal of your Scheme Shares under the Scheme.

If you incur GST on acquisitions (e.g. GST on legal, financial or tax advice), to the extent that your acquisition relates to the disposal of your Scheme Shares, you may not be entitled to claim input tax credits or may only be entitled to reduced input tax credits in relation to that GST. You should seek independent tax advice in relation to your individual circumstances.

SECTION 9

Additional information

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9.1. Interests of Mortgage Choice Directors in Mortgage Choice Shares and other Mortgage Choice securities

As at the Last Practicable Date, the Mortgage Choice Directors have the following Relevant Interests in Mortgage Choice Shares.

| Director | Number of Mortgage Choice Shares | Percentage interest in Mortgage Choice Shares ¹ |
|----------------|----------------------------------|--|
| Vicki Allen | 60,000 | 0.05% |
| Peter Higgins | 254,253 | 0.20% |
| Rodney Higgins | 15,385,212 | 12.31% |
| Sean Clancy | 120,000 | 0.10% |
| Sarah Brennan | 14,560 | 0.01% |
| Andrew Gale | 100,000 ² | 0.08% |
| Total | 15,934,025 | 12.7% |

Mortgage Choice Directors who hold Mortgage Choice Shares will be entitled to vote at the Scheme Meeting and receive the Scheme Consideration along with the other Scheme Shareholders.

Each Mortgage Choice Director intends to vote, or procure the vote of, any Mortgage Choice Shares held or controlled by them in favour of the Scheme Resolution, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Scheme is in the best interests of Mortgage Choice Shareholders.

No Mortgage Choice Director acquired or disposed of a Relevant Interest in any Mortgage Choice Share or other security in the four month period ending on the date immediately before the date of this Scheme Booklet.

At the Last Practicable Date, no Mortgage Choice Director holds any Mortgage Choice Share Rights.

9.2. Mortgage Choice Treasury Shares and Mortgage Choice Share Rights

a. Mortgage Choice Treasury Shares

Mortgage Choice has 765,039 shares on issue that are held by Pacific Custodians Pty Limited for the purposes of transferring shares to satisfy rights under the Mortgage Choice Share Rights Plan.

All of the Mortgage Choice Treasury Shares are currently 'Unallocated Shares' (as defined in the Mortgage Choice Employee Incentive Trust Deed), which means that they are held by Pacific Custodians Pty Limited but are not held on trust for a participant in the Mortgage Choice Share Rights Plan. While the Mortgage Choice Treasury Shares are 'Unallocated Shares', Pacific Custodians Pty Limited must not exercise any voting rights in relation to such shares.

Under the Scheme Implementation Agreement, Mortgage Choice may cause each Mortgage Choice Treasury Share to be an 'Allocated Share' (as defined in the Mortgage Choice Employee Incentive Trust Deed) in accordance with the terms of the Mortgage Choice Employee Incentive Trust Deed, which means that they are held on trust for a participant in the Mortgage Choice Share Rights Plan. However, Mortgage Choice currently intends that the Mortgage Choice Shares will be 'Unallocated Shares' at the time of the Scheme Meeting – accordingly, the Mortgage Choice Treasury Shares will not be voted at the Scheme Meeting.

In any case, the Mortgage Choice Treasury Shares will be Scheme Shares and acquired by REA BidCo under the Scheme.

1. % shareholding based on number of Mortgage Choice Shares on issue on the Last Practicable Date.

2. Andrew Gale does not directly hold these 100,000 Mortgage Choice Shares and is unable to vote, or procure the vote of, these Mortgage Choice Shares.

b. Mortgage Choice Share Rights

Mortgage Choice has 3,313,458 performance share rights issued to Mortgage Choice employees to subscribe for fully paid ordinary shares in Mortgage Choice, which are governed by the Mortgage Choice Share Rights Plan.

The Mortgage Choice management personnel that hold Mortgage Choice Share Rights are:

| Name | Position |
|---------------------|---|
| Susan Mitchell | Chief Executive Officer |
| Ian Parkes | Chief Financial Officer |
| David Zammit | General Manager, Distribution and Wealth |
| Emma Dupont-Brown | General Manager, Product and Corporate Communications |
| Stephan Gervois | General Manager, Marketing |
| Marie Pitton | General Manager, Human Resources |
| Vincent ten Krooden | General Manager, Technology |

Under the Scheme Implementation Agreement, Mortgage Choice agreed to ensure that, by no earlier than the Effective Date, there are no outstanding Mortgage Choice Share Rights.

In particular, Mortgage Choice must:

- cause the Mortgage Choice Share Rights to vest in accordance with their terms and, following vesting, cause the relevant number of Mortgage Choice Shares to be issued or transferred to the relevant former holder in sufficient time to allow the relevant former holders of such Mortgage Choice Share Rights to receive Scheme Consideration in respect of those Mortgage Choice Shares issued or transferred to it;
- cash settle the Mortgage Choice Share Rights for an amount that does not exceed an amount equal to \$6,461,243, and ensure that all such Mortgage Choice Share Rights which are cash settled are cancelled prior to the Effective Date; or
- take any action as may otherwise be necessary to cancel the Mortgage Choice Share Rights in respect of which REA consents in writing (such consent not to be unreasonably withheld, conditioned or delayed).

In accordance with Mortgage Choice's obligations under the Scheme Implementation Agreement set out immediately above, the Mortgage Choice Board has resolved, in accordance with the terms agreed between Mortgage Choice and REA subsequent to entering into the Scheme Implementation Agreement, that subject to the Scheme becoming Effective, the Mortgage Choice Share Rights will be dealt with in the following manner:

- the vesting of all of the 934,011 Mortgage Choice Share Rights (the **Accelerated Mortgage Choice Share Rights**) that are due to vest in September 2021 will be accelerated, so that they vest after the Scheme Meeting and before the Record Date;
- after the Scheme Meeting and before the Record Date, all of the:
 - existing Mortgage Choice Treasury Shares; and
 - additional Mortgage Choice Shares that Pacific Custodians Pty Limited will be instructed by Mortgage Choice to acquire in order to satisfy the Accelerated Mortgage Choice Share Rights (and Mortgage Choice will provide any additional funding to Pacific Custodian Pty Limited that it requires), will be allocated and transferred to the holders of the Accelerated Mortgage Choice Share Rights by Pacific Custodians Pty Limited (such that these holders will be entitled to participate in the Scheme and receive Scheme Consideration in respect of the Mortgage Choice Shares allocated and transferred to them); and
- after the Scheme Meeting and before the Record Date, the balance of the Mortgage Choice Share Rights that are due to vest in September 2022, 1 June 2023 and September 2023 will be cancelled (the **Cancelled Mortgage Choice Share Rights**). However, Mortgage Choice will concurrently offer the holders of these cancelled Mortgage Choice Share Rights the opportunity to participate in a new incentive program to appropriately incentivise and reward the achievement of continued employment and performance objectives.

In respect of the vesting of the Accelerated Mortgage Choice Share Rights (of which there are 934,011 in aggregate on issue), the performance hurdles in relation to up to approximately 286,000 of the Accelerated Mortgage Choice Share Rights may not be met. However, the Mortgage Choice Board has nevertheless determined to exercise its discretion to fully vest these Accelerated Mortgage Choice Share Rights, as it has the power to do under the Mortgage Choice Share Rights Plan. The Mortgage Choice Board does not consider that this will result in a collateral benefit being given by REA to the holders of these Accelerated Mortgage Choice Share Rights for the purposes of the Scheme because the exercise of this discretion by the Mortgage Choice Board is one permitted by the terms of issue of the Mortgage Choice Share Rights and has been undertaken by the Mortgage Choice Board rather than REA.

In any event, Mortgage Choice Shareholders should be aware that:

- the treatment of the Mortgage Choice Share Rights will not affect the Scheme Consideration payable to Scheme Shareholders;
- no voting rights attach to the Mortgage Choice Share Rights and the Mortgage Choice Treasury Shares will not be voted at the Scheme Meeting; and
- at the Last Practicable Date, no Mortgage Choice Director holds any Mortgage Choice Share Rights.

c. Mortgage Choice Tax Exempt Share Plan

There are currently a number of Mortgage Choice Group employees who are participating in the Mortgage Choice Tax Exempt Share Plan, where such employees are entitled to sacrifice pre-tax salary for Mortgage Choice Shares.

Under the Scheme Implementation Agreement, Mortgage Choice agreed to ensure that, by no earlier than the Effective Date, there are no outstanding offers under the Mortgage Choice Tax Exempt Share Plan.

Accordingly, Mortgage Choice will not be offering any of the Mortgage Choice Group employees an opportunity to participate in the Mortgage Choice Tax Exempt Share Plan for the 2021-22 financial year.

9.3. Interests and dealings of Mortgage Choice Directors in securities of REA BidCo

a. Mortgage Choice Directors' interests in securities in REA BidCo

No Director has a Relevant Interest in any securities of REA BidCo or any of its Related Bodies Corporate.

b. Mortgage Choice Directors' dealings in securities in REA BidCo

No Director has acquired or disposed of a Relevant Interest in any securities in REA BidCo or any of its Related Bodies Corporate in the four month period ending on the date immediately before the date of this Scheme Booklet.

9.4. Benefits and agreements

a. Benefits in connection with retirement from office

There is no payment or other benefit that is proposed to be made or given to any Mortgage Choice Director, secretary or executive officer of Mortgage Choice (or any of its Related Bodies Corporate) as compensation for the loss of, or consideration for or in connection with his or her retirement from, office in Mortgage Choice (or any of its Related Bodies Corporate) in connection with, or that is materially affected by the implementation of, the Scheme.

b. Other agreements or arrangements connected with or conditional on the Scheme

There are no agreements or arrangements made between any Mortgage Choice Director and any other person, including REA BidCo, in connection with, or conditional on the outcome of, the Scheme.

c. Interests of Mortgage Choice Directors in contracts with REA BidCo

None of the Mortgage Choice Directors have any interest in any contract entered into by REA BidCo.

d. Benefits from REA BidCo

Other than as described in Section 9.4(b), none of the Mortgage Choice Directors have agreed to receive, or is entitled to receive, any benefit from REA BidCo, which is conditional on, or is related to, the Scheme other than in their capacity as a Mortgage Choice Shareholder.

9.5. Scheme Implementation Agreement

a. Introduction

On 28 March 2021, Mortgage Choice and REA entered into the Scheme Implementation Agreement. A full copy of the Scheme Implementation Agreement was attached to the Mortgage Choice announcement to the ASX relating to the entry into the Scheme Implementation Agreement dated 29 March 2021. A copy of the Scheme Implementation Agreement can be obtained from the ASX website at www.asx.com.au. A summary of the key terms of the Scheme Implementation Agreement is found in this Section 9.5.

b. Scheme Consideration

The consideration for each Mortgage Choice Share, as set out in the Scheme Implementation Agreement, is an amount of \$1.95 per Mortgage Choice Share.

c. Conditions Precedent

Implementation of the Scheme is subject to the satisfaction or waiver (as applicable) of the following Conditions Precedent:

- i. **Independent Expert's Report:** The Independent Expert does not withdraw or change its conclusion that the Scheme is in the best interests of Mortgage Choice Shareholders before 8.00am on the Second Court date;
- ii. **Orders convening Scheme Meeting:** The Court makes orders convening the Scheme Meeting under section 411(1) of the Corporations Act;
- iii. **Mortgage Choice Shareholder approval:** The Mortgage Choice Shareholders approve the Scheme Resolution by the Requisite Majorities at the Scheme Meeting;
- iv. **Court approval:** The Court approves the Scheme under section 411(4)(b) of the Corporations Act;
- v. **Court order lodged with ASIC:** A copy of the Court order approving the Scheme under section 411(4)(b) of the Corporations Act is lodged with ASIC;
- vi. **FIRB approval:** REA must receive written notification by or on behalf of the Treasurer of the Commonwealth of Australia under the FATA to the effect that the Commonwealth Government has no objection under its foreign investment policy to REA acquiring all the Mortgage Choice Shares under the Scheme, either on an unconditional basis or subject only to Standard Tax Conditions or such other conditions which are acceptable to REA (acting reasonably);
- vii. **No restraints:** No restraining order, injunction, decision or decree issued by a court of competent jurisdiction or other legal restraint or prohibition preventing the acquisition of all the Mortgage Choice Shares by REA, or otherwise preventing implementation of the Scheme, is in effect at 8.00am on the Second Court Date;
- viii. **No Mortgage Choice Prescribed Event:** No Mortgage Choice Prescribed Event occurs between the date of the Scheme Implementation Agreement (28 March 2021) and 8.00am on the Second Court Date. Mortgage Choice Prescribed Events include actions that relate to Mortgage Choice's solvency and share capital, like issuing shares, reducing share capital and so on, and also include various corporate actions that must not occur;
- ix. **No Material Adverse Change:** No Material Adverse Change occurs between the date of the Scheme Implementation Agreement (28 March 2021) and 8.00am on the Second Court Date. See Section 9.5(d) below for further details;

- x. **Representations and warranties:** Each of the representations and warranties given by Mortgage Choice and REA under the Scheme Implementation Agreement are true and correct as at the time given in all material respects in the context of the Scheme as a whole (or has been remedied by Mortgage Choice or REA (as applicable) within five Business Days, or is not of such materiality that the other party could terminate the Scheme Implementation Agreement for breach). See Section 9.5(h) for further details; and
- xi. **ASIC and ASX:** Before 8.00am on the Second Court Date, ASIC and ASX issue or provide any consents or approvals or do anything which the parties agree are reasonably necessary or desirable to implement the Scheme.

Mortgage Choice and REA have agreed to use their reasonable endeavours to satisfy, or procure the satisfaction of, the Conditions Precedent (to the extent relevant).

As far as the Mortgage Choice Directors are aware, as at the Last Practicable Date, no circumstances have occurred which will cause any of the Conditions Precedent not to be satisfied or to become incapable of satisfaction.

As at the Last Practicable Date, REA has applied for, but the Treasurer has not yet provided, notice that there are no objections to the Scheme under the FATA. An update on the status of FIRB approval will be provided at or before the Scheme Meeting.

d. Material Adverse Change

The Material Adverse Change condition will be triggered if a Material Adverse Change occurs, is announced or becomes known to REA or the Mortgage Choice Board after the date of the Scheme Implementation Agreement (28 March 2021) and before 8.00am on the Second Court Date.

A Material Adverse Change is an event or circumstance which has resulted in, or is likely to result in (either individually or when aggregated with other such events or circumstances):

- a diminution in the net assets of the Mortgage Choice Group by \$10 million or more;
- a diminution in the consolidated Cash EBITDA of the Mortgage Choice Group, taken as a whole, of at least \$2.5 million assessed on an annualised recurring basis; or
- a reduction in Settlements of at least \$1.2 billion, assessed on an annualised recurring basis.

However, a Material Adverse Change does not include any event or circumstance:

- required or expressly permitted to be done or procured by Mortgage Choice under the Scheme Implementation Agreement or the Scheme;
- to the extent Fairly Disclosed in the Mortgage Choice Disclosure Materials;
- which REA has previously approved in writing;
- within the actual knowledge of REA immediately prior to signing of the Scheme Implementation Agreement;
- that was disclosed to ASX, or disclosed in a document lodged with ASIC that is publicly available by or on behalf of Mortgage Choice, in each case within 12 months of the date of the Scheme Implementation Agreement;
- relating to reasonable third party costs and expenses incurred by Mortgage Choice associated with the Scheme process;
- comprising an actual or proposed change in applicable law, regulation or accounting policy, or arising from a pandemic (including the COVID-19 virus), in each case which does not impact Mortgage Choice disproportionately relative to its competitors;
- relating to any change or disruption to, or fluctuation in, the Australian housing market or mortgage finance market, or Australian or international financial markets, political or economic conditions, in each case which does not impact Mortgage Choice disproportionately relative to its competitors; or
- relating to any change in exchange rates or interest rates.

e. Termination

Either Mortgage Choice or REA can terminate the Scheme Implementation Agreement if:

- i. **Non-fulfilment of Condition Precedent:** A Condition Precedent for its benefit has not been fulfilled, or there is an act, failure to act or event which will prevent a Condition Precedent being fulfilled, by the relevant date (after Mortgage Choice and REA, having consulted in good faith, cannot reach an agreement to enable the Scheme to proceed by an alternative means or to extend the date for satisfaction of the Condition Precedent or the End Date);
- ii. **Appeal:** The Court refuses to make orders convening the Scheme Meeting or approving the Scheme, and Mortgage Choice and REA either agree to not appeal the decision or either Mortgage Choice or REA obtains the advice of an independent senior counsel of the New South Wales bar who states that, in his or her opinion, an appeal would have no reasonable prospect of success before the End Date (30 September 2021);
- iii. **End Date:** The Scheme has not become Effective on or before the End Date (30 September 2021);
- iv. **Material breach:** The other party is in material breach of the Scheme Implementation Agreement, in the context of the Scheme, and is not remedied by that party within 5 Business Days of notice of breach (or such shorter period ending on the Second Court Date); or
- v. **Agreement:** Mortgage Choice and REA mutually agree in writing.

In addition, REA may terminate if any member of the Mortgage Choice Board adversely changes (including by attaching any qualifications to) or withdraws his or her recommendation that the Scheme is in the best interests of Mortgage Choice Shareholders. If this occurs, Mortgage Choice may be liable to pay the Reimbursement Fee to REA (except in certain limited circumstances) – see Section 9.5(j) for further details.

Further, Mortgage Choice may terminate the Scheme Implementation Agreement if Mortgage Choice enters into a legally binding agreement concerning a Superior Proposal. However, Mortgage Choice would be liable to pay the Reimbursement Fee to REA – see Section 9.5(j) for further details.

f. Conduct of business

In general terms, during the period between 28 March 2021 and the Implementation Date, Mortgage Choice must conduct its business, operations and trading practices in the ordinary and usual course.

In addition, Mortgage Choice must also use reasonable efforts to:

- ensure its business, operations and trading practices are conducted in accordance with all applicable laws and contractual obligations, and as materially consistent with business plans, deployment roadmaps and budgets Fairly Disclosed in the Mortgage Choice Disclosure Materials, in all material respects;
- preserve intact its business organisation;
- keep available the services of its officers and employees;
- preserve its relationships with government agencies, its Franchisee and broker network, lender panel, employees, customers, suppliers and others having business dealings with it; and
- maintain its business and assets.

Mortgage Choice must also ensure that no Mortgage Choice Prescribed Event occurs, which include:

- actions that relate to Mortgage Choice's solvency and share capital, like issuing shares, reducing share capital and so on; and also
- various corporate actions that must not occur (for example, incurring any new financial indebtedness other than incurring debts with trade debtors in the ordinary course of business).

However, Mortgage Choice will be able to take any actions:

- expressly permitted, required or otherwise contemplated under the Scheme Implementation Agreement or the Scheme;
- Fairly Disclosed in the Mortgage Choice Disclosure Materials; or
- in respect of which REA consents in writing or which is requested in writing by REA.

See the definition of Mortgage Choice Prescribed Event in the Glossary for the full list, and see clause 6.4 of the Scheme Implementation Agreement for further restrictions on the conduct of Mortgage Choice's business between 28 March 2021 and the Implementation Date.

g. Mortgage Choice Board recommendation

Mortgage Choice must:

- include a statement in this Scheme Booklet that each Mortgage Choice Director recommends that Mortgage Choice Shareholders vote in favour of the Scheme, and will vote, or procure the voting of, any Mortgage Choice Shares held by him or her at the time of the Scheme Meeting in favour of the Scheme at the Scheme Meeting, in each case in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Mortgage Choice Shareholders;
- use its reasonable endeavours to procure that the Mortgage Choice Directors maintain that recommendation in favour of the Scheme (in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Mortgage Choice Shareholders); and
- participate in efforts reasonably requested by REA to promote the merits of the Scheme and the Scheme Consideration.

However, each of Mortgage Choice Directors can change his or her recommendation if fiduciary duties require him or her to do so. The Reimbursement Fee is generally payable to REA where there is such a change of recommendation, except in certain limited circumstances (described further at Section 9.5(j) below).

h. Representations and warranties

Mortgage Choice gives a number of representations and warranties to REA, including that:

- **Scheme Booklet:** This Scheme Booklet (other than the REA Information) will not contain any material statement which is false or misleading as at the date of dispatch of the Scheme Booklet;
- **Continuous disclosure:** Mortgage Choice is not in breach of its continuous disclosure obligations;
- **Compliance with law:** Other than as Fairly Disclosed in the Mortgage Choice Disclosure Materials, Mortgage Choice has complied in all material respects with all applicable laws and Authorisations (disregarding any instances of non-compliance that could not reasonably be expected to have a material adverse effect on Mortgage Choice);
- **Mortgage Choice Disclosure Materials:** The Mortgage Choice Disclosure Materials were collated and prepared in good faith by Mortgage Choice and Mortgage Choice is not aware of any information contained in the Mortgage Choice Disclosure Materials that is false or misleading in any material respect;
- **No default:** Other than as Fairly Disclosed in the Mortgage Choice Disclosure Materials, neither Mortgage Choice nor any of its wholly-owned subsidiaries is in default under any Material Contract binding on it or its assets, which individually or in aggregate could reasonably be expected to result in a Material Adverse Change; and
- **No litigation:** Other than as Fairly Disclosed in the Mortgage Choice Disclosure Materials, no litigation, arbitration, mediation, conciliation or administrative proceedings are taking place, pending or to its knowledge, threatened which, if adversely decided, could reasonably be expected to result in a Material Adverse Change.

REA also gives a number of representations and warranties to Mortgage Choice, including that:

- **Scheme Booklet:** The REA Information in this Scheme Booklet will not contain any material statement which is false or misleading as at the date of dispatch of the Scheme Booklet;
- **Adequate funding:** REA has a reasonable basis to believe it has the cash resources or access to adequate financial accommodation, sufficient to meet its obligation to pay the Scheme Consideration; and
- **No other approvals necessary:** To REA's knowledge, no consents, approvals or other acts by a government agency are necessary to effect implementation of the Scheme other than FIRB approval.

These representations and warranties are set out in full in clause 11 of the Scheme Implementation Agreement.

i. Exclusivity

The Scheme Implementation Agreement contains certain exclusivity arrangements in favour of REA. These arrangements are in line with market practice and are summarised as follows:

- **No shop:** During the Exclusivity Period, Mortgage Choice and its subsidiaries, representatives and advisers must not (directly or indirectly) solicit any discussions or agreements from any third party in relation to a Competing Proposal (the **No-shop Restriction**).
- **No talk:** During the Exclusivity Period, Mortgage Choice and its subsidiaries, representatives and advisers must not negotiate or enter into, or participate or continue any discussions or negotiations in relation to, or that may reasonably be expected to lead to, a Competing Proposal, or otherwise facilitate a Competing Proposal (or announce or communicate to any person an intention to do any of these things (the **No-talk Restriction**).
- **No due diligence:** During the Exclusivity Period, Mortgage Choice and its subsidiaries, representatives and advisers must not make available to any third party any non-public information about a Mortgage Choice Group Member that may reasonably be expected to assist a third party in formulating, developing or finalising a Competing Proposal (or otherwise enable any third party to undertake due diligence on a Mortgage Choice Group Member or their businesses or operations) (the **No-DD Restriction**).
- **Notification:** During the Exclusivity Period, Mortgage Choice must promptly inform REA if it receives:
 - an unsolicited approach with respect to any Competing Proposal, and must disclose to REA all material terms and conditions of the Competing Proposal, including consideration and the identity of the proponent; and
 - any request for information relating to the Mortgage Choice Group Members or any of their businesses or operations, or access to their books or records, which Mortgage Choice has reasonable grounds to suspect may relate to a current or future Competing Proposal.
- **Matching rights:** Mortgage Choice or any other Mortgage Choice Group Member must not enter into any legally binding agreement to give effect to a Competing Proposal unless:
 - the Mortgage Choice Board (acting in good faith and after receiving written advice from Mortgage Choice's financial and legal advisers and in order to satisfy what the Mortgage Choice Board considers to be its statutory or fiduciary duties) determines that the Competing Proposal would be or would be likely to be a Superior Proposal;
 - Mortgage Choice has given REA notice of the material terms and conditions of the Competing Proposal (including consideration and the identity of the third party); and
 - Mortgage Choice has given the REA Board at least 4 Business Days after Mortgage Choice gives REA the material terms and conditions of the Competing Proposal to provide a matching or superior proposal to the Competing Proposal and, after following the procedure described directly below, the Mortgage Choice Board determines that any REA Counterproposal would not provide an equivalent or superior outcome to Mortgage Choice Shareholders as a whole when compared with the Competing Proposal.
- **REA Counterproposal:** If REA provides a proposal (a **REA Counterproposal**) in response to a Competing Proposal, Mortgage Choice must procure that the Mortgage Choice Board considers the REA Counterproposal and determines whether, acting reasonably and in good faith, the REA Counterproposal would provide an equivalent or superior outcome to Mortgage Choice Shareholders as a whole when compared with the Competing Proposal. Following that determination, Mortgage Choice must:
 - procure that the Mortgage Choice Board promptly (and in any event within 1 Business Day) notifies REA of the determination in writing and states the reasons for that determination;
 - if the determination is that the REA Counterproposal would provide an equivalent or superior outcome to Mortgage Choice Shareholders as a whole when compared with the Competing Proposal, then REA and Mortgage Choice must use their best endeavours to agree the transaction documentation required to implement the REA Counterproposal as soon as reasonably practicable; and
 - if the determination is that the REA Counterproposal would not provide an equivalent or superior outcome to Mortgage Choice Shareholders as a whole when compared with the Competing Proposal, then REA may take steps to amend the REA Counterproposal to address the reasons given within a further 2 Business Days. Then, if the determination is that the REA Counterproposal would provide

an equivalent or superior outcome to Mortgage Choice Shareholders as a whole when compared with the Competing Proposal, then REA and Mortgage Choice must use their best endeavours to agree the transaction documentation required to implement the REA Counterproposal as soon as reasonably practicable.

The No-talk Restriction and No-DD Restriction do not apply in respect of a Competing Proposal where:

- there has not been a breach of the No-shop Restriction; and
- the Mortgage Choice Board, acting in good faith and after receiving written advice from Mortgage Choice's financial and legal advisers, determines that such Competing Proposal is or may reasonably be expected to constitute a Superior Proposal and that failing to respond to it would be reasonably likely to constitute a breach by the Mortgage Choice Board of its fiduciary duties or statutory obligations.

The No-talk and No-DD Restrictions also do not prevent Mortgage Choice from disclosing non-public information:

- to its auditors or advisers;
- as required under Mortgage Choice's existing contractual obligations (provided it is not done in a manner intended to circumvent the intent of the exclusivity provisions);
- to a government agency or regulatory body (e.g. ASX); or
- as otherwise required by applicable law.

These exclusivity provisions are set out in full in clause 8 of the Scheme Implementation Agreement.

j. Reimbursement Fee

Mortgage Choice has agreed to pay to REA a Reimbursement Fee of \$2.4 million (plus GST) if:

- **Competing Proposals:** Before the End Date:
 - Mortgage Choice enters into a legally binding agreement regarding a Competing Proposal before the End Date; or
 - a Competing Proposal is announced by a third party or received by Mortgage Choice and, within 12 months of such announcement or receipt, the third party or its associates unconditionally acquires voting power in, or a legal, beneficial or economic interest in, more than 50% of Mortgage Choice Shares,other than in circumstances where Mortgage Choice terminates the Scheme Implementation Agreement because:
 - any of the conditions in relation to FIRB approval and the REA representations and warranties will not be fulfilled;
 - REA is in material breach of the Scheme Implementation Agreement; or
 - the Scheme has not become Effective by the End Date;
- **Recommendation withdrawn:** Any Mortgage Choice Director does not recommend the Scheme or, before the End Date, withdraws or adversely modifies an earlier recommendation, or approves, endorses, recommends or makes an announcement indicating he or she no longer supports the Scheme or is in support of a Superior Proposal, other than:
 - in circumstances where Mortgage Choice terminates the Scheme Implementation Agreement because:
 - any of the conditions in relation to FIRB approval and the REA representations and warranties will not be fulfilled;
 - REA is in material breach of the Scheme Implementation Agreement; or
 - the Scheme has not become Effective by the End Date;
 - in circumstances where a court or government agency requires or requests that a Mortgage Choice Director abstain or withdraw its recommendation; or
 - because the Independent Expert concludes that the Scheme is not in the best interests of Mortgage Choice Shareholders, or the Independent Expert withdraws its Independent Expert's Report prior to 8.00am on the Second Court Date (in each case except where due wholly or partly to the existence of a Competing Proposal, in which case the Reimbursement Fee would still be payable); or

- **Material breach:** REA terminates the Scheme Implementation Agreement due to a material breach by Mortgage Choice.

Further, REA has also agreed to pay to Mortgage Choice a Reimbursement Fee of \$2.4 million (plus GST) if Mortgage Choice terminates the Scheme Implementation Agreement due to a material breach by REA.

However, a Reimbursement Fee is not payable if the Scheme nevertheless becomes Effective.

These provisions relating to the Reimbursement Fees are set out in full in clause 9 of the Scheme Implementation Agreement.

9.6. Deed Poll

REA has executed the Deed Poll in favour of the Scheme Shareholders under which REA covenants to provide, or procure the provision of, the Scheme Consideration in accordance with the Scheme. REA must also procure that REA BidCo complies with all of the relevant obligations of REA under the Deed Poll.

Pursuant to the Deed Poll, REA must, no later than two Business Days before the Implementation Date, pay or procure the payment into an Australian dollar denominated trust account, operated by Mortgage Choice as trustee for the Scheme Shareholders for the purpose of paying the Scheme Consideration to Scheme Shareholders, an amount equal to the aggregate amount of the Scheme Consideration payable to all Scheme Shareholders.

Under the Scheme, each Scheme Shareholder irrevocably appoints Mortgage Choice and each of its directors and officers (jointly and each of them severally) as its attorney and agent to enforce the Deed Poll against REA BidCo and REA.

A copy of the Deed Poll is set out in Annexure C of this Scheme Booklet.

9.7. Standstill arrangements

Under the Confidentiality and Standstill Deed dated 17 February 2021 between Mortgage Choice and REA (**Confidentiality and Standstill Deed**), REA and its Associates are subject to a standstill regime under which REA and its associates must not, among other things and subject to certain exceptions, acquire a relevant interest in any Mortgage Choice Shares (other than under the Scheme) until the earlier of 31 December 2021 and the time that:

- a takeover bid to acquire more than 50% of the Mortgage Choice Shares is announced by a person other than REA or its related bodies corporate (where such takeover is not recommended by the Mortgage Choice Board);
- a person other than:
 - REA or its related bodies corporate; or
 - a passive or institutional investor; or
 - existing substantial shareholder that could not reasonably be expected to make a competing proposal to acquire control of Mortgage Choice (other than where the acquisition is undertaken for the direct purpose of preventing the implementation of the Scheme),
 acquires 10% or more of the Mortgage Choice Shares;
- a public announcement is made that Mortgage Choice has entered into an agreement with a person other than REA or its related bodies corporate in respect of a transaction which, if completed, would result in a third party acquiring 50% or more of the Mortgage Choice Shares or the assets of Mortgage Choice and its related bodies corporate and, within two business days of request from REA, Mortgage Choice has not confirmed in writing to REA that it either:
 - has entered into standstill arrangements substantially the same as under the Confidentiality and Standstill Deed with the third party, its Associates and representatives; or
 - will not grant due diligence to that third party or its Associates and representatives unless and until it has entered into standstill arrangements substantially the same as under the Confidentiality and Standstill Deed with the third party, its Associates and representatives; or
- Mortgage Choice releases a third party which makes or announces a transaction which, if completed, would result in a third party acquiring 50% or more of the Mortgage Choice Shares or the assets of Mortgage Choice and its related bodies corporate, from a standstill arrangement.

9.8. ASIC relief and ASX waivers

a. ASIC relief

No ASIC relief has been sought for the purposes of the Scheme or the issue of this Scheme Booklet.

b. ASX waivers

No ASX waivers were sought for the purposes of the Scheme or the issue of this Scheme Booklet.

9.9. Formal disclosures and consents

The following parties have given and have not, before the date of this Scheme Booklet, withdrawn their written consent:

- to be named in this Scheme Booklet in the form and context in which they are named; and
- if applicable, to the inclusion of each statement it has made (if any) in the form and context in which the statement appear in this Scheme Booklet.

| Name | Role |
|--|---|
| Ashurst | Legal and tax advisers to Mortgage Choice |
| Grant Samuel Corporate Finance Pty Limited | Financial adviser to Mortgage Choice |
| Deloitte Touche Tohmatsu | External auditors to Mortgage Choice |
| Grant Thornton | Independent Expert |
| Link Market Services Limited | Share Registry |

REA:

- has assumed and accepted responsibility for the preparation and inclusion of the REA Information; and
- has given and has not, before the date of this Scheme Booklet, withdrawn its written consent to the inclusion of the REA Information in the form and context in which it appears in this Scheme Booklet.

Grant Thornton has given, and not withdrawn before the date of this Scheme Booklet, its written consent to the inclusion of its Independent Expert's Report in this Scheme Booklet in the form and context in which it appears in Annexure A and references to the Independent Expert's Report in the form and context in which they appear.

Each person named above:

- has not authorised or caused the issue of the Scheme Booklet;
- does not make or purport to make any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based, other than REA in respect of the REA Information and Grant Thornton in respect of the Independent Expert's Report; and
- to the maximum extent permitted by law, disclaims all liability in respect of, makes no representation regarding and takes no responsibility for any part of this Scheme Booklet, other than REA in respect of the REA Information and Grant Thornton in respect of the Independent Expert's Report.

9.10. Material litigation

To the best knowledge of the Mortgage Choice Directors and senior management, Mortgage Choice is not involved in any litigation or dispute which is material in the context of Mortgage Choice and its Subsidiaries taken as a whole.

9.11. No unacceptable circumstances

The Mortgage Choice Directors believe that the Scheme does not involve any circumstances in relation to the affairs of Mortgage Choice that could reasonably be characterised as constituting “unacceptable circumstances” for the purposes of section 657A of the Corporations Act.

9.12. Fees and expenses

The aggregate amount of the fees and expenses expected to be incurred by Mortgage Choice in connection with the Scheme is approximately \$4.1 million (excluding GST). This includes the following amounts (all excluding GST):

- a. fees and expenses paid or payable (excluding GST) to Mortgage Choice’s professional advisers (including its financial, legal, accounting, communications and tax advisers) of approximately \$3.9 million,
- b. fees paid or payable to the Independent Expert of approximately \$150,000; and
- c. Share Registry costs, fees and expenses associated with the Court proceedings, costs relating to design, printing and dispatch of this Scheme Booklet, expenses associated with convening and holding the Scheme Meeting and other general and administrative expenses in connection with the Scheme, of approximately \$50,000 in aggregate.

Of this, approximately \$2.15 million will be paid irrespective of whether the Scheme becomes Effective (and is implemented).

These amounts do not include the transaction costs that may be incurred by REA BidCo in relation to the Scheme.

9.13. Other information material to the making of a decision in relation to the Scheme

Except as set out in this Scheme Booklet, so far as the Mortgage Choice Directors are aware, there is no information material to the making of a decision by a Mortgage Choice Shareholder in relation to the Scheme, being information that is within the knowledge of any Mortgage Choice Director or director of any Related Body Corporate of Mortgage Choice, as at the date of this Scheme Booklet, which has not been previously disclosed to Mortgage Choice Shareholders.

9.14. Supplementary information

Mortgage Choice will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of this Scheme Booklet and the Effective Date:

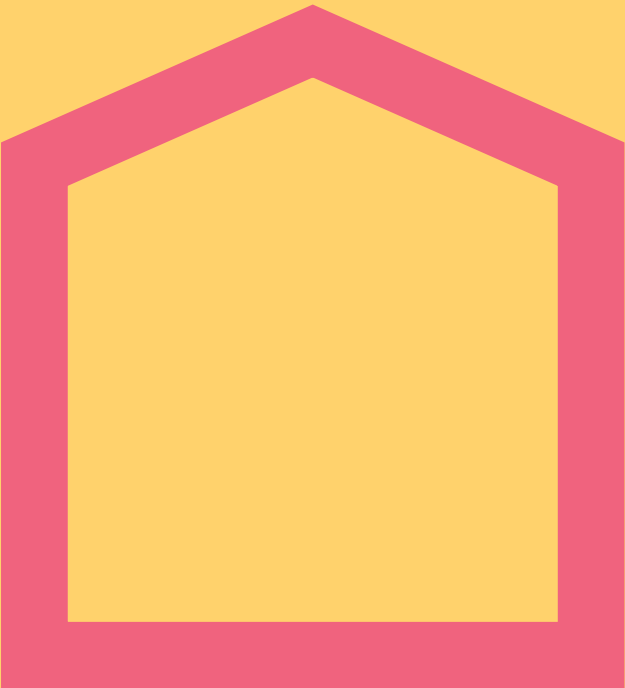
- a. a material statement in the Scheme Booklet is or becomes false or misleading in a material respect;
- b. a material omission from this Scheme Booklet;
- c. a significant change affecting a matter included in this Scheme Booklet; or
- d. a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet with ASIC.

Depending on the nature and timing of the changed circumstances, and subject to obtaining any relevant approvals, Mortgage Choice may circulate and publish any supplementary document by:

- a. making an announcement to ASX;
- b. placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- c. posting the supplementary document to Mortgage Choice Shareholders at their Registered Address as shown in the Register, or by email for Mortgage Choice Shareholders who have elected to receive communications electronically; or
- d. posting a statement on Mortgage Choice’s website at <https://www.mortgagechoice.com.au/>, as Mortgage Choice, in its absolute discretion, considers appropriate.

SECTION 10

Glossary



10.1. Definitions

The meanings of the terms used in this Scheme Booklet are set out below.

| Term | Meaning |
|--|---|
| ACL | Australian credit licence. |
| ADI | Authorised deposit-taking institutions. |
| AFSL | Australian Financial Service Licence. |
| Announcement Date | 29 March 2021, being the date of announcement of the Scheme to the ASX. |
| APRA | Australian Prudential Regulation Authority. |
| ASIC | Australian Securities and Investments Commission. |
| Associates | has the meaning set out in section 12 of the Corporations Act. |
| ASX | ASX Limited ACN 008 624 691, or the financial market operated by it, as the context requires. |
| ASX Listing Rules | the official listing rules of ASX. |
| Australian Accounting Standards | the accounting standards made by the Australian Accounting Standards Board in accordance with the Corporations Act, and the requirements of that Act relating to the preparation and content of accounts. |
| Business Day | a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Sydney, Australia. |
| Cash EBITDA | the Mortgage Choice Group earnings before net interest expense, tax, depreciation and amortisation (including amortisation of right-of-use assets) and adjusted to exclude the impact of IFRS revenue recognition of the net present value of expected future net trail commissions, but includes the impact of net trail commission cash received. Cash EBITDA is also adjusted to exclude the impact of share-based remuneration expenses. |
| CGT | Australian capital gains tax. |
| CHES | the clearing house electronic sub register system for the electronic transfer of securities operated by ASX Settlement Pty Limited ABN 49 008 504 532. |
| Competing Proposal | <p>a proposal, offer, transaction, agreement or arrangement that would, if ultimately entered into or completed substantially in accordance with its terms:</p> <ul style="list-style-type: none"> • result in any person (whether alone or with an Associate) other than a member of the REA Group acquiring (directly or indirectly); <ul style="list-style-type: none"> — voting power in, or a right to acquire a legal, beneficial or economic interest in, more than 20% of the Mortgage Choice Shares; — Control of Mortgage Choice; or — an interest in all or substantially all, or a material part of, the business or assets of Mortgage Choice; or • require Mortgage Choice to abandon, or otherwise fail to proceed with, the Scheme. |
| Conditions Precedent | the conditions to implementation of the Scheme set out in clause 3.2 of the Scheme Implementation Agreement. |
| Control | has the meaning given in section 50AA of the Corporations Act. |

| Term | Meaning |
|---------------------------------|--|
| Corporations Act | the <i>Corporations Act 2001</i> (Cth). |
| Corporations Regulations | the <i>Corporations Regulations 2001</i> (Cth). |
| Court | the Supreme Court of New South Wales, or such other court of competent jurisdiction under the Corporations Act as Mortgage Choice and REA agree. |
| Deed Poll | the Deed Poll executed by REA on 19 April 2021 under which REA undertakes in favour of each Scheme Shareholder to undertake all other actions attributed to them under the Scheme (including providing or procuring the provision of the Scheme Consideration to each Scheme Shareholder in accordance with the terms of the Scheme). A copy of the executed Deed Poll is included in Annexure C of this Scheme Booklet. |
| Effective | when used in relation to the Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme. |
| Effective Date | the date on which the Scheme becomes Effective. |
| End Date | 30 September 2021, subject to any extension made under clause 3.7 of the Scheme Implementation Agreement, or such other date as Mortgage Choice and REA agree. |
| Exclusivity Period | the period commencing on 28 March 2021 and ending on the earlier of: <ul style="list-style-type: none"> • the termination of the Scheme Implementation Agreement in accordance with its terms; • the Implementation Date; and • the End Date (which, as at the date of this Scheme Booklet, is 30 September 2021). |
| Fairly Disclosed | disclosed in sufficient detail and context so as to allow an acquirer to be aware of the nature and scope, a reasonable estimate of the budgeted or proposed cost and expense (as applicable) and the intended timing (where applicable) of the matter. |
| FATA | <i>Foreign Acquisitions and Takeovers Act 1975</i> (Cth). |
| FIRB | Foreign Investment Review Board. |
| First Court Date | the date on which the Court made orders convening the Scheme Meeting. |
| Franchise | any grant by a Mortgage Choice Group Member to any person of the right to engage in or carry on a business, or to sell or offer to sell any product or service, using or in association with any authorisation, trademark, system or other intellectual property owned by or in the possession of a Mortgage Choice Group Member. |
| Franchise Agreement | any contract, agreement, arrangement or understanding pursuant to which a Mortgage Choice Group Member grants or has granted any Franchise. |
| Franchisee | any person who is or was a party to a Franchise Agreement with any Mortgage Choice Group Member. |
| GST | has the meaning given in the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth). |
| Implementation Date | currently expected to be Thursday, 1 July 2021. |
| Independent Expert | Grant Thornton Corporate Finance Pty Ltd ABN 59 003 265 987 and AFSL 247 140. |

| Term | Meaning |
|------------------------------------|--|
| Independent Experts' Report | the report by the Independent Expert set out in Annexure A of this Scheme Booklet. |
| Last Practicable Date | 30 April 2021. |
| Material Adverse Change | <p>an event or circumstance which has resulted in, or is reasonably likely to result in (either individually or when aggregated with other such events or circumstances):</p> <ul style="list-style-type: none"> • a diminution in the net assets of the Mortgage Choice Group by \$10 million or more; • a diminution in the consolidated Cash EBITDA of the Mortgage Choice Group, taken as a whole, of at least \$2.5 million assessed on an annualised recurring basis; or • a reduction in Settlements of at least \$1.2 billion, assessed on an annualised recurring basis, <p>but does not include any event or circumstance:</p> <ul style="list-style-type: none"> • required or expressly permitted to be done or procured by Mortgage Choice under the Scheme Implementation Agreement or the Scheme; • to the extent Fairly Disclosed in the Mortgage Choice Disclosure Materials; • which REA has previously approved in writing; • within the actual knowledge of REA immediately prior to signing of the Scheme Implementation Agreement; • that was disclosed to ASX, or disclosed in a document lodged with ASIC that is publicly available by or on behalf of Mortgage Choice, in each case within 12 months of the date of the Scheme Implementation Agreement; • relating to reasonable third party costs and expenses incurred by Mortgage Choice associated with the Scheme process; • comprising an actual or proposed change in applicable law, regulation or accounting policy, or arising from a pandemic (including the COVID-19 virus), in each case which does not impact Mortgage Choice disproportionately relative to its competitors; • relating to any change or disruption to, or fluctuation in, the Australian housing market or mortgage finance market, or Australian or international financial markets, political or economic conditions, in each case which does not impact Mortgage Choice disproportionately relative to its competitors; or • relating to any change in exchange rates or interest rates. |
| Material Contract | <p>Any:</p> <ul style="list-style-type: none"> • Franchise Agreement; • origination, intermediary, broker, referral or aggregation (or similar) agreement entered into with a financial institution; or • contract or commitment: <ul style="list-style-type: none"> — requiring payments over the term of the contract in excess of \$500,000; or — for a term of more than two years, <p>to which a Mortgage Choice Group Member is party.</p> |
| Mortgage Choice | Mortgage Choice Limited ABN 57 009 161 979. |
| Mortgage Choice Board | the board of directors of Mortgage Choice. |
| Mortgage Choice Directors | any director of Mortgage Choice comprising part of the Mortgage Choice Board. |

| Term | Meaning |
|--|--|
| Mortgage Choice Disclosure Materials | <p>the information and documents Fairly Disclosed or made available by or on behalf of the Mortgage Choice Group to REA and its representatives, in:</p> <ul style="list-style-type: none"> • the online data room established for the purpose of the Scheme; or • the letter executed by Mortgage Choice and given to REA immediately before execution of the Scheme Implementation Agreement. |
| Mortgage Choice Employee Incentive Trust Deed | <p>the Mortgage Choice Limited Employee Incentive Trust Deed dated 8 August 2014 which established a trust in connection with equity incentive plans established by Mortgage Choice for the benefit of participants in those plans.</p> |
| Mortgage Choice Excluded Event | <p>an event:</p> <ul style="list-style-type: none"> • expressly permitted, required or otherwise contemplated under the Scheme Implementation Agreement or the Scheme; • Fairly Disclosed in the Mortgage Choice Disclosure Materials; or • in respect of which REA consents in writing or which is requested in writing by REA. |
| Mortgage Choice Group | <p>Mortgage Choice and its Subsidiaries (each a Mortgage Choice Group Member).</p> |
| Mortgage Choice Information | <p>the information contained in this Scheme Booklet, other than the REA Information and the information in Annexure A of this Scheme Booklet.</p> |
| Mortgage Choice Prescribed Event | <p>the occurrence of any of the following:</p> <ul style="list-style-type: none"> • Mortgage Choice converting any of its shares into a larger or smaller number; • Mortgage Choice resolving to reduce its share capital or reclassifying, combining, splitting, redeeming or repurchasing its shares; • Mortgage Choice entering into a buy-back agreement or resolving to approve the terms of a buy-back agreement; • Mortgage Choice declaring, paying or distributing any dividend, bonus or other share of profits or assets or returning or agreeing to return any capital to its members; or • Mortgage Choice amending its Operations Manual (other than in the ordinary course of business in order to implement reasonable increases in fees payable by Franchisees, or with the prior written consent of REA, not to be unreasonably withheld, conditioned or delayed). <p>Mortgage Choice Prescribed Events also includes the occurrence of any of the following in respect of a Mortgage Choice Group Member:</p> <ul style="list-style-type: none"> • issuing shares or convertible securities, granting options over shares or agreeing to make such an issue or grant (other than to a wholly-owned subsidiary or on vesting or exercise of, or in respect of, a Mortgage Choice Share Right); • making any change to its constitution; • acquiring, or disposing of, assets having a market value of \$500,000 or more (in aggregate); • transferring, buying back, retiring or terminating a Franchise Agreement or any arrangement with a Franchisee (except for cause or with the prior written consent of REA, not to be unreasonably withheld, conditioned or delayed); • consenting to the transfer by a Franchisee of their obligations under a Franchise Agreement without the prior written consent of REA, not to be unreasonably withheld, conditioned or delayed; • paying any retention, termination or severance payments to directors/employees whose annual remuneration is over \$140,000; • incurring financial indebtedness (other than ordinary trade debts); • granting, or agreeing to grant, a security interest over the whole or a substantial part of the Mortgage Choice Group's business or property; |

| Term | Meaning |
|---|---|
| Mortgage Choice Prescribed Event continued | <ul style="list-style-type: none"> • varying employment arrangements or remuneration of, or paying a bonus to, a director/employee whose annual remuneration is over \$140,000 (other than as part of Mortgage Choice's annual remuneration review program or otherwise in the ordinary course of business); • amending or accelerating the terms of an employee share scheme (other than to deal with the Mortgage Choice Share Rights, Mortgage Choice Treasury Shares or Mortgage Choice Tax Exempt Plan); • losing, transferring, cancelling, allowing to lapse or accepting any conditions in respect of a material authorisation required to operate its business; • permanently ceasing, or threatens to permanently cease, to carry on the business conducted as at the date of the Scheme Implementation Agreement; or • an insolvency event occurring. |
| Mortgage Choice Share | an issued fully paid ordinary share in the capital of Mortgage Choice. |
| Mortgage Choice Share Rights | a performance share right to subscribe for a Mortgage Choice Share. |
| Mortgage Choice Share Rights Plan | the share rights plan adopted by the Mortgage Choice Board on or around August 2013. |
| Mortgage Choice Shareholder | each person who is registered in the Register as a holder of a Mortgage Choice Share. |
| Mortgage Choice Shareholder Information Line | the information line set up for the purpose of responding to enquiries from Mortgage Choice Shareholders in relation to the Scheme, being 1300 034 141 (within Australia) or +61 03 9415 4816 (outside Australia) on Business Days between 8.30am and 5.00pm (Sydney time) Monday to Friday, excluding public holidays. |
| Mortgage Choice Tax Exempt Share Plan | the plan entitled the Mortgage Choice Tax Exempt Share Plan commencing operation on or about 25 July 2013. |
| Mortgage Choice Treasury Shares | a Mortgage Choice Share held by Pacific Custodians Pty Limited for the purposes of issuing shares under the Mortgage Choice Share Rights Plan. |
| NCCP Act | <i>National Consumer Credit Protection Act 2009 (Cth).</i> |
| Notice of Scheme Meeting | the notice in relation to the Scheme Meeting set out in Annexure D of this Scheme Booklet. |
| Proxy Form | proxy form in relation to the Scheme Meeting, in the form annexed at Annexure E. |
| REA | REA Group Limited ABN 54 068 349 066. |
| REA BidCo | REA Financial Services Holding Co. Pty Ltd ACN 649 505 386. |
| REA Group | REA and its Subsidiaries. |
| REA Information | <p>the information about REA BidCo and the REA Group contained in:</p> <ul style="list-style-type: none"> • the following questions and answers in Section 2 of this Scheme Booklet: <ul style="list-style-type: none"> — "Who is REA BidCo, REA and the REA Group?"; — "Does the REA Group own Mortgage Choice Shares?"; — "How is REA BidCo funding the Scheme Consideration?"; • Section 6; and • Section 10 – the definitions of "REA BidCo", "REA", "REA Group" and "REA Information". |

| Term | Meaning |
|--|---|
| Register | the share register of Mortgage Choice. |
| Registered Address | in relation to a Mortgage Choice Shareholder, the address of the shareholder shown in the Register as at the Scheme Record Date. |
| Reimbursement Fee | \$2.4 million (excluding GST). The circumstances in which the Reimbursement Fee will be payable by either Mortgage Choice or REA (as applicable) are summarised in Section 9.5(j) of this Scheme Booklet. |
| Related Body Corporate | has the meaning given in section 50 of the Corporations Act. |
| Relevant Interest | has the meaning given in sections 608 and 609 of the Corporations Act. |
| Requisite Majorities | approval of the Scheme Resolution by: <ul style="list-style-type: none"> • unless the Court orders otherwise, a majority in number (i.e. more than 50%) of Mortgage Choice Shareholders present and voting on the Scheme Resolution at the Scheme Meeting, either in person or via Mortgage Choice's online meeting platform, or by proxy, attorney or, in the case of corporate Mortgage Choice Shareholders, body corporate representative; and • at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by Mortgage Choice Shareholders, either in person or via Mortgage Choice's online meeting platform, or by proxy, attorney or, in the case of corporate Mortgage Choice Shareholders, body corporate representative. |
| Scheme | the scheme of arrangement under Part 5.1 of the Corporations Act pursuant to which all Scheme Shares will be transferred to REA BidCo, in the form set out in Annexure B of this Scheme Booklet (subject to any amendment or modification made pursuant to section 411(6) of the Corporations Act and agreed to by Mortgage Choice and REA). |
| Scheme Booklet | this document, including the Annexures to it. |
| Scheme Consideration | the consideration to be provided by REA or REA BidCo to each Scheme Shareholder for the transfer to REA BidCo of each Scheme Share, being for each Mortgage Choice Share held by a Scheme Shareholder as at the Scheme Record Date, an amount of \$1.95. |
| Scheme Implementation Agreement | the Scheme Implementation Agreement between Mortgage Choice and REA dated 28 March 2021. A summary is set out in Section 9.5 of this Scheme Booklet and a copy is attached at Annexure F. |
| Scheme Meeting | the meeting of Mortgage Choice Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider the Scheme. |
| Scheme Order | the order of the Court under section 411(4)(b) of the Corporations Act approving the Scheme, with or without modifications or conditions as are thought fit by the Court. |
| Scheme Record Date | the record date for determining entitlements to the Scheme Consideration, which is expected to be 7.00pm (Sydney time) on the second Business Day after the Effective Date. |
| Scheme Resolution | the resolution to approve the Scheme to be voted on at the Scheme Meeting, as set out in the Notice of Scheme Meeting. |
| Scheme Share | a Mortgage Choice Share held by a Scheme Shareholder. |
| Scheme Shareholder | each person who is registered in the Register as a Mortgage Choice Shareholder as at the Scheme Record Date. |

| Term | Meaning |
|---------------------------------|--|
| Second Court Date | <p>the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard, or, if the application is adjourned or subject to appeal for any reason, the first day on which the adjourned or appealed application is heard.</p> <p>The hearing of the application made to the Court for the order under section 411(4)(b) of the Corporations Act approving the Scheme is the Second Court Hearing.</p> |
| Settlements | the aggregate settlement amounts advanced by lenders net of offset balances, in relation to settled loans originated by Franchisees. |
| Share Registry | Link Market Services Limited ABN 54 083 214 537. |
| Standard Tax Conditions | the tax-related conditions in the form, or substantially in the form, of those set out under the heading 'Standard tax conditions' in Part D of FIRB's Guidance Note 12 on 'Tax Conditions' (in the form released on 18 December 2020). |
| Subsidiary | has the meaning given in the Corporations Act. |
| Superior Proposal | <p>a bona fide written Competing Proposal which the Mortgage Choice Board, acting in good faith and after having obtained written advice from Mortgage Choice's financial and legal advisers, determines:</p> <ul style="list-style-type: none"> • is capable of being implemented within a reasonable timeframe and in accordance with its terms; and • would, if so implemented, result in a more favourable outcome for the Mortgage Choice Shareholders than would result from the implementation of the Scheme, <p>taking into account all aspects (including all of the terms and conditions) of the Competing Proposal, including:</p> <ul style="list-style-type: none"> • the conditions associated with the Competing Proposal, including any shareholder approval requirements of the person making the Competing Proposal; • any respective requirement for all or part of the acquisition consideration payable to Mortgage Choice Shareholders being other than cash, and, if so, the respective nature, attributes and liquidity of such non-cash consideration and the risks associated with such non-cash consideration; • the identity, reputation and financial condition of the person making the Competing Proposal as compared to REA, and the funding proposed by the person making the Competing Proposal to effect such Competing Proposal; and • any other matters reasonably affecting the probability of the Competing Proposal being completed. |
| Total Cash Consideration | \$1.95 per Mortgage Choice Share. |
| VWAP | volume weighted average price based on market trading volume and value. |

10.2. Interpretation

In this Scheme Booklet, unless the context requires otherwise:

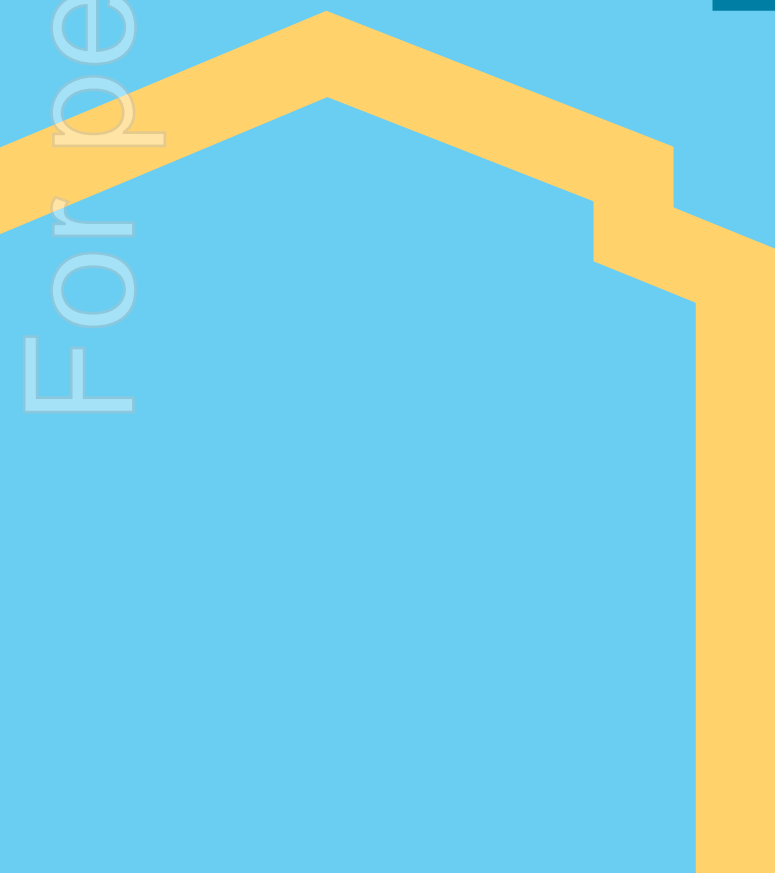
- a. headings are inserted for convenience and do not affect the interpretation of this Scheme Booklet;
- b. words and phrases in this Scheme Booklet have the same meaning given to them (if any) in the Corporations Act;
- c. the singular includes the plural and vice versa;
- d. a gender includes all genders;
- e. a reference to a person includes a corporation, partnership, joint venture, association, unincorporated body or other body corporate and vice versa;
- f. if a word is defined, another part of speech has a corresponding meaning;
- g. a reference to a Section or Annexure is a reference to a Section or Annexure of this Scheme Booklet;
- h. a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- i. unless expressly stated otherwise, a reference to time is a reference to time in Sydney; and
- j. unless expressly stated otherwise, a reference to dollars, \$, A\$ or cents is a reference to the lawful currency of Australia.

ANNEXURE A

Independent Expert's Report



For personal use only



Mortgage Choice Limited

Independent Expert's Report and Financial Services Guide

3 May 2021



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Directors
Mortgage Choice Limited
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North Sydney NSW 2060

3 May 2021

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Introduction

Mortgage Choice Limited ("Mortgage Choice", or "the Company" or "MOC") is one of the leading Australian mortgage broker networks with 386 franchises, 516 brokers and a loan book of A\$54.1 billion as at 31 December 2020. The national network of mortgage brokers offers a broad range of residential mortgage products from a panel of over 28 financial institutions. MOC listed on the Australian Securities Exchange ("ASX") in 2004 and it had a market capitalisation of circa A\$240 million as at 15 April 2021.

REA Group Ltd ("REA") is a digital advertising business specialising in property and it operates several of Australia's leading residential and commercial property websites, including "realestate.com.au". REA is listed on the ASX with a market capitalisation of circa A\$20 billion on or around the date of this report.

On 29 March 2021, MOC announced that it had entered into a Scheme Implementation Agreement ("SIA") with REA under which it is proposed that a wholly owned subsidiary of REA will acquire 100% of the issued shares of the Company ("MOC Shares") by way of scheme of arrangement ("Scheme") for a cash consideration of A\$1.95 per share ("Scheme Consideration"). The Scheme Consideration represents an enterprise value of circa A\$244 million.

The Scheme permits the payment of the interim dividend of 4 cents per MOC Share announced on 18 February 2021 and paid on 15 April 2021, which will not reduce the Scheme Consideration.

If the Scheme is implemented, REA intends to leverage off its digital expertise, high intent property seekers and unique data insights across MOC's large mortgage broker network, which complements the existing Smartline broker footprint.

The Scheme is subject to the conditions precedent set out in Section 1 of this Independent Expert's Report ("IER") including approvals by MOC shareholders ("Shareholders"), the Court and the Foreign Investment Review Board ("FIRB").

The SIA contains customary exclusivity provisions including no shop and no talk restrictions and a matching counterproposal right for REA in the event the Directors receive a superior proposal. The SIA also details circumstances under which both MOC and REA may be required to pay a reimbursement fee of A\$2.4 million if the Scheme does not proceed.

Subject to no superior proposal emerging and an independent expert concluding and continuing to conclude that the Scheme is in the best interests of MOC Shareholders, each of the MOC Directors unanimously recommend that MOC Shareholders vote in favour of the Scheme and subject to the same qualifications, all Directors intend to vote, or procure the voting of all MOC Shares held or controlled by them (12.7% in aggregate) in favour of the Scheme.



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Purpose of the report

The Directors of the Company have requested Grant Thornton Corporate Finance to prepare an IER stating whether the Scheme is in the best interest of security holders of the Company for the purposes of Section 411 of the Corporations Act.

When preparing this IER, Grant Thornton Corporate Finance has had regard to the Australian Securities Investment Commission's ("ASIC") Regulatory Guide 111 *Contents of expert reports* ("RG 111") and Regulatory Guide 112 *Independence of experts* ("RG 112"). The IER also includes other information and disclosures as required by ASIC.

Summary of opinion

Grant Thornton Corporate Finance has concluded that the Scheme is FAIR AND REASONABLE and hence in the BEST INTERESTS of MOC Shareholders.

In forming our opinion, Grant Thornton Corporate Finance has considered whether the Scheme is fair and reasonable to Mortgage Choice Shareholders and, as part of that consideration, has had regard to other quantitative and qualitative considerations.

Fairness Assessment

Grant Thornton Corporate Finance has compared the fair market value of Mortgage Choice before the Scheme on a control basis with the Scheme Consideration. The following table summarises our fairness assessment.

| Fairness assessment A\$ per share | Section Reference | Low | High |
|---|----------------------|-------------|--------|
| Fair market value of Mortgage Choice Shares before the Scheme | 6 | 1.66 | 1.97 |
| Scheme Consideration | 1 | 1.95 | 1.95 |
| Premium/(discount) | | 0.29 | (0.02) |
| Premium/(discount) (%) | | 17.4% | (1.1%) |
| FAIRNESS ASSESSMENT | | FAIR | |

Source: GTCF analysis

The Scheme Consideration is at the high-end of our assessed valuation range of Mortgage Choice on a control basis. Accordingly, we conclude that the Scheme is **FAIR** to MOC Shareholders.

MOC Shareholders should be aware that our assessment of the value per MOC Share should not be considered to reflect the price at which MOC Shares may trade if the Scheme is not implemented. The price at which MOC Shares will ultimately trade depends on a range of factors, including: the available public market for MOC Shares, the residential real estate market, macro-economic conditions, interest rates and the performance of MOC's business.

We have assessed the fair market value of Mortgage Choice Shares on a control basis adopting the EBITDA Multiple Method, the DCF Method and the Quoted Share Price Method as summarised below.



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| Valuation assessment summary | Section | | |
|--|-----------|-------------|-------------|
| A\$ per share | Reference | Low | High |
| EBITDA Multiple Method | 6.2 | 1.62 | 1.86 |
| Quoted Security Price Method | 6.3 | 1.64 | 2.00 |
| DCF Method | 6.4 | 1.72 | 2.05 |
| Assessed fair market value per share (average, control basis) | | 1.66 | 1.97 |

Source: GTCF analysis

EBITDA Multiple Method

Based on our analysis, we have selected a forecast normalised cash EBITDA in the range of A\$20 million to A\$23 million having regard to the following:

- The low end of our EBITDA range is supported by the annualised 1H FY21 results of c. A\$19.5 million, which however reflects generally weaker market conditions than at present. During the 6 months ending 31 December 2021 ("1H FY21"), new housing loan commitments (ex. refinancing) averaged A\$22.6 billion¹ per month. This has since increased by c. 27%² in January and February 2021.
- The high end of our EBITDA range reflects a continuation of the strong housing market conditions and increasing productivity of MOC franchises following the recent growth in greenfield franchises after the implementation of the new remuneration model and the growing market share of mortgage brokers and aggregators³. Furthermore, in the last two years, the Company has invested in more efficient IT systems and increased its spend on sales and marketing to support the future growth of the business (refer to section 6.2.1 for further details).

We have selected an EBITDA multiple applicable to Mortgage Choice of 10.0x on a control basis after considering both trading multiples of listed peers and comparable transactions. In determining our multiple, we have mainly relied on the trading multiple of ASX-listed Australian Finance Group Limited ("AFG") given its highly comparable operations to Mortgage Choice. We note that AFG is currently trading at a forecast multiple of c. 10x on a minority basis. We have also considered comparable transactions including Finsure Holding Pty Ltd ("Finsure"), Smartline Home Loans Pty Ltd ("Smartline"), Connective Group Pty Ltd ("Connective") and Consolidated Finance Group ("CFG") (refer to section 6.2.2 for further details).

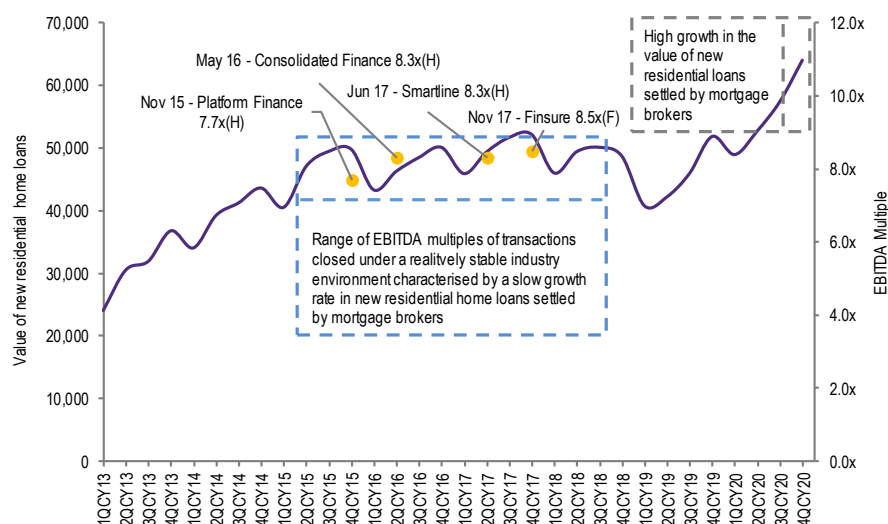
In the graph below we have tracked the historical value of new residential home loans settled by mortgage brokers compared with the historical transaction multiples. As set out below, transactions in the industry have historically occurred between 8.0x and 8.5x EBITDA in conjunction with quarterly new settlements of circa A\$40-50 billion. Settlements in Q4 2020 were A\$64 billion and this is expected to increase further in Q1 2021. We are of the opinion that the buoyant market conditions justify the adoption of a higher EBITDA multiple of 10.0x.

¹ Australian Bureau of Statistics – Lending Indicators, February 2021.

² Ibid.

³ We note that although the improved property market conditions are yet to materialise in higher EBITDA for MOC, there is typically a time lag between the commencement of the loan approval process and the purchase of a property of between 8 to 12 weeks or longer.

Historical EBITDA multiples of transactions and value of new home loan settlements



Source: GTCF analysis, Industry report

We have set out below a summary of the valuation assessment based on the EBITDA Multiple.

| FME Method - valuation summary | Section | | |
|--|-----------|----------------|----------------|
| A\$ '000 (except where stated otherwise) | Reference | Low | High |
| Assessed maintainable EBITDA | 6.2.1 | 20,000 | 23,000 |
| Assessed EBITDA Multiple (on control basis) | 6.2.2 | 10.0x | 10.0x |
| Enterprise value (on control basis) | | 200,000 | 230,000 |
| Add: Pro forma cash balance as at 31 march 2021 | | 2,654 | 2,654 |
| Equity value (on control basis) | | 202,654 | 232,654 |
| Number of ordinary outstanding shares ('000s) ¹ | 4.5 | 124,997 | 124,997 |
| Value per share (on control basis) (A\$ per Share) | | 1.62 | 1.86 |

Sources: S&P Global, Management, GTCF analysis

Note (1): We note that we have not included the dilution from the MOC Share Rights in our valuation assessments as it is already reflected in the multiples of listed peers and transactions, which would be expected to have in place similar incentive structures.

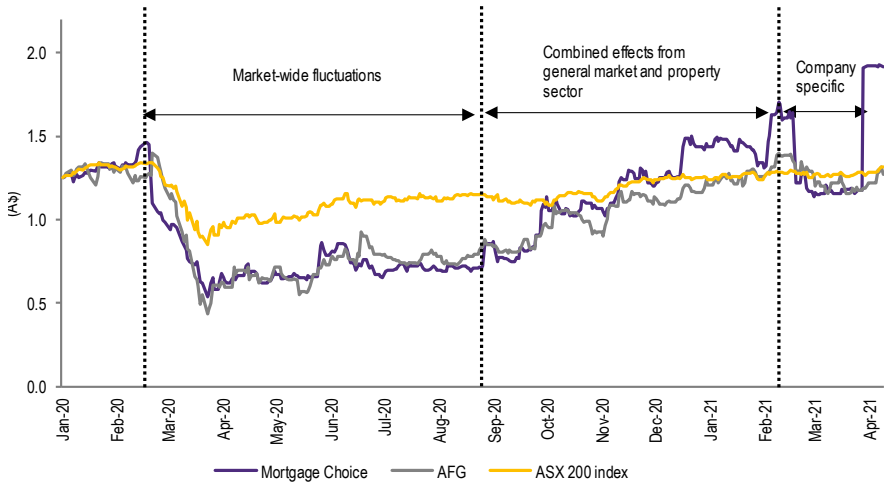
Source: GTCF analysis

Quoted Security Price Method

As part of our valuation procedures based on the trading price, we have analysed the performance of Mortgage Choice's share price since January 2020. During this period Mortgage Choice shares have traded between a maximum of A\$1.705 on 9 February 2021 and a minimum of A\$0.54 on 23 March 2020. Below we present Mortgage Choice share price movements compared with AFG and the ASX 200 Index ("ASX200") rebased to Mortgage Choice's share price in order to gather insights compared with the broader market and a key competitor.



Share price performance of Mortgage Choice, AFG and ASX 200 (rebased to the MOC's share price)



Source: GTCF analysis, S&P Global

Movements in Mortgage Choice share price were initially driven and aligned with market wide fluctuations linked to the outbreak of COVID-19 and subsequent recovery.

Between mid-August and mid-February 2021, the market continued to improve and positive property-sector specific indicators supported a rapid rise in the share price of Mortgage Choice. At the beginning of February, the trading prices of MOC, and to a less extent of AFG, increased materially on the back of a number of industry analysts (including the big four banks) releasing optimistic housing market outlooks including double digit price growth for the next two years driven by strong demand for new loan commitments and record low interest rates. The trading prices of MOC increased from a closing share price of A\$1.325 on 2 February 2021 to A\$1.705 on 09 February 2021

Between 17 February (the day before the half-year results were announced) and 1 March 2021, the share price dropped by c. 30% from A\$1.705 to A\$1.140. Whilst Mortgage Choice underperformed the market in its H1 FY21 results, we are of the opinion that the correction in the trading prices of circa 30% was particularly severe in the light that the reported cash EBITDA of A\$9.8 million and IFRS EBITDA of A\$7.8 million for H1 FY21 were substantially in line, when annualised, with FY21 consensus forecast IFRS EBITDA of A\$15.6 million. Accordingly, we have considered appropriate to rely on both the trading prices before the announcement of the half year results and the announcement of the Scheme in our valuation assessment. We have selected a value range between A\$1.37 and A\$1.43 having regard to the 3 months VWAP before the announcement of the Scheme and of the H1 FY21 results respectively, to which we have applied a premium for control between 20% and 40%.

| Quoted Security Price Method | Section Reference | Low | High |
|---------------------------------------|-------------------|-------|-------|
| A\$ per share | | | |
| Value per share (on a minority basis) | 6.3 | 1.37 | 1.43 |
| Control premium | Appendix E | 20.0% | 40.0% |
| Value per share (on a control basis) | | 1.64 | 2.00 |

Source: GTCF analysis

DCF Method

We have built a financial model projecting the post-tax free cash flows of Mortgage Choice up to 30 June 2023 ("GT Model") and calculated a terminal value at that point in time. In preparing the GT Model we have relied on year-to-date results for the period ending 31 January 2021 ("YTD"), historical financial performance, high level scenarios prepared by Management up to 30 June 2024 ("Management Projection Scenarios") and industry and competitor benchmarks.

A summary of the key assumption underlying the DCF assessment is set out below.

- **Growth in settlement and loan book value** – We have adopted FY21 settlements of A\$12.2 billion, broadly in line with the annualised settlements for 1HFY21, which implies a growth of circa 22% from FY20. We have then tapered off the annual growth in settlements to 14% in FY22 (settlements of A\$13.9 billion), and 6% in FY23 (settlements of A\$14.7 billion) based on consensus forecast and a benchmark with other market participants. Regarding the run-off rate, we have assumed a normalised rate of circa 19.2%, based on Mortgage Choice's historical run-off rate before the impact of COVID-19.
- **Fees** – Flat upfront fee of 0.65% and trail rate trending down and then stabilising at 0.17% in the terminal year.
- **Pay-out ratio** – The pay-out ratio adopted in the GT Model averages 77%, which is a slight increase to the historical pay-out commission since the introduction of the new remuneration structure and in line with the ratio adopted by the brokers.
- **EBITDA and EBITDA margins** – The cash EBITDA margin implied in the GT Model is 10% in FY21 increasing to 11% from FY22. The higher margin from FY22 reflects increased productivity of greenfields and brokers and improved operating leverage.
- **Synergies** – We have included in our valuation assessment certain cost synergies that would be available to a potential purchaser of Mortgage Choice and one-off implementation costs.
- **Terminal year assumption** – From FY24 onward, we have assumed that the Company will reach a steady-state, and we have assumed a perpetual growth rate of 3.0%.
- **Discount rate** – We have assessed the discount rate between 10.0% and 11.0% based on the WACC. Refer to Appendix B for details

We have set out below a summary of the valuation assessment based on the DCF Method.

| DCF Method - valuation summary | Section Reference | Low | High |
|--|-------------------|----------------|----------------|
| A\$ '000 (except where stated otherwise) | | | |
| Enterprise value on a control basis | 6.4 | 217,260 | 259,180 |
| Add: Pro forma cash balance as at 31 march 2021 | 6.4 | 2,654 | 2,654 |
| Less: Fair value of Performance Rights | 6.4 | (5,169) | (5,169) |
| Equity Value (control basis) | | 214,745 | 256,664 |
| Number of outstanding shares ('000s) (fully diluted) | 4.6.1 | 124,997 | 124,997 |
| Value per share (control basis) (A\$ per Share) | | 1.72 | 2.05 |

Source: GTCF analysis



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Reasonableness Assessment

Under RG 111, the Scheme is reasonable if it is fair. Notwithstanding the above, we have summarised below advantages, disadvantages and other factors in relation to the Scheme.

Advantages

Premium for control

A premium for control is applicable when the acquisition of control of a company or business would give rise to benefits such as the ability to realise synergies, access technology, access tax benefits and control of the board of Directors of the Company. The Scheme Consideration of A\$1.95 per MOC Share represents a premium of:

- 66.0% to closing share price immediately before announcement of the Scheme.
- 66.1% to the 1-week VWAP⁴.
- 66.4% to the 2-week VWAP.
- 66.8% to the 1-month VWAP.
- 42.5% to the 3-month VWAP.

This premium for control is unlikely to be available to MOC Shareholders in the absence of the Scheme or a superior proposal, and we are of the opinion that it is unlikely for the trading prices of MOC to increase in line with the Scheme Consideration at least in the short term.

Certainty of the cash consideration

MOC Shareholders have the opportunity to receive a certain cash amount at a significant premium to the trading price of MOC before the announcement of the Scheme and at a premium to the price that MOC shares may trade in the short term in the absence of the Scheme or an alternative transaction. If the Scheme is implemented, MOC shareholders will no longer be exposed to the ongoing risks associated with holding an investment in MOC which are summarised below in a non-exhaustive manner:

- *Growth in the number of brokers* – In order for Mortgage Choice to achieve trading prices in line with the Scheme Consideration, it is required to significantly grow its loan book which can mainly be obtained by increasing the number of loan writers and/or their productivity. Both of them presents some risks and challenges. The loan book of the Company has remained substantially flat moving in a narrow range between A\$52 billion in December 2016 to A\$54.1 billion in December 2020. Whilst MOC has faced a number of challenges during this period with the restructure of the commission allocation implemented on 1 August 2018, the outcome of the Royal Banking Commission⁵ and the outbreak of COVID-19, the Company has not historically demonstrated an ability to significantly grow its loan book.

⁴ Volume Weighted Average Price.

⁵ The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry was a royal commission established on 14 December 2017 by the Australian government to inquire into and report on misconduct in the banking, superannuation, and financial services industry. Commissioner Hayne submitted a final report to the Governor-General on 1 February 2019 with 76 separate recommendations. The final report and the government's response to the report were made public on 4 February 2019.



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In 1HFY21, despite settlements increasing by 21% on the previous corresponding period, the strong upfront growth in revenue was offset by an increase in the upfront and trail payout as well as an increase in the run-off of the loan book. The increased level of savings by households during COVID-19 due to reduced spending, government stimulus, and early access to super, resulted in an unprecedented amount of cash being “saved” into the nation’s mortgages through early principal reduction and deposits to offset accounts. The run-off rate was further increased by a refinance boom during a period of historically low interest rates.

The number of new franchise recruits has steadily increased since 1HFY19 through to 1HFY21. However, this growth has been almost entirely offset by buybacks of franchises and inactive franchises. The number of loan writers in the network bottomed out in April 2020 and has risen in the months following to 31 December 2020. However, the number of loan writers is substantially flat as compared to June 2019, notwithstanding that the Company has invested significant resources in sales, marketing and IT.

The quality of the franchise network and the productivity of the brokers has improved in the last couple of years and this is expected to provide benefits to the business going forward in terms of a continued increase in settlements. However substantial risks remain in relation to the ability of MOC on a stand-alone basis to generate the growth required for the share price to trade on or around the Scheme Consideration in the short to medium term.

- *Commission payout* – The percentage of the commissions paid away to the brokers has continued to increase over the last few years for MOC with the payout ratio on the trail book increasing from 70.1% in 1HFY19 to 72.8% in 1HFY21. This is related to the introduction of a new remuneration model in August 2018. The change of the remuneration model followed a trend in the industry that sees larger payouts to the brokers. AFG, for example, has seen the proportion of commissions paid to the brokers network increasing from circa 80% to around 90% over the course of the last 15 years. Whilst the Company expects this percentage of payout to plateau in the short-term, if this trend continues, it will erode MOC’s profitability and it may offset some of the top-line growth that the Company may be able to achieve.
- *Alternative business models* – Connective Group Pty Ltd (“Connective”) is the largest mortgage aggregator and they have a different business model to MOC and other industry players in so far that Connective charges most of its members a fixed monthly membership fee rather than a share of commissions generated, which is more rewarding for brokers. Connective passes through 100% of a broker’s commission but nets out the various fees it charges for its services. In addition, Connective does not have lock-in contracts for their brokers⁶. This business model is clearly attractive for brokers as they are able to retain 100% of the upfront and trialling commissions paid by the banks (net of fees) and they have the freedom to change network and retain their portfolio of clients and trialling commissions. This business model was previously only adopted by Connective and other B2B mortgage brokers but it is now becoming more popular across the industry driven by changes in the regulatory environment and in order to be more competitive. This may create additional competitive tension for MOC and represents a potential barrier to achieve significant growth in the number of brokers. However, we note that the franchise model adopted by MOC, generally results in a lower broker churn rate than other models as a result of the additional benefits for brokers of being part of a franchise.

⁶ Under MOC’s standard franchise agreement, if the franchisee leaves the network, it is required to find a new purchaser which is vetted by Mortgage Choice, or Mortgage Choice can buyback the franchise.



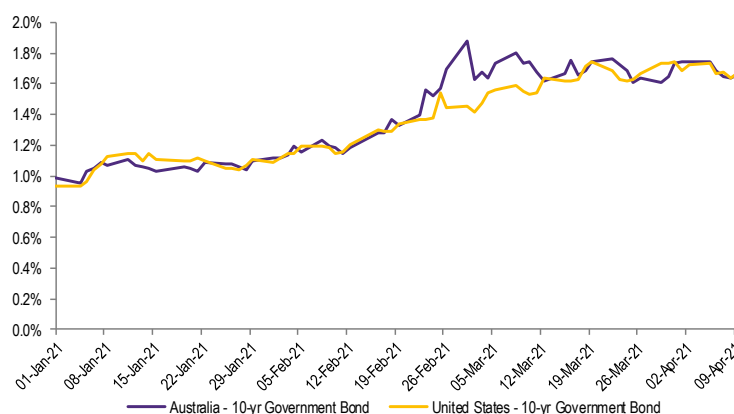
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- **Change in market conditions** – The industry is currently benefiting from strong market conditions in the residential property market and strong demand for home-loans in conjunction with historically low interest rates, APRA reducing the mortgage interest rate serviceability threshold⁷ and the outbreak of COVID-19 being mostly under control in Australia. Buoyant real estate market conditions have led to a favourable outlook for the mortgage broking industry as the volume and value of real estate transactions increases. We are of the opinion that the Scheme Consideration reflects the current favourable market conditions and growth expectations given the premium for control over MOC's trading prices. However there is no guarantee that these conditions will continue for the foreseeable future which poses some risks on the stand-alone valuation of Mortgage Choice. Some trends are starting to appear that may have an adverse impact on the residential real estate market as set out below:

- Whilst the residential property market is currently booming, long term bond rates have increased materially on the back of higher inflation expectations as set out in the graph below. If interest rates continue to increase for a sustained period of time, it may have an adverse impact on the residential property market and mortgage settlements.

Australia and United States 10-year Government Bond Yields



Source: S&P Capital IQ

- As house prices are increasing in Australia at the fastest pace since 2003⁸, there is the risk that regulators may intervene to limit lending and hence contain house prices growth if there is a deterioration of lending standards and/or a rapid growth in high risk loans. The Council of Financial Regulators (APRA, ASIC, Reserve Bank and Treasury) has indicated in its latest official statement that it is monitoring lending standards which have currently been maintained at an acceptable level. Accordingly, whilst they have indicated that there is no need to intervene, market analysts and commentators are of the opinion that the probability of an intervention from the Federal Government, APRA or the RBA has increased since the beginning of the year. In New Zealand for example, which, similarly to Australia, experienced a significant increase in house prices⁹, the Government has taken a number of steps to

⁷ In a letter to ADIs issued in July 2019, APRA confirmed its updated guidance on residential mortgage lending that it will no longer expect them to assess home loan applications using a minimum interest rate of at least 7%. Instead, ADIs will be able to review and set their own minimum interest rate floor for use in serviceability assessments and utilise a revised interest rate buffer of at least 2.5% over the loan's interest rate.

⁸ CoreLogic

⁹ 20% increase in house prices year on year at the end of 2020.

reduce house prices and lending growth and increase housing affordability as summarised below:

- The remit of the Reserve Bank of New Zealand has been changed so that it has to take into account government policy relating to more sustainable house prices, while working towards its objectives.
- The NZ government will phase out negative gearing¹⁰ by stopping residential property investors from offsetting home loan interest costs as an expense against their income from those properties. The deductibility will be phased out over the next four years.
- The duration that investors have to hold a property before they are exempted from capital gains tax after selling has also been extended from five years to ten years.

Whilst Australia has not indicated that it will follow New Zealand's regulatory approach to curbing house price growth and increasing housing affordability, this topic is highly debated and the current market conditions pose a risk that a government intervention may be required.

- *Regulatory environment* – The Federal Government has indicated that both upfront and trailing commissions will stay in place until 2022, at which time there will be a review by the Australian Competition and Consumer Commission and the Council of Australian Financial Regulators. Any changes to the regulatory framework as a result of this review could have an impact on the mortgage broking industry or Mortgage Choice's operations and may adversely impact the operations and future financial performance of the Company. The industry has also been preparing for the introduction of the Best Interests Duty and Conflicted Remuneration reform which were outcomes of recommendations from the Royal Banking Commission. The Best Interests Duty became operational from 1 January 2021 and MOC introduced enhancements to its technology platform to ensure achievement of full compliance by this date. The changes in the regulatory environment increase compliance and administrative costs for the business and the brokers. Individual brokers will require support to meet the new regulations which may also adversely affect the productivity of the network given the additional time required for these administration and compliance tasks.

There is no doubt that over the next three years, the industry will face potential transformational changes and increased scrutiny and compliance which pose risks and uncertainties for all the market participants. We note that in June 2019¹¹, AFG announced the creation of a new senior role to deal with regulatory issues as it prepared for a period of intense negotiations with all the stakeholders involved and the regulatory bodies.

- *Competitive marketplace* – Mortgage Choice operates in an industry which is highly competitive and against other market participants that are well capitalised and able to tap into a supportive shareholder base to fund growth opportunities, including industry consolidation and industry changes. As set out below, most of Mortgage Choice's competitors in the marketplace are part of large and vertically integrated groups or well capitalised businesses which have greater access to capital.

¹⁰ A policy which, similarly to Australia, allows property investors to deduct interest and other expenses on investment properties from their taxable income.

¹¹ On 11 June 2019, AFG announced that Mr Mark Hewitt will take up the new position of General Manager Industry and Partnership Development to focus on engagement with regulators and to drive positive change across the industry.



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- AFG/Connective – The acquisition of Connective by AFG, if completed¹², will combine the two largest mortgage aggregators in Australia increasing the enlarged entity market share to over 39%¹³ and a national distribution of in excess of 6,500 brokers. We note that AFG's current market capitalisation is circa A\$750 million and it has unrestricted cash of circa A\$120 million as at 31 December 2020.
- REA initially acquired 80.3% of the Smartline business in June 2017 for A\$67 million while also entering into a strategic partnership with NAB. In July 2019, it announced that it had bought the remaining 20% for A\$16 million. Smartline has a national network of in excess of 400 mortgage brokers and it operates as a franchise network.
- The Loan Market Group recently acquired 100% of the three broker aggregation businesses being Choice Aggregation Services, FAST and PLAN Australia from National Australia Bank (NAB). Under the acquisition, business owners can shift between business models suited to them. The purchase of the three networks from NAB makes Loan Market one of the largest aggregators in Australia, with over 5,000 mortgage brokers. It also has operations in New Zealand, having purchased New Zealand wholesale mortgage aggregation business Allied Kiwi in 2012 (from New Zealand Financial Services Group), and Kepa Aggregation in 2020.
- Liberty Network Services Pty Ltd ("Liberty") acquired wholesale aggregator National Mortgage Brokers ("NMB") from Aussie Home Loans, effective 2 August 2017. At the time of the acquisition, NMB had a team of 400 brokers and a loan book of almost A\$14 billion. Liberty is a leading diversified finance company in Australia and New Zealand. Its businesses include residential and commercial mortgages, motor vehicle finance, personal loans and investments. Liberty has raised more than \$20 billion in domestic and international capital markets¹⁴.
- Aussie Home Loans (Aussie), which is currently 100% owned by CBA, has entered into an agreement to merge with Lendi, Australia's number one home loan platform, as announced on 16 December 2020. The merger has not yet completed but once it finalises, Aussie's broker and franchisee network is expected to benefit from Lendi's market leading digital technology platform, and vice versa. The merger will result in one of the biggest cross-channel mortgage brokers in the country. Aussie's network includes more than 970 brokers and over 210 stores and the company has a loan book of over A\$70 billion. Lendi is an online based mortgage broker with a panel of 35 lenders and over 2,500 products and has settled over A\$12 billion worth of homes since inception.
- Goldfields Money Limited ("Goldfields") acquired Finsure, a privately-owned mortgage aggregation business in September 2018. Finsure, through the wholesale mortgage management division, also provides white label home loans product funded by third parties. The company had a broker network of approximately 1,435 loan writers, a total loan book value of A\$33.2 billion, and annual settlements of A\$12.3 billion as at 30 June 2018.

¹² In August 2019, AFG announced that it had entered into a binding conditional implementation deed to merge with Connective which at the time had a network of over 3,600 brokers across five states with a panel of more than 50 lenders. The combined group will create a significant national mortgage distribution network, with more than 6,575 brokers and combined mortgage settlements of \$76 billion in FY19. The transaction is still pending as at the date of this Report.

¹³ Market shares are based on the estimated aggregators' broker network as at 11 June 2019 and a total broker population of 17,000

¹⁴ Source – Liberty's website.



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No brokerage costs

MOC Shareholders will be able to realise their investment in MOC without incurring any brokerage or stamp duty costs.

Disadvantages

Timing of the transaction is somewhat opportunistic

In mid-2018, MOC introduced a new remuneration model for the franchise network structured to increase their share of commissions. Whilst the change in the remuneration structure has better positioned the business for future growth by attracting and retaining successful brokers, the implementation occurred during challenging times for the industry due to the findings of the Royal Banking Commission, the potential regulatory changes proposed by the Labor Party at the time of the 2019 Federal election and the outbreak of COVID-19. Since the change in the remuneration structure, MOC has been focussing on re-invigorating the distribution network with a large number of buybacks of non-performing franchises and the establishment of new greenfield operators. The broker network has now stabilised with settlements per franchise increasing to A\$26 million in FY20 from the lows in FY19 but they are still below the settlement levels achieved in FY16.

The timing of the Scheme is somewhat opportunistic due to the following:

- It comes at a time when the current buoyant market conditions and the re-invigoration of the franchise network are yet to translate into profitability.
- The Company has put in place a number of strategic changes in its sales and marketing teams which are expected to assist in the growth of the network.
- The share price at the time the Scheme was announced was depressed due to 1HFY21 results being below market expectations given that the growth in settlements did not translate into an increase in the loan book due to the high level of refinancing and savings held by households. We note that at the time of the announcement of the Scheme, the trading prices of MOC were still significantly below the pre-COVID-19 levels.

Notwithstanding the above, we are of the opinion that the somewhat opportunistic timing of the Scheme was more than offset by the above market premium for control paid by REA of 66.8% to the 1 month VWAP before the announcement of the Scheme, compared with the average premium for control between 20% and 40% historically paid in Australia for successful takeover transactions.

Shareholders will not be able to participate in the future upside of MOC

If the Scheme is implemented, MOC Shareholders will forgo the opportunity to participate in the future upside potential of the Company and any uplift in current market conditions. If the Scheme is implemented, MOC Shareholders will forgo the benefits that may arise from the following:

- After a couple of years of stagnant market conditions, the housing market and mortgage settlements have been growing rapidly from the end of 2020 due to the following key factors:



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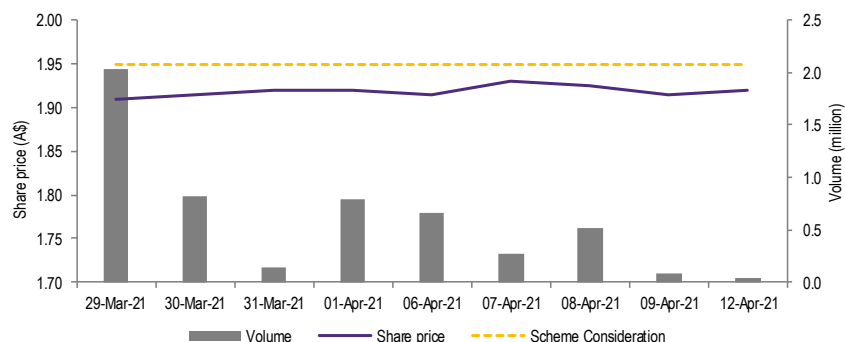
- In light of the COVID-19 pandemic and the resulting disruption to the global economy, the RBA, like other central banks around the world, reduced the cash rate to a historic low of 0.1% in November 2020. Historically low interest rates are expected to continue in the short term to support the recovery and boost demand from consumers. The RBA has also announced a formal quantitative easing program that has allowed the central bank to inject money through buying government bonds, which reduces borrowing rates, increases the supply of money and stimulates spending and economic activity. In light of the outlook and the international context, the RBA has also decided to purchase an additional A\$100 billion of bonds issued by the Australian Government and states and territories when the current bond purchase program is completed in mid-April. The RBA has indicated that it does not intend to raise the cash rate until actual inflation is sustainably within the 2 to 3 per cent target range.
- In the first quarter of 2021 all capital cities have recorded strong property price growth with the five capital city aggregate experiencing a 5.6% growth to 31 March 2021. House prices are expected to experience strong growth in 2021 and 2022, with all major banks forecasting significant double digits growth.
- At the beginning of March 2021, Q4 GDP figures for 2020 were released by the Australian government with economic growth of 3.1% vs a forecast of 2.5% which provided further confidence for a quick recovery from the recession caused by the outbreak of COVID-19. Year-on-year, GDP was only 1.1% down on pre-COVID-19 level. On the back of the strong 3.4% GDP growth in Q3 2020, this was the first time in the more than 60 years that GDP has grown by more than 3 percent in two straight quarters. Household consumption was particularly strong with 4.3% growth. These strong macro-economic data should provide support for the expected recovery.
- Mortgage brokers and aggregators have been expanding their products and services via the provision of white label products as well as products associated with a securitisation program which allows them to retain a greater share of the revenue generated from the client. For example, AFG established its securitisation funding business in 2007 via the creation of AFG Securities. This division allows AFG to fund its own loans, through the process of securitisation, rather than re-branding loans funded by external lenders. Management of MOC has preliminarily investigated the establishment of a securitisation program however this is in its infancy and significant capital expenditure is expected to be required to fund the establishment of the upfront warehouse facility plus investments in people, IT systems, policies and procedures. Given this potential growth opportunity is in its infancy and MOC has not committed resources to its launch, we have not captured it in our base case and we have only included it in one of the upside sensitivity scenarios.
- The introduction of the Best Interests Duty on 1 January 2021 is expected to increase consumer reliance on the broker channel at the expense of direct-to-consumer channels due to a search for an unbiased service. This process is also expected to be accelerated by the major banks reducing their physical distribution network in order to respond to changes in consumer behaviours and with the goal of reducing costs and preserving profitability in a low interest rate environment. However we note that at the same time the banks are reducing their physical networks, they are expanding their mobile and digital lending services.

Other factors

Share price after the announcement

As set out below, following the announcement of the Scheme, the share price of MOC has traded substantially in line with or slightly below the Scheme Consideration which seems to indicate good support from investors, a perceived low risk of the Scheme not being implemented and limited expectations for a superior proposal.

Trading price after the announcement date



Sources: S&P Global, GTCF analysis.

Value of MOC for REA

Based on the announcement released by REA in relation to the acquisition of MOC, we understand that it intends to complement MOC with its existing Smartline broker footprint which will result in greater national coverage and strengthen REA's strategy of providing consumers with greater choice when in the market for a home loan. It also allows REA to monetise its large market share by deepening the relationships with the end-customers. REA expects the acquisition to be immediately earnings-per-share accretive with potential further uplift from future cost and revenue synergies. We have included a proportion of the synergies available to a pool of potential purchasers in our valuation assessment.

Prospects of a superior offer

Whilst MOC has agreed not to solicit any competing proposals or, subject to a fiduciary exception, to participate in discussions or negotiations in relation to any competing proposals, there are no material impediments to an alternative proposal being submitted by potentially interested parties. The transaction process may act as a catalyst for other interested parties and it will provide significant additional information in the Scheme Booklet and Independent Expert's Report to enable such potential acquirers to assess the merits of potential alternative transactions. If a superior proposal emerges before MOC Shareholders cast their vote on the Scheme, the Scheme meeting may be adjourned or MOC Shareholders may vote against it.

We note that in the event that a competing superior proposal is announced and completed or the Directors withdraw their recommendation of the Scheme, MOC will pay to REA a reimbursement fee of A\$2.4 million plus GST subject to certain exceptions. The reimbursement fee may also become payable under other circumstances as set out in the Scheme Booklet.



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Share price in the absence of the Scheme

In the absence of the Scheme or an alternative transaction, all other things being equal, it is likely that MOC Shares will trade at a price below the Scheme Consideration, at least in the short-term. In our opinion, the prospect of MOC shares trading above the Scheme Consideration in the short term is limited, however we are of the opinion that due to the current buoyant market conditions, MOC's trading price may settle at a level higher than before the announcement of the Scheme.

Implications if the Scheme is not implemented

If the Scheme is not implemented, it would be the current Directors' intention to continue operating MOC as a stand-alone entity in line with its stated strategy and objectives. Accordingly, the Company would need to prioritise growth in the franchise network and increase broker productivity in order to improve the financial performance and monetise on the strategic changes implemented since mid-2018.

Tax implications

Implementation of the Scheme may crystallise a capital gains tax liability for MOC Shareholders, however the taxation consequences for MOC Shareholders will vary according to their individual circumstances and will be impacted by various factors. MOC Shareholders should read the overview of tax implications of the Scheme set out in Section 8 of the Scheme Booklet and also seek independent financial and tax advice.

Conclusion on the reasonableness

Based on the qualitative factors identified above, it is our opinion that the Scheme is REASONABLE.

Overall conclusion

After considering the abovementioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the Scheme is **FAIR AND REASONABLE** to Mortgage Choice Shareholders in the absence of a superior alternative proposal emerging.

Other matters

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

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

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD

ANDREA DE CIAN
Director

JANNAYA JAMES
Authorised Representative

Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Mortgage Choice appointed Grant Thornton Corporate Finance Pty Ltd to provide general financial product advice in the form of an independent expert's report in relation to the Scheme.

2 Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the Report, Grant Thornton Corporate Finance's client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the Report, Grant Thornton Corporate Finance will receive from Mortgage Choice a fixed fee of A\$150,000 (plus GST) which is based on commercial rates, plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.



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5 Independence

Grant Thornton Corporate Finance is required to be independent of Mortgage Choice in order to provide this report. The guidelines for independence in the preparation of independent expert's reports are set out in RG 112 *Independence of expert* issued by ASIC. The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with Mortgage Choice (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Scheme.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Scheme, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of RG 112 "Independence of expert" issued by the ASIC."

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Australian Financial Compliance Authority (membership no. 11800). All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Compliance Authority who can be contacted at:

Australian Financial Compliance Authority
GPO Box 3
Melbourne, VIC 3001
Telephone: 1800 931 678

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the General Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

7 Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

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1 Outline of the Proposed Transaction

1.1 Other key terms of the Proposed Transaction

We have set out below some of the key terms of the SIA:

- *Conditions precedent* – the SIA includes the following conditions precedent:
 - Approval of the Scheme by MOC Shareholders (Scheme Meeting and General Meeting) and by the Court in accordance with Section 411(4) (b) of the Corporations Act.
 - The Independent Expert issues a report which concludes that the Scheme is in the best interests of MOC Shareholders before the date on which the Scheme Booklet is lodged with ASIC and the Independent Expert does not withdraw or change that conclusion before the Second Court Date¹⁵.
 - FIRB approval.
 - No MOC Prescribed event, no Material Adverse effect, and other conditions precedent typical for a transaction of this type.
- *Shares and MOC Treasury Shares*– MOC has 124,997,440 fully paid ordinary shares on issue (including 765,039 MOC Treasury Shares). MOC Treasury Shares will become ordinary shares and acquired by REA under the Scheme. However, at the time of the Scheme meeting the MOC Treasury Shares will be unallocated shares and accordingly, they will be not be voted at the Scheme meeting (please refer to section 9.2 of the Scheme Booklet for more details regarding the MOC Treasury Shares).
- *MOC Share Rights* - The Company has 3,313,458 performance share rights ("MOC Share Rights") issued to Mortgage Choice employees or other participants to subscribe for fully paid ordinary shares. Under the SID, Mortgage Choice agreed to ensure that, by no earlier than the Scheme becomes effective, there are no outstanding MOC Share Rights. In particular, under the SID, Mortgage Choice must: vest the MOC Share Rights in accordance their terms, or cash settled them for an amount that does not exceed A\$6,461,243¹⁶, or take any action as may otherwise be necessary to cancel the MOC Share Rights. Refer to section 9.2 of the Scheme Booklet for details.
- *Reimbursement Fee* – A reimbursement fee of A\$2.4 million may become payable by MOC to REA if during the exclusivity period the Scheme does not proceed due to:
 - A competing proposal is announced by a third party and within twelve months from its announcement, any third party acquires a relevant interest in more than 50% of MOC.
 - Any of the MOC Directors withdraws or adversely revises or qualifies their voting intention or recommendation to vote in favour of the Scheme, except in limited circumstances set out in the SIA.

¹⁵ As defined in the SID.

¹⁶ Calculated as the total number of MOC Share Rights on issue multiplied by the Scheme Consideration.



- REA terminates the SIA due to a material breach by MOC of the terms of the SIA.

Others – The SIA contains customary exclusivity provisions including no shop and no talk restrictions, due diligence investigation and information exclusivity, and a matching counterproposal right for REA in the event the Directors receive a superior proposal.



2 Purpose and scope of the report

Grant Thornton has read and reviewed the Expert Witness Code of Conduct and agrees to be bound by it.

Grant Thornton confirms that over the course of the engagement, it has made all the inquiries considered desirable and appropriate by an independent expert (save for any matter identified explicitly in the report), and that no matters of significance which the expert regards as relevant have, to the knowledge of the expert, been withheld from the court.

2.1 Purpose

Section 411 of the Corporations Act

Section 411 of the Corporations Act 2001 regulates scheme of arrangements between companies and their members. Part 3 of Schedule 8 of the Corporations Regulations 2001 prescribes information to be sent to shareholders and creditors in relation to members' and creditors' scheme of arrangement pursuant to Section 411 of the Corporations Act.

Part 3 of Schedule 8 (s640) of the Corporations Regulations requires an independent expert's report in relation to a scheme to be prepared when a party to that scheme has a shareholding greater than 30% in the company subject to the scheme, or where any of its directors are also directors of the company subject to the scheme. In those circumstances, the independent expert's report must state whether a scheme is in the best interests of shareholders and state reasons for that opinion. Even where there is no requirement for an independent expert's report, documentation for a scheme of arrangement typically includes an independent expert's report.

While there is no legal requirement for an independent expert's report to be prepared in respect of the Scheme, the Directors of MOC have requested Grant Thornton Corporate Finance to prepare an independent expert's report to express an opinion as to whether the Scheme is in the best interests of MOC Shareholders.

2.2 Basis of assessment

In determining whether the Scheme is in the best interests of the Company's members, Grant Thornton Corporate Finance has had regard to relevant Regulatory Guides issued by the ASIC, including RG 111, Regulatory Guide 60 Scheme of arrangement ("RG60") and RG 112. The IER will also include other information and disclosures as required by ASIC. We note that neither the Corporations Act nor the Corporations Regulations define the term "in the best interests of members".

RG 111 establishes certain guidelines in respect of independent expert's reports prepared for the purposes of the Corporations Act. RG111 is framed largely in relation to reports prepared pursuant to Section 640 of the Corporations Act and comments on the meaning of "fair and reasonable" in the context of a takeover offer. RG111 requires an independent expert report prepared for a change of control transaction implemented by way of scheme of arrangement to undertake an analysis substantially the same as for a takeover bid. However, the opinion of the expert should be whether or not the proposed scheme is "in the best interests of the members of the company". If an expert were to conclude that a proposal was "fair and reasonable" if it was in the form of a takeover bid, it will also conclude that the proposed scheme is "in the best interests of the members of the company".



Pursuant to RG111, an offer is “fair” if the value of the offer price or consideration is equal to or greater than the value of the securities that are subject of the offer. A comparison must be made assuming 100% ownership of the target company.

RG111 considers an offer to be “reasonable” if it is fair. An offer may also be reasonable if, despite not being “fair” but after considering other significant factors, shareholders should accept the offer in the absence of any higher bid before the close of the offer.

In our opinion, the most appropriate way to evaluate the fairness of the Scheme is to compare the fair market value of Mortgage Choice on a control basis with the market value of the Scheme Consideration.

In considering whether the Scheme is in the best interests of Mortgage Choice shareholders, we have considered a number of factors, including:

- Whether the Scheme is fair.
- The implications to Mortgage Choice Shareholders if the Scheme is not implemented.
- Other likely advantages and disadvantages associated with the Scheme.
- Other costs and risks associated with Scheme that could potentially affect Mortgage Choice shareholders.

2.3 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance (a 100% subsidiary of Grant Thornton Australia Limited) considered its independence with respect to the Proposed Transaction with reference to RG 112 issued by ASIC.

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

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

In our opinion, Grant Thornton Corporate Finance is independent of Mortgage Choice and its Directors and all other relevant parties of the Proposed Transaction.

Compliance with APES 225 Valuation Services

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



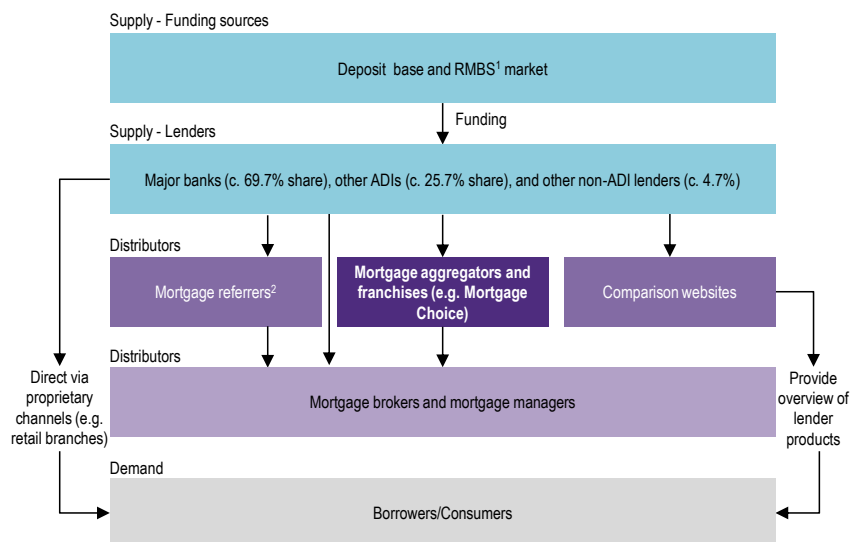
"An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances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

3 Industry overview

3.1 Industry structure

The Australian residential mortgage industry spans multiple markets across banking, financial services, property development and wealth management. It encompasses companies involved in the sourcing, origination and distribution of housing loan products and borrowers seeking to finance residential properties for owner-occupier and investment purposes. Mortgages are distributed from lenders to consumers either directly or through third-party distribution channels, such as mortgage brokers. As shown in the graph below, Mortgage Choice with its franchises acts as an intermediary between the lenders and the borrowers.

The mortgage distribution ecosystem



Source: GTCF analysis

Note: (1) RMBS refers to the residential mortgage-backed security market. (2) Mortgage referrers are part of the ecosystem, but they do not distribute mortgages. We note that some brokers go directly to lenders.

Supply – Funding & Lenders

Lenders principally consist of authorised deposit-taking institutions ("ADIs")¹⁷ which include the four major banks (CBA, WBC, NAB and ANZ), mid-tier banks, international banks, customer-owned institutions (e.g. credit unions) and non-traditional lenders. Lenders typically source funding from their deposit base, residential mortgage-backed securities ("RMBS") and debt capital markets.

The four major banks dominate the mortgage lending scene in Australia, accounting for circa 70% of the industry assets. However, competition from smaller ADIs and non-traditional lenders has increased in recent years, mainly as a result of the Banking Royal Commission's recommendations and findings which have created disloyalty among the customers base of the Big Four banks. Further, the rising use of online,

¹⁷ 93.3% of all residential loans outstanding are originated from ADIs as at September 2018, with the remainder (6.7%) originated by non-ADI lending institutions, including securitisation vehicles and other non-traditional lenders.



mobile and digital platforms has supported the growth of non-traditional lenders such as Firstmac, Pepper, Resimac and Athena and other fintech businesses ("Fintech"¹⁸). In addition, the non-traditional lenders are able to provide a more personal approach to credit assessment through more tailored solutions and cost-effective pricing.

Distribution channels and intermediaries

Mortgages are primarily distributed direct to borrowers or through third-party channels. Direct distribution channels allow lenders to offer their loan products directly to borrowers, using a proprietary channel which the lender owns or has control over, such as the physical branch network. The two major third party distribution channels are mortgage brokers and mortgage managers. Both brokers and managers facilitate the market by matching borrowers with lenders. Intermediaries can be divided into the following main categories:

- **Mortgage Brokers** – Mortgage brokers assist with selecting an appropriate mortgage product, arranging documentation for the application and coordinating negotiations with the lender. Brokers tend to offer a suite of products from multiple accredited lending institutions. They tend to operate either individually or as part of a franchise or aggregator network and must either hold an Australian Credit License ("ACL") or, as is the case for Mortgage Choice, operate as a credit representative under a franchisor's or aggregator's ACL.
- **Mortgage Aggregators / Franchises** – Mortgage aggregators and franchises (collectively referred to as aggregators) act as a conduit between a network of brokers and a lending panel. They also act as a support platform that provides services to both brokers and lenders. Many brokers engage or join aggregators or franchises to access their vast panel of lenders and to benefit from their business resources. Aggregators operate on behalf of their members (or brokers) to provide access to panel lenders, industry support, training and development, software and administration services. By "aggregating" the loan books of multiple brokers, the aggregator or the franchise is able to achieve a cost scale benefit in providing support services to broker. Mortgage franchises are similar to mortgage aggregators, however franchises tend to have a corporate brand and a physical presence in the form of a branch network. In addition, franchises typically provide more extensive support and structure to brokers, such as business development, leads, marketing and enhanced training and development, than normal aggregators. As a result, franchises typically distribute a smaller share of commissions to brokers for the additional services. Despite their differences, franchise and aggregator models are not mutually exclusive, and some brokers operate as a hybrid model.
- **Mortgage Managers** – Non-traditional lenders often rely on mortgage managers to distribute their loan products. Unlike mortgage brokers, mortgage managers continue involvement with the client after the loan settlement. Mortgage managers are responsible for the day-to-day management, administration and general servicing of the loans.
- **Comparison Websites** – Comparison websites contain information on home loan interest rates and product attributes. These websites provide their services free of charge to consumers and serve as a sales lead generation tool for lenders. Further certain website offer the possibility for consumers to apply online, which is an emerging way to use technology to obtain a loan.

¹⁸ Financial technology ("Fintech") is used to describe new tech that seeks to improve and automate the delivery and use of financial services.



- **Mortgage Referrers** – Mortgage referrers help lenders and brokers with customer acquisition. They are individuals or businesses that collect details of consumers and, with consumer consent, refer them to mortgage broking business or to lenders. Mortgage referrers are unlicensed and are not allowed to distribute mortgage products themselves.

Mortgage broker business models

Mortgage brokers operate through a variety of business models in Australia. A broker can operate as a credit representative under a full service aggregator's ACL (franchise model) or it can attach to a wholesale aggregator. Under the wholesale model a broker can obtain its own credit license and access lenders through its aggregator or it can become the credit representative of its aggregator. It is unusual for an individual broker or brokerage business to access a major lender through its own contracts, however it can operate under its own credit license and aggregate under an aggregator. The most prevalent is the wholesale aggregator model, which represents approximately 78.2% of the total new home loans settled via the broker channel.¹⁹ The other 21.8% of broker share was through the branded franchise model. Brokers as a rule operate as a member of an aggregation group to gain access to a large panel of lenders and support services.

The value proposition of franchises to brokers is underpinned by the following benefits.

1. **Economies of scale and competitive pricing** – A broker joining a franchise will achieve instant scale as the franchise, by way of larger volumes of mortgages, can negotiate better commission terms for its brokers.
2. **Access to comprehensive lender panel** - Franchises provide brokers with an efficient method to gain access to an extensive range of lenders and mortgage products.
3. **Compliance services** – Franchises provide guidance on legislative and compliance requirements and tend to offer compliance-based software tools to ensure brokers are kept up to date with industry best practices and are compliant with changing regulation.
4. **Leading-edge technology** - Franchises have developed systems to improve the efficiency of brokers' business operations, such as CRM software and business intelligence and analytics and provide access to an IT platform for home loans application and management.
5. **Business development and sales support** – Franchises provide brokers with learning, development and training as well as marketing and promotional support.
6. **National brands and leads** – Franchises invest heavily in their national brand to create market awareness and leads for the network.
7. **Licensing and compliance** - Mortgage brokers can operate as an authorised credit representative of a mortgage franchise instead of directly holding an individual ACL (which might be costly).
8. **Commissions processing** – Franchise provide commission payments processing and support in dealing with disputed claims.

¹⁹Industry data.



The value proposition of franchises to lenders is underpinned by the following benefits.

1. *Access to a pool of brokers* – Franchise provide lenders with an efficient method to gain access to a network of brokers for the distribution of their mortgage products.
2. *Risk management* – Franchise provide lenders with an additional layer of assurance that loan applications meet compliance requirements, as brokers will typically use the franchise's software and the franchise will also monitor credit representatives. If brokers are not acting according to the franchise's quality standards, the broker will be removed from the network, ensuring the quality of brokers to the lender panel.
3. *One point of contact for lenders* – Lenders do not have to maintain relationships with numerous brokers but instead let the franchise to manage the day-to-day contact. Also, they provide a central point for payment of commissions and dispute resolutions.
4. *Analytics and data* – Franchise have constant exposure to multiple lenders, and they can provide unique and real-time insights into changing markets and consumer information that may otherwise be unavailable to individual lenders.

3.2 Mortgage broking in Australia

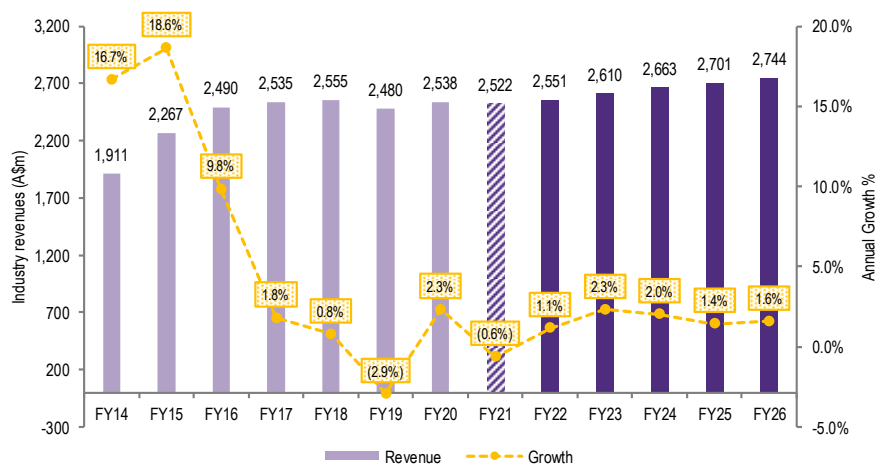
3.2.1 Overview

The success of mortgage aggregators and franchises is intricately linked to the mortgage broking industry and the real estate market.

The industry has faced challenging conditions over the last few years in particular due to the Banking Royal Commission, increased regulation (as well as the threat of further regulation in the future), and the impacts of COVID-19 on the economy and residential property market. As a result, industry revenues have been broadly flat since FY17. Conditions had begun to improve in FY20 following the end of the FY18-19 property market downturn and the Federal Government scrapping its plans to abolish trailing commissions to brokers (see section 3.4 for further details on the regulatory environment). However the improving conditions were short-lived as the outbreak of COVID-19 in Australia around February/March 2020 led to a sharp reduction in residential property transactions and industry revenues. While settlement volumes were high in 2020, this was mostly due to refinancing activity as opposed to new lending. The pandemic also led to substantial increases in household savings with borrowers drastically reducing spending and paying down debt (including mortgages). During the first few months of 2021, conditions in the industry have substantially improved driven by the improved economic outlook, increasing consumer confidence and record low interest rates. We note that new loan commitments as at February 2021 are 49%²⁰ higher than at the same time last year. Moving forward, industry revenue is projected to stabilise and experience a stable growth at an annualised rate of 1.7% over five years through 2025-26, to a total of A\$2.7 billion. While housing loan rates are expected to rise in the long term, which may reduce the current growth rate of settlements, this would be partially offset by the share of mortgages taken out through brokers, which is expected to continue growing. Further, the number of first home buyers is forecast to increase as a result of the rise of the population aged 35-54, the key demographic for houses' owners with a mortgage. Below we present the historical and forecast industry revenues.

²⁰ Lending Indicators by ABS, released 1 April 2021

Australian mortgage broking revenue



Source: IBISWorld Mortgage Brokers in Australia, October 2020.

3.2.2 Growth of the sector

The mortgage broking industry has grown to be a critical part of the finance sector. We note that brokers have taken up a more prominent role in the mortgage lending market over the past five years, as borrowers have sought unbiased advice when obtaining a mortgage. The value of residential mortgages settled by brokers has increased significantly in the past five years from A\$123.6 billion in 2013 to A\$223.4 billion in 2020, reflecting a CAGR of 8.8% per annum. We note that the value of residential loans settled through brokers is slightly down over 2018 due to the softening of the residential property market.

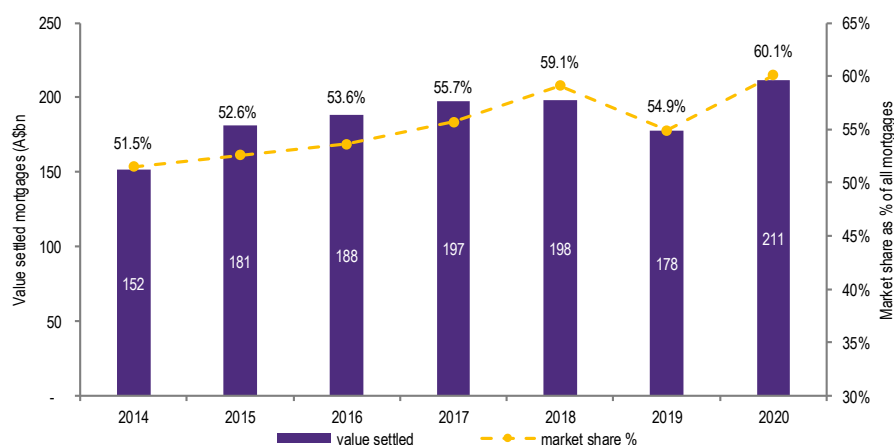
The broker industry has benefitted from the relatively challenging conditions experienced by traditional lenders, which have increased their reliance on brokers to reach consumers. Increasing competition from non-ADI lenders combined with the low-interest environment has put pressure on the major banks revenues. Historically, the scale, distribution and funding abilities of major banks provided them with significant barriers to entry and accordingly limited competition. More recently, the emergence of new technologies, data analytics and increasing penetration of mobile devices have significantly lowered this competitive advantage and created an opportunity for non-bank lenders, including Fintech companies, to gain market share. In order to maintain profitability, the major banks have had to reduce operating costs and the size of their branch network, which historically was a key source of attracting new borrowers. As a result, in 2020, mortgage brokers settled circa A\$211 billion of new residential home loans, equivalent to 60.1% of all new residential loans.

In addition to providing borrowers with a single point of contact when managing their mortgage finances, brokers provide borrowers with increased transparency on loan pricing therefore enhancing competition. Non-major lenders increasingly rely on third-party distribution channels such as mortgage brokers to originate a significant portion of their loan book as they often do not have proprietary distribution channels. The volume of loans settled by brokers with non-major banks has increased from 28.5% as at June 2015



to 34.3% as at September 2020²¹. The following graph shows the rising market share of brokers in the residential home loans since 2014.

Value and market share of broker settled residential mortgages



Source: MFAA's quarterly market survey; comparator analysis, September 2020.

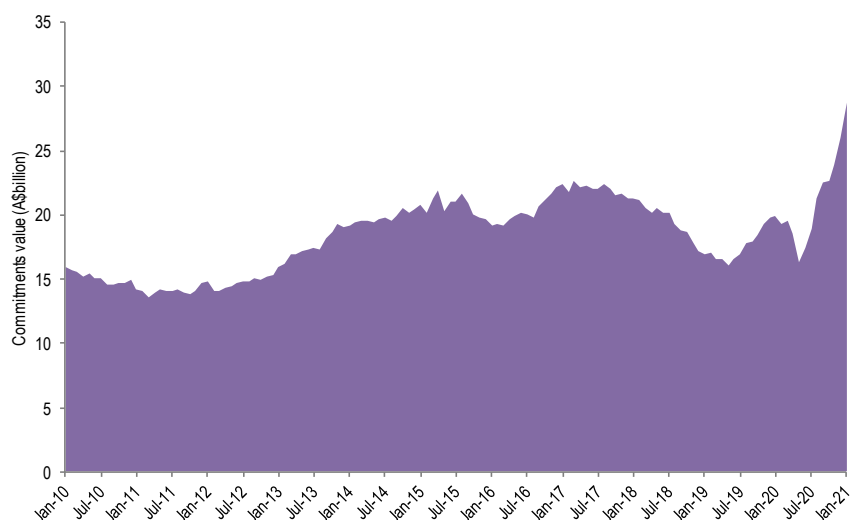
3.3 Residential Mortgages in Australia

The mortgage broking industry largely depends on the growth in residential mortgages outstanding. Total loan growth in Australia has been strong historically and is dependent on prevailing macroeconomic conditions and regulations.

²¹ *Industry Intelligence Service 11th Edition* published by Mortgage & Finance Association of Australia in September 2020. Grant Thornton defines 'non-major banks' as the lenders apart from the Big Four Banks (namely ANZ, CBA, NAB, Westpac) and regional banks owned by or aligned to the Big Four Banks.

We have set out below the level of the residential loans outstanding.

New loan commitments to households in Australia



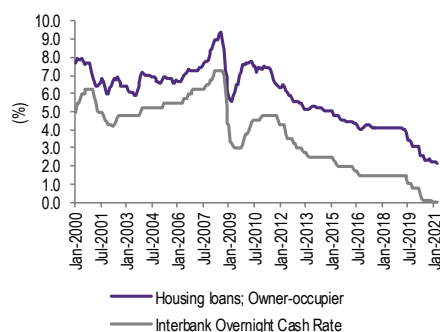
Source: ABS Lending Indicators (reference period up to January 2021), released on 1 March 2021

Note: Excludes lending to households related to refinancing activities and lending associated with business finance.

Lending to households declined during 2017-2019 in conjunction with softening of the residential market and the impacts of the Banking Royal Commission. New loan commitments recovered in the second half of 2019 driven by reduced lending rates and improving economic conditions. However, new loans fell sharply between March 2020 and July 2020 driven by the outbreak of COVID-19. A significant increase is then observed after July 2020, driven by the economic stimulus introduced by the Federal Government to mitigate the impact of the pandemic, record low interest rates and a greater presence of first home buyers.

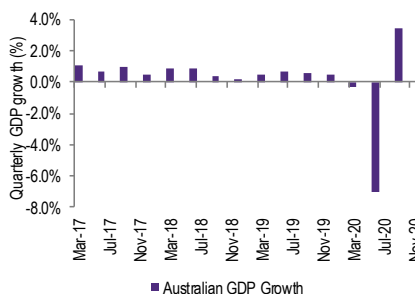
We have outlined below the factors that primarily affect the residential mortgage sector:

Residential lending rates



Source: RBA; ABS

GDP growth in Australia



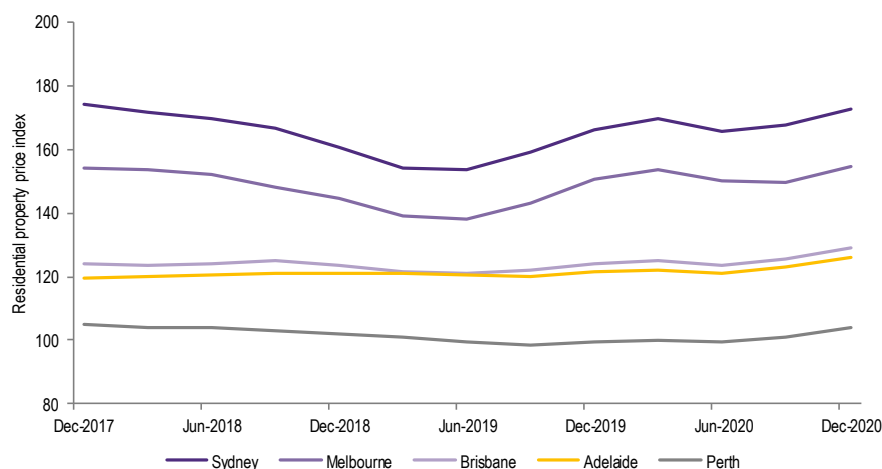
- **Interest rates** – The average standard variable mortgage interest rate was c. 3% for outstanding loans and 2.5% for new loans as at February 2021 and as at April 2021, the RBA cash rate was at an all-



time low of 0.10% as a result of the RBA consistently cutting the cash rate over the past five years in an effort to boost the economy. We note that in its latest media release, the RBA reaffirmed that given the current low inflation environment, it does not expect to raise the cash rate until inflation is sustainability within the 2 to 3 percent target range. The Board of the RBA does not expect this to occur until wage growth is materially higher than at present, conditions which it doesn't expect to eventuate until 2024.

- *Population growth and regional housing markets* – According to the Population Statement published in December 2020 by the Australian Bureau of Statistics (ABS), the Australian population is projected to grow at a reduced rate of 0.2% in FY21, 0.4% in FY22 and 1.3% in FY23. The projected slowdown in Australia's population growth is primarily a time-lag effect of the outbreak of COVID-19, reducing the immigration rate over the short term, one of the key drivers of population growth.
- *House prices* – Property prices were negatively impacted by several regulations and government policies between December 2017 and June 2019 (refer to section 3.4). Prices then grew during the second half of 2019 and in early 2020 supported by demand for housing finance. COVID-19 caused a reduction in house prices from March 2020 to September 2020, however since then house prices have begun to recover. In the first quarter of 2021 all capital cities have recorded strong property price growth with the five capital city aggregate experiencing a 5.6% growth to 31 March 2021²².

Residential prices in five major property markets



Source: ABS Residential Property Price Indexes: Eight Capital Cities; ABS National, State and Territory Population

House prices are expected to experience strong growth in 2021 and 2022, with all major banks forecasting significant growth as presented below.

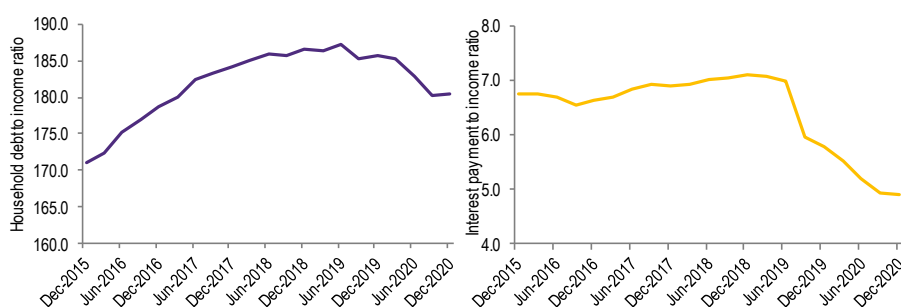
²² CoreLogic Home Value Index - Back Series

| Major banks' expectation on 2021 housing prices | | | |
|---|---------------------------|-----------|---|
| | Source | Date | Housing price expectations |
| Commonwealth Bank | Press release | 1-Mar-21 | Gains ahead of 14% over the next two years in dwelling prices are forecasted |
| ANZ | Press release | 24-Mar-21 | A possible increase in house prices of as much as 17% nationally in 2021 |
| NAB | NAB housing market update | 2-Feb-21 | An increase in property prices of 10% in capital cities in 2021, excluding Sydney and Melbourne, is expected. Sydney and Melbourne are likely to experience 7% to 7.5% in 2021. |
| Westpac | Press release | 22-Feb-21 | Expecting 20% increase in Australian property prices between 2021 and 2023 |

Source: GTCF research

- **Household disposable income** – Household disposable income is a key determinant of household funds available for mortgage repayment. An increase in real household disposable income impacts how much borrowers can spend on mortgage repayments and, in turn, the size, location and type of property purchased. Higher incomes are likely to flow to larger loans over the longer term. Growth in Australian household disposable income in real terms was 1.7% per annum²³ from FY15 to FY20. We note that the Federal Government's JobKeeper assistance package ended in March 2021. As a result disposable incomes are expected to decrease, before increasing from FY22 onwards as a result of the post-pandemic economic recovery.
- **Mortgage affordability** – Mortgage affordability represents the cost of mortgage payments relative to a household's income and is one of the parameters of gauging housing affordability. We have set out below the housing debt to income and housing interest payment to income ratio in the last five years:

Housing debt to income and housing interest payment to income ratio



Source: RBA E2 Household Finances

While the low interest rate environment has led to a decrease in the debt and interest payments to income ratios, overall mortgage affordability is expected to decrease over the next five years due to expected growth in house prices, increasing mortgage repayments for households.

²³ IBISWorld D1151 Real Household Disposable Income, dated March 2021



- *Unemployment* – Unemployment is a key factor in overall mortgage affordability. High unemployment negatively affects consumer confidence and influences decisions on mortgage obligations. We note the seasonally adjusted unemployment rate as at February 2021 was 5.8%, a decrease from the post-pandemic peak of 7.5% in July 2020.
- *Government Policies* – Government policies and regulations can contribute to changes in housing activity. The period from 2018 to May 2019 federal election ("Federal Election") resulted in increased uncertainty in the Australian property market as the Labor Party flagged the introduction of a number of policies that would have adversely affected the housing market. Following the Coalition victory, no changes are expected to property taxes. In addition, APRA has decided to remove the 7% serviceability buffer²⁴ on home loans.

3.4 Regulatory environment

The Australian residential mortgage industry is primarily regulated by APRA and ASIC. Over the past three years, a number of reviews, reports and inquiries, either directly or indirectly associated with the mortgage broking and aggregation industry, have been completed, commenced or announced. Among these, the final report of the Banking Royal Commission recommended several changes to the mortgage broking industry and, most importantly, changes to the broker remuneration model as outlined below:

- *Trailing commissions*: Lenders to be prohibited from paying trail within 12 to 18 months on new loans to come into effect from 1 July 2020. Existing trail would stand unaffected.
- *Upfront commissions*: Recommends the removal of upfront commissions over a period of a further 12 to 18 months.
- *Restrictions to brokers*: The brokers are required to act under Best Interests Duty and should be regulated by the law that applies to financial advisers. In addition, a treasury-led working group should be established to monitor and adjust the broker remuneration model to in response to market changes, if necessary.

The Federal Government has indicated that both upfront and trailing commissions will stay in place until 2022, at which time there will be a review by the Australian Competition and Consumer Commission and the Council of Australian Financial Regulators. The Opposition was proposing that upfront commissions remain paid by the bank, but be capped at a fixed rate of 1.1% so as to be the same across all lenders, although the Opposition indicated that it would have banned trailing commissions from July 2020 if it had won the Federal Election.

The issues of perceived conflicts were addressed by the best interests duty for mortgage brokers in ASIC's Regulatory Guide 273 (RG 273), which seeks to align the interests of mortgage brokers with the interests and expectations of borrowers. The brokers are legally required to act in the Best Interests of customers rather than suggest or recommend a product that is not suitable. Brokers are also required to keep records of loan recommendations. The changes to the National Consumer Credit Protection Act 2009 (Cth) ("NCCPA") took effect from January 2021.

²⁴ In a letter to ADIs issued at the beginning of July 2019, APRA confirmed its updated guidance on residential mortgage lending would no longer expect them to assess home loan applications using a minimum interest rate of at least 7 per cent. Instead, ADIs will be able to review and set their own minimum interest rate floor for use in serviceability assessments and utilise a revised interest rate buffer of at least 2.5 per cent over the loan's interest rate.

We note the following potential regulatory changes in the near term which may also impact the industry:

- *Change in responsible lending laws* – the responsible lending laws were introduced federally in 2009 under the NCCPA in response to the problematic lending practices revealed during the global financial crisis. Since September 2020, the Government has been reviewing the responsible lending laws in order to make borrowers responsible for assessing their own suitability to take on debt and to remove additional lender oversight. The change to responsible lending laws is expected to be effective from June 2021.
- *Design Distribution Obligations, ASIC Regulatory Guide 274 ("DDO")²⁵* – The DDO is intended to help consumers obtain appropriate financial products by requiring issuers and distributors to have a consumer-centric approach to designing and distributing products. The DDO is expected to be effective from October 2021.
- Other significant items which are due to commence between now and 5 October 2021:
 - *Mandatory Breach Reporting.*
 - *Changes to Internal Dispute Resolution framework.*
 - *Reference Checking Regime.*
 - *Deferred Sales model for add on insurance – Potential to impact diversified revenue.*

²⁵ This is a change to Chapter 7 of the Corporations Act to Design & Distribution Obligations.



4 Profile of Mortgage Choice

4.1 Company overview

Mortgage Choice was established in 1992 and since then has grown to become one of Australia's largest mortgage and home loan broking franchise networks. The Company operates under the following two reporting segments:

- *Mortgage broking* – This segment provides loan origination services for residential mortgages, commercial mortgages, vehicle loans and equipment financing through its nation-wide franchise network. As at 31 December 2020, the Company had a loan book of A\$54.1 billion, 386 mortgage broking franchises and a network of 516 mortgage brokers. The mortgage broking division accounted for A\$166.1 million, or 94.7%, of total revenues in FY20 and recorded A\$10.0 billion in settlements.
- *Financial planning (FinChoice)* – This segment provides financial planning, wealth advice and insurance advice services through Mortgage Choice's financial planning arm, FinChoice. The segment operates under a franchise structure and includes 33 financial planning franchises and 39 financial advisers managing circa c. A\$1.2 billion funds under administration and A\$35.0 million premiums-in-force²⁶ as at 31 December 2020. In FY20, the FinChoice segment generated A\$9.2 million, or 5.3% of total revenues.

The Mortgage broking segment represents the core focus of Mortgage Choice's operations while the financial planning segment is loss making at the EBITDA level.

Mortgage Choice has recently advised its FinChoice financial planning franchisees that it seeks to restructure this segment of Mortgage Choice's operations. The restructuring proposal involves Alliance Wealth Pty Limited ("CPAL") being appointed to provide licensing and financial planning support services to FinChoice advisers. The FinChoice advisers are currently authorised representatives under FinChoice's AFSL. As part of the restructure, it is proposed that the FinChoice advisers would instead become authorised representatives under CPAL's AFSL. The expected financial impact on Mortgage Choice of this initiative going forward would be to remove the losses that have historically occurred in the financial planning division. FinChoice is currently consulting with its franchisees and financial advisers and obtaining legal advice in relation to the proposed restructure as part of its assessment of the viability of the restructure. There will be some discrete non-recurring costs associated with the restructure including professional indemnity run-off insurance cover and costs of implementation of the restructure. Run-off professional indemnity insurance would be obtained to mitigate Mortgage Choice's exposure to claims for past events that may arise following the transfer of advisers to CPAL's AFSL.

4.2 Mortgage broking business

4.2.1 Franchise network

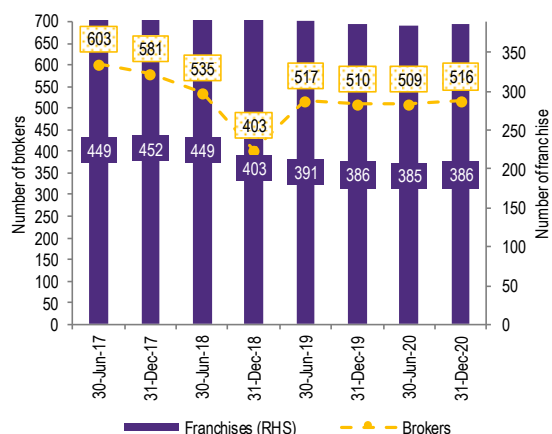
Mortgage Choice brokers operate under franchise agreements whereby a franchisee has the right to use the Mortgage Choice brand name and systems and ACL in a defined marketing territory. Some franchisees also employ additional loan writers within their business. Mortgage Choice provides support and services to its franchise network in the form of lender panel management, business coaching, marketing and lead generation, back-office support, and information technology.

²⁶ Representing the annual premium on all policies which have not expired or cancelled.

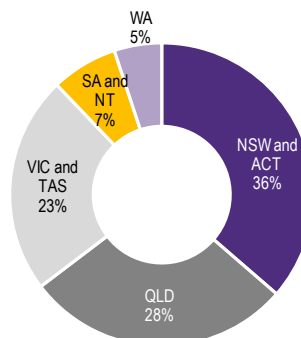
The franchise model helps individuals to access processes, procedures and technology under Mortgage Choice's brand name and have opportunities to access numerous loan products as well as to partner with other local businesses, such as local real estate agents and regional banks. Brokers also operate under Mortgage Choice's Australian credit licence. Under the terms of the franchise agreement a franchise deciding to leave the Company's network does not retain its trailing commission book but it must search for an acquirer to buy its loan book/goodwill. In some instances, Mortgage Choice may buy back a franchise which it can then offer to attract new members. This is done on an ad hoc basis.

The graphs below illustrate the historical trend in franchise and broker numbers, and the geographic diversification of the business by settlements for 1HFY21.

Number of franchises and brokers



1HFY21 Geographical settlement

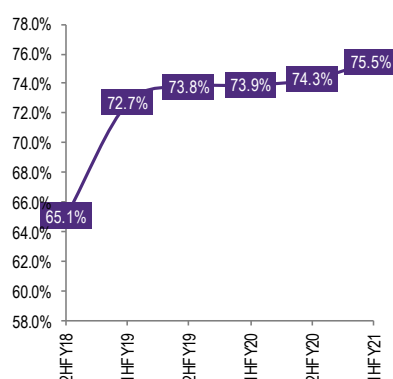


Source: Management

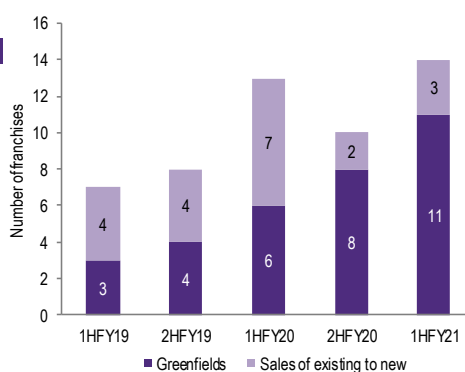
The decrease in the number of brokers and franchises between 30 June 2017 and 30 June 2019 is related to the one-off impact from the restructure of the Company's remuneration model, which was accompanied by a re-invigoration of the broker network via the buyback of books and the merging of multiple franchises. The new remuneration structure, announced on 12 July 2018 and adopted from 1 August 2018 replaced the old remuneration structure which had over time become less competitive compared to peers who were offering a higher payout ratio to brokers, amongst other differences. The new remuneration model increased the average commission payout rates to franchisees, so as to encourage franchisees to invest in their business while attracting new and high quality brokers to the existing network. We have set out below the historical network growth and the commission payout ratio to brokers.



Total commission payout ratio



Sale of existing franchises and new greenfield



Source: FY20 Annual report and 1H21 interim report

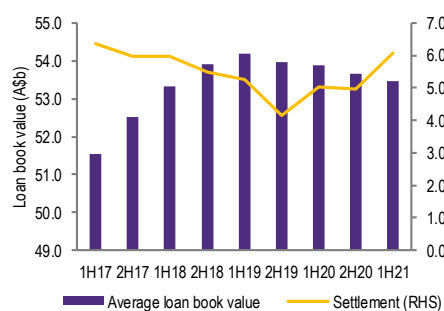
As shown in the graph above, the commission pay-out ratio has increased from 65.1% prior to the new remuneration model, to 75.5% as at 1HFY21. The combination of the new remuneration model and the increase in mortgage brokerage activity has driven the recovery in the recruitment of new franchises (greenfield) over FY20 and 1HFY21.

4.2.2 Revenue Generation

The mortgage broking segment has two primary sources of revenues being commission from the origination of new loans and trailing commission. The origination commission is received at the time of the settlement as a loan application is successfully referred to the lender and the performance obligation has been met. Trailing commission, on the other hand, arises over the life of the loan after the loan is successfully originated. Origination commission typically represents a larger share of the broker remuneration than trail commission²⁷.

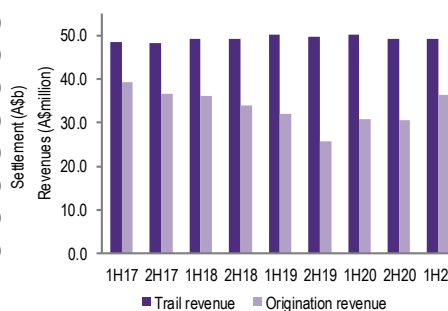
The segment revenue is therefore closely linked to the volume of mortgage settlements and the net balances of the Company's loan book. We have illustrated below the segment revenue, along with the trends in settlement volume and average loan book balances over the last few years.

Historical settlement and loan book value



Source: MOC annual reports; 1H21 interim report

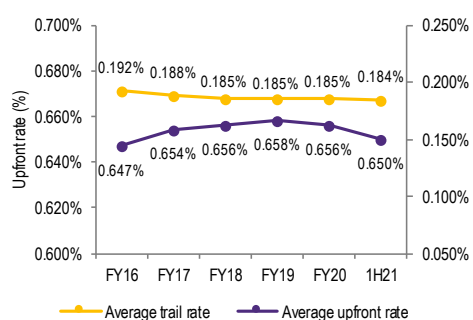
Origination and trail revenue (cash)



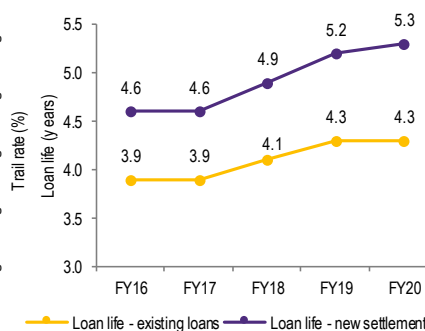
²⁷ ASIC – Review of mortgage broker remuneration, March 2017.

The strong settlement growth of circa 20% from 2HFY20 to 1HFY21 was primarily driven by the recovery of the housing market and increased refinancing activity over the period. However, despite the increase in settlements, the loan book actually fell slightly over this period. This was a result of consumers de-leveraging during COVID-19 and paying down mortgages or increasing their cash balances on the mortgage offset accounts. In addition, a larger than normal proportion of settlements were due to borrowers capitalising on lower rates and refinancing their mortgages, thereby increasing settlements, but not the size of the loan book. Refinancing generates new origination revenues but not additional trail commission. The graphs below show historical origination and trail commission rates and the average loan life of the MOC's mortgage book.

Upfront and trail rates



Average loan life



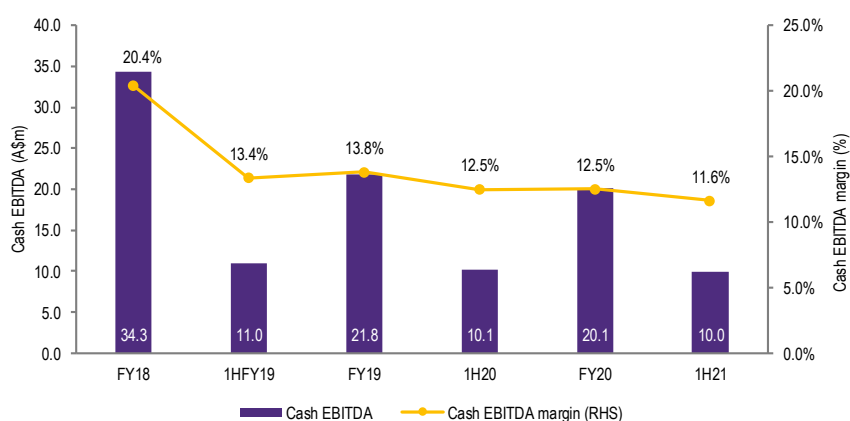
Source: Management; MOC annual reports

The trail rate has been decreasing over recent years from 0.192% in FY16 to 0.184% as at 1H21. This is the result of older higher margin trail books gradually maturing and being replaced with new lower margin trail books. The Company expects this trail rate to eventually stabilise at approximately 0.17% in FY24.

As shown in the graph below, the new remuneration model has negatively impacted the Company's financial performance over the short term as the increased payout ratio negatively affects profitability. This has resulted in lower EBITDA and net profit. The purpose of the increased payout ratio is to attract more participants in the franchise network and grow the Company's revenue to reach economies of scale which would then lead to an increase in profitability. We note that as at 31 December 2020, the number of brokers and franchises both increased for the first time since the introduction of the new remuneration model notwithstanding the effect of the Banking Royal Commission, the threatened change to broker remuneration by the Opposition and COVID-19. Revenues and profitability are expected to improve in coming years as new brokers and greenfield franchises grow their business.



Cash EBITDA and Cash EBITDA Margin



Sources: Company annual and semi-annual financial report, GTCF analysis

4.2.3 Technology investments

Mortgage Choice has been investing in technology in recent years to improve workflow efficiency, network communications and increase automation. This investment is expected to enhance productivity of brokers and improve the customer experience with end-to-end broker technology platform. The IT platform is integrated with the loan origination platform, customer relationship management, customer portal and workflow management systems. This platform assists brokers with the following functionalities:

- Single access point for customer and lender product data.
- Pre-qualification of potential loan applicants.
- Identification of mortgage products which are in compliance with Best Interests Duty regulatory requirements.
- Management of loan application and workflow, including document storage.
- Management and recording of compliance requirements under Mortgage Choice's ACL and other relevant legislation.

We note that Mortgage Choice has been capitalising the development expenses in relation to the technology platform. In FY20, the capital expenditure associated with technology platform amounted to A\$3.1 million.

4.3 Financial performance

Trailing commission revenue is required to be recognised under the Australian Accounting Standards Board 15 *Revenue from Contracts with Customers* ("AASB 15") in accordance with International Financial Reporting Standards ("IFRS"). AASB 15 requires the Company to recognise a contract representing the expected future payments associated with trail commissions. The value of the contract asset is assessed at every reporting period through a discounted cash flow method and any difference in the net present value is reported in the profit and loss statement. As a result, Mortgage Choice's financial performance

40

reported under IFRS is different to its financial performance measured on a cash basis. The magnitude of this difference can vary based on the volatility of the economic condition and settlement volumes impacting the valuation of the contract assets. In addition, the difference between cash and IFRS performance is also impacted by the Company's adoption of share based remuneration which is not reflected in the cash measures of performance. Mortgage Choice reports financial performance on both a cash and IFRS basis.

For the purpose of our valuation assessment, we have mainly relied on the cash based performance of the Company. The table below illustrates the Company's audited consolidated statements of comprehensive income for FY19, FY20, 1H FY20 and 1H FY21 presented on a cash basis.

| Consolidated statement of financial performance - cash basis | FY19 | FY20 | 1H FY20 | 1H FY21 |
|--|----------------|----------------|---------------|---------------|
| A\$m | Management | Management | Management | Management |
| Origination commission received | 57.9 | 61.5 | 30.9 | 36.4 |
| Trailing commission received | 99.8 | 99.3 | 50.1 | 49.1 |
| Total commission received | 157.7 | 160.8 | 81.0 | 85.5 |
| Origination commission paid | (44.4) | (47.7) | (24.1) | (28.8) |
| Trailing commission paid | (71.1) | (71.4) | (35.7) | (35.8) |
| Total commission paid | (115.5) | (119.1) | (59.8) | (64.6) |
| Net core commission | 42.2 | 41.7 | 21.2 | 20.9 |
| Diversified products net revenue | 1.3 | 1.1 | 0.6 | 0.7 |
| Financial Planning net revenue | 1.9 | 1.9 | 0.9 | 0.9 |
| Other income | 4.0 | 3.7 | 1.2 | 1.0 |
| Gross profit | 49.4 | 48.4 | 23.9 | 23.5 |
| Operating expenses | (29.2) | (31.8) | (15.8) | (15.6) |
| Net profit before tax | 20.2 | 16.6 | 8.1 | 8.0 |
| Net Profit after tax | 14.0 | 11.7 | 5.5 | 5.6 |
| KPIs | | | | |
| Settlements | 9,409 | 10,013 | 5,017 | 6,071 |
| EBITDA | 21.8 | 20.1 | 9.8 | 9.7 |
| EBITDA margin | 14% | 13% | 12% | 11% |

Sources: Mortgage Choice annual reports semi-annual reports

We have also set out below a reconciliation between the cash NPAT and IFRS NPAT:

| Cash and IFRS analysis | FY19 | FY20 | 1H FY20 | 1H FY21 |
|------------------------|------------|--------------|--------------|--------------|
| Cash NPAT | 14,028 | 11,719 | 5,541 | 5,577 |
| IFRS NPAT | 13,724 | 9,425 | 3,964 | 4,086 |
| Difference | 304 | 2,294 | 1,577 | 1,491 |

Source: Mortgage Choice annual reports semi-annual reports

In relation to the above, we note the following:

- The cash financial performance is based on accrual accounting, and excludes share based remuneration and the net present value of future trailing commissions receivable and payable.
- Origination revenues increased in FY20 and 1H FY21 in comparison to the previous corresponding periods as a result of the increase in settlements.



- Cash trail commissions remained substantially steady due to the high levels of savings paid into mortgages and high refinance levels associated with low interest rates.
- In FY20 the Company incurred A\$1.0 million of one-off restructuring costs and in 1HFY21 it incurred A\$0.5 million of non-recurring expenses related to a review of growth opportunities.
- The gross profit has remained substantially flat.
- We have set out below a reconciliation of cash EBITDA and IFRS EBITDA in FY20 and 1HFY21. As reported, the key adjustment is related to the net present value of future trailing commission

| EBITDA Reconciliation from cash to IFRS | FY20 | 1HFY21 |
|--|---------------|--------------|
| A*000 | | |
| Cash EBITDA | 20,133 | 9,736 |
| NPV future trails on new loans originated, net of payout | 16,924 | 10,206 |
| Less net cash from trail previously recognised under IFRS | (22,866) | (11,414) |
| NPV future trails on new insurance policies, net of payout | 265 | 182 |
| Less net cash trail from insurance policies previously recognised under IFRS | (594) | (301) |
| Less adjustments to loan book assumptions | 2,650 | (1,307) |
| Gain/(loss) on prepayment/(establishment) of trail liability | 181 | 764 |
| Plus reversal of amortisation of trail liability | 1,099 | 531 |
| Less share based payments expense | (656) | (553) |
| IFRS EBITDA | 17,137 | 7,843 |

Source: Mortgage Choice Management

- The Company's cash NPAT has decreased from c.A\$14.0 million in FY19 to c. A\$11.7 million (down c. 16.5%) in FY20. In addition to the factors mentioned above, we note this is also driven by an increase of c. 10% in total operating expenses, which included an increase in IT costs of A\$1.2 million and one-off restructuring costs of A\$1.0 million in FY20. This is also as a result of model change in the start of FY19.

4.4 Financial position

The consolidated statement of financial position of Mortgage Choice as at 30 June 2019, 30 June 2020, and 31 December 2020 are summarised in the table below.

| Consolidated statements of financial position | 30-Jun-19 | 30-Jun-20 | 31-Dec-20 |
|---|----------------|----------------|----------------|
| A\$ '000 | Audited | Audited | Reviewed |
| Assets | | | |
| Cash and cash equivalents | 1,927 | 6,108 | 4,698 |
| Trade and other receivables | 13,750 | 14,120 | 16,591 |
| Contract assets | 98,519 | 92,091 | 92,167 |
| Total current assets | 114,196 | 112,319 | 113,456 |
| Receivables | 4,220 | 3,477 | 2,841 |
| Contract assets | 277,949 | 279,942 | 281,357 |
| Property, plant and equipment | 717 | 575 | 514 |
| Right of use assets | - | 3,472 | 2,932 |
| Intangible assets | 10,132 | 10,657 | 11,142 |
| Total non-current assets | 293,018 | 298,123 | 298,786 |
| Total assets | 407,214 | 410,442 | 412,242 |
| Liabilities | | | |
| Trade and other payables | 11,076 | 13,590 | 13,594 |
| Future trailing commission payable | 70,967 | 66,956 | 68,036 |
| Lease liabilities | - | 1,100 | 1,147 |
| External borrowings | 2,500 | - | - |
| Current tax liabilities | 510 | 350 | 26 |
| Provisions | 1,339 | 1,326 | 1,211 |
| Total current liabilities | 86,392 | 83,322 | 84,014 |
| Future trailing commission payable | 201,396 | 203,724 | 205,491 |
| Lease liabilities | - | 2,659 | 2,068 |
| Deferred tax liabilities | 32,168 | 31,064 | 30,758 |
| Provisions | 774 | 724 | 699 |
| Total non-current liabilities | 234,338 | 238,171 | 239,016 |
| Total liabilities | 320,730 | 321,493 | 323,030 |
| Net assets | 86,484 | 88,949 | 89,212 |

Sources: Mortgage Choice annual reports and interim reports

We note the following in relation to Mortgage Choice's financial position:

- Contract assets slightly decreased from c. A\$376.5 million in FY19 to A\$373.5 million²⁸ in 1H21 due to a reduction in the size of the loan book during this time, which was driven by the increase in the run off rates. The contract assets are related to trailing commission arising from brokerage services and move in line with the trend in loan book.
- The trailing commission payable to the franchisees are also recognised at the time of loan settlement, and the carrying amount of the payable is adjusted to reflect actual and revised estimated cash flows by recalculating the net present value of estimated future cash flows.
- Trade and other payables include liabilities for goods and services provided and short term employee benefits.

²⁸ Total current and non-current contract asset



- The Company is currently debt free having repaid its corporate debt over FY20.
- The Company declared a dividend of A\$0.04 per share for 1HFY21 on 18 February 2021 and paid on 15 April 2021. The cash balance as at 31 March 2020 pro-forma for the dividend payment is expected to be A\$5 million.

4.5 Cash flow statement

The table below illustrates the Company's audited consolidated statements of cash flows in FY19, FY20, 1HFY20 and 1HFY21.

| Consolidated statements of cash flow A\$ '000 | FY19 Audited | FY20 Audited | 1HFY20 Reviewed | 1HFY21 Reviewed |
|---|-----------------|-----------------|--------------------|--------------------|
| Cash flows from operating activities | | | | |
| Receipts from customers (inclusive of goods and services tax) | 195,400 | 196,519 | 95,808 | 101,797 |
| Payments to suppliers and employees (inclusive of goods and services tax) | (176,201) | (174,221) | (85,198) | (94,827) |
| Income tax paid | (5,064) | (5,401) | (2,632) | (2,609) |
| Net cash inflow from operating activities | 14,135 | 16,897 | 7,978 | 4,361 |
| Cash flows from investing activities | | | | |
| Payments for property, plant and equipment | (3,755) | (3,253) | (1,586) | (1,848) |
| Loans to franchisees net of repayments | 150 | 1,130 | 882 | 812 |
| Interest received | 600 | 471 | 257 | 185 |
| Net cash outflow from investing activities | (3,005) | (1,652) | (447) | (851) |
| Cash flow from financing activities | | | | |
| Redraw / (pay ment) of external borrowings | 2,500 | (2,500) | (2,000) | - |
| Payment of lease liabilities | - | (1,017) | (652) | (545) |
| Interest paid | (56) | (47) | (46) | - |
| Dividends paid to shareholders | (15,000) | (7,500) | (3,750) | (4,375) |
| Net cash (outflow)/inflow from financing activities | (12,556) | (11,064) | (6,448) | (4,920) |
| Net increase / (decrease) in cash and cash equivalents | (1,426) | 4,181 | 1,083 | (1,410) |
| Cash and cash equivalents at the beginning of the financial year | 3,353 | 1,927 | 1,927 | 6,108 |
| Cash and cash equivalents at year end | 1,927 | 6,108 | 3,010 | 4,698 |

Sources: Mortgage Choice annual reports and interim reports

We note the following in relation to Mortgage Choice's cash flow:

- The net cash inflow from operating activities increased slightly from A\$14.1 million in FY19 to A\$16.9 million in FY20 as a result of increased receipts from customers due to the increase in settlements in FY20. The receipts had further increased by c. 6.3% in 1HFY21 from 1HFY20 as the increasing trend of settlements continued in 1HFY21.
- The Company's financing cash flow in FY19 and FY20 was primarily impacted by the dividend payment. We note MOC decreased its total dividend from 12 cents per share in FY19 to 6 cents per share in FY20. In 1HFY21, the Company announced an increase of dividends to 4 cents per share from 3 cents per share in the 1HFY20.
- The Company had repaid all external borrowings during FY20.

4.6 Share capital structure

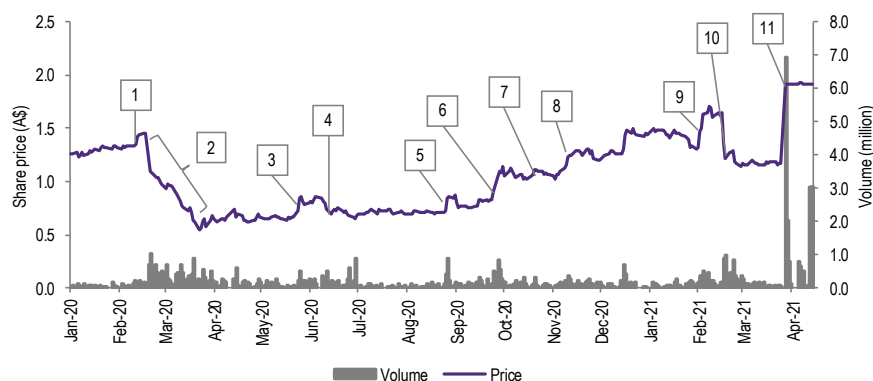
As at the date of this report, Mortgage Choice's capital structure comprised the following securities:

- 124,997,440 fully paid ordinary shares including 765,039 treasury shares for the purpose of transferring shares to satisfy right under the Mortgage Choice Share Rights Plan on issue.
- 3,313,458 unlisted performance share rights to subscribe for Mortgage Choice Shares.

4.6.1 Share price movements

Our analysis of the daily movements in Mortgage Choice's share price and volumes in the past 15 months is set out below.

Mortgage Choice – Historical share trading price and volumes



Sources: S&P Global and GTCF Analysis

The following table illustrates the key events from February 2020 to March 2021, which may have impacted the share price and volume movements shown above.

| Event | Date | Comment |
|-------|------------------------|---|
| 1 | 19-Feb-20 | Mortgage Choice released its interim report for the half-year period ending 31 December 2019, and the following key items were disclosed: - Settlements remained subdued going into the start of FY20 and they were down by 4% on the previous corresponding period. - Loan book size relatively stable at A\$54.3 billion - During the half year the organisation commenced a review of its organisational structure and long term strategy. As a result, one-off restructure costs of A\$0.9 million (A\$0.6 million after tax) are included in the results, making the normalised cash NPAT A\$6.1 million. - Both Cash NPAT and Cash EBITDA are down from pcp 22% and 11% due to the softening of the housing market in 2019 and the adoption of the new remuneration structure. However, the interim dividend was maintained at 3 cents per share. |
| 2 | 24-Feb-20 to 31-Mar-20 | Global equity market sell off due to the macroeconomic downturn caused by the outbreak of COVID-19. |
| 3 | 27-May-20 | General upward lift in the financial services sector led by the Big Four Banks' "catch-up rally", in which ANZ and Westpac rose 8.6% and 8% respectively, followed by NAB and Commonwealth Bank, whose share prices rose 7.8% and 4.9% respectively. |
| 4 | 12-Jun-20 | MOC was set to be removed from the ASX All Ordinaries . |



| Event | Date | Comment |
|-------|------------------------|---|
| 5 | 26-Aug-20 | The Company announced its annual results for the financial year ended 30 June 2020, as summarised below: <ul style="list-style-type: none"> - Settled home loans of A\$10.0 billion, up 7% from A\$9.4 billion in FY19 - Size of loan book slightly decreased by 1% to A\$54.0 billion, as a result of run off of existing loans exceeding new settlements - Cash EBITDA of mortgage broking division down 13% to A\$19.7 million due to the remuneration model change, which was partially offset by increased settlements - Cash adjusted NPAT of A\$12.4 million, slightly down 4% from A\$12.9 million in FY19 - Final dividend of 3.5 cents, increased from 3.0 cents in the previous period. |
| 6 | 24-Sep-20 | There was no price-sensitive announcement made by the Company. However, we note that ABS released the Residential Property Price Index statistics for the quarter ended June 2020. The weighted average residential property prices of eight capital cities increased by 6.2% over the last twelve months. We note the Company's primary competitor, AFG, also observed an increase in its share price over the same period. |
| 7 | 21-Oct-20 | The Company disclosed its activity for the first quarter FY21 in its annual general meeting. The increase in mortgage activity throughout FY20 has been maintained into the first quarter of FY21, in which the volume of applications increased 28%. The volume increase was driven by an uplift in owner occupied activity including first home buyers. |
| 8 | 10-Nov-20 | There was no price-sensitive announcement made by the Company. However, we note that there was a market-wide rally, driven by the announcement made by Pfizer and BioNtech that COVID-19 vaccine candidates had shown 90% efficacy in trials. The ASX 200 index rose nearly 2.2% to 6,438, its highest point since 5 March 2020, the week before the Federal Government implemented national lockdowns. |
| 9 | 28-Jan-21 to 09-Feb-21 | There was no price-sensitive announcement made by the Company. However, we note the following events which took place in the general property market and macro environment: <ul style="list-style-type: none"> - The lockdown policies following the New South Wales Northern Beaches outbreak was officially lifted; - On 2 February 2021, the RBA announced that it decided to maintain its target of 0.10% for the cash rate. - One of the Company's competitors, AFG, also experienced an uplift in its share price. The ASX 200 index has also shown an increase of c. 4.1% over this period. - Research from CoreLogic indicated that housing values across Australia rose 2.3% in the final quarter of 2020, to just 0.1% below the previous record high of October 2017. |
| 10 | 19-Feb-21 | The Company announced its 1H21 interim results: <ul style="list-style-type: none"> - The Company's net commission revenue, gross profit, Cash EBITDA, and Cash NPAT remained relatively the same as the pcq, though the settlement volume increased by c. 20%. - A relatively flat loan book of A\$54.1 billion, compared to A\$53.8 billion in pcq and A\$53.7 billion in the half year ending 30 June 2020. - Interim dividend of 4.0 cents, compared to 3.5 cents announced August 2020. |
| 11 | Mar-21 | REA Group announced that it had entered into a Scheme Implementation Agreement with Mortgage Choice to acquire 100% of the outstanding shares in the Company for A\$1.95 cash per share. |

Source: ASX announcements; GTCF research

The monthly share price performance of Mortgage Choice since March 2020 and the weekly share price performance of Mortgage Choice over the last 16 weeks are summarised below.

| Mortgage Choice Limited | Share Price | | | Average weekly volume 000' |
|-------------------------|-------------|-----------|-------------|----------------------------------|
| | High \$ | Low \$ | Close \$ | |
| Month ended | | | | |
| Mar 2020 | 1.030 | 0.520 | 0.680 | 1,883 |
| Apr 2020 | 0.755 | 0.605 | 0.690 | 853 |
| May 2020 | 0.890 | 0.640 | 0.785 | 687 |
| Jun 2020 | 0.870 | 0.635 | 0.650 | 1,213 |
| Jul 2020 | 0.745 | 0.660 | 0.695 | 304 |
| Aug 2020 | 0.860 | 0.657 | 0.850 | 639 |
| Sep 2020 | 1.120 | 0.735 | 1.075 | 1,043 |
| Oct 2020 | 1.185 | 1.005 | 1.070 | 669 |
| Nov 2020 | 1.320 | 1.015 | 1.200 | 811 |
| Dec 2020 | 1.525 | 1.200 | 1.435 | 671 |
| Jan 2021 | 1.525 | 1.265 | 1.340 | 526 |
| Feb 2021 | 1.720 | 1.130 | 1.170 | 1,760 |
| Mar 2021 | 1.925 | 1.120 | 1.920 | 2,642 |
| Week ended | | | | |
| 11 Dec 2020 | 1.320 | 1.255 | 1.255 | 404 |
| 18 Dec 2020 | 1.500 | 1.225 | 1.490 | 1,578 |
| 25 Dec 2020 | 1.525 | 1.410 | 1.435 | 608 |
| 1 Jan 2021 | - | - | 1.435 | - |
| 8 Jan 2021 | 1.525 | 1.440 | 1.485 | 523 |
| 15 Jan 2021 | 1.500 | 1.410 | 1.415 | 336 |
| 22 Jan 2021 | 1.490 | 1.420 | 1.435 | 564 |
| 29 Jan 2021 | 1.445 | 1.265 | 1.340 | 679 |
| 5 Feb 2021 | 1.630 | 1.290 | 1.630 | 1,493 |
| 12 Feb 2021 | 1.720 | 1.555 | 1.610 | 1,177 |
| 19 Feb 2021 | 1.675 | 1.220 | 1.220 | 2,263 |
| 26 Feb 2021 | 1.320 | 1.130 | 1.170 | 2,106 |
| 5 Mar 2021 | 1.210 | 1.120 | 1.160 | 991 |
| 12 Mar 2021 | 1.230 | 1.155 | 1.155 | 629 |
| 19 Mar 2021 | 1.190 | 1.155 | 1.180 | 392 |
| 26 Mar 2021 | 1.200 | 1.155 | 1.175 | 337 |

Source: GTCF analysis, S&P Global

4.6.2 Top shareholders

We have set out below the top 10 shareholders of Mortgage Choice as at 31 December 2020.



| Mortgage Choice Top 5 shareholders as at 15 April 2021 | | | |
|---|----------------------------------|--------------------|---------------|
| Rank | Name | No. of shares | Interest (%) |
| 1 | Commonwealth Bank of Australia | 20,611,785 | 16.5% |
| 2 | Rodney G. Higgins | 15,385,212 | 12.3% |
| 3 | Spheria Asset Management Pty Ltd | 14,351,472 | 11.5% |
| 4 | Stephen Craig Jermyn | 2,000,000 | 1.6% |
| 5 | Dimensional Fund Advisors L.P. | 1,666,188 | 1.3% |
| Top 5 shareholders | | 54,014,657 | 43.2% |
| Total ordinary shares outstanding (inclusive of treasury shares) | | 124,997,440 | 100.0% |

Source: S&P Global

5 Valuation methodologies

5.1 Introduction

As discussed in Section 2, our fairness assessment involves comparing the Scheme Consideration with the fair market value of Mortgage Choice on a control basis.

Grant Thornton Corporate Finance has assessed the value of Mortgage Choice using the concept of fair market value. Fair market value is commonly defined as:

“the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm’s length.”

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

5.2 Valuation methodologies

RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, scheme of arrangements, takeovers and prospectuses. These include:

- Discounted cash flow and the estimated realisable value of any surplus assets (“DCF Method”).
- Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets (“FME Method”).
- Amount available for distribution to security holders in an orderly realisation of assets (“NAV Method”).
- Quoted price for listed securities, when there is a liquid and active market (“Quoted Security Price Method”).
- Any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

Further details on these methodologies are set out in Appendix A to this report. Each of these methodologies is appropriate in certain circumstances.

RG 111 does not prescribe any above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert’s skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.



5.3 Selected valuation methods

5.3.1 Mortgage Choice

In our assessment of the fair value of Mortgage Choice we have relied on three valuation methodologies as outlined below:

- *EBITDA Multiple Method* – Grant Thornton Corporate Finance has selected the EBITDA capitalisation approach to assess the fair market value of Mortgage Choice. We have adopted the EBITDA multiple approach due to the following key considerations:
 - EBITDA is a frequently used valuation metric to assess the value of a company irrespective of the differences in earnings caused by varying capital structures and depreciation and amortisation policies.
 - Mortgage Choice is a capital-light business with the majority of its earnings generated from the origination of mortgages.
 - Availability of transactional evidence and listed comparable companies for the calculation and analysis of implied EBITDA multiples.
- *Quoted Security Price Method* – The Quoted Security Price Method is based on the Efficient Market Hypothesis, which assumes that the share price at any point in time reflects all publicly available information and will change when new information becomes publicly available. We note that in the absence of a takeover or other share offer, the trading share price represents the value at which minority shareholders could realise their portfolio investment.
- *DCF Method* – For the purpose of our valuation assessment, we have undertaken a high-level, valuation assessment of Mortgage Choice utilising the Desktop DCF Method. Grant Thornton Corporate Finance has built a valuation model ("GT Model") based on the high level cash flow scenarios prepared by Management of Mortgage Choice until 30 June 2023 and benchmark with public available information.

6 Valuation assessment of Mortgage Choice

6.1 Valuation summary

As discussed in Section 6.3, we have assessed the fair market value of Mortgage Choice on a control basis having regard to the EBITDA Multiple Method, the Quoted Security Price Method and the DCF Method. Our conclusions are summarised below.

| Valuation assessment summary | Section Reference | Low | High |
|--|-------------------|-------------|-------------|
| A\$ per share | | | |
| EBITDA Multiple Method | 6.2 | 1.62 | 1.86 |
| Quoted Security Price Method | 6.3 | 1.64 | 2.00 |
| DCF Method | 6.4 | 1.72 | 2.05 |
| Assessed fair market value per share (average, control basis) | | 1.66 | 1.97 |

Source: GTCF Analysis

Based on our analysis, we have assessed the fair market value per share in the range of **A\$1.66** and **A\$1.97** on a control basis.

6.2 EBITDA Multiple Method

Under this method the underlying²⁹ forecast cash EBITDA is capitalised at an appropriate EBITDA multiple to determine the enterprise value of the business. We have capitalised the calculated EBITDA at a multiple that we consider reasonably reflects the business and growth prospects of the Company, as well as the potential synergistic benefits available to potential acquirers.

| FME Method - valuation summary | Section Reference | Low | High |
|--|-------------------|----------------|----------------|
| A\$ '000 (except where stated otherwise) | | | |
| Assessed maintainable EBITDA | 6.2.1 | 20,000 | 23,000 |
| Assessed EBITDA Multiple (on control basis) | 6.2.2 | 10.0x | 10.0x |
| Enterprise value (on control basis) | | 200,000 | 230,000 |
| Add: Pro forma cash balance as at 31 march 2021 | | 2,654 | 2,654 |
| Equity value (on control basis) | | 202,654 | 232,654 |
| Number of ordinary outstanding shares ('000s) ¹ | 4.5 | 124,997 | 124,997 |
| Value per share (on control basis) (A\$ per Share) | | 1.62 | 1.86 |

Sources: S&P Global, Management, GTCF analysis

Note (1): We note that we have not included the dilution from the MOC Share Rights in our valuation assessments as it is already reflected in the multiples of listed peers and transactions, which would be expected to have in place similar incentive structures.

6.2.1 EBITDA adopted for valuation purposes

The EBITDA adopted for valuation purposes is an exercise of judgement that takes into consideration the following factors:

- Historical performance for FY19, FY20 and H1FY21 as shown in more detail in Section 4.3. We have normalised the quantum of reported EBITDA given that the Company has incurred several one-off or

²⁹ Before non-recurring items.



non-recurring expenses/revenue historically. Please refer to Section 4.3 for an overview of the adopted normalisation adjustments.

- High-level internal Management Projection Scenarios up to FY24. We note that the scenarios were prepared for the purpose of long-term strategic analysis and accordingly we have considered them with caution. We have excluded from our valuation assessment of the financial performance of FinChoice business.
- Broker forecast EBITDA for Mortgage Choice released after the announcement of the H1FY21 financial results on 18 February 2021.
- Key industry risks, growth prospects and general economic outlook.

The Company reports its financial performance to the market and prepared the high level scenarios on both a cash and IFRS basis. However, broker forecasts at an EBITDA level are only prepared on an IFRS basis. We note that historically, cash EBITDA has been higher than IFRS measures because it excludes any non-cash expenses such as the share-based payments. Further, a cash based computation considers the actual trail commission received and not the accounting recognised amount based on the net present value of the expected future payments³⁰. We have attempted to normalise broker EBITDA forecasts by removing share based remuneration and applying the historical difference between cash EBITDA and IFRS EBITDA to estimate the cash EBITDA forecasts of the brokers.

Whilst we have considered the forecast financial information in our assessment of the normalised EBITDA, in accordance with the requirements of RG 111 we have not disclosed them in our report as some of the assumptions underlying the scenarios are hypothetical rather than best estimates and accordingly, do not meet the requirements for presentation of prospective financial information as set out in RG 170.

In our assessment of the maintainable EBITDA for Mortgage Choice, we have considered the following key factors:

Forecast regulatory environment and trading conditions

- The Federal Government is planning to undertake a review into remuneration structures for mortgage brokers, including upfront and trail commissions. The review, to be undertaken in 2022 by the Council of Financial Regulators and the ACCC, stemmed from the Banking Royal Commission's recommendation to prohibit lenders paying trail and upfront commissions to mortgage brokers, which would have effectively removed the viability of the mortgage broker channel. We note that our selection of the EBITDA assumes that the Federal Government does not materially change the current legislation regarding mortgage broker commissions, however the risk of changes in the regulatory environment remains and it is reflected into our assessed EBITDA Multiple in section 6.3.2.
- The Federal Government is currently reviewing responsible lending laws as announced on 25 September 2020. The aim of the review is to support economic recovery by reducing the cost and time taken for consumers and businesses to access credit. The potential changes would shift the burden of responsibility from lenders to borrowers and simplify the loan application process. This could ultimately lead to increased lending by consumers, which could support mortgage growth.

³⁰ In case of a material strong growth in settlements the NPV of the future trail commission payments could be higher than the actual cash trail commission received.

- Our EBITDA assessment assumes no further lockdowns or disruption caused by COVID-19 and a return to normalised trading conditions. We note that Australia's vaccine rollout is currently behind schedule and the risk of further outbreaks remains.

Historical financial performance

- In H1FY21, the Company reported cash EBITDA of A\$9.7 million, implying an annualised EBITDA of c. A\$19.5 million on the back of A\$6.07 billion in settlements (annualised rate of A\$12.1 billion). We note that the Company is currently benefiting from a ramp up in settlements and in 2Q21, the Company achieved settlements of A\$3.2 billion, implying an annual settlement rate of A\$12.8 billion. The increase is being driven by the strong property market. In the last quarter, prices nationally increased by 5.6% and new loan commitments reached record highs of over A\$28 billion (see section 3.4 for details).
- We have placed less reliance on FY19 and FY20 financial performance during which the company generated cash EBITDA of A\$21.8 million and A\$19.0 million respectively. We note that FY19 cash EBITDA reflected only 11 months of the new broker remuneration model and 9 months of the new FinChoice remuneration model. While FY20 reflected a full 12 months of the new remuneration models, the financial performance was affected by COVID-19, with settlements of only A\$10.0 billion in FY20. The housing market during FY20 and 1HFY21 was also significantly affected by interstate travel restrictions and lockdowns.

Broker consensus estimates

The latest available broker forecast estimates for Mortgage Choice are set out below. We have also compared these to the historical performance as reported by Mortgage Choice.

| Broker Forecasts | | FY19 | FY20 | 1H21 | FY21 | FY22 | FY23 |
|----------------------------|----------------|-------------|-------------|-----------|----------------------------|-------------|-------------|
| EBITDA | Date of report | Actual | Actual | Actual | Forecast | Forecast | Forecast |
| Broker 1 - IFRS EBITDA | 29-Mar-21 | 21.4 | 16.0 | NA | 15.5 | 17.5 | 20.2 |
| Broker 2 - IFRS EBITDA | 18-Feb-21 | 20.0 | 16.0 | NA | 17.0 | 16.0 | NA |
| Average | | 20.7 | 16.0 | NA | 16.3 | 16.8 | 20.2 |
| Mortgage Choice financials | | FY19 | FY20 | 1H21 | FY21 | FY22 | FY23 |
| EBITDA | | Actual | Actual | Actual | GT annualised ¹ | Forecast | Forecast |
| Cash EBITDA | | 21.8 | 19.0 | 9.7 | 19.5 | n/d | n/d |
| IFRS EBITDA | | n/d | 17.1 | 7.8 | 15.7 | n/d | n/d |

Source: Management; GTCF analysis; S&P Global.

Note (1): FY21 EBITDA has been calculated by annualising 1HFY21 performance (i.e. by multiplying 1HFY21 EBITDA by 2).

In relation to the consensus estimates and Management Projection Scenarios, the future growth opportunities and risks of the business, we note the following:

- The Company is steadily re-invigorating the number of franchises and brokers following their reduction as a result of the implementation of the new remuneration model. The new brokers and franchises are still in the growth phase and it is expected these new franchises and brokers will materially increase the size of their loan book in future years, increasing the Company's revenues and profitability. The current strong market conditions are likely to support the growth of greenfield franchises in the short to medium term.



- Following the introduction of the new remuneration model, the Company witnessed an increase in productivity with settlements of c. A\$24.0 million per franchise in FY19 increasing to A\$25.9 million per franchise in FY20. Although we note this level of productivity is still lower than the Company's peak level at A\$29.2 million in FY16. We note that productivity is expected to further increase as greenfield franchises grow their customer base.
- We are of the opinion that the annualised FY21 cash EBITDA estimated by Grant Thornton should be considered a conservative assessment of the FY21 financial performance as it does not reflect the flow-through into the financial performance from the higher settlements experience by the business in the first quarter of 2021.
- We note that the broker forecasts have been prepared on an IFRS basis. We have assessed the level of cash EBITDA implied in the broker forecasts by adjusting them for share based remuneration, right of use asset depreciation and NPV adjustments for trail commissions. Based on these adjustments, the broker forecasts support our adopted EBITDA.

Conclusion on the EBITDA

Based on the analysis above, we have selected a normalised forecast cash EBITDA in the range of A\$20 million to A\$23 million.

6.2.2 Assessment of EBITDA Multiple

For the purpose of assessing an appropriate EBITDA Multiple range to value Mortgage Choice, we have had regard to the current trading multiples of broadly comparable companies ("Trading Multiples") and acquisitions of companies with broadly similar operations ("Transaction Multiples").

6.2.2.1 Trading multiples

In selecting the comparable companies, we have considered Australian-based companies more comparable as they are exposed to similar growth and revenue drivers, and are governed by similar regulatory requirements as Mortgage Choice.

Summarised below are the EV/EBITDA trading multiples of the selected companies.

| Comparable trading companies EV/EBITDA multiples | | | | | | |
|--|-----------|-------------------------|-----------------|---------------|-----------------------|-----------------------|
| Company | Country | Market Cap ¹ | EV ² | FY20 | FY21 | FY22 |
| | | A\$m | A\$m | Actual | Forecast ³ | Forecast ³ |
| Mortgage Choice Limited | Australia | 146 | 144 | 8.4 x | 8.5 x | 9.0 x |
| Australian Finance Group Limited | Australia | 768 | 673 | 12.5 x | 9.8 x | 10.1 x |
| COG Financial Services Limited | Australia | 160 | 144 | 6.8 x | NA | NA |
| N1 Holdings Limited | Australia | 6 | 8 | nmf | NA | NA |
| Yellow Brick Road Holdings Limited | Australia | 29 | 22 | 15.0 x | NA | NA |
| Average | | | | 10.7 x | 9.1 x | 9.6 x |
| Median | | | | 10.5 x | 9.1 x | 9.6 x |

Sources: S&P Global, GTCF Analysis, Management

Notes: (1) Market Cap for Mortgage Choice based on the last undisturbed closing price on 26 March 2021, the day prior to the announcement of the transaction. For the other peers, the Market Caps are as at 8 April 2021; (2) Enterprise Value (EV) includes net debt (interest-bearing liabilities less non-restricted cash), non-controlling interests and AASB16 liabilities. In the calculation of the net debt, we have excluded interest-bearing liabilities from the non-recourse securitisation book within the special purpose vehicles (3) Forecast trading multiples are based on the median of



broker consensus estimates. Aside from Mortgage Choice and AFG, the other listed companies are not covered by any brokers. (4) We note that the liquidity of Yellow Brick Road is low which may affect the reliability of the multiple.

We note the multiples above should be taken with caution due to the following:

- The Trading Multiples presented above reflect the value of companies on a minority basis and do not include a premium for control. Empirical evidence undertaken by Grant Thornton Corporate Finance indicates that the average control premium paid above the listed market price in successful takeovers in Australia ranges between 20% and 40%. Please refer to Appendix B for an overview of this control premium study.
- The Trading Multiples are based on IFRS EBITDA, as opposed to Cash EBITDA, at each respective reporting date. The forward ("FW") Trading Multiples are based on earnings derived from broker consensus forecasts³¹ which are also prepared on an IFRS basis. However, it is reasonable to assume that brokers are not in a position to forecast the movements in the net present value of the trailing commissions and accordingly the forecast IFRS EBITDA should more closely align with the cash EBITDA, even if still differences remain.

Out of the comparable listed peers, we consider Australian Finance Group. We note that the other listed peers are less comparable to Mortgage Choice and also have limited broker coverage for calculating forecast EBITDA Multiples. Below we describe AFG, as well as the rest of our selected listed peers and highlight the similarities and differences with Mortgage Choice that were considered in our multiple and valuation assessment.

Australian Finance Group (AFG)

AFG is one of Australia's largest mortgage aggregators with over 2,975 brokers and a residential loan book of over A\$160 billion as at 31 December 2020. Accordingly, it is much larger than Mortgage Choice which had 516 brokers and a loan book of c. A\$54.1 billion as at 31 December 2020. Similar to Mortgage Choice, AFG adopts a commission based revenue model and takes a percentage of the up-front and trailing remuneration generated by the broker. However, AFG, being a mortgage aggregators rather than a franchise model, typically pays out a greater percentage to brokers of between 85% and 94% of commissions, compared to c. 75% for Mortgage Choice at 31 December 2020. AFG operates as a wholesale mortgage broker, whereas Mortgage Choice adopts a franchise model. Unlike Mortgage Choice, AFG brokers are not locked-in and can easily move to a competitor, taking with them their client base and trail commissions. AFG has two reporting segments, AFG Wholesale Mortgage Broking and AFG Home Loans ("AFGHL"). AFGHL is the company's branded mortgage products, funded by third party wholesale funding providers (white label products) or AFG Securities Mortgages. In FY20, the mortgage broking business accounted for 79% of pre-tax profits, with the remainder generated by AFGHL. Given AFG's higher payout ratio, its EBITDA margins are slightly lower than Mortgage Choice's, however the additional margins retained on the securitised mortgages partially offset this. AFG has grown much faster than Mortgage Choice in recent years, growing its loan book at a CAGR of 6.2% between 31 December 2017 and 31 December 2020, compared to a CAGR of 0.1% for Mortgage Choice over the same period.

We also note that the multiple of AFG reflects market participant expectations of a merger between Connective Group and AFG which was announced on 12 August 2019. After several delays and ongoing

³¹ With the exception of COG, for which the forecast is based on management guidance due to absence of broker consensus data for this company.



consultation, the merger between AFG and Connective obtained ACCC approval in June 2020, but it is still subject to court approval with final decision currently pending.

Although Mortgage Choice and AFG operate slightly different models (i.e. franchise and wholesale), the two business are in many ways highly comparable. In order to provide greater insights into the two companies we have summarised below a number of KPIs for the two businesses:

| KPIs - Australian Finance Group and Mortgage Choice | | |
|---|--------|-------|
| | MOC | AFG |
| FY20 IFRS EBITDA margin | 9.8% | 7.7% |
| FY20 IFRS NPAT margin | 6.1% | 5.2% |
| Number of brokers (latest) | 509 | 2,975 |
| Historical loan book 3 -year CAGR ¹ | 0.1% | 6.2% |
| Historical settlements 3 -year CAGR ¹ | (2.6%) | 2.6% |
| Life of loan (yrs) | 4.8 | 4.1 |
| Commission payout ratio | 75.5% | 89.5% |
| Settlement (\$billion) in FY20 | 10.0 | 34.1 |
| Settlement (\$billion) in 1H21 | 6.1 | 20.9 |

Source: Annual reports and interim reports; GTCF calculations

Note: (1) From 31 December 2017 to 31 December 2020. We have only considered the performance of AFG's wholesale mortgage broking segment and its residential portfolio in the calculation of KPIs.

Other listed peers

We placed limited reliance on the other trading companies due to the following:

- Consolidated Operation Group ("COG") – COG is Australia's largest equipment and asset finance broking company. The company primarily provides asset finance broking/aggregation but is also a provider of non-prime commercial equipment leasing, originating and distributing operating leases through brokers. COG's remuneration structure is largely commission based. The company has a limited exposure to mortgage broking services as it represents a minor portion of the business. Accordingly, we have placed limited reliance on COG.
- N1H provides a range of services including mortgage broking, fund trustee and management services, commercial loans, business financing, off-market lending, migration services and property management. In FY20 N1H generated c. A\$4.1 million in revenues and while it generates a small EBITDA profit in 1HFY21, it was loss making at an EBITDA level in FY19 and FY20. Given the company is loss-making (except for 1HFY21), focused on commercial lending and significantly smaller than Mortgage Choice, we have not considered it in our EBITDA Multiple assessment.
- Yellow Brick Road ("YBR") is a franchise-model mortgage broker and historically owned a small wealth management business, which was divested in early 2020. YBR is a multi-faceted business as its mortgage business involves branded franchise origination, aggregation, broking and wholesale management of mortgage products. It also acts as mortgage manager, which possesses rights to approve loans by itself, while MOC only acts as intermediary. We note that YBR has been loss-making historically, it does not have forecast consensus estimate and liquidity in the trading prices is low. Accordingly, we have not relied on it.

6.2.2.2 Transaction multiples

The table below summarises the EV/EBITDA multiples of comparable transactions.

| Comparable transactions | | | | | | Implied EV/EBITDA | |
|---|---------------------------------------|-----------|------------------------------------|-----------|------------|-------------------|-------------|
| Date | Target Company | Country | Bidder Company | Stake (%) | Value A\$m | Historical | Forecast |
| Tier 1 - Mortgage brokers / aggregators | | | | | | | |
| Jul-19 | Smartline Home Loans Pty Ltd | Australia | Realestate.com.au Pty Ltd. | 19.7% | 16 | NA | NA |
| Aug-19 | Connective Group Pty Ltd ¹ | Australia | Australian Financial Group | 100.0% | 120 | NA | NA |
| Aug-18 | Centrepoint Finance Pty Ltd | Australia | Consolidated Operations Group Ltd. | 100.0% | 10 | NA | 6.0x |
| Nov-17 | Finsure Holding Pty Ltd ² | Australia | Goldfields Money Limited | 100.0% | 61 | 8.5x | 8.5x |
| Jun-17 | Smartline Home Loans Pty Ltd | Australia | Realestate.com.au Pty Ltd. | 80.3% | 67 | 8.3x | NA |
| May-16 | Consolidated Finance Group | Australia | Consolidated Operations Group Ltd. | 80.0% | 13 | 8.3x | NA |
| Nov-15 | Platform Finance and Leasing Group | Australia | Consolidated Operations Group Ltd. | 60.0% | 23 | 7.7x | NA |
| May-14 | Vow Financial Holdings Pty Ltd | Australia | Yellow Brick Road Holdings Ltd | 100.0% | 16 | 6.1x | NA |
| Average - mortgage brokers / aggregators | | | | | | 7.6x | 7.0x |
| Median - mortgage brokers / aggregators | | | | | | 8.0x | 6.5x |
| Tier 2 - Insurance brokers and underwriting agencies | | | | | | | |
| Oct-18 | Community Broker Network | Australia | Steadfast Group Limited | 100.0% | 63 | 7.9x | NA |
| Dec-17 | Whitbread Insurance Group | Australia | Steadfast Group Limited | 100.0% | NA | 9.0x | NA |
| Aug-14 | Calliden Group Limited | Australia | Steadfast Group Limited | 100.0% | 105 | NA | NA |
| Apr-12 | Coverforce Holdings Pty Ltd | Australia | RMB Australia Holdings Ltd. | 49.0% | 30 | NA | 6.4x |
| Average | | | | | | 8.4x | 6.4x |
| Median | | | | | | 8.4x | 6.4x |

Source: S&P Global, GTCF analysis, Management

Note: (1) Due to confidentiality of the information, we have not disclosed the implied multiple for this transaction. However we used the implied multiples to cross check our selection of multiples range; (2) The forecast EV/EBITDA multiple was derived using adjusted EBITDA disclosed in the Independent Expert Report issued by Ernst Young along with the Goldfield Money's explanatory memorandum dated 7 September 2018.

In relation to the transactions, we note that:

- The implied transaction multiples may incorporate various levels of control premium and special value paid for by the acquirers. In particular, the multiples may reflect synergies paid which are unique to the acquirers.
- The transactions observed took place during the period between June 2011 and July 2019. Economic and market factors, including competition dynamics and commodity prices may be materially different from those current as at the valuation date. These factors may influence the amounts paid by the acquirers for these businesses.
- The transaction multiples are calculated based on the EBITDA of the acquired companies before the introduction of the AASB16 accounting standard.

Among the transactions, we place a greater reliance on the following:



Finsure Holding Pty Limited ("Finsure")

In November 2017, Goldfields Money Limited ("Goldfields") announced the acquisition of 100% of Finsure for a scrip consideration of 40.75 million³² Goldfields shares. The transaction completed in September 2018. Finsure was a privately-owned mortgage aggregation business. Through the wholesale mortgage management division, Finsure also provides white label home loans product under the Better Choice, Home Loans and MyLoan brands which were funded by third parties. The company had a broker network of approximately 1,435 loan writers, a total loan book value of A\$33.2 billion, and annual settlements of A\$12.3 billion as at 30 June 2018. Finsure experienced strong organic and acquisition growth at rates slightly higher than Mortgage Choice. In particular, we note that loan writers increased from 631 in FY14 to 1,435 as at 30 June 2018 and the reported EBITDA increased from a loss of A\$0.8 million in FY15 to a normalised EBITDA of circa A\$8³³ million for the last twelve months to 31 December 2017. Management indicated FY18 forecast underlying EBITDA of between A\$10 million and A\$11 million³⁴, however, the independent expert had adopted a future maintainable EBITDA of A\$8.0 million. In the assessment of the forecast EBITDA of Finsure, we have adopted the maintainable EBITDA selected by the independent expert.

Finsure's revenues are largely commission based with a significant portion derived from upfront and trail commissions. We note that in 1HFY18, upfront commissions accounted for circa 57% of the total commission income. In addition, in August 2017, Finsure acquired mortgage aggregation and IT platform LoanKit. This acquisition provided Finsure with increased scale and size, as its broker network increased to approximately 500 brokers, and allowed Finsure to generate additional fees such as software license and compliance fees.

We consider Finsure broadly comparable to Mortgage Choice.

Smartline Home Loans Pty Ltd ("Smartline")

In June 2017, REA Group Limited announced that it entered into an agreement to acquire an 80.3% stake in Smartline Home Loans Pty Ltd for a cash consideration of c. A\$67 million with the remaining minority stake acquired by REA in July 2019. Smartline was a privately owned mortgage broking franchise business with over 300 advisers nationally, settling more than A\$6 billion in loans annually with a total loan book of c. A\$25 billion³⁵ at the time of this transaction.

We consider Smartline closely comparable to Mortgage Choice, although it has a smaller loan book and annual settlement volumes.

Connective Group (Connective)

In July 2019, AFG announced the acquisition of Connective for a total consideration of A\$120 million. Out of the total consideration, A\$60 million would be paid in cash and the remaining A\$60 million would be paid in the form of AFG shares. Connective was a privately-owned mortgage aggregator, operating as an

³² In our assessment of the value of the consideration, we have adopted an issue price of A\$1.25 per Goldfields shares which is based on the trading prices before announcement of the transaction in November 2017 and it is also consistent with the trading prices at the time the shares were issued to Finsure Shareholders on completion in September 2018. We note that since completion of the transaction, shares in Goldfields have traded between 60 cents and 80 cents for most of the time.

³³ Finsure's adjusted EBITDA was A\$7.96 million as at 31 December 2017 as reported in the IER. EBITDA has been normalised by the independent expert for A\$3.7 million bargain purchase gain, A\$1.2 NHL EBITDA due to the acquisition completed in January 2019 (based on current run-rate cash EBITDA for managing a c. A\$725 million loan book) and A\$132K of transaction costs.

³⁴ Goldfield's announcement made to ASX on 26 July 2018.

³⁵ REA Group's announcement dated 27 June 2017.



intermediary between its network of more than 3,600 brokers. In addition to providing mortgage aggregation services, Connective provides its own white label home loans (funded by third parties) and aggregation services for asset finance and commercial loans. The Company had a loan book of A\$144 billion as at 30 June 2019 and c. A\$42 billion in total settlements for FY19.

Connective's business model differs from Mortgage Choice in that it charges fixed monthly fees to its members. This provides greater revenue certainty during periods of decline in the housing market, however it does not allow the company to capture as much upside as Mortgage Choice's commission based model when the housing market is performing strongly. We consider Connective to be a comparable target despite of its different revenue model and its larger size than MOC. We understand that the transaction occurred at EBITDA multiples not inconsistent with industry standard.

Vow Financial Holdings Pty Limited ("Vow")

In May 2014, YBR announced the acquisition of 100% of the shares in Vow for a consideration of A\$16 million. Vow was a mortgage aggregator with approximately 776 independent broker groups and an aggregated loan book of approximately A\$19 billion. Vow generated income through a share of upfront commissions, trail commissions, and additional fees charged to brokers for IT, insurance and regulatory compliance assistance. Of the FY13 commission income, circa 42% was derived from upfront commission with the remainder derived from trail commissions.

Overall we consider Vow comparable to Mortgage Choice although of significantly smaller scale and growth prospects. The transactions also occurred several years ago in completely different market conditions and accordingly we have not relied on it.

Transactions undertaken by Consolidated Operations Group Limited

COG is the largest Australian SME equipment finance broking and aggregation group. The company commenced operations in 2015 and it has rapidly built its presence through an acquisition led strategy. The company primarily provides asset finance broking/aggregation but is also a provider of non-prime commercial equipment leasing³⁶ originating and distributing operating leases through brokers. In 2020, COG settled an aggregated A\$4.5 billion of Net Asset Finance ("NAF"), implying an estimated market share of 17% of annual NAF originated by asset finance brokers³⁷. COG's remuneration structure is largely commission based. We note that COG has historically paid around 8x maintainable EBITDA for its acquisitions as outlined below:

- In November 2015, COG announced the acquisition of 60% of the shares in the asset finance aggregator Platform Finance and Leasing Group ("PFG") for an enterprise value of A\$40 million and an implied historical FY15 EBITDA multiple of 7.7x³⁸. We note that both the vendors and COG had a put and call option to buy/sell the remaining 40% at a value equivalent to 8x the maintainable EBITDA at the time of exercise of the options³⁹. PFG is an asset finance aggregator operating across Australia with offices in Mildura, Melbourne and St. Leonards. The company is primarily focused on motor vehicle finance and general business equipment finance, and does not have mortgage broking operations.

³⁶ About 94% of the lease book is externally funded through various funders with the remainder internally funded.

³⁷ Disclosed in COG's FY18 annual report

³⁸ Based on twelve months of trailing EBITDA as of November 2015.

³⁹ COG exercised the option and it now owns 100% of PFG.



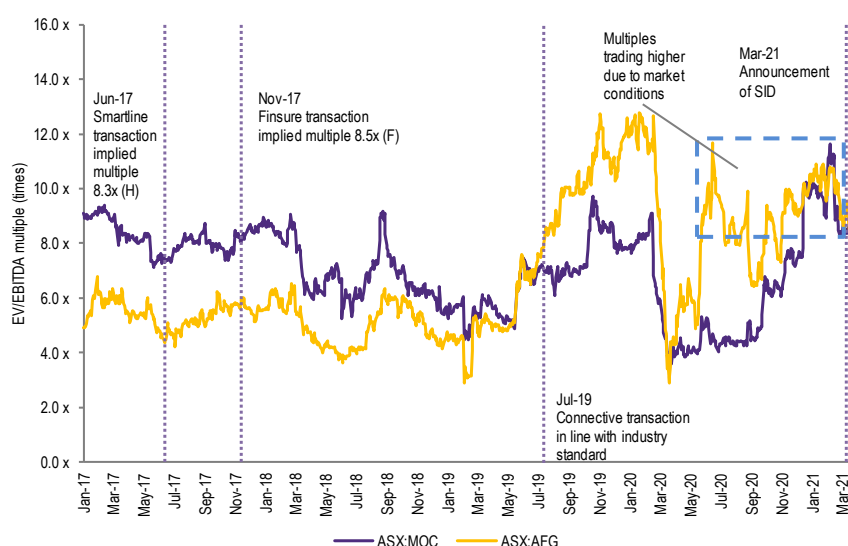
- In August 2016, COG announced the acquisition of 80% of the shares in privately-owned asset finance aggregator CFG at a historical EBITDA multiple of 8.3x. CFG was considered one of the largest independent specialised equipment asset finance aggregators in Australia with circa A\$1.8 billion of annual NAF as at June 2016. CFG's members are independent asset finance brokers, with CFG providing access to finance sources, enhanced commissions and other income and operational and finance support for its member brokers. We note CFG did not have mortgage broking operations, and accordingly we have placed limited reliance on this transaction.

EBITDA Multiples – Conclusion

Based on the analysis of listed comparable companies and comparable transactions, Grant Thornton Corporate Finance has assessed an EBITDA multiple for the valuation of Mortgage Choice at **10.0x** on a control basis. We have mainly had regard to the following:

- Australian Finance Group's trading multiple is c. 9.7x FY21 EBITDA and 10.0x FY22 EBITDA, on a minority basis. However, AFG is much larger than Mortgage Choice. Our adopted control EBITDA Multiple reflects the trading multiple of AFG.
- Finsure business is highly comparable to Mortgage Choice even if smaller. The Finsure acquisition completed in September 2018 at a multiple of 8.5x. We would expect Mortgage Choice's multiple to be higher than Finsure given the current buoyant market conditions and its competitive positioning and brand awareness.
- The selection is in line with our analysis of rolling NTM multiples as set out below:

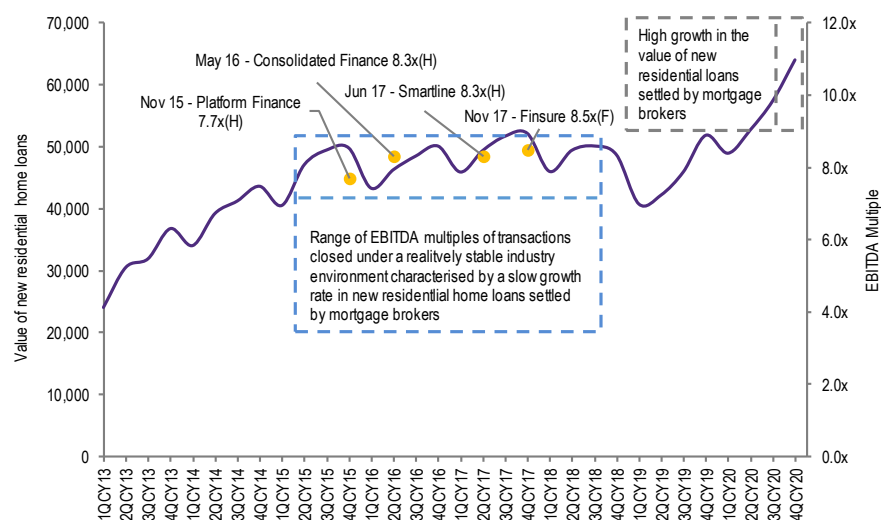
Rolling NTM EBITDA multiple of MOC and AFG over last three years



We have also tracked in the graph below the historical volume of new residential home-loans settled by mortgage brokers compared with the historical transaction multiples. Transaction in the industry have

historically occurred at an EBITDA multiple between 8.0x and 8.5x in conjunction with quarterly settlements of c. A\$50 billion. Settlements in Q4 2020 were circa A\$65 billion, which is expected to increase further in Q1 2021. We are of the opinion that the buoyant market conditions justify the adoption of our higher EBITDA multiple of 10.0x compared with the historical transactions.

Historical settlement volumes and transaction multiples



Source: GTCF analysis

6.3 Quoted Security Pricing Method

In our assessment of the fair market value of Mortgage Choice shares, we have also had regard to the trading price of the listed securities on the ASX in the period prior to 29 March 2021, when the Company announced to the market that it had entered into the SIA.

The assessed value per share based on the trading price is an exercise in professional judgement that takes into consideration the depth of the market for listed securities, the volatility of the trading price, and whether or not the trading price is likely to represent the underlying value of Mortgage Choice. The following sections detail the analysis undertaken in selecting the share price range.

6.3.1 Liquidity analysis

In accordance with the requirements of RG 111, we have analysed the liquidity of Mortgage Choice Shares before relying on them for the purpose of our valuation assessment. We have set out below the trading volume from March 2020 to March 2021⁴⁰ as a percentage of the total shares outstanding as well as free float shares outstanding.

⁴⁰ We have excluded the trading volumes after the announcement of the SID



| Mortgage Choice - Liquidity analysis | | | | Cumulative | | Cumulative | |
|--------------------------------------|----------------------|-------------------|---------------------------------------|------------------------------------|------------------------------------|---|---|
| Month end | Volume traded ('000) | Monthly VWAP (\$) | Total value of shares traded (\$'000) | Volume traded as % of total shares | Volume traded as % of total shares | Volume traded as % of free float shares | Volume traded as % of free float shares |
| Mar 2020 | 8,286 | 0.7522 | 6,233 | 6.7% | 6.7% | 10.0% | 10.0% |
| Apr 2020 | 3,754 | 0.6597 | 2,477 | 3.0% | 9.7% | 4.5% | 14.6% |
| May 2020 | 2,884 | 0.7207 | 2,078 | 2.3% | 12.0% | 3.5% | 18.0% |
| Jun 2020 | 5,336 | 0.7394 | 3,946 | 4.3% | 16.3% | 6.5% | 24.5% |
| Jul 2020 | 1,398 | 0.7131 | 997 | 1.1% | 17.4% | 1.7% | 26.2% |
| Aug 2020 | 2,685 | 0.7606 | 2,042 | 2.2% | 19.6% | 3.2% | 29.4% |
| Sep 2020 | 4,590 | 0.9035 | 4,147 | 3.7% | 23.3% | 5.5% | 35.0% |
| Oct 2020 | 2,945 | 1.0715 | 3,155 | 2.4% | 25.7% | 3.6% | 38.5% |
| Nov 2020 | 3,408 | 1.2164 | 4,146 | 2.7% | 28.4% | 4.1% | 42.6% |
| Dec 2020 | 3,085 | 1.3693 | 4,224 | 2.5% | 30.9% | 3.7% | 46.4% |
| Jan 2021 | 2,102 | 1.4289 | 3,004 | 1.7% | 32.6% | 2.5% | 48.9% |
| Feb 2021 | 7,039 | 1.4127 | 9,944 | 5.7% | 38.3% | 8.5% | 57.4% |
| Mar 2021 | 2,349 | 1.1635 | 2,733 | 1.9% | 40.2% | 2.8% | 60.3% |
| Min | | | | 1.13% | | 1.69% | |
| Average | | | | 3.09% | | 4.64% | |
| Median | | | | 2.48% | | 3.73% | |
| Max | | | | 6.67% | | 10.02% | |

Sources: S&P Global and GTCF Analysis

With regard to the above analysis, we note that:

- The level of free float for Mortgage Choice is reasonable at circa 66.6%⁴¹. During the last twelve months, circa 60.3% of the free float shares were traded with an average monthly volume of 4.6% of the total free float shares.
- Below we have benchmarked the liquidity of Mortgage Choice with the listed companies operating in the industry. Mortgage Choice's cumulative volume traded as percentage of free float is in line with the listed peers.

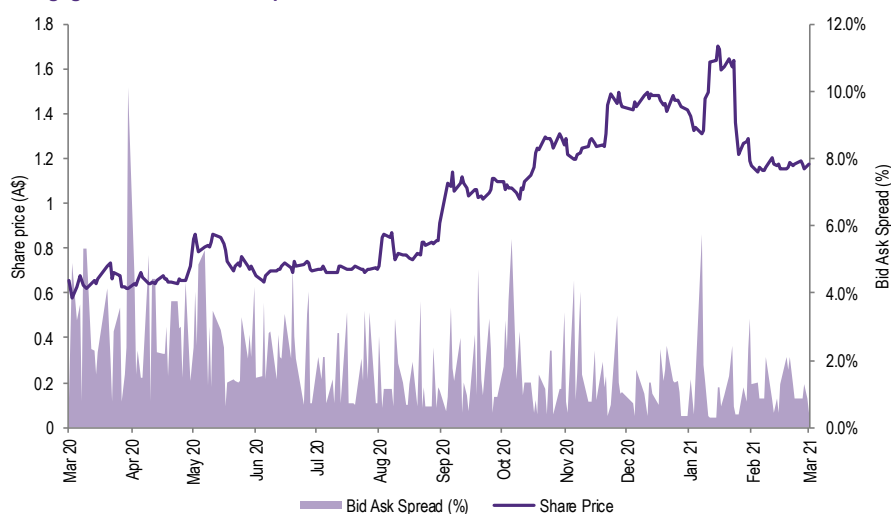
⁴¹ The free float is calculated based on total shares outstanding less shares held by Management and strategic investors sourced from CapitalIQ.

| Liquidity analysis | | | Average volume traded as a % of total shares | Average volume traded as a % of free float shares | Cumulative volume traded as a % of total shares | Cumulative volume traded as a % of free float shares |
|------------------------------------|-----------|-------------------|---|--|--|---|
| Company | Country | Free float (%) | | | | |
| Mortgage Choice Limited | Australia | 66.6% | 3.1% | 4.6% | 38.3% | 57.4% |
| Australian Finance Group Limited | Australia | 69.2% | 10.8% | 15.6% | 159.2% | 230.1% |
| N1 Holdings Limited | Australia | 19.0% | 0.3% | 1.4% | 3.0% | 15.8% |
| Yellow Brick Road Holdings Limited | Australia | 45.9% | 0.9% | 2.0% | 15.4% | 33.6% |
| COG Financial Services Limited | Australia | 69.8% | 1.0% | 1.5% | 18.0% | 25.8% |
| Low | | 19.0% | 0.3% | 1.4% | 3.0% | 15.8% |
| Average | | 50.2% | 3.8% | 5.9% | 54.0% | 84.2% |
| Median | | 56.3% | 2.0% | 3.3% | 26.9% | 45.5% |
| High | | 69.2% | 10.8% | 15.6% | 159.2% | 230.1% |

Source: S&P Global; GTCF analysis

- In the absence of a takeover or alternative transactions, the trading prices represent the value at which minority shareholders could realise their investment.
- Mortgage Choice complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of Mortgage Choice. Mortgage Choice provides updates to the market on a regular basis with information regarding the investment strategy and performance. As a result, there is extensive analysis provided to the market not only about the Mortgage Choice's performance and market standing, but also regarding industry trends.
- Where a company's stock is not heavily traded or is relatively illiquid, the market typically observes a difference between the 'bid' and 'ask' price for the stock as there may be a difference in opinion between the buyer and seller on the value of the stock. As set out in the graph below, the historical difference between the bid and ask price has been low over the last twelve months.

Mortgage Choice – Bid/Ask Spread March 2020 to March 2021

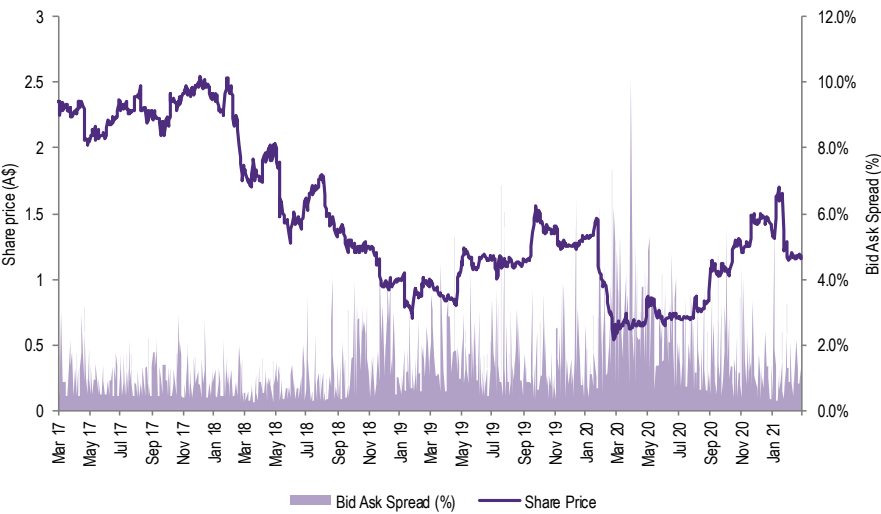


Sources: S&P Global and GTCF Analysis



As set out in the graph above, we note that the historical average and median bid-ask spread have been 1.8% and 1.4% respectively since March 2020. We note that since the outbreak of COVID-19, the bid-ask spread widened due to the increase in volatility and uncertainty, and then gradually narrowed as the market returned to more normal trading conditions and volatility and uncertainty decreased. We have therefore set out below the bid-ask spread over a longer period from March 2017 to March 2021.

Mortgage Choice – Historical Bid/Ask Spread March 2017 to March 2021



Sources: S&P Global and GTCF Analysis

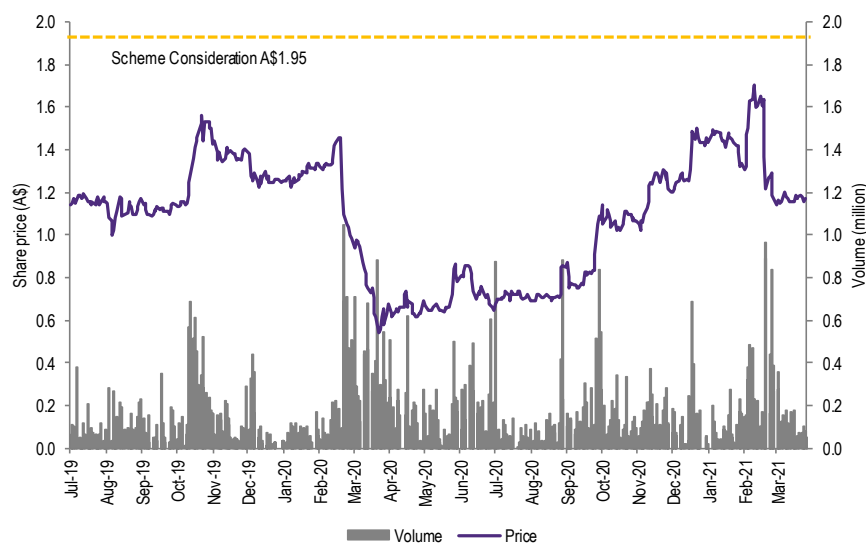
The historical average and median bid-ask spread in the last four years have been 1.4% and 1.1% respectively.

Based on the analysis above, we conclude that there is sufficient liquidity in Mortgage Choice's trading price for utilisation of the Quoted Security Price Method in our assessment of the fair market value of the Company's shares.

6.3.2 Valuation assessment of Mortgage Choice based on trading price

We have analysed below Mortgage Choice's share price from 1 July 2019 to 26 March 2021.

Mortgage Choice – Historical share trading price and volume



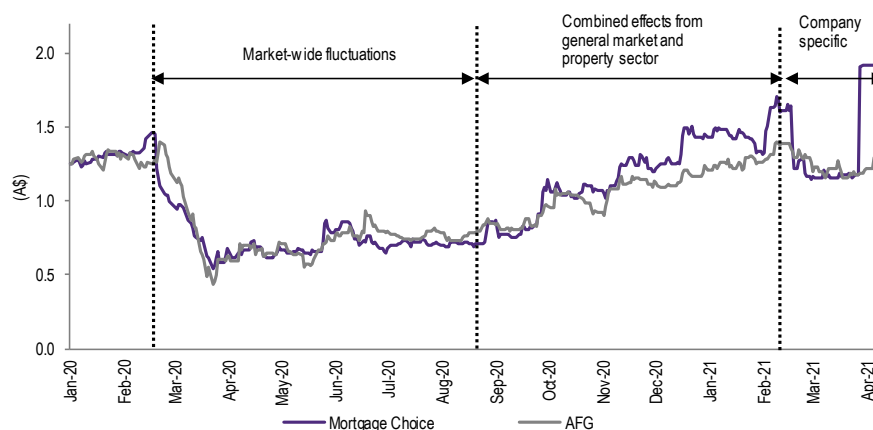
Sources: S&P Global and GTCF Analysis

As set out in the graph above, from 1 July 2019 to 26 March 2021 (prior to the announcement of the Scheme), Mortgage Choice shares have traded between a maximum of A\$1.705 on 9 February 2021 and a minimum of A\$0.54 on 23 March 2020. Since 24 March 2020, the share price gradually recovered and reached a 15-month peak at A\$1.705 on 9 February 2021. On 18 February, the day the half-year results were announced, it dropped by c.17% as cash EBITDA and cash NPAT remained substantially stable despite a c.20% increase in settlements compared to the prior corresponding period. The trading prices before the announcement of the Scheme remained lower than pre-COVID-19 levels.

As illustrated below, we have benchmarked the performance of Mortgage Choice's trading price with Australia Finance Group from January 2020 to 8 April 2021, to gather insights on whether the movements in Mortgage Choice's trading price are largely driven by industry/company-specific events or simply by movements in the broader market.



Share price performance (rebased to the Company's share price)



Sources: S&P Global and GTCF Analysis

We are of the opinion that the share price movements over the period from 1 January 2020 to 26 March 2021 were affected by the following factors:

- *Market wide fluctuations starting from 24 February 2020 to mid-August 2020.* During this period, we note the following events:
 - Outbreak of COVID-19: The significant sell-off in shares as a result of COVID-19 being declared a pandemic and the large community transmission around the globe began around 24 February 2020 and continued until mid-March 2020. During this time, both MOC and AFG were similarly negatively affected.
 - General market uplift in Australian finance sector: we note that on 27 May 2020, there was a general uplift in the finance sector led by the Big Four Banks' "catch-up rally", in which ANZ and Westpac rose 8.6% and 8.0% respectively, followed by NAB and Commonwealth Bank, whose share price rose 7.8% and 4.9% respectively. The share price of other participants in the finance sector were also positively impacted by this uplift. Mortgage Choice's share price increased by 17% from A\$0.72 to A\$0.845.
- *Market wide influence and sector specific factors from mid-August 2020 to mid-February 2021.* During this period we note the following:
 - Favourable signals from Australian property sector from mid-August 2020 to early November 2020: During this period MOC and AFG experienced price uplift as both companies reported resilient financial results for FY20. Prices of both companies further increased in September 2020 as a result of strong performance in the housing market. On 24 September 2020, the ABS released the Residential Property Price index for the June 2020 quarter, which indicated that the weighted average property prices of eight capital cities only fell 1.8% for the quarter (despite the significant disruption caused by COVID-19) and had increased by 6.2% over the last twelve months.

- Strong market-wide recovery in November: The Company's share price rose on the back of the market wide recovery driven by positive COVID-19 vaccine developments in November and December.
- Housing market expected to outperform: on 8 December 2020, NAB released its December 2020 Housing Market Update⁴², indicating that the housing market had begun to recover in November 2020, with NAB's national home value index recording a second consecutive monthly rise. NAB expected the property prices in December to further increase. We note the housing values continued to rise through January, surpassing pre-COVID levels by 1.0% and national home values were 0.7% higher than the previous September 2017 peak⁴³. Then at the beginning of February, the trading prices of both MOC and AFG increased on the back of a number of industry analysts including the big four banks released optimistic housing market outlooks including double digit price growth for the country for the next two years driven by strong demand for new loan commitments and record low interest rates. The trading prices of MOC increased from a closing share price of A\$1.325 on 2 February 2021 to A\$1.705 on 09 February 2021.
- *Company specific events from mid-February 2021 to April 2021*. During this period we note the following:
 - Underperformance as presented in MOC's half-year result: we note that MOC's share price decreased materially post the release of its 1H21 results on 19 February 2021. For 1HFY21, the Company's net commission, gross profit, cash EBITDA and cash NPAT all remained relatively flat compared to 1HFY20 despite strong settlement growth of over 20% to A\$6 billion and an ongoing strengthening in the property market. The growth in settlements did not result in an improvement in cash EBITDA or cash NPAT due to the flat loan book size and the large increase in refinancing activity. The results promoted two brokers to downgrade their target prices for MOC, and one broker downgraded Mortgage Choice from a Buy rating to a Hold/Neutral rating.
 - Announcement of the SIA: on 29 March 2021, the SIA was announced to the market.

6.3.3 Conclusion on selected valuation range

Set out below is a summary of the VWAP of Mortgage Choice shares over the last three months up to 18 February 2021 before the release of the half year accounts and up to 26 March 2021 before the announcement of the SIA.

⁴² Australian Housing Market Update: December 2020, by NAB Group Economics.

⁴³ Australian Housing Market Update: February 2021, by NAB Group Economics.



| Mortgage Choice VWAP analysis | | | |
|-------------------------------|-------|-------|-------|
| | Low | High | VWAP |
| Up to 18 Feb 2021 | | | |
| 5 day | 1.365 | 1.680 | 1.526 |
| 10 day | 1.365 | 1.720 | 1.558 |
| 1 month | 1.265 | 1.720 | 1.498 |
| 2 month | 1.265 | 1.720 | 1.488 |
| 3 month | 1.200 | 1.720 | 1.429 |
| Up to 26 Mar 2021 | | | |
| 5 day | 1.155 | 1.200 | 1.176 |
| 10 day | 1.155 | 1.200 | 1.169 |
| 1 month | 1.120 | 1.230 | 1.168 |
| 2 month | 1.120 | 1.720 | 1.352 |
| 3 month | 1.120 | 1.720 | 1.367 |

Source: S&P Global and GTCF calculations

Based on the above discussions and analysis, we have assessed the fair market value of Mortgage Choice shares based on the trading price between A\$1.37 to A\$1.43 on a minority basis. The selected valuation range is based on the 3 months VWAP which in our opinion is less affected by the significant short-term market volatility.

At the high end of the range, we have selected a share price of A\$1.43 to reflect Mortgage Choice's 3-month VWAP prior to the announcement of the half-year results. The share price of Mortgage Choice fell significantly following the announcement of the 1HFY21 results which were below market expectations and other listed peers. We have set out below the share price movement of Mortgage Choice and AFG before and after the announcement of their 1HFY21 results and their settlement growth, loan book growth, EBITDA growth and NPAT growth.

| Company | Date of result announcement | 1-week VWAP prior to announcement | 1-week VWAP post announcement | Change in share price (%) | 1H21 Settlement growth (%) | 1H21 Loan book growth (%) | EBITDA growth (%) | NPAT growth (%) |
|--------------------------|-----------------------------|-----------------------------------|-------------------------------|---------------------------|----------------------------|---------------------------|-------------------|-----------------|
| Mortgage Choice | 18-Feb-21 | 1.62 | 1.25 | (22.9%) | 22.0% | (0.4%) | (0.6%) | 0.6% |
| Australian Finance Group | 26-Feb-21 | 2.86 | 2.67 | (6.6%) | 24.0% | 5.0% | 29.6% | 40.8% |

Source: MOC and AFG semi-annual reports; GTCF analysis

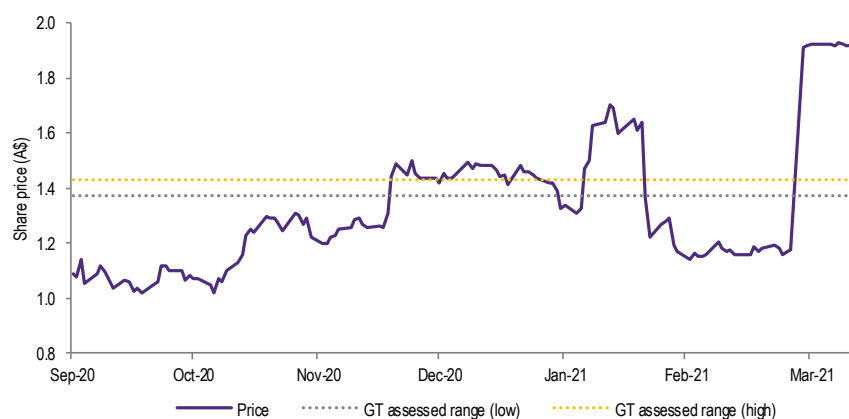
Note: The growth rates are based on the companies' performance compared to previous corresponding period (1HFY20)

We note Mortgage Choice underperformed AFG in relation to the loan book, EBITDA and NPAT growth rates. However, we are of the opinion that the correction in the trading prices was particularly severe with the closing share price reducing from A\$1.640 on 17 February 2021 to A\$1.140 on 1 March 2021 – a reduction of circa 30%. We note that the reported cash EBITDA of A\$9.8 million and IFRS EBITDA of A\$7.8 million for H1 FY21 were substantially in line, when annualised, with FY21 consensus forecast EBITDA of A\$15.6 million. Accordingly, we have considered appropriate to also rely on the trading prices before the announcement of the half year results in our valuation assessment, as we are of the opinion that the market correction was particularly severe and the timing of announcement of the Scheme did not really give an opportunity to the trading prices to recover.

On the low end of our share price range selection, we have adopted A\$1.37 to reflect the 3-month VWAP before the announcement of the SIA.

We have set out below the historical share price of Mortgage Choice over the past 6 months compared to our assessed price range.

Closing price of Mortgage Choice (last 6 months)



Source: S&P Global; GTCF analysis

6.3.4 Control premium and conclusions on the trading prices

The trading prices presented above reflect the value of MOC on a minority basis and thus do not include a premium for control. Evidence from studies suggests that successful takeovers in Australia have completed based on premium for control in the range of 20% to 40% (Refer to Appendix D for an overview of this control premium study).

Set out in the table below is a summary of our assessed valuation range on a control basis.

| Quoted Security Price Method - valuation summary | | | |
|---|-------------------|-------------|-------------|
| A\$ per share unless otherwise stated | Section reference | Low | High |
| Value per Mortgage Choice Share before the Scheme (on a minority basis) | 6.4.3 | 1.37 | 1.43 |
| Control premium | 6.4.4 | 20% | 40% |
| Value per Mortgage Choice Share before the Scheme (on a control basis) | | 1.64 | 2.00 |

Source: S&P Global; GTCF analysis

6.4 DCF Method

6.4.1 GT Model and summary of values

For the purpose of our valuation assessment of Mortgage Choice using the DCF method, Grant Thornton Corporate Finance developed the GT Model based on a critical review and consideration of the historical financial performance of Mortgage Choice, high-level Management Projection Scenarios, current industry trends including benchmarking against comparable listed companies and FY21 budget and forecast.

Whilst Grant Thornton Corporate Finance believes that the assumptions underlying the GT Model are reasonable and appropriate to be adopted for the purpose of our valuation, we have not disclosed them in our IER as they contain commercially sensitive information and they do not meet the requirements for the presentation of prospective financial information as set out in ASIC Regulatory Guide 170 "Prospective Financial Information".



In accordance with the requirement of RG 111, we have undertaken a critical analysis of the Management Projection Scenarios before integrating them into the GT Model and relying on them for the purpose of our valuation assessment. Specifically, we have performed the following:

- Held discussions and interviews with the Management of the Company and its advisors to discuss the key underlying assumptions.
- Conducted high-level checks, including limited procedures in relation to mathematical accuracy.
- Performed a broad review, critical analysis and benchmarking with the historical performance of Mortgage Choice and current trends in the industry.
- Analysed key industry risks, growth prospects and general economic outlook, taking into consideration the COVID-19 impact.

The assumptions adopted by Grant Thornton Corporate Finance in the GT Model are intended to reflect the assumptions that could reasonably be adopted by industry participants in their pricing of similar businesses. We note that the assumptions are inherently subject to considerable uncertainty, and there is significant scope for differences of opinion. It should be noted that the value of Mortgage Choice could vary materially based on changes to certain key assumptions as shown by our sensitivity analysis in section 6.4.3.

The table below set out our valuation assessment of Mortgage Choice based on the DCF method.

| DCF Method - valuation summary A\$ '000 (except where stated otherwise) | Section Reference | Low | High |
|--|----------------------|----------------|----------------|
| Enterprise value on a control basis | 6.4 | 217,260 | 259,180 |
| Add: Pro forma cash balance as at 31 march 2021 | 6.4 | 2,654 | 2,654 |
| Less: Fair value of Performance Rights | 6.4 | (5,169) | (5,169) |
| Equity Value (control basis) | | 214,745 | 256,664 |
| Number of outstanding shares ('000s) (fully diluted) | 4.6.1 | 124,997 | 124,997 |
| Value per share (control basis) (A\$ per Share) | | 1.72 | 2.05 |

Source: GTCF analysis

6.4.2 Key assumptions underlying the GT Model

We have outlined below the key assumptions which we have adopted for the GT Model in the discrete period:

- **Growth in settlements and loan book value** – The table below summarises the historical settlement growth and loan book of Mortgage Choice.

| Mortgage Choice - Settlements and loan book analysis | | | | | | | | |
|--|--------|--------|--------|--------|--------|---------|--------|---------------|
| A\$m | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | 1HFY20 1HFY21 |
| Settlements | 10,370 | 11,480 | 12,200 | 12,340 | 11,480 | 9,409 | 10,013 | 5,017 6,071 |
| Growth (%) | 18.1% | 10.7% | 6.3% | 1.1% | (7.0%) | (18.0%) | 6.4% | 21.0% |
| Closing Loan Book | 46,480 | 48,650 | 50,700 | 53,370 | 54,620 | 54,350 | 54,000 | 54,300 54,100 |

Source: Mortgage Choice annual and semi-annual reports, GTCF analysis

In the GT Model, we have adopted FY21 settlements of A\$12.2 billion, broadly in line with the annualised settlements for 1H FY21, which implies a growth of circa 22% from FY20. We have then tapered off the annual growth in settlements to 14% in FY22 (settlements of A\$13.9 billion), and 6% in FY23 (settlements of A\$14.7 billion). Our assumptions take into consideration the favourable momentum in the housing market and the growing share of loans arranged through mortgage brokers and aggregators. We note that in the last two years, the Company has grown the number of greenfield franchises, adjusted the remuneration structure to attract new franchisees, invested in more efficient IT systems and increased its investment in sales and marketing to support the future growth of the business. We note that the brokers covering Mortgage Choice adopted similar settlement assumptions to the GT Model averaging A\$12.4 billion and A\$13.8 billion in FY21 and FY22 respectively. We have also had regard to broker settlement forecast rates for AFG, the most comparable publicly listed company. The brokers adopt similar assumptions including significant double-digit growth in FY21, which gradually declines to between 5% and 10% in FY23. We have summarised the brokers forecast for Mortgage Choice and AFG.

| Brokers summary - Settlements growth rate | | | |
|---|------|------|------|
| % | FY21 | FY22 | FY23 |
| Mortgage Choice Broker | 24% | 11% | |
| AFG Broker | 31% | 11% | 6% |

Source: Brokers, S&P Global

Regarding the run-off rate, we have assumed a normalised rate of circa 19.2%, based on the historical rate of Mortgage Choice before the impact of COVID-19.

- **Upfront fees** – Based on discussions with the Company, we have adopted a flat upfront fee of 0.65%, in line with the historical rate achieved since 2018.
- **Trail rate** – We have progressively declined the trail rate from the 0.1835% achieved in 1H FY21 to a stabilised level of 0.17% in the terminal year. This reflects the expectations of Management as the older higher margin trail book runs down and is replaced with newer lower margin trail book over time.
- **Pay-out ratio** – The pay-out ratio adopted in the GT Model averages 77%, which is a slight increase to the historical pay-out commission since the introduction of the new remuneration structure and in line with the ratio adopted by the brokers. The slight increase in the payout ratio from the historical trend is mainly a reflection of the increase in settlements. Mortgage Choice Management expects this increase to plateau in future periods with the growth in the network.
- **EBITDA and EBITDA margins** – The GT Model is prepared on a cash basis, and accordingly, share-based payments and other non-cash expenses have been excluded. In addition, the model reflects an estimation of actual lease payments to be incurred by the Company.

The cash EBITDA margin implied in the GT Model is 10% in FY21 increasing to 11% from FY22. The higher margin from FY22 reflects increased productivity of greenfields and brokers and improved operating leverage.

- **Synergies** – We have included in our valuation assessment certain cost synergies that would be available to a potential purchaser of Mortgage Choice and one-off implementation costs. These cost synergies are mainly associated with corporate costs, such as the gradual elimination of duplicate



functions and other costs associated with the Company being publicly listed (i.e. audit fees, share registry, ASX fees and investor relations costs).

- **Terminal year assumption** – From FY24 onward, we have assumed that the Company will reach a steady-state, and we have assumed a perpetual growth rate of 3.0%. The assessed perpetual growth rate falls within long term economic indicators as outlined below.

| Assessment of reasonableness of terminal growth rate | |
|---|--------------|
| Australia macroeconomic indicators | |
| 10-year government bond yield ¹ | 1.65% |
| 10-year CPI CAGR | 1.92% |
| RBA long-term inflation target | 2% - 3% |
| Average 10-year quarterly CPI growth | 1.93% |
| Average 10-year quarterly GDP growth rate incl. March 2020 and June 2020 quarter (annualised) | 2.26% |
| Average 10-year quarterly GDP growth rate excl. March 2020 and June 2020 quarter (annualised) | 3.25% |
| Average 10-year quarterly disposable income growth rate incl. March 2020 and June 2020 quarter (annualised) | 2.47% |
| Average 10-year quarterly disposable income growth rate incl. March 2020 and June 2020 quarter (annualised) | 3.41% |
| IMF outlook for Global GDP in 2021 | 6.00% |
| Other industry sources | |
| IBIS World forecast mortgage broking industry revenue FY21 to FY26 CAGR ² | 1.70% |
| IBIS World historical mortgage broking industry revenue FY15 to FY20 CAGR | 2.20% |
| MFAA historical mortgage value settled FY15 to FY20 CAGR | 3.13% |
| Average | 2.70% |
| GT selected rate | 3.00% |
| Sources: RBA, IMF, IBISWorld, GTCF analysis | |
| Note: (1) As at 8 April 2021; (2) The expressed revenue growth is of 1.70% in real term. Assuming the latest quarterly inflation of 3.65% the expected revenue growth is 5.41% in nominal terms | |

Other key assumptions

- **Valuation date** – We have assumed a valuation date of 31 March 2021.
- **Corporate tax rate** – We have applied a corporate tax rate of 30% for Mortgage Choice's forecast cash flows from FY21 onwards, in line with the Australian statutory corporate tax rate. The Company does not have any tax losses.
- **Changes in working capital** – We note that the working capital requirements of the business are quite limited and not material as Mortgage Choice pays the franchisee only after having received the upfront and trail commission from the lenders.
- **Capital expenditures** – Overall, the business is capital-light and requires limited maintenance capex. However, we note that Mortgage Choice Management has indicated that they expected future capital expenditure in relation to investment in IT systems. As a result, we have allowed for a higher capex expenditure in FY21 and FY22 in line with the historical development costs of circa A\$3.0 million over FY20 and FY21, which then reverts to a maintenance capex of circa A\$1.5 million.
- **Discount rate** – We have assessed the discount rate between 10.0% and 11.0% based on the WACC. Refer to Appendix B for details.

- **Net debt position** – As at 31 March 2021, Mortgage Choice had a cash balance of A\$7.6 million with nil interest bearing liabilities. We note that a total of A\$5.0 million in dividends was paid by Mortgage Choice on 15 April 2021. For the purpose of our valuation assessment, we have considered the cash balance as at 31 March 2021 net of the dividend payment.

| Pro forma net cash/debt position as at 31 March 2021 | |
|--|--------------|
| A\$ '000 | |
| Less: Cash balance as at 31 March 2021 | 7,623 |
| 1H FY21 Dividend paid on 15 April 2021 | (4,969) |
| Pro forma net cash position as at 31 March 2021 | 2,654 |

Source: GTCF analysis, Mortgage Choice Management

- **MOC Share Rights** – As of 31 March 2021, Mortgage Choice has c. 3.3 million MOC Share Rights, as summarised in the table below.

| Outstanding performance rights as at 31 March 21 | | |
|--|--------------|--------------------|
| Plan category | Vesting Date | Rights Granted (a) |
| 2018 LTIP | 14-Sep-21 | 420,768 |
| 2019 LTIP | 14-Sep-22 | 689,834 |
| 2020 LTIP | 14-Sep-23 | 1,011,370 |
| CEO deferred STI FY20 | 14-Sep-21 | 65,586 |
| CEO deferred STI FY20 | 14-Sep-22 | 65,586 |
| Tenure tranche 1 | 14-Sep-21 | 447,657 |
| Tenure tranche 2 | 14-Sep-22 | 447,657 |
| GM Distribution sign on | 1-Jun-23 | 165,000 |
| Total | | 3,313,458 |

Source: Mortgage Choice Management

We note that while the various performance rights categories have different vesting conditions based on various hurdles, all the performance rights have a nil exercise price. Under the terms of the MOC Share Rights, in an event defined as a takeover bid or scheme implementation agreement, some or all of the unvested MOC Share Rights would vest, lapse or remain subject to their vesting conditions at discretion of the Board.

In a change of control transaction, it is not uncommon for the Directors to accelerate the vesting of the performance securities on issue or offering new incentive plans in the new company as compensation. Accordingly, it is not unreasonable for a pool of potential purchasers to fully include the performance securities in the valuation assessment of the target taking into account the ability of the Directors to accelerate their vesting or offering other compensation alternatives. This is also confirmed by the terms of the SID and the final approach agreed between Mortgage Choice and REA as set out in the Scheme Booklet.

For the purpose of our valuation, we have assessed the market value of the MOC Share Rights in line with the Scheme Consideration after the application of a discount for uncertainty and risk attached to the vesting conditions of 20%.

- **Shares on issue** – For the purpose of our valuation assessment we have adopted the total number of Shares of 124,997,440 including of the MOC Treasury Shares.



6.4.3 Sensitivity analysis

It should be noted that the enterprise value of Mortgage Choice could vary materially based on changes in certain key assumptions. Accordingly, we have undertaken certain sensitivity analyses below to highlight the impact on the value of the Mortgage Choice's enterprise value under the DCF Method caused by movements in certain key assumptions. The following table summarises our results.

| Sensitivity analysis | | | Low | High |
|--|-------------|-------------|----------|----------|
| A\$ | Low | High | % Change | % Change |
| Assessed value of Mortgage Choice per share | 1.72 | 2.05 | | |
| <u>Settlement growth in discrete periods</u> | | | | |
| Decreased by 5.0% | 1.72 | 2.05 | 0.0% | 0.0% |
| Increased by 5.0% | 1.72 | 2.05 | 0.0% | 0.0% |
| <u>EBITDA Margins</u> | | | | |
| Decreased by 1.0% | 1.58 | 1.90 | (8.0%) | (7.7%) |
| Increased by 1.0% | 1.85 | 2.21 | 8.0% | 7.7% |
| <u>Terminal value growth</u> | | | | |
| Decreased by 1.0% | 1.54 | 1.82 | (10.1%) | (11.4%) |
| Increased by 1.0% | 1.94 | 2.36 | 13.0% | 15.1% |
| <u>Discount Rate</u> | | | | |
| Decreased by 0.5% | 1.83 | 2.21 | 6.7% | 7.6% |
| Increased by 0.5% | 1.62 | 1.92 | (5.9%) | (6.6%) |

Source: GTCF analysis

7 Sources of information, disclaimer and consents

7.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Annual reports/ consolidated accounts of Mortgage Choice for FY19, FY20, and 1H21.
- Management accounts in FY19 to YTD FY21.
- Management presentations and CFO reports.
- Management Projection Scenarios FY21 to FY24.
- Minutes of Board meetings.
- Access to other relevant documents in the Data Room.
- Transaction databases such as S&P Global Capital IQ and Mergermarket
- IBISWorld
- MFAA mortgage broker industry report dated September 2020
- Other industry reports provided by the Company.
- Various broker reports for the Company and for the listed peers.
- Other publicly available information.

In preparing this report, Grant Thornton Corporate Finance has also held discussions with, and obtained information from, Management of Mortgage Choice and its advisers.

7.2 Limitations and reliance on information

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by the Company, and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by the Company through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of the Company.

This Report has been prepared to assist the Directors of Mortgage Choice in advising the Company's shareholders in relation to the Scheme. This Report should not be used for any other purpose. In particular, it is not intended that this Report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Scheme is in the best interest of the Company's shareholders.



Mortgage Choice has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by the Company, which the Company knew or should have known to be false and/or reliance on information, which was material information the Company had in its possession and which the Company knew or should have known to be material and which did not provide to Grant Thornton Corporate Finance. The Company will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

7.3 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Scheme Booklet to be sent to Mortgage Choice shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and context in which it appears.

Appendix A – Valuation methodologies

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses. This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Discounted future cash flows

An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model. Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

Market value of quoted securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

Comparable market transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction. Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company. The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.



Appendix B – Discount rate

Introduction

The cash flow assumptions underlying the DCF approach are on a nominal, ungeared and post-tax basis. Accordingly, we have assessed a range of nominal post-tax discount rates for the purpose of calculating the net present value of the cash flows.

The discount rates were determined using the WACC formula. The WACC represents the average of the rates of return required by providers of debt and equity capital to compensate for the time value of money and the perceived risk or uncertainty of the cash flows, weighted in proportion to the market value of the debt and equity capital provided. However, we note that the selection of an appropriate discount rate is ultimately a matter of professional judgment.

Under a classical tax system, the nominal WACC is calculated as follows:

$$\text{WACC} = R_d \times \frac{D}{D + E} \times (1 - t) + R_e \times \frac{E}{D + E}$$

Where:

- R_e = the required rate of return on equity capital;
- E = the market value of equity capital;
- D = the market value of debt capital;
- R_d = the required rate of return on debt capital; and
- t = the statutory corporate tax rate.

Required rate of return on equity capital

We have used the CAPM, which is commonly used by practitioners, to calculate the required return on equity capital.

The CAPM assumes that an investor holds a large portfolio comprising risk-free and risky investments. The total risk of an investment comprises systematic risk and unsystematic risk. Systematic risk is the variability in an investment's expected return that relates to general movements in capital markets (such as the share market) while unsystematic risk is the variability that relates to matters that are unsystematic to the investment being valued.

The CAPM assumes that unsystematic risk can be avoided by holding investments as part of a large and well-diversified portfolio and that the investor will only require a rate of return sufficient to compensate for the additional, non-diversifiable systematic risk that the investment brings to the portfolio. Diversification cannot eliminate the systematic risk due to economy-wide factors that are assumed to affect all securities in a similar fashion.

Accordingly, whilst investors can eliminate unsystematic risk by diversifying their portfolio, they will seek to be compensated for the non-diversifiable systematic risk by way of a risk premium on the expected return. The extent of this compensation depends on the extent to which the company's returns are correlated with

the market as a whole. The greater the systematic risk faced by investors, the larger the required return on capital will be demanded by investors.

The systematic risk is measured by the investment's beta. The beta is a measure of the co-variance of the expected returns of the investment with the expected returns on a hypothetical portfolio comprising all investments in the market - it is a measure of the investment's relative risk.

A risk-free investment has a beta of zero and the market portfolio has a beta of one. The greater the systematic risk of an investment the higher the beta of the investment.

The CAPM assumes that the return required by an investor in respect of an investment will be a combination of the risk-free rate of return and a premium for systematic risk, which is measured by multiplying the beta of the investment by the return earned on the market portfolio in excess of the risk-free rate.

Under the CAPM, the required nominal rate of return on equity (R_e) is estimated as follows:

$$R_e = R_f + \beta_e (R_m - R_f)$$

Where:

- R_f = risk free rate
- β_e = expected equity beta of the investment
- $(R_m - R_f)$ = market risk premium

Risk-free rate – 3.0%

In the absence of an official risk free rate, the yield on government bonds (in an appropriate jurisdiction) is commonly used as a proxy. Accordingly, we have observed the yield on the 10-year Australian Government bond over several intervals from a period of 5 trading days to 10 trading years. The following table sets out the average yield on 10-year Australian Government Bond over the last 10 years.

| Australia Government Debt - 10 Year as at 9 April 2021 | | | | |
|---|-------|-------|-------|---------------|
| | | Range | | Daily average |
| Previous 5 trading days | 1.64% | - | 1.74% | 1.67% |
| Previous 10 trading days | 1.61% | - | 1.74% | 1.68% |
| Previous 20 trading days | 1.61% | - | 1.76% | 1.69% |
| Previous 30 trading days | 1.61% | - | 1.88% | 1.70% |
| Previous 60 trading days | 1.03% | - | 1.88% | 1.45% |
| Previous 1 year trading | 0.73% | - | 1.88% | 1.03% |
| Previous 2 years trading | 0.60% | - | 1.97% | 1.12% |
| Previous 3 years trading | 0.60% | - | 2.93% | 1.58% |
| Previous 5 years trading | 0.60% | - | 2.99% | 1.96% |
| Previous 10 years trading | 0.60% | - | 5.68% | 2.78% |

Source: S&P Global

Given the volatility in the global financial markets, we have placed more emphasis on the average risk free rate observed over a longer period of time. Accordingly, our adopted risk-free rate of 3.0% is based on the



long-term real yield on Australian 10-year government bonds. We note that the adopted risk free rate of 3.0% falls within the range of the real bond yield plus RBA's inflation target.

Market risk premium – 6.0%

The market risk premium represents the additional return an investor expects to receive to compensate for additional risk associated with investing in equities as opposed to assets on which a risk free rate of return is earned. However, given the inherent high volatility of realised rates of return, especially for equities, the market risk premium can only be meaningfully estimated over long periods of time. In this regard, Grant Thornton studies of the historical risk premium over periods of 20 to 80 years suggest a risk premium between 5.5% and 6.0% for the Australia markets.

For the purpose of the WACC assessment, Grant Thornton Corporate Finance has adopted a market risk premium of 6.0%.

Equity beta – 1.20 to 1.30

The beta measures the expected relative risk of the equity in a company. The choice of the beta requires judgement and necessarily involves subjective assessment as it is subject to measurement issues and a high degree of variation.

An equity beta includes the effect of gearing on equity returns and reflects the riskiness of returns to equity holders. However, an asset beta excludes the impact of gearing and reflects the riskiness of returns on the asset, rather than returns to equity holders. Asset betas can be compared across asset classes independent of the impact of the financial structure adopted by the owners of the business.

Equity betas are typically calculated from historical data. These are then used as a proxy for the future which assumes that the relative risk of the past will continue into the future. Therefore, there is no right equity beta and it is important not to simply apply historical equity betas when calculating the cost of equity. For the purpose of the report, we have had regard to the observed betas (equity betas) of listed companies operating in the mortgage broking industry.

| Beta analysis | | Market Cap | Equity | | Gearing | Ungeared | Regeared |
|------------------------------------|-----------|------------|--------|-----------|--------------------|----------|----------|
| Company name | Country | (A\$m) | beta | R-squared | Ratio ¹ | Beta | Beta |
| Mortgage Choice Limited | Australia | 240 | 1.09 | 0.09 | - | 1.09 | 1.09 |
| Comparable companies: | | | | | | | |
| Australian Finance Group Limited | Australia | 751 | 1.31 | 0.23 | - | 1.31 | 1.31 |
| COG Financial Services Limited | Australia | 161 | 0.93 | 0.14 | - | 0.93 | 0.93 |
| N1 Holdings Limited | Australia | 6 | (0.16) | 0.00 | - | (0.16) | (0.16) |
| Yellow Brick Road Holdings Limited | Australia | 28 | 0.74 | 0.06 | - | 0.74 | 0.74 |
| Low | | | (0.16) | 0.00 | 0.0% | (0.16) | (0.16) |
| Average | | | 0.70 | 0.11 | 0.0% | 0.70 | 0.70 |
| Median | | | 0.83 | 0.10 | 0.0% | 0.83 | 0.83 |
| Maximum | | | 1.31 | 0.23 | 0.0% | 1.31 | 1.31 |

Source: S&P Global and GTCF calculations

Note (1): Equity betas are calculated using data provided by S&P Global as at 12 April 2021. The betas are based on a five-year period with monthly observations based on the local index. Betas have been ungeared based on the average gearing ratio (i.e. net debt divided by shareholders' equity based on market values). Betas have been regeared based on the assumed regearing ratio of 0% as Mortgage Choice does not currently have any debt outstanding, which is expected to continue in the forecast period.

It should be noted that the above betas are drawn from the actual and observed historical relationship between risk and returns. From these actual results, the expected relationship is estimated generally on the basis of extrapolating past results. Despite the arbitrary nature of the calculations it is important to assess their commercial reasonableness. That is to assess how closely the observed relationship is likely to deviate from the expected relationship.

Consequently, while measured equity betas of the listed comparable companies provide useful benchmarks against which the equity beta used in estimating the cost of equity for the predevelopment assets, the selection of an unsystematic equity beta requires a level of judgement.

The asset betas of the selected companies are calculated by adjusting the equity betas for the effect of gearing to obtain an estimate of the business risk of the comparable companies, a process commonly referred as de-gearing. We have then recalculated the equity beta based on an assumed 'optimal' capital structure deemed appropriate for the business (re-gearing). This is a subjective exercise, which carries a significant possibility of estimation error.

We used the following formula to undertake the de-gearing and re-gearing exercise:

$$\beta_e = \beta_a \left[1 + \frac{D}{E} \times (1 - t) \right]$$

Where:

- β_e = Equity beta
- β_a = Asset beta
- t = corporate tax rate

The betas are de-gearred using the average historical gearing levels of those respective companies over several years. We note that most comparable companies had net cash positions. We then re-gearred based on a gearing ratio of 0% debt (see Capital Structure Section below for further discussions).

For the purposes of our valuation, we have selected a beta range of between 1.2 and 1.3 to calculate the required rate of return on equity capital. In our beta assessment we had regards to MOC and AFG.

Specific risk premium

The specific risk premium represents the additional return an investor expects to receive to compensate for country, size and project related risk not reflected in the beta of observed comparable companies. We have not applied specific risk premium to Mortgage Choice.

We note that the selection of the specific risk premium involves a certain level of professional judgement and as a result, the total specific risk premium is not fully quantifiable with analytical data.

Cost of debt – 5.0% - 6.0%

For the purpose of estimating the cost of debt applicable to Mortgage Choice, Grant Thornton Corporate Finance has considered the following:

- The weighted average interest rate on credit outstanding for large businesses over the last one to five years as published by the Reserve Bank of Australia.



- The historical and current cost of debt for Mortgage Choice and the comparable companies.
- Expectations of the yield curve.

Based on the above, Grant Thornton Corporate Finance has adopted a cost of debt between 5.0% and 6.0% on a pre-tax basis. However, we note that since Mortgage Choice has nil gearing, the assumption does not impact the assessment of the WACC.

Capital Structure

The appropriate level of gearing that is utilised in determining WACC for a particular company should be the "target" gearing ratio, rather than the actual level of gearing, which may fluctuate over the life of a company. The target or optimal gearing level can therefore be derived based on the trade-off theory which stipulates that the target level of gearing for a project is one at which the present value of the tax benefits from the deductibility of interest are offset by present value of costs of financial distress. In practice, the target level of gearing is evaluated based on the quality and variability of cash flows. These are determined by:

- the quality and life cycle of a company;
- the quality and variability of earnings and cash flows;
- working capital;
- level of capital expenditure; and
- the risk profile of the assets.

For the purpose of the valuation, Grant Thornton Corporate Finance has adopted a capital structure based on 100% equity. In determining the appropriate capital structure, we have had regard to the current capital structure of Mortgage Choice with the Company having no debt outstanding but also having regard to the comparable companies, AFG, Yellow Brick Road and N1H which all have net cash positions or minimal amount of debt (we have considered only corporate debt).

Tax rate – 30%

For the purpose of our valuation assessment we have assumed the Australian corporate tax rate of 30%.

Discount rate summary

| WACC calculation | Low | High |
|--------------------------------|--------------|--------------|
| Cost of equity | | |
| Risk free rate | 3.0% | 3.0% |
| Beta | 1.20 | 1.30 |
| Market risk premium | 6.0% | 6.0% |
| Cost of equity | 10.2% | 10.8% |
| Cost of debt | | |
| Cost of debt (pre tax) | 5.0% | 6.0% |
| Tax | 30.0% | 30.0% |
| Cost of debt (post tax) | 3.5% | 4.2% |
| Capital structure | | |
| Proportion of debt | | |
| Proportion of equity | 0% | 0% |
| | 100% | 100% |
| | 100% | 100% |
| WACC (post tax) | 10.2% | 10.8% |
| WACC rounded | 10.0% | 11.0% |

Source: GTCF Analysis



Appendix C – Comparable companies descriptions

| Company | Description |
|------------------------------------|---|
| Mortgage Choice Limited | Mortgage Choice Limited provides mortgage broking services in Australia. It operates through two segments, Mortgage Choice Franchised Mortgage Broking and Mortgage Choice's Financial Planning Arm. The company offers assistance in determining the borrowing capacities of residential mortgage borrowers; and assessment of a range of home loans products, as well as submits loan applications on behalf of borrowers. It also provides assistance with car loans, equipment finance, general insurance, and personal loans to support personal and home pursuits and/or consolidate debts; and financial planning services. In addition, the company offers life, mortgage and income protection, car, home building and contents, lenders mortgage, and landlord insurance products. It provides loan origination services through its franchise network. The company was founded in 1992 and is headquartered in North Sydney, Australia. |
| Australian Finance Group Limited | Australian Finance Group Limited, together with its subsidiaries, provides mortgage broking services in Australia. The company operates in two segments, AFG Wholesale Mortgage Broking and AFG Home Loans. It offers residential mortgages; home loans; business loans, such as commercial real estate, equipment and vehicle, inventory, working capital, and start-up finance, as well as franchisee loans and invoice finance/accounts receivable; and insurance products. The company was formerly known as Australian Finance Group Pty Ltd. Australian Finance Group Limited was founded in 1994 and is headquartered in West Perth, Australia. |
| N1 Holdings Limited | N1 Holdings Limited provides mortgage broking services to customers in Australia. The company offers home loans, including purchase and refinance; short term business loans for SME's; commercial lending products and services; and commercial property loans, as well as off-market lending services. It also provides car loan and equipment finance services; trustee services, such as information memorandum production, offer documents production, custody services, and fund administration and accounting services; and corporate advisory services. In addition, the company offers residential sales and property management services under the N1 Realty name; migration and education consultation services under the N1 Migration name; and fund management services under the N1 Venture name. Further, it provides peripheral services that include local and international recruitment, funding and financing, cross-border investment, and business operations setup services for business operations under the N1 Business Services name. Additionally, the company operates N1 Center, a financial and property services shop; and chengdai.com.au, an Australian mortgage products comparison site. It offers its home loans, business financing, commercial property loans, development site funding, and financial planning services under the N1 Loans name. The company was founded in 2011 and is headquartered in Sydney, Australia. |
| Yellow Brick Road Holdings Limited | Yellow Brick Road Holdings Limited provides lending services in Australia. It offers mortgage broking, aggregation, and management services; investment and wealth management services; and general insurance services. The company was formerly known as ITS Capital Investments Limited and changed its name to Yellow Brick Road Holdings Limited in May 2011. Yellow Brick Road Holdings Limited was founded in 2007 and is based in Sydney, Australia. |
| COG Financial Services Limited | COG Financial Services Limited provides equipment finance broking, finance aggregation, and commercial equipment financing activities for business assets in Australia. It also offers management IT services. The company was formerly known as Consolidated Operations Group Limited and changed its name to COG Financial Services Limited in November 2020. COG Financial Services Limited is based in Chatswood, Australia. |

Source: S&P Global

Appendix D – Comparable transaction targets descriptions

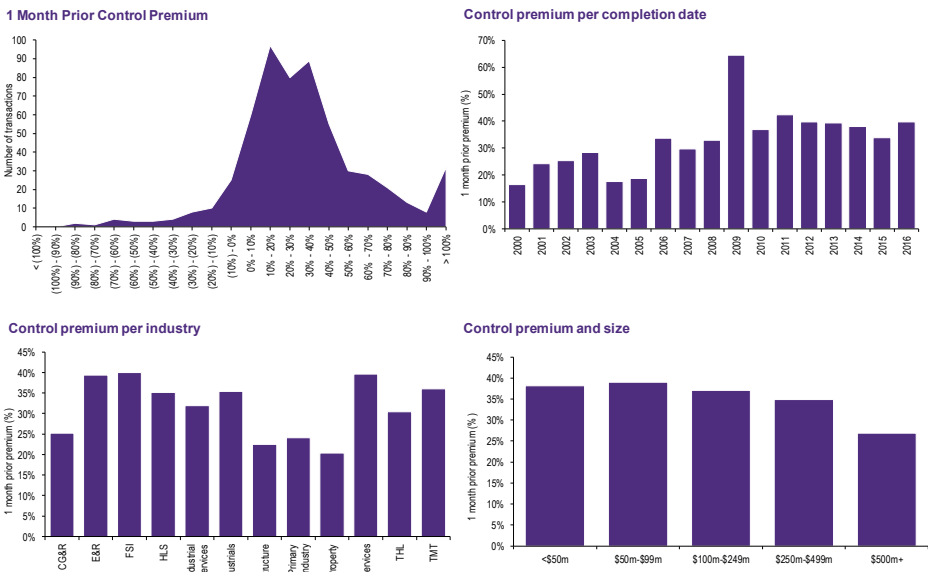
| Target Company | Description |
|------------------------------------|---|
| Smartline Home Loans Pty Ltd | Smartline Home Loans Pty Ltd provides mortgage brokerage services. It offers mortgage broking, home loans, home insurance, car finance, and commercial and other loans. The company was founded in 1998 and is based in North Ryde, Australia. As of July 31, 2017, Smartline Home Loans Pty Ltd operates as a subsidiary of Realestate.com.au Pty Ltd. |
| Connective Group Pty Ltd | Connective Group Pty Ltd operates as broker aggregator. |
| Centrepoint Finance Pty Ltd | Centrepoint Finance Pty Ltd. operates as a finance and insurance premium finance intermediary in Australia. It offers equipment finance, such as mortgage, hire purchase and leasing, operating lease, rental, and equipment finance calculator; commercial finance; mortgage finance; and insurance finance, such as work cover finance and insurance premium finance. Centrepoint Finance Pty Ltd. was founded in 1982 and is based in Coopers Plains, Australia. Centrepoint Finance Pty Ltd. formerly operated as a subsidiary of Centrepoint Alliance Ltd., Prior to reverse merger with Professional Investment Holdings, Ltd. |
| Finsure Holding Pty Ltd | The Finsure Group Pty Limited offers loan brokerage services. The company was incorporated in 1998 and is based in Gladstone, Australia. |
| Smartline Home Loans Pty Ltd | Smartline Home Loans Pty Ltd provides mortgage brokerage services. It offers mortgage broking, home loans, home insurance, car finance, and commercial and other loans. The company was founded in 1998 and is based in North Ryde, Australia. As of July 31, 2017, Smartline Home Loans Pty Ltd operates as a subsidiary of Realestate.com.au Pty Ltd. |
| Consolidated Finance Group | Consolidated Finance Group Pty Ltd. provides equipment and motor vehicle finance services in Australia. It offers a suite of services to its brokers. The company was founded in 2004 and is based in Balwyn North, Australia. |
| Platform Finance and Leasing Group | Platform Finance & Leasing Pty Limited operates as an asset-finance aggregator in Australia. The company provides commercial finance, such as business loans, chattel mortgage, finance lease, operating lease, rental, and commercial hire purchase; and consumer finance, consumer lease, and property loans, as well as recreational product finance for boats, jet skis, caravans, motorcycles, and camper trailers. It also offers novated, novated operating, and fully maintained novated leases; and insurance premium funding and insurance products. The company was formerly known as Group Platform Finance & Leasing. Platform Finance & Leasing Pty Limited was incorporated in 2015 and is based in North Sydney, Australia. |
| Vow Financial Holdings Pty Ltd | Vow Financial Pty Ltd operates as an aggregator for professional mortgage and home loan brokers and groups. It offers services in the areas of commercial lending, mentoring, leasing, legal, mortgage kit, and wealth management aspects; and provides a software platform. Vow Financial Pty Ltd was formerly known as National Brokers Group Pty Limited and changed its name to Vow Financial Pty Ltd in February 2010. The company was founded in 1995 and is based in Sydney, Australia. As of August 29, 2014, Vow Financial Pty Ltd operates as a subsidiary of Yellow Brick Road Holdings Limited. |
| Community Broker Network | Community Broker Network Pty Ltd provides insurance brokerage services. It was formerly known as National Adviser Services Pty Ltd. The company was founded in 2001 and is based in West Perth, Australia. As of October 9, 2018, Community Broker Network Pty Ltd operates as a subsidiary of Steadfast Group Limited. |
| Whitbread Insurance Group | Whitbread Insurance Group provides insurance services through its business units. The company was founded in 1978 and is based in Melbourne, Australia. As of December 8, 2017, Whitbread Insurance Group operates as a subsidiary of Steadfast Group Limited. |
| Coverforce Holdings Pty Ltd | Coverforce was established more than 20 years ago as a provider of smart insurance solutions to industry groups. |

Source: S&P Global



Appendix E – Control Premium study

Evidence from studies indicates that premium for control on successful takeovers has frequently been in the range of 20% to 40% in Australia, and that the premium vary significantly for each transaction.



| | |
|---------|-----------------|
| | Control premium |
| Average | 34.33% |
| Median | 29.34% |

Source: GTCF Analysis

Appendix F – Glossary

| | |
|---|---|
| \$ or A\$ | Australian Dollar |
| 1HFYxx | 6-month financial period ended 31 December 20xx |
| AASB 117 | Australian Accountings Standards Board 117 – Leases ("AASB117"), the precursor to AASB16. |
| AASB 16 | Australian Accountings Standards Board 16 – Leases |
| ABS | Australian Bureau of Statistics |
| ACCC | Australian Competition and Consumer Commission |
| ACL | Australian Credit License |
| ADI | Authorised Deposit-taking Institution |
| AFG | Australian Finance Group |
| AFGHL | Australian Finance Group Home Loans |
| APES | Accounting Professional and Ethical Standards |
| APES225 | Accounting Professional and Ethical Standard 225 "Valuation Services" |
| APRA | Australian Prudential and Regulatory Authority |
| ASIC | Australian Securities and Investments Commission |
| ASX | Australian Securities Exchange |
| ATO | Australian Tax Office |
| AWPL | Alliance Wealth Pty Limited |
| Banking Royal Commission | Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry |
| Best Interest Duty | Mortgage Brokers: Best Interests Duty, ASIC Regulatory Guide 273, released June 2020. |
| Big Four Banks | Big Four Banks in Australia (Commonwealth Bank, Westpac, ANZ, and NAB) |
| CAGR | Compound annual growth rate |
| CFG | Consolidated Finance Group |
| COG | Consolidated Operation Group |
| Connective | Connective Group |
| CoreLogic | CoreLogic, Inc. |
| Corporations Act | Corporations Act 2001 |
| COVID-19 | Coronavirus pandemic |
| DDM | Dividend Discount Model |
| DDM Method | Dividend Discount Model and the estimated realisable value of any surplus assets |
| DPS | Dividend paid out per share |
| EBITDA | Earnings before interest, tax expenses, depreciation and amortisation |
| Federal Government | Australian Federal Government |
| FinChoice | Financial planning segment of Mortgage Choice |
| Finsure | Finsure Holdings Pty Limited |
| Fintech | Financial technology companies. The companies that seek to improve and automate the delivery and use of financial services. |
| FIRB | Foreign Investment Review Board |
| FSG | Financial Service Guide |
| FW | Forward trading multiples |
| FYxx | 12-month financial year ended 30 June 20xx |
| Goldfields | Goldfields Money Limited |
| Greenfield | Mortgage Choice's recruitment of new franchises |
| GT Model | Financial model prepared by GTCF, projecting the post-tax free cash flows of Mortgage Choice Limited |
| GTCF, Grant Thornton, or Grant Thornton Corporate | Grant Thornton Corporate Finance Pty Ltd (ACN 003 265 987) |



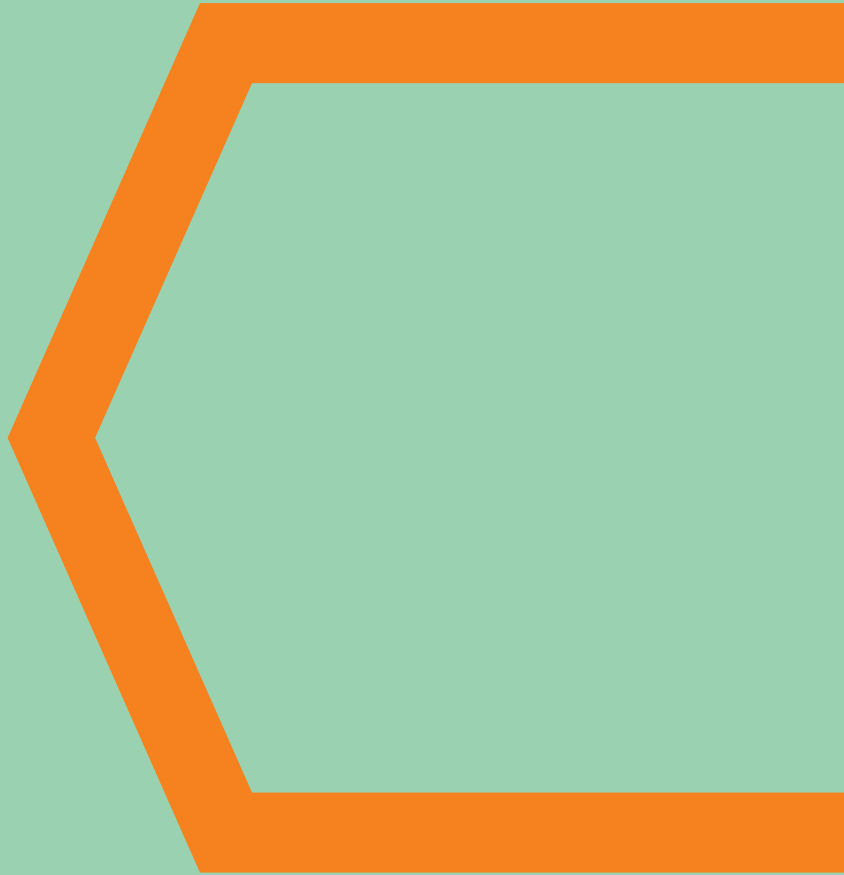
Finance

| | |
|--|---|
| IER or Report | Independent Expert's Report |
| KPI | Key performance index |
| LTM | Last twelve months |
| Management Projection Scenarios | The scenarios prepared by Management up to 30 June 2024 |
| MFAA | Mortgage & Finance Association of Australia |
| MOC Shares | The issued shares of Mortgage Choice Limited |
| MOC, Mortgage Choice, or The Company | Mortgage Choice Limited |
| MOC Share Rights | The Company has 3,313,458 performance share rights issued to Mortgage Choice employees or other participants to subscribe for fully paid ordinary shares. |
| MOC Treasury Shares | 765,039 MOC Treasury Shares |
| N1H | N1 Holdings Limited |
| NAB | National Australia Bank |
| NIM | Net interest margins |
| NPAT | Net profit after tax |
| PFG | Platform Finance and Leasing Group |
| R&D | Research and development |
| RBA | Reserve Bank of Australia |
| REA | REA Group Ltd |
| RG | Regulatory Guide |
| RG111 | ASIC Regulatory Guide 111 "Contents of expert reports" |
| RG112 | ASIC Regulatory Guide 112 "Independence of experts" |
| RG60 | ASIC Regulatory Guide 60 "Scheme of arrangement" |
| RMBS | Residential mortgage-backed securities |
| S&P 500 | A stock market index that measures the stock performance of 500 large companies listed on stock exchanges in the United States. |
| Scheme | Scheme of Arrangement whereby REA will acquire all shares of Mortgage Choice |
| Scheme Booklet | The Scheme Booklet, including each attachment |
| Scheme Consideration | The consideration of A\$1.95 per MOC Share that REA agrees to pay |
| Scheme Implementation Agreement or SIA | Scheme Implementation Agreement entered into between Mortgage Choice and REA |
| Smartline | Smartline Home Loans Pty Ltd |
| SME | Small to medium-sized enterprises |
| Vow | Vow Financial Holdings Pty Limited |
| WACC | Weighted average cost of capital |
| YBR | Yellow Brick Road Holdings Limited |

ANNEXURE B

Scheme of Arrangement

For personal use only





Scheme of Arrangement

Mortgage Choice Limited

ABN 57 009 161 979

The Scheme Shareholders

SCHEME OF ARRANGEMENT

Under section 411 of the Corporations Act

BETWEEN:

- (1) Mortgage Choice Limited ABN 57 009 161 979 whose registered office is at Level 10, 100 Pacific Highway, North Sydney NSW 2060 (**Mortgage Choice**); and
- (2) the Scheme Shareholders.

BACKGROUND

- (A) Mortgage Choice is a public company incorporated in Australia. Mortgage Choice is registered in New South Wales and is a company limited by shares. Mortgage Choice has its registered office at Level 10, 100 Pacific Highway, North Sydney NSW 2060. Mortgage Choice is admitted to the official list of ASX and the Mortgage Choice Shares are quoted on the stock market conducted by ASX.
- (B) REA Group Limited ABN 54 068 349 066 (**REA**) is a public company incorporated in Australia under the Corporations Act. REA is registered in Victoria and is a company limited by shares. REA has its registered office at 511 Church Street, Richmond VIC 3121. REA is admitted to the official list of ASX and its fully paid ordinary shares are quoted on the stock market conducted by ASX.
- (C) Mortgage Choice and REA have entered into the Scheme Implementation Agreement to facilitate the implementation of the Scheme. The directors of Mortgage Choice have proposed the Scheme to the Mortgage Choice Shareholders and unanimously consider that, subject to no Superior Proposal emerging and subject to the Independent Expert concluding in the Independent Expert's Report (and continuing to conclude), the Scheme is in the best interests of the Mortgage Choice Shareholders.
- (D) REA has executed the Deed Poll under which it covenants in favour of the Mortgage Choice Shareholders to carry out its obligations under the Scheme, including to provide the Scheme Consideration in accordance with the terms of the Scheme.
- (E) If the Scheme becomes Effective:
 - (1) REA will issue the Scheme Consideration in accordance with the terms of this Scheme in consideration of the transfer of the Scheme Shares to REA or the REA Nominee; and
 - (2) all the Scheme Shares will be transferred to REA or the REA Nominee and Mortgage Choice will become a wholly-owned subsidiary of REA or the REA Nominee; and
 - (3) Mortgage Choice will enter REA's name (or the name of the REA Nominee) in the Register as the holder of all Scheme Shares.

OPERATIVE PROVISIONS

1. INTERPRETATION

1.1 Definitions

The following definitions apply in this document:

ASIC means the Australian Securities and Investments Commission.

ASX means the Australian Securities Exchange or ASX Limited (ABN 98 008 624 691), as the context requires.

ASX Listing Rules means the listing rules of ASX.

ASX Operating Rules means the operating rules of ASX.

Business Day means a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Sydney, Australia.

CHESS means the clearing house electronic subregister system for the electronic transfer of securities operated by ASX Settlement Pty Limited, which provides for the electronic transfer, settlement and registration of securities.

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

Court means the Supreme Court of New South Wales or such other court of competent jurisdiction under the Corporations Act agreed to in writing by REA and Mortgage Choice.

Deed Poll means the deed poll to be executed by REA prior to the First Court Date in favour of the Mortgage Choice Shareholders.

Effective means the coming into effect, under section 411(1) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

End Date means 30 September 2021 subject to any extension under clause 3.7 of the Scheme Implementation Agreement, or such other date as Mortgage Choice and REA agree in writing.

Excluded Share means a Mortgage Choice Share held by any person on behalf of, or for the benefit of REA or any related body corporate.

Implementation means the implementation of the Scheme, on it becoming Effective.

Implementation Date means the fifth Business Day after the Record Date, or such other date after the Record Date as Mortgage Choice and REA may agree in writing, may be ordered by the Court or may be required by ASX.

Mortgage Choice Share means each fully paid ordinary share in the capital of Mortgage Choice.

Mortgage Choice Share Registry means Link Market Services Limited.

Mortgage Choice Shareholder means each person who is registered in the Register as a holder of Mortgage Choice Shares.

PPSA means the *Personal Property Securities Act 2009* (Cth).

REA Nominee means any wholly-owned subsidiary of REA nominated by REA to acquire Scheme Shares under the Scheme in accordance with clause 2.6 of the Scheme Implementation Agreement.

Record Date means 7.00 pm on the day which is two Business Days after the Effective Date, or any other date (after the Effective Date) agreed by REA and Mortgage Choice to be the record date to determine entitlements to receive Scheme Consideration under the Scheme.

Register means the register of members of Mortgage Choice maintained under sections 168 and 169 of the Corporations Act.

Registered Address means, in relation to a Mortgage Choice Shareholder, the address of the shareholder shown in the Register.

Scheme means the scheme of arrangement under Part 5.1 between Mortgage Choice and the Scheme Shareholders, set out in this document, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act.

Scheme Consideration means the consideration to be provided by REA to each Scheme Shareholder for the transfer to REA of each Mortgage Choice Share, being for each Mortgage Choice Share held by a Scheme Shareholder as at the Record Date, an amount of \$1.95.

Scheme Implementation Agreement means the Scheme Implementation Agreement between REA and Mortgage Choice dated 28 March 2021 relating to the implementation of the Scheme.

Scheme Meeting means the meeting of the Mortgage Choice Shareholders to be convened as ordered by the Court under section 411(1) in relation to the Scheme.

Scheme Share means each Mortgage Choice Share on issue as at the Record Date other than the Excluded Shares.

Scheme Shareholder means each Mortgage Choice Shareholder, other than the holders of the Excluded Shares, at the Record Date, taking into account registration of all registrable transfers and transmission applications in accordance with clause 4.2.

Scheme Transfer, in relation to Scheme Shares, means a proper instrument of transfer of the Scheme Shares.

1.2 Rules for interpreting this document

Headings and catchwords are for convenience only, and do not affect interpretation. The following rules also apply in interpreting this document, except where the context makes it clear that a rule is not intended to apply.

- (a) A reference to:
 - (i) a legislative provision or legislation (including subordinate legislation) is to that provision or legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it;
 - (ii) a person includes any type of entity or body of persons, whether or not it is incorporated or has a separate legal identity, and any executor, administrator or successor in law of the person; and
 - (iii) anything (including a right, obligation or concept) includes each part of it.
- (b) A singular word includes the plural, and vice versa.
- (c) A word which suggests one gender includes the other genders.
- (d) If a word or phrase is defined, any other grammatical form of that word or phrase has a corresponding meaning.
- (e) If an example is given of anything (including a right, obligation or concept), such as by saying it includes something else, the example does not limit the scope of that thing.

- (f) The words **officer** and **security interest** have the same meaning as in section 9 of the Corporations Act.
- (g) The expression **related body corporate** has the same meaning given in section 50 of the Corporations Act.
- (h) All references to time in this document are references to Sydney, Australia.
- (i) A reference to **\$** or **dollar** is to Australian currency.

1.3 Non-Business Days

If the day on or by which a person must do something under this document is not a Business Day:

- (a) if the act involves a payment that is due on demand, the person must do it on or by the next Business Day; and
- (b) in any other case, the person must do it on or by the previous Business Day.

2. CONDITIONS PRECEDENT

2.1 Conditions precedent to the Scheme

The Scheme is conditional upon, and will not become Effective until, the satisfaction of each of the following conditions precedent:

- (a) as at 8.00 am on the Second Court Date, all the conditions set out in clause 3.2 of the Scheme Implementation Agreement, other than the conditions in clauses 3.2(d) and 3.2(e), have been satisfied or waived in accordance with the terms of the Scheme Implementation Agreement;
- (b) as at 8.00 am on the Second Court Date, neither the Scheme Implementation Agreement or the Deed Poll have been terminated;
- (c) the Court has made an order under section 411(4)(b) of the Corporations Act approving the Scheme, including with such alterations made or required by the Court under section 411(6) of the Corporations Act as are acceptable to Mortgage Choice and REA (each acting reasonably);
- (d) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to the Scheme as are acceptable to Mortgage Choice and REA (each acting reasonably) have been satisfied; and
- (e) the orders of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act approving the Scheme coming into effect, pursuant to section 411(1) of the Corporations Act, on or before the End Date.

2.2 Effective Date

The Scheme takes effect on the Effective Date. Mortgage Choice must lodge with ASIC an office copy of the order of the Court approving the Scheme under section 411(4)(b) of the Corporations Act and by no later than the day after that copy is received (or any later date agreed in writing by REA).

2.3 End Date

The Scheme will lapse and be of no effect if the Effective Date has not occurred on or before the End Date.

2.4 **Termination of Scheme Implementation Agreement**

Without limiting any rights under the Scheme Implementation Agreement, in the event that the Scheme Implementation Agreement is terminated in accordance with its terms before 8.00 am on the Second Court Date, Mortgage Choice and REA are each released from:

- (a) any further obligation to take steps to implement the Scheme; and
- (b) any liability with respect to the Scheme.

3. **THE SCHEME**

3.1 **Implementation steps**

On the Implementation Date:

- (a) subject to the provision of the Scheme Consideration in accordance with the Scheme and REA having provided Mortgage Choice with written confirmation of that having occurred, all the Scheme Shares, together with all rights and entitlements attaching to those shares as at the Implementation Date, will be transferred to REA or the REA Nominee without the need for any further act by any Scheme Shareholder (other than acts performed by Mortgage Choice or its directors and officers as attorney and agent for the Scheme Shareholders under the Scheme) by Mortgage Choice effecting a valid transfer or transfers of the Scheme Shares to REA or the REA Nominee under section 1074D of the Corporations Act or, if that procedure is not available for any reason in respect of any Scheme Shares, by:
 - (i) Mortgage Choice delivering to REA or the REA Nominee for execution duly completed and, if necessary, stamped Scheme Transfers to transfer the Scheme Shares to REA or the REA Nominee, duly executed by Mortgage Choice or any of its directors and officers as the attorney and agent of each Scheme Shareholder as transferor under clauses 5.2 and 5.3;
 - (ii) REA or the REA Nominee executing the Scheme Transfers as transferee and delivering them to Mortgage Choice for registration; and
 - (iii) Mortgage Choice, upon receipt of the Scheme Transfers under subparagraph (ii), entering or procuring the entry of the name and address of REA or the REA Nominee in the Register as the holders of all the Scheme Shares; and
- (b) REA will issue to each Scheme Shareholder the Scheme Consideration for each Mortgage Choice Share held by the Scheme Shareholder, in accordance with and subject to the terms of this Scheme and the Deed Poll.

3.2 **Mortgage Choice Shares transferred free from encumbrance**

- (a) To the extent permitted by law, the Mortgage Choice Shares transferred to REA or the REA Nominee under the Scheme will be transferred (subject to Mortgage Choice's constitution) free from all security interests (including mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise).
- (b) Each Scheme Shareholder is deemed to have warranted to REA and, to the extent enforceable, appointed and authorised Mortgage Choice as its agent to warrant to REA that all its Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) will, as at the time of the transfer of them to REA or the REA Nominee, be fully paid and (subject to Mortgage Choice's constitution) free from all security interests (including mortgages, charges, liens, encumbrances, pledges, security interests and interests of third parties of any kind, whether legal or

otherwise), and from any restrictions on transfer of any kind, and that it has full power and capacity to sell and to transfer its Scheme Shares (including any rights and entitlements attaching to those shares) to REA or the REA Nominee under the Scheme. Mortgage Choice undertakes in favour of each Scheme Shareholder that it will be taken to have provided such warranty to REA on behalf of the Scheme Shareholder as at the time of transfer of the Scheme Shares.

3.3 REA or the REA Nominee beneficially entitled to Scheme Shares

REA or the REA Nominee will be beneficially entitled to the Scheme Shares transferred to it under the Scheme pending registration by Mortgage Choice of the name and address of REA or the REA Nominee in the Register as the holder of the Scheme Shares.

3.4 Provision of Scheme Consideration

- (a) REA must, by no later than two Business Days before the Implementation Date, deposit, or procure the deposit, in cleared funds an amount equal to the aggregate amount of the Scheme Consideration payable to all Scheme Shareholders, into an Australian dollar denominated trust account operated by Mortgage Choice as trustee for the Scheme Shareholders (provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to REA's account).
- (b) On the Implementation Date, subject to funds having been deposited in accordance with clause 3.4(a), Mortgage Choice must pay or procure the payment of the Scheme Consideration to each Scheme Shareholder from the trust account referred to in clause 3.4(a).
- (c) The obligations of Mortgage Choice under clause 3.4(b) will be satisfied by Mortgage Choice (in its absolute discretion, and despite any election referred to in clause 3.4(c)(i) or authority referred to in clause 3.4(c)(ii) made or given by the Scheme Shareholder):
 - (i) if a Scheme Shareholder has, before the Record Date, made a valid election in accordance with the requirements of the Mortgage Choice Share Registry to receive dividend payments from Mortgage Choice by electronic funds transfer to a bank account nominated by the Scheme Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election;
 - (ii) paying, or procuring the payment of, the relevant amount in Australian currency by electronic means to a bank account nominated by the Scheme Shareholder by an appropriate authority from the Scheme Shareholder to Mortgage Choice; or
 - (iii) dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Scheme Shareholder by prepared post to their Registered Address (as at the Record Date), such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 3.5).

3.5 Joint holders

In the case of Scheme Shares held in joint names:

- (a) subject to clause 3.4(c), the Scheme Consideration is payable to the joint holders and any cheque required to be sent under this Scheme will be made payable to the joint holders and sent to either, at the sole discretion of Mortgage Choice, the holder whose name appears first in the Register as at the Record Date or to the joint holders; and

- (b) any other document required to be sent under this Scheme, will be forwarded to either, at the sole discretion of Mortgage Choice, the holder whose name appears first in the Register as at the Record Date or to the joint holders.

3.6 Fractional entitlements

Where the calculation of the Scheme Consideration to be issued to a particular Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a cent, the fractional entitlement will be rounded down to the nearest whole cent.

3.7 Unclaimed monies

- (a) Mortgage Choice may cancel a cheque issued under clause 3.4 if the cheque:
- (i) is returned to Mortgage Choice; or
 - (ii) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of 12 months commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Mortgage Choice (or the Mortgage Choice Share Registry) (which request may not be made until the date which is 10 Business Days after the Implementation Date), Mortgage Choice must reissue a cheque that was previously cancelled under this clause 3.7.
- (c) The *Unclaimed Money Act 1995* (NSW) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 7 of the *Unclaimed Money Act 1995* (NSW)).
- (d) Any interest or other benefit accruing from the unclaimed Scheme Consideration will be to the benefit of REA.

3.8 Orders of a court or Government Agency

If written notice is given to Mortgage Choice (or the Mortgage Choice Share Registry) or REA or the REA Nominee of an order or direction made by a court of competent jurisdiction or a Government Agency that:

- (a) requires consideration to be provided to a third party (either through payment of a sum or the issuance of a security) in respect of Scheme Shares held by a Scheme Shareholder, which would otherwise be payable or required to be issued to that Scheme Shareholder by Mortgage Choice in accordance with clause 3.4, then Mortgage Choice shall be entitled to procure that payment is made in accordance with that order; or
- (b) prevents Mortgage Choice from providing consideration to any particular Scheme Shareholder in accordance with clause 3.4, or the payment of such consideration is otherwise prohibited by applicable law, Mortgage Choice shall be entitled to retain an amount equal to the amount which would otherwise be payable to that Scheme Shareholder until such time as payment in accordance with clause 3.4 is permitted by that order or direction or otherwise by law,

and the payment or retention by Mortgage Choice (or the Mortgage Choice Share Registry) will constitute the full discharge of Mortgage Choice's obligations under clause 3.4 with respect to the amount so paid or retained until, in the case of clause 3.8(b), it is no longer required to be retained.

4. **DEALINGS IN MORTGAGE CHOICE SHARES**

4.1 **Determination of Scheme Shareholders**

To establish the identity of the persons who are Scheme Shareholders, dealings in Mortgage Choice Shares or other alterations to the Register will be recognised only if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Register as the holder of the relevant Mortgage Choice Shares as at the Record Date; and
- (b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received at the Mortgage Choice Share Registry before the Record Date,

and Mortgage Choice will not accept for registration, nor recognise for any purpose (except a transfer to REA or the REA Nominee under this Scheme and any subsequent transfer by REA, the REA Nominee or its successors in title), any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form, as appropriate.

4.2 **Mortgage Choice to register transfer and transmission applications**

Mortgage Choice must register registrable transfers and transmission applications of the Scheme Shares that are received in accordance with clause 4.1 before the Record Date provided that, for the avoidance of doubt, nothing in this clause 4.2 requires Mortgage Choice to register a transfer that would result in a Mortgage Choice Shareholder holding a parcel of Mortgage Choice Shares that is less than a 'marketable parcel' (as defined in the ASX Operating Rules).

4.3 **Transfers received on or after Record Date not recognised**

If the Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of, or purport or agree to dispose of, any Scheme Shares or any interest in them on or after the Record Date otherwise than pursuant to this Scheme, and any attempt to do so will have no effect and Mortgage Choice shall be entitled to disregard any such disposal.

4.4 **Mortgage Choice to maintain Register to determine entitlements**

In order to determine entitlements to the Scheme Consideration, Mortgage Choice must maintain, or procure the maintenance of, the Register in accordance with this clause 4 until the Scheme Consideration has been paid to Scheme Shareholders. The Register in this form will solely determine entitlements to the Scheme Consideration.

4.5 **Holding statements no effect from Record Date**

From the Record Date, all holding statements for Scheme Shares will cease to have effect as documents of title (or evidence thereof), and each entry on the Register at the Record Date (other than entries on the Register in respect of any holder of Excluded Shares) will cease to have any effect other than as evidence of the entitlements of Scheme Shareholders to the Scheme Consideration.

4.6 **Mortgage Choice to provide contact information for Scheme Shareholders**

As soon as practicable after Record Date and in any event at least three Business Days before the Implementation Date, Mortgage Choice will give to REA or procure that REA be given details of the name, Registered Address and the number of Mortgage Choice Shares

held by each Scheme Shareholder, as shown in the Register at the Record Date, in whatever form REA reasonably requires.

4.7 Suspension of trading

Mortgage Choice must use its best endeavours to ensure that ASX suspends trading on the ASX in Mortgage Choice Shares with effect from the close of trading on the Effective Date.

4.8 Mortgage Choice to apply for termination of quotation of Mortgage Choice Shares

On a date after the Implementation Date to be determined by REA, Mortgage Choice must apply for termination of the official quotation of the Mortgage Choice Shares on the ASX and must apply to have itself removed from the official list of ASX.

5. GENERAL PROVISIONS

5.1 Mortgage Choice giving effect to the Scheme

Mortgage Choice must do anything (including execute any document) that is necessary, expedient or incidental to give full effect to the Scheme and the transactions contemplated by it. Without limiting Mortgage Choice's power under the Scheme, Mortgage Choice has power to do all things that it considers necessary or desirable to give effect to the Scheme and the Scheme Implementation Agreement.

5.2 Scheme Shareholders' agreements, consents and warranties

(a) Each Scheme Shareholder:

- (i) irrevocably agrees to the transfer of their Mortgage Choice Shares, together with all rights and entitlements attaching to those Scheme Shares, to REA or the REA Nominee, in accordance with the Scheme;
- (ii) agrees to the variation, cancellation or modification of the rights attached to their Mortgage Choice Shares constituted by or resulting from this Scheme;
- (iii) agrees to, on the direction of REA, destroy any holding statements or share certificates relating to their Mortgage Choice Shares;
- (iv) consents to Mortgage Choice doing all things and executing all deeds, instruments, transfers or other documents as may be necessary, expedient or incidental to Implementation and to give full effect to the Scheme and the transactions contemplated by it and Mortgage Choice, as agent of each Scheme Shareholder, may sub-delegate its functions under this document to any of its directors and officers, jointly and severally; and
- (v) acknowledges and agrees that this Scheme binds Mortgage Choice and all Mortgage Choice Shareholders (including those who do not attend the Scheme Meeting, do not vote at that meeting or vote against the Scheme),

without the need for any further act by the Scheme Shareholder.

(b) Each Scheme Shareholder is taken to have warranted to Mortgage Choice and REA on the Implementation Date, and appointed and authorised Mortgage Choice as its attorney and agent to warrant to REA on the Implementation Date, that:

- (i) all of its Scheme Shares (including any rights and entitlements attaching to those shares) which are transferred under this Scheme will, at the date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests'

within the meaning of section 12 of the PPSA) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to transfer their Scheme Shares to REA or the REA Nominee together with any rights and entitlements attaching to those Scheme Shares;

- (ii) all of its Scheme Shares which are transferred to REA or the REA Nominee under this Scheme will, on the date on which they are transferred to REA or the REA Nominee, be fully paid; and
- (iii) it has full power and capacity to transfer its Scheme Shares to REA or the REA Nominee together with any rights attaching to those Scheme Shares.

Mortgage Choice undertakes that it will provide the warranties in this clause 5.2(b) to REA as agent and attorney of each Scheme Shareholder.

5.3 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme to REA or the REA Nominee will, at the time of transfer of them to REA or the REA Nominee, vest in REA or the REA Nominee free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the PPSA) and interests of third parties of any kind, whether legal or otherwise and free from any restrictions on transfer of any kind.
- (b) Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clause 3.4, REA or the REA Nominee will be beneficially entitled to the Scheme Shares to be transferred to it under this Scheme pending registration by Mortgage Choice of REA or the REA Nominee in the Register as the holder of the Scheme Shares.

5.4 Appointment of Mortgage Choice as attorney of Scheme Shareholders

Each Scheme Shareholder without the need for any further act, irrevocably appoints Mortgage Choice and each of its directors and officers, jointly and severally, on and from the Effective Date, as the Scheme Shareholder's attorney and agent,

- (a) to execute any document or do any other act necessary, expedient or incidental to give full effect to the Scheme and the transactions contemplated by it, including the effecting of a valid transfer or transfers (or execution and delivery of any Scheme Transfer) under clause 3; and
- (b) to enforce the Deed Poll against REA or the REA Nominee,

and Mortgage Choice accepts such appointment. Mortgage Choice may as agent and attorney of each Scheme Shareholder sub-delegate any of its functions, authorities or powers under this clause to all or any of its directors and officers (jointly, severally, or jointly and severally).

5.5 Appointment of REA as attorney in respect of Scheme Shares

- (a) From the Implementation Date until REA or the REA Nominee is registered as the holder of all Scheme Shares, each Scheme Shareholder:
 - (i) irrevocably appoints REA as its attorney and agent (and irrevocably appoints REA as its agent and attorney to appoint any of the directors and officers of REA as its attorney and agent) to:

- (A) appoint the chairman of the board of directors of Mortgage Choice and, where applicable, corporate representative to attend shareholders' meetings of Mortgage Choice;
 - (B) exercise the votes attaching to the Mortgage Choice Shares registered in the name of the Scheme Shareholder; and
 - (C) sign any Mortgage Choice Shareholders' resolution; and
- (ii) must take all other action in the capacity of a registered holder of Scheme Shares as REA reasonably directs.
- (b) From the Implementation Date, no Scheme Shareholder may attend or vote at any shareholders' meetings of Mortgage Choice or sign any Mortgage Choice Shareholders' resolution (whether in person, by proxy or by corporate representative) other than under this clause.

5.6 **Binding effect of Scheme**

The Scheme binds Mortgage Choice and all Mortgage Choice Shareholders from time to time, including those who do not attend the Scheme Meeting, do not vote at that meeting or vote against the Scheme (and, to the extent of any inconsistency, this Scheme overrides Mortgage Choice's constitution).

5.7 **Alteration or condition to Scheme**

If the Court proposes to approve the Scheme subject to any alteration or condition Mortgage Choice may, by its counsel or solicitors, but subject to the prior approval of REA (which may not be unreasonably withheld or delayed), consent on behalf of all persons concerned, including each Scheme Shareholder, to those alterations or conditions.

5.8 **Deed Poll**

Mortgage Choice undertakes in favour of each Scheme Shareholder to enforce the Deed Poll against REA for and on behalf of each Scheme Shareholder.

5.9 **No liability when acting in good faith**

Each Scheme Shareholder agrees that neither Mortgage Choice, REA nor any director, officer or employee of either of them shall be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

5.10 **Notices**

Where a notice, transfer, transmission application, direction or other communication referred to in the Scheme is sent by post to Mortgage Choice, it will be deemed to be received on the date (if any) on which it is actually received at Mortgage Choice's registered office or Mortgage Choice Share Registry and on no other date.

5.11 **Costs and stamp duty**

- (a) Subject to paragraph (b), Mortgage Choice will pay all the costs of the Scheme.
- (b) REA will pay all stamp duty and any related fines, penalties and other costs in respect of the Scheme (including in connection with the transfer of the Scheme Shares to REA) in accordance with the terms of the Scheme.

5.12 **Governing law**

- (a) This document and any dispute arising out of or in connection with the subject matter of this document is governed by the laws of the State of New South Wales within the Commonwealth of Australia.
- (b) Each party submits to the non-exclusive jurisdiction of the courts of that State, and courts of appeal from them, in respect of any proceedings arising out of or in connection with the subject matter of this document. Each party irrevocably waives any right it has to object to any legal process being brought in those courts including any claim that the process has been brought in an inconvenient forum or that those courts do not have jurisdiction.

For personal use only

ANNEXURE C

Deed Poll





Deed Poll

REA Group Ltd

ABN 54 068 349 066

Deed Poll relating to proposed Scheme of
Arrangement between Mortgage Choice Limited
and the Scheme Shareholders

DEED POLL

THIS DEED POLL is made on 19 April 2021

BY

REA Group Ltd ABN 54 068 349 066 whose registered office is at 511 Church Street, Richmond VIC 3121 (**REA**)

FOR THE BENEFIT OF

Each holder of fully paid ordinary shares in Mortgage Choice Limited ABN 57 009 161 979 as at the Record Date (**Scheme Shareholder**)

RECITALS

- (A) Mortgage Choice Limited ABN 57 009 161 979 (**Mortgage Choice**) and REA have entered into a Scheme Implementation Agreement dated 28 March 2021 (the **Scheme Implementation Agreement**).
- (B) Under the Scheme Implementation Agreement, Mortgage Choice has agreed to propose the Scheme, pursuant to which (among other things) the Scheme Shareholders will transfer to REA or the REA Nominee, and REA or the REA Nominee is to acquire, all the Scheme Shares, and REA is to provide the Scheme Consideration to each Scheme Shareholder.
- (C) REA is executing this document to covenant in favour of each Scheme Shareholder to perform the obligations contemplated of it under the Scheme.

REA DECLARES AS FOLLOWS

1. INTERPRETATION

1.1 Definitions

Words and expressions that are defined in the Scheme Implementation Agreement (other than words and expressions defined in this document) have the same meaning in this document as given to them in the Scheme Implementation Agreement, unless the context makes it clear that a definition is not intended to apply.

1.2 Rules for interpreting this document

The rules in clause 1.2 of the Scheme Implementation Agreement apply in interpreting this document, unless the context makes it clear that a rule is not intended to apply.

2. NATURE OF THIS DOCUMENT

REA acknowledges that:

- (a) this document is a deed poll and may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not parties to it; and
- (b) under the Scheme, each Scheme Shareholder irrevocably appoints Mortgage Choice and each of its directors and officers, jointly and severally, as its agent and attorney to enforce this document against REA.

3. **CONDITION PRECEDENT AND TERMINATION**

3.1 **Condition precedent**

REA's obligations under this document are subject to the Scheme becoming Effective.

3.2 **Termination**

- (a) If the Scheme Implementation Agreement is terminated or the Scheme does not become Effective on or before the End Date, REA's obligations under this document will automatically terminate and the terms of this document will be of no further force or effect, unless REA and Mortgage Choice otherwise agree in writing.
- (b) If this document is terminated pursuant to clause 3.2(a) then, in addition and without prejudice to any other rights, powers or remedies available to it:
 - (i) REA is released from its obligations under this document; and
 - (ii) each Scheme Shareholder retains any rights, powers or remedies it has against REA in respect of any breach of this document which occurred before this document was terminated.

4. **REA COVENANT TO COMPLY WITH SCHEME OBLIGATIONS**

Subject to clause 3, in consideration of the transfer of each Scheme Share to REA or the REA Nominee in accordance with the Scheme, REA covenants in favour of each Scheme Shareholder that it will duly and punctually observe and perform all obligations contemplated of it under the Scheme, including:

- (a) all obligations contemplated of it relating to the provision of the Scheme Consideration in accordance with the Scheme; and
- (b) by no later than two Business Days before the Implementation Date, deposit, or procure the deposit, in cleared funds an amount equal to the aggregate amount of the Scheme Consideration payable to all Scheme Shareholders, into an Australian dollar denominated trust account operated by Mortgage Choice as trustee for the Scheme Shareholders (provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to REA's account).

5. **REPRESENTATIONS AND WARRANTIES**

REA represents and warrants in favour of each Scheme Shareholder that:

- (a) **(status)** it is a validly existing corporation under the laws of its place of incorporation;
- (b) **(power)** it has full legal capacity and power to execute this document and to carry out the transactions that this document contemplates;
- (c) **(corporate authority)** it has taken all corporate action that is necessary or desirable to authorise its execution of this document and its carrying out of the transactions that this document contemplates;
- (d) **(documents effective)** this document constitutes its legal, valid and binding obligations, enforceable against it in accordance with its terms;
- (e) **(Authorisations)** it holds each Authorisation that is necessary or desirable to:

- (i) enable it to properly execute this document and to carry out the transactions that this document contemplates in accordance with its terms; and
- (ii) ensure that this document is legal, valid, binding and admissible in evidence, and it is complying with any conditions to which any such Authorisation is subject;
- (f) **(no contravention)** neither its execution of this document nor the carrying out by it of the transactions that it contemplates in accordance with its terms, does or will contravene:
 - (i) any law to which it or any of its property is subject or any order of any Government Agency that is binding on it or any of its property;
 - (ii) any Authorisation held by it;
 - (iii) any undertaking or instrument binding on it or any of its property; or
 - (iv) its constitution; and
- (g) **(solvent)** it is solvent and not affected by any Insolvency Event.

6. **CONTINUING OBLIGATIONS**

This document is irrevocable and, subject to clause 3, remains in full force and effect until the earlier of REA having fully performed its obligations under this document or termination of this document pursuant to clause 3.

7. **NOTICES**

7.1 **How to give a notice**

A notice, consent or other communication under this document is only effective if it is:

- (a) in writing, signed by or on behalf of the person giving it;
- (b) addressed to REA; and
- (c) either delivered or sent by pre-paid mail to REA's address or sent by email.

7.2 **When a notice is given**

A notice, consent or other communication that complies with this clause is regarded as given and received:

- (a) if sent by mail, three Business Days after posting; or
- (b) if sent by email, when REA's email system logs the email message as having been received.

7.3 **Address for notices**

REA's address is as set out below:

REA

Address: 511 Church St, Richmond VIC 3121
 Email address: tamara.kayser@rea-group.com, with a copy to
 Nicola.Charlston@au.kwm.com
 Attention: Tamara Kayser, General Counsel and Company Secretary

8. GENERAL**8.1 Costs and stamp duty**

REA must bear and be responsible for:

- (a) its own costs arising out of the negotiation, preparation and execution of this document; and
- (b) any and all stamp duty (including any related fines or penalties) payable on or in respect of this document, or any transaction contemplated by it (including any transfer of Scheme Shares pursuant to the Scheme), and REA indemnifies each Scheme Shareholder on demand against any liability for any and all such stamp duty.

8.2 Amendment

A provision of this document may not be amended or varied unless:

- (a) before the Second Court Date, the amendment or variation is agreed to in writing by Mortgage Choice (on behalf of each Scheme Shareholder but without the need for Mortgage Choice to refer the amendment or variation to any Scheme Shareholder) and, if required, is approved by the Court; or
- (b) on or after the Second Court Date, the amendment or variation is agreed to in writing by Mortgage Choice (on behalf of each Scheme Shareholder but without the need for Mortgage Choice to refer the amendment or variation to any Scheme Shareholder) and is approved by the Court,

and REA executes a further deed poll in favour of each Scheme Shareholder giving effect to that amendment or variation.

8.3 Assignment

The rights and obligations of REA and of each Scheme Shareholder under this document are personal and, except with the prior written consent of both Mortgage Choice and REA, cannot be assigned, encumbered, charged or otherwise dealt with.

8.4 Variation of rights

The exercise of a right partially or on one occasion does not prevent any further exercise of that right in accordance with the terms of this document. Neither a forbearance to exercise a right nor a delay in the exercise of a right operates as an election between rights or a variation of the terms of this document.

8.5 Operation of this document

- (a) Any right that a person may have under this document is in addition to, and does not replace or limit, any other right that the person may have.
- (b) Any provision of this document which is unenforceable or partly unenforceable is, where possible, to be severed to the extent necessary to make this document

enforceable, unless this would materially change the intended effect of this document.

8.6 Governing law

- (a) This document and any dispute arising out of or in connection with the subject matter of this document is governed by the laws of the State of New South Wales within the Commonwealth of Australia.
- (b) REA submits to the non-exclusive jurisdiction of the courts of that State, and courts of appeal from them, in respect of any proceedings arising out of or in connection with the subject matter of this document. REA irrevocably waives any right it has to object to any legal process being brought in those courts including any claim that the process has been brought in an inconvenient forum or that those courts do not have jurisdiction.

EXECUTED as a deed poll.

EXECUTED by REA GROUP LTD:



Signature of director

Owen Wilson

Name



Signature of ~~director~~/secretary

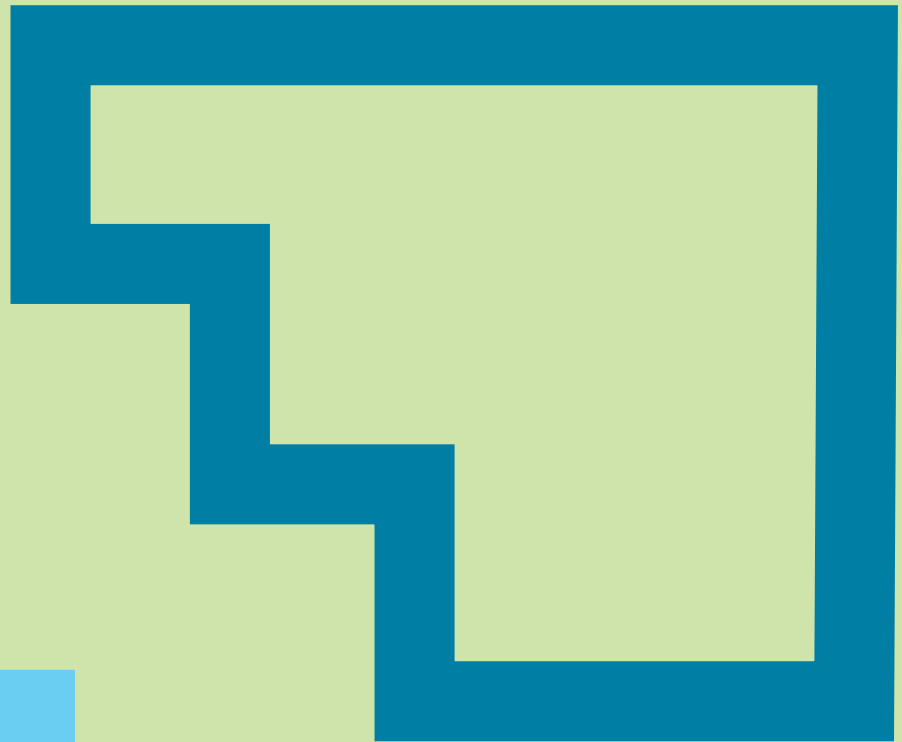
Tamara Kayser

Name

ANNEXURE D

Notice of Scheme Meeting

For personal use only



Mortgage Choice
ABN 57 009 161 979

Notice of Scheme Meeting

Notice is hereby given that, by an order of the Court made on Thursday, 6 May 2021 pursuant to section 411(1) of the Corporations Act, a meeting of Mortgage Choice Shareholders will be held at the offices of Mortgage Choice at Level 10, 100 Pacific Highway, North Sydney NSW 2060 and via Mortgage Choice's online meeting platform at <https://agmlive.link/MOCSM21>, at 10.00am (Sydney time) on Thursday, 10 June 2021 (this is the **Scheme Meeting**).

Mortgage Choice Shareholders should note that the protocols for attendance in person at the Scheme Meeting may change at short notice in response to developments relating to the COVID-19 pandemic. Any change will be announced by Mortgage Choice to the ASX.

Purpose of the Scheme Meeting

The purpose of the Scheme Meeting is to consider and, if thought fit, to agree to a scheme of arrangement (with or without any alterations or conditions required by the Court to which Mortgage Choice and REA agree) proposed to be made between Mortgage Choice and Mortgage Choice Shareholders (**Scheme**).

A copy of the Scheme and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Scheme are contained in the Scheme Booklet, of which this notice forms part.

Capitalised terms used in this Notice of Scheme Meeting but not defined in it have the same meaning as set out in the Glossary in Section 10 of the Scheme Booklet.

Scheme Resolution

The meeting will be asked to consider and, if thought fit, pass (with or without amendment) the following resolution:

'That, pursuant to and in accordance with the provisions of section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between Mortgage Choice and the holders of its ordinary shares, as contained in and more particularly described in the Scheme Booklet of which the notice convening this meeting forms part, is agreed to, with or without alterations or conditions as approved by the Supreme Court of New South Wales to which Mortgage Choice and REA agree.'

Chairman

The Court has directed that Vicki Allen is to act as Chairman of the Scheme Meeting (and that, if Vicki Allen is unable or unwilling to attend, Sarah Brennan is to act as Chairman of the Scheme Meeting).

If voting by proxy, we encourage you to submit a directed proxy vote as early as possible by lodging your Proxy Form online at www.linkmarketservices.com.au or completing and returning the Proxy Form accompanying this Scheme Booklet in one of the other ways set out in Section 9.3 of the Scheme Booklet.

Mortgage Choice Shareholders who wish to attend and vote at the Scheme Meeting via Mortgage Choice's online meeting platform at <https://agmlive.link/MOCSM21> should follow the instructions in Link Market Services Limited's 'Virtual Meeting Online Guide' at <https://www.mortgagechoice.com.au/media/4485094/moc-online-meeting-guide-2.pdf>.

Mortgage Choice Shareholders can lodge questions prior to the Scheme Meeting online at www.linkmarketservices.com.au. Mortgage Choice Shareholders who attend in person or via Mortgage Choice's online meeting platform at <https://agmlive.link/MOCSM21> will also be able to ask questions at the Scheme Meeting.

Dated 7 May 2021.

By Order of the Mortgage Choice Board

Scott Stierli,
Company Secretary

Explanatory notes

1. General

This notice of scheme meeting relates to the Scheme and should be read in conjunction with Mortgage Choice's scheme booklet dated on or about the date of this notice of scheme meeting (**Scheme Booklet**) of which this notice forms part. The Scheme Booklet contains important information to assist you in determining how to vote on the Scheme Resolution.

A copy of the Scheme is set out in Annexure B of the Scheme Booklet.

Capitalised terms used but not defined in this notice have the defined meanings set out in Section 10 of the Scheme Booklet, unless the context otherwise requires.

2. Shareholder approval

For the proposed Scheme to be binding in accordance with section 411 of the Corporations Act, the Scheme Resolution must be agreed to by:

- unless the Court orders otherwise, a majority in number of Mortgage Choice Shareholders present and voting (either in person or via Mortgage Choice's online meeting platform, or by proxy, attorney or, in the case of corporate Mortgage Choice Shareholders, body corporate representative) at the Scheme Meeting; and
- at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by Mortgage Choice Shareholders present and voting (either in person or via Mortgage Choice's online meeting platform, or by proxy, attorney or, in the case of corporate Mortgage Choice Shareholders, body corporate representative).

3. Court approval

Under paragraph 411(4)(b) of the Corporations Act, the Scheme (with or without amendment or any alteration or condition required by the Court) is subject to the approval of the Court. If the Scheme Resolution is passed by the Requisite Majorities and the other Conditions Precedent to the Scheme (other than approval by the Court) are satisfied or waived by the time required under the Scheme, Mortgage Choice intends to apply to the Court for the necessary orders to give effect to the Scheme.

In order for the Scheme to become Effective, it must be approved by the Court and an office copy of the orders of the Court approving the Scheme must be lodged with ASIC.

4. Entitlement to vote

It has been determined that the time for determining eligibility to vote at the Scheme Meeting is 7.00pm (Sydney time) on 8 June 2021. Only those Mortgage Choice Shareholders entered on the Register at that time will be entitled to attend and vote at the meeting, either in person via Mortgage Choice's online meeting platform, or by proxy or attorney, or in the case of a corporate Mortgage Choice Shareholder, by a body corporate representative. The remaining comments in these explanatory notes are addressed to Mortgage Choice Shareholders entitled to attend and vote at the meeting.

5. How to vote

Voting will be conducted by poll.

If you are a Mortgage Choice Shareholder entitled to vote at the Scheme Meeting, you may vote by:

- attending and voting in person or via Mortgage Choice's online meeting platform;
- appointing one or two proxies to attend the Scheme Meeting and vote on your behalf, by lodging your Proxy Form online or returning the Proxy Form;
- appointing an attorney to attend the Scheme Meeting and vote on your behalf, using a power of attorney; or
- in the case of a body corporate, appointing a body corporate representative to attend the Scheme Meeting and vote on your behalf, using a certificate of appointment of body corporate representative.

6. Attendance

In person attendance

If you or your proxies, attorneys or representative(s) plan to attend the meeting, please arrive at the venue at least 30 minutes before the scheduled time for commencement of the meeting, so that your shareholding can be checked against the Register, any power of attorney or certificate of appointment of body corporate representative verified, and your attendance noted.

Online attendance

Mortgage Choice Shareholders and their proxies may also attend and vote at the Scheme Meeting via Mortgage Choice's online meeting platform at <https://agmlive.link/MOCSM21> and by following the instructions in the Share Registry's 'Virtual Meeting Online Guide' located at <https://www.mortgagechoice.com.au/media/4485094/moc-online-meeting-guide-2.pdf>.

Mortgage Choice Shareholders who attend and vote at the Scheme Meeting via Mortgage Choice's online meeting platform will need to register by entering their shareholder number and postcode on the platform.

Appointed proxies who attend and vote at the Scheme Meeting via Mortgage Choice's online meeting platform will need to enter the proxy number issued to them by the Share Registry in the 'PROXY DETAILS' section.

It is recommended that Mortgage Choice Shareholders who intend to attend and vote at the Scheme Meeting via Mortgage Choice's online meeting platform should login at least 15 minutes prior to the scheduled start time for the Scheme Meeting.

7. Jointly held securities

If you hold Mortgage Choice Shares jointly with one or more persons, only one of you may vote. If more than one of you attempts to vote at the Scheme Meeting, only the vote of the holder whose name appears first on the Register will be counted.

See also the comments in paragraph 9.3 below regarding the appointment of a proxy by persons who jointly hold Mortgage Choice Shares.

8. Technical difficulties

Technical difficulties may arise during the course of the Scheme Meeting. The Chair has discretion as to whether and how the Scheme Meeting should proceed in the event that a technical difficulty arises. In exercising their discretion, the Chair will have regard to the number of shareholders impacted and the extent to which participation in the business of the meeting is affected. Where the Chair considers it appropriate, the Chair may continue to hold the meeting and transact business, including conducting a poll and voting in accordance with valid proxy instructions. For this reason Mortgage Choice Shareholders are encouraged to lodge a proxy by 10.00am (Sydney time) on 8 June 2021 even if they plan to attend via Mortgage Choice's online meeting platform.

9. Voting

9.1 Voting in person

To vote in person, you must attend the meeting.

Eligible Mortgage Choice Shareholders who wish to attend and vote at the meeting in person will be admitted and given a voting card at the point of entry to the meeting, once they have disclosed their name and address.

9.2 Voting online

Mortgage Choice Shareholders who wish to attend and vote at the meeting or via Mortgage Choice's online meeting platform should follow the instructions in the Share Registry's 'Virtual Meeting Online Guide' located at <https://www.mortgagechoice.com.au/media/4485094/moc-online-meeting-guide-2.pdf>.

It is recommended that Mortgage Choice Shareholders who intend to attend and vote at the Scheme Meeting via Mortgage Choice's online meeting platform should login at least 15 minutes prior to the scheduled start time for the Scheme Meeting.

9.3 Voting by proxy

A Mortgage Choice Shareholder entitled to vote at the Scheme Meeting may appoint a person to attend and vote at the Scheme Meeting as their proxy. A Mortgage Choice Shareholder who is entitled to cast two or more votes at the Scheme Meeting may appoint one or two proxies. Your proxy need not be another Mortgage Choice Shareholder. Each proxy will have the right to vote on the poll and also to speak at the meeting.

To appoint a proxy, you should complete and return the Proxy Form in accordance with the instructions on that form. You must deliver the signed and completed Proxy Form to the Share Registry by 10.00am (Sydney time) on 8 June 2021 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of the following ways:

- a. Online: www.linkmarketservices.com.au (in accordance with the instructions given there)
- b. by mobile device: in accordance with the instructions set out on the Proxy Form;
- c. by post to the Share Registry at the following address:
Mortgage Choice Limited
c/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia
- d. by hand delivery (during normal business hours of Monday to Friday, 9:00 am to 5:00 pm (Sydney time)) to the Share Registry at the following address:
Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138
- e. by fax to the Share Registry on: +61 2 9287 0309

Proxy Forms received after this time will be invalid.

If a Proxy Form is completed under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed Proxy Form unless the power of attorney or other authority has previously been noted by the Share Registry.

A vote given in accordance with the terms of a proxy appointment is valid despite the revocation of that appointment, unless:

- notice in writing of the revocation has been received by the Share Registry before the start of the meeting (or, if the meeting is adjourned or postponed, before the resumption of the meeting in relation to the resumed part of the meeting) in any of the ways described in paragraphs 9.3(c), 9.3(d) or 9.3(e) above; or
- notice of revocation is given by the Mortgage Choice Shareholder on registering their attendance at the Scheme Meeting at the registration desk located at the Scheme Meeting on 10 June 2021.

If you wish to appoint a second proxy, a second Proxy Form should be used and you should clearly indicate on the second Proxy Form that it is a second proxy and not a revocation of your first proxy. Both Proxy Forms should be returned together in the same envelope. You can obtain a second Proxy Form from the Share Registry.

If you appoint two proxies, each proxy should be appointed to represent a specified proportion of your voting rights. If you do not specify the proportions in the Proxy Forms, each proxy may exercise half of your votes with any fractions of votes disregarded.

If you hold Mortgage Choice Shares jointly with one or more other persons, in order for your proxy appointment to be valid, either Mortgage Choice Shareholder may sign the Proxy Form.

You should consider how you wish your proxy to vote. That is, whether you want your proxy to vote 'for' or 'against', or abstain from voting on, the Scheme Resolution, or whether to leave the decision to the proxy after he or she has considered the matters discussed at the meeting.

If you do not direct your proxy how to vote on an item of business, the proxy may vote, or abstain from voting, as he or she thinks fit. If you instruct your proxy to abstain from voting on an item of business, he or she is directed not to vote on your behalf, and the shares the subject of the proxy appointment will not be counted in computing the required majority.

If you return your Proxy Form:

- without identifying a proxy on it, you will be taken to have appointed the chair of the meeting as your proxy to vote on your behalf; or
- with a proxy identified on it but your proxy does not attend the meeting, the chair of the meeting will act in place of your nominated proxy and vote in accordance with any directions on your Proxy Form.

The chair of the meeting intends to vote all valid undirected proxies which nominate the chair in favour of the Scheme Resolution, in the absence of a Superior Proposal.

Proxies of eligible Mortgage Choice Shareholders will be admitted to the meeting and given a voting card on providing at the point of entry to the meeting written evidence of their name and address.

Your appointment of a proxy does not preclude you from attending in person, revoking the proxy and voting at the meeting.

Replacement Proxy Forms can be obtained from the Share Registry.

9.4 Voting by attorney

You may appoint an attorney to attend and vote at the meeting on your behalf. Your attorney need not be another Mortgage Choice Shareholder. Each attorney will have the right to vote on the poll and also to speak at the meeting.

The power of attorney appointing your attorney to attend and vote at the meeting must be duly executed by you and specify your name, the company (that is, Mortgage Choice), and the attorney, and also specify the meetings at which the appointment may be used. The appointment may be a standing one.

The power of attorney, or a certified copy of the power of attorney, should be received by the Share Registry by 10.00am (Sydney time) on 8 June 2021 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of the following ways:

a. by post to the Share Registry at the following address:

Mortgage Choice Limited
c/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

b. by hand delivery (during normal business hours) to the Share Registry at the following address:

Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138

c. by fax to the Share Registry on: +61 2 9287 0309

Please note that the power of attorney or a certified copy of the power of attorney cannot be lodged online.

Attorneys of eligible Mortgage Choice Shareholders will be admitted to the meeting and given a voting card on providing at the point of entry to the meeting, written evidence of their appointment, their name and address, and the name of their appointors.

Your appointment of an attorney does not preclude you from attending in person and voting at the meeting.

9.5 Voting by corporate representative

If you are a body corporate, you may appoint an individual to act as your body corporate representative. The appointment must comply with the requirements of section 250D of the Corporations Act, meaning that Mortgage Choice will require a certificate of appointment of body corporate representative to be executed by you in accordance with the Corporations Act. A form of certificate may be obtained from the Share Registry by calling +61 1800 054 388 (within and outside Australia) Monday to Friday between 9.00am to 5.00pm (Sydney time). The certificate of appointment may set out restrictions on the representative's powers.

The certificate should be lodged at the registration desk on the day of the meeting or received by the Share Registry before 10.00am (Sydney time) on 8 June 2021 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of the following ways:

a. by post to the Share Registry at the following address:

Mortgage Choice Limited
c/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

b. by hand delivery (during normal business hours) to the Share Registry at the following address:

Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138

c. by fax to the Share Registry on: +61 2 9287 0309

Please note that a certificate of appointment of body corporate representative cannot be lodged online.

If a certificate is completed by an individual or corporation under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed certificate unless the power of attorney or other authority has previously been noted by the Share Registry.

Body corporate representatives of eligible Mortgage Choice Shareholders will be admitted to the meeting and given a voting card on providing at the point of entry to the meeting, written evidence of their appointment, their name and address and the name of their appointors.

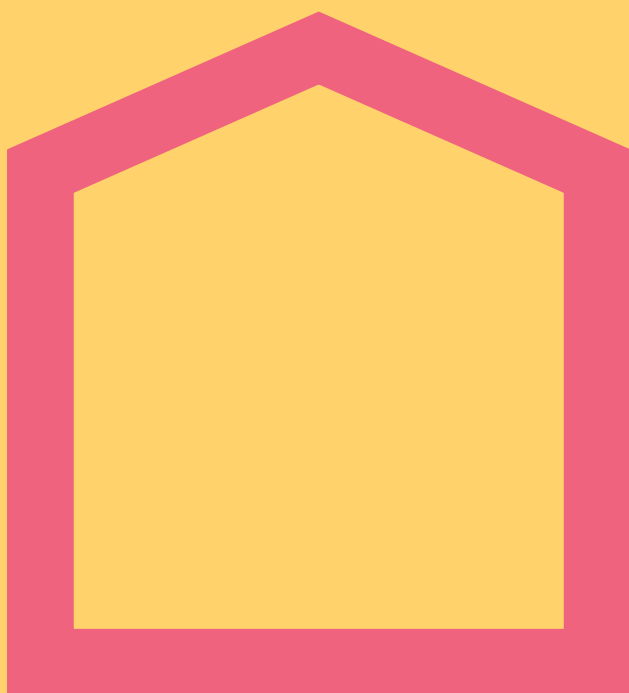
10. Advertisement

Where this notice of scheme meeting is advertised unaccompanied by the Scheme Booklet, a copy of the Scheme Booklet can be obtained by anyone entitled to attend the meeting from the ASX website (www.asx.com.au) or by contacting the Company Secretary of Mortgage Choice or the Share Registry.

For personal use only

ANNEXURE E

Proxy Form





ABN 57 009 161 979

LODGE YOUR VOTE

| | |
|--|--|
| | ONLINE www.linkmarketservices.com.au |
| | BY MAIL Mortgage Choice Limited C/- Link Market Services Limited Locked Bag A14 Sydney South NSW 1235 Australia |
| | BY FAX +61 2 9287 0309 |
| | BY HAND Link Market Services Limited 1A Homebush Bay Drive, Rhodes NSW 2138 |
| | ALL ENQUIRIES TO Telephone: 1800 054 388 Overseas: +61 1800 054 388 |



X99999999999

PROXY FORM

I/We being a member(s) of Mortgage Choice Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY

☐ the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

STEP 1

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Scheme Meeting of the Company to be held at **10:00am on Thursday, 10 June 2021 (the Meeting)** and at any postponement or adjournment of the Meeting.

The Meeting will be conducted as a hybrid meeting. You can attend the meeting at Mortgage Choice at Level 10, 100 Pacific Highway, North Sydney NSW 2060 or you can participate by logging in online at <https://agmlive.link/MOCSM21>.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an ☒.

Resolutions

For Against Abstain*

- 1** The meeting will be asked to consider and, if thought fit, pass (with or without amendment) the following resolution:

'That, pursuant to and in accordance with the provisions of section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between Mortgage Choice and the holders of its ordinary shares, as contained in and more particularly described in the Scheme Booklet of which the notice convening this meeting forms part, is agreed to, with or without alterations or conditions as approved by the Supreme Court of New South Wales to which Mortgage Choice and REA agree.'

| | | |
|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
|--------------------------|--------------------------|--------------------------|



* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 2

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

STEP 3

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

MOC PRX2101A

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGE OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am on Tuesday, 8 June 2021**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).



BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link www.linkmarketservices.com.au into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



BY MAIL

Mortgage Choice Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

* During business hours (Monday to Friday, 9:00am–5:00pm)

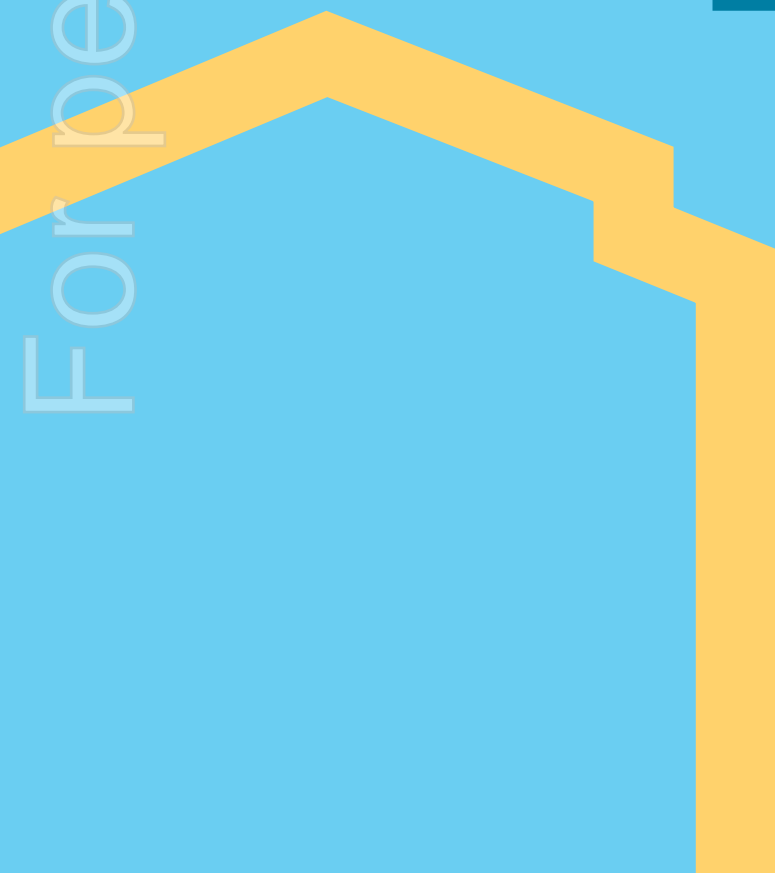
IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE SCHEME MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.

ANNEXURE F

Scheme Implementation Agreement



For personal use only





Execution version

Scheme Implementation Agreement

Mortgage Choice Limited

ABN 57 009 161 979

REA Group Ltd

ABN 54 068 349 066

28 March 2021

DocuSign Envelope ID: 2109434B-31C7-4755-845A-AF1BA799EE51

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THIS AGREEMENT is made on 28 March 2021

BETWEEN:

- (1) **Mortgage Choice Limited** ABN 57 009 161 979 whose registered office is at Level 10, 100 Pacific Highway, North Sydney NSW 2060 (**Mortgage Choice**); and
- (2) **REA Group Ltd** ABN 54 068 349 066 whose registered office is at 511 Church Street, Richmond VIC 3121 (**REA**).

RECITALS:

Mortgage Choice and REA have agreed that a scheme of arrangement will be proposed under Part 5.1 of the Corporations Act between Mortgage Choice and the holders of its ordinary shares at the Record Date in accordance with this document.

THE PARTIES AGREE AS FOLLOWS:

1. **INTERPRETATION**

1.1 **Definitions**

The following definitions apply in this document.

ACCC means the Australian Competition and Consumer Commission.

Announcement means a press release, announcement or other public statement (other than a draft explanatory statement, an explanatory statement or supplementary explanatory statement as required under Part 5.1 of the Corporations Act).

ASIC means the Australian Securities and Investments Commission.

ASIC Review Draft means the draft of the Scheme Booklet, which is provided to ASIC for approval under section 411(2) of the Corporations Act.

ASX means the Australian Securities Exchange or ASX Limited (ABN 98 008 624 691), as the context requires.

ASX Listing Rules means the listing rules of ASX.

Authorisation means:

- (a) an approval, authorisation, consent, declaration, exemption, licence, notarisation, permit or waiver, however it is described, including any renewal or amendment and any condition attaching to it from or by a Government Agency; and
- (b) in relation to anything that could be prohibited or restricted by law, if a Government Agency must act in any way within a specified period, the expiry of that period without that action being taken.

Business Day means a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Sydney, Australia.

Cash EBITDA means the Mortgage Choice Group earnings before net interest expense, tax, depreciation and amortisation (including amortisation of right-of-use assets) and adjusted to exclude the impact of IFRS revenue recognition of the net present value of expected future net trail commissions, but includes the impact of net trail commission cash

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received. **Cash EBITDA** is also adjusted to exclude the impact of share-based remuneration expenses.

Claim, in relation to a person, means any claim, allegation, cause of action, proceeding, liability, suit or demand made against the person concerned however it arises and whether it is present or future, fixed or unascertained, actual or contingent.

Consent Counterparty means each third party to which Mortgage Choice is a counterparty, as identified by REA and notified to Mortgage Choice in writing in advance of the date of this document.

Competing Proposal means a proposal, offer, transaction, agreement or arrangement that would, if ultimately entered into or completed substantially in accordance with its terms:

- (a) result in any person (whether alone or with any associate) other than a member of the REA Group acquiring (directly or indirectly):
 - (i) voting power in, or a right to acquire a legal, beneficial or economic interest in, more than 20% of the Mortgage Choice Shares;
 - (ii) control of Mortgage Choice within the meaning of section 50AA of the Corporations Act; or
 - (iii) an interest in all or substantially all, or a material part of, the business or assets of Mortgage Choice; or
- (b) require Mortgage Choice to abandon, or otherwise fail to proceed with, the Scheme.

Condition means a condition precedent set out in clause 3.2.

Confidentiality and Standstill Deed means the deed of that name between Mortgage Choice and REA in respect of the proposed Scheme dated 17 February 2021 as amended from time to time.

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

Court means the Supreme Court of New South Wales or such other court of competent jurisdiction under the Corporations Act agreed to in writing by REA and Mortgage Choice.

Declared Dividend means Mortgage Choice's previously declared dividend of an amount equal to \$0.04 per Mortgage Choice Share in respect of the six month period from 1 July 2020 to 31 December 2020, being the dividend announced by Mortgage Choice to the ASX on 18 February 2021 and due to be paid on 15 April 2021 (which will be fully franked subject to the availability of franking credits and which, to the extent franked, will not result in the franking account of Mortgage Choice being in deficit after the payment of the dividend or a breach of the benchmark franking rule as defined in section 995-1 of the *Income Tax Assessment Act 1997* (Cth)).

Deed Poll means a document in the form or substantially in the form of Schedule 4, or in such other form as is agreed in writing between Mortgage Choice and REA.

Effective means the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

End Date means 30 September 2021, subject to any extension to that date made under clause 3.7, or such other date as Mortgage Choice and REA agree in writing.

Exclusivity Period means the period commencing on the date of this document and ending on the earlier of:

- (a) termination of this document in accordance with its terms;
- (b) the Implementation Date; and
- (c) the End Date.

Fairly Disclosed in relation to a matter means disclosed in sufficient detail and context so as to allow an acquirer to be aware of the nature and scope, a reasonable estimate of the budgeted or proposed cost and expense (as applicable) and the intended timing (where applicable) of the matter.

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

First Court Date means the first day of the hearing of the Court of an application for an order under section 411(1) of the Corporations Act convening of the Scheme Meeting.

Franchise Agreement means any contract, agreement, arrangement or understanding pursuant to which a Mortgage Choice Group Member grants or has granted any Franchise.

Franchise means any grant by a Mortgage Choice Group Member to any person of the right to engage in or carry on a business, or to sell or offer to sell any product or service, using or in association with any Authorisation, trademark, system or other intellectual property owned by or in the possession of a Mortgage Choice Group Member.

Franchisee means any person who is or was a party to a Franchise Agreement with any Mortgage Choice Group Member.

Government Agency means a government, government department or a governmental, semi-governmental, administrative, statutory or judicial entity, agency, authority, commission, department, tribunal, or person charged with the administration of a law or agency, whether in Australia or elsewhere, including the ACCC, ASIC, ASX, the Takeovers Panel, and any self-regulatory organisation established under statute or by ASX.

GST Law means the same as "GST Law" in *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

Implementation means the implementation of the Scheme, following it becoming Effective.

Implementation Date means the fifth Business Day after the Record Date, or such other date after the Record Date as the parties agree in writing, may be ordered by the Court or may be required by ASX.

Impugned Amount means all or any part of:

- (a) the REA Reimbursement Fee required to be made under clause 9.2; or
- (b) the Mortgage Choice Reimbursement Fee required to be made under clause 9.3,

that is found by the Takeovers Panel or a court of competent jurisdiction to:

- (c) be unlawful;

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- (d) involve a breach of directors' duties; or
- (e) constitute Unacceptable Circumstances.

Independent Expert means Grant Thornton, being the independent expert appointed by Mortgage Choice to opine on whether the Scheme is in the best interests of Mortgage Choice Shareholders.

Independent Expert's Report means a report prepared by the Independent Expert in accordance with ASIC Regulatory Guide 111 (*Content of expert reports*) in connection with the Scheme.

Insolvency Event means, in respect of a person:

- (a) an administrator being appointed to the person;
- (b) a controller or analogous person being appointed to the person or any of the person's property;
- (c) an application being made to a court for an order to appoint a controller, provisional liquidator, trustee for creditors or in bankruptcy or analogous person to the person or any of the person's property;
- (d) an appointment of the kind referred to in paragraph (c) being made (whether or not following a resolution or application);
- (e) the person being taken under section 459F(1) of the Corporations Act to have failed to comply with a statutory demand;
- (f) an application being made to a court for an order for its winding up;
- (g) an order being made, or the person passing a resolution, for its winding up;
- (h) the person:
 - (i) suspending payment of its debts, ceasing (or threatening to cease) to carry on all or a material part of its business, stating that it is unable to pay its debts or being or becoming otherwise insolvent; or
 - (ii) being unable to pay its debts or otherwise insolvent;
- (i) the person taking any step toward entering into a compromise or arrangement with, or assignment for the benefit of, any of its members or creditors;
- (j) a court or other authority enforcing any judgment or order against the person for the payment of money or the recovery of any property; or
- (k) any analogous event under the laws of any applicable jurisdiction.

Loss includes any loss, damage, liability, obligation, compensation, fine, penalty, charge, payment, cost or expense (including any legal cost and expense) however it arises and whether it is present or future, fixed or unascertained, actual or contingent but excluding any consequential or indirect loss, economic loss, loss of opportunity, loss of reputation or loss of profits.

Material Adverse Change means an event or circumstance that occurs, is announced or becomes known to REA or the Mortgage Choice Board (in each case whether or not it becomes public) after the date of this document which has resulted in, or is reasonably

likely to result in (either individually or when aggregated with other such events or circumstances):

- (a) a diminution in the net assets of the Mortgage Choice Group by \$10 million or more;
- (b) a diminution in the consolidated Cash EBITDA of the Mortgage Choice Group, taken as a whole, of at least \$2.5 million assessed on an annualised recurring basis; or
- (c) a reduction in Settlements of at least \$1.2 billion, assessed on an annualised recurring basis,

but does not include any event or circumstance:

- (d) required or expressly permitted to be done or procured by Mortgage Choice under this document or the Scheme;
- (e) to the extent that it was Fairly Disclosed in the Mortgage Choice Disclosure Materials;
- (f) which REA has previously approved in writing;
- (g) within the actual knowledge of REA immediately prior to signing of this document (which does not include mere knowledge of the risk of an event or circumstance occurring);
- (h) that was disclosed to the ASX within 12 months of the date of this document or disclosed in a document lodged with ASIC that is publicly available by or on behalf of Mortgage Choice within 12 months of the date of this document;
- (i) relating to reasonable third party costs and expenses incurred by Mortgage Choice associated with the Scheme process, including all fees payable to external advisers of Mortgage Choice which were Fairly Disclosed in the Mortgage Choice Disclosure Materials;
- (j) comprising an actual or proposed change in any applicable law, regulation or accounting policy which does not impact Mortgage Choice disproportionately relative to its competitors;
- (k) arising from a pandemic, including the COVID-19 virus (or any mutation, variation or derivative), or from any law, order rule or direction of any Government Agency in relation thereto which does not impact Mortgage Choice disproportionately relative to its competitors;
- (l) relating to any change in exchange rates or interest rates;
- (m) relating to any change or disruption to, or fluctuation in, the Australian housing market or mortgage finance market which does not impact Mortgage Choice disproportionately relative to its competitors; or
- (n) relating to any change or disruption to, or fluctuation in, Australian or international financial markets, political or economic conditions which does not impact Mortgage Choice disproportionately relative to its competitors.

Material Contract means:

- (a) any Franchise Agreement;

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- (b) any origination, intermediary, broker, referral or aggregation (or similar) agreement entered into with a financial institution; or
- (c) a contract or commitment:
 - (i) requiring payments over the term of the contract in excess of \$500,000; or
 - (ii) for a term of more than 2 years,

to which a Mortgage Choice Group Member is party.

Meeting Date means the date on which Mortgage Choice Shareholders vote on a resolution to approve the Scheme under section 411(4)(a)(ii) of the Corporations Act.

Mortgage Choice Board means the board of directors of Mortgage Choice.

Mortgage Choice Disclosure Letter means the letter executed by Mortgage Choice and given to REA immediately before execution of this document.

Mortgage Choice Disclosure Materials means the information and documents Fairly Disclosed or made available by or on behalf of the Mortgage Choice Group to REA and its Representatives, in:

- (a) the online data room established for the purpose of the Scheme, before 8.00 am on the day prior to the date of this document; or
- (b) the Mortgage Choice Disclosure Letter.

Mortgage Choice Employee Incentive Trust Deed means the Mortgage Choice Limited Employee Incentive Trust Deed dated 8 August 2014 which established a trust in connection with equity incentive plans established by Mortgage Choice for the benefit of participants in those plans.

Mortgage Choice Excluded Event means an event:

- (a) which is expressly permitted, required or otherwise contemplated under this document or the Scheme;
- (b) which has been Fairly Disclosed in the Mortgage Choice Disclosure Materials; or
- (c) in respect of which REA consents in writing or which is requested in writing by REA.

Mortgage Choice Group means Mortgage Choice and its subsidiaries (each of Mortgage Choice and each such subsidiary being a **Mortgage Choice Group Member**).

Mortgage Choice Indemnified Person means each Mortgage Choice Group Member and each of their directors, officers and employees.

Mortgage Choice Key Person means any director or employee of any Mortgage Choice Group Member whose annual remuneration as at the date of this document is more than \$140,000.

Mortgage Choice Knowledge Persons has the meaning given in clause 1.2(i)(i).

Mortgage Choice Operations Manual means the document of that name prepared by Mortgage Choice and Fairly Disclosed in the Mortgage Choice Disclosure Materials.

Mortgage Choice Prescribed Event means the occurrence of any of the following:

- (a) Mortgage Choice converting all or any of its shares into a larger or smaller number of shares;
- (b) Mortgage Choice resolving to reduce its share capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares;
- (c) Mortgage Choice:
 - (i) entering into a buy-back agreement; or
 - (ii) resolving to approve the terms of a buy-back agreement under the Corporations Act;
- (d) Mortgage Choice declaring, paying or distributing any dividend, bonus or other share of its profits or assets or returning or agreeing to return any capital to its members (other than the Declared Dividend);
- (e) Mortgage Choice amending the Mortgage Choice Operations Manual:
 - (i) other than in the ordinary course of business in order to implement reasonable increases in fees payable by Franchisees to the Mortgage Choice Group; or
 - (ii) without the prior written consent of REA (such consent not to be unreasonably withheld, conditioned or delayed);
- (f) a Mortgage Choice Group Member:
 - (i) issuing shares or securities convertible into shares, or granting an option over its shares, or agreeing to make such an issue or grant such an option other than:
 - (A) to a directly or indirectly wholly-owned subsidiary of Mortgage Choice; or
 - (B) on vesting or exercise of, or in respect of, a Mortgage Choice Share Right existing as at the date of this document in the ordinary course and in accordance with the terms associated with that Mortgage Choice Share Right as at the date of this document;
 - (ii) making any change to its constitution;
 - (iii) acquiring, offering to acquire or agreeing to acquire any one or more assets (including any one or more shares in any company) having a market value that in aggregate is, or the consideration for which in aggregate is, \$500,000 or more, excluding the matters subject to item (v) below;
 - (iv) disposing, offering to dispose or agreeing to dispose of any one or more assets (including any one or more shares in any company), or an interest in any one or more assets, having a market value that in aggregate is, or the consideration for which in aggregate is, \$500,000 or more, excluding the matters subject to item (v) below;
 - (v) transferring, buying back, retiring or terminating or otherwise disposing of any Franchise Agreement or any arrangement with a Franchisee, including the acquisition of assets from a Franchisee (including acquiring the loan book from

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a Franchisee or a Franchisee's right to receive trailing commissions), except where such transfer, buyback, retirement, termination or other disposal:

- (A) is for cause in accordance with the terms of that Franchise Agreement or arrangement with that Franchisee; and
 - (B) with the prior written consent of REA (such consent not to be unreasonably withheld, conditioned or delayed);
 - (vi) consenting to the transfer by a Franchisee of their obligations under their respective Franchise Agreement without the prior written consent of REA (such consent not to be unreasonably withheld, conditioned or delayed);
 - (vii) paying any retention, termination or severance payments to any Mortgage Choice Key Person;
 - (viii) incurring any new financial indebtedness (including extending or expanding any existing financial indebtedness in place as at the date of this document) other than incurring debts with trade debtors in the ordinary course of business;
 - (ix) granting, or agreeing to grant, any Security Interest over the whole, or a substantial part, of the Mortgage Choice Group's business or property;
 - (x) varying or agreeing to vary the employment arrangements or remuneration of, or paying any bonus to, any director or employee of any Mortgage Choice Group Member whose annual remuneration as at the date of this document is more than \$140,000, other than as part of Mortgage Choice's annual remuneration review program or otherwise in the ordinary course of business and in either case consistent with the Mortgage Choice Group's usual past practices; or
 - (xi) amending or accelerating the terms of an employee share scheme or any other plan or scheme operated for the benefit of directors or employees of any one or more members of the Mortgage Choice Group (other than in order to comply with Mortgage Choice's obligations under clause 6.9);
 - (g) any member of the Mortgage Choice Group losing, transferring, cancelling or allowing to lapse or any material Authorisation required to operate its business (or any material part of it);
 - (h) any Mortgage Choice Group Member permanently ceasing, or threatening to permanently cease, to carry on the business conducted as at the date of this document; or
 - (i) an Insolvency Event occurring in relation to a Mortgage Choice Group Member,
- except a Mortgage Choice Excluded Event.

Mortgage Choice Reimbursement Fee has the meaning given in clause 9.3.

Mortgage Choice Share means each fully paid ordinary share in Mortgage Choice.

Mortgage Choice Shareholder means each person entered in the Register as a holder of Mortgage Choice Shares.

Mortgage Choice Shareholder Approval means a resolution in favour of the Scheme passed by the required majorities of the Mortgage Choice Shareholders under section 411(4)(a)(ii) of the Corporations Act.

Mortgage Choice Share Registry means Link Market Services Limited.

Mortgage Choice Share Right means a performance share right to subscribe for a Mortgage Choice Share, listed in Schedule 2.

Mortgage Choice Share Rights Buyout Amount means \$6,461,243.

Mortgage Choice Share Rights Plan means the share rights plan adopted by the Mortgage Choice Board on or around August 2013.

Mortgage Choice Tax Exempt Share Plan means the plan entitled the Mortgage Choice Tax Exempt Share Plan commencing operation on or about 25 July 2013.

Mortgage Choice Treasury Share means a Mortgage Choice Share held by Pacific Custodians Pty Limited for the purposes of issuing shares under the Mortgage Choice Share Rights Plan, listed in Schedule 2.

PPS Security Interest means a security interest that is subject to the PPSA.

PPSA means the *Personal Property Securities Act 2009* (Cth).

REA Board means the board of directors of REA as at the Implementation Date.

REA Group means REA and its subsidiaries.

REA Indemnified Person means each member of the REA Group and each of their directors, officers and employees.

REA Information means the information provided by REA to Mortgage Choice in accordance with clause 5(b) for inclusion in the Scheme Booklet.

REA Knowledge Persons has the meaning given in clause 1.2(i)(ii).

REA Nominee means any wholly-owned subsidiary of REA nominated by REA to acquire Scheme Shares under the Scheme in accordance with clause 2.6.

REA Reimbursement Fee has the meaning given in clause 9.2.

Record Date means 7.00 pm on the day which is two Business Days after the Effective Date, or any other date (after the Effective Date) agreed by the parties to be the record date to determine entitlements to receive Scheme Consideration under the Scheme.

Register means the register of members of Mortgage Choice maintained under sections 168 and 169 of the Corporations Act.

Regulatory Approval means the consents, approvals, clearances, decisions and determinations referred to in clause 3.2(f).

Reimbursement Fees means the REA Reimbursement Fee and the Mortgage Choice Reimbursement Fee.

Relevant Date means, in relation to a Condition, the date or time specified in this document for its fulfilment or, if no date or time is specified, 8.00 am on the Second Court Date, subject, in either case, to extension to that date made under clause 3.7.

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Representatives means, in relation to an entity:

- (a) each of the entity's subsidiaries; and
- (b) each of the directors, officers, employees and legal, financial and other expert advisers of the entity or any of its subsidiaries.

Scheme means a scheme of arrangement under Part 5.1 of the Corporations Act between Mortgage Choice and the Mortgage Choice Shareholders in the form or substantially in the form of Schedule 3 or in such other form as is agreed in writing between Mortgage Choice and REA, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved by each party.

Scheme Booklet means the information memorandum in respect of the Scheme to be approved by the Court and dispatched to Mortgage Choice Shareholders, and includes the Scheme, a copy of the Deed Poll executed by REA, an explanatory statement as that term is defined in section 412 of the Corporations Act, the Independent Expert's Report and a notice of meeting and proxy form.

Scheme Consideration means the consideration to be provided by REA to each Scheme Shareholder for the transfer to REA of each Mortgage Choice Share, being for each Mortgage Choice Share held by a Scheme Shareholder as at the Record Date, an amount of \$1.95.

Scheme Meeting means the meeting of Mortgage Choice Shareholders to be convened as ordered by the Court under section 411(1) of the Corporations Act, to consider the Scheme.

Scheme Shareholders means each Mortgage Choice Shareholder as at the Record Date (taking into account registration of all registrable transfers and transmission applications received at the Mortgage Choice Share Registry by the Record Date).

Second Court Date means the first day on which the Court hears the application for an order under section 411(4)(b) of the Corporations Act approving the Scheme or, if the application is adjourned or subject to appeal for any reason, the first day on which the adjourned or appealed application is heard.

Security Interest means any security interest, including:

- (a) a PPS Security Interest;
- (b) any other mortgage, charge, pledge or lien; or
- (c) any other interest or arrangement of any kind that in substance secures the payment of money or the performance of an obligation, or that gives a creditor priority over unsecured creditors in relation to any property.

Settlements means the aggregate settlement amounts advanced by lenders net of offset balances, in relation to settled loans originated by Franchisees.

Superior Proposal means a bona fide written Competing Proposal which the Mortgage Choice Board, acting in good faith and after having obtained written advice from Mortgage Choice's financial and legal advisers, determines:

- (a) is capable of being implemented within a reasonable timeframe and in accordance with its terms; and
- (b) would, if so implemented, result in a more favourable outcome for the Mortgage Choice Shareholders than would result from the implementation of the Scheme,

taking into account all aspects (including all of the terms and conditions) of the Competing Proposal, including:

- (c) the conditions associated with the Competing Proposal, including any shareholder approval requirements of the person making the Competing Proposal;
- (d) any respective requirement for all or part of the acquisition consideration payable to Mortgage Choice Shareholders being other than cash, and, if so, the respective nature, attributes and liquidity of such non-cash consideration and the risks associated with such non-cash consideration;
- (e) the identity, reputation and financial condition of the person making the Competing Proposal as compared to REA, and the funding proposed by the person making the Competing Proposal to effect such Competing Proposal; and
- (f) any other matters reasonably affecting the probability of the Competing Proposal being completed.

Takeovers Panel means the Takeovers Panel constituted under the *Australian Securities and Investments Commission Act 2001* (Cth).

Timetable means the timetable for the Implementation of the Scheme as set out in Schedule 1, subject to any modifications as the parties may agree in writing.

Unacceptable Circumstances has the meaning given to that term in section 657A of the Corporations Act.

1.2 Rules for interpreting this document

Headings and catchwords are for convenience only, and do not affect interpretation. The following rules also apply in interpreting this document, except where the context makes it clear that a rule is not intended to apply.

- (a) A reference to:
 - (i) a legislative provision or legislation (including subordinate legislation) is to that provision or legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it;
 - (ii) a document (including this document) or agreement, or a provision of a document (including this document) or agreement, is to that document, agreement or provision as amended, supplemented, replaced or novated;
 - (iii) a party to this document or to any other document or agreement includes a permitted substitute or a permitted assign of that party;
 - (iv) a person includes any type of entity or body of persons, whether or not it is incorporated or has a separate legal identity, and any executor, administrator or successor in law of the person; and
 - (v) anything (including a right, obligation or concept) includes each part of it.
- (b) A singular word includes the plural, and vice versa.
- (c) A word which suggests one gender includes the other genders.
- (d) If a word or phrase is defined, any other grammatical form of that word or phrase has a corresponding meaning.

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- (e) If an example is given of anything (including a right, obligation or concept), such as by saying it includes something else, the example does not limit the scope of that thing.
- (f) The words **associate, controller, entity, officer, relevant interest** and **subsidiary** have the same meanings as given by the Corporations Act.
- (g) A reference to **\$** or **dollar** is to Australian currency.
- (h) The expression **this document** includes the agreement, arrangement, understanding or transaction recorded in this document.
- (i) A reference to a party being **aware** of certain information, having **knowledge** of certain information or having an **awareness** of certain information or to certain information being **known** to a party, at a relevant time, is a reference to:
 - (i) in the case of Mortgage Choice - Susan Mitchell, Ian Parkes, David Zammit, Emma Dupont-Brown and Scott Stierli (**Mortgage Choice Knowledge Persons**) having actual knowledge or awareness of that information at the relevant time having made reasonable enquiries of those persons who might reasonably be expected to have knowledge or awareness of relevant matters; and
 - (ii) in the case of REA - Owen Wilson, Janelle Hopkins, Tamara Kayser and Daniel Taylor (**REA Knowledge Persons**) having actual knowledge or awareness of that information at the relevant time, having made reasonable enquiries of those persons who might reasonably be expected to have knowledge or awareness of relevant matters.
- (j) Terms defined in the GST Law have the same meaning in this document unless the context otherwise requires.
- (k) A reference to time in this document is a reference to time in Sydney, Australia.

1.3 Non-Business Days

If the day on or by which a person must do something under this document is not a Business Day the person must do it on or by the previous Business Day.

2. SCHEME

2.1 Agreement to propose and implement Scheme

- (a) Mortgage Choice agrees to propose and implement the Scheme in accordance with this document, and must use all reasonable endeavours to do so in accordance with the Timetable.
- (b) REA agrees to assist Mortgage Choice to propose and implement the Scheme in accordance with the terms of this document, and must use all reasonable endeavours to do so in accordance with the Timetable.
- (c) Each party must use reasonable endeavours to give effect to the Scheme, subject to compliance with their respective obligations, powers and duties under this document and all applicable laws.

2.2 Timetable

- (a) Failure by a party to meet any timeframe or deadline set out in the Timetable will not constitute a breach of clauses 2.1, 4 or 5 to the extent that such failure is due

to circumstances and matters outside the party's control (including any delays caused in obtaining the Regulatory Approval) or due to Mortgage Choice taking or omitting to take any action which the Mortgage Choice Board considers necessary to comply with statutory and/or fiduciary duties in response to a Competing Proposal that the Mortgage Choice Board considers, after having consulted with its financial and legal advisers, is reasonably likely to lead to a Superior Proposal.

- (b) Each party must keep the other informed about their progress against the Timetable and notify each other if it believes that any of the dates in the Timetable are not achievable.
- (c) To the extent that any of the dates or timeframes set out in the Timetable become not achievable due to matters outside a party's control (including any delays caused in obtaining the Regulatory Approval), the parties will consult in good faith to agree to any necessary extension to ensure such matters are completed within the shortest possible timeframe.

2.3 **Outline of Scheme**

Subject to the terms of this document, on the Implementation Date, all of the Mortgage Choice Shares held by Scheme Shareholders will be transferred to REA and the Scheme Shareholders will be entitled to receive the Scheme Consideration.

2.4 **No amendments to Scheme without consent**

Mortgage Choice must not consent to any modification of, or amendment to, or the making or imposition by the Court of any condition in respect of, the Scheme without the prior written consent of REA.

2.5 **Scheme Consideration**

REA agrees with Mortgage Choice that in consideration of the transfer to REA or the REA Nominee of each Mortgage Choice Share held by a Scheme Shareholder under the terms of the Scheme, REA will, on the Implementation Date, subject to the terms of this document, the Deed Poll and the Scheme, provide or procure the provision of the Scheme Consideration to each Scheme Shareholder for each Mortgage Choice Share held by that Scheme Shareholder at the Record Date.

2.6 **REA may nominate subsidiary**

At any time prior to the Business Day before the First Court Date, REA may nominate any wholly-owned subsidiary of REA to acquire Scheme Shares under the Scheme by providing a written notice which sets out the details of the REA Nominee to Mortgage Choice. If REA decides to nominate a REA Nominee to acquire Scheme Shares:

- (a) the parties must procure that the Scheme Shares transferred under the Scheme are transferred to the REA Nominee rather than REA;
- (b) REA must procure that the REA Nominee complies with all of the relevant obligations of REA under this document and the Deed Poll; and
- (c) any such nomination will not relieve REA of any of its obligations under this document, including the obligation to pay (or procure the payment by the REA Nominee of) the Scheme Consideration in accordance with the terms of the Scheme, or the obligation to pay the Mortgage Choice Reimbursement Fee.

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3. CONDITIONS

3.1 Obligations not binding until Conditions satisfied

Subject to this clause 3, the obligations of the parties with respect to Implementation (including the obligations of REA under clauses 2.5 and 5(g)) do not become binding unless and until each Condition is satisfied or waived under clause 3.4.

3.2 Conditions

The Conditions are as follows:

- (a) **(Independent Expert's Report)** the Independent Expert concludes in the Independent Expert's Report that the Scheme is in the best interests of Mortgage Choice Shareholders before the time the Scheme Booklet is registered by ASIC and the Independent Expert does not withdraw or change that conclusion before 8.00 am on the Second Court Date;
- (b) **(orders convening Scheme Meeting)** the Court makes orders convening the Scheme Meeting under section 411(1) of the Corporations Act;
- (c) **(Mortgage Choice Shareholder Approval)** Mortgage Choice Shareholder Approval is obtained at the Scheme Meeting (or any adjournment or postponement of it) convened in accordance with the orders made under section 411(1) of the Corporations Act;
- (d) **(Court approval of Scheme)** the Court makes orders under section 411(4)(b) of the Corporations Act approving the Scheme;
- (e) **(order lodged with ASIC)** a copy of the Court order approving the Scheme under section 411(4)(b) of the Corporations Act is lodged with ASIC;
- (f) **(Regulatory Approval)** before 8.00 am on the Second Court Date, one of the following occurs:
 - (i) REA has received written notification by or on behalf of the Treasurer of the Commonwealth of Australia under the FATA to the effect that the Commonwealth Government has no objection under its foreign investment policy to REA acquiring all the Mortgage Choice Shares under the Scheme either on an unconditional basis or subject only to:
 - (A) tax-related conditions which are in the form, or substantially in the form, of those set out under the heading 'Standard' tax conditions in Part D of the Australian Foreign Investment Review Board's Guidance Note 12 on 'Tax Conditions' (in the form released on 18 December 2020); or
 - (B) such other conditions which are acceptable to REA (acting reasonably);
 - (ii) the period provided for under the FATA during which the Treasurer may make an order or interim order under the FATA prohibiting REA acquiring Mortgage Choice Shares under the Scheme has elapsed without such an order being made; or
 - (iii) if an interim order has been made to prohibit REA acquiring Mortgage Choice Shares under the Scheme, the subsequent period for making a final order under the FATA has elapsed without any final order being made;

- (g) **(no restraint adversely affecting Implementation)** no temporary, preliminary or final restraining order, injunction, decision or decree issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the acquisition of all the Mortgage Choice Shares by REA, or otherwise preventing Implementation, is in effect at 8.00 am on the Second Court Date;
- (h) **(no Mortgage Choice Prescribed Event)** during the period commencing on the date of this document and ending at 8.00 am on the Second Court Date, no Mortgage Choice Prescribed Event occurs;
- (i) **(no Material Adverse Change)** during the period commencing on the date of this document and ending at 8.00 am on the Second Court Date, no Material Adverse Change occurs;
- (j) **(Mortgage Choice representations and warranties)** each of the representations and warranties given or made by Mortgage Choice under clause 11 is true and correct as at the time it is given or made in all material respects in the context of the Scheme as a whole, or has been remedied by Mortgage Choice within five Business Days (or such shorter period ending on the Second Court Date), or is not of such materiality that REA could rely on clause 10.2(a) to terminate this document as a result of the breach;
- (k) **(REA representations and warranties)** each of the representations and warranties given or made by REA under clause 11 is true and correct as at the time it is given or made in all material respects in the context of the Scheme as a whole, or has been remedied by REA within five Business Days (or such shorter period ending on the Second Court Date), or is not of such materiality that Mortgage Choice could rely on clause 10.3(a) to terminate this document as a result of the breach; and
- (l) **(ASX and ASIC)** before 8.00am on the Second Court Date, ASIC and ASX issue or provide any consents or approvals, or have done any other acts, which the parties agree are reasonably necessary or desirable to implement the Scheme, and those consents, approvals or other acts have not been withdrawn or revoked at that time.

3.3 Benefit of Conditions

The Conditions in:

- (a) clauses 3.2(b) to 3.2(e) cannot be waived;
- (b) clauses 3.2(f), 3.2(g) and 3.2(l) are for the benefit of each party;
- (c) clauses 3.2(h) to 3.2(j) are for the benefit of REA; and
- (d) clauses 3.2(a) and 3.2(k) are for the benefit of Mortgage Choice.

3.4 Waiver of Conditions

- (a) If a Condition has been included for the benefit of:
 - (i) one party only, only that party may, in its sole and absolute discretion, waive the breach or non-fulfilment of the Condition;
 - (ii) more than one party, the breach or non-fulfilment of the Condition may be waived only by the consent of all those parties.

However, a party for whom a Condition has been included must not waive the Condition if it would result in a breach of law.

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- (b) The breach or non-fulfilment of a Condition may only be waived in writing.
- (c) If a party waives the breach or non-fulfilment of a Condition, that waiver precludes the party from suing another party for any breach of this document that resulted in the breach or non-fulfilment of the Condition.

3.5 Fulfilment of Conditions

- (a) Each party must:
 - (i) use its reasonable endeavours (other than waiver) to ensure and procure that each Condition in clauses 3.2(a) to 3.2(f) and 3.2(l) is satisfied as soon as practicable after the date of this document and that there is no occurrence within its control that would prevent any of the other Conditions being satisfied;
 - (ii) not take any action or refrain from taking any action (except as required by law) designed to prevent the Conditions being satisfied, without the prior consent of the other party (however this clause 3.5(a)(ii) does not oblige REA to accept any proposed condition imposed by a Government Agency other than to the extent expressly set out in this document);
 - (iii) keep the other party promptly and reasonably informed of the steps it has taken and of its progress towards satisfaction of the Conditions (to the extent applicable);
 - (iv) promptly inform the other party of any circumstances of which it becomes aware which may result in any of the Conditions not being satisfied in accordance with its terms; and
 - (v) promptly advise the other party of the satisfaction of a Condition.
- (b) Without limiting clause 3.5(a), in the case of the Condition in clause 3.2(f), REA must:
 - (i) promptly apply for the Regulatory Approval and consult with Mortgage Choice in relation to all of those applications and regulatory engagements, and provide a copy of all of those applications and material communications (redacted for any commercially or competitively sensitive information);
 - (ii) take all steps it is responsible for as part of the Regulatory Approval process, including responding to requests for information from the relevant Government Agencies at the earliest practicable time;
 - (iii) keep Mortgage Choice informed of progress in relation to the Regulatory Approval (including in relation to any material matters raised by, or conditions or other arrangements proposed by, or to, any Government Agency in relation to the Regulatory Approval) and provide Mortgage Choice with all information reasonably requested in connection with the applications for, or progress of, the Regulatory Approval (redacted for any commercially or competitively sensitive information);
 - (iv) consent to any extension of a statutory review period which may be applicable to an application for the Regulatory Approval which may be requested by a Government Agency in connection with that Regulatory Approval; and
 - (v) provide the other parties with all assistance and information that it reasonably requests in connection with an application for the Regulatory Approval.

3.6 Parties to provide certificate to Court

Each of Mortgage Choice and REA must provide to the other and to the Court before 8.00 am on the Second Court Date, a certificate or such other evidence as the Court requests, confirming whether or not the Conditions set out in clause 3.2 included for its benefit, other than the conditions in clauses 3.2(d) and 3.2(e), have been satisfied (or waived by it) in accordance with the terms of this document.

3.7 If a Condition is not fulfilled or waived

If:

- (a) a Condition set out in clause 3.2(a) to 3.2(c) inclusive and clause 3.2(f) to 3.2(l) inclusive has not been fulfilled by the Relevant Date and is not waived;
- (b) a Condition set out in clause 3.2(d) or 3.2(e) has not been fulfilled by the End Date;
- (c) the Effective Date does not occur on or prior to the End Date; or
- (d) there is an act, failure to act, event or occurrence which will prevent a Condition being fulfilled by:
 - (i) in the case of a Condition in clause 3.2(a) to 3.2(c) inclusive or clause 3.2(f) to 3.2(l) inclusive, the Relevant Date; or
 - (ii) in the case of a Condition in clause 3.2(d) or 3.2(e), the End Date,

(and the breach or non-fulfilment of the Condition which would otherwise occur has not been waived), the parties:

- (e) must consult in good faith to determine whether the Scheme may proceed by way of alternative means or method so as to achieve a commercial outcome which reflects the Scheme; and
- (f) may agree to extend the Relevant Date or the End Date, or both.

4. MORTGAGE CHOICE OBLIGATIONS

Mortgage Choice must take all necessary steps to propose and implement the Scheme as expeditiously as practicable and use all reasonable endeavours to do so in accordance with the Timetable, including taking each of the following steps:

- (a) **(Announcement)** on the date of this document, make an Announcement, in a form agreed between Mortgage Choice and REA, which includes a statement (on the basis of written statements made to it by each director of the Mortgage Choice Board) that each director of Mortgage Choice:
 - (i) considers the Scheme to be in the best interests of Mortgage Choice Shareholders and recommends to Mortgage Choice Shareholders that the Scheme be approved; and
 - (ii) who holds or otherwise controls Mortgage Choice Shares intends to vote his or her Mortgage Choice Shares in favour of the Scheme,

subject to no Superior Proposal emerging and the Independent Expert concluding in the Independent Expert's Report (and continuing to conclude) that the Scheme is in the best interests of Mortgage Choice Shareholders;

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- (b) **(directors' approval)** use reasonable endeavours to procure that, subject to the proper performance by its directors of their fiduciary duties (based on specific legal and other appropriate advice), no Superior Proposal emerging and the Independent Expert concluding in the Independent Expert's Report (and continuing to conclude) that the Scheme is in the best interests of Mortgage Choice Shareholders, Mortgage Choice's directors maintain the recommendation referred to in clause 4(a) until the Implementation Date;
- (c) **(change of control consents)** use all reasonable endeavours to obtain the written approval of each Consent Counterparty (and any other third party to any contracts or arrangements to which a Mortgage Choice Group Member is a party which REA reasonably requests) to REA acquiring all the Mortgage Choice Shares under the Scheme as contemplated by this document (including any change of control of the Mortgage Choice Group Members) in each case on terms reasonably acceptable to Mortgage Choice and REA, as soon as practicable after the date of this agreement and in any event before the Second Court Date;
- (d) **(promote Scheme)** participate in efforts reasonably requested by REA to promote the merits of the Scheme and the Scheme Consideration, including, in consultation with REA, undertaking reasonable shareholder engagement and proxy solicitation actions to encourage Mortgage Choice Shareholders to vote on the Scheme in accordance with the recommendation of the Mortgage Choice Board, subject to applicable law, the proper performance by Mortgage Choice directors of their fiduciary duties (based on specific legal and other appropriate advice), no Superior Proposal emerging, the Independent Expert concluding in the Independent Expert's Report (and continuing to conclude) that the Scheme is in the best interests of Mortgage Choice Shareholders and ASIC policy;
- (e) **(Regulatory Approval)** consult with REA on all aspects of communications with Government Agencies in relation to the Scheme and, as expeditiously as practicable, provide REA with all information reasonably requested in connection with the applications for the Regulatory Approval for which REA must apply to satisfy the Condition under clause 3.2(f);
- (f) **(Independent Expert's Report)** commission the preparation of the Independent Expert's Report and provide all assistance and information reasonably requested by the Independent Expert to enable it to prepare the Independent Expert's Report as soon as reasonably practicable;
- (g) **(prepare Scheme Booklet)** prepare the Scheme Booklet as soon as reasonably practicable and ensure that the Scheme Booklet includes all information required by applicable laws, ASIC regulatory guides, Takeovers Panel policy, guidance notes and the ASX Listing Rules, subject to REA complying with its obligations under clauses 5(b) and 5(c) in respect of the REA Information;
- (h) **(continuing obligation of disclosure)** subject to any order of the Court and applicable law, ensure that the Scheme Booklet (but in respect of the REA Information, subject to REA complying with its obligations under clauses 5(b) and 5(c)) is updated by all such further or new information which may arise after the Scheme Booklet has been dispatched until the Scheme Meeting which is necessary to ensure that the Scheme Booklet is not misleading or deceptive in any material respect (including because of any material omission) and otherwise complies with all applicable laws;
- (i) **(Court documents)** prepare all documents necessary for the Court proceedings relating to the Scheme in accordance with all applicable laws;

- (j) **(consult with REA)** in a timely manner, consult with REA as to the form and content of all documents required for the purposes of the Scheme, including:
- (i) the Scheme Booklet, including allowing REA a reasonable opportunity to review and make comments on successive drafts of the Scheme Booklet (accepting that any review of the Independent Expert's Report is limited to review for factual accuracy of those parts that include REA Information), taking into account REA's reasonable comments in good faith and incorporating the REA Information and providing to REA a revised draft of the Scheme Booklet within a reasonable time before the draft of the Scheme Booklet which is provided to ASIC for approval pursuant to section 411(2) of the Corporations Act is finalised; and
 - (ii) the Court proceedings relating to the Scheme, including taking into account REA's reasonable comments in relation to the documents required for the Court proceedings (including originating processes, affidavits, submissions and draft minutes of Court orders);
- (k) **(lodgement of ASIC Review Draft)** as soon as practicable (and in any event no later than 14 days before the First Court Date), subject to REA complying with its obligations under clause 5, provide a draft of the Scheme Booklet to ASIC as contemplated by section 411(2) of the Corporations Act and keep REA reasonably informed of any material issues raised by ASIC in relation to the ASIC Review Draft and where practical to do so, consult with REA in good faith prior to taking any steps or actions to address those material issues (provided that, where those issues relate to REA Information, Mortgage Choice must not take any steps to address them without REA's prior written consent, not to be unreasonably withheld or delayed);
- (l) **(apply to Court for order to convene Scheme Meeting)** apply to the Court under section 411(1) of the Corporations Act for an order directing Mortgage Choice to convene the Scheme Meeting;
- (m) **(convene Scheme Meeting)** convene the Scheme Meeting in accordance with any order made by the Court under section 411(1) of the Corporations Act;
- (n) **(explanatory statement)** as soon as reasonably practicable after the Court orders Mortgage Choice to convene the Scheme Meeting, take all reasonable measures necessary to cause ASIC to register the Scheme Booklet under section 412 of the Corporations Act;
- (o) **(despatch of Scheme Booklet)** as soon as reasonably practicable following an order made by the Court under section 411(1) of the Corporations Act, dispatch a copy of the Scheme Booklet to each Mortgage Choice Shareholder and to all other persons entitled to receive notice of the Scheme Meeting;
- (p) **(inform shareholders)** if it becomes aware of information after the date of dispatch of the Scheme Booklet which is material for disclosure to Mortgage Choice Shareholders in deciding whether to approve the Scheme, subject to applicable laws and any order of the Court, inform shareholders of such information in an appropriate and timely manner;
- (q) **(director's voting)** use its reasonable endeavours to procure that each director of the Mortgage Choice Board votes any Mortgage Choice Shares in which they have a relevant interest in favour of the Scheme (subject to the Mortgage Choice directors' fiduciary duties (based on specific legal and other appropriate advice), no Superior Proposal emerging and the Independent Expert concluding in the Independent Expert's Report (and continuing to conclude) that the Scheme is in the best interests of Mortgage Choice Shareholders);

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- (r) **(section 411(17)(b) statement)** if Mortgage Choice Shareholder Approval is obtained, apply to ASIC for the production of a statement under section 411(17)(b) of the Corporations Act in relation to the Scheme;
- (s) **(Court approval)** subject to satisfaction or waiver of all Conditions other than the Conditions in clause 3.2(d) and (e), apply to the Court for orders approving the Scheme under section 411(4) of the Corporations Act;
- (t) **(certificate)** before commencement of the hearing by the Court of the application for the order under section 411(4)(b) of the Corporations Act, give:
 - (i) to REA a certificate signed by Mortgage Choice stating whether or not each representation or warranty given by Mortgage Choice is true and correct as at the time it is given or made under clause 11; and
 - (ii) to REA and the Court the certificate referred to in clause 3.6;
- (u) **(representation)** procure that Mortgage Choice is represented by counsel at the Court hearings convened for the purposes of section 411(4)(b) of the Corporations Act;
- (v) **(lodge copy of order)** if the Court approves the Scheme under section 411(4) of the Corporations Act, lodge an office copy of the Court order with ASIC in accordance with section 411(10) of the Corporations Act no later than the day after that copy is received (or any later date agreed in writing by REA);
- (w) **(registration)** close the Register as at the Record Date to determine the identity of Scheme Shareholders and their entitlements to Scheme Consideration;
- (x) **(register transfers)** register all transfers of Mortgage Choice Shares to REA on the Implementation Date (subject to provision of the Scheme Consideration in accordance with the Scheme and Deed Poll);
- (y) **(suspension of trading)** apply to the ASX to suspend trading in the Mortgage Choice Shares with effect from the close of trading on the Effective Date;
- (z) **(listing)** take all reasonable steps to maintain Mortgage Choice's listing on the ASX, notwithstanding any suspension of the quotation of the Mortgage Choice Shares, up to and including the Implementation Date, including making appropriate applications to ASX and ASIC, and take any action as reasonably requested by REA to obtain the approval of the ASX to the de-listing of Mortgage Choice following implementation of the Scheme; and
- (aa) **(other steps)** do all other things reasonably necessary to give effect to the Scheme and the orders of the Court approving the Scheme.

5. REA OBLIGATIONS

REA must take all necessary steps to assist Mortgage Choice to propose and implement the Scheme as expeditiously as practicable and use all reasonable endeavours to do so in accordance with the Timetable, including taking each of the following steps:

- (a) **(Independent Expert's Report)** provide all assistance and information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's Report;
- (b) **(Scheme Booklet):**

- (i) as expeditiously as practicable, give to Mortgage Choice for inclusion in the Scheme Booklet such information regarding REA as is required under all applicable laws, relevant ASIC regulatory guides, Takeovers Panel policy and guidance notes and the ASX Listing Rules to be included in the Scheme Booklet (in reasonable time to allow Mortgage Choice to prepare the Scheme Booklet in accordance with this document); and
 - (ii) subject to Mortgage Choice complying with its obligations in clauses 4(j)(i) and 6.1(c)(i), confirm in writing to Mortgage Choice before 8.00 am on the First Court Date that:
 - (A) the REA Information is not misleading or deceptive in any material respect (including because of any material omission) and otherwise complies with all applicable laws, relevant ASIC regulatory guides, Takeovers Panel policy, guidance notes and the ASX Listing Rules; and
 - (B) the Scheme Booklet includes all information regarding REA as is required under all applicable laws, relevant ASIC regulatory guides, Takeovers Panel policy and guidance notes and the ASX Listing Rules;
- (c) **(further information):**
 - (i) promptly inform Mortgage Choice in writing if it becomes aware that the REA Information (or any part of it) is or has become misleading or deceptive in any material respect (including because of any material omission) or otherwise does not comply with all applicable laws, relevant ASIC regulatory guides, Takeovers Panel policy and guidance notes and the ASX Listing Rules; and
 - (ii) as soon as reasonably practicable, give to Mortgage Choice any further information reasonably required by Mortgage Choice before the Meeting Date to ensure that the REA Information is not, having regard to applicable disclosure requirements, false, misleading or deceptive in any material respect (including because of any material omission) and complies with all applicable laws, relevant ASIC regulatory guides, Takeovers Panel policy, guidance notes and the ASX Listing Rules;
- (d) **(Deed Poll)** before the First Court Date, duly execute and enter into the Deed Poll;
- (e) **(certificates)** before commencement of the hearing by the Court of the application for the order under section 411(4)(b) of the Corporations Act, give:
 - (i) to Mortgage Choice a certificate signed by REA stating whether or not each representation or warranty given by REA is true and correct as at the time it is given or made under clause 11; and
 - (ii) to Mortgage Choice and the Court the certificate referred to in clause 3.6;
- (f) **(representation)** procure that REA is represented by counsel at the Court hearings convened for the purposes of section 411(4)(b) of the Corporations Act; and
- (g) **(Scheme Consideration)** if Implementation occurs, provide the Scheme Consideration as contemplated by the Scheme and in accordance with the Deed Poll on the Implementation Date.

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6. FURTHER OBLIGATIONS

6.1 Scheme Booklet content and responsibility statements

- (a) The Scheme Booklet will include:
 - (i) the terms of the Scheme;
 - (ii) the notice of Scheme Meeting and any other notice of meeting in respect of any resolution that is necessary, expedient or incidental to give effect to the Scheme together with a proxy form for the Scheme Meeting and for any ancillary meeting;
 - (iii) a copy of this document;
 - (iv) a copy of the executed Deed Poll;
 - (v) a copy of the Independent Expert's Report; and
 - (vi) the recommendation referred to in clause 4(a) (subject to there being customary qualifications and explanations in the Scheme Booklet to the effect that the recommendation is made subject to no Superior Proposal emerging and subject to the Independent Expert concluding in the Independent Expert's Report (and continuing to conclude) that the Scheme is in the best interests of the Mortgage Choice Shareholders).
- (b) The Scheme Booklet will contain a responsibility statement to the effect that:
 - (i) REA is responsible for the REA Information contained in the Scheme Booklet (and no other part of the Scheme Booklet) and, to the maximum extent permitted by law, Mortgage Choice will not be responsible for any REA Information and will disclaim any liability for REA Information appearing in the Scheme Booklet; and
 - (ii) Mortgage Choice is responsible for the content of the Scheme Booklet other than, to the maximum extent permitted by law, the REA Information, the Independent Expert's Report or any other report or letter issued to Mortgage Choice by a third party. REA, to the maximum extent permitted by law, will not be responsible for the content of the Scheme Booklet (other than the REA Information) and will disclaim any liability for that content appearing in the Scheme Booklet.
- (c) If the parties disagree on the form or content of the Scheme Booklet, they must consult in good faith to try to settle an agreed form of the Scheme Booklet. If, after a reasonable period of consultation, the parties are unable to agree on the form and content of the Scheme Booklet:
 - (i) where the disagreement relates to REA Information, REA will make the final determination as to the form and content of REA Information; and
 - (ii) in any other case, Mortgage Choice will make the final determination as to the form and content of the Scheme Booklet.

6.2 Verification

Each party must undertake appropriate verification processes for the information supplied by that party in the Scheme Booklet.

6.3 **Conduct of Court proceedings**

- (a) REA and Mortgage Choice are entitled to separate representation at all Court proceedings relating to the Scheme.
- (b) This document does not give REA or Mortgage Choice any right or power to give undertakings to the Court for or on behalf of the other party without that party's written consent.
- (c) REA and Mortgage Choice must give all undertakings to the Court in all Court proceedings which are reasonably required to obtain Court approval and effect Implementation as contemplated by this document.

6.4 **Conduct of the business**

During the period commencing on the date of this document and ending on the Implementation Date, Mortgage Choice must, and must cause each Mortgage Choice Group Member to:

- (a) conduct (and must procure that each of its subsidiaries conducts) its business, operations and trading practices in the ordinary and usual course, and use reasonable efforts to ensure its business, operations and trading practices are conducted in accordance with all applicable laws, contractual obligations and materially consistent with business plans, deployment roadmaps and budgets Fairly Disclosed in the Mortgage Choice Disclosure Materials, in all material respects and in substantially the same manner as conducted in the 12 months prior to the date of this document, and otherwise use reasonable efforts to:
 - (i) preserve intact its business organisation;
 - (ii) keep available the services of its officers and employees;
 - (iii) preserve its relationship with Government Agencies, its Franchisee and broker network, lender panel, employees, customers, suppliers, licensors, licensees and others having business dealings with it; and
 - (iv) maintain its business and assets,as in place from time to time;
- (b) promptly notify REA, as soon as reasonably practicable, of:
 - (i) any instance of material non-compliance with any material Authorisation, or any law applicable in respect of that Authorisation; or
 - (ii) any notice, report, notification or material correspondence or request received from any Government Agency which is not in the ordinary course of business or is in respect of a general audit not targeted at the Mortgage Choice Group;
- (c) without limiting clause 6.4(a), not terminate, suspend, waive any material right under or amend any material provision of any Material Contract other than:
 - (i) in accordance with the terms of that Material Contract in the ordinary course of business and consistent with the past practice of the Mortgage Choice Group in the 12 month period ending on the date of this document where prior written notification is provided to REA; or
 - (ii) in relation to a transfer, buy back, retirement, termination or other disposal of a Franchise Agreement or an arrangement with a Franchisee where:

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- (A) such transfer, buyback, retirement, termination or other disposal is for cause in accordance with the terms of that Franchise Agreement or arrangement with that Franchisee as Fairly Disclosed in the Mortgage Choice Disclosure Letter; or
- (B) REA provides its prior written consent (such consent not to be unreasonably withheld, conditioned or delayed);
- (d) without limiting clause 6.4(a), not enter into any agreement with a current or potential Franchisee, on terms materially different to the standard terms which were Fairly Disclosed in the Mortgage Choice Disclosure Materials (other than any special conditions agreed to in the ordinary course of business and consistent with the past practice of the Mortgage Choice Group in the 12 month period ending on the date of this document);
- (e) without limiting clause 6.4(a), not solicit or encourage any Franchisee to terminate their Franchise Agreement, or fail to renew any Franchise Agreement (other than in accordance with the terms of that Franchise Agreement in the ordinary course of business and consistent with the past practice of the Mortgage Choice Group in the 12 month period ending on the date of this document);
- (f) ensure that all material assets of the Mortgage Choice Group are maintained in the ordinary and usual course and consistent with past practice;
- (g) comply in all material respects with all applicable laws and Material Contracts to which it is party; and
- (h) promptly notify REA of any fact, matter or circumstance once Mortgage Choice or any Mortgage Choice Group Member becomes aware that such fact, matter or circumstance has given rise to or is reasonably likely to give rise to the occurrence of a Material Adverse Change or any fact, matter or circumstance of material non-compliance or potential material non-compliance with the obligations set out in clauses 6.4(a) to 6.4(g) above.

6.5 Exceptions

Clause 6.4 does not apply to and, for the avoidance of doubt, a Mortgage Choice Prescribed Event will not occur in respect of, anything:

- (a) which the party is required to do, permitted to do or is permitted not to do, under or in accordance with this document or the Scheme, or otherwise contemplated by this document or the Scheme;
- (b) in respect of which REA consents in writing (such consent not to be unreasonably withheld, conditioned or delayed) or which is requested by REA in writing; or
- (c) which is required by any applicable law, regulation, contract or Government Agency.

6.6 Access to information

- (a) From the date of this document and up to and including the Implementation Date, subject to applicable laws Mortgage Choice must give (and must procure each of its subsidiaries gives) REA reasonable access to its records (subject to any existing confidentiality obligations owed to third parties and compliance with applicable laws, including the *Competition and Consumer Act 2010* (Cth)), premises and personnel and reasonably co-operate for the purpose of:
 - (i) understanding the financial position of it and its subsidiaries including the cashflow and working capital position of each of them;

- (ii) preparing for integration of the business of Mortgage Choice with the business of REA;
- (iii) understanding the operations of the business of it and its subsidiaries;
- (iv) Implementation; and
- (v) any other purpose which is agreed in writing between the parties,

other than any information that relates to a Competing Proposal or any information that, if provided to REA, would result in a loss of legal privilege with respect to such information or a breach of any directors' duty (subject to Mortgage Choice's obligations in clause 8).

- (b) Nothing in clause 6.6(a) requires Mortgage Choice or any of its subsidiaries to provide information to REA concerning consideration of the Scheme by directors and management of it or any of its subsidiaries.

6.7 **Information on representations and warranties**

From the date of this document and up to and including the Implementation Date each party must promptly give, and must procure that each of its subsidiaries promptly gives, to the other party details of any matter or occurrence which might reasonably make any representation or warranty given under this document by the first-mentioned party inaccurate in a material respect.

6.8 **Information provided subject to confidentiality obligation**

All information provided under or in connection with this document is subject to the terms of the Confidentiality and Standstill Deed which continues to have full force and effect subject to the terms of this document (including clause 8.11).

6.9 **Treatment of Mortgage Choice Share Rights**

- (a) Mortgage Choice must ensure that, by no earlier than the Effective Date, there are no outstanding Mortgage Choice Share Rights and no outstanding offers under the Mortgage Choice Tax Exempt Share Plan.
- (b) In order to comply with its obligation under clause 6.9(a), Mortgage Choice must:
 - (i) cause each Mortgage Choice Treasury Share to be an Allocated Share in accordance with the terms of the Mortgage Choice Employee Incentive Trust Deed in sufficient time to allow the relevant Participant to participate in the Scheme (where each of 'Allocated Share' and 'Participant' have the meanings given to them in the Mortgage Choice Limited Employee Incentive Trust Deed);
 - (ii) cause the Mortgage Choice Share Rights to vest in accordance with their terms and, following vesting, cause the relevant number of Mortgage Choice Shares to be issued or transferred to the relevant former holder in sufficient time to allow the relevant former holders of such Mortgage Choice Share Rights to participate in the Scheme;
 - (iii) cash settle the Mortgage Choice Share Rights for an amount that does not exceed the Mortgage Choice Share Rights Buyout Amount, and ensure that all such Mortgage Choice Share Rights which are cash settled are cancelled prior to the Effective Date; or

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- (iv) take any action as may otherwise be necessary to cancel the Mortgage Choice Share Rights in respect of which REA consents in writing (such consent not to be unreasonably withheld, conditioned or delayed).

6.10 Appointment of directors

Mortgage Choice must, as soon as practicable on the Implementation Date, after the Scheme Consideration has been despatched to Scheme Shareholders in accordance with the terms of the Scheme, take all actions necessary to:

- (a) ensure that all directors on the Mortgage Choice Board resign from the Mortgage Choice Board; and
- (b) cause the appointment of the nominees of REA to the Mortgage Choice Board (subject to the receipt by Mortgage Choice of duly executed consents to act).

6.11 Permitted dividends

- (a) Notwithstanding any other provision of this document, REA acknowledges and agrees that Mortgage Choice may pay to Mortgage Choice Shareholders the Declared Dividend.
- (b) If Mortgage Choice pays the Declared Dividend in accordance with clause 6.11(a):
 - (i) the payment date of the Declared Dividend will be determined by Mortgage Choice provided that the Declared Dividend is paid no later than the Implementation Date;
 - (ii) the Declared Dividend may be franked to the maximum extent possible, subject to the franking account of Mortgage Choice not being in deficit after the payment of the Declared Dividend and the Declared Dividend not breaching the benchmark franking rule as defined in section 995-1 of the *Income Tax Assessment Act 1997* (Cth); and
 - (iii) the Declared Dividend is to be paid from profits, retained earnings or distributable reserves (or a combination of all or some of them) of the Mortgage Choice Group existing prior to the declaration or authorisation of such dividends and otherwise in accordance with the Corporations Act.

7. ANNOUNCEMENTS

7.1 No Announcements

Neither party may make an Announcement relating to the subject matter of this document or its termination or make public this document (or any of its terms) unless the Announcement or publication:

- (a) is required by this document;
- (b) has the prior approval of the other party; or
- (c) is required to be made by any applicable law or the ASX Listing Rules.

7.2 Notice of Announcements

If a party is required to make an Announcement under clause 7.1(c), it must, to the extent practicable and lawful, give to the other party:

- (a) such notice as is reasonable in the circumstances of its intention to make the Announcement; and
- (b) a draft of the Announcement and an opportunity, to the extent practicable in the circumstances, to comment on the contents of the draft Announcement.

8. EXCLUSIVITY

8.1 No solicitation

Mortgage Choice agrees that, during the Exclusivity Period, Mortgage Choice must not, and must ensure that its subsidiaries, representatives and advisers do not, directly or indirectly, solicit, encourage, initiate or invite a proposal, offer, enquiry, expression of interest, discussion or agreement from any person other than the REA Group in relation to a Competing Proposal.

8.2 No talk

Subject to clause 8.4, Mortgage Choice agrees that, during the Exclusivity Period, Mortgage Choice must not, and must ensure that its subsidiaries, representatives and advisers do not, negotiate or enter into, participate in or continue any discussions or negotiations in relation to, or that may reasonably be expected to lead to, a Competing Proposal (even if that person's Competing Proposal was not directly or indirectly solicited, invited, encouraged or initiated by Mortgage Choice or any of its representatives and advisers or the person has publicly announced the Competing Proposal), or otherwise facilitate a Competing Proposal, or announce or communicate to any person any intention to do any of these things.

8.3 No due diligence

Without limiting clause 8.2, and subject to clause 8.4, Mortgage Choice agrees that, during the Exclusivity Period, Mortgage Choice must not, and must ensure that its subsidiaries, representatives and advisers do not, make available to any third party, or cause or permit any third party to receive, any non-public information relating to any Mortgage Choice Group Member that may reasonably be expected to assist such third party in formulating, developing or finalising a Competing Proposal or otherwise enable any person that is not part of the REA Group or person that is not engaged by the REA Group in connection with the Scheme to undertake due diligence on any Mortgage Choice Group Member or their businesses and operations.

8.4 Fiduciary exception

The restrictions in clauses 8.2 and 8.3 do not:

- (a) apply in respect of an actual, proposed or potential Competing Proposal where:
 - (i) there has not been any breach of clause 8.1 in respect of that Competing Proposal; and
 - (ii) the Mortgage Choice Board, acting in good faith and after receiving written advice from Mortgage Choice's financial and legal advisers, determines that such Competing Proposal is, or may reasonably be expected to constitute, a Superior Proposal if it were proposed and that failing to respond to such Competing Proposal would be reasonably likely to constitute a breach of the fiduciary duties or statutory obligations of the Mortgage Choice Board; or
- (b) prevent the Mortgage Choice from disclosing non-public information to its auditors or advisers, as required under Mortgage Choice's existing contractual obligations (provided it is not done in a manner which is intended to circumvent the intent of

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clause 8), to a Government Agency or regulatory body, or as otherwise required by applicable law.

8.5 Notification of approaches

- (a) During the Exclusivity Period, Mortgage Choice must promptly inform REA if it or any of its subsidiaries, representatives or advisers:
 - (i) receives any unsolicited approach with respect to any Competing Proposal and must disclose to REA all material terms and conditions of the Competing Proposal, including consideration and the identity of the third party proposing the Competing Proposal; or
 - (ii) receives any request for information relating to the members of the Mortgage Choice Group or any of their businesses or operations or any request for access to the books or records of the members of the Mortgage Choice Group, which Mortgage Choice has reasonable grounds to suspect may relate to a current or future Competing Proposal.
- (b) REA agrees that:
 - (i) any information received under clause 8.5(a) is subject to the terms of the Confidentiality and Standstill Deed; and
 - (ii) it will not, and will ensure that its subsidiaries, representatives and advisers do not, contact the third party who made the unsolicited approach or issued the request for information in accordance with clause 8.5(a) for any purpose relating to the Scheme, the Competing Proposal or any similar transaction.

8.6 Matching right

Without limiting clauses 8.1 and 8.2, before Mortgage Choice or any other Mortgage Choice Group Member, during the Exclusivity Period, enters into any legally binding agreement to give effect to any Competing Proposal, each of the following conditions must be satisfied:

- (a) the Mortgage Choice Board acting in good faith and after receiving written advice from Mortgage Choice's financial and legal advisers and in order to satisfy what Mortgage Choice Board considers to be its statutory or fiduciary duties, determines that the Competing Proposal would be or would be likely to be an actual, proposed or potential Superior Proposal;
- (b) Mortgage Choice must provide REA with the material terms and conditions of the Competing Proposal, including consideration and the identity of the third party proposing the Competing Proposal; and
- (c) Mortgage Choice must give the REA Board at least 4 Business Days after the date of the provision of the information referred to in clause 8.6(b) to provide a matching or superior proposal to the Competing Proposal.

Mortgage Choice agrees that each successive material modification of any Competing Proposal will constitute a new Competing Proposal for the purposes of the matching requirements above.

8.7 REA Counterproposal

If, in accordance with clause 8.6, REA provides to Mortgage Choice a proposal (**REA Counterproposal**), Mortgage Choice must procure that the Mortgage Choice Board considers the REA Counterproposal and determines whether, acting reasonably and in good faith, the REA Counterproposal would provide an equivalent or superior outcome to

Mortgage Choice Shareholders as a whole when compared with the Competing Proposal. Following that determination, Mortgage Choice must:

- (a) procure that Mortgage Choice Board promptly (and in any event within 1 Business Day) notifies REA of the determination in writing and states the reasons for that determination;
- (b) if the determination is that the REA Counterproposal would provide an equivalent or superior outcome to Mortgage Choice Shareholders as a whole when compared with the Competing Proposal, then, for a period of 2 Business Days after Mortgage Choice delivers to REA the notice referred to in clause 8.7(a), REA and Mortgage Choice must use their best endeavours to agree the transaction documentation required to implement the REA Counterproposal as soon as reasonably practicable; and
- (c) if the determination is that the REA Counterproposal would not provide an equivalent or superior outcome to Mortgage Choice Shareholders as a whole when compared with the Competing Proposal, then REA may take steps to amend the REA Counterproposal to address the reasons given within a further 2 Business Days. If REA does so to Mortgage Choice's satisfaction, then the process in clause 8.7(b) applies to that amended REA Counterproposal.

8.8 Provision of information

During the Exclusivity Period, Mortgage Choice must as soon as possible provide REA with:

- (a) in the case of written materials, a copy of; and
- (b) in any other case, a written statement of,

any non-public information about the business or affairs of Mortgage Choice or the Mortgage Choice Group disclosed or otherwise provided to any third party in connection with an actual, proposed or potential Competing Proposal that has not previously been provided to REA. For the avoidance of doubt, any such provision of information to a third party may only be undertaken if permitted by clause 8.4.

8.9 No ongoing discussions

Mortgage Choice represents and warrants to REA that, as at the date of this document, it is not in discussions or negotiations with any third party regarding any Competing Proposal.

8.10 Normal provision of information

Nothing in this clause 8 prevents a Mortgage Choice Group Member from:

- (a) providing information to its representatives or advisers provided it is not done in a manner which is intended to circumvent the intent of clause 8;
- (b) providing information to any Government Agency;
- (c) providing information to its auditors, customers, financiers and suppliers acting in that capacity in the ordinary course of business;
- (d) engaging with its shareholders (in their capacity as a shareholder), in the ordinary course and consistent with past practice;
- (e) providing information required to be provided by law, including to satisfy its obligations of disclosure under the ASX Listing Rules or to any Government Agency; and

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- (f) making presentations to brokers, portfolio investors, analysts and other third parties in the ordinary course of business.

8.11 **Confidentiality and Standstill Deed**

The parties acknowledge and agree that clause 10A of the Confidentiality and Standstill Deed is replaced by this clause 8 of this document and clause 10A of the Confidentiality and Standstill Deed has no further effect.

9. **REIMBURSEMENT FEES**

9.1 **Background**

- (a) Each of Mortgage Choice and REA:
 - (i) confirms its belief that the Scheme will provide significant benefits to it and its shareholders; and
 - (ii) acknowledges that each of them has and will incur significant costs in connection with performing its obligations under this document and the Scheme.
- (b) REA has requested that provisions be made in this document for the payments set out in clause 9.2 in the absence of which it would not have entered into this document. Mortgage Choice confirms its belief that it is appropriate to agree to the payment which it agrees to make under clause 9.2 in order to secure REA's participation in the Scheme. Mortgage Choice acknowledges that the amount it has agreed to pay REA under clause 9.2 is an amount which is appropriate to compensate REA for its reasonable external and internal costs and opportunity costs in connection with the Scheme.
- (c) Mortgage Choice has requested that provisions be made in this document for the payments set out in clause 9.3 in the absence of which it would not have entered into this document. REA confirms its belief that it is appropriate to agree to the payment which it agrees to make under clause 9.3 in order to secure Mortgage Choice's participation in the Scheme. REA acknowledges that the amount it has agreed to pay Mortgage Choice under clause 9.3 is an amount which is appropriate to compensate Mortgage Choice for its reasonable external and internal costs and opportunity costs in connection with the Scheme.
- (d) Each of Mortgage Choice and REA acknowledges that it has received external legal and financial advice in relation to this clause 9 and that each of the REA Reimbursement Fee and the Mortgage Choice Reimbursement Fee has been calculated to reimburse the relevant party for costs including the following:
 - (i) fees for legal, financial and other professional advice in planning and implementing the Scheme (excluding success fees);
 - (ii) reasonable opportunity costs incurred in engaging in the Scheme or in not engaging in other alternative acquisitions or strategic initiatives;
 - (iii) costs of management and directors' time in planning and implementing the Scheme; and
 - (iv) out of pocket expenses incurred by the parties and their employees, advisers and agents in planning and implementing the Scheme;

and the parties agree that:

- (v) the costs actually incurred by the parties will be of such a nature that they cannot all be accurately ascertained; and
- (vi) each Reimbursement Fee is a genuine and reasonable pre-estimate of those costs.

9.2 REA Reimbursement Fee

Mortgage Choice undertakes to pay REA \$2,400,000 (without withholding or set off and exclusive of GST) (**REA Reimbursement Fee**) if:

- (a) prior to the End Date, a Competing Proposal is announced by a third party, received by Mortgage Choice or becomes open for acceptance and within twelve months after the date of announcement or the date that the Competing Proposal is received by Mortgage Choice or becomes open for acceptance (whichever is earliest, and regardless of whether by that time this document has terminated), the third party or any one or more associate(s) of the third party acquires voting power in, or a legal, beneficial or economic interest in, more than 50% of all Mortgage Choice Shares and that Competing Proposal (including any agreement to acquire Mortgage Choice Shares related to the Competing Proposal) is (or becomes) free from any conditions, other than in circumstances where Mortgage Choice terminates this document under clause 10:
 - (i) because any Condition set out in clauses 3.2(f) or 3.2(k) will not be fulfilled (other than because of a breach by Mortgage Choice of clause 3.6); or
 - (ii) because REA is in material breach of this document; or
 - (iii) because of the Effective Date not occurring by the End Date;
- (b) prior to the End Date, Mortgage Choice enters into a legally binding agreement regarding a Competing Proposal;
- (c) any Mortgage Choice director does not recommend the Scheme or, prior to the End Date, withdraws or adversely modifies an earlier recommendation or approves or recommends or makes an announcement indicating that he or she no longer supports the Scheme or is in support of a Competing Proposal or announces an intention to do any of these acts, other than:
 - (i) in circumstances where Mortgage Choice terminates this document under clause 10:
 - (A) because any Condition set out in clauses 3.2(f) or 3.2(k) will not be fulfilled (other than because of a breach by Mortgage Choice of clause 3.6); or
 - (B) because REA is in material breach of this document; or
 - (C) because of the Effective Date not occurring by the End Date;
 - (ii) in circumstances where a court of competent jurisdiction or Government Agency requires or requests that one or more Mortgage Choice directors abstain or withdraw from making a recommendation that Mortgage Choice Shareholders vote in favour of the Scheme after the date of this document;
 - (iii) because the Independent Expert concludes (either in its initial Independent Expert's Report or in any written update, revision, amendment, addendum or supplementary report to it) that the Scheme is not in the best interests of Mortgage Choice Shareholders (except where that conclusion is due wholly or

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partly to the existence, announcement or publication of a Competing Proposal); or

- (iv) because the Independent Expert withdraws its Independent Expert's Report prior to 8.00 am on the Second Court Date (except where that action is due wholly or partly to the existence, announcement or publication of a Competing Proposal); or
- (d) Mortgage Choice is in material breach of any provision (including a Mortgage Choice Prescribed Event) of this document and this document is terminated in accordance with clause 10.2(a).

9.3 **Mortgage Choice Reimbursement Fee**

REA undertakes to pay Mortgage Choice \$2,400,000 (without withholding or set off and exclusive of GST) (**Mortgage Choice Reimbursement Fee**) if REA is in material breach of any provision of this document and this document is terminated in accordance with clause 10.3(a).

9.4 **Demand for payment**

- (a) If an event referred to in clause 9.2 occurs, any demand by REA for payment under clause 9.2 must be in writing, state the circumstances which give rise to the demand and nominate an account in the name of REA into which Mortgage Choice is to pay the REA Reimbursement Fee. Mortgage Choice must pay the amount referred to in clause 9.2 to REA within 10 Business Days of receipt of the demand without withholding or set off.
- (b) If an event referred to in clause 9.3 occurs, any demand by Mortgage Choice for payment under clause 9.3 must be in writing, state the circumstances which give rise to the demand and nominate an account in the name of Mortgage Choice into which REA is to pay the Mortgage Choice Reimbursement Fee. REA must pay the amount referred to in clause 9.3 to Mortgage Choice within 10 Business Days of receipt of the demand without withholding or set off.
- (c) Each of REA and Mortgage Choice acknowledges and agrees that if an amount is paid to it under clause 9.2 or clause 9.3 respectively, that payment constitutes its sole and exclusive remedy in respect of the matter giving rise to the payment.

9.5 **Compliance with law**

If the Takeovers Panel or a court of competent jurisdiction determines that an amount paid or payable under clause 9.2 or clause 9.3 is an Impugned Amount and:

- (a) the period for lodging an application for review or a notice of appeal of that decision has expired without such application or notice having been lodged; or
- (b) an application for review or a notice of appeal has been lodged with the Takeovers Panel or a court within the prescribed period and the relevant review panel or court also determines that the amount is an Impugned Amount,

then:

- (c) the undertaking under clause 9.2 or clause 9.3 (as applicable) does not apply to the extent of the Impugned Amount; and
- (d) if a party has been paid an Impugned Amount under this document, it must refund that Impugned Amount to the other party.

9.6 Reimbursement Fees payable only once

- (a) Where the REA Reimbursement Fee becomes payable to REA under clause 9.2 and is actually paid to REA, REA cannot make any claim against Mortgage Choice for payment of any subsequent REA Reimbursement Fee.
- (b) Where the Mortgage Choice Reimbursement Fee becomes payable to Mortgage Choice under clause 9.3 and is actually paid to Mortgage Choice, Mortgage Choice cannot make any claim against REA for payment of any subsequent Mortgage Choice Reimbursement Fee.

9.7 Other Claims

- (a) The maximum aggregate amount which Mortgage Choice is required to pay in relation to this document (including any breach of this document by Mortgage Choice or any other Claim) is the REA Reimbursement Fee and in no event will the aggregate liability of Mortgage Choice under or in connection with this document or any Claim exceed the REA Reimbursement Fee.
- (b) The maximum aggregate amount which REA is required to pay in relation to this document (including any breach of this document by REA or any other Claim) is the Mortgage Choice Reimbursement Fee and in no event will the aggregate liability of REA under or in connection with this document or any Claim exceed the Mortgage Choice Reimbursement Fee.

9.8 No Reimbursement Fees if Scheme Effective

Despite anything to the contrary in this document, neither Reimbursement Fee will be payable if the Scheme becomes Effective, notwithstanding the occurrence of any event in clause 9.2 or clause 9.3 and, if a Reimbursement Fee has already been paid, it must be refunded by the receiving party within 5 Business Days after the Scheme becomes Effective.

10. TERMINATION

10.1 Termination for non-fulfilment of Condition

- (a) If REA and Mortgage Choice are unable to reach agreement under clause 3.7 within five Business Days after both parties become aware that a Condition will not be fulfilled (or waived), any party for whose benefit the Condition is included (see clause 3.3) (whether solely or jointly with the other party) may terminate this document by notice in writing to the other party. However, if the Court refuses to make orders convening the Scheme Meeting or approving the Scheme, REA and Mortgage Choice must appeal the Court's decision to the fullest extent possible except to the extent that the parties agree otherwise or to the extent that either party obtains the advice of an independent senior counsel of the New South Wales bar who states that, in his or her opinion, an appeal would have no reasonable prospect of success before the End Date.
- (b) Without limiting clause 10.1(a), a party may terminate this document by giving notice in writing to the other party after the End Date, if the Effective Date does not occur on or before that date.

10.2 REA's termination rights

REA may terminate this document by giving notice in writing to Mortgage Choice if, before 8.00 am on the Second Court Date:

- (a) Mortgage Choice is in breach of this document (including a breach of a representation or warranty under clause 11) and that breach is material in the context of the

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Scheme and is not remedied by Mortgage Choice within five Business Days (or such shorter period ending on the Second Court Date) of it receiving notice from REA of the details of the breach and its intention to terminate;

- (b) any member of Mortgage Choice's Board adversely changes (including by attaching any qualifications to) or withdraws his or her recommendation that the Scheme is in the best interests of Mortgage Choice Shareholders; or
- (c) by mutual written agreement between Mortgage Choice and REA.

10.3 Mortgage Choice's termination rights

Mortgage Choice may terminate this document by giving notice in writing to REA if, before 8.00 am on the Second Court Date:

- (a) REA is in breach of this document (including a breach of a representation or warranty under clause 11) and that breach is material in the context of the Scheme and is not remedied by REA within five Business Days (or such shorter period ending on the Second Court Date) of it receiving notice from Mortgage Choice of the details of the breach and its intention to terminate;
- (b) Mortgage Choice enters into a legally binding agreement concerning a Superior Proposal; or
- (c) by mutual written agreement between Mortgage Choice and REA.

10.4 Obligations on termination

- (a) If a party terminates this document, all obligations of the parties under this document, other than this clause and clauses 1 (Interpretation), 7 (Announcements), 9 (Reimbursement Fees), 11 (Representations and warranties), 12 (Indemnities), 13 (Releases), 14 (GST), 15 (Notices), 16 (Amendment and Assignment) and 17 (General), immediately cease to be of further effect.
- (b) The termination of this document does not affect any Claim that a party may have against another party where that Claim arose before this document is terminated.

11. REPRESENTATIONS AND WARRANTIES

11.1 Mutual representations and warranties

Each party represents and warrants to the other party that:

- (a) **(status)** it is a company limited by shares under the Corporations Act and is validly existing under the laws of the place of its incorporation;
- (b) **(power)** it has full legal capacity and power to:
 - (i) own its property and to carry on its business; and
 - (ii) enter into this document and carry out the transactions that this document contemplates in accordance with its terms;
- (c) **(corporate authority)** it has taken all corporate action that is necessary or desirable to authorise it entering into this document and carrying out the transactions that this document contemplates in accordance with its terms;
- (d) **(Authorisations)** it holds each Authorisation that is necessary or desirable to:

- (i) enable it to properly execute this document and to carry out the transactions that this document contemplates in accordance with its terms;
 - (ii) ensure that this document is legal, valid, binding and admissible in evidence; and
 - (iii) enable it to properly carry on its business,
- and it is complying with any conditions to which any such Authorisation is subject;
- (e) **(document effective)** this document constitutes its legal, valid and binding obligations, enforceable against it in accordance with its terms;
 - (f) **(no contravention)** neither its execution of this document nor the carrying out by it of the transactions that it contemplates in accordance with its terms, does or will contravene:
 - (i) any law to which it or any of its property is subject or any order of any Government Agency that is binding on it or any of its property;
 - (ii) any Authorisation held by it;
 - (iii) any undertaking or instrument binding on it or any of its property; or
 - (iv) its constitution;
 - (g) **(no Insolvency Event)** neither it nor any of its subsidiaries is affected by an Insolvency Event;
 - (h) **(not representative capacity)** it is not entering into this document as trustee of any trust or settlement or otherwise in a representative capacity; and
 - (i) **(information provided to the Independent Expert)** all information provided by it to the Independent Expert will be provided in good faith and on the understanding that the Independent Expert will rely on that information for the purpose of preparing the Independent Expert's Report for inclusion in the Scheme Booklet.

11.2 Mortgage Choice representations and warranties

Mortgage Choice represents and warrants to REA that each of the following representations and warranties is true and correct:

- (a) **(Scheme Booklet not false or misleading)** as at the date of dispatch of the Scheme Booklet, the Scheme Booklet (other than the REA Information) will not contain any material statement which is false or misleading (including because of any material omission);
- (b) **(continuous disclosure)** Mortgage Choice is not in breach of its continuous disclosure obligations under ASX Listing Rule 3.1 and, except for information contained in the Announcement to be made in accordance with clause 4(a), there is no information to which ASX Listing Rule 3.1 does not apply because of ASX Listing Rule 3.1A;
- (c) **(complied with applicable laws)** other than as Fairly Disclosed in the Mortgage Choice Disclosure Materials, Mortgage Choice and its wholly owned subsidiaries have complied in all material respects with all applicable laws, Authorisations and the ASX Listing Rules (disregarding any instances of non-compliance that individually and in aggregate, could not reasonably be expected to have a material adverse effect on Mortgage Choice);

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- (d) **(good faith)** the Mortgage Choice Disclosure Materials were collated and prepared in good faith by Mortgage Choice and Mortgage Choice is not aware of any information contained in those materials that is false or misleading in any material respect (including by omission);
- (e) **(provision of information to Independent Expert)** all information provided by or on behalf of Mortgage Choice to the Independent Expert to enable the Independent Expert's Report to be prepared and completed will be provided in good faith and on the understanding that the Independent Expert will rely upon that information for the purpose of preparing the Independent Expert's Report;
- (f) **(no default)** other than as Fairly Disclosed in the Mortgage Choice Disclosure Materials, neither Mortgage Choice nor any of its wholly owned subsidiaries is in default under any Material Contract binding on it or its assets, and nothing has occurred which is or would, with the giving of notice or lapse of time or both, constitute an event of default, prepayment event or similar event under any such Material Contract, which individually or in aggregate could reasonably be expected to result in a Material Adverse Change;
- (g) **(no litigation)** other than as Fairly Disclosed in the Mortgage Choice Disclosure Materials, no litigation, arbitration, mediation, conciliation or administrative proceedings are taking place, pending or to its knowledge, threatened which, if adversely decided, could reasonably be expected to result in a Material Adverse Change;
- (h) **(schedule accurately details Mortgage Choice capital)** Schedule 2 accurately records the total number and details of Mortgage Choice Shares (including the Mortgage Choice Treasury Shares), securities convertible into Mortgage Choice Shares, Mortgage Choice Share Rights, notes or other securities issued by Mortgage Choice at the date of this document;
- (i) **(no obligation to issue, convert or cancel Mortgage Choice securities)** Mortgage Choice is not under any actual or contingent obligation to issue, convert or cancel any securities other than as listed in Schedule 2; and
- (j) **(no other approvals necessary)** to Mortgage Choice's knowledge, no consents, approvals or other acts by a Government Agency are necessary to effect Implementation other than the Regulatory Approval.

11.3 REA representations and warranties

REA represents and warrants to Mortgage Choice that each of the following representations and warranties is true and correct:

- (a) **(no false or misleading statement)** as at the date of dispatch of the Scheme Booklet, the REA Information will not contain any material statement which is false or misleading (including because of any material omission);
- (b) **(complied with applicable laws)** REA and its wholly-owned subsidiaries have complied in all material respects with all applicable laws and the ASX Listing Rules (disregarding any instances of non-compliance that individually and in aggregate, could not reasonably be expected to have a material adverse effect on REA);
- (c) **(adequate funding)** REA has a reasonable basis to believe it has the cash resources or access to adequate financial accommodation sufficient to meet its obligation to pay the Scheme Consideration in accordance with the Scheme and the Deed Poll;

- (d) **(no other approvals necessary)** to REA's knowledge, no consents, approvals or other acts by a Government Agency are necessary to effect Implementation other than the Regulatory Approval;
- (e) **(no dealings with Mortgage Choice Shareholders)** no member of the REA Group has any agreement, arrangement or understanding with any Mortgage Choice Shareholder under which that Mortgage Choice Shareholder (or an associate of that Mortgage Choice Shareholder):
 - (i) would be entitled to receive consideration for their Scheme Shares different from the Scheme Consideration or any other benefit that is not also offered to all other Mortgage Choice Shareholders on the same terms; or
 - (ii) has agreed to vote in favour of the Scheme or against any Competing Proposal; and
- (f) **(no dealings with Mortgage Choice directors or employees)** other than as Fairly Disclosed to Mortgage Choice and approved by the Mortgage Choice Board, no member of the REA Group has any agreement, arrangement or understanding with any director or employee of Mortgage Choice relating in any way to the transaction or operations of the Mortgage Choice Group after the Effective Date.

11.4 No representations made on economic or future matters

Each party acknowledges and agrees that the other party makes no representation or warranty other than as set out in this clause 11 and, in particular, at no time has the other party made or given any representation or warranty in relation to the achievability of:

- (a) any economic, fiscal or other interpretations or evaluations by it; or
- (b) future matters, including future or forecast costs, prices, revenues or profits.

11.5 Reliance on representations and warranties

Each party acknowledges that the other party has executed this document and agreed to take part in the transactions that this document contemplates in reliance on the representations and warranties that are made in clauses 11.1, 11.2 and 11.3.

11.6 When representations and warranties are given

Each representation and warranty given or made under clauses 11.1, 11.2 and 11.3 is given:

- (a) immediately prior to signing of this document;
- (b) except in the case of the representations and warranties in clause 11.2(f), 11.2(g) and 11.2(h), as at 8.00 am on the Second Court Date; and
- (c) at any other date at which the representation or warranty is expressed to be given under this document.

11.7 Qualifications on representations and warranties

- (a) Each representation and warranty given or made by Mortgage Choice under clauses 11.1 and 11.2, and the indemnity under clause 12.1(a), is subject to matters that:
 - (i) are expressly permitted, required or contemplated under this document or the Scheme;

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- (ii) are within the actual knowledge of REA Knowledge Persons prior to the date of this document; or
- (iii) have been Fairly Disclosed in the Mortgage Choice Disclosure Materials.
- (b) Each representation and warranty given or made by REA under clauses 11.1 and 11.3, and the indemnity under clause 12.2(a), is subject to matters that, are within the actual knowledge of any of the Mortgage Choice Knowledge Persons prior to the date of this document.

11.8 **Survival of representations**

Each representation and warranty in clauses 11.1 to 11.3:

- (a) is severable; and
- (b) survives the termination of this document (but does not survive, and will be taken to have no further force or effect following, implementation of the Scheme).

11.9 **Notification obligations**

- (a) Mortgage Choice must notify REA, in writing as soon as practicable after Mortgage Choice (or a Mortgage Choice Group Member) becomes aware of any fact, matter or circumstance that has resulted in, or might reasonably be expected to result in, a breach of a representation or warranty given by Mortgage Choice.
- (b) REA must notify Mortgage Choice, in writing as soon as practicable after REA (or a REA Group member) becomes aware of any fact, matter or circumstance that has resulted in, or might reasonably be expected to result in, a breach of a representation or warranty given by REA.
- (c) A notice provided under clauses 11.9(a) or 11.9(b) must contain reasonable details of the relevant fact, matter or circumstance that resulted in, or might reasonably be expected to result in a breach of a representation or warranty.

12. **INDEMNITIES**

12.1 **Indemnities by Mortgage Choice**

- (a) Mortgage Choice indemnifies REA and each other REA Indemnified Person against, and must pay on demand, any Loss, Claim or damages (including any right to common law damage) arising from or incurred in connection with a breach of a representation and warranty given by it in clauses 11.1 and 11.2 to the fullest extent permitted by law.
- (b) REA receives and holds the benefit of the indemnity in clause 12.1(a) as trustee for each other REA Indemnified Person.

12.2 **Indemnities by REA**

- (a) REA indemnifies Mortgage Choice and each other Mortgage Choice Indemnified Person against, and must pay on demand, any Loss, Claim or damages (including any right to common law damage) arising from or incurred in connection with a breach of the representation and warranty given by it in clauses 11.1 and 11.3 to the fullest extent permitted by law.
- (b) Mortgage Choice receives and holds the benefit of the indemnity in clause 12.2(a) as trustee for each other Mortgage Choice Indemnified Person.

13. **RELEASES**

13.1 **Mortgage Choice's officers and employees**

- (a) REA agrees with Mortgage Choice (in its own right and separately as trustee or nominee for each of the other Mortgage Choice Indemnified Persons) that it:

- (i) releases its rights; and
- (ii) will not make, and that after the Implementation Date, it will procure that each Mortgage Choice Group Member will not make, any Claim:

against any Mortgage Choice Indemnified Person (other than a Mortgage Choice Group Member) as at the date of this document and from time to time in connection with:

- (iii) Mortgage Choice's execution or delivery of this document;
 - (iv) any breach of any representation, warranty, covenant or obligation of Mortgage Choice in this document;
 - (v) any disclosure (or failure to make a disclosure) made by any Mortgage Choice Indemnified Person which is false or misleading (whether by omission or otherwise); or
 - (vi) anything done or purported to be done in connection with Implementation, except where the Mortgage Choice Indemnified Person has engaged in wilful misconduct, wilful concealment, a grossly negligent act or omission or fraud.
- (b) For the avoidance of doubt, nothing in this clause 13.1 limits the rights of REA to terminate this document under clause 10.
- (c) Mortgage Choice receives and holds the benefit of this clause 13.1 to the extent it relates to each Mortgage Choice Indemnified Person as trustee for each of them.

13.2 **REA's officers and employees**

- (a) Mortgage Choice agrees with REA (in its own right and separately as trustee or nominee for each of the other REA Indemnified Persons) that it:

- (i) releases its rights; and
- (ii) will not make any Claim:

against any REA Indemnified Person (other than a member of the REA Group) as at the date of this document and from time to time in connection with:

- (iii) REA's execution or delivery of this document;
- (iv) any breach of any representation, warranty, covenant or obligation of REA in this document;
- (v) any disclosure (or failure to make a disclosure) made by any REA Indemnified Person which is false or misleading (whether by omission or otherwise); or
- (vi) anything done or purported to be done in connection with Implementation,

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except where the REA Indemnified Person has engaged in wilful misconduct, wilful concealment, a grossly negligent act or omission or fraud.

- (b) For the avoidance of doubt, nothing in this clause 13.2 limits the rights of Mortgage Choice to terminate this document under clause 10.
- (c) REA receives and holds the benefit of this clause 13.2 to the extent it relates to each REA Indemnified Person as trustee for each of them.

13.3 Deeds of indemnity

- (a) Subject to the Scheme becoming Effective, REA undertakes in favour of Mortgage Choice and each other Mortgage Choice Indemnified Person that REA will:
 - (i) ensure that the constitutions of Mortgage Choice and each other Mortgage Choice Group Member continue to contain such rules as are contained in those constitution as at the date of this document that provide for each company to indemnify each of its directors and officers against any liability incurred by that person in his or her capacity as a director or officer of the company to any person other than a Mortgage Choice Group Member; and
 - (ii) procure that Mortgage Choice and each other Mortgage Choice Group Member complies with any deeds of indemnity, access and insurance made by them in favour of their respective directors and officers from time to time.
- (b) The undertakings contained in clause 13.3(a) are subject to any Corporations Act restriction and will be read down accordingly.
- (c) Mortgage Choice receives and holds the benefit of this clause 13.3 as trustee for each Mortgage Choice Indemnified Person.
- (d) The undertakings contained in clause 13.3(a) are given:
 - (i) in the case of clause 13.3(a)(i), until the date that is 7 years from the Implementation Date; and
 - (ii) in the case of clause 13.3(a)(ii), until the date that is 7 years from the date of retirement of each director and officer.

13.4 Directors' and officers' insurance

- (a) REA acknowledges that, notwithstanding any other provision of this document, Mortgage Choice may, prior to the Effective Date, enter into arrangements to secure directors' and officers' run-off insurance for up to such 7 year period referred to in clause 13.3(d)(ii), and that any actions to facilitate that insurance or in connection with such insurance will not constitute a breach of any provision of this document and will be disregarded when assessing the operation of any other provision of this document, provided that:
 - (i) the scope of coverage of the policy will be on the same or substantially the same terms as the existing insurance policies in place for directors or officers of the Mortgage Choice Group at the date of this document (other than with respect to the run-off period); and
 - (ii) Mortgage Choice will consult with REA regarding the run-off insurance arrangements and use reasonable endeavours to obtain the most attractive commercial terms (including in relation to costs) for the policy from a reputable insurer.

- (b) Mortgage Choice receives and holds the benefit of this clause 13.4 to the extent it relates to each Mortgage Choice Indemnified Person as trustee for each of them.

14. GST

14.1 GST pass on

If GST is or will be payable on a supply made under or in connection with this document, to the extent that the consideration otherwise provided for that supply under this document is not expressly stated to include an amount for GST on the supply:

- (a) the consideration otherwise provided for that supply under this document is increased by the amount of that GST; and
- (b) the recipient of the supply must make payment of the increase as and when the GST-exclusive consideration otherwise provided for, or relevant part of it, must be paid or provided or, if the GST-exclusive consideration has already been paid or provided, within seven days of receiving a written demand from the supplier.

14.2 Tax Invoice

The right of the supplier to recover any amount in respect of GST under this document on a supply is subject to the issuing of the relevant tax invoice or adjustment note by the supplier to the recipient.

14.3 Consideration exclusive of GST

Any consideration otherwise provided for a supply or payment obligation in connection with this document is exclusive of GST unless expressly stated otherwise.

14.4 Adjustments

If there is an adjustment event in relation to a supply which results in the amount of GST on a supply being different from the amount in respect of GST already recovered by the supplier, as appropriate, the supplier within 14 days of becoming aware of the adjustment event:

- (a) must:
 - (i) recover from the recipient the amount by which the amount of GST on the supply exceeds the amount already recovered by giving seven days written notice; or
 - (ii) refund to the recipient the amount by which the amount already recovered exceeds the amount of GST on the supply; and
- (b) must issue an adjustment note reflecting the adjustment event in relation to the supply to the recipient.

14.5 Reimbursements

Costs actually or estimated to be incurred or revenue actually or estimated to be earned or lost by a party that is required to be reimbursed or indemnified by another party, or used as the basis for calculation of consideration for a supply, under this document must exclude the amount of GST referable to the cost to the extent to which an entitlement arises or would arise to claim an input tax credit and in relation to revenue must exclude any amount in respect of GST referable to the revenue.

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15. NOTICES**15.1 How to give a notice**

A notice, consent or other communication under this document is only effective if it is:

- (a) in writing, signed by or on behalf of the person giving it;
- (b) addressed to the person to whom it is to be given; and
- (c) either delivered or sent by pre-paid mail to that person's address or sent by email.

15.2 When a notice is given

A notice, consent or other communication that complies with this clause is regarded as given and received:

- (a) if sent by mail, three Business Days after posting; or
- (b) if sent by email, when the addressee's email system logs the email message as having been received.

15.3 Address for notices

A person's address is as set out below, or as the person notifies the sender:

Mortgage Choice

Address: Level 10/100 Pacific Highway, North Sydney NSW 2060
 Email address: companysecretary@mortgagechoice.com.au, with a copy to Nigel.Deed@ashurst.com
 Attention: Company Secretary

REA

Address: 511 Church St, Richmond VIC 3121
 Email address: tamara.kayser@rea-group.com, with a copy to Nicola.Charlston@au.kwm.com
 Attention: Tamara Kayser, General Counsel and Company Secretary

16. AMENDMENT AND ASSIGNMENT**16.1 Amendment**

This document can only be amended or replaced by another document executed by the parties.

16.2 Assignment

A party may only assign, encumber, declare a trust over or otherwise deal with its rights under this document with the prior written consent of the other party.

17. GENERAL**17.1 Governing law**

- (a) This document and any dispute arising out of or in connection with the subject matter of this document is governed by the laws of the State of New South Wales within the Commonwealth of Australia.

- (b) Each party submits to the non-exclusive jurisdiction of the courts of that State, and courts of appeal from them, in respect of any proceedings arising out of or in connection with the subject matter of this document. Each party irrevocably waives any right it has to object to any legal process being brought in those courts including any claim that the process has been brought in an inconvenient forum or that those courts do not have jurisdiction.

17.2 Liability for expenses

- (a) REA must pay for all stamp duty (and any related fines, penalties and other costs) payable on this document or any instrument or transaction contemplated in or necessary to give effect to this document.
- (b) Subject to clause 17.2(a), each party must pay its own expenses incurred in negotiating, preparing, executing and registering this document.

17.3 Giving effect to this document

Each party must do anything within its power (including execute any document) that the other party may reasonably require to give full effect to this document.

17.4 Variation of rights

The exercise of a right partially or on one occasion does not prevent any further exercise of that right in accordance with the terms of this document. Neither a forbearance to exercise a right nor a delay in the exercise of a right operates as an election between rights or a variation of the terms of this document.

17.5 No partnership or agency

Nothing in this document is to be treated as creating a partnership or joint venture and, except as specifically provided in this document, no party may act as agent of or in any way bind another party to any obligation. The business of each party will continue to operate independently from the other until the Implementation Date.

17.6 Operation of this document

- (a) Subject to clause 6.8:
 - (i) this document and the Confidentiality and Standstill Deed contain the entire agreement between the parties about its subject matter; and
 - (ii) any previous understanding, agreement, representation or warranty relating to that subject matter is replaced by this document and the Confidentiality and Standstill Deed and has no further effect.
- (b) Any right that a person may have under this document is in addition to, and does not replace or limit, any other right that the person may have.
- (c) Any provision of this document which is unenforceable or partly unenforceable is, where possible, to be severed to the extent necessary to make this document enforceable, unless this would materially change the intended effect of this document.

17.7 Operation of indemnities

- (a) Each indemnity in this document survives the expiry or termination of this document.

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- (b) A party may recover a payment under an indemnity in this document before it makes the payment in respect of which the indemnity is given.

17.8 Consents

Where this document contemplates that a party may agree or consent to something (however it is described), unless this document expressly contemplates otherwise, the party may:

- (a) agree or consent, or not agree or consent, in its sole and absolute discretion; and
- (b) agree or consent subject to conditions.

17.9 No merger

No provisions of this document merge on Implementation.

17.10 Inconsistency with other documents

If this document is inconsistent with any other document or agreement between the parties, this document prevails to the extent of the inconsistency.

17.11 Counterparts

This document may be executed in counterparts.

17.12 Electronic signing

A party may sign electronically a soft copy of this document through DocuSign or other form of electronic signature, and bind itself accordingly. The parties intend that:

- (a) any soft copy so signed will constitute an executed original counterpart, and any print out of the copy with the relevant signatures appearing will also constitute an executed original counterpart; and
- (b) an electronic version or print out of all executed counterparts (whether executed electronically or in hard copy) will constitute a fully executed version of this document.

SCHEDULE 1

Timetable

| Step | Date | Action |
|------|---------------|--|
| 1. | 28 March 2021 | Sign Scheme Implementation Agreement and announce transaction |
| 2. | 19 April 2021 | Provide ASIC and Court with draft Scheme Booklet |
| 3. | 3 May 2021 | First Court Date |
| 4. | 10 May 2021 | Dispatch Scheme Booklet |
| 5. | 10 June 2021 | Hold Scheme Meeting and announce results to ASX |
| 6. | 17 June 2021 | Second Court Date and announce to ASX |
| 7. | 18 June 2021 | Effective Date File Court order with ASIC and announce to ASX Mortgage Choice securities cease trading at close of trading on ASX |
| 8. | 22 June 2021 | Record Date for entitlements to Scheme Consideration |
| 9. | 29 June 2021 | Implementation Date REA issues Scheme Consideration |

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SCHEDULE 2

Capital of Mortgage Choice

1. **MORTGAGE CHOICE SHARES**

Mortgage Choice has 124,997,440 fully paid ordinary shares on issue (including the Mortgage Choice Treasury Shares).

2. **MORTGAGE CHOICE SHARE RIGHTS**

Mortgage Choice has 3,313,458 performance share rights issued to Mortgage Choice employees or other participants to subscribe for fully paid ordinary shares on issue in Mortgage Choice.

3. **MORTGAGE CHOICE TREASURY SHARES**

Mortgage Choice has 765,039 shares held by Pacific Custodians Pty Limited for the purposes of transferring shares to satisfy rights under the Mortgage Choice Share Rights Plan on issue.

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SCHEDULE 3
Scheme of Arrangement (Scheme)

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Scheme of Arrangement

Mortgage Choice Limited

ABN 57 009 161 979

The Scheme Shareholders

SCHEME OF ARRANGEMENT

Under section 411 of the Corporations Act

BETWEEN:

- (1) Mortgage Choice Limited ABN 57 009 161 979 whose registered office is at Level 10, 100 Pacific Highway, North Sydney NSW 2060 (**Mortgage Choice**); and
- (2) the Scheme Shareholders.

BACKGROUND

- (A) Mortgage Choice is a public company incorporated in Australia. Mortgage Choice is registered in New South Wales and is a company limited by shares. Mortgage Choice has its registered office at Level 10, 100 Pacific Highway, North Sydney NSW 2060. Mortgage Choice is admitted to the official list of ASX and the Mortgage Choice Shares are quoted on the stock market conducted by ASX.
- (B) REA Group Limited ABN 54 068 349 066 (**REA**) is a public company incorporated in Australia under the Corporations Act. REA is registered in Victoria and is a company limited by shares. REA has its registered office at 511 Church Street, Richmond VIC 3121. REA is admitted to the official list of ASX and its fully paid ordinary shares are quoted on the stock market conducted by ASX.
- (C) Mortgage Choice and REA have entered into the Scheme Implementation Agreement to facilitate the implementation of the Scheme. The directors of Mortgage Choice have proposed the Scheme to the Mortgage Choice Shareholders and unanimously consider that, subject to no Superior Proposal emerging and subject to the Independent Expert concluding in the Independent Expert's Report (and continuing to conclude), the Scheme is in the best interests of the Mortgage Choice Shareholders.
- (D) REA has executed the Deed Poll under which it covenants in favour of the Mortgage Choice Shareholders to carry out its obligations under the Scheme, including to provide the Scheme Consideration in accordance with the terms of the Scheme.
- (E) If the Scheme becomes Effective:
 - (1) REA will issue the Scheme Consideration in accordance with the terms of this Scheme in consideration of the transfer of the Scheme Shares to REA or the REA Nominee; and
 - (2) all the Scheme Shares will be transferred to REA or the REA Nominee and Mortgage Choice will become a wholly-owned subsidiary of REA or the REA Nominee; and
 - (3) Mortgage Choice will enter REA's name (or the name of the REA Nominee) in the Register as the holder of all Scheme Shares.

OPERATIVE PROVISIONS

1. INTERPRETATION

1.1 Definitions

The following definitions apply in this document:

ASIC means the Australian Securities and Investments Commission.

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ASX means the Australian Securities Exchange or ASX Limited (ABN 98 008 624 691), as the context requires.

ASX Listing Rules means the listing rules of ASX.

ASX Operating Rules means the operating rules of ASX.

Business Day means a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Sydney, Australia.

CHESS means the clearing house electronic subregister system for the electronic transfer of securities operated by ASX Settlement Pty Limited, which provides for the electronic transfer, settlement and registration of securities.

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

Court means the Supreme Court of New South Wales or such other court of competent jurisdiction under the Corporations Act agreed to in writing by REA and Mortgage Choice.

Deed Poll means the deed poll to be executed by REA prior to the First Court Date in favour of the Mortgage Choice Shareholders.

Effective means the coming into effect, under section 411(1) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

End Date means 30 September 2021 subject to any extension under clause 3.7 of the Scheme Implementation Agreement, or such other date as Mortgage Choice and REA agree in writing.

Excluded Share means a Mortgage Choice Share held by any person on behalf of, or for the benefit of REA or any related body corporate.

Implementation means the implementation of the Scheme, on it becoming Effective.

Implementation Date means the fifth Business Day after the Record Date, or such other date after the Record Date as Mortgage Choice and REA may agree in writing, may be ordered by the Court or may be required by ASX.

Mortgage Choice Share means each fully paid ordinary share in the capital of Mortgage Choice.

Mortgage Choice Share Registry means Link Market Services Limited.

Mortgage Choice Shareholder means each person who is registered in the Register as a holder of Mortgage Choice Shares.

PPSA means the *Personal Property Securities Act 2009* (Cth).

REA Nominee means any wholly-owned subsidiary of REA nominated by REA to acquire Scheme Shares under the Scheme in accordance with clause 2.6 of the Scheme Implementation Agreement.

Record Date means 7.00 pm on the day which is two Business Days after the Effective Date, or any other date (after the Effective Date) agreed by REA and Mortgage Choice to be the record date to determine entitlements to receive Scheme Consideration under the Scheme.

Register means the register of members of Mortgage Choice maintained under sections 168 and 169 of the Corporations Act.

Registered Address means, in relation to a Mortgage Choice Shareholder, the address of the shareholder shown in the Register.

Scheme means the scheme of arrangement under Part 5.1 between Mortgage Choice and the Scheme Shareholders, set out in this document, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act.

Scheme Consideration means the consideration to be provided by REA to each Scheme Shareholder for the transfer to REA of each Mortgage Choice Share, being for each Mortgage Choice Share held by a Scheme Shareholder as at the Record Date, an amount of \$1.95.

Scheme Implementation Agreement means the Scheme Implementation Agreement between REA and Mortgage Choice dated 28 March 2021 relating to the implementation of the Scheme.

Scheme Meeting means the meeting of the Mortgage Choice Shareholders to be convened as ordered by the Court under section 411(1) in relation to the Scheme.

Scheme Share means each Mortgage Choice Share on issue as at the Record Date other than the Excluded Shares.

Scheme Shareholder means each Mortgage Choice Shareholder, other than the holders of the Excluded Shares, at the Record Date, taking into account registration of all registrable transfers and transmission applications in accordance with clause 4.2.

Scheme Transfer, in relation to Scheme Shares, means a proper instrument of transfer of the Scheme Shares.

1.2 Rules for interpreting this document

Headings and catchwords are for convenience only, and do not affect interpretation. The following rules also apply in interpreting this document, except where the context makes it clear that a rule is not intended to apply.

- (a) A reference to:
 - (i) a legislative provision or legislation (including subordinate legislation) is to that provision or legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it;
 - (ii) a person includes any type of entity or body of persons, whether or not it is incorporated or has a separate legal identity, and any executor, administrator or successor in law of the person; and
 - (iii) anything (including a right, obligation or concept) includes each part of it.
- (b) A singular word includes the plural, and vice versa.
- (c) A word which suggests one gender includes the other genders.
- (d) If a word or phrase is defined, any other grammatical form of that word or phrase has a corresponding meaning.
- (e) If an example is given of anything (including a right, obligation or concept), such as by saying it includes something else, the example does not limit the scope of that thing.

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- (f) The words **officer** and **security interest** have the same meaning as in section 9 of the Corporations Act.
- (g) The expression **related body corporate** has the same meaning given in section 50 of the Corporations Act.
- (h) All references to time in this document are references to Sydney, Australia.
- (i) A reference to **\$** or **dollar** is to Australian currency.

1.3 **Non-Business Days**

If the day on or by which a person must do something under this document is not a Business Day:

- (a) if the act involves a payment that is due on demand, the person must do it on or by the next Business Day; and
- (b) in any other case, the person must do it on or by the previous Business Day.

2. **CONDITIONS PRECEDENT**

2.1 **Conditions precedent to the Scheme**

The Scheme is conditional upon, and will not become Effective until, the satisfaction of each of the following conditions precedent:

- (a) as at 8.00 am on the Second Court Date, all the conditions set out in clause 3.2 of the Scheme Implementation Agreement, other than the conditions in clauses 3.2(d) and 3.2(e), have been satisfied or waived in accordance with the terms of the Scheme Implementation Agreement;
- (b) as at 8.00 am on the Second Court Date, neither the Scheme Implementation Agreement or the Deed Poll have been terminated;
- (c) the Court has made an order under section 411(4)(b) of the Corporations Act approving the Scheme, including with such alterations made or required by the Court under section 411(6) of the Corporations Act as are acceptable to Mortgage Choice and REA (each acting reasonably);
- (d) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to the Scheme as are acceptable to Mortgage Choice and REA (each acting reasonably) have been satisfied; and
- (e) the orders of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act approving the Scheme coming into effect, pursuant to section 411(1) of the Corporations Act, on or before the End Date.

2.2 **Effective Date**

The Scheme takes effect on the Effective Date. Mortgage Choice must lodge with ASIC an office copy of the order of the Court approving the Scheme under section 411(4)(b) of the Corporations Act and by no later than the day after that copy is received (or any later date agreed in writing by REA).

2.3 **End Date**

The Scheme will lapse and be of no effect if the Effective Date has not occurred on or before the End Date.

2.4 Termination of Scheme Implementation Agreement

Without limiting any rights under the Scheme Implementation Agreement, in the event that the Scheme Implementation Agreement is terminated in accordance with its terms before 8.00 am on the Second Court Date, Mortgage Choice and REA are each released from:

- (a) any further obligation to take steps to implement the Scheme; and
- (b) any liability with respect to the Scheme.

3. THE SCHEME

3.1 Implementation steps

On the Implementation Date:

- (a) subject to the provision of the Scheme Consideration in accordance with the Scheme and REA having provided Mortgage Choice with written confirmation of that having occurred, all the Scheme Shares, together with all rights and entitlements attaching to those shares as at the Implementation Date, will be transferred to REA or the REA Nominee without the need for any further act by any Scheme Shareholder (other than acts performed by Mortgage Choice or its directors and officers as attorney and agent for the Scheme Shareholders under the Scheme) by Mortgage Choice effecting a valid transfer or transfers of the Scheme Shares to REA or the REA Nominee under section 1074D of the Corporations Act or, if that procedure is not available for any reason in respect of any Scheme Shares, by:
 - (i) Mortgage Choice delivering to REA or the REA Nominee for execution duly completed and, if necessary, stamped Scheme Transfers to transfer the Scheme Shares to REA or the REA Nominee, duly executed by Mortgage Choice or any of its directors and officers as the attorney and agent of each Scheme Shareholder as transferor under clauses 5.2 and 5.3;
 - (ii) REA or the REA Nominee executing the Scheme Transfers as transferee and delivering them to Mortgage Choice for registration; and
 - (iii) Mortgage Choice, upon receipt of the Scheme Transfers under subparagraph (ii), entering or procuring the entry of the name and address of REA or the REA Nominee in the Register as the holders of all the Scheme Shares; and
- (b) REA will issue to each Scheme Shareholder the Scheme Consideration for each Mortgage Choice Share held by the Scheme Shareholder, in accordance with and subject to the terms of this Scheme and the Deed Poll.

3.2 Mortgage Choice Shares transferred free from encumbrance

- (a) To the extent permitted by law, the Mortgage Choice Shares transferred to REA or the REA Nominee under the Scheme will be transferred (subject to Mortgage Choice's constitution) free from all security interests (including mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise).
- (b) Each Scheme Shareholder is deemed to have warranted to REA and, to the extent enforceable, appointed and authorised Mortgage Choice as its agent to warrant to REA that all its Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) will, as at the time of the transfer of them to REA or the REA Nominee, be fully paid and (subject to Mortgage Choice's constitution) free from all security interests (including mortgages, charges, liens, encumbrances, pledges, security interests and interests of third parties of any kind, whether legal or

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otherwise), and from any restrictions on transfer of any kind, and that it has full power and capacity to sell and to transfer its Scheme Shares (including any rights and entitlements attaching to those shares) to REA or the REA Nominee under the Scheme. Mortgage Choice undertakes in favour of each Scheme Shareholder that it will be taken to have provided such warranty to REA on behalf of the Scheme Shareholder as at the time of transfer of the Scheme Shares.

3.3 REA or the REA Nominee beneficially entitled to Scheme Shares

REA or the REA Nominee will be beneficially entitled to the Scheme Shares transferred to it under the Scheme pending registration by Mortgage Choice of the name and address of REA or the REA Nominee in the Register as the holder of the Scheme Shares.

3.4 Provision of Scheme Consideration

- (a) REA must, by no later than two Business Days before the Implementation Date, deposit, or procure the deposit, in cleared funds an amount equal to the aggregate amount of the Scheme Consideration payable to all Scheme Shareholders, into an Australian dollar denominated trust account operated by Mortgage Choice as trustee for the Scheme Shareholders (provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to REA's account).
- (b) On the Implementation Date, subject to funds having been deposited in accordance with clause 3.4(a), Mortgage Choice must pay or procure the payment of the Scheme Consideration to each Scheme Shareholder from the trust account referred to in clause 3.4(a).
- (c) The obligations of Mortgage Choice under clause 3.4(b) will be satisfied by Mortgage Choice (in its absolute discretion, and despite any election referred to in clause 3.4(c)(i) or authority referred to in clause 3.4(c)(ii) made or given by the Scheme Shareholder):
 - (i) if a Scheme Shareholder has, before the Record Date, made a valid election in accordance with the requirements of the Mortgage Choice Share Registry to receive dividend payments from Mortgage Choice by electronic funds transfer to a bank account nominated by the Scheme Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election;
 - (ii) paying, or procuring the payment of, the relevant amount in Australian currency by electronic means to a bank account nominated by the Scheme Shareholder by an appropriate authority from the Scheme Shareholder to Mortgage Choice; or
 - (iii) dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Scheme Shareholder by prepared post to their Registered Address (as at the Record Date), such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 3.5).

3.5 Joint holders

In the case of Scheme Shares held in joint names:

- (a) subject to clause 3.4(c), the Scheme Consideration is payable to the joint holders and any cheque required to be sent under this Scheme will be made payable to the joint holders and sent to either, at the sole discretion of Mortgage Choice, the holder whose name appears first in the Register as at the Record Date or to the joint holders; and

- (b) any other document required to be sent under this Scheme, will be forwarded to either, at the sole discretion of Mortgage Choice, the holder whose name appears first in the Register as at the Record Date or to the joint holders.

3.6 Fractional entitlements

Where the calculation of the Scheme Consideration to be issued to a particular Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a cent, the fractional entitlement will be rounded down to the nearest whole cent.

3.7 Unclaimed monies

- (a) Mortgage Choice may cancel a cheque issued under clause 3.4 if the cheque:
 - (i) is returned to Mortgage Choice; or
 - (ii) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of 12 months commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Mortgage Choice (or the Mortgage Choice Share Registry) (which request may not be made until the date which is 10 Business Days after the Implementation Date), Mortgage Choice must reissue a cheque that was previously cancelled under this clause 3.7.
- (c) The *Unclaimed Money Act 1995* (NSW) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 7 of the *Unclaimed Money Act 1995* (NSW)).
- (d) Any interest or other benefit accruing from the unclaimed Scheme Consideration will be to the benefit of REA.

3.8 Orders of a court or Government Agency

If written notice is given to Mortgage Choice (or the Mortgage Choice Share Registry) or REA or the REA Nominee of an order or direction made by a court of competent jurisdiction or a Government Agency that:

- (a) requires consideration to be provided to a third party (either through payment of a sum or the issuance of a security) in respect of Scheme Shares held by a Scheme Shareholder, which would otherwise be payable or required to be issued to that Scheme Shareholder by Mortgage Choice in accordance with clause 3.4, then Mortgage Choice shall be entitled to procure that payment is made in accordance with that order; or
- (b) prevents Mortgage Choice from providing consideration to any particular Scheme Shareholder in accordance with clause 3.4, or the payment of such consideration is otherwise prohibited by applicable law, Mortgage Choice shall be entitled to retain an amount equal to the amount which would otherwise be payable to that Scheme Shareholder until such time as payment in accordance with clause 3.4 is permitted by that order or direction or otherwise by law,

and the payment or retention by Mortgage Choice (or the Mortgage Choice Share Registry) will constitute the full discharge of Mortgage Choice's obligations under clause 3.4 with respect to the amount so paid or retained until, in the case of clause 3.8(b), it is no longer required to be retained.

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4. **DEALINGS IN MORTGAGE CHOICE SHARES**

4.1 **Determination of Scheme Shareholders**

To establish the identity of the persons who are Scheme Shareholders, dealings in Mortgage Choice Shares or other alterations to the Register will be recognised only if:

- (a) in the case of dealings of the type to be effected using CHES, the transferee is registered in the Register as the holder of the relevant Mortgage Choice Shares as at the Record Date; and
- (b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received at the Mortgage Choice Share Registry before the Record Date,

and Mortgage Choice will not accept for registration, nor recognise for any purpose (except a transfer to REA or the REA Nominee under this Scheme and any subsequent transfer by REA, the REA Nominee or its successors in title), any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form, as appropriate.

4.2 **Mortgage Choice to register transfer and transmission applications**

Mortgage Choice must register registrable transfers and transmission applications of the Scheme Shares that are received in accordance with clause 4.1 before the Record Date provided that, for the avoidance of doubt, nothing in this clause 4.2 requires Mortgage Choice to register a transfer that would result in a Mortgage Choice Shareholder holding a parcel of Mortgage Choice Shares that is less than a 'marketable parcel' (as defined in the ASX Operating Rules).

4.3 **Transfers received on or after Record Date not recognised**

If the Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of, or purport or agree to dispose of, any Scheme Shares or any interest in them on or after the Record Date otherwise than pursuant to this Scheme, and any attempt to do so will have no effect and Mortgage Choice shall be entitled to disregard any such disposal.

4.4 **Mortgage Choice to maintain Register to determine entitlements**

In order to determine entitlements to the Scheme Consideration, Mortgage Choice must maintain, or procure the maintenance of, the Register in accordance with this clause 4 until the Scheme Consideration has been paid to Scheme Shareholders. The Register in this form will solely determine entitlements to the Scheme Consideration.

4.5 **Holding statements no effect from Record Date**

From the Record Date, all holding statements for Scheme Shares will cease to have effect as documents of title (or evidence thereof), and each entry on the Register at the Record Date (other than entries on the Register in respect of any holder of Excluded Shares) will cease to have any effect other than as evidence of the entitlements of Scheme Shareholders to the Scheme Consideration.

4.6 **Mortgage Choice to provide contact information for Scheme Shareholders**

As soon as practicable after Record Date and in any event at least three Business Days before the Implementation Date, Mortgage Choice will give to REA or procure that REA be given details of the name, Registered Address and the number of Mortgage Choice Shares

held by each Scheme Shareholder, as shown in the Register at the Record Date, in whatever form REA reasonably requires.

4.7 Suspension of trading

Mortgage Choice must use its best endeavours to ensure that ASX suspends trading on the ASX in Mortgage Choice Shares with effect from the close of trading on the Effective Date.

4.8 Mortgage Choice to apply for termination of quotation of Mortgage Choice Shares

On a date after the Implementation Date to be determined by REA, Mortgage Choice must apply for termination of the official quotation of the Mortgage Choice Shares on the ASX and must apply to have itself removed from the official list of ASX.

5. GENERAL PROVISIONS

5.1 Mortgage Choice giving effect to the Scheme

Mortgage Choice must do anything (including execute any document) that is necessary, expedient or incidental to give full effect to the Scheme and the transactions contemplated by it. Without limiting Mortgage Choice's power under the Scheme, Mortgage Choice has power to do all things that it considers necessary or desirable to give effect to the Scheme and the Scheme Implementation Agreement.

5.2 Scheme Shareholders' agreements, consents and warranties

(a) Each Scheme Shareholder:

- (i) irrevocably agrees to the transfer of their Mortgage Choice Shares, together with all rights and entitlements attaching to those Scheme Shares, to REA or the REA Nominee, in accordance with the Scheme;
- (ii) agrees to the variation, cancellation or modification of the rights attached to their Mortgage Choice Shares constituted by or resulting from this Scheme;
- (iii) agrees to, on the direction of REA, destroy any holding statements or share certificates relating to their Mortgage Choice Shares;
- (iv) consents to Mortgage Choice doing all things and executing all deeds, instruments, transfers or other documents as may be necessary, expedient or incidental to Implementation and to give full effect to the Scheme and the transactions contemplated by it and Mortgage Choice, as agent of each Scheme Shareholder, may sub-delegate its functions under this document to any of its directors and officers, jointly and severally; and
- (v) acknowledges and agrees that this Scheme binds Mortgage Choice and all Mortgage Choice Shareholders (including those who do not attend the Scheme Meeting, do not vote at that meeting or vote against the Scheme),

without the need for any further act by the Scheme Shareholder.

(b) Each Scheme Shareholder is taken to have warranted to Mortgage Choice and REA on the Implementation Date, and appointed and authorised Mortgage Choice as its attorney and agent to warrant to REA on the Implementation Date, that:

- (i) all of its Scheme Shares (including any rights and entitlements attaching to those shares) which are transferred under this Scheme will, at the date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests')

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within the meaning of section 12 of the PPSA) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to transfer their Scheme Shares to REA or the REA Nominee together with any rights and entitlements attaching to those Scheme Shares;

- (ii) all of its Scheme Shares which are transferred to REA or the REA Nominee under this Scheme will, on the date on which they are transferred to REA or the REA Nominee, be fully paid; and
- (iii) it has full power and capacity to transfer its Scheme Shares to REA or the REA Nominee together with any rights attaching to those Scheme Shares.

Mortgage Choice undertakes that it will provide the warranties in this clause 5.2(b) to REA as agent and attorney of each Scheme Shareholder.

5.3 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme to REA or the REA Nominee will, at the time of transfer of them to REA or the REA Nominee, vest in REA or the REA Nominee free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the PPSA) and interests of third parties of any kind, whether legal or otherwise and free from any restrictions on transfer of any kind.
- (b) Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clause 3.4, REA or the REA Nominee will be beneficially entitled to the Scheme Shares to be transferred to it under this Scheme pending registration by Mortgage Choice of REA or the REA Nominee in the Register as the holder of the Scheme Shares.

5.4 Appointment of Mortgage Choice as attorney of Scheme Shareholders

Each Scheme Shareholder without the need for any further act, irrevocably appoints Mortgage Choice and each of its directors and officers, jointly and severally, on and from the Effective Date, as the Scheme Shareholder's attorney and agent,

- (a) to execute any document or do any other act necessary, expedient or incidental to give full effect to the Scheme and the transactions contemplated by it, including the effecting of a valid transfer or transfers (or execution and delivery of any Scheme Transfer) under clause 3; and
- (b) to enforce the Deed Poll against REA or the REA Nominee,

and Mortgage Choice accepts such appointment. Mortgage Choice may as agent and attorney of each Scheme Shareholder sub-delegate any of its functions, authorities or powers under this clause to all or any of its directors and officers (jointly, severally, or jointly and severally).

5.5 Appointment of REA as attorney in respect of Scheme Shares

- (a) From the Implementation Date until REA or the REA Nominee is registered as the holder of all Scheme Shares, each Scheme Shareholder:
 - (i) irrevocably appoints REA as its attorney and agent (and irrevocably appoints REA as its agent and attorney to appoint any of the directors and officers of REA as its attorney and agent) to:

- (A) appoint the chairman of the board of directors of Mortgage Choice and, where applicable, corporate representative to attend shareholders' meetings of Mortgage Choice;
 - (B) exercise the votes attaching to the Mortgage Choice Shares registered in the name of the Scheme Shareholder; and
 - (C) sign any Mortgage Choice Shareholders' resolution; and
- (ii) must take all other action in the capacity of a registered holder of Scheme Shares as REA reasonably directs.
- (b) From the Implementation Date, no Scheme Shareholder may attend or vote at any shareholders' meetings of Mortgage Choice or sign any Mortgage Choice Shareholders' resolution (whether in person, by proxy or by corporate representative) other than under this clause.

5.6 Binding effect of Scheme

The Scheme binds Mortgage Choice and all Mortgage Choice Shareholders from time to time, including those who do not attend the Scheme Meeting, do not vote at that meeting or vote against the Scheme (and, to the extent of any inconsistency, this Scheme overrides Mortgage Choice's constitution).

5.7 Alteration or condition to Scheme

If the Court proposes to approve the Scheme subject to any alteration or condition Mortgage Choice may, by its counsel or solicitors, but subject to the prior approval of REA (which may not be unreasonably withheld or delayed), consent on behalf of all persons concerned, including each Scheme Shareholder, to those alterations or conditions.

5.8 Deed Poll

Mortgage Choice undertakes in favour of each Scheme Shareholder to enforce the Deed Poll against REA for and on behalf of each Scheme Shareholder.

5.9 No liability when acting in good faith

Each Scheme Shareholder agrees that neither Mortgage Choice, REA nor any director, officer or employee of either of them shall be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

5.10 Notices

Where a notice, transfer, transmission application, direction or other communication referred to in the Scheme is sent by post to Mortgage Choice, it will be deemed to be received on the date (if any) on which it is actually received at Mortgage Choice's registered office or Mortgage Choice Share Registry and on no other date.

5.11 Costs and stamp duty

- (a) Subject to paragraph (b), Mortgage Choice will pay all the costs of the Scheme.
- (b) REA will pay all stamp duty and any related fines, penalties and other costs in respect of the Scheme (including in connection with the transfer of the Scheme Shares to REA) in accordance with the terms of the Scheme.

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5.12 **Governing law**

- (a) This document and any dispute arising out of or in connection with the subject matter of this document is governed by the laws of the State of New South Wales within the Commonwealth of Australia.
- (b) Each party submits to the non-exclusive jurisdiction of the courts of that State, and courts of appeal from them, in respect of any proceedings arising out of or in connection with the subject matter of this document. Each party irrevocably waives any right it has to object to any legal process being brought in those courts including any claim that the process has been brought in an inconvenient forum or that those courts do not have jurisdiction.

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SCHEDULE 4

Deed Poll

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Deed Poll

REA Group Ltd
ABN 54 068 349 066

Deed Poll relating to proposed Scheme of
Arrangement between Mortgage Choice Limited
and the Scheme Shareholders

DEED POLL

THIS DEED POLL is made on _____ 2021

BY

REA Group Ltd ABN 54 068 349 066 whose registered office is at 511 Church Street, Richmond VIC 3121 (**REA**)

FOR THE BENEFIT OF

Each holder of fully paid ordinary shares in Mortgage Choice Limited ABN 57 009 161 979 as at the Record Date (**Scheme Shareholder**)

RECITALS

- (A) Mortgage Choice Limited ABN 57 009 161 979 (**Mortgage Choice**) and REA have entered into a Scheme Implementation Agreement dated 28 March 2021 (the **Scheme Implementation Agreement**).
- (B) Under the Scheme Implementation Agreement, Mortgage Choice has agreed to propose the Scheme, pursuant to which (among other things) the Scheme Shareholders will transfer to REA or the REA Nominee, and REA or the REA Nominee is to acquire, all the Scheme Shares, and REA is to provide the Scheme Consideration to each Scheme Shareholder.
- (C) REA is executing this document to covenant in favour of each Scheme Shareholder to perform the obligations contemplated of it under the Scheme.

REA DECLARES AS FOLLOWS

1. INTERPRETATION

1.1 Definitions

Words and expressions that are defined in the Scheme Implementation Agreement (other than words and expressions defined in this document) have the same meaning in this document as given to them in the Scheme Implementation Agreement, unless the context makes it clear that a definition is not intended to apply.

1.2 Rules for interpreting this document

The rules in clause 1.2 of the Scheme Implementation Agreement apply in interpreting this document, unless the context makes it clear that a rule is not intended to apply.

2. NATURE OF THIS DOCUMENT

REA acknowledges that:

- (a) this document is a deed poll and may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not parties to it; and
- (b) under the Scheme, each Scheme Shareholder irrevocably appoints Mortgage Choice and each of its directors and officers, jointly and severally, as its agent and attorney to enforce this document against REA.

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3. **CONDITION PRECEDENT AND TERMINATION**

3.1 **Condition precedent**

REA's obligations under this document are subject to the Scheme becoming Effective.

3.2 **Termination**

- (a) If the Scheme Implementation Agreement is terminated or the Scheme does not become Effective on or before the End Date, REA's obligations under this document will automatically terminate and the terms of this document will be of no further force or effect, unless REA and Mortgage Choice otherwise agree in writing.
- (b) If this document is terminated pursuant to clause 3.2(a) then, in addition and without prejudice to any other rights, powers or remedies available to it:
 - (i) REA is released from its obligations under this document; and
 - (ii) each Scheme Shareholder retains any rights, powers or remedies it has against REA in respect of any breach of this document which occurred before this document was terminated.

4. **REA COVENANT TO COMPLY WITH SCHEME OBLIGATIONS**

Subject to clause 3, in consideration of the transfer of each Scheme Share to REA or the REA Nominee in accordance with the Scheme, REA covenants in favour of each Scheme Shareholder that it will duly and punctually observe and perform all obligations contemplated of it under the Scheme, including:

- (a) all obligations contemplated of it relating to the provision of the Scheme Consideration in accordance with the Scheme; and
- (b) by no later than two Business Days before the Implementation Date, deposit, or procure the deposit, in cleared funds an amount equal to the aggregate amount of the Scheme Consideration payable to all Scheme Shareholders, into an Australian dollar denominated trust account operated by Mortgage Choice as trustee for the Scheme Shareholders (provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to REA's account).

5. **REPRESENTATIONS AND WARRANTIES**

REA represents and warrants in favour of each Scheme Shareholder that:

- (a) **(status)** it is a validly existing corporation under the laws of its place of incorporation;
- (b) **(power)** it has full legal capacity and power to execute this document and to carry out the transactions that this document contemplates;
- (c) **(corporate authority)** it has taken all corporate action that is necessary or desirable to authorise its execution of this document and its carrying out of the transactions that this document contemplates;
- (d) **(documents effective)** this document constitutes its legal, valid and binding obligations, enforceable against it in accordance with its terms;
- (e) **(Authorisations)** it holds each Authorisation that is necessary or desirable to:

- (i) enable it to properly execute this document and to carry out the transactions that this document contemplates in accordance with its terms; and
- (ii) ensure that this document is legal, valid, binding and admissible in evidence, and it is complying with any conditions to which any such Authorisation is subject;
- (f) **(no contravention)** neither its execution of this document nor the carrying out by it of the transactions that it contemplates in accordance with its terms, does or will contravene:
 - (i) any law to which it or any of its property is subject or any order of any Government Agency that is binding on it or any of its property;
 - (ii) any Authorisation held by it;
 - (iii) any undertaking or instrument binding on it or any of its property; or
 - (iv) its constitution; and
- (g) **(solvent)** it is solvent and not affected by any Insolvency Event.

6. **CONTINUING OBLIGATIONS**

This document is irrevocable and, subject to clause 3, remains in full force and effect until the earlier of REA having fully performed its obligations under this document or termination of this document pursuant to clause 3.

7. **NOTICES**

7.1 **How to give a notice**

A notice, consent or other communication under this document is only effective if it is:

- (a) in writing, signed by or on behalf of the person giving it;
- (b) addressed to REA; and
- (c) either delivered or sent by pre-paid mail to REA's address or sent by email.

7.2 **When a notice is given**

A notice, consent or other communication that complies with this clause is regarded as given and received:

- (a) if sent by mail, three Business Days after posting; or
- (b) if sent by email, when REA's email system logs the email message as having been received.

7.3 **Address for notices**

REA's address is as set out below:

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REA

Address: 511 Church St, Richmond VIC 3121
 Email address: tamara.kayser@rea-group.com, with a copy to
 Nicola.Charlston@au.kwm.com
 Attention: Tamara Kayser, General Counsel and Company Secretary

8. GENERAL

8.1 Costs and stamp duty

REA must bear and be responsible for:

- (a) its own costs arising out of the negotiation, preparation and execution of this document; and
- (b) any and all stamp duty (including any related fines or penalties) payable on or in respect of this document, or any transaction contemplated by it (including any transfer of Scheme Shares pursuant to the Scheme), and REA indemnifies each Scheme Shareholder on demand against any liability for any and all such stamp duty.

8.2 Amendment

A provision of this document may not be amended or varied unless:

- (a) before the Second Court Date, the amendment or variation is agreed to in writing by Mortgage Choice (on behalf of each Scheme Shareholder but without the need for Mortgage Choice to refer the amendment or variation to any Scheme Shareholder) and, if required, is approved by the Court; or
- (b) on or after the Second Court Date, the amendment or variation is agreed to in writing by Mortgage Choice (on behalf of each Scheme Shareholder but without the need for Mortgage Choice to refer the amendment or variation to any Scheme Shareholder) and is approved by the Court,

and REA executes a further deed poll in favour of each Scheme Shareholder giving effect to that amendment or variation.

8.3 Assignment

The rights and obligations of REA and of each Scheme Shareholder under this document are personal and, except with the prior written consent of both Mortgage Choice and REA, cannot be assigned, encumbered, charged or otherwise dealt with.

8.4 Variation of rights

The exercise of a right partially or on one occasion does not prevent any further exercise of that right in accordance with the terms of this document. Neither a forbearance to exercise a right nor a delay in the exercise of a right operates as an election between rights or a variation of the terms of this document.

8.5 Operation of this document

- (a) Any right that a person may have under this document is in addition to, and does not replace or limit, any other right that the person may have.
- (b) Any provision of this document which is unenforceable or partly unenforceable is, where possible, to be severed to the extent necessary to make this document

enforceable, unless this would materially change the intended effect of this document.

8.6 Governing law

- (a) This document and any dispute arising out of or in connection with the subject matter of this document is governed by the laws of the State of New South Wales within the Commonwealth of Australia.
- (b) REA submits to the non-exclusive jurisdiction of the courts of that State, and courts of appeal from them, in respect of any proceedings arising out of or in connection with the subject matter of this document. REA irrevocably waives any right it has to object to any legal process being brought in those courts including any claim that the process has been brought in an inconvenient forum or that those courts do not have jurisdiction.

EXECUTED as a deed poll.

EXECUTED by **REA GROUP LTD:**

Signature of director

Signature of director/secretary

Name

Name

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EXECUTED as an agreement.

EXECUTED by **MORTGAGE CHOICE LIMITED:**

DocuSigned by:

7B2166D939ED4E8...

Signature of director

vicki Allen

Name

DocuSigned by:

E2AE5FCD1D614C7...

Signature of director/secretary

scott Stierli

Name

EXECUTED by **REA GROUP LTD:**

DocuSigned by:

37248C047D26493...

Signature of director

Owen Wilson

Name

DocuSigned by:

96B1E3A8C5914E6...

Signature of director/secretary

Tamara Kayser

Name

CORPORATE DIRECTORY

Directors

Vicki Allen
Peter Higgins
Rodney Higgins
Sean Clancy
Sarah Brennan
Andrew Gale
Dharmendra Chandran

Company Secretary

Scott Stierli

Financial adviser

Grant Samuel Corporate Finance Pty Limited
Level 19, 1 Farrer Place
Sydney NSW 2000

External auditor

Deloitte Touche Tohmatsu
Level 9, Grosvenor Place
225 George Street
Sydney NSW 2000

Website

<https://www.mortgagechoice.com.au/>

Registered office

Mortgage Choice Limited
Level 10, 100 Pacific Highway
North Sydney NSW 2060
ASX Code: MOC

Share Registry

Link Market Services Limited

Legal adviser

Ashurst
Level 11, 5 Martin Place
Sydney NSW 2000

Independent Expert

Grant Thornton Corporate Finance Pty Ltd
AFS Licence No. 247 140
Level 17, 383 Kent Street
Sydney NSW 2000

Mortgage Choice Shareholder Information Line

1300 034 141 (within Australia)
+61 03 9415 4816 (outside Australia)

The Mortgage Choice Shareholder Information Line is open between 8.30am and 5.00pm (Sydney time) Monday to Friday, excluding public holidays.

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