

ASX Release Date: 21 December 2020

## ASIC REGISTRATION OF SCHEME BOOKLET

**21 December 2020:** Xplore Wealth Ltd (ASX:XPL) (**Xplore**) is pleased to announce that the Australian Securities and Investments Commission (**ASIC**) has today registered the explanatory statement (the **Scheme Booklet**) in relation to the proposed acquisition of Xplore by HUB24 Limited (ASX:HUB) (**HUB24**) by way of scheme of arrangement between Xplore and its shareholders (**Share Scheme**) and a separate concurrent scheme of arrangement between Xplore and its optionholders (**Option Scheme**) (together, the **Schemes**).

This follows the orders made by the Federal Court of Australia on Friday, 18 December 2020, which were announced by Xplore on Friday, 18 December 2020, approving the despatch of the Scheme Booklet to Xplore shareholders and Xplore optionholders, and directing Xplore to convene meetings of Xplore shareholders and Xplore optionholders to consider and vote on the Schemes (**Scheme Meetings**).

### Despatch of Scheme Booklet

A copy of the Scheme Booklet which contains information about the Schemes, the Independent Expert's Report and the notices of meeting for the Scheme Meetings is attached to Annexure A of this release. An electronic version of the Scheme Booklet will also be available for viewing and downloading online at Xplore's website [xplorewealth.com.au](http://xplorewealth.com.au).

Xplore shareholders and optionholders who have opted to receive communications electronically will receive an email which attaches an electronic copy of the Scheme Booklet, an electronic copy of a personalised proxy form for the relevant Scheme Meeting and, for Xplore shareholders, an electronic copy of an election form. Xplore shareholders and optionholders who have not opted to receive communications electronically will be sent a letter by mail (which is attached to Annexure B of this release) which will contain instructions on how to access the Scheme Booklet, a hard copy personalised proxy form for the Scheme Meetings (as applicable) together with a reply-paid envelope for the return of the proxy form and, for Xplore shareholders, a hard copy election form together with a reply-paid envelope for the return of the election form.

Xplore securityholders who wish to receive a printed copy of the Scheme Booklet may request one by calling the Xplore Securityholder Information Line on 1300 55 66 35 (within Australia) or +61 3 9909 9909 (outside Australia).

The Scheme Booklet will be sent to Xplore securityholders on or before 12 January 2021.

### Independent Expert's Report

The Scheme Booklet includes an Independent Expert's Report from Leadenhall Corporate Advisory Pty Ltd (**Independent Expert**) which concludes that the Share Scheme is fair and reasonable and in the best interests of Xplore shareholders. The Independent Expert has assessed the fully diluted value of Xplore shares at between \$0.192 and \$0.231 per Xplore share. The Independent Expert has also concluded that the Option Scheme is not fair but reasonable and, because it is reasonable, the Option Scheme is in the best interests of Xplore optionholders.

The Independent Expert's conclusion should be read together with the full Independent Expert's Report and the Scheme Booklet.

## Directors' Recommendation

Each Xplore Director considers the Share Scheme and Option Scheme to be in the best interests of Xplore shareholders and optionholders respectively and recommends that Xplore shareholders and optionholders vote in favour of the Schemes, in each case in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Schemes (as applicable) are in the best interests of Xplore shareholders and optionholders.

Subject to those same qualifications, each Xplore Director intends to vote, or procure the voting of, any Xplore shares and Xplore options in which he or she has a Relevant Interest (as defined in the *Corporations Act 2001* (Cth)) in favour of the Share Scheme and Option Scheme (as applicable).

## Further Information

Once received, Xplore strongly encourages shareholders and optionholders to read the Scheme Booklet in its entirety before deciding whether to vote in favour of the Schemes at the Scheme Meetings. Xplore also encourages shareholders and optionholders to note the key events and indicative dates that are set out in the Scheme Booklet.

For further information in relation to the Share Scheme or the Option Scheme, please call the Xplore Securityholder Information Line on 1300 55 66 35 (within Australia) or +61 3 9909 9909 (outside Australia) or visit the Xplore website at [xplorewealth.com.au](http://xplorewealth.com.au).

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This release contains forward-looking statements and information that are necessarily subject to risks, uncertainties and assumptions. Many factors could cause actual results, performance or achievements of the Company to be materially different from those expressed or implied in this release including, amongst others, changes in general economic and business conditions, regulatory environment, results of advertising and sales activities, competition, and the availability of resources. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this release. Except as required by law, the Company assumes no obligation to update or correct the information in this release. To the maximum extent permitted by law, the Company and its subsidiaries and officers do not make any representation or warranty as to the likelihood of fulfilment of any forward-looking statements and disclaim responsibility and liability for any forward-looking statements or other information in this release. This release should be read in conjunction with the Company's other ASX announcements and releases.

**Annexure A - Scheme Booklet**

# Scheme Booklet

for a scheme of arrangement in relation to the proposed acquisition by HUB24 Limited of all ordinary shares in Xplore Wealth Limited and related option scheme.

## VOTE IN FAVOUR

The Xplore Board unanimously recommends that you vote in favour of the Schemes in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Share Scheme is in the best interest of Xplore Shareholders and the Option Scheme is in the best interest of Xplore Optionholders.

## This is an important document and requires your urgent attention.

If you are in any doubt as to how to deal with this Scheme Booklet, please consult your legal, financial, taxation or other professional adviser. If you have any questions, please call the Xplore Securityholder Information Line on 1300 55 66 35 (within Australia) or +61 3 9909 9909 (outside Australia) Monday to Friday between 9.00am and 5.00pm (AEDT).

Please disregard this Scheme Booklet if you have recently sold all your Xplore Shares or no longer hold any Xplore Shares or Xplore Options.

Legal adviser to Xplore



Financial adviser to Xplore

Shaw and Partners  
an EFG company

# Important Notices

## NATURE OF THIS BOOKLET

This Scheme Booklet is important. Xplore Securityholders should carefully read this Scheme Booklet in its entirety before making a decision on how to vote on the Schemes.

The purpose of this Scheme Booklet is to explain the terms of the Schemes, the manner in which the Schemes will be considered and implemented (if all of the conditions to the relevant Scheme are satisfied or (if permitted) waived) and to provide such information as is prescribed or otherwise material for Xplore Securityholders when deciding how to vote on the Schemes. This document includes the explanatory statement required by section 412(1) of the Corporations Act in relation to the Schemes.

This Scheme Booklet is not a disclosure document required by Chapter 6D or Part 7.9 of the Corporations Act. Section 708(17) of the Corporations Act provides that an offer of securities does not require disclosure to investors if it is made under a compromise or arrangement under Part 5.1 of the Corporations Act and approved at a meeting held as a result of an order under section 411(1) or (1A) of the Corporations Act.

If you have sold all your Xplore Shares or no longer hold any Xplore Options, please disregard this Scheme Booklet.

## RESPONSIBILITY FOR INFORMATION

Xplore has been solely responsible for preparing the Xplore Information. The information concerning Xplore and the intentions, views and opinions of Xplore and the Xplore Directors contained in this Scheme Booklet has been prepared by Xplore and is the responsibility of Xplore. Neither HUB24, its Related Bodies Corporate, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of that information.

HUB24 has been solely responsible for preparing the HUB24 Information. The information concerning HUB24 and the intentions, views and opinions of HUB24 contained in this Scheme Booklet, has been prepared by HUB24 and is the responsibility of HUB24. None of Xplore, its Related Bodies Corporate, or their respective directors, officers, employees or advisers has verified any of the HUB24 Information, and none of them assumes any responsibility for the accuracy or completeness of any the HUB24 Information.

The Independent Expert, Leadenhall Corporate Advisory Pty Ltd, has prepared the Independent Expert's Report and takes responsibility for that report. None of Xplore, HUB24 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's Report is set out in Annexure A.

The Investigating Accountant, Grant Thornton Corporate Finance Pty Ltd, has prepared the Independent Limited Assurance Report and takes responsibility for that report. None of Xplore, HUB24 or their respective Related Bodies Corporate, or any of their respective directors, officers, employees or advisers takes any responsibility for the Independent Limited Assurance Report. The Independent Limited Assurance Report is contained in Annexure B.

Xplore's Australian tax adviser, Mitra Tax & Super Services Pty Ltd, has prepared section 12 of this Scheme Booklet (Australian taxation implications) and takes responsibility for that section. None of Xplore, HUB24, or their respective Related Bodies Corporate, or any of their respective directors, officers, employees and advisers takes any responsibility for that section.

## REGULATORY INFORMATION AND ROLE OF ASIC AND ASX

This document includes the explanatory statement for the Share Scheme between Xplore and the Scheme Shareholders and the Option Scheme between Xplore and the Scheme Optionholders for the purposes of section 412(1) of the Corporations Act. A copy of the Share Scheme is included in this Scheme Booklet as Annexure D and a copy of the Option Scheme is included in this Scheme Booklet as Annexure E.

A draft of this Scheme Booklet has been provided to ASIC 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 Xplore Securityholders.

ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that it has no objection to the Schemes. 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 process of the Schemes.

If ASIC provides that statement, it will be produced to the Court at the Second Court Hearing. 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

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", "intending", "foreseeing", "likely", "should", "planned", "may", "estimate", "potential", or other similar words. Similarly, statements that describe Xplore, HUB24 or the Combined 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 Schemes may have on the results of Xplore and/or HUB24's operations and the advantages and disadvantages anticipated to result from the Schemes are also forward-looking statements.

Xplore Securityholders should be aware that there are risks (both known and unknown), uncertainties, assumptions and other important factors that could cause the actual conduct, results, performance or achievements of Xplore or HUB24 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 important factors include, among other things, the risks set out in section 11 of this Scheme Booklet.

None of Xplore, HUB24, or any of their respective Related Bodies Corporate, 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 representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Scheme Booklet will actually occur.

Xplore Securityholders are cautioned about relying on any such forward looking statements. The forward looking statements in this Scheme Booklet reflect views held only as at the date of this Scheme Booklet. Subject to any continuing obligations under applicable law or the Listing Rules, Xplore, HUB24 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 a statement is based.

## **NOT INVESTMENT ADVICE**

The information contained in this Scheme Booklet does not take into account the investment objectives, financial situation or particular needs of any individual Xplore Securityholder or any other person. Before making any investment decision in relation to the Scheme, you should consider, with or without the assistance of an independent securities or other adviser, whether that decision is appropriate in light of your particular investment needs, objectives and financial circumstances. Neither Xplore nor HUB24 are licensed to provide financial product advice. No cooling-off period applies to the acquisition of HUB24 Shares under the Share Scheme.

## **NOT AN OFFER**

This Scheme Booklet does not constitute or contain an offer to Xplore Securityholders, or a solicitation of an offer from Xplore Securityholders, in any jurisdiction.

## **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. Xplore disclaims all liabilities to such persons.

Xplore Securityholders who are nominees, trustees or custodians are encouraged to seek independent advice as to how they should proceed.

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 Schemes in any jurisdiction outside Australia.

## **New Zealand**

This Scheme Booklet is not a New Zealand product disclosure statement or other disclosure document and has not been registered, filed with or approved by any New Zealand Governmental Agency under or in accordance with the Financial Markets Conduct Act 2013 (or any other relevant New Zealand law). In offering HUB24 Consideration Shares under the Share Scheme in New Zealand, HUB24 is relying on an exemption contained in the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016 and accordingly, this Scheme Booklet may not contain all the information that a product disclosure statement or other disclosure document is required to contain under New Zealand law. New Zealand investors should seek their own advice and satisfy themselves as to the Australian and New Zealand tax implications of participating in the Schemes.

## **IMPORTANT NOTICE ASSOCIATED WITH COURT ORDER**

The fact that, under subsection 411(1) of the Corporations Act, the Court has ordered that the Scheme Meetings be convened, does not mean that the Court:

- has formed any view as to the merits of the proposed Schemes or as to how Xplore Securityholders should vote (on this matter, members 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 Meetings 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 Schemes.

## **NOTICES OF SCHEME MEETINGS**

The Notice of Share Scheme Meeting is set out in Annexure H and the Notice of Option Scheme Meeting is set out in Annexure I.

## **NOTICE OF SECOND COURT HEARING**

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

Any Xplore Securityholder may appear at the Second Court Hearing, which is expected to be held on Thursday, 18 February 2021 at the Federal Court of Australia (Sydney Registry).

Any Xplore Securityholder who wishes to oppose approval of the Schemes at the Second Court Hearing may do so by filing with the Court and serving on Xplore a notice of appearance in the prescribed form together with any affidavit that the Xplore Securityholder proposes to rely on.

The notice of appearance and affidavit must be served on Xplore at its address for service at least one day before the Second Court Hearing. The postal address for service is Suite 1, Level 5, 28 Margaret Street, Sydney, NSW, 2000.

## TAX IMPLICATIONS OF THE SCHEMES

If the Share 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 Xplore Shares. There may also be tax consequences for Scheme Optionholders arising from the cancellation of their Xplore Options.

For further detail about the general Australian tax consequences of the Schemes, refer to section 12 of this Scheme Booklet. The tax treatment may vary depending on the nature and characteristics of each Xplore Securityholder and their specific circumstances. Accordingly, Xplore Securityholders should seek professional tax advice in relation to their particular circumstances.

## PRIVACY

Xplore and HUB24 may need to collect personal information in connection with the Schemes.

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

The primary purpose of the collection of personal information is to assist Xplore and HUB24 to conduct the Scheme Meetings and implement the Schemes.

The information may be disclosed to Xplore, HUB24, and their respective Related Bodies Corporate and advisers, print and mail service providers, share registries, securities brokers and any other service provider to the extent necessary to promote and effect the Schemes.

Xplore Securityholders 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. Xplore Securityholders may contact the Share Registry if they wish to exercise these rights.

If the information outlined above is not collected, Xplore may be hindered in, or prevented from, conducting the Scheme Meetings or implementing the Schemes. Xplore Securityholders 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.

## RIGHT TO INSPECT SHARE REGISTER AND OPTION REGISTER

Xplore Shareholders have the right to inspect the Share Register which contains the name and address of each Xplore Shareholder and certain other prescribed details relating to Xplore Shareholders, without charge.

Xplore Optionholders have the right to inspect the Option Register which contains the name and address of each Xplore Optionholder and certain other prescribed details relating to Xplore Optionholders, without charge.

Xplore Securityholders also have the right to request a copy of the Share Register or Option Register (as applicable), upon payment of a fee (if any) up to a prescribed amount.

Xplore Securityholders have these rights by virtue of section 173 of the Corporations Act.

## EXTERNAL WEBSITES

Unless expressly stated otherwise, the content of Xplore's website and HUB24's website does not form part of this Scheme Booklet and Xplore Securityholders should not rely on any such content.

## DEFINED TERMS

Capitalised terms used in this Scheme Booklet (other than in the Annexures which accompany this Scheme Booklet) are defined in the Glossary in section 14 of this Scheme Booklet or otherwise in the sections in which they are used.

Section 14 of this Scheme Booklet also sets out rules of interpretation which apply to this Scheme Booklet.

## FINANCIAL AMOUNTS

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

## 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 this document.

## ROUNDING

All numbers are rounded to either 8 decimal places or to the nearest whole number, unless otherwise indicated.

## TIME

A reference to time in this Scheme Booklet is to Australian Eastern Daylight Time, unless otherwise indicated.

## DATE OF THIS SCHEME BOOKLET

This Scheme Booklet is dated 18 December 2020.

# Key dates and times

Event	Date
First Court Hearing at which the Court made orders convening the Scheme Meetings	18 December 2020
Date of this Scheme Booklet	18 December 2020
Deadline for receipt by the Share Registry of Election Forms for the Share Scheme Consideration ( <b>Election Date</b> )	5.00pm on 2 February 2021
ASX announcement of indicative Election results for the Share Scheme, including whether scale back applies for valid Elections  <b>Note:</b> The level of valid Elections disclosed in this announcement will be indicative only because Xplore Shareholders making Elections may trade Xplore Shares on ASX up to 4.00pm on the Effective Date. Any additional purchases or sales of Xplore Shares made by Xplore Shareholders making Elections after the Election Date will affect the final level of valid Elections.	3 February 2021
Deadline for receipt by the Share Registry of Share Scheme Proxy Forms and Option Scheme Proxy Forms, powers of attorney or appointments of corporate representatives for the Scheme Meetings ( <b>Proxy Cut Off Date</b> )	10.00am on 10 February 2021
Time and date for determining eligibility to vote at the Scheme Meetings ( <b>Voting Entitlement Time</b> )	7.00pm on 10 February 2021
Share Scheme Meeting	10.00am on 12 February 2021
Option Scheme Meeting	11.00am on 12 February 2021 or at the conclusion or adjournment of the Share Scheme Meeting (whichever time is later)

***If the Schemes are approved by the Requisite Majorities of Xplore Securityholders (as applicable), the indicative timetable for implementing the Schemes is:***

Second Court Hearing for approval of the Share Scheme and the Option Scheme	10.15am on 18 February 2021
Effective Date <ul style="list-style-type: none"> <li>The date on which the Share Scheme and Option Scheme, as relevant, become Effective</li> <li>Lodgement by Xplore with ASIC of the Court orders approving the Schemes and lodgement of announcement to ASX</li> <li>Last day of trading in Xplore Shares on the ASX</li> </ul>	19 February 2021
Suspension of trading of Xplore Shares on ASX	4.00pm on 19 February 2021
Commencement of trading of HUB24 Consideration Shares on ASX on a deferred settlement basis	22 February 2021
Share Scheme Record Date: Time and date for determining entitlements to the Share Scheme Consideration	23 February 2021
Option Scheme Record Date: Time and date for determining entitlements to the Option Scheme Consideration	23 February 2021
Implementation Date: Payment and/or issue of Share Scheme Consideration and Option Scheme Consideration, as applicable.	2 March 2021
Commencement of trading of HUB24 Consideration Shares on the ASX on a normal settlement basis	3 March 2021

All dates following the date of the Scheme Meetings are indicative only and, among other things, are subject to all necessary approvals from the Court, ASIC, ASX and any other relevant government agency, and any other conditions to the Schemes having been satisfied or, if applicable, waived. Any changes to the above timetable will be announced on ASX and notified on Xplore's website at [xplorewealth.com.au](http://xplorewealth.com.au).

# What you should do

## STEP 1: READ THIS SCHEME BOOKLET

This is an important document and requires your immediate attention. It contains information that is material to Xplore Securityholders in making a decision on whether or not to vote in favour of the Share Scheme and Option Scheme, as applicable.

You should read this Scheme Booklet in its entirety, including the Independent Expert's Report, before making a decision on how to vote in relation to the Schemes.

If you are in any doubt as to what you should do with this Scheme Booklet, please consult your legal, financial, tax or other professional adviser. If you have any additional questions about the Schemes or the Scheme Booklet, please contact the Xplore Securityholder Information Line on 1300 55 66 35 (within Australia) or +61 3 9909 9909 (outside Australia) on Monday to Friday between 9.00am and 5.00pm (AEDT).

## STEP 2: DECIDE WHETHER OR NOT TO MAKE AN ELECTION

If you are an Xplore Shareholder (other than a Foreign Scheme Shareholder), you can make an Election to receive your Share Scheme Consideration in one of the following forms (subject to a scale back mechanism based on cap limitations):

- **Maximum Cash Consideration** comprising \$0.20 cash per Xplore Share for 100% of your Xplore Shares held at the Share Scheme Record Date, subject to an aggregate cap of \$36 million; or
- **Maximum Scrip Consideration** comprising 0.00926746 HUB24 Shares for 100% of your Xplore Share held at the Share Scheme Record Date, subject to an aggregate cap of \$30 million worth of HUB24 Consideration Shares.

If no Election is made, Xplore Shareholders (other than Foreign Scheme Shareholders and Small Shareholders) will receive the Default Consideration of 50% Cash Consideration and 50% Scrip Consideration. For more information, see section 6 of this Scheme Booklet.

You cannot make an Election if you are a Foreign Scheme Shareholder because you will only receive cash consideration. In addition, if you are a Small Shareholder, then irrespective of whether you made an Election, you will only receive cash consideration.

Please follow the instructions in section 6.6 of this Scheme Booklet to make an Election. Election Forms must be received by the Share Registry by the Election Date, which is seven clear days before the Proxy Cut-Off Date.

## STEP 3: VOTE AT THE SCHEME MEETINGS

If you are registered as an Xplore Shareholder by the Share Registry at the Voting Entitlement Time, which is 7.00pm on 10 February 2021, you will be entitled to vote at the Share Scheme Meeting. If you are registered as an Xplore Optionholder by the Share Registry at the Voting Entitlement Time you will be entitled to vote at the Option Scheme Meeting.

If you are entitled to vote at a relevant Scheme Meeting, it is very important that you vote. This is because:

- the Share Scheme must be passed by a majority in number (more than 50%) of Xplore Shareholders who are present and voting at the Share Scheme Meeting, by person or by proxy, and at least 75% of the votes cast at the Share Scheme Meeting; and
- the Option Scheme must be passed by a majority in number (more than 50%) of Xplore Optionholders who are present and voting at the Option Scheme Meeting, by person or by proxy, and at least 75% (by value) of the total amount of debts and claims of all Xplore Optionholders present and voting at the Option Scheme Meeting. For this purpose, the amount (or value) of each Xplore Optionholder's debt and claim will be the same as the Option Scheme Consideration payable for the cancellation of the Xplore Options held by that Xplore Optionholder under the Option Scheme (expressed in cents).

You should note that the Schemes are subject to the Scheme Conditions, so the Schemes may not proceed even if the Schemes are approved by Xplore Securityholders at the Scheme Meetings.

Due to the health risks created by the COVID-19 pandemic and Government restrictions on physical gatherings, the Scheme Meetings will proceed as virtual (online only) meetings. There will not be a physical meeting that Xplore Shareholders or Xplore Optionholders and their proxies, attorneys or corporate representatives can attend.

Please refer to section 3 of this Scheme Booklet for details about how to vote.

# Key reasons to vote for and against the Schemes

## Reasons to vote in favour of the Schemes

✓	The Xplore Directors unanimously recommend that you vote in favour of the Schemes, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Share Scheme is in the best interests of the Xplore Shareholders and the Option Scheme is in the best interests of the Xplore Optionholders.
✓	The Share Scheme Consideration represents a significant premium to historical trading prices of Xplore shares.
✓	The Independent Expert has concluded that the Share Scheme is in the best interests of Xplore Shareholders and the Option Scheme is in the best interests of Xplore Optionholders, in the absence of a Superior Proposal.
✓	The Schemes were more favourable than other alternatives considered by the Xplore Board.
✓	The Share Scheme Consideration options provide flexibility and choice to eligible Xplore Shareholders (subject to scale back mechanisms).
✓	The option to receive Share Scheme Consideration in all cash or with a capped cash component (of 60%) if scale back applies provides Xplore Shareholders with a degree of certainty of value.
✓	The option to receive Share Scheme Consideration in all scrip or with a capped scrip component (of 50%) if scale back applies provides Xplore Shareholders the opportunity to become shareholders in a leading specialist platform provider as well as allowing Xplore Shareholders to benefit from the expected synergies created by the Proposed Transaction.
✓	No Superior Proposal has emerged since the announcement of the Schemes.
✓	If the Share Scheme does not proceed, and no Superior Proposal emerges, the Xplore share price may fall in the near-term.
✓	If the Option Scheme is not approved but the Share Scheme proceeds, Xplore Optionholders are likely to need to exercise their Xplore Options within one month of the Effective Date of the Share Scheme or their Xplore Options may be automatically cancelled. Xplore will be delisted from the ASX, which means that there is unlikely to be an active market for any Xplore Shares issued to Xplore Optionholders on any exercise of their Xplore Options.
✓	If the Option Scheme is not approved but the Share Scheme proceeds, HUB24 is likely to use compulsory acquisition powers under Part 6A.2 of the Corporations Act to compulsorily acquire any Xplore Shares that are held by Xplore Optionholders after exercising their Xplore Options.
✓	No brokerage or stamp duty will be payable by you for the transfer of your Xplore Shares under the Share Scheme and the cancellation of your Xplore Options under the Option Scheme.

Reasons why you might decide to vote in favour of the Schemes are set out in more detail in section 4 of this Scheme Booklet.

## Potential reasons to vote against the Schemes

✗	You may believe there is potential for a Superior Proposal to be made in the foreseeable future.
✗	You may disagree with the Xplore Directors' unanimous recommendation or the Independent Expert's conclusion.
✗	You may wish to maintain your investment profile and exposure to a business with Xplore's specific characteristics.
✗	The future value of the HUB24 Consideration Shares after the Share Scheme is implemented will shift with market and investor sentiment and as such is considered uncertain.
✗	You may be worried about specific risks associated with HUB24's business or the future value of HUB24 Consideration Shares after the Share Scheme is implemented.
✗	The tax consequences of the Schemes may not suit your current financial situation.
✗	The Schemes may be subject to Scheme Conditions that you consider unacceptable.

Reasons why you might decide not to vote in favour of the Schemes are set out in more detail in section 4 of this Scheme Booklet.

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# Letter from the Chairman of Xplore

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Dear Xplore Securityholder,

On behalf of your Board, I am pleased to provide you with this Scheme Booklet that contains information that you will need to consider in relation to the proposed acquisition of Xplore Wealth Limited (**Xplore**) by HUB24 Limited (**HUB24**).

On 28 October 2020, Xplore and HUB24 announced that they had entered into a Scheme Implementation Agreement under which HUB24 agreed to acquire 100% of the issued capital in Xplore by way of a scheme of arrangement between Xplore and its shareholders (the **Share Scheme**), and a separate concurrent scheme of arrangement between Xplore and its optionholders (the **Option Scheme**) (together, the **Schemes**).

## Overview of the Schemes

Under the terms of the Share Scheme, Xplore Shareholders will receive total value of \$0.20 per Xplore Share, valuing 100% of Xplore's share capital at \$60 million<sup>1</sup>. A value of \$0.20 per share represents a 203% premium to Xplore's closing share price of \$0.066 on Tuesday 27 October 2020, being the last trading day prior to the date of the announcement.

The default consideration for Xplore Shareholders will be \$0.20 cash per Xplore Share (**Cash Consideration**) for 50% of their Xplore Shares and 0.00926746 HUB24 Consideration Shares per Xplore Share (**Scrip Consideration**) for 50% of their Xplore Shares (**Default Consideration**)<sup>2</sup>. Xplore Shareholders will have the flexibility to elect to receive the Share Scheme Consideration in one of the below alternatives (subject to cap limitations):

- \$0.20 cash per Xplore Share for 100% of their Xplore Shares (**Maximum Cash Consideration**); or
- 0.00926746 HUB24 Consideration Shares per Xplore Share for 100% of their Xplore Shares (**Maximum Scrip Consideration**).

This mix and match facility allows flexibility and is subject to a maximum cash consideration of \$36 million<sup>3</sup>, being the Cash Consideration Share Cap, and maximum HUB24 scrip consideration of \$30 million<sup>4</sup>, being the Share Cap. There is a scale back mechanism if Xplore Shareholder elections exceed those caps.

If Xplore Shareholders elect to receive aggregate Cash Consideration that exceeds the Cash Consideration Share Cap, then each Xplore Shareholder who elects to receive cash will have their Cash Consideration scaled back. Conversely, if the elected aggregate Scrip Consideration exceeds the Share Cap, then each Xplore Shareholder who elects to receive scrip will have their Scrip Consideration scaled back.

Given the HUB24 scrip component, the implied value of the Share Scheme Consideration and the premium will shift with movements in HUB24's share price up until completion of the Share Scheme. The inclusion of cash in the consideration mix was an important component as it provides a significant degree of certainty and reduces the impact of movements in the HUB24 share price (under the Default Consideration).

Under the Option Scheme, Xplore Optionholders will receive cash for each Xplore Option held calculated in accordance with an option valuation methodology described in section 7.2 of this Scheme Booklet.

The Share Scheme is not dependent on the Option Scheme proceeding. However, the Option Scheme will only proceed if the Share Scheme proceeds.

## Directors unanimous recommendation and vote

**After carefully considering the expected advantages and potential disadvantages of the Schemes, each Director of the Board of Xplore considers the Share Scheme and Option Scheme to be in the best interest of Xplore Securityholders and recommends that Xplore Securityholders vote in favour of the Schemes**, in each case in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes (as applicable) are in the best interests of Xplore Securityholders, which is discussed below.

Subject to those same qualifications, each Xplore Director intends to vote, or procure the voting of, any Xplore Shares and Xplore Options in which he or she has a Relevant Interest (as defined in the Corporations Act) in favour of the Share Scheme and Option Scheme respectively.

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1 Calculated based on a HUB24 share price of \$21.58 being the 10-day VWAP to 23 October 2020.

2 Except for Small Shareholders and Foreign Scheme Shareholders, who will receive only Cash Consideration.

3 Less the sum of Ineligible Shares.

4 The maximum number of HUB24 shares issued as share consideration will be approximately 1.38 million shares issued at \$21.58 per share, which is calculated based on the 10 trading day VWAP up to and including 23 October 2020.

The Board considers the Schemes to be in the best interests of Xplore Securityholders having regard to the takeover premium offered, the outlook and risks for Xplore as a standalone entity, and industry consolidation occurring in the market. The Xplore Board notes the Australian investment platform market is undergoing significant consolidation driven by rapid change in the advice and wealth management sectors. Contributing factors include the benefits and economies of scale, heightened regulation and a sharp focus on the best interest of consumers served by advisers with best-of-breed administration tools and technology.

### Independent Expert

The Xplore Directors have also commissioned an Independent Expert, Leadenhall Corporate Advisory Pty Ltd, to prepare the Independent Expert's Report in relation to the Schemes.

**The Independent Expert has concluded that the Share Scheme is fair and reasonable and in the best interests of Xplore Shareholders. The Independent Expert has assessed the fully diluted value of Xplore Shares at between \$0.192 and \$0.231 per Xplore Share. The Independent Expert has also concluded that the Option Scheme is not fair but reasonable and, because it is reasonable, the Option Scheme is in the best interests of Xplore Optionholders.**

A copy of the Independent Expert's Report is contained in Annexure A of this Scheme Booklet.

### Scheme Meeting

Your vote is important because:

- the Share Scheme must be passed by a majority in number (more than 50%) of Xplore Shareholders who are present and voting, in person or by proxy, at the Share Scheme Meeting and at least 75% of the votes cast at the Share Scheme Meeting; and
- the Option Scheme must be passed by a majority in number (more than 50%) of Xplore Optionholders who are present and voting, in person or by proxy, at the Option Scheme Meeting and at least 75% (by value) of the total amount of debts and claims of all Xplore Optionholders present and voting at the Option Scheme Meeting. For this purpose, the amount (or value) of each Xplore Optionholder's debt and claim will be the same as the Option Scheme Consideration payable for the cancellation of the Xplore Options held by that Xplore Optionholder under the Option Scheme (expressed in cents).

The Share Scheme Meeting will be held as a virtual meeting on 12 February 2021 at 10.00am and the Option Scheme Meeting will be held as a virtual meeting at 12 February 2021 at 11.00am or at the conclusion or adjournment of the Share Scheme Meeting (whichever time is later). I strongly encourage you to carefully consider all the information set out in this Scheme Booklet when deciding whether to vote in favour of the Schemes.

I also strongly urge you to participate in this important decision by either attending the Scheme Meetings (as relevant) by following the process set out in section 3 of this Scheme Booklet or, if you are unable to attend, by completing the Share Scheme Proxy Form or Option Scheme Proxy Form (as relevant).

If you require any further information in relation to the Share Scheme or the Option Scheme, please call the Xplore Securityholder Information Line on 1300 55 66 35 (within Australia) or +61 3 9909 9909 (outside Australia).

On behalf of the Xplore Board, I would like to take this opportunity to thank you in advance for your ongoing support of Xplore. The Xplore Board believes that the proposed acquisition of Xplore by HUB24 through the Share Scheme makes strong commercial and strategic sense and is in the best interests of Xplore Shareholders. The Xplore Board also believes that the Option Scheme is in the best interests of Xplore Optionholders. The Xplore Board encourages you to vote in favour of the Schemes. I look forward to your participation in the Share Scheme Meeting or Option Scheme Meeting (as applicable).

Yours sincerely,



**Alex Hutchison**

Chairman  
Xplore Wealth Limited

## Letter from the Chairman of HUB24

---

Dear Xplore Securityholders,

As Chairman of HUB24 and on behalf of the HUB24 Board, I am excited about the opportunities presented by the combination of HUB24 and Xplore, and am very pleased to present the Proposed Transaction to Xplore Shareholders and Optionholders. Our strategy for the Proposed Transaction outlined in this Scheme Booklet is compelling, bringing together two highly complementary businesses and providing an opportunity to deliver enhanced value to both Xplore and HUB24 shareholders and benefits for clients.

Bringing Xplore and HUB24 together is expected to provide a material increase in scale and enable the Combined Group to position itself as a market leader in both custody and non-custody administration and reporting services as well as providing access to new client relationships.

Through the combined capabilities and expertise of the HUB24 and Xplore teams, we can offer financial advisers and their customers access to a broader choice of product options to enable them to meet their investment needs. Additionally, the Xplore team can benefit from being part of HUB24's dynamic culture and the opportunities provided by the broader business.

As one of the fastest growing platforms in the market and the market leader in managed portfolios HUB24 is well-positioned as a platform of choice for licensees and financial advisers. Through the company's commitment to constant innovation and leveraging technology to deliver value for clients, funds under administration have grown by 59% (CAGR) over the last 5 years and our revenue by 56%.

HUB24 has a strong track record of delivering returns to shareholders. The scrip component of the Share Scheme Consideration is aimed at enabling Xplore Shareholders to participate in future returns and the potential upside for the Combined Group. In addition, the Schemes include scope for significant cash consideration providing certainty of value to Xplore Shareholders and Xplore Optionholders.

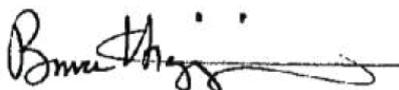
As part of the Combined Group we see the opportunity to strengthen our position as the leading provider of integrated platforms, data and technology services. HUB24 seeks to provide Xplore Shareholders, employees and other stakeholders the opportunity to participate in and contribute to this vision.

This Scheme Booklet provides important information in relation to the Proposed Transaction, including a profile of the Combined Group and HUB24's intentions for the Combined Group. On behalf of the HUB24 Board I encourage you to:

- read this Scheme Booklet carefully;
- vote in favour of the Schemes at the relevant Scheme Meetings to be held on 12 February 2021; and
- consider your preferences in the "mix and match" facility and lodge your Election by the Election Date.

On behalf of the HUB24 Board, I am excited by the opportunities that lie ahead for the combined HUB24 and Xplore businesses and, if you are an Xplore Shareholder, I look forward to welcoming you as a HUB24 Shareholder following successful implementation of the Share Scheme.

Yours sincerely



**Bruce Higgins**

Chairman  
HUB24 Limited

# 1. Overview of the Schemes

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## 1.1 Background

On 28 October 2020, Xplore announced that it and HUB24 had signed a Scheme Implementation Agreement under which it is proposed that HUB24 will acquire 100% of the issued share capital of Xplore by way of a scheme of arrangement between Xplore and its shareholders and 100% of the options in Xplore will be cancelled by way of a separate scheme of arrangement between Xplore and its optionholders.

If the Share Scheme is approved by the Requisite Majority of Xplore Shareholders and the Court, and all other Scheme Conditions relevant to the Share Scheme are satisfied or waived (as applicable), Xplore will become a wholly-owned subsidiary of HUB24 and will apply to be delisted from the ASX.

If the Option Scheme is approved by the Requisite Majority of Xplore Optionholders and the Court, and all other Scheme Conditions relevant to the Option Scheme are satisfied or waived (as applicable), all Xplore Options will be cancelled. If the Share Scheme is not approved, then the Share Scheme and Option Scheme will not proceed and Xplore will continue as a standalone entity listed on the ASX. However, if the Share Scheme is approved, but the Option Scheme is not approved, then the Share Scheme will proceed and HUB24 is likely to seek to acquire any Xplore Shares that are issued to Xplore Optionholders following any exercise of Xplore Options, with such acquisition being made pursuant to the compulsory acquisition provisions in the Corporations Act.

## 1.2 What will you receive?

### (a) Share Scheme Consideration

Under the Share Scheme, Xplore Shareholders (other than Foreign Scheme Shareholders and Small Shareholders) can elect to receive their Share Scheme Consideration in one of the following forms (subject to a scale back mechanism based on cap limitations):

- **Maximum Cash Consideration** comprising \$0.20 cash per Xplore Share for 100% of the Xplore Shares held at the Share Scheme Record Date, subject to an aggregate cap of \$36 million; or
- **Maximum Scrip Consideration** comprising 0.00926746 HUB24 Consideration Shares per Xplore Share for 100% of the Xplore Shares held at the Share Scheme Record Date, subject to an aggregate cap of \$30 million worth of HUB24 Consideration Shares.

If an Xplore Shareholder does not make an Election, they will receive the Default Consideration, which is a default mix and match consideration of 50% cash and 50% in HUB24 Consideration Shares.

There is a scale back mechanism that applies if too many Xplore Shareholders elect cash consideration which exceeds the Cash Consideration Share Cap, or too many Xplore Shareholders elect to receive HUB24 Consideration Shares which exceeds the Share Cap. In either case, the elected cash or HUB24 Consideration Shares will be scaled back and the balance of the consideration paid in either cash or scrip (as applicable).

See section 6 of this Scheme Booklet for a more detailed explanation of the Share Scheme Consideration, including the scale back mechanisms.

### (b) Option Scheme Consideration

Under the Option Scheme, a Scheme Optionholder will receive cash for each Scheme Option held that is calculated in accordance with an option valuation methodology which takes account of factors such as the underlying share price prior to the Offer, the option exercise price, the volatility of the underlying share price and the time to maturity of the option.

### (c) Foreign Scheme Shareholders

A Scheme Shareholder will be a Foreign Scheme Shareholder if their address, as shown in the Share Register as at the Share Scheme Record Date, is located outside of Australia and its external territories, New Zealand and any other jurisdictions agreed by Xplore and HUB24. Foreign Scheme Shareholders will have their Share Scheme Consideration paid only in cash.

More details on Foreign Scheme Shareholders are set out in section 6.5 of this Scheme Booklet.

#### **(d) Small Shareholders**

Scheme Shareholders who will be entitled to receive less than a marketable parcel of HUB24 Consideration Shares under the Share Scheme as Share Scheme Consideration will be classified as a 'Small Shareholder'. A marketable parcel of HUB24 Consideration Shares is generally a holding equal to a value of less than \$500 on the Share Scheme Record Date. Small Shareholders will have their Share Scheme Consideration paid only in cash.

More details on Small Shareholders is set out in section 6.4 of this Scheme Booklet.

### **1.3 Scheme Conditions**

Implementation of the Schemes is subject to a number of Scheme Conditions which must be satisfied or waived (where capable of waiver) before the Schemes can be implemented.

The Scheme Conditions are set out in clauses 3.1 and 3.3 of the Scheme Implementation Agreement and in detail in section 5.3 of this Scheme Booklet.

The Share Scheme is not conditional on the Option Scheme proceeding. However, the Option Scheme is conditional on the Share Scheme proceeding.

If a Scheme Condition is not satisfied or waived by the date specified in the Scheme Implementation Agreement for its satisfaction, if a circumstance occurs that makes a Scheme Condition not capable of being fulfilled, or if the Share Scheme is unlikely to become Effective by the End Date, then Xplore and HUB24 must consult in good faith to determine whether:

- the Share Scheme may proceed by way of alternative means or methods;
- to extend the relevant time or date for satisfaction of the Scheme Condition;
- to change the date of the application to be made to the Court for orders under section 411(4)(b) of the Corporations Act approving the Share Scheme or adjourning that application (as applicable) to another date agreed by the parties; or
- to extend the End Date.

If Xplore and HUB24 are unable to reach agreement, and the relevant Scheme Condition has not been waived (as applicable), then the parties may terminate the Scheme Implementation Agreement in accordance with clause 3.9 of the Scheme Implementation Agreement.

### **1.4 What is the recommendation and intentions of the Xplore Directors?**

Each Xplore Director unanimously recommends that you vote in favour of the Schemes in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Share Scheme is in the best interest of Xplore Shareholders and the Option Scheme is in the best interest of Xplore Optionholders.

Each Xplore Director intends to cause any Xplore Shares and any Xplore Options in which they have a Relevant Interest to be voted in favour of the Schemes, as applicable.

Relevant Interests are disclosed in section 13.1 of this Scheme Booklet.

### **1.5 What is the Independent Expert's conclusion?**

The Xplore Board engaged Leadenhall Corporate Advisory Pty Ltd as the Independent Expert to consider, and prepare a report on, whether the Share Scheme is in the best interests of the Xplore Shareholders and the Option Scheme is in the best interests of Xplore Optionholders.

The Independent Expert has concluded that:

- the Share Scheme is fair and reasonable and that the Share Scheme is in the best interests of the Xplore Shareholders; and
- the Option Scheme is not fair but it is reasonable and, because it is reasonable, the Option Scheme is in the best interests of Xplore Optionholders.

The Independent Expert's Report is contained in Annexure A.

## **1.6 Effect of the Schemes**

If the Schemes become Effective and are implemented:

- each Scheme Shareholder will receive the Share Scheme Consideration and each Scheme Optionholder will receive the Option Scheme Consideration;
- HUB24 will acquire all of the Xplore Shares and all Xplore Options will be cancelled; and
- Xplore will become a wholly-owned subsidiary of HUB24 and will be delisted from the ASX.

If the Schemes become Effective, they will bind all Xplore Securityholders (as applicable), regardless of whether they were present at the relevant Scheme Meeting, voted at the relevant Scheme Meeting or voted against the Schemes.

Copies of the Share Scheme and the Option Scheme are in Annexure D and Annexure E respectively.

## **1.7 Steps for implementing the Schemes**

There are various steps that need to be taken to implement the Schemes, which are described in section 5.2 of this Scheme Booklet.

## **1.8 Entitlement to vote**

Each Xplore Shareholder who is registered on the Share Register as the holder of an Xplore Share at the Voting Entitlement Time may vote at the Share Scheme Meeting.

Each Xplore Optionholder who is registered on the Option Register as the holder of an Xplore Option at the Voting Entitlement Time may vote at the Option Scheme Meeting.

More details about voting are set out in section 3 of this Scheme Booklet.

## **1.9 When will the Scheme Meetings be held?**

The Share Scheme Meeting to consider the Share Scheme will be held on 12 February 2021 at 10.00am.

The Option Scheme Meeting to consider the Option Scheme will be held on 12 February 2021 at 11.00am or at the conclusion or adjournment of the Share Scheme Meeting (whichever time is later).

## **1.10 Exclusivity arrangements**

There are various exclusivity arrangements that have been agreed to by Xplore in relation to the Schemes in favour of HUB24, which are summarised in section 5.7 of this Scheme Booklet.

## **1.11 Tax considerations**

If the Share Scheme proceeds, all holders of Xplore Shares will transfer all their Xplore Shares to HUB24 on the Implementation Date in exchange for cash or scrip, or a mixture. If the Option Scheme proceeds, all holders of Xplore Options will have their options cancelled in exchange for cash. These transactions are likely to have tax consequences for Xplore Securityholders.

A summary of the general Australian taxation implications of the Schemes for Xplore Securityholders who are Australian residents is set out in section 12 of this Scheme Booklet. The information is general in nature and not taxation advice.

Your decision regarding how to vote on the Share Scheme and/or Option Scheme, as applicable, should be made only after consultation with your financial, legal or other professional adviser based on your own investment objectives, financial situation, taxation position and particular needs.

## **1.12 What is the current status of the Schemes and next steps?**

As described elsewhere in this section, the Schemes must be approved by the Requisite Majority of Xplore Securityholders (as applicable), approved by the Court and the Scheme Conditions must be satisfied or waived.

At the date of this Scheme Booklet, HUB24, Xplore or the Xplore Directors are not aware of any reasons why the Scheme Conditions will not be satisfied or the Scheme Implementation Agreement terminated.

## **1.13 How to obtain further information**

For further information, please contact the Xplore Securityholder Information Line 1300 55 66 35 (within Australia) or +61 3 9909 9909 (outside Australia) between 9.00am and 5.00pm (AEDT), Monday to Friday. If you are in any doubt about what to do or anything in this Scheme Booklet, you should consult your legal, financial, taxation or other professional adviser immediately.

## 2. Frequently asked questions

This section answers some questions you may have about the Schemes. The information is a basic summary only and is elaborated on in specified areas of this Scheme Booklet. The information should be read in conjunction with those specified areas.

Question	Answer	Further information in this Scheme Booklet
<b>General</b>		
<b>Why has this Scheme Booklet been made available to you?</b>	This Scheme Booklet has been made available to assist you in deciding how to vote (should you wish to) on the proposed scheme of arrangement (through which HUB24 will acquire 100% of Xplore) ( <b>Share Scheme</b> ) and a related scheme of arrangement for the cancellation of all of the Xplore options ( <b>Option Scheme</b> ).	This Scheme Booklet
<b>What are you being asked to consider?</b>	<p>Xplore Shareholders are being asked to consider whether the Share Scheme should be implemented or not. If the Share Scheme is implemented, your Xplore Shares will be transferred to HUB24 and in return you will receive the Share Scheme Consideration.</p> <p>Xplore Optionholders are being asked to consider whether the Option Scheme should be implemented or not. If the Option Scheme is implemented, your Xplore Options will be cancelled and in return you will receive the Option Scheme Consideration.</p>	Sections 1 and 4
<b>What is a scheme of arrangement?</b>	<p>A scheme of arrangement is a statutory procedure under the Corporations Act that is commonly used to enable one company to acquire or merge with another.</p> <p>The schemes being proposed are a Share Scheme (which deals with the Xplore Shares) and an Option Scheme (which deals with the Xplore Options). Together, these Schemes cover all the issued securities in Xplore (to allow HUB24 to acquire and maintain 100% ownership of Xplore).</p>	Sections 1 and 5
<b>When were the Schemes announced?</b>	<p>Xplore and HUB24 made concurrent ASX announcements on 28 October 2020 to announce the proposed schemes of arrangement and the signing of a Scheme Implementation Agreement.</p> <p>The Scheme Implementation Agreement is not binding on Xplore Shareholders or Xplore Optionholders. Rather, it binds Xplore and HUB24 to cooperate in specified ways to propose the Schemes to Xplore Securityholders and, if the Schemes are approved, implement the Proposed Transaction.</p> <p>A link to the Scheme Implementation Agreement is set out in Annexure C of this Scheme Booklet.</p>	Section 1.1 Announcements by Xplore and HUB24 on ASX on 28 October 2020
<b>What would be the effect of the Schemes?</b>	<p>If the Share Scheme is implemented, HUB24 will acquire all Xplore Shares and in return, each Xplore Shareholder will receive the Share Scheme Consideration (which is explained further below). Xplore would then become a wholly- owned subsidiary of HUB24 and be delisted from the ASX.</p> <p>If the Option Scheme is implemented, all Xplore Options will be cancelled and in return, each Xplore Optionholder will receive the Option Scheme Consideration (which is explained further below).</p>	Sections 1.6, 6 and 7

Question	Answer	Further information in this Scheme Booklet
<p><b>Are there any conditions that need to be satisfied before the Schemes can proceed?</b></p>	<p>Certain conditions need to be satisfied (or waived) before the relevant Schemes can proceed. These Scheme Conditions differ for the Share Scheme and Option Scheme, but they include:</p> <ul style="list-style-type: none"> <li>• <b>(Voting)</b> For the Share Scheme to proceed, the Requisite Majority of Xplore Shareholders must vote in favour of the Share Scheme at the Share Scheme Meeting. Similarly, a Requisite Majority of Xplore Optionholders must vote in favour of the Option Scheme at the Option Scheme Meeting;</li> <li>• <b>(Approvals)</b> Approvals are also required from regulatory authorities (such as ASX and ASIC) and the Court;</li> <li>• <b>(Other conditions)</b> Various other conditions must be satisfied or waived for each Scheme to proceed, including there being no material adverse change to Xplore. These conditions are set out in full in Section 5.3 of this Scheme Booklet.</li> </ul> <p>If the relevant Scheme Conditions are not satisfied or waived by 30 April 2021, or such later date as Xplore and HUB24 mutually agree, then the relevant Scheme will not proceed.</p>	<p>Sections 1.3 and 5.3</p>
<p><b>Can one Scheme proceed without the other?</b></p>	<p>The Share Scheme can proceed without the Option Scheme. In this case, HUB24 will acquire all Xplore Shares (which make up more than 90% of all Xplore Securities) via the Share Scheme and is likely to then seek to acquire any Xplore Shares that are issued to Xplore Optionholders following the implementation of the Share Scheme via the compulsory acquisition provisions in the Corporations Act.</p> <p>The Option Scheme, however, can only proceed if the Share Scheme proceeds.</p>	<p>Sections 1.1 and 5.5</p>
<p><b>When will the Schemes become effective?</b></p>	<p>The Share Scheme and the Option Scheme become effective when the Court orders it under section 411(4)(b) of the Corporations Act. This is called the "Effective Date". The Court will not consider granting the order for each Scheme unless that Scheme has been approved by the Xplore Shareholders or Xplore Optionholders (as applicable).</p> <p>If the Court does not grant the relevant order for each Scheme by 30 April 2021, or such later date as Xplore and HUB24 mutually agree, the relevant Scheme will not proceed.</p>	<p>Sections 4.3(f) and 5.2(f)</p>
<p><b>Can I sell my Xplore Shares now?</b></p>	<p>You can sell your Xplore Shares on-market on the ASX at any time before 4.00pm on the Effective Date.</p> <p>However, note that the on-market price you receive at the time of sale may not be the same price as the Share Scheme Consideration you would be entitled to receive if you sold your shares to HUB24 under the Share Scheme (and you may also be required to pay brokerage).</p>	<p>Sections 5.2(f) and 6</p>
<p><b>Can I choose to keep my Xplore Shares?</b></p>	<p>If the Share Scheme proceeds, you will not be able to keep your Xplore Shares. All Xplore Shares will be transferred to HUB24 so that Xplore becomes a wholly owned subsidiary of HUB24.</p>	<p>Sections 1 and 5</p>
<p><b>Can I choose to keep my Xplore Options?</b></p>	<p>If the Share Scheme proceeds but the Option Scheme does not proceed, the Xplore Option Rules provide that all Xplore Options, whether vested or unvested, can be exercised within one month of Xplore providing notice that a 'Predominant Control Event' has occurred (which will occur if the Share Scheme is implemented). After this one month period, any Xplore Option that have not been exercised will automatically lapse.</p>	<p>Sections 4.1(j), 4.1(k) and 5.5</p>

Question	Answer	Further information in this Scheme Booklet										
<b>Xplore Directors' recommendations and Independent Expert's conclusion</b>												
<b>Who are the Xplore Directors?</b>	<table border="1"> <thead> <tr> <th>Name</th> <th>Current position</th> </tr> </thead> <tbody> <tr> <td>Alexander Hutchison</td> <td>Chairman, Non-Executive Director</td> </tr> <tr> <td>Donald Sharp</td> <td>Non-Executive Director</td> </tr> <tr> <td>Julie Berry</td> <td>Non-Executive Director</td> </tr> <tr> <td>Stephen Reed</td> <td>Non-Executive Director</td> </tr> </tbody> </table>	Name	Current position	Alexander Hutchison	Chairman, Non-Executive Director	Donald Sharp	Non-Executive Director	Julie Berry	Non-Executive Director	Stephen Reed	Non-Executive Director	Section 8.6(a)
	Name	Current position										
	Alexander Hutchison	Chairman, Non-Executive Director										
	Donald Sharp	Non-Executive Director										
	Julie Berry	Non-Executive Director										
Stephen Reed	Non-Executive Director											
<p>The Xplore Board unanimously recommends that Xplore Shareholders vote in favour of the Share Scheme and that Xplore Optionholders vote in favour of the Option Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Share Scheme is in the best interest of Xplore Shareholders and the Option Scheme is in the best interest of Xplore Optionholders.</p> <p>The interests of Xplore Directors are disclosed in section 13.1 of this Scheme Booklet. The following Xplore Directors have a Relevant Interest in Xplore Shares:</p> <table border="1"> <thead> <tr> <th>Xplore Director</th> <th>Number of Xplore Shares held</th> </tr> </thead> <tbody> <tr> <td>Alexander Hutchison</td> <td>375,949 ordinary shares directly held</td> </tr> <tr> <td>Stephen Reed</td> <td>466,770 ordinary shares, directly held as trustee</td> </tr> <tr> <td>Donald Sharp</td> <td>35,707,047 ordinary shares indirectly held</td> </tr> </tbody> </table> <p>Xplore Shareholders and Xplore Optionholders should have regard to these interests when considering how to vote on the Share Scheme and the Option Scheme.</p>		Xplore Director	Number of Xplore Shares held	Alexander Hutchison	375,949 ordinary shares directly held	Stephen Reed	466,770 ordinary shares, directly held as trustee	Donald Sharp	35,707,047 ordinary shares indirectly held			
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<b>What do the Xplore Directors recommend?</b>		Sections 1.4, 1.5, 4.1(a) and 13.1										
<b>Have any Competing or Superior Proposals emerged?</b>		Section 4.1(i)										
<b>What happens if a Competing or Superior Proposal emerges?</b>		Section 5.7										
<b>Is a break fee payable by Xplore?</b>		Section 5.8										

Question	Answer	Further information in this Scheme Booklet
<b>How will the Xplore Directors vote?</b>	Each Xplore Director intends to cause any Xplore Shares and any Xplore Options in which they have a Relevant Interest to be voted in favour of the Schemes, as applicable.	Sections 1.4 and 13.1
<b>What is the Independent Expert's opinion?</b>	<p>The Independent Expert has considered the Share Scheme and the Option Scheme and concluded that:</p> <ul style="list-style-type: none"> <li>• the Share Scheme is fair and reasonable and in the best interests of Xplore Shareholders; and</li> <li>• the Option Scheme is not fair but it is reasonable and, because it is reasonable, it is in the best interests of Xplore Optionholders.</li> </ul> <p>The Independent Expert's Report is contained in Annexure A of this Scheme Booklet.</p>	Section 1.5 and Annexure A
<b>Why you may consider voting in favour of the Schemes</b>	<p>There are various reasons you may consider voting in favour of the Share Scheme and the Option Scheme which are set out in detail in section 4 of this Scheme Booklet. Some of the key reasons include:</p> <ul style="list-style-type: none"> <li>• the Share Scheme Consideration (to be received by Xplore Shareholders) represents a significant premium to historical trading prices of Xplore Shares;</li> <li>• Xplore Shareholders will have the flexibility to choose between receiving their Share Scheme Consideration as all cash (for certainty of value), all HUB24 Consideration Shares (for a stake in a leading specialist platform provider) or an even split of both (subject to scale back mechanisms based on cap limitations);</li> <li>• the Independent Expert has concluded that the Schemes are in your best interests (unless a Superior Proposal emerges);</li> <li>• the Xplore Board unanimously recommends that you vote in favour of the Schemes, unless a Superior Proposal emerges, or the Independent Expert changes its conclusion; if the Share Scheme does not proceed, and no Superior Proposal emerges, the price of your Xplore Shares may fall in the near-term; and</li> <li>• no brokerage or stamp duty will be payable by you for the transfer of your Xplore Shares under the Share Scheme or the cancellation of the Xplore Options under the Option Scheme.</li> </ul>	Sections 4.1 and 4.3
<b>Why you may consider voting against the Schemes</b>	<p>The potential reasons you may consider voting against the Share Scheme and the Option Scheme are set out in detail in sections 4.2 and 4.3 of this Scheme Booklet. Some of those reasons include:</p> <ul style="list-style-type: none"> <li>• you may believe that there is potential for a Superior Proposal to be made in the foreseeable future;</li> <li>• you may disagree with the Xplore Board's unanimous recommendation or the Independent Expert's conclusion;</li> <li>• you may wish to maintain your current investment profile and exposure to a business with Xplore's specific characteristics;</li> <li>• if you are considering choosing to receive HUB24 Consideration Shares in return for your Xplore Shares, you may be concerned that the trading value of HUB24 Consideration Shares will fall after the Share Scheme has been implemented; and</li> <li>• the tax consequences to you of the Share Scheme or the Option Scheme may not suit your current financial situation.</li> </ul>	Sections 4.2 and 4.3

Question	Answer	Further information in this Scheme Booklet						
<b>Consideration</b>								
<p><b>What will Xplore Optionholders receive if the Option Scheme is implemented?</b></p>	<p>Xplore Optionholders will receive cash for each Xplore Option. The table in section 7.1 of this Scheme Booklet provides a detailed breakdown of how much cash you will receive per Xplore Option you hold, depending on the type of option you hold.</p> <p>These amounts have been calculated based on a valuation methodology which takes in account factors such as the underlying share price prior to the Offer, the option exercise price, the volatility of the underlying share price and the time to maturity of the option. The valuation methodology is set out in further detail in section 7.2 of this Scheme Booklet.</p>	Section 7						
<p><b>What will Xplore Shareholders receive if the Share Scheme is implemented?</b></p>	<p>As an Xplore Shareholder, the consideration you receive will depend on whether:</p> <table border="1" data-bbox="539 734 1246 1232"> <tbody> <tr> <td data-bbox="539 734 667 884"><b>Cash election</b></td> <td data-bbox="667 734 1246 884">You make a Maximum Cash Election, in which case you will receive \$0.20 cash per Xplore Share for 100% of the Xplore Shares that you hold at the Share Scheme Record Date, subject to scale back based on an aggregate cap of \$36 million</td> </tr> <tr> <td data-bbox="539 884 667 1086"><b>Scrip election</b></td> <td data-bbox="667 884 1246 1086">You make a Maximum Scrip Election, in which case you will receive 0.00926746 HUB24 Consideration Shares per Xplore Share for 100% of the Xplore Shares that you hold at the Share Scheme Record Date, subject to scale back based on an aggregate cap of \$30 million worth of HUB24 Consideration Shares</td> </tr> <tr> <td data-bbox="539 1086 667 1232"><b>No election</b></td> <td data-bbox="667 1086 1246 1232">You make no election, in which case you will receive the Default Consideration which is a mix of cash and scrip (being cash for 50% of your Xplore Shares and HUB24 Shares for the remaining 50% of your Xplore Shares)</td> </tr> </tbody> </table> <p>In summary, you will be entitled to choose between the 'maximum cash' and 'maximum shares' alternatives (but note these will be subject to the scale back mechanisms described in section 6.3 of this Scheme Booklet, which are based on cap limitations). If you do not make an election, you will receive the 'even split' by default (which is the Default Consideration).</p> <p>Small Shareholders and Foreign Scheme Shareholders will only receive cash consideration for their Xplore Shares regardless of whether they make an election.</p>	<b>Cash election</b>	You make a Maximum Cash Election, in which case you will receive \$0.20 cash per Xplore Share for 100% of the Xplore Shares that you hold at the Share Scheme Record Date, subject to scale back based on an aggregate cap of \$36 million	<b>Scrip election</b>	You make a Maximum Scrip Election, in which case you will receive 0.00926746 HUB24 Consideration Shares per Xplore Share for 100% of the Xplore Shares that you hold at the Share Scheme Record Date, subject to scale back based on an aggregate cap of \$30 million worth of HUB24 Consideration Shares	<b>No election</b>	You make no election, in which case you will receive the Default Consideration which is a mix of cash and scrip (being cash for 50% of your Xplore Shares and HUB24 Shares for the remaining 50% of your Xplore Shares)	Section 6
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<p><b>Do I need to make a choice to receive cash or HUB24 Consideration Shares?</b></p>	<p>No. However, if you do not make an election, then you will automatically receive the Default Consideration, which is cash for 50% of your Xplore Shares and HUB24 Consideration Shares for the remaining 50% of your Xplore Shares (subject to scale back mechanisms).</p> <p>If you want to make an election, you must do so in accordance with the process set out in section 6.6 of this Scheme Booklet (otherwise your election will not be valid and you will receive the 'even split' by default).</p>	Sections 1.2, 6.1 and 6.6						

Question	Answer	Further information in this Scheme Booklet
<p><b>What are scale back mechanisms and how do they work?</b></p>	<p>If one of the alternatives (say cash) is too popular and the total cash that needs to be paid to Xplora Shareholders exceeds \$36 million, then a portion of the cash that each Xplora Shareholder is entitled to receive will be replaced with HUB24 Consideration Shares. Similarly, if too many Xplora Shareholders elect to receive HUB24 Consideration Shares and the total value of HUB24 Consideration Shares exceeds \$30 million, then a portion of the HUB24 Consideration Shares that each Xplora Shareholder is entitled to receive will be replaced with cash.</p> <p>Please see section 6.3 of this Scheme Booklet for more detail on the operation of the scale back mechanisms.</p>	<p>Section 6.3</p>
<p><b>Are Xplora Shareholders being offered a premium to Xplora's recent share price performance?</b></p>	<p>The Share Scheme Consideration value of \$0.20 per Xplora Share represents a takeover premium of:</p> <ul style="list-style-type: none"> <li>• 203.0% to Xplora's trading price of 6.60 cents on 27 October 2020;</li> <li>• 198.7% to Xplora's 10-day VWAP of 6.70 cents up to 27 October 2020; and</li> <li>• 199.8% to Xplora's 30-day VWAP of 6.67 cents up to 27 October 2020.</li> </ul> <p>The graph below illustrates the premium implied by the Share Scheme Consideration of \$0.20 per Xplora Share against spot, the 30-day VWAP, the 3-month VWAP and the 6-month VWAP.</p>  <p><i>Note: These takeover premiums are based on certain assumptions set out in Section 4.1(b) of this Scheme Booklet.</i></p>	<p>Section 4.1</p>

Question	Answer	Further information in this Scheme Booklet																								
<p><b>What is the implied value of the Scrip Consideration?</b></p>	<p>If an Xplore Shareholder receives Scrip Consideration, being HUB24 Consideration Shares, the value that the Xplore Shareholder may realise on a sale of their HUB24 Consideration Shares will depend on the price at which HUB24 Consideration Shares are trading on the ASX on the date of sale.</p> <p>Set out below is an illustration of the implied value of the Scrip Consideration based on potential movements in the market price of HUB24 Consideration Shares on the ASX:</p> <table border="1" data-bbox="539 555 1238 1003"> <thead> <tr> <th>HUB24 Share Price</th> <th>Implied value of the Share Scheme Consideration under an all HUB24 Consideration Share election</th> <th>Implied value of the Share Scheme Consideration under the Default Consideration (50% cash, 50% HUB24 Consideration Share)</th> </tr> </thead> <tbody> <tr> <td>\$20.00</td> <td>\$0.1853</td> <td>\$0.1927</td> </tr> <tr> <td>\$20.50</td> <td>\$0.1900</td> <td>\$0.1950</td> </tr> <tr> <td>\$21.00</td> <td>\$0.1946</td> <td>\$0.1973</td> </tr> <tr> <td>\$21.58</td> <td>\$0.2000</td> <td>\$0.2000</td> </tr> <tr> <td>\$22.00</td> <td>\$0.2039</td> <td>\$0.2019</td> </tr> <tr> <td>\$22.50</td> <td>\$0.2085</td> <td>\$0.2043</td> </tr> <tr> <td>\$23.00</td> <td>\$0.2132</td> <td>\$0.2066</td> </tr> </tbody> </table> <p><i>Note: These implied values are based on certain assumptions set out in section 4.3(a) of this Scheme Booklet.</i></p>	HUB24 Share Price	Implied value of the Share Scheme Consideration under an all HUB24 Consideration Share election	Implied value of the Share Scheme Consideration under the Default Consideration (50% cash, 50% HUB24 Consideration Share)	\$20.00	\$0.1853	\$0.1927	\$20.50	\$0.1900	\$0.1950	\$21.00	\$0.1946	\$0.1973	\$21.58	\$0.2000	\$0.2000	\$22.00	\$0.2039	\$0.2019	\$22.50	\$0.2085	\$0.2043	\$23.00	\$0.2132	\$0.2066	<p>Section 4.3(a)</p>
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<p><b>What is a Small Shareholder and how are they treated under the Share Scheme?</b></p>	<p>A Small Shareholder is an Xplore Shareholder whose holding of Xplore Shares would entitle them to receive less than \$500 worth of HUB24 Consideration Shares (calculated on the Share Scheme Record Date).</p> <p>Under the Share Scheme, Small Shareholders will only receive cash in return for their Xplore Shares (regardless of whether or not they make an election to receive cash or HUB24 Consideration Shares).</p>	<p>Sections 1.2(d), 6.4 and 12.6</p>																								
<p><b>What is a Foreign Scheme Shareholder and how are they treated under the Share Scheme?</b></p>	<p>A Foreign Scheme Shareholder is an Xplore Shareholder whose address (as shown in Xplore's Share Register on the Share Scheme Record Date) is located outside of Australia (and its external territories), New Zealand and any other jurisdictions mutually agreed by Xplore and HUB24.</p> <p>Under the Share Scheme, Foreign Scheme Shareholders may not make an Election and will only receive cash in return for their Xplore Shares.</p>	<p>Sections 1.2(c), 6.5 and 12.6</p>																								
<p><b>If I hold Xplore Shares as trustee or nominee for multiple beneficial owners, can I make separate Elections?</b></p>	<p>You (as the trustee or nominee) may make separate Elections in relation to each parcel of Xplore Shares you hold for different beneficial owners, to reflect the instructions of those beneficial owners. Please see section 6.6(c) for more details.</p>	<p>Section 6.6(c)</p>																								

Question	Answer	Further information in this Scheme Booklet
<p><b>When and how will I receive my Share Scheme Consideration?</b></p>	<p>Xplore Shareholders will receive their Share Scheme Consideration on the Implementation Date, which is 2 March 2021, provided you are an Xplore Shareholder (and listed on the Share Register as such) as at the Share Scheme Record Date (which is 23 February 2021).</p> <p>Xplore will make payment of any cash to you by cheque in Australian currency sent to your registered address, or by depositing it into an account with any Australian ADI notified by you to Xplore. HUB24 will issue any HUB24 Consideration Shares to you by entering your name in HUB24's register of members as the holder of those HUB24 Consideration Shares.</p>	<p>Sections 6.8 and 6.9</p>
<p><b>When and how will I receive my Option Scheme Consideration?</b></p>	<p>Xplore Optionholders will receive their Option Scheme Consideration on the Implementation Date, which is 2 March 2021, provided you are an Xplore Optionholder (and listed on the Option Register as such) as at the Option Scheme Record Date (which is 23 February 2021).</p> <p>Xplore will make payment of any cash to you by cheque in Australian currency sent to your registered address, or by depositing it into an account with any Australian ADI notified by you to Xplore.</p>	<p>Sections 7.3 and 7.5</p>
<p><b>When can I start trading my HUB24 Consideration Shares on the ASX?</b></p>	<p>Any HUB24 Consideration Shares issued to you under the Share Scheme are expected to commence trading on the ASX on a deferred settlement basis from 22 February 2021, and on a normal settlement basis from 3 March 2021 (being the first Business Day after the Implementation Date), unless ASX requires a later date.</p>	<p>Section 5.2(i)</p>
<p><b>What happens if I am issued an unmarketable parcel of HUB24 Consideration Shares as part of the Share Scheme Consideration?</b></p>	<p>This will not occur because any Xplore Shareholder that would otherwise be issued an unmarketable parcel of HUB24 Consideration Shares will be deemed a Small Shareholder who will only receive cash as their Share Scheme Consideration. An unmarketable parcel of HUB24 Consideration Shares is a parcel of HUB24 Consideration Shares with a holding a value of less than \$500 on the Share Scheme Record Date (which is expected to be 23 February 2021).</p>	<p>Sections 1.2(d) and 6.4</p>
<p><b>How will fractional entitlements be treated?</b></p>	<p><b>Share Scheme</b></p> <p>Any entitlements to a fraction of a HUB24 Consideration Share arising under the calculation of Share Scheme Consideration will be rounded down to the nearest HUB24 Consideration Share and the fraction will be paid out in cash to the Xplore Shareholder (calculated as the closing price per share of HUB24 Shares on the ASX as at the Share Scheme Record Date).</p> <p><b>Option Scheme</b></p> <p>Where the calculation of the Option Scheme Consideration to be provided to an Xplore Optionholder would result in the Xplore Optionholder becoming entitled to a fraction of a cent, that fractional entitlement will be rounded down to the nearest whole cent.</p>	<p>Sections 6.7 and 7.4</p>
<p><b>Will I have to pay brokerage fees or stamp duty?</b></p>	<p>No brokerage fees or Australian stamp duty will be payable by Xplore Shareholders in relation to the disposal of their Xplore Shares to HUB24 under the Share Scheme or by Xplore Optionholders in relation to the cancellation of their Xplore Options under the Option Scheme.</p>	<p>Section 1.1(a)</p>

Question	Answer	Further information in this Scheme Booklet
<b>HUB24 and the Combined Group</b>		
<b>Who is HUB24?</b>	<p>HUB24 Limited is a financial services company which provides investment and superannuation portfolio administration services, licensee services to financial advisers and technology and data services to licensees.</p> <p>HUB24 was first established in 2007 and has been built by a team with vast experience in building market-leading solutions including Visiplan, COIN, Navigator (now MLC wrap) and Avanteos (now Colonial First Wrap). Products were launched to market from 2010 achieving \$1 billion in Funds Under Administration (<b>FUA</b>) in 2014. Since that time the business has grown to over \$19 billion (as at September 2020) and has consistently maintained 2nd place for both annual and quarterly net inflows since March 2019.</p> <p>HUB24 is listed on the ASX and HUB24 Shares are quoted on the ASX under the code 'HUB'. As at the Last Practicable Date, HUB24's market capitalisation was approximately \$1.37 billion. As at 30 September 2020, Funds Under Administration in HUB24's Platform segment was \$19 billion.</p> <p>HUB24 Limited operates the award-winning HUB24 investment and superannuation Platform (<b>Platform</b>), licenses financial advisers authorised by Paragem Pty Ltd (<b>Paragem</b>) and provides technology and data services through Agility Applications Pty Ltd and HUBconnect Pty Ltd.</p> <p>The Platform is a leading portfolio administration service that provides financial advisers with the capability to offer their clients access to a wide range of investments including market leading managed portfolio functionality, efficient and cost effective trading, insurance and comprehensive reporting for all types of investors – individuals, companies, trusts or self-managed super funds. As one of the fastest growing platforms in the market, the HUB24 platform is recognised for providing choice and innovative product solutions that create value for advisers and their clients.</p> <p>Paragem (the Licensee) provides boutique dealer group licensee services to financial planning businesses. It comprises a network of 37 financial advice businesses (as at 30 June 2020) which deliver high quality, goals-based advice. It provides compliance, software, education and support to the practices, enabling advisers to provide clients with financial advice across a range of products.</p> <p>The technology solutions business (HUBconnect Pty Ltd and Agility Applications Pty Ltd) provides technology and data services to the financial services industry, leveraging innovative solutions to support licensees, advisers and stockbrokers to deliver services to their clients.</p>	Section 9

Question	Answer	Further information in this Scheme Booklet
<p><b>What is the Combined Group?</b></p>	<p>The combination of the HUB24 Group and the Xplore Group, as comprised by HUB24 and its Subsidiaries following implementation of the Schemes.</p> <p>The Combined Group of HUB24, Xplore and Ord Minnett's Portfolio Administration and Reporting Service adds material scale to HUB24 and will consolidate HUB24's leadership in the Specialist Platform Sector. In combining the high quality clients of each group, the client base of the Combined Group will be even further diversified with clients covering High Net Worth, institutional licensees as well as broad base retail clients. Clients will benefit from a number of highly attractive differentiators once full integration is complete.</p> <p>In addition, through the proposed divestment and merger of Paragem and HUB24's investment in Easton Investments Limited (<b>Easton</b>). HUB24 anticipates holding up to a 40% shareholding in Easton which is a diversified financial services business servicing 250 financial advisers (including Paragem) and over 420 licensed accountants (as at 29 October 2020).</p>	<p>Section 10</p>
<p><b>What are HUB24's intentions for Xplore and the Combined Group?</b></p>	<p>If the Schemes are implemented, HUB24 will acquire and hold all of the Xplore Shares on issue and, accordingly, Xplore will become a wholly owned subsidiary of HUB24. The acquisition of Xplore is expected to provide HUB24 with scale, capabilities, synergies and new client relationships.</p> <p>HUB24 intends to work with Xplore's management team to optimise the prospects and operating performance of the business of the Combined Group, including new potential growth opportunities.</p> <p>In order to achieve these outcomes, HUB24, as part of its integration planning process (currently underway), intends to undertake a detailed review of Xplore's operations covering strategic, financial, compliance and commercial operating matters.</p>	<p>Section 10.6</p>
<p><b>Who will be the directors and senior management of the Combined Group?</b></p>	<p><b>Directors</b></p> <p>HUB24 will be the ultimate parent company of the Combined Group and does not currently anticipate any change to the composition of the HUB24 Board following implementation of the Share Scheme. On this basis, the HUB24 Board is expected to remain as set out in section 9.5(a) of this Scheme Booklet.</p> <p><b>Senior Management</b></p> <p>HUB24 intends to conduct a review of Xplore's operations. Whilst the key operational responsibilities for the Xplore business are expected to be largely unchanged, final decisions regarding the structure of the Combined Group and its senior management requirements will be made as part of the integration process.</p>	<p>Section 10.4</p>
<p><b>How is HUB24 funding the Proposed Transaction?</b></p>	<p>As announced on 29 October 2020 and 25 November 2020, HUB24 completed a capital raising involving an institutional placement and share purchase plan, which raised approximately \$70 million. HUB24 proposes to use the funds raised under the capital raising to fund the cash component of the Share Scheme Consideration and the Option Scheme Consideration.</p> <p>HUB24 will issue HUB24 Consideration Shares to satisfy the scrip component of the Share Scheme Consideration, for which it does not require HUB24 shareholder approval.</p>	<p>Section 9.12</p>

Question	Answer	Further information in this Scheme Booklet
<b>Is a break fee payable by HUB24?</b>	HUB24 must pay Xplore a break fee of \$600,000 (inclusive of GST) if HUB24 does not pay the Share Scheme Consideration or Option Scheme Consideration in accordance with the terms of the relevant transaction documents or if Xplore terminates the Scheme Implementation Agreement because of a material breach by HUB24.	Section 5.8
<b>Elections</b>		
<b>How do I make an Election if I am an Xplore Shareholder?</b>	<p><b><i>Making an Election</i></b></p> <p>To make an Election, you must either:</p> <ul style="list-style-type: none"> <li>complete and mail the Election Form (which you receive with this Scheme Booklet) to Registry Direct, 10 Exon Street, Brighton, Victoria, 3186, Australia;</li> <li>complete and email the Election Form (which you receive with this Scheme Booklet) to <a href="mailto:registry@registrydirect.com.au">registry@registrydirect.com.au</a>; or</li> <li>make your Election online using the link provided in section 6.6(a) of the Scheme Booklet.</li> </ul> <p>It is very important that you make your Election, if you choose to do so, before 5.00pm on the Election Date (which is 2 February 2021). This means that any postal Election Forms must be received by the Share Registry before that time and date, otherwise your Election will be invalid and you will be treated as not having made an Election.</p> <p>Please read section 6.6(a) of this Scheme Booklet for important details on how to validly submit an Election Form.</p> <p><b><i>Making separate Elections</i></b></p> <p>If you hold one or more parcels of Xplore Shares as trustee or nominee for, or otherwise on account of, another person, you may make separate Elections in relation to each parcel to reflect the instructions of the beneficial owners. However, you must do so in accordance with section 6.6(c) of this Scheme Booklet otherwise your separate Elections may not be valid.</p>	Section 6.6
<b>Can I change my Election?</b>	You can change your Election at any time with a replacement Election Form, provided the replacement form is received by the Share Registry by 5.00pm on the Election Date (2 February 2021).	Section 6.6(b)
<b>Do the Xplore Directors have a recommendation on the Election that should be made?</b>	No. The Xplore Directors unanimously recommend that Xplore Shareholders vote in favour of the Share Scheme at the Share Scheme Meeting, but do not have a recommendation on what, if any, Election you should make. Section 4 of this Scheme Booklet sets out some considerations that may be relevant to your Election.	Sections 1.4 and 4
<b>What happens if I do not make an Election in time or if it is invalid?</b>	<p>If the Share Registry does not receive a valid Election Form from you by 5.00pm the Election Date (2 February 2021), you will be deemed not to have made an Election. This means that you will receive the Default Consideration (being 50% Cash Consideration and 50% Share Scheme Consideration).</p> <p>If you attempt to change your Election by submitting a replacement Election Form but the replacement form is not received by the Share Registry by 5.00pm on the Election Date, your original Election will not be changed and will continue to apply.</p>	Section 6.6

Question	Answer	Further information in this Scheme Booklet
<b>How will I know the result of Elections made?</b>	Xplore will announce the indicative results of the Elections, including whether any scale back will apply to valid Elections, on the ASX on 3 February 2021.	See the 'Key dates and times' section at the beginning of this Scheme Booklet.
<b>Voting at the Scheme Meetings</b>		
<b>What are the Scheme Meetings?</b>	The Scheme Meetings are the meetings of the Xplore Shareholders and Xplore Optionholders to vote on whether to approve the Share Scheme and the Option Scheme (as relevant).	Sections 1.7, 1.9 3.1 and 5.2(c)
<b>When and where will the Scheme Meetings be held?</b>	The Share Scheme Meeting will be held at 10.00am on 12 February 2021 and the Option Scheme Meeting will be held at 11.00am on 12 February 2021 or at the conclusion or adjournment of the Share Scheme Meeting (whichever time is later).  The Scheme Meetings will be held as virtual meetings (online only). There will be no physical meeting to attend in person.	Sections 1.9 and 3.1
<b>What am I being asked to vote on?</b>	Xplore Shareholders are being asked to vote in favour of, or against, the Share Scheme Meeting being implemented.  Xplore Optionholders are being asked to vote in favour of, or against, the Option Scheme Meeting being implemented.  Important details on the matters to be voted on at the Scheme Meetings are set out in the Notice of Share Scheme Meeting and Notice of Option Scheme Meeting (both included in this Scheme Booklet).	Annexure H Annexure I
<b>What vote is required to approve the Schemes?</b>	For the Share Scheme to be implemented, it is necessary that the Requisite Majority of Xplore Shareholders vote in favour at the Share Scheme Meeting. This requires more than 50% in number of Xplore Shareholders present and voting (by person or by proxy), and at least 75% of the total number of votes cast to vote in favour of the Share Scheme Resolution.  For the Option Scheme to be implemented, it is necessary that the Requisite Majority of Xplore Optionholders vote in favour at the Option Scheme Meeting. This requires more than 50% in number of Xplore Optionholders present and voting (by person or by proxy), and at least 75% (by value) of the total amount of debts and claims of all Xplore Optionholders (present and voting) to vote in favour of the Option Scheme Resolution.	See definition of 'Requisite Majority' in Section 14
<b>Am I entitled to vote?</b>	You can vote on the Share Scheme if you are an Xplore Shareholder who is registered on the Share Register as the holder of an Xplore Share at the Voting Entitlement Time (7.00pm on 10 February 2021).  You can vote on the Option Scheme if you are an Xplore Optionholder who is registered on the Option Register as the holder of an Xplore Option at the Voting Entitlement Time (7.00pm on 10 February 2021).	Sections 1.8 and 3.2
<b>Is voting compulsory?</b>	Voting is not compulsory. The voting approval thresholds for each Scheme (the 'Requisite Majorities') are determined on the basis of Xplore Shareholders and Xplore Optionholders who are <b>present and voting</b> at the Scheme Meetings.	See definition of 'Requisite Majority' in Section 14

Question	Answer	Further information in this Scheme Booklet
<b>Can I vote in person?</b>	You can only attend the virtual Share Scheme Meeting or Option Scheme Meeting (as applicable) online and vote using the login details and process provided in section 3.4(a) of this Scheme Booklet. There will be no physical meeting.	Sections 3.3 and 3.4
<b>How can I vote if I cannot participate in the virtual Scheme Meeting?</b>	<p>If you cannot attend the virtual Share Scheme Meeting or Option Scheme Meeting, you may vote by completing and lodging the Share Scheme Proxy Form or Option Scheme Proxy Form (as relevant) accompanying this Scheme Booklet. Section 3.4(b) explains how you can complete and lodge your Share Scheme Proxy Form or Option Scheme Proxy Form (as relevant).</p> <p>You can also vote by appointing a corporate representative (if you are a corporate shareholder) or an attorney. Sections 3.4(c) and 3.4(d) explain how to appoint an attorney or corporate representative.</p> <p>The deadline for the receipt of the Share Scheme Proxy Forms or Option Scheme Proxy Forms (as relevant), powers of attorney or appointments of corporate representatives for the Scheme Meetings is 10.00am on 10 February 2021.</p>	Section 3.4
<b>When will the result of each Scheme Meeting be known?</b>	<p>The results of the Scheme Meetings will be available during the Scheme Meetings and will be announced online and to ASX shortly after the conclusion of the Scheme Meetings.</p> <p>The Schemes will only proceed if the Court also provides its approval and all the other Scheme Conditions for the relevant Scheme are satisfied or waived.</p>	Sections 1.3, 5.3 and 5.4
<b>How do I oppose the approval of the Share Scheme or the Option Scheme?</b>	<p>If you do not support the Schemes, your options are:</p> <ul style="list-style-type: none"> <li>to attend the Share Scheme Meeting or Option Scheme Meeting (as relevant) either by joining online personally or by proxy, and vote against the relevant Scheme being implemented; and/or</li> <li>if the Share Scheme or the Option Scheme is approved by the other Xplore Shareholders or Xplore Optionholders despite your vote against the Share Scheme Resolution or Option Scheme Resolution (as relevant), then you may wish to oppose the approval by filing and serving a notice of opposition and any other supporting documents on Xplore at least one day before the Second Court Date and attending the Second Court Hearing.</li> </ul>	Section 3
<b>Tax implications</b>		
<b>What are the Australian tax implications of the Schemes for Xplore Securityholders?</b>	<p>A summary of the general Australian income tax, stamp duty and GST consequences for Xplore Shareholders and Xplore Optionholders who participate in the Scheme is set out in section 12 of this Scheme Booklet.</p> <p>Your tax position will depend on your particular circumstances. You are urged to consult your own professional tax adviser as to the specific tax consequences to you of the relevant Scheme, including the applicability and effect of income tax and other tax laws in your particular circumstances.</p>	Section 12

Question	Answer	Further information in this Scheme Booklet
<p><b>Am I entitled to scrip-for-scrip rollover relief?</b></p>	<p>Australian resident Xplore Shareholders who would otherwise make a capital gain on the disposal of their Xplore Shares under the Share Scheme should be eligible to choose scrip-for-scrip rollover relief, but only to the extent they receive Scrip Consideration.</p> <p>The scrip for scrip rollover cannot be applied in relation to the Cash Consideration component.</p> <p>The tax consequences of the Schemes will differ for each Xplore Securityholder, who should consult their own professional tax advisers to seek advice that considers their individual circumstances.</p>	<p>Section 12</p>
<p><b>Further questions</b></p>		
<p><b>Who can I contact if I have further questions in relation to this Scheme Booklet or the Schemes?</b></p>	<p>If you have any further questions of a general nature in relation to this Scheme Booklet, the Share Scheme, the Option Scheme or any related matter, then you may:</p> <ul style="list-style-type: none"> <li>• email the Share Registry at <a href="mailto:registry@registrydirect.com.au">registry@registrydirect.com.au</a>; or</li> <li>• call the Xplore Securityholder Information Line on 1300 55 66 35 (within Australia) or +61 3 9909 9909 (outside Australia) on Monday to Friday between 9.00am and 5.00pm (AEDT).</li> </ul> <p>For more specific advice relating to your own circumstances, please contact your legal, investment or other professional adviser.</p>	<p>Section 1.13</p>

### 3. How to vote

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#### 3.1 Scheme Meetings

The Share Scheme Meeting will be held entirely virtually via the internet at 10.00am on 12 February 2021 and the Option Scheme Meeting will be held virtually via the internet at 11.00am on 12 February 2021 or at the conclusion or adjournment of the Share Scheme Meeting, whichever time is later. There will be no physical meeting that Xplore Securityholders or proxy holders can attend in person.

The Notice of Share Scheme Meeting is contained in Annexure H and the Notice of Option Scheme Meeting is contained in Annexure I.

For the Share Scheme to be implemented, it is necessary that the Requisite Majority of Xplore Shareholders vote in favour of the resolution to approve the Share Scheme at the Share Scheme Meeting.

For the Option Scheme to be implemented, it is necessary that the Requisite Majority of Xplore Optionholders vote in favour of the resolution to approve the Option Scheme at the Option Scheme Meeting.

You should note that even if the Share Scheme and Option Scheme are approved by the Requisite Majority of Xplore Securityholders (as applicable), it is possible that the Share Scheme and Option Scheme (as applicable) may not proceed to be implemented. This may occur if:

- the Scheme Conditions related to the Share Scheme and/or Option Scheme (as applicable) are not satisfied or waived; or
- if the Share Scheme and/or Option Scheme are not subsequently approved by the Court at the Second Court Hearing (noting that the Court retains an overarching discretion whether or not to approve any scheme of arrangement).

#### 3.2 Entitlement to vote

Each Xplore Shareholder who is registered on the Share Register as the holder of an Xplore Share at the Voting Entitlement Time may vote at the Share Scheme Meeting and will have one vote for each Xplore Share they hold.

Each Xplore Optionholder who is registered on the Option Register as the holder of an Xplore Option at the Voting Entitlement Time may vote at the Option Scheme Meeting and will have one vote for each Xplore Option they hold.

#### 3.3 How to participate in the virtual Scheme Meetings

To watch and participate in the virtual Scheme Meetings, please follow the steps below.

##### ***If you are an Xplore Shareholder***

- **Step 1:** Open your browser and go to [https://zoom.us/webinar/register/WN\\_cEa9pD\\_kRaChSFoJwE0Zxw](https://zoom.us/webinar/register/WN_cEa9pD_kRaChSFoJwE0Zxw).
- **Step 2:** Register for the Share Scheme Meeting webinar by inserting your full name and email address. Please read and accept the terms and conditions before clicking on the blue 'Register' button.
- **Step 3:** Once you have registered, you will receive a confirmation email containing details about how to join the Share Scheme Meeting via Zoom. The confirmation email will include a link to join the meeting from a PC, Mac, iPad or Android device (including a passcode) and telephone numbers if you wish to join by telephone.
- **Step 4:** To join the Share Scheme Meeting, you can either view the broadcast by launching Zoom or dial in by telephone. Please note that you will only be able to dial in by telephone if you are located in a selected jurisdiction, which will be listed in the confirmation email.
  - **To view the broadcast**, you must click the "Click Here to Join" link in the confirmation email. This will launch Zoom on your browser. You may then need to enter the passcode provided in the confirmation email to be admitted to the meeting.
  - **To dial in by telephone**, you must use one of the telephone numbers provided in the confirmation email based on your current location. You may need to enter the Webinar ID and passcode specified in the confirmation email.
- **Step 5:** To vote at the Share Scheme Meeting, you will need to follow the steps in section 3.4.

### **If you are an Xplore Optionholder**

- **Step 1:** Open your browser and go to [https://zoom.us/webinar/register/WN\\_SSahgUo\\_Tl-NSpLZbl-J5w](https://zoom.us/webinar/register/WN_SSahgUo_Tl-NSpLZbl-J5w).
- **Step 2:** Register for the Option Scheme Meeting webinar by inserting your full name and email address. Please read and accept the terms and conditions before clicking on the blue 'Register' button.
- **Step 3:** Once you have registered, you will receive a confirmation email containing details about how to join the Option Scheme Meeting via Zoom. The confirmation email will include a link to join the meeting from a PC, Mac, iPad or Android device (including a passcode) and telephone numbers if you wish to join by telephone.
- **Step 4:** To join the Option Scheme Meeting, you can either view the broadcast by launching Zoom or dial in by telephone.
  - **To view the broadcast**, you must click the "Click Here to Join" link in the confirmation email. This will launch Zoom on your browser. You may then need to enter the passcode provided in the confirmation email to be admitted to the meeting.
  - **To dial in by telephone**, you must use one of the telephone numbers provided in the confirmation email based on your current location. You may need to enter the Webinar ID and passcode specified in the confirmation email.
- **Step 5:** To vote at the Option Scheme Meeting, you will need to follow the steps in section 3.4.

### **3.4 How to vote**

#### **(a) Voting in person**

If you want to vote in person, you will need to join the virtual Scheme Meetings (as relevant) by following the process set out above in section 3.3 of this Scheme Booklet.

You will also need access to your account on the Share Registry's website (which is Registry Direct Limited) during the Share Scheme Meeting or Option Scheme Meeting.

During the Scheme Meeting (as relevant), attendees will be provided with an "Attendance Verification Code". Once you have been provided with the Attendance Verification Code and have decided how you will vote:

1. Log into your account at <https://www.registrydirect.com.au/login/>
2. Go to the Meeting menu item
3. Select the Meeting and the holding to be voted on
4. Enter the Attendance Verification Code
5. Cast your votes
6. If you have any additional holdings (including any Xplore Options on which you are entitled to vote), repeat steps 3 to 5 in respect of those additional holdings

You are strongly advised to verify that you can access your account on the Share Registry's website (being Registry Direct ) before the relevant Scheme Meeting.

If you cannot access your account, please email the Share Registry at [registry@registrydirect.com.au](mailto:registry@registrydirect.com.au) or call the Share Registry on 1300 55 66 35 (within Australia) or +61 3 9909 9909 (outside Australia).

#### **(b) Voting by proxy**

Xplore Securityholders have the right to appoint a proxy to attend the relevant Scheme Meeting on your behalf and to vote as directed by the Xplore Securityholder. The proxy need not be an Xplore Shareholder or Xplore Optionholder and may be an individual or a body corporate.

You are entitled to appoint up to two proxies and, if you do so, you must specify the proportion or number of votes each proxy is appointed to exercise. If you appoint two proxies and the appointment does not specify the proportion or number of your votes, then each proxy may exercise half of the votes as in accordance with s249X (3) of the Corporations Act.

You may make your proxy appointment and direct how you want your votes to be cast online at <https://www.registrydirect.com.au/login/>. If you have any problems accessing the online service, please email the Share Registry at [registry@registrydirect.com.au](mailto:registry@registrydirect.com.au) or call the Share Registry on 1300 55 66 35 (within Australia) or +61 3 9909 9909 (outside Australia).

Alternatively, you may complete and sign the Share Scheme Proxy Form or Option Scheme Proxy Form (as applicable) and return it to the Share Registry by:

- post: Registry Direct, 10 Exon Street, Brighton, Victoria, 3186, Australia;
- facsimile: +61 3 9111 5652;
- email: [registry@registrydirect.com.au](mailto:registry@registrydirect.com.au); or
- hand or courier delivery: Registry Direct, 10 Exon Street, Brighton, Victoria, 3186, Australia.

Your Share Scheme Proxy Form or Option Scheme Proxy Form (as applicable) must be received by the Share Registry by 10.00am on 10 February 2021. **Share Scheme Proxy Forms or Option Scheme Proxy Forms received after the deadline will be invalid.**

Eligible proxy holders must contact the Share Registry on 1300 55 66 35 (within Australia) or +61 3 9909 9909 (outside Australia) before the relevant Scheme Meeting to obtain access to a proxy voting card and instructions on how to complete the proxy voting card.

Your appointment of a proxy does not preclude you from attending in person (online only) and voting at the meeting. The appointment of your proxy is not revoked merely by your attendance to and participation in the meeting, but if you vote on a resolution, any vote made by your proxy on your behalf will not be counted.

**(c) Voting by attorney**

If voting by attorney, the power of attorney appointing the attorney must be duly signed and specify the name of each of the Xplore Securityholder, Xplore and the attorney, and specify the meetings at which the appointment may be used.

The power of attorney must be returned in the same manner, and by the same time, as outlined for the Share Scheme Proxy Forms or Option Scheme Proxy Forms (as relevant) above.

The deadline for the receipt of powers of attorney by the Share Registry is 10.00am on 10 February 2021.

Your appointment of an attorney does not preclude you from attending in person (online only) and voting at the meeting. The appointment of your attorney is not revoked merely by your attendance to and participation in the meeting, but if you vote on a resolution, any vote made by your attorney on your behalf will not be counted.

**(d) Voting by a corporate representative**

To vote at the relevant Scheme Meeting, a Xplore Securityholder or proxy which is a corporation may appoint an individual to act as its representative.

To vote by corporate representative at the Scheme Meetings, an Xplore Securityholder or proxy which is a corporation must provide the representative with a properly executed notice of appointment, which the representative must lodge with the Share Registry at least 48 hours prior to the commencement of the relevant Scheme Meeting. The appointment of a representative may set out restrictions on the representative's powers.

The original form of appointment of a representative, a certified copy of the appointment, or a certificate of the body corporate evidencing the appointment of a representative is prima facie evidence of a representative having been appointed. The chairman of the meeting may permit a person claiming to be a representative to exercise the body's powers even if they have not produced a certificate or other satisfactory evidence of their appointment.

The deadline for the receipt of appointment of a corporate representative by the Share Registry is 10.00am on 10 February 2021.

## 4. Considerations relevant to your vote

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The Xplore Directors unanimously recommend that Xplore Securityholders vote in favour of the Schemes, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Share Scheme is in the best interests of Xplore Shareholders and the Option Scheme is in the best interests of Xplore Optionholders.

In making this recommendation, the Xplore Directors have considered the information contained in:

- section 4.1 (reasons to vote in favour of the Schemes);
- section 4.2 (potential reasons to vote against the Schemes);
- section 4.3 (other key considerations relevant to voting on the Schemes).

Xplore Securityholders should seek professional advice on their individual circumstances, as appropriate.

### 4.1 Reasons to vote in favour of the Schemes

This section summarises the reasons why the Xplore Directors have determined to unanimously recommend that Xplore Securityholders vote in favour of the Schemes, in the absence of a Superior Proposal and provided that the Independent Expert continues to conclude that the Share Scheme is in the best interests of Xplore Shareholders and the Option Scheme is in the best interests of Xplore Optionholders.

#### (a) Unanimous Board Recommendation

The Xplore Directors believe that the Schemes are in the best interests of Xplore Securityholders and unanimously recommend that Xplore Securityholders vote in favour of the Schemes, in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of Xplore Securityholders.

In arriving at their recommendation, the Xplore Directors have considered the advantages and disadvantages of the Schemes, including information contained in the following sections:

- reasons to vote in favour of the Schemes (section 4.1)
- potential reasons to vote against the Schemes (section 4.2); and
- risk factors and taxation implications (sections 11 and 12).

The Xplore Directors consider that the Share Scheme Consideration and the Option Scheme Consideration recognise fair value for Xplore, as well as providing Xplore Securityholders with a relatively high level of certainty given the cash component of the Share Scheme Consideration (capped at 60%), the ability to elect 100% Cash Consideration (subject to scale back) and the cash consideration under the Option Scheme.

In the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of Xplore Securityholders, each of the Xplore Directors intends to vote in favour of the Schemes.

The Xplore Board does not make any recommendation as to how Xplore Shareholders (other than Foreign Scheme Shareholders who may not do so) should elect to receive the Share Scheme Consideration and recognise that each Xplore Shareholder will have different desires, portfolio considerations and risk appetite. Accordingly, each Xplore Shareholder will need to form their own view.

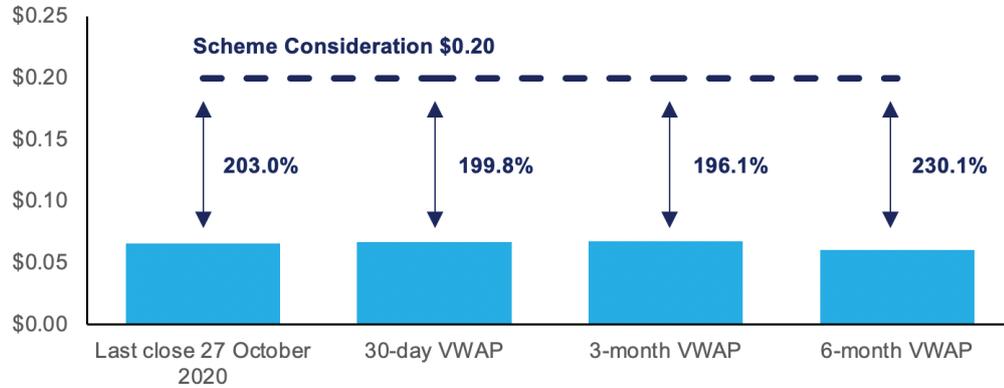
#### (b) The Share Scheme Consideration represents a significant premium to historical trading prices of Xplore shares

The Share Scheme Consideration was set at a value of \$0.20 per Xplore Share. Based on the Default Consideration mix of 50% Cash Consideration and 50% HUB24 Consideration Shares, and using a HUB24 share value of \$21.58 per share (being the 10-day VWAP prior to the date of the takeover announcement), the Share Scheme Consideration value was \$0.20 per Xplore Share, which represents a takeover premium of:

- 203.0% to Xplore's trading price of 6.60 cents on 27 October 2020;
- 198.7% to Xplore's 10-day VWAP of 6.70 cents up to 27 October 2020; and
- 199.8% to Xplore's 30-day VWAP of 6.67 cents up to 27 October 2020.

The graph below illustrates the premium implied by the Share Scheme Consideration of \$0.20 per Xplore Share against spot, the 30-day VWAP, the 3-month VWAP and the 6-month VWAP.

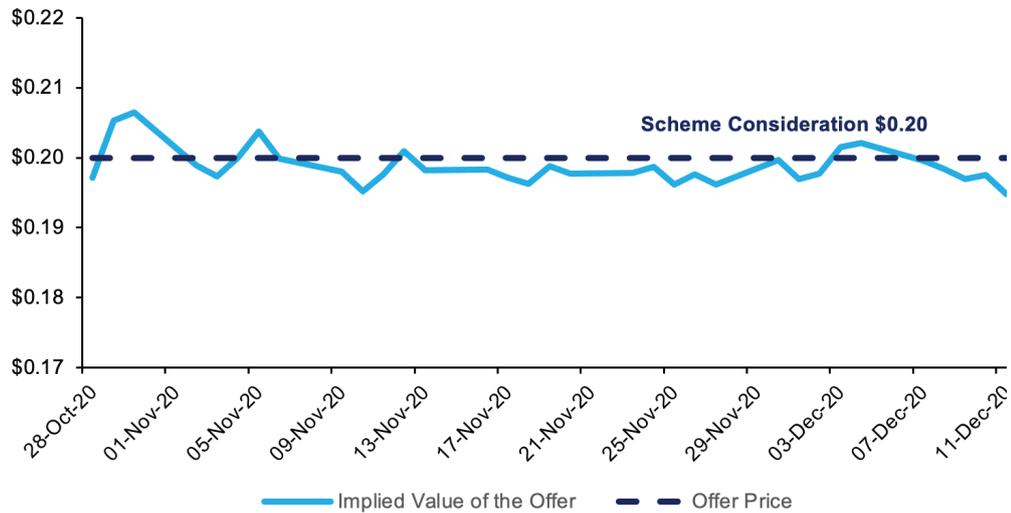
**Figure 1. Share Scheme Consideration premium to historical trading prices**



Source: IRESS

Since the announcement of the Proposed Transaction to the Last Practicable Date, the HUB24 share price has traded in a range of \$20.47 to \$22.97, and the value of the Default Consideration has shifted accordingly as follows:

**Figure 2. Implied value of the Offer since announcement assuming the Default Consideration is received**



Source: FactSet

**(c) The Independent Expert has concluded that, in the absence of a Superior Proposal, the Share Scheme is in the best interests of Xplore Shareholders and the Option Scheme is in the best interests of Xplore Optionholders**

The Xplore Directors appointed Leadenhall Corporate Advisory Pty Ltd as the Independent Expert to prepare an Independent Expert's Report providing an opinion as to whether the Schemes are fair and reasonable and in the best interests of Xplore Securityholders.

## Share Scheme

The Independent Expert has assessed the valuation of Xplore to be within the range of \$0.192 to \$0.231 per Xplore Share, noting the Share Scheme Consideration of \$0.20 per Xplore Share is within this range. Based on the Share Scheme Consideration of \$0.20 per Xplore Share, which is within the range of fair market values of an Xplore Share on a control basis, the Independent Expert has concluded that the Share Scheme is fair and reasonable and in the best interests of Xplore Shareholders

## Option Scheme

The Independent Expert has concluded that the Option Scheme is not fair because the Option Scheme Consideration is below the Independent Expert's assessed value of the Xplore Options.

However, the Independent Expert has concluded that the Option Scheme is reasonable because, among others:

*"an additional consideration for Optionholders is that if the share scheme is approved but the option scheme is not, Optionholders will have a one month window to exercise their options, otherwise the options will lapse. The shares that would be issued upon conversion of the options could then be compulsorily acquired by HUB24, therefore losing their time value. As we consider the share scheme to be in the best interests of Shareholders we consider this to be a likely outcome....if the share scheme is approved the outcome for Optionholders is better if the option scheme is approved than if it is not approved".*

Based on the evaluation that the Option Scheme is reasonable, the Independent Expert has concluded that the Option Scheme is in the best interests of Xplore Optionholders.

In evaluating the Independent Expert's Report, Xplore Optionholders should be aware of, and consider that, the Independent Expert says that the advantages and disadvantages to Xplore Optionholders are broadly similar to those advantages and disadvantages for Xplore Shareholders in respect of the Share Scheme set out at section 10.2 of the Independent Expert's Report. Although the Xplore Directors agree with the Independent Expert that the Option Scheme is reasonable and in the best interests of Xplore Optionholders (in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Option Scheme is in the best interests of the Xplore Optionholders), the Xplore Directors do not share the Independent Expert's view that the advantages and disadvantages of the Option Scheme are similar to those of the Share Scheme essentially for two reasons. First, if the Option Scheme is approved, the only benefit received by Xplore Optionholders is the payment of the Option Scheme Consideration; Xplore Optionholders do not receive HUB24 Consideration Shares under the Option Scheme. Secondly, a vote by an Xplore Optionholder in favour of or against the Option Scheme does not affect the Share Scheme in any way (because the Share Scheme is not contingent on the Option Scheme being approved).

A copy of the Independent Expert's Report is included in Annexure A of this Scheme Booklet. The Xplore Directors encourage you to read the Independent Expert's Report in its entirety before making a decision as to whether to vote in favour or to not vote in favour of the Schemes.

**(d) The Schemes were more favourable than other alternatives considered by the Xplore Board and relative to the changing dynamics of the Australian investment platform market and the risks associated with the execution of Xplore's current strategic initiatives**

In considering and recommending the Share Scheme and Option Scheme, the Xplore Board considered, among others:

- (i) the attractive takeover premium being offered to Xplore Securityholders relative to current Xplore share trading levels;
- (ii) the independent investment platform market is undergoing significant consolidation driven by the rapid change in the funds management and advice industry, the benefits and economies of scale, and the changing / evolving regulatory environment; and
- (iii) the outlook, risks and opportunities available for Xplore as a standalone entity and the outlook, risks and opportunities available to Xplore as part of HUB24.

After considering all of the above, the Directors decided to recommend the Schemes and continue to be of the view that the Schemes are in the best interests of Xplore Securityholders and provide opportunity to benefit from industry consolidation. Since the announcement of the transaction on 28 October 2020, no Superior Proposal has emerged.

**(e) The Share Scheme Consideration options provide flexibility and choice to eligible Xplore Shareholders (subject to scale back mechanisms)**

Under the Proposed Transaction, instead of the Default Consideration, eligible Xplore Shareholders have the choice of receiving their Share Scheme Consideration in the following forms (subject to scale back mechanisms):

- receive all their Scheme Consideration in cash (**Maximum Cash Election**); or
- receive all their Scheme Consideration in new HUB24 shares (**Maximum Scrip Election**).

This mix and match facility allows flexibility and is subject to a maximum cash consideration payable by HUB24 of \$36 million<sup>5</sup>, being the Cash Consideration Share Cap. The scrip component has maximum scrip consideration of \$30 million resulting in approximately 1.38 million HUB24 Consideration Shares being issued, being the Share Cap.

If Xplore Shareholders elect to receive aggregate cash consideration that in aggregate exceeds the Cash Consideration Share Cap, then each Xplore Shareholder who elects to receive cash will have their cash consideration scaled back. Conversely, if the elected aggregate scrip consideration exceeds the Share Cap, then each Xplore Shareholder who elects to receive scrip will have their scrip consideration scaled back. Refer to section 6.3 for some examples of how the scale back calculations function.

**(f) The option to receive Share Scheme Consideration in all cash or with a capped cash component (of 60%) if scale back applies or the Default Consideration of 50% cash provides Xplore Shareholders with a degree of certainty of value and the opportunity to realise part (if not all) of their investment in cash**

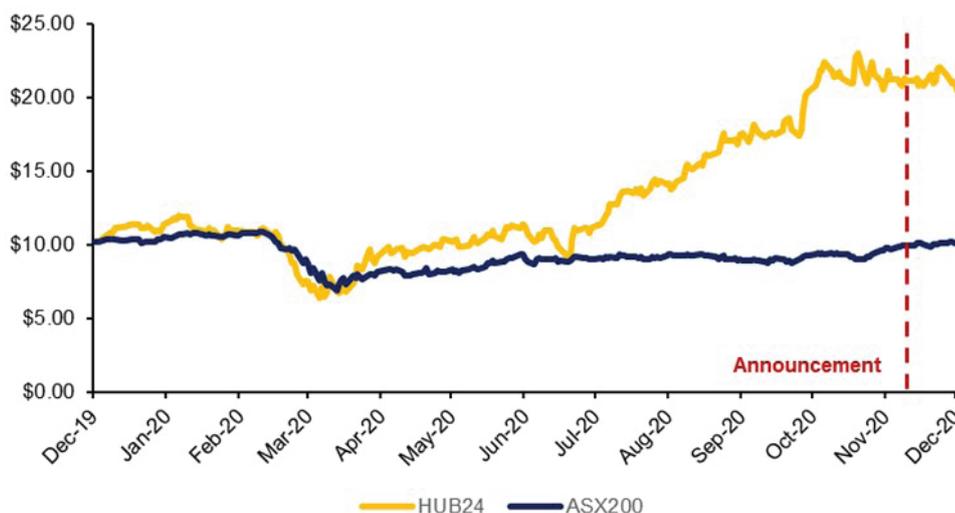
Xplore Shareholders who receive their Share Scheme Consideration in cash, either via an election, as a result of a scale-back or by default election, will receive the benefit of immediate liquidity for their Xplore Shares.

**(g) The option to receive Share Scheme Consideration in all scrip or with a capped scrip component (of 50%) if scale back applies or by default provides Xplore Shareholders the opportunity to become shareholders in a leading specialist platform provider as well as allowing Xplore Shareholders to benefit from the expected synergies created by the Proposed Transaction**

Receiving HUB24 Shares will provide Xplore Shareholders with an ongoing exposure to the Xplore business and to the combined HUB24 / Xplore business which will become one of the leading specialist platform providers (if the Scheme is implemented), with over \$42 billion in FUA and a number of new strategic client relationships.

At the same time of announcing the Xplore transaction, HUB24 also announced two other strategic acquisitions, being the acquisition of Ord Minnett's Portfolio Administration & Reporting Service and an investment in Easton Investments Limited. HUB24 announced that these transactions were expected result in EPS accretion of approximately 13% in FY22 and to generate synergies of \$10 million per annum from FY24. Over the past twelve months and since the announcement, HUB24 Shares have outperformed the ASX200 (see chart below):

**Figure 3. HUB24 share price performance versus the ASX200 (rebased to HUB24 price)**



Source: FactSet

<sup>5</sup> Less the sum of Ineligible Shares.

**(h) Since the announcement of the Schemes, no Superior Proposal has emerged**

The Scheme Implementation Agreement prohibits Xplore from soliciting and responding to a Competing Proposal, other than in certain circumstances, and requires Xplore to notify HUB24 of any Competing Proposal and its terms. Xplore will notify Xplore Securityholders if a Superior Proposal is received before the Second Court Date.

As at the date of this Scheme Booklet, neither Xplore nor any of Xplore's advisors have received any Competing Proposals from a third party and there are no third-party discussions underway with Xplore (or its advisers) in relation to a Competing Proposal.

**(i) If the Schemes do not proceed, and no superior proposal emerges, the Xplore share price may fall in the near-term**

Prior to the announcement of the Schemes, on Wednesday 28 October 2020, the closing price of Xplore Shares was \$0.066 per share.

If the Schemes are not implemented, and in the absence of a Superior Proposal, the price of Xplore Shares on the ASX may fall, including to a price that is significantly below the Scheme Consideration of \$0.20 per Xplore share and below the price at which they have traded since the announcement.

**Figure 4. Xplore share price performance for the last 12 months to Last Practicable Date**



Source: FactSet

**(j) If the Share Scheme proceeds but the Option Scheme does not proceed, the Xplore Optionholders will likely need to exercise their Xplore Options within one month of the Effective Date of the Share Scheme or their Xplore Options may be automatically cancelled. Since Xplore will be delisted from the ASX, any Xplore Shares held by exercising Xplore Options would be held in a private company.**

If the Option Scheme is not approved but the Share Scheme proceeds, Xplore Options will be subject to the terms of the relevant Xplore Option Plan relating to their Xplore Options.

The Xplore Option Plan rules adopted by Xplore provide that all Xplore Options, whether vested or unvested, can be exercised within one month of Xplore providing notice that a 'Predominant Control Event' has occurred (which will occur if the Share Scheme is implemented because that will result in HUB24 acquiring at least 90% of the issued ordinary share capital of Xplore). At the conclusion of this one month period, any unexercised Xplore Options will automatically lapse. Please ensure that you take your own legal advice in relation to the effect of the plan rules that apply to your Xplore Options.

Since Xplore will be delisted from the ASX if the Share Scheme proceeds, there is unlikely to be an active market for any Xplore Shares issued to Xplore Optionholders on any exercise of their Xplore Options.

**(k) If the Share Scheme proceeds but the Option Scheme does not proceed, HUB24 is likely to use powers under the Corporations Act to compulsorily acquire any Xplore Shares that are held by Xplore Optionholders after exercising their Xplore Options**

If the Share Scheme is approved but the Option Scheme is not approved, the Share Scheme will proceed and HUB24 will acquire all the Xplore Shares, but Xplore Optionholders will continue to hold their Xplore Options. As noted above, all Xplore Options whether vested or unvested, can be exercised within one month of Xplore providing notice that a 'Predominant Control Event' has occurred. At the conclusion of this one month period, any unexercised Xplore Options will automatically lapse. If any Xplore Options are exercised during the one month period, it is the intention of HUB24 to seek to compulsorily acquire any Xplore Shares that are issued to Xplore Optionholders if any of them decide to exercise their Xplore Options during this one month period under Part 6A.2 of the Corporations Act (which can only be for a cash sum), but HUB24 reserves the right to change its intention having regard to the prevailing circumstances.

Under Part 6A.2 of the Corporations Act, a person may compulsorily acquire all the shares and securities convertible into shares in a company where the person holds at least 90% of all the securities of the company that are either shares or convertible into shares. The consideration paid under compulsory acquisition must represent fair value as assessed by an independent expert nominated by ASIC.

If HUB24 seeks to exercise its compulsory acquisition rights, the Corporations Act sets out procedures and safeguards for Xplore Optionholders. If people who hold at least 10% of the Xplore Options and/or Xplore Shares validly object to the compulsory acquisition, HUB24 will need to apply to the Court for approval of the compulsory acquisition, and such approval may only be granted by the Court where HUB24 establishes that the Xplore Optionholders will receive fair value for their Xplore Options and/or Xplore Shares. In accordance with the Corporations Act, HUB24 is required to bear the legal costs of any proper and reasonable objection made by a Xplore Optionholder.

**(l) No brokerage or stamp duty will be payable by you for the transfer of your Xplore Shares under the Share Scheme and the cancellation of your Xplore Options under the Option Scheme**

If the Schemes are implemented, Securityholders will not incur any brokerage or stamp duty on the transfer of Xplore Shares to HUB24 under the Share Scheme or the cancellation of Xplore Options under the Option Scheme.

For Xplore Shareholders, it is possible that such charges may be incurred if Xplore Shares are transferred other than under the Share Scheme.

## **4.2 Potential disadvantages of the Schemes**

In the absence of a Superior Proposal, the Xplore Directors unanimously recommend that Xplore Securityholders vote in favour of the Schemes and the Independent Expert has concluded that the Share Scheme is in the best interests of Xplore Shareholders and the Option Scheme is in the best interests of Xplore Optionholders. However, you may hold a different view from, and are not obliged to follow the recommendation of, the Xplore Directors and may not agree with the Independent Expert's conclusion.

**(a) You may believe that there is potential for a Superior Proposal to be made in the foreseeable future**

Since Xplore and HUB24 entered into the Scheme Implementation Agreement on 28 October 2020 through to the date of this Scheme Booklet, no Competing Proposal has emerged. However, Xplore Securityholders may consider that a Superior Proposal with better long-term prospects for the Xplore businesses could emerge in the foreseeable future. The Schemes becoming Effective and being implemented will mean that existing Xplore Securityholders will not receive the benefit of any such Superior Proposal.

The Scheme Implementation Agreement prohibits Xplore from soliciting and responding to a Competing Proposal, other than in certain circumstances, and requires Xplore to notify HUB24 of any Competing Proposal and its terms. Xplore will notify Xplore Securityholders if a Superior Proposal is received before the Second Court Date.

**(b) You may disagree with the Xplore Board's unanimous recommendation or the Independent Expert's conclusion**

You may disagree with the conclusion of the Independent Expert, who has determined that the Share Scheme is in the best interest of Xplore Shareholders and the Option Scheme is in the best interest of Xplore Optionholders Schemes, in the absence of a Superior Proposal.

Similarly, you may disagree with the unanimous recommendation of the Xplore Directors, who have recommended that Xplore Securityholders vote in favour of the Schemes, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of Xplore Securityholders.

**(c) You may wish to maintain your current investment profile and exposure to a business with Xplore's specific characteristics**

Xplore Securityholders may wish to keep their Xplore Shares and Xplore Options (as applicable) and preserve their investment in a publicly listed company with the specific characteristics of Xplore. The asset composition and exposure, earnings mix and risk profile of the two companies on a standalone basis are different.

Implementation of the Schemes may represent a disadvantage if you do not want to change your investment profile. Conversely, maintaining the current Xplore only investment profile could bring with it a greater risk profile when compared with the larger and more diverse business of HUB24 (assuming Xplore Shareholders receive and retain HUB24 Consideration Shares as part of the Scheme Consideration). Xplore Securityholders should read this Scheme Booklet carefully to understand the implications of the Scheme and should seek investment, legal or other professional advice in relation to their own circumstances. Further information about the Combined Group can be found at section 10 of the Scheme Booklet.

**(d) The future value of HUB24 Consideration Shares after the Share Scheme is implemented will shift with the market and investor sentiment and as such is considered uncertain**

If the Share Scheme becomes Effective and is implemented, some Xplore Shareholders will receive new HUB24 Consideration Shares depending on the Election they have made (and whether the scale back mechanism applies) or whether they receive Default Consideration. At this point, the trading value of HUB24 Consideration Shares will depend on the price at which HUB24 Shares are trading on ASX. This price may rise or fall depending on market conditions and the financial and operational performance of the Combined Group.

**(e) You may be worried about specific risks associated with HUB24's business or the future value of HUB24 Consideration Shares after the Share Scheme is implemented**

You should read section 9 of the Scheme Booklet which summarises the business operations and strategy of HUB24, to understand what additional businesses and assets you will be exposed to if you become a HUB24 Shareholder on implementation of the Share Scheme.

Additionally, there are a number of risks specific to the Combined Group, which are described in further detail in section 10 of the Scheme Booklet and which may affect the value of HUB24 Consideration Shares.

Xplore Shareholders should consider these risks before deciding whether to vote in favour of the Share Scheme. The Xplore Directors note that this risk is in part mitigated by the inclusion of a significant cash portion in the Share Scheme Consideration (capped at up to 60%) and also note that Xplore Shareholders could realise the full value of their Xplore investment of cash via a sale on-market, although they may not receive the equivalent \$0.20 of the Share Scheme Consideration and brokerage fees may apply.

**(f) The tax consequences of the Schemes may not suit your current financial situation**

Implementation of the Schemes may trigger different or adverse tax consequences for certain Xplore Securityholders. The tax treatment may vary depending on the nature and characteristics of each Xplore Securityholder and their specific circumstances. The tax consequences of the Schemes may not suit an individual Xplore Securityholder's financial position. Xplore Securityholders should seek financial, tax and other professional advice as necessary for their specific circumstances.

Xplore Securityholders should read the tax implications of the Schemes outlined in section 12 of the Scheme Booklet, which is general in nature and Xplore Securityholders should consult with their professional tax adviser regarding their particular circumstances.

**(g) The Schemes may be subject to Scheme Conditions that you consider unacceptable**

In addition to Xplore Securityholder approval and Court approval, the implementation of the Schemes is subject to a number of other conditions. If these conditions are not satisfied or waived (as applicable), the Schemes will not be implemented and Xplore Securityholders will not receive the Scheme Consideration.

The conditions to the Schemes are summarised in section 5 of the Scheme Booklet and are set out in full in clauses 3.1 and 3.3 of the Scheme Implementation Agreement. You may consider those conditions to be unacceptable. However, you should note that the Schemes will not be implemented unless those conditions are satisfied or waived.

### 4.3 Other key considerations in relation to voting on the Schemes

Xplore Securityholders should also consider the following additional considerations in determining how to exercise their vote at the relevant Scheme Meeting:

**(a) For Xplore Shareholders receiving Share Scheme Consideration in the form of HUB24 Consideration Shares, the value of the HUB24 Consideration Shares may fluctuate before the HUB24 Consideration Shares are issued**

Xplore Shareholders who hold Scheme Shares at the Election Date are being offered the choice of receiving their Share Scheme Consideration in cash (called the Maximum Cash Election) or in new HUB24 Consideration Shares (called the Maximum Scrip Election). Xplore Shareholders who do not make an Election will automatically receive the Default Consideration, being 50% Cash Consideration and 50% Scrip Consideration under the Share Scheme.

The Scrip Consideration consists of a specified number of new HUB24 Consideration Shares, being 0.00926746 HUB24 Consideration Shares for each Xplore Share. As the share ratio is fixed, the value of the Share Scheme Consideration may fluctuate before HUB24 Consideration Shares are issued under the Share Scheme on the Implementation Date. Importantly, if the market price of HUB24 falls, the implied value of the Share Scheme Consideration under a scrip election may fall below the valuation range of the Independent Expert of between \$0.192 and \$0.231 per Xplore Share.

Set out below is an illustration of the implied value of the Share Scheme Consideration per Scheme Share if a Maximum Scrip Election is made by an Xplore Shareholder at the Election Date, based on potential movements in the market price of HUB24 Shares on ASX and assuming no scale back.

**Figure 5. Implied value of the Share Scheme Consideration**

HUB24 Share Price	Implied value of the Share Scheme Consideration under an all cash election	Implied value of the Share Scheme Consideration under an all HUB24 Consideration Share election	Implied value of the Share Scheme Consideration under the Default Consideration (50% cash, 50% HUB24 Consideration Share)
\$20.00	\$0.20	\$0.1853	\$0.1927
\$20.50	\$0.20	\$0.1900	\$0.1950
\$21.00	\$0.20	\$0.1946	\$0.1973
\$21.58	\$0.20	\$0.2000	\$0.2000
\$22.00	\$0.20	\$0.2039	\$0.2019
\$22.50	\$0.20	\$0.2085	\$0.2043
\$23.00	\$0.20	\$0.2132	\$0.2066

In comparison, Scheme Shareholders who made a Maximum Cash Election will be paid a fixed cash amount of \$0.20 per Scheme Share that will not be subject to change (subject to scale back). Additionally, Scheme Shareholders who did not make an Election or who acquired Xplore Shares after the Election Date, will receive the Default Consideration, being a mix of 50% Cash Consideration and 50% HUB24 Consideration Shares.

Given this, in deciding whether to vote in favour of the Share Scheme, and whether to make a Maximum Cash Election or a Maximum Scrip Election, Xplore Shareholders should carefully consider the current market price of HUB24 Shares and the potential for that price to fall or rise before the new HUB24 Consideration Shares are issued under the Share Scheme.

Xplore Shareholders should also consider the important information regarding HUB24 Shares in section 9 and the risks associated with owning HUB24 Consideration Shares, as set out in section 11.

**(b) The Schemes may be implemented even if you vote against the Schemes or do not vote at all. It is an “all-or-nothing” proposal.**

The Schemes may still be implemented if they are approved by the Requisite Majority of Xplore Securityholders and the Court and all of the other Scheme Conditions to the Schemes are either satisfied or waived (as applicable). If this occurs:

- (i) the Schemes will bind all Xplore Securityholders, including those who did not vote on the Scheme Resolution and those who voted against it;
- (ii) your Xplore Shares will be transferred to HUB24, your Xplore Options will be cancelled and you will receive the Share Scheme Consideration or Option Scheme Consideration (as relevant);
- (iii) Xplore will become a wholly-owned subsidiary of HUB24; and
- (iv) Xplore will be delisted from the ASX.

**(c) Break fees**

Xplore has agreed to pay HUB24 a break fee of \$600,000 (inclusive of GST) in certain circumstances, which include a Director changing, withdrawing or modifying their recommendation (subject to the Independent Expert maintaining its conclusion that the Schemes are in the best interests of Xplore Securityholders), a person other than HUB24 obtaining control of Xplore as a result of a Competing Proposal or HUB24 terminating the Scheme Implementation Agreement where Xplore is in material breach of its obligations. Please refer to Section 5.8 of this Scheme Booklet for a more detailed summary of this obligation.

HUB24 has agreed to pay Xplore a reverse break fee of \$600,000 (inclusive of GST) in certain circumstances, which include HUB24 failing to pay the Share Scheme Consideration or the Option Scheme Consideration assuming the Share Scheme and Option Scheme became Effective, or Xplore terminating the Scheme Implementation Agreement where HUB24 is in material breach of its obligations. Please refer to Section 5.8 of the Scheme Booklet for a more detailed summary of this obligation.

However, should the Share Scheme Resolution not be passed by the Requisite Majority of Xplore Shareholders (other than in circumstances where an Xplore Director has changed, withdrawn or modified their recommendation) the break fee is not payable.

**(d) Transaction costs**

As at the date of this Scheme Booklet, Xplore has incurred (or expects to incur) costs of approximately \$800,000 (excluding GST and disbursements) in developing the Schemes so that they are capable of being submitted to Xplore Securityholders for consideration. If the Schemes are not implemented, Xplore's results for the financial year ending 30 June 2021 will be affected by the transaction costs.

**(e) Conditionality of the Schemes**

Implementation of the Schemes (as applicable) are subject to the satisfaction or waiver (as applicable) of a number of Scheme Conditions. If the Scheme Conditions are not satisfied or waived (as applicable) by the End Date, the Schemes will not proceed and Xplore Securityholders will not receive the Scheme Consideration.

**(f) Implications for Xplore Securityholders if the Schemes are not implemented**

- (i) **(No Scheme Consideration):** If the Schemes are not implemented, each Xplore Securityholder will retain their Xplore Securities and will not receive any Scheme Consideration.
- (ii) **(Remain listed):** If the Schemes are not implemented, Xplore will remain listed on the ASX. Xplore Securityholders will continue to be exposed to the risks and benefits of owning Xplore Securities.
- (iii) **(Share price drop):** The Xplore Directors expect that, if the Share Scheme is not implemented, the Xplore Share price would be likely to trade below its recent trading price, although it is not possible to predict the Xplore Share price movement with any degree of certainty.

- (iv) **(Implications specific to Option Scheme)**: If the Share Scheme is approved but the Option Scheme is not approved, HUB24 will acquire all the Xplore Shares but Xplore Optionholders will continue to hold their Xplore Options. All Xplore Options whether vested or unvested, can be exercised within one month of Xplore providing notice that a 'Predominant Control Event' has occurred. At the conclusion of this one month period, any unexercised Xplore Options will automatically lapse. In these circumstances, Xplore would be delisted from ASX, such that there is unlikely to be an active market for any Xplore Shares issued to Xplore Optionholders on the exercise of their Xplore Options and HUB24 is likely seek to use its compulsory acquisition powers under the Corporations Act to acquire any Xplore Shares issued to Xplore Optionholders if any of them decide to exercise their Xplore Options.

**(g) Warranties by Xplore Shareholders under the Share Scheme**

The effect of the Share Scheme is that all Scheme Shareholders, including those who vote against the Share Scheme and those who do not vote, will be deemed to have warranted to Xplore, both in their own right and for the benefit of HUB24, that, as at the Implementation Date, their Scheme Shares are fully paid and not subject to any of the encumbrances specified in the Share Scheme. The terms of the warranties are set out in clause 8.4 of the Share Scheme. The Share Scheme is set out in Annexure D.

You should ensure that these warranties can be given by you prior to, and remain correct as at, the Implementation Date.

**(h) Warranties by Xplore Optionholders under the Option Scheme**

The effect of the Option Scheme is that all Scheme Optionholders, including those who vote against the Option Scheme and those who do not vote, will be deemed to have warranted to Xplore, both in their own right and for the benefit of HUB24, that, as at the Implementation Date, their Scheme Options are fully paid and not subject to any of the encumbrances specified in the Option Scheme. The terms of the warranty are set out in clause 7.4 of the Option Scheme. The Option Scheme is set out in Annexure E.

You should ensure that these warranties can be given by you prior to, and remain correct as at, the Implementation Date.

## 5. Implementation of the Schemes

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### 5.1 Introduction

The Schemes are each a scheme of arrangement under Part 5.1 of the Corporations Act. A scheme of arrangement is commonly used to give effect to the acquisition of one company by another company.

The key terms of the Schemes, if approved and implemented, will involve:

- (a) the acquisition by HUB24 on the Implementation Date of all the Xplore Shares not already held by HUB24 as at the Share Scheme Record Date;
- (b) the cancellation of all Xplore Options;
- (c) the provision of the Share Scheme Consideration to Scheme Shareholders who hold Scheme Shares at the Share Scheme Record Date; and
- (d) the provision of the Option Scheme Consideration to Scheme Optionholders who hold Scheme Options at the Option Scheme Record Date.

Copies of the Share Scheme and Option Scheme are set out in Annexure D and Annexure E to this Scheme Booklet. This section explains the steps involved in implementing the Schemes.

### 5.2 Steps in implementing the Schemes

#### (a) Scheme Implementation Agreement

On 28 October 2020, Xplore and HUB24 entered into the Scheme Implementation Agreement which sets out each of Xplore and HUB24's rights and obligations in connection with the implementation of the Schemes.

A link to the Scheme Implementation Agreement (excluding annexures) is contained in Annexure C. Certain key aspects of the Scheme Implementation Agreement are summarised in section 5.7 through 5.10 of this Scheme Booklet.

#### (b) Deed Polls

On 15 December 2020, HUB24 executed the Share Scheme Deed Poll in favour of each Scheme Shareholder and the Option Scheme Deed Poll in favour of each Scheme Optionholder, pursuant to which HUB24 agreed to perform its obligations under Schemes and to otherwise comply with the Schemes as if HUB24 was a party to the Schemes.

The key obligation of HUB24 under the Schemes is to provide the Share Scheme Consideration to each Scheme Shareholder and the Option Scheme Consideration to each Scheme Optionholder subject to satisfaction or (if applicable) waiver of the Scheme Conditions.

A copy of the Share Scheme Deed Poll is attached to Annexure F and a copy of the Option Scheme Deed Poll is attached to Annexure G.

#### (c) Scheme Meetings

On 18 December 2020, the Court ordered that Xplore convene a meeting of Xplore Shareholders to consider and vote on the Share Scheme and a meeting of Xplore Optionholders to consider and vote on the Option Scheme.

The Court ordered that the Share Scheme Meeting to consider the Share Scheme be held virtually at 10.00am on 12 February 2021 and that the Option Scheme Meeting to consider the Option Scheme be held virtually at 11.00am on 12 February 2021 or at the conclusion or adjournment of the Share Scheme Meeting (whichever time is later).

Instructions on how to attend and vote at the Scheme Meetings are set out in section 3 of this Scheme Booklet and in the Notice of Share Scheme Meeting in Annexure H and in the Notice of Option Scheme Meeting in Annexure I.

#### ***No endorsement by the Court***

The fact that under section 411(1) of the Corporations Act the Court ordered on 18 December 2020 that meetings of Xplore Securityholders be convened by Xplore to consider and vote on the Schemes does not mean that the Court:

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

### **Required majority to pass resolutions**

For the Share Scheme to be implemented, it is necessary that the Requisite Majority of Xplore Shareholders vote in favour of the resolution to approve the Share Scheme at the Share Scheme Meeting.

For the Option Scheme to proceed, it is necessary that the Requisite Majority of Xplore Optionholders vote in favour of the resolution to approve the Option Scheme at the Option Scheme Meeting.

If the Requisite Majority of Xplore Securityholders approve the Schemes at the Scheme Meetings (as relevant), the result of the Scheme Meetings will be announced during the Scheme Meetings and to the ASX shortly after conclusion of the Scheme Meetings.

### **(d) Second Court Hearing**

In order to become Effective, the Schemes (with or without modification) must be approved by an order of the Court at the Second Court Hearing in accordance with section 411(4)(b) of the Corporations Act.

#### **Apply for approval**

If the Schemes are approved at the Scheme Meetings by the Requisite Majority (as applicable), Xplore intends to apply to the Court for the necessary orders approving the Schemes.

The Court has an overriding discretion whether or not to approve the Share Scheme under section 411(4)(a)(ii)(A) of the Corporations Act and can, for example, disregard the Headcount Test. Xplore reserves the right to apply to the Court at the Second Court Hearing to approve the Share Scheme even if the Headcount Test is not satisfied.

If the Schemes (as relevant) are approved at the Scheme Meetings by the Requisite Majority (as applicable), but not subsequently approved by the Court at the Second Court Hearing, then the Schemes (as applicable) will not proceed.

#### **Opposing the Schemes**

Each Xplore Securityholder has the right to seek leave to appear at Court at the Second Court Hearing and be heard in respect of the Schemes (as applicable).

The Second Court Hearing is scheduled to be held at 10.15am on 18 February 2021 in the Federal Court of Australia (Sydney registry). In response to the global COVID-19 pandemic and government restrictions on physical gatherings, it is possible that the Second Court Hearing will be held either virtually or by telephone conference. Information on attending the Second Court Hearing will be released on ASX if the Schemes are approved by Xplore Securityholders at the Scheme Meetings.

If you want to object to approval of the Schemes by the Court at the Second Court Hearing, you must file with the Court and serve on Xplore a notice of appearance in the prescribed form together with any affidavit that you propose to rely on at the hearing.

The notice of appearance and affidavit must be served on Xplore at its address for service at least one day before the Second Court Hearing. The postal address for service is: Suite 1, Level 5, 28 Margaret Street, Sydney, NSW 2000.

### **(e) Record date – Determination of Scheme Shareholders and Scheme Optionholders**

Xplore Shareholders will be entitled to receive the Share Scheme Consideration under the Share Scheme if they are registered as holders of Xplore Shares on the Share Scheme Record Date and Xplore Optionholders will be entitled to receive the Option Scheme Consideration under the Option Scheme if they are registered as holders of Xplore Options on the Option Scheme Record Date.

The Share Scheme Record Date is currently proposed to be 23 February 2021 and the Option Scheme Record Date is currently proposed to be 23 February 2021.

In this Scheme Booklet, Xplre Shareholders and the Xplre Shares they hold as at the Share Scheme Record Date are referred to as 'Scheme Shareholders' and 'Scheme Shares'. In this Scheme Booklet, Xplre Optionholders and the Xplre Options they hold as at the Option Scheme Record Date are referred to as 'Scheme Optionholders' and 'Scheme Options'.

From the Share Scheme Record Date and the Option Scheme Record Date (and other than for HUB24 following the Implementation Date), the Share Register will close for transfers and all holding statements for Xplre Shares and Xplre Options will cease to have effect as documents of title. Each entry on the Share Register on the Share Scheme Record Date or the Option Scheme Record Date (as applicable) will cease to have any effect other than as evidence of entitlement to the Share Scheme Consideration and Option Scheme Consideration.

**(f) Effective Date**

If the Court approves the Schemes at the Second Court Hearing, Xplre will (pursuant to section 411(10) of the Corporations Act) lodge with ASIC the office copy of the Court order approving the Schemes. Xplre intends to lodge the office copy of the Court order with ASIC on the Effective Date, which is expected to be 19 February 2021.

If the Scheme Conditions are satisfied or waived, the Schemes will legally come into effect on the Effective Date.

If a Scheme has not become Effective or the relevant Scheme Conditions have not been satisfied or (if applicable) waived by 30 April 2021 (being the End Date), or such later date as Xplre and HUB24 agree in writing, the relevant Scheme will lapse and be of no further force or effect.

**(g) Implementation Date**

The Implementation Date of the Share Scheme or Option Scheme is the date which is five Business Days after the Share Scheme Record Date or the Option Scheme Record Date, as relevant.

**Share Scheme**

If the Share Scheme becomes Effective, on the Implementation Date:

- all Scheme Shares held by Scheme Shareholders will be transferred to HUB24 without any further action required by Scheme Shareholders;
- all Scheme Shareholders who receive HUB24 Consideration Shares will have their names entered on the HUB24 Register;
- all Scheme Shareholders who are entitled to Cash Consideration will be paid their Cash Consideration;
- Xplre will enter the name of HUB24 in the Share Register in respect of the Scheme Shares; and
- Xplre will become a wholly-owned subsidiary of HUB24.

More information about the provision of the Share Scheme Consideration on the Implementation Date is set out in section 6.8 of the Scheme Booklet.

**Option Scheme**

If the Option Scheme becomes Effective, all Xplre Options held by Scheme Optionholders will be cancelled, without the need for any further act by any Scheme Optionholder, with effect from the Implementation Date.

Each Scheme Optionholder will receive the Option Scheme Consideration for every Scheme Option they hold in consideration for the cancellation of their Scheme Options. More information about the provision of the Share Scheme Consideration on the Implementation Date is set out in section 6.9 of the Scheme Booklet

**(h) Suspension and delisting**

If the Share Scheme becomes Effective, Xplre will apply to the ASX to suspend trading on the ASX in Xplre Shares with effect from the close of trading on the Effective Date.

After the Implementation Date of the Share Scheme, Xplre will apply to the ASX for termination of the official quotation of Xplre Shares on the ASX and to have itself removed from the official list of the ASX.

(i) **Trading in HUB24 Consideration Shares**

HUB24 will seek confirmation from the ASX that, from the Business Day after the Effective Date (or any later date as the ASX requires), the HUB24 Consideration Shares will be listed for quotation on the official list of the ASX.

The HUB24 Consideration Shares are expected to commence trading on the ASX, initially on a deferred settlement basis from 19 February 2021, and, from the first Business Day after the Implementation Date being 3 March 2021 (or any later date as the ASX requires), on a normal settlement basis.

The exact number of HUB24 Consideration Shares to be issued to each Scheme Shareholder (as applicable) will not be known until after the Share Scheme Record Date and will not be confirmed to each Scheme Shareholder until they receive their holding statements following the Implementation Date. It is the responsibility of each Scheme Shareholder to confirm their holdings of HUB24 Consideration Shares before they trade them, to avoid the risk of committing to sell more than will be issued to them.

### 5.3 Scheme Conditions

The Schemes will not proceed unless all the Scheme Conditions are satisfied or waived (if capable of being waived) in accordance with the Scheme Implementation Agreement.

The Scheme Conditions are set out in clause 3 of the Share Scheme of Arrangement and clause 3 of the Option Scheme of Arrangement and clauses 3.1 and 3.3 of the Scheme Implementation Agreement.

The Scheme Conditions are set out below:

No	Condition	Beneficiary
<b>Share Scheme Conditions</b>		
1	<b>No Material Adverse Change</b> No Material Adverse Change occurs between the date of the Scheme Implementation Agreement and the Delivery Time on the Second Court Date.	HUB24
2	<b>Regulatory Approvals</b> <ul style="list-style-type: none"><li>ASIC and ASX issue or provide such consents or approvals as are necessary or which Xplore and HUB24 agree are necessary or desirable to implement the Share Scheme and such consent, approval or other act has not been withdrawn or revoked before the Delivery Time on the Second Court Date.</li><li>Each other relevant Governmental Agency issue or provide such consents, waivers, approvals which HUB24 and Xplore consider are necessary or desirable to implement the Share Scheme (noting that if such consents waivers/and/or approvals are subject to conditions those conditions must be acceptable to the parties (each acting reasonably)) and such consent, approval or other act has not been withdrawn or revoked before the Delivery Time on the Second Court Date.</li></ul>	HUB24 and Xplore
3	<b>No Xplore Prescribed Occurrence</b> No Xplore Prescribed Occurrence occurs between the date of this agreement and the Delivery Time on the Second Court Date.	HUB24
4	<b>No HUB24 Prescribed Occurrence</b> No HUB24 Prescribed Occurrence occurs between the date of this agreement and the Delivery Time on the Second Court Date.	Xplore

No	Condition	Beneficiary
5	<p><b>No regulatory intervention</b></p> <p>There is no intervention by ASIC in respect of the AFSLs held by any member of the Xplore Group or by APRA in respect of any RSEL held by any member of the Xplore Group that is reasonably likely to result in:</p> <ul style="list-style-type: none"> <li>• the Xplore Group or any member of the Xplore Group being unable to carry out its business in all material respects; or</li> <li>• any material financial impact on any member of the Xplore Group that are AFSL or RSEL holders.</li> </ul>	HUB24
6	<p><b>Xplore Warranties</b></p> <p>The Xplore Warranties being true and correct in all material respects on the date of this agreement and at the Delivery Time on the Second Court Date.</p>	HUB24
7	<p><b>HUB24 Warranties</b></p> <p>The HUB24 Warranties being true and correct in all material respects on the date of this agreement and at the Delivery Time on the Second Court Date.</p>	Xplore
8	<p><b>Shareholder approval</b></p> <p>The Share Scheme is approved by Xplore Shareholders at the Share Scheme Meeting by the majorities required under section 411(4)(a)(ii) of the Corporations Act.</p>	N/A
9	<p><b>Court approval</b></p> <p>The Share Scheme is approved by the Court in accordance with section 411(4)(b) of the Corporations Act either unconditionally or on conditions that do not impose unduly onerous obligations upon either party (acting reasonably).</p>	N/A
10	<p><b>Restraining orders</b></p> <p>No judgment, order, decree, statute, law, ordinance, rule of regulation, or other temporary restraining order, preliminary or permanent injunction, restraint or prohibition, entered, enacted, promulgated, enforced or issued by any court or other Governmental Agency of competent jurisdiction in Australia remains in effect as at the Delivery Time on the Second Court Date that prohibits, materially restricts, makes illegal or restrains the completion of the Share Scheme.</p>	N/A
11	<p><b>Third party consents</b></p> <p>All consents, approvals or waivers of rights by parties other than Xplore under any Material Contracts that are necessary or desirable are obtained in a form and subject to conditions acceptable to HUB24 (acting reasonably), and such consents, approvals or waivers have not been withdrawn, cancelled or revoked before the Delivery Time on the Second Court Date.</p>	HUB24

No	Condition	Beneficiary
<b>Option Scheme Conditions</b>		
1	<p><b>Regulatory Approvals</b></p> <ul style="list-style-type: none"> <li>ASIC and ASX issue or provide such consents or approvals as are necessary or which Xplore and HUB24 agree are necessary or desirable to implement the Option Scheme and such consent, approval or other act has not been withdrawn or revoked before the Delivery Time on the Second Court Date.</li> <li>Each other relevant Governmental Agency issue or provide such consents, waivers, approvals which HUB24 and Xplore consider are necessary or desirable to implement the Option Scheme (noting that if such consents waivers/and/or approvals are subject to conditions those conditions must be acceptable to the parties (each acting reasonably)) and such consent, approval or other act has not been withdrawn or revoked before the Delivery Time on the Second Court Date.</li> </ul>	HUB24
2	<p><b>Share Scheme Effective</b></p> <p>The Share Scheme becoming Effective.</p>	N/A
3	<p><b>Optionholder approval</b></p> <p>The Option Scheme is approved by Xplore Optionholders at the Option Scheme Meeting by the majority required under section 411(4)(a)(i) of the Corporations Act.</p>	N/A
4	<p><b>Court approval</b></p> <p>The Option Scheme is approved by the Court in accordance with section 411(4)(b) of the Corporations Act either unconditionally or on conditions that do not impose unduly onerous obligations upon either party (acting reasonably).</p>	N/A

#### 5.4 Status of Scheme Conditions

As at the date of this Scheme Booklet, none of Xplore or HUB24 are aware of any circumstances which would cause any Scheme Conditions not to be satisfied or any termination right to be enlivened.

A statement about the status of Scheme Conditions will be made at the commencement of the Share Scheme Meeting.

#### 5.5 If the Schemes do not proceed

If the Share Scheme does not proceed, Xplore Shareholders will continue to hold Xplore Shares and will not receive the Share Scheme Consideration. In the absence of any Superior Proposal to the Share Scheme, Xplore will continue as a standalone ASX listed entity. Xplore may, in addition to the normal risks it faces, be exposed to the additional risks as described in section 11.4 of the Scheme Booklet.

Either Xplore or HUB24, depending on the reasons why the Share Scheme does not proceed, may be liable to pay a break fee of \$600,000 (including GST) to the other party. More information about the break fees is set out in section 5.8 of this Scheme Booklet.

If the Share Scheme is approved, but the Option Scheme is not approved, the Proposed Transaction will proceed because the Share Scheme is not conditional on the Option Scheme. If that happens, HUB24 will acquire all the Xplore Shares but Xplore Optionholders will continue to hold their Xplore Options. In those circumstances, Xplore would be delisted from the ASX such that there is unlikely to be an active market for any Xplore Shares issued to Xplore Optionholders on any exercise of their Xplore Options.

Xplore will be liable to pay certain transaction costs relating to the Schemes regardless of whether the Schemes proceed. If the Schemes are implemented, additional costs will be incurred.

## 5.6 Compulsory acquisition of Xplore Options

If the Share Scheme is not approved, regardless of whether the Option Scheme is approved, the Proposed Transaction will not proceed and Xplore will continue to operate as a stand-alone entity, listed on ASX.

However, if the Share Scheme is approved but the Option Scheme is not approved, the Share Scheme will proceed and HUB24 will acquire all the Xplore Shares, but Xplore Optionholders will continue to hold their Xplore Options.

If this occurs, all Xplore Options whether vested or unvested can be exercised within one month of Xplore providing notice that a 'Predominant Control Event' has occurred. At the conclusion of this one month period, any unexercised Xplore Options will automatically lapse.

If any Xplore Options are exercised during this one month period, it is the intention of HUB24 to seek to compulsorily acquire the Xplore Shares issued to Xplore Optionholders using the powers under Part 6A.2 of the Corporations Act (which can only be for a cash sum), but HUB24 reserves the right to change its intention having regard to the prevailing circumstances.

Under Part 6A.2 of the Corporations Act, a person may compulsorily acquire all the shares and securities convertible into shares in a company where the person holds at least 90% of all the securities of the company that are either shares or convertible into shares. The consideration paid under compulsory acquisition must represent fair value as assessed by an independent expert nominated by ASIC.

If HUB24 seeks to compulsorily exercise its compulsory acquisition rights, the Corporations Act sets out procedures and safeguards for Xplore Optionholders. If people who hold at least 10% of the Xplore Options and/or Xplore Shares validly object to the compulsory acquisition, HUB24 will need to apply to the Court for approval of the compulsory acquisition, and such approval may only be granted by the Court where HUB24 establishes that the Xplore Optionholders will receive fair value for their Xplore Options and/or Xplore Shares. In accordance with the Corporations Act, HUB24 is required to bear the legal costs of any proper and reasonable objection made by a Xplore Optionholder.

## 5.7 Exclusivity arrangements and competing proposals

Under the Scheme Implementation Agreement, Xplore has agreed to certain exclusivity restrictions that are summarised below. Xplore agreed to these exclusivity restrictions with HUB24 after engaging in arms-length negotiations during the course of the preparation of the Scheme Implementation Agreement.

Full details of these restrictions are contained in clause 16 of the Scheme Implementation Agreement.

These restrictions apply to Xplore during the Exclusivity Period.

Restriction	Description
<b>No shop</b>	Xplore must not solicit, invite, continue, initiate or encourage any Competing Proposal or any enquiries, proposals, discussions or negotiations with any third party in relation to (or that could reasonably be expected to lead to) a Competing Proposal or which may otherwise lead to the Proposed Transaction not being completed.
<b>No talk</b>	Xplore must not participate in any negotiations or discussions with any person in relation to, or that may reasonably be expected to lead to, a Competing Proposal.
<b>No due diligence</b>	Xplore must not invite, facilitate or permit any person (other than HUB24) to undertake due diligence investigations in respect of Xplore or its Related Bodies Corporate, or any of their businesses and operations in connection with such person formulating, developing or finalising a Competing Proposal.

Restriction	Description
<b>Notification of Competing Proposal</b>	<p>Xplore must promptly notify HUB24 of any approach made by a third party in relation to:</p> <ul style="list-style-type: none"> <li>any approach, inquiry or proposal to initiate any discussions or negotiations that concern, or that could reasonably be expected to lead to, an actual, proposed or potential Competing Proposal; and</li> <li>any request for any information relating to Xplore, its Related Bodies Corporate, or any of their businesses and operations, if Xplore has reasonable grounds to suspect that the request may be in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of a Competing Proposal.</li> </ul> <p>The notice must provide details of the identity of the relevant person making or proposing the Competing Proposal and the material terms of any such Competing Proposal (including price, conditions precedent, timetable and break fee (if any) of any Competing Proposal or proposed Competing Proposal to the extent known).</p> <p>Xplore must also keep HUB24 updated in relation to any material developments in relation to any actual, proposed or potential Competing Proposal.</p>
<b>Matching rights</b>	<p>If Xplore receives a Competing Proposal and as a result any Xplore Director proposes to either:</p> <ul style="list-style-type: none"> <li>change, withdraw or modify his or her recommendation of the Share Scheme; or</li> <li>approve or recommend entry into any agreement, commitment, arrangement or understanding relating to the Competing Proposal with the person who has made the applicable Competing Proposal,</li> </ul> <p>Xplore must direct each Xplore Director not to do so unless:</p> <ul style="list-style-type: none"> <li>the Competing Proposal is bona fide;</li> <li>Xplore has provided HUB24 with material terms of the Competing Proposal (including price, conditions precedent, timetable and any break fee of the Competing Proposal);</li> <li>Xplore has given HUB24 at least five Business Days after the date of the provision of the information referred to above to amend the terms of the Proposed Transaction or propose another form of transaction; and</li> <li>either: <ul style="list-style-type: none"> <li>HUB24 has not announced or otherwise formally proposed to Xplore a counter proposal to the terms of the actual, proposed or potential Competing Proposal by the expiry of the five Business Day period above; or</li> <li>HUB24 has announced or provided a counter proposal by the expiry of the five Business Day period above, but the Xplore Board has determined, in good faith, that the counter proposal would not provide an equivalent or superior outcome to Xplore Shareholders as a whole compared with the Competing Proposal and HUB24 have been given an opportunity to amend that counter proposal.</li> </ul> </li> </ul>

Xplore is not required to comply with the no talk and no due diligence restrictions to the extent that, among others, the Competing Proposal is bona fide and the Xplore Board determines, in good faith, that the Competing Proposal is a Superior Proposal and that failing to respond to the Competing Proposal may constitute a breach of the fiduciary or statutory duties owed by the Xplore Directors (after receiving written legal advice).

## 5.8 Break free arrangements

### *Xplore break fee*

In relation to the Share Scheme only, Xplore has agreed to pay HUB24 a break fee of \$600,000 (inclusive of GST) if:

Break fee circumstance	Description
<b>Competing Proposal Succeeds</b>	<p>A Competing Proposal is publicly announced before the End Date and within 12 months from the date of the public announcement of such Competing Proposal:</p> <ul style="list-style-type: none"> <li>the Competing Proposal is implemented or completed substantially in the terms described in the public announcement; or</li> <li>the proponent of that Competing Proposal acquires a Relevant Interest in, an economic interest in or voting power of at least 50% of Xplore Shares and the Competing Proposal is (or becomes) free of any defeating condition.</li> </ul>
<b>Competing Proposal executed</b>	<p>At any time before termination of the Scheme Implementation Agreement, Xplore enters into any agreement with a third party in respect of a Competing Proposal under which that third party and Xplore agree to undertake or give effect to such Competing Proposal.</p>
<b>Change of Recommendation</b>	<p>At any time prior to the Second Court Date, any director of Xplore:</p> <ul style="list-style-type: none"> <li>withdraws or adversely modifies their recommendation of the Proposed Transaction or recommends or supports a Competing Proposal;</li> <li>does not recommend in the Scheme Booklet that Xplore Shareholders approve the Share Scheme or that Xplore Optionholders approve the Option Scheme;</li> <li>makes any public statement to the effect that the Share Scheme or the Option Scheme is not, or is no longer, recommended,</li> </ul> <p>except where this is:</p> <ul style="list-style-type: none"> <li>as a result of a Xplore Director considering, after taking written advice from an independent senior counsel of the New South Wales bar that they should not provide or continue to maintain any recommendation (positive or adverse) because that Xplore Director has an interest in the Share Scheme that is so materially different from other Xplore Shareholders which would properly preclude them from providing any such recommendation. For the avoidance of doubt, this will not extend to any Xplore Director adversely revising or adversely modifying their recommendation of the Proposed Transaction or making a public statement indicating that they recommend, endorse or support a Competing Proposal;</li> <li>as a result of the Independent Expert (either in its initial report or any updated, revised or supplemental report) opining that the Share Scheme is not in the best interest of Xplore Shareholders (other than where the reason for that opinion is a Superior Proposal); or</li> <li>in circumstances where Xplore is entitled to terminate this agreement under clauses 13.1(a) or 13.2(b).</li> </ul>
<b>Material Breach</b>	<p>HUB24 terminates the Scheme Implementation Agreement in accordance with either clauses 13.1(a)(i) or 13.2(a) of the Scheme Implementation Agreement.</p>

The Xplore Directors consider the Xplore break fee is reasonable and appropriate in amount, structure and effect. It comprises approximately 1% of the total equity value of Xplore (being approximately \$60 million).

The break fee represents what both Xplore and HUB24 acknowledge to be a genuine pre-estimate of the fees, costs and losses of HUB24 (although it is further acknowledged by both Xplore and HUB24 that those fees, costs and losses are inherently unascertainable and even after the termination of the Scheme Implementation Agreement those costs will not be able to be accurately ascertained).

The break fee is not payable if the Share Scheme does not proceed merely because the resolution submitted to the Share Scheme Meeting in respect of the Share Scheme is not approved by the Requisite Majority of Xplore Shareholders.

Full details regarding the Xplore break fee are set out in clause 14 of the Scheme Implementation Agreement. The terms relating to the Xplore break fee were the subject of arms-length negotiations with HUB24 during the preparation of the Scheme Implementation Agreement.

## HUB24 break fee

In relation to both the Share Scheme and the Option Scheme, HUB24 has agreed to pay Xplore a break fee of \$600,000 (inclusive of GST) if:

Break fee circumstance	Description
<b>Payment</b>	The Share Scheme and the Option Scheme each became Effective but: <ul style="list-style-type: none"><li>HUB24 does not pay the Share Scheme Consideration in accordance with the terms and conditions of the Scheme Implementation Agreement and the Share Scheme Deed Poll; or</li><li>HUB24 does not pay the Option Scheme Consideration in accordance with the terms and conditions of the Scheme Implementation Agreement and the Option Scheme Deed Poll.</li></ul>
<b>Material breach</b>	Xplore terminates this agreement in accordance with clause 13.1(a)(i) of the Scheme Implementation Agreement.

Full details regarding the HUB24 break fee are set out in clause 15 of the Scheme Implementation Agreement. The terms relating to the HUB24 break fee were the subject of arms-length negotiations with HUB24 during the preparation of the Scheme Implementation Agreement.

## 5.9 Termination of the Scheme Implementation Agreement

The circumstances in which the Scheme Implementation Agreement can be terminated are set out in full in clause 13 of the Scheme Implementation Agreement.

Below is a summary of the termination rights of the parties under the Scheme Implementation Agreement:

### (a) Mutual termination rights

Either party may terminate the Scheme Implementation Agreement if:

- (material breach)** the other party is in material breach of any of its obligations under the deed (other than a breach of a representation or warranty) and the party in breach has not remedied the breach within 10 Business Days of being notified of the breach;
- (Conditions)** if a Scheme Condition in the Scheme Implementation Agreement relating to regulatory approval or shareholder approval becomes incapable of being satisfied;
- (Court does not approve)** if the Court refuses to make any order directing Xplore to convene the Share Scheme Meeting, provided that both Xplore and HUB24 have met and consulted in good faith and agreed that they do not wish to proceed with the Share Scheme;
- (End Date)** if the Effective Date for the Scheme has not occurred or will not occur by the End Date.

### (b) Xplore termination rights

Xplore may also terminate the Scheme Implementation Agreement by notice in writing at any time prior to the Delivery Time on the Second Court Date if:

- (Change in recommendation)** at any time before then each of that number of Xplore Directors as constitutes a majority of the Xplore Board publicly recommend a Superior Proposal and do not, within 3 Business Days, reinstate their recommendation of the Proposed Transaction.
- (Conditions)** if a Scheme Condition in the Scheme Implementation Agreement relating to no HUB24 Prescribed Occurrences or HUB24 Warranties becomes incapable of being satisfied before the End Date;
- (Breach of warranties)** if HUB24 is in material breach of a HUB24 Warranty and HUB24 has failed to remedy that breach within 10 Business Days of receipt of notice setting out the breach.

### (c) HUB24 termination rights

HUB24 may also terminate the Scheme Implementation Agreement by notice in writing at anytime prior to the Delivery Time on the Second Court Date if:

- **(Recommendation)** any director of Xplore:
  - fails to recommend the Share Scheme or the Option Scheme;
  - withdraws, adversely revises or adversely modifies their recommendation of the Proposed Transaction; or
  - makes a public statement indicating that they no longer recommend the Proposed Transaction or recommend, endorse or support a Competing Proposal,

other than as a result of that Xplore Director having withdrawn their recommendation, after taking written advice from their legal adviser, that they should not provide or continue to maintain any recommendation (positive or adverse) because that Xplore Director has an interest in the Share Scheme that is so materially different from other Xplore Shareholders which would properly preclude them from providing any such recommendation. For the avoidance of doubt, this will not extend to any Xplore Director adversely revising or adversely modifying their recommendation of the Proposed Transaction or making a public statement indicating that they recommend, endorse or support a Competing Proposal.

- **(Conditions)** if a Scheme Condition in the Scheme Implementation Agreement relating to no Xplore Prescribed Occurrences, no regulatory intervention, Xplore Warranties, No Material Adverse Change, no restraining orders or third party consents becomes incapable of being satisfied before the End Date;
- **(Breach of warranties)** if Xplore is in material breach of an Xplore Warranty and Xplore has failed to remedy that breach within 10 Business Days of receipt of notice setting out the breach.

## 5.10 Warranties in Scheme Implementation Agreement

Under the Scheme Implementation Agreement, Xplore and HUB24 each provide a range of representations and warranties in relation to its organisation and operation to the other. The representations and warranties are qualified by public disclosures and certain other information provided by each party to the other prior to the date of the Scheme Implementation Agreement. Clause 10 of the Scheme Implementation Agreement contains the warranties and representations.

## 5.11 Warranties by Scheme Shareholders under the Share Scheme

The effect of the Share Scheme is that each Scheme Shareholder, including those who vote against the Share Scheme and those who do not vote, will be deemed to have warranted to Xplore, both in their own right and for the benefit of HUB24, that, as at the Implementation Date:

- all their Xplore Shares which are transferred to HUB24 under the Share Scheme are free of all encumbrances specified in the Share Scheme;
- all their Xplore Shares are fully paid;
- it has full power and capacity to transfer its Xplore Shares to HUB24;
- it has no existing right to be issued any Xplore Shares, options exercisable into Xplore shares, Xplore convertible notes or any other Xplore securities.

The terms of the warranties are set out in clause 8.4 of the Share Scheme. The Share Scheme is set out in Annexure D.

## 5.12 Warranties by Scheme Optionholders under the Option Scheme

The effect of the Option Scheme is that each Scheme Optionholder, including those who vote against the Option Scheme and those who do not vote, will be deemed to have warranted to Xplore, both in their own right and for the benefit of HUB24, that, as at the Implementation Date:

- their Xplore Options are free of all encumbrances specified in the Option Scheme;
- it has no existing right to be issued any Xplore Shares, Xplore Options or any other Xplore securities other than the right to be issued Xplore Shares on the exercise of their Xplore Options in accordance with their terms.

The terms of the warranty are set out in clause 7.4 of the Option Scheme. The Option Scheme is set out in Annexure E.

## 6. Share Scheme Consideration

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This section provides information regarding the Share Scheme Consideration which is relevant for Xplore Shareholders.

### 6.1 Overview

Under the Share Scheme, Xplore Shareholders (other than Foreign Scheme Shareholders) can elect to receive their Share Scheme Consideration in one of the following forms (subject to a scale back mechanism based on cap limitations):

- **Maximum Cash Election**, being 100% Cash Consideration comprising \$0.20 cash for each Xplore Share held at the Share Scheme Record Date, subject to an aggregate cap of \$36 million; or
- **Maximum Scrip Election**, being 100% Scrip Consideration comprising 0.00926746 HUB24 Consideration Shares for each Xplore Share held at the Share Scheme Record Date, subject to an aggregate cap of \$30 million worth of HUB24 Consideration Shares.

If the aggregate caps under the Cash and Scrip options are exceeded, the Elections will be subject to scale back described in section 6.3 of the Scheme Booklet.

Xplore Shareholders (other than Foreign Scheme Shareholders and Small Shareholders):

- who do not make a valid Election;
- whose Election is not received by the Share Registry by the Election Date; or
- who become an Xplore Shareholder after the Election Date,

will receive their Share Scheme Consideration in the form of the Default Consideration (subject to scale back mechanisms), being Cash Consideration for 50% of Scheme Shares held by each Xplore Shareholder and the Scrip Consideration (comprising 0.00926746 HUB24 Shares per Xplore Share held) for the remaining 50% of Scheme Shares held by each Xplore Shareholder, subject to the aggregate caps outlined above.

Further information about the value of the Share Scheme Consideration is set out in section 6.2 of this Scheme Booklet.

Note that Small Shareholders and Foreign Scheme Shareholders will only receive Cash Consideration as described in sections 6.4 and 6.5 respectively.

The Xplore Directors make no recommendation as to whether Xplore Shareholders should make an Election and, if an Election is made, what type of Election to make.

### 6.2 Value and methodology

Under the terms of the Share Scheme, Xplore Shareholders will receive total value of \$0.20 per Xplore share, valuing 100% of Xplore share capital at c. \$60 million. A value of \$0.20 per share represents a 203% premium to Xplore's closing share price of \$0.066 on Tuesday 27 October 2020, being the last trading day prior to the date of the announcement.

The Scrip Consideration equates to a total value of \$0.20 per Xplore Share under each alternative, based on a HUB24 share price of \$21.58, being the 10-day VWAP to 23 October 2020. A value of \$0.20 per Xplore share represents a takeover premium of:

- 203.0% to Xplore's trading price of 6.60 cents on Tuesday 27 October 2020, being the last trading day prior to the date of this announcement;
- 198.7% to Xplore's 10-day VWAP of 6.70 cents;
- 199.8% to Xplore's 30-day VWAP of 6.67 cents.

The implied value of the scrip element of the Share Scheme Consideration and premium will shift with movements in HUB24's share price up until the Implementation Date. The movement in the implied value of the Share Scheme Consideration (under the Default Consideration) since announcement is set out in Figure 5 in section 4.3 of this Scheme Booklet.

For Scheme Shareholders that receive HUB24 Consideration Shares, including as a result of scale back or by default where no Election is made, HUB24's share price may rise or fall prior to the Implementation Date, which is expected to be 2 March 2021. In addition, Scheme Shareholders that receive HUB24 Consideration Shares will retain an exposure to the investment platform sector and could benefit from future growth and consolidation in that market, any synergies that HUB24 can realise from the Xplore transaction, and any future improvement in the HUB24 share price (assuming they retain the HUB24 Consideration Shares).

### **6.3 Scale back mechanisms**

Xplore Shareholders should note that scale back mechanisms will be applied should aggregate cap limitations under the cash and scrip alternatives be breached.

#### ***Maximum Cash Election scale back mechanism***

The total Cash Consideration available to satisfy Maximum Cash Elections is limited to \$36 million (which is the Cash Consideration Share Cap). This includes cash consideration that will be required to acquire the Xplore Shares owned by Small Shareholders and Foreign Scheme Shareholders.

If Xplore Shareholders elect to receive aggregate Cash Consideration that exceeds the Cash Consideration Share Cap, then each Xplore Shareholder who elects to receive cash will have their Cash Consideration scaled back. The extent to which Maximum Cash Elections are scaled back will depend on the Elections made by other Xplore Shareholders. If scaling back is necessary in relation to a Maximum Cash Election, the amount of Cash Consideration received by the relevant Xplore Shareholders, will be less than the elected amount, and the shortfall will be satisfied by receiving a proportion of Scrip Consideration equal to the amount of the scale back.

#### ***Maximum Scrip Election scale back mechanism***

The total Scrip Consideration available to satisfy Maximum Scrip Elections is limited to \$30 million worth of HUB24 Consideration Shares (which is the Share Cap), being approximately 1.38 million HUB24 Shares.

If Xplore Shareholders elect to receive aggregate Scrip Consideration that exceeds the Share Cap, then each Xplore Shareholder who elects to receive scrip will have their Scrip Consideration scaled back. The extent to which Maximum Scrip Elections are scaled back will depend on the Elections made by other Xplore Shareholders. If scaling back is necessary in relation to a Maximum Scrip Election, the amount of Scrip Consideration received by the relevant Xplore Shareholders, will be less than the elected amount, and the shortfall will be satisfied by receiving a proportion of Cash Consideration equal to the amount of the scale back.

#### ***Default Consideration scale back mechanism***

If Xplore Shareholders do not make an Election, and hence are allocated the Default Consideration, but the total number of Scheme Shares held by Foreign Scheme Shareholders and Small Shareholders (**Ineligible Shares**) less the number of Xplore Shares representing 10% of all Xplore Shares on issue at the Share Scheme Record Date (rounded down to the nearest whole Xplore Share) exceeds the Scrip Election Shares, then each Xplore Shareholder who was allocated the Default Consideration will have the cash portion of their consideration scaled back which will result in the relevant Xplore Shareholders receiving a proportion of Scrip Consideration equal to the amount of the scale back.

The diagram below shows the effects of the scale backs depending on the Elections made by the Xplore Shareholders and has considered five scenarios, being:

- all eligible Xplore Shareholders make the Maximum Cash Election;
- all eligible Xplore Shareholders make the Maximum Scrip Election;
- no elections are received, such that the Default Consideration applies to all eligible Xplore Shareholders;
- 75% of eligible Xplore Shareholders make the Maximum Scrip Election and 25% make the Maximum Cash Election; and
- 25% of eligible Xplore Shareholders make the Maximum Scrip Election and 75% make the Maximum Cash Election.

#### ***If scale back does not occur***

If the Maximum Cash Elections or Maximum Scrip Elections can be satisfied in full without exceeding the relevant caps, then scaling back will not be required. This means that Scheme Shareholders who made the Maximum Cash Election will receive 100% of their Share Scheme Consideration in cash and/or Scheme Shareholders who made the Maximum Scrip Election will receive 100% of their Share Scheme Consideration in HUB24 Consideration Shares.

**Table 1. Effects of Scale Back Calculations on Xplore Shareholders (excluding Small Shareholders and Foreign Scheme Shareholders)**

Table 1 below illustrates how the Scale Back Mechanisms will impact Xplore Shareholders under different individual and aggregate Elections:

		Aggregate Election of all Xplore Shareholders (excluding Small Shareholders and Foreign Scheme Shareholders)					
		100% Cash Election	100% Scrip Election	No Election (100% Default Allocation)	75% Scrip Election 25% Cash Election	25% Scrip Election 75% Cash Election	
Election of individual Xplore Shareholder	Aggregate Election of all Xplore Shareholders	Cash	100.0%	0.0%	50.0%	25.0%	75.0%
		Scrip	-	100.0%	50.0%	75.0%	25.0%
	Outcome for those who made Maximum Cash Election	Percentage of shares held which will receive 20c Cash Consideration	60.0%	-	-	100.0%	80.0%
		Percentage of shares held to receive Scrip Consideration (0.00926746 HUB24 Consideration Shares)	40.0%	-	-	-	20.0%
	Outcome for those who made Maximum Scrip Election	Percentage of shares held which will receive 20c Cash Consideration	-	50.0%	-	33.3%	-
		Percentage of shares held to receive Scrip (0.00926746 HUB24 Consideration Shares)	-	50.0%	-	66.7%	100%
	Outcome for those who made no Election	Percentage of shares held which will receive 20c Cash Consideration	-	-	50.0%	-	-
		Percentage of shares held to receive Scrip (0.00926746 HUB24 Consideration Shares)	-	-	50.0%	-	-

**Note:** This table assumes less than 200,000 Xplore Shares are held by Foreign Scheme Shareholders and Small Shareholders. The number of shares held by Foreign Scheme Shareholders and Small Shareholders may change before the Share Scheme Record Date.

By way of example:

- If you hold 100,000 Xplore Shares and make a Maximum Cash Election, but all of your fellow Xplore Shareholders also make a Maximum Cash Election, then you will receive the Cash Consideration of \$0.20 per share for c.60% of your total Xplore Shares, being c.60,000 Xplore Shares, and you will receive the Scrip Consideration of 0.00926746 HUB24 Consideration Shares for c.40% of your Xplore Shares, being c.40,000 Xplore Shares;
- If you hold 100,000 Xplore Shares and make a Maximum Scrip Election, but all of your fellow Xplore Shareholders also make a Maximum Scrip Election, then you will receive the Scrip Consideration of 0.00926746 HUB24 Consideration Shares for 50% of your total shares, being 50,000 Xplore Shares, and you will receive the Cash Consideration of \$0.20 per share for 50% of your total Xplore Shares, being 50,000 Xplore Shares.

## **6.4 Small Shareholders**

An Xplore Shareholder who is entitled to receive less than a marketable parcel of HUB24 Consideration Shares, being equal to a value of less than \$500, on the Share Scheme Record Date will receive all their Share Scheme Consideration as Cash Consideration, irrespective of whether that Xplore Shareholder made an Election.

## **6.5 Foreign Scheme Shareholders**

Restrictions in certain foreign countries may make it impractical or unlawful for HUB24 Consideration Shares to be offered or issued under the Share Scheme to Xplore Shareholders located in those countries, or for Xplore Shareholders located in those countries to receive HUB24 Consideration Shares under the Share Scheme.

Accordingly, HUB24 will not issue any HUB24 Consideration Shares as consideration under the Share Scheme to Foreign Scheme Shareholders, which captures any Xplore Shareholders whose address in the Share Register (as at the Share Scheme Record Date) is in a jurisdiction other than Australia, its external territories or New Zealand, unless HUB24 is satisfied that the laws of that Foreign Scheme Shareholder's country of residence (as shown in the Share Register) would permit the issue and allotment of HUB24 Consideration Shares to that Xplore Shareholder, either unconditionally or after compliance with conditions which HUB24 in its absolute discretion considers are not unduly onerous or impracticable.

Foreign Scheme Shareholders may not make an Election and will receive all their Share Scheme Consideration as Cash Consideration.

## **6.6 How to make an Election**

### **(a) General**

Xplore Shareholders (other than Foreign Scheme Shareholders) can make an Election to choose the form of their Share Scheme Consideration (as described in this section 6 of the Scheme Booklet) by completing the Election Form that accompanies this Scheme Booklet in accordance with any instructions on the Election Form.

An Election must be received by the Share Registry on or before the Election Date, which is 5.00pm on the date that is seven clear days before the last day on which proxies must be lodged for the Share Scheme Meeting (which is 2 February 2021).

To make the Election, Xplore Shareholders (other than Foreign Scheme Shareholders) must either:

- post the completed Election Form to: Registry Direct, 10 Exon Street, Brighton, Victoria, 3186, Australia;
- email the completed Election Form to: [registry@registrydirect.com.au](mailto:registry@registrydirect.com.au); or
- make their Election online by no later than the Election Date by visiting <https://forms.gle/vrb6Cknb4UbdxT1U7> and submitting the online Election Form. To use this facility, Xplore Shareholders will need their HIN/SRN.

If a Xplore Shareholder makes a valid Election (that is, an Election made in accordance with the terms of this section of the Scheme Booklet), that Election will be deemed to apply in respect of the Xplore Shareholder's registered holding of Xplore Shares at the Share Scheme Record Date, regardless of whether the Xplore Shareholder's holding of Xplore Shares at the Share Scheme Record Date is greater or less than the Xplore Shareholder's holding at the time it made its Election.

### **(b) Changing an Election**

An Xplore Shareholder who makes an Election may vary, withdraw or revoke that Election by lodging a replacement Election Form (either by post, email or online by using the link specified above), subject to that replacement Election Form being received by the Share Registry on or before 5.00pm on the Election Date.

Replacement Election Forms received after the Election Date, and replacement online Elections made after the Election Date, will be disregarded and the Scheme Consideration received by Xplore Shareholders will be determined in accordance with the Election(s) on their original Election Form or their original online Election (as applicable).

### **(c) Trustee or nominee holdings**

A Xplore Shareholder who holds one or more parcels of Xplore Shares as trustee or nominee for, or otherwise on account of, another person, may make separate Elections in relation to each of those parcels of Xplore Shares to reflect the instructions of the beneficial owners of the relevant Xplore Shares.

In order to make separate Elections, the trustee or nominee must notify Xplore and provide any substantiating information requested. The trustee or nominee may then make an Election in respect of some but not all of its distinct holdings in accordance with client instructions. An Election made in respect of one such parcel will not be taken to extend to the other parcels.

The trustee or nominee should contact the Share Registry for instructions on how to make separate Elections.

## **6.7 Fractional entitlements**

Any entitlements to a fraction of a HUB24 Consideration Share arising under the calculation of Share Scheme Consideration to be provided to a Scheme Shareholder will be rounded down to the nearest HUB24 Consideration Share and the fraction will be paid out in cash to the Scheme Shareholder (calculated as the closing price per share of HUB24 Shares on the ASX as at the Share Scheme Record Date).

## **6.8 Entitlement to Share Scheme Consideration**

Xplore Shareholders whose names appear on the Share Register as at the Share Scheme Record Date, which is 23 February 2021, will be entitled to receive the Share Scheme Consideration under the Share Scheme.

### ***Dealings on or prior to the Share Scheme Record Date***

For the purpose of establishing the persons who are entitled to participate in the Share Scheme, dealings in Xplore Shares will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Share Register as the holder of the relevant Xplore Shares on or before 7.00pm on the Share Scheme Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in respect of those dealings are received on or before 5.00pm on the Share Scheme Record Date.

Xplore will not accept for registration or recognise any transfer or transmission application received after such times or received before such times but not in registrable or actionable form.

### ***Dealings after the Share Scheme Record Date***

For the purpose of determining entitlements to Share Scheme Consideration, Xplore will maintain the Share Register in accordance with the terms of the Share Scheme and the Share Register in this form will solely determine entitlements to the Share Scheme Consideration.

As from 5.00pm (Sydney time) on the Share Scheme Record Date (other than for HUB24 after the Implementation Date), each entry current on the Share Register will cease to have effect except as evidence of entitlement to the Share Scheme Consideration in respect of the Xplore Shares relating to that entry.

All statements of holding for Xplore Shares will cease to have effect from the Share Scheme Record Date as documents of title in respect of those shares.

## **6.9 Provision of the Share Scheme Consideration**

HUB24 has entered into the Share Scheme Deed Poll under which HUB24 covenants in favour of Xplore Shareholders at the Share Scheme Record Date to provide the Share Scheme Consideration in accordance with the Share Scheme.

### ***Payment of Cash Consideration***

If the Share Scheme becomes Effective:

- HUB24 must, no later than one Business Day before the Implementation Date, deposit in cleared funds an amount equal to the aggregate amount of the Cash Consideration to Scheme Shareholders who are entitled to Cash Consideration into a trust account operated by or on behalf of Xplore (except that any interest on the amount deposited will be for the account of HUB24); and
- on the Implementation Date, Xplore will pay, or procure the payment, of the Cash Consideration from the trust account to each Scheme Shareholder on the Implementation Date (subject to receipt of the Cash Consideration from HUB24).

Xplore will make the payment of the Cash Consideration to each relevant Scheme Shareholder by:

- sending it to the Scheme Shareholder's registered address by cheque in Australian currency;
- depositing it into an account with any Australian ADI notified to Xplore by the Scheme Shareholder.

### ***Issue of Scrip Consideration***

If the Share Scheme becomes Effective, HUB24 must issue the HUB24 Consideration Shares to each Scheme Shareholder entitled to receive HUB24 Consideration Shares and enter their name in HUB24's register of members as the holder of those HUB24 Consideration Shares on the Implementation Date.

## **6.10 Share Splitting**

Pursuant to clause 3.8 of the Scheme Implementation Agreement, Xplore must apply for an order of the Court contemplated under 411(4)(a)(ii)(A) of the Corporations Act to disregard the Headcount Test and seek Court approval of the Share Scheme under section 411(4)(b) of the Corporations Act where HUB24 considers acting reasonably that Share Splitting or some abusive or improper conduct may have caused or contributed to the Headcount Test not having been satisfied.

## **6.11 Tax consequences**

A general guide to the Australian consequences for Scheme Shareholders who are Australian tax residents is set out in section 12 of this Scheme Booklet. This guide is not intended to provide specific tax advice in respect of the individual circumstances of any Scheme Shareholders, who should obtain their own independent professional tax advice.

## 7. Option Scheme Consideration

This section provides information regarding the Option Scheme Consideration which is relevant for Xplore Optionholders.

### 7.1 Amount of Option Scheme Consideration

Under the Option Scheme, Scheme Optionholders will receive the Option Scheme Consideration (in cash) calculated based on the following table:

Option tranche and number of Xplore Options in the relevant tranche	Expire date of Xplore Options in the relevant tranche	Exercise price of Xplore Options in the relevant tranche	Aggregate Option Scheme Consideration per Xplore Option tranche (A\$)	Option Scheme Consideration per Xplore Option in the relevant tranche (A\$)
2017 ESOP 278,735	15 Sept '21	0.35	\$252	\$0.00090
2019 ESOP 1,506,816	15 Feb '23	0.28	\$10,277	\$0.00682
2020 ESOP 3,021,732	12 Mar '24	0.18	\$62,171	\$0.02057
2021 ESOP 5,821,500	15 Oct '24	0.18	\$133,548	\$0.02209
2017 XSOP 856,666	29 Jan '22	0.35	\$1,576	\$0.00184
2020 XSOP 3,402,100	13 Mar '24	0.18	\$69,995	\$0.02057
2020 XSOP 1,000,000	16 Mar '24	0.25	\$16,481	\$0.01648
2020 XSOP 1,000,000	16 Mar '24	0.30	\$14,224	\$0.01422
2021 XSOP 5,460,000	15 Oct '24	0.18	\$120,596	\$0.02209

### 7.2 Valuation methodology

Under the Option Scheme, Xplore Optionholders will receive cash for each option held calculated in accordance with an option valuation methodology which takes into account factors such as the option exercise price, the volatility of the underlying share price and the time to maturity of the option.

### 7.3 Determination of persons entitlement to Option Scheme Consideration

Xplore Optionholders whose names appear on the Option Register as at the Option Scheme Record Date, which is expected to be 23 February 2021, will be entitled to receive the Option Scheme Consideration under the Option Scheme.

#### ***Dealings on or prior to the Option Scheme Record Date***

For the purposes of establishing the Scheme Optionholders (who are the Xplore Optionholders entitled to participate in the Option Scheme), any dealings in Xplore Options (including the exercise of Xplore Options) or other alterations to the Option Register will only be recognised if the notices of exercise, registrable transmission applications or transfers in respect of those dealings are received on or before 5.00pm (Sydney time) of the Option Scheme Record Date.

Xplore will not accept for registration, nor recognise for any purpose, any exercise, 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.

#### ***Dealings after the Option Scheme Record Date***

For the purpose of determining entitlements to Share Scheme Consideration, Xplore will maintain the Option Register in accordance with the terms of the Option Scheme and the Option Register in this form will solely determine entitlements to the Option Scheme Consideration.

All statements of holding for Xplore Options will cease to have effect from the Option Scheme Record Date as documents of title in respect of those options.

As from the Option Scheme Record Date, each entry current at that date on the Option Register will cease to have effect except as evidence of entitlement to the Option Scheme Consideration in respect of the Xplore Options relating to that entry.

#### **7.4 Fractional entitlements**

Where the calculation of the Option Scheme Consideration to be provided to a Scheme Optionholder would result in the Scheme Optionholder becoming entitled to a fraction of a cent, that fractional entitlement will be rounded down to the nearest whole cent.

#### **7.5 Paying the Option Scheme Consideration**

HUB24 has entered into the Option Scheme Deed Poll under which HUB24 covenants in favour of Scheme Optionholders at the Option Scheme Record Date to pay the Option Scheme Consideration in accordance with the Option Scheme.

If the Option Scheme becomes Effective:

- HUB24 must, no later than one Business Day before the Implementation Date, deposit in cleared funds an amount equal to the aggregate amount of the Option Scheme Consideration to Scheme Optionholders who are entitled to Option Scheme Consideration into a trust account operated by or on behalf of Xplore (except that any interest on the amount deposited will be for the account of HUB24); and
- on the Implementation Date, Xplore will pay, or procure the payment, of the Option Scheme Consideration from the trust account to each Scheme Optionholder on the Implementation Date (subject to receipt of the Option Scheme Consideration from HUB24).

Xplore will make the payment of the Option Scheme Consideration to each relevant Scheme Optionholder by:

- sending it to the Scheme Optionholder's registered address by cheque in Australian currency; or
- depositing it into an account with any Australian ADI notified to Xplore by the Scheme Optionholder

## 8. Information about Xplore

### 8.1 Responsibility for information

The information set out in this section was prepared by Xplore. Xplore is responsible for the information contained in this section.

### 8.2 Background

Xplore (ASX: XPL) is one of Australia's longest serving non-bank owned ASX listed Specialist Platform Providers (SPP) and investment administrators, with extensive expertise in managed accounts.

Xplore wholly owns Investment Administration Services Pty Limited (ABN 86 109 199 108, AFSL 284316) ("IAS"), a Managed Discretionary Account (MDA) Operator providing investment administration and platform services to Retail and Wholesale Clients who have appointed their own third-party External MDA Adviser.

Through acquisitions over the last five years, Xplore has expanded its platform offering to include:

- an Investor Directed Portfolio Service (IDPS) like platform supporting full Separately Managed Account (SMA) capability,
- Portfolio Administration and Reporting Services (PAS), and
- superannuation trustee and administration services.

Xplore currently has 85 employees located in offices in Sydney (head office), Melbourne and the Gold Coast.

Xplore wholly owns an Australian Prudential Regulatory Authority (APRA) regulated Registrable Superannuation Entity (RSE) licence, Aracon Superannuation Pty Ltd (ABN 13 133 547 396, AFSL 507184, RSEL L0003384) ("Aracon"), the trustee of Aracon Superannuation Fund (ABN 40 586 548 205)<sup>6</sup>.

Xplore's Investment Platform, broad Managed Account offer and superannuation services provide an array of wealth management options for some of Australia's preeminent financial advisory firms, full-service stockbrokers and wealth managers.

### 8.3 Business overview

Xplore generates revenues through three primary market offerings, being retail investment platforms, institutional / wholesale platform services and its superannuation offering as illustrated below:



Xplore's Retail Platform offering is made up of a Managed Discretionary Account service (**Xplore MDA**) and a wrap / IDPS-like offering servicing both Retail and Wholesale investors (**Xplore Wrap**).

Xplore MDA is used by advisers to provide a Managed Discretionary Accounts service, by which the investment manager has the authority to manage a client's investments in accordance with pre-determined investment objectives and agreed investment guidelines, without obtaining instructions for each individual transaction.

Both Xplore Managed Account and Xplore Wrap are IDPS-like platforms which allows users to diversify their investments across a range of investment types, asset classes, investment markets and investment styles including ASX securities, direct International securities, managed funds, term deposits and separately managed accounts (**SMAs**).

6 Note: Xplore may, in consultation with HUB24, replace Aracon as trustee of the Aracon Superannuation Fund in connection with the Proposed Transaction.

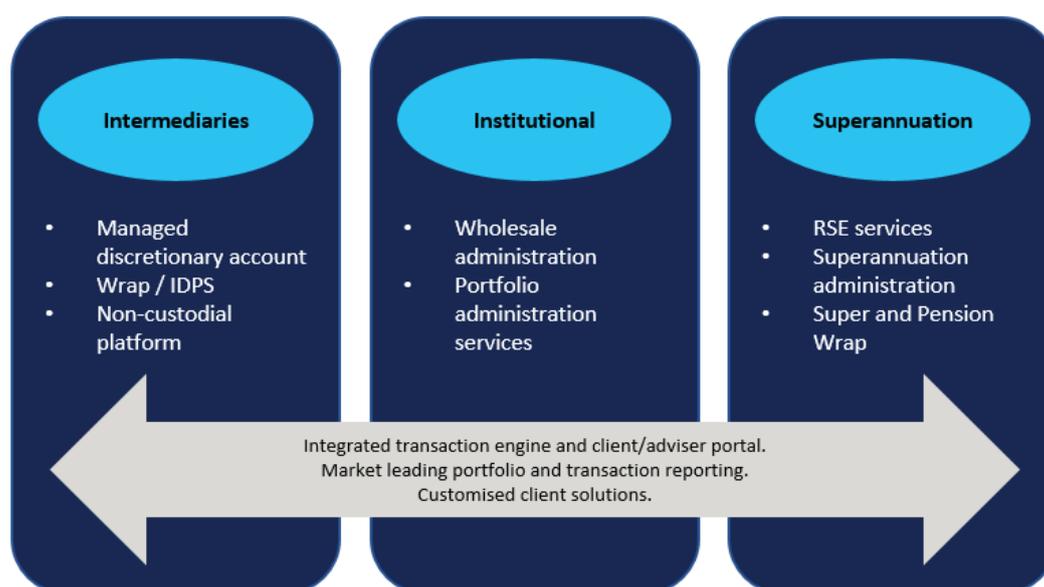
Xplore offers institutional clients with a range of services including portfolio administration, platform administration and reporting services by leveraging Xplore's core expertise and systems, enabling institutions to outsource these functions to Xplore.

Through the recent acquisitions of Aracon Superannuation Pty Ltd and DIY Superannuation Administration, Xplore now offers superannuation clients with a range of services spanning from acting as RSE Trustee for new and existing superannuation funds through to superannuation administration services. When coupled with Xplore's MDA and Wrap offerings, clients can access a complete superannuation and pension wrap offering for their investors.

### Product Offering

Xplore's product offering is specifically positioned to offer flexibility to the Advice industry and its High Net Worth (**HNW**) clients around implementing a platform solution that works for their business. This flexibility combined with Xplore's specialist Managed Account capability allows Xplore to deliver a cost-efficient solution tailored to meet the operating needs of Xplore's key client segments, as illustrated below.

Figure 6. Xplore Product Offering



## 8.4 Corporate history

This section provides an overview of Xplore's history from commencement of operations in 2004 to the date of this Scheme Booklet.

Year	Event
2004 / 2006	The business of Xplore originally started as Model Portfolios Pty Ltd in 2004, which changed its name to Investment Administration Services Pty Ltd (IASPL) in 2006. The business was founded as a specialist Managed Discretionary Account (MDA) provider.
2007 / 2008	In 2007, Investment Administration Services Holdings Ltd, which became the parent company of IASPL, was incorporated on 5 November 2007 in New South Wales as an Australian public company limited by shares  The business' first independent Financial Advisory Client became live in 2007.
2008 / 2010	The business launched its first retail super client in 2008.  Linear Financial Holdings (Linear) commenced operations in 2008 offering a retail Separately Managed Account (SMA) including JP Morgan (JPM) sponsored Capital Preservation SMA in 2009.
2011 / 2012	Linear extended their SMA offering into full IDPS-like structure in 2011, launched their Broker Portfolio Administration & Reporting Services (PARS) in early 2012 and commenced their international SMA later that year.
2013 / 2014	Linear launched their second managed account offering alongside enhanced platform services, specifically automating the banking, settlement and cash reconciliation processes of their managed account offering.
2014	Investment Administration Services Holdings Ltd was rebranded as Managed Accounts Holdings Limited.  Managed Accounts Holdings Limited (ASX:MGP) listed on the Australian Stock Exchange (25 June 2014).
2015	Linear launched their Private Bank Platform in early 2015 and their Invest-Direct offering later in the year enhancing systems to meet demands of institutional clients. This extended Linear's offerings to include outsourced Platform services.
2017	Managed Accounts Holdings Limited purchased Linear Financial Holdings Ltd in November 2017. ASX Settlement Participant Status approval was granted the same year.
2018	Managed Accounts Holdings Limited successfully completed the acquisition of Aracon Superannuation Pty Ltd (31 October 2018), a holder of a Registrable Superannuation Entity (RSE) Licence.  Managed Accounts Holdings Limited successfully completed the acquisition of DIY Master Pty Ltd, a leading superannuation administrator and promoter (19 December 2018).
2019	Managed Accounts Holdings Limited rebranded to become Xplore Wealth Limited (ASX:XPL) (12 April 2019).  Xplore launches its first Super and Pension Wrap platform through Aracon Super as RSE, July 2019.

## 8.5 Impact of COVID-19 on operations

Xplore's priority was (and remains) to ensure the health and safety of our people (and their families) whilst continuing full business operations. Staying "safely" open for business has been critical to enable our clients to confidently support and reassure their customers during these uncertain times.

Responding to COVID-19, Xplore implemented its Business Continuity Plan (BCP) across the three offices.

Xplore was able to (and continues to with some teams), have all its teams across Australia working remotely. Upgrades to Xplore's technology infrastructure and workflow management processes completed before COVID-19 meant Xplore's people and clients remained connected. This has made it possible to effectively deliver promised services to clients, with no apparent negative impact on productivity or service standards.

In relation to trading, initially Xplore saw a marked increase in average monthly volumes, with March trading volumes approximately two to three times normal levels. The increased volume of trading (and associated administration) was processed as usual, ensuring clients could quickly rebalance their customer's portfolios, switch investments and redeem funds without any interruption.

A virtual weekly meeting with all leaders at Xplore took place and continues today to gather insights, issues and gauge the effectiveness of BCP actions put in place. One issue that emerged and dealt with effectively was peoples' mental and physical wellbeing. Wellbeing tools, timely tips and further technology were put in place to further adapt and arm Xplore's staff to tackle the challenges and setbacks whilst in isolation.

Xplore was in constant contact with key suppliers such as ANZ, Securities Software & Consulting (SS&C), JP Morgan (JPM), HSBC, Secure Agility and Responsible Entities, Perpetual & REPL to understand their COVID-19 response and possible impacts to Xplore, which was and remains very little.

During COVID-19 Xplore's Managed Discretionary Accounts (**MDA**) (as well as Separately Managed Accounts) business reaffirmed its status as a very efficient structure to support Advisers and Investment Managers manage their clients' wealth confidently. The ability to transact quickly and efficiently during the volatile market conditions was critical. Without the time-consuming need of contacting all clients ahead of executing on trades portfolios were able to (where appropriate) rapidly adjust to market conditions.

Xplore saw trading levels double to triple on normal levels as Investment Managers reweighted portfolios more defensively. As expected, since 1 January 2020 cash held in portfolios has increased by 55% (as at the end of October 2020), peaking at an increased level over the period of 73% in mid-August 2020. This has benefited Investment Managers and clients in many ways, such as preserving investment capital and providing them the ability to quickly participate in capital raisings, often at a discount to market value so corporates could recapitalise during the COVID-19 period.

Finally, at the initial stage of COVID-19 and the extreme market volatility, Xplore, like others in the sector, observed a decline in funds under management (**FUA**). For example, the ASX All Ordinaries was down 22% from 31 December 2019 to the end of March 2020. Xplore's FUA for the same period was down 8.7% to \$14.51 billion, which was primarily attributed to negative market movements. This resulted in a decline in FUA based administration fees for the quarter. However, this decline was largely offset with higher cash margins and transaction-based fees associated with the uplift in trading activity. As at 30 September 2020 FUA was \$15.53 billion, up \$1 billion from the end of March 2020.

## **8.6 Directors and senior management**

This section provides details of the Xplore Directors and key management personnel of Xplore as at the date of this Scheme Booklet.

### **(a) Directors**

**Alex Hutchison** – Chairman, Non-Executive Director

Alex has over 20 years' experience in the financial services industry having worked in a number of senior leadership roles. Alex is currently the Chief Executive Officer of Energy Industries Superannuation Scheme (EISS Super) responsible for the management of EISS Super.

**Donald Sharp** – Non-Executive Director

Don is a qualified accountant and a highly experienced, innovative and respected business builder and leader in the financial services sector. He co-founded Bridges Financial Services Pty Ltd, an industry leader in financial services well known for establishing one of the first platform solutions for portfolio management in Australia, The Portfolio Service.

Don is also Executive Chairman of Integrated Payments Technologies Limited (ASX: IP1)

Don is a former Chairman of Investors Mutual, Global Value Investors, and Premium Investors Limited (ASX: PRV) and a former Director of Countplus Limited (ASX: CUP) and Treasury Group Ltd (ASX: TRG).

### **Julie Berry** – Non-Executive Director

Julie is a registered tax (financial) adviser and a Certified Financial Planner professional who has practised as a financial planner for more than 30 years.

Julie is a member of the Tax Practitioners Board and Deputy Chair of the Future2 Foundation.

Julie has previously served as Chair of the Institute of Financial Advisers in New Zealand. She is a life member of the FPA and recipient of the Money Management Lifetime Achievement Award.

### **Stephen Reed** – Non-Executive Director

Stephen has extensive financial service experience including at Norwich Investments Management Ltd, as a Director and partner in Austock stockbroking companies and as founder and director of Austchoice Financial Services Ltd, listed on the ASX as DKN Ltd (ASX:DKN).

He has established a number of financial practices, acted as Responsible Manager on a number of others, and consulted to a number of financial services companies on strategy and marketing. He has also been a co-founder and past director of Manbulloo Ltd which over the past decade has grown into one of Australia's largest producers of mangoes.

## **(b) Executive Management**

Key members of Xplore's executive management team include:

<b>Name</b>	<b>Current position</b>
Mike Wright	Chief Executive Officer
Anne Hamieh	Head of Distribution and Marketing
Craig Giffin	Chief Risk Officer
Bruce Hawkins	Chief Financial Officer
Neil Gullett	Head of Product
Gloria Saliba	Head of People and Culture
Sanja Petrovic (on maternity leave)	Head of IT
Evan Morrison	Acting Head of IT

To learn more about Xplore's executive management team, details can be found at <https://xplorewealth.com.au/introduction/our-people/#executive-team>

## **8.7 Capital structure**

As at the Last Practicable Date, the capital structure of Xplore is as set out below:

<b>Xplore Security</b>	<b>Number on issue</b>
Shares	297,536,240
Options	22,103,549

## **8.8 Substantial shareholders**

Based on substantial shareholder notices lodged with the ASX or otherwise known to Xplore as at the Last Practicable Date, Xplore has the following substantial shareholders who have Relevant Interests in a parcel of 5% or more of the total issued Xplore Shares:

Name	Interest in Xplore Shares	% of issued Xplore Shares
Xplore Wealth Limited (Investment Administration Services Pty Ltd)	54,969,436	18.47%
Colin Scully and Valebark Pty Ltd	39,567,047	13.30%
Donald Sharp and, Donald Financial Enterprises Pty Ltd	35,707,047	12.00%
PAC Capital Pty Ltd	23,000,000	7.73%
Investors Mutual Limited	20,200,000	6.79%
Starmay Superannuation Pty Ltd	17,573,658	5.91%

## 8.9 Historical financial information

### (a) Basis of preparation

This section sets out a summary of historical financial information in relation to Xplore for the purposes of this Scheme Booklet. The financial information has been extracted from the 2019 and 2020 Annual Reports of Xplore.

The historical financial information of Xplore presented is in an abbreviated form and does not contain all the disclosures, presentation, statements, notes or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act, AAS and other mandatory professional reporting requirements.

Xplore considers that for the purposes of this Scheme Booklet the historical financial information presented in an abbreviated form is more meaningful to Xplore Security holders. Xplore's full financial accounts, including all notes to those accounts and a full description of the accounting policies can be found in Xplore's Appendix 4E and Annual Financial Report for the years ended 30 June 2019 and 30 June 2020 which are available on the ASX Website at [www.asx.com.au](http://www.asx.com.au) and Xplore's website at [www.xplorewealth.com.au](http://www.xplorewealth.com.au).

Xplore's financial reports for the FY18, FY19 and FY20 were audited by Grant Thornton and prepared in accordance with the Corporations Act and the Australian Auditing Standards.

#### Adoption of AASB16

Xplore adopted AASB16 Leases during FY20 using the modified retrospective approach. Operating leases were capitalised onto Xplore's balance sheet and are now recognised as "Right-of-use" assets and lease liabilities. The modified retrospective approach means comparative results for FY18 or FY19 have not been adjusted. There is no change to the fundamental economic performance and cash generation of the business and overall profitability is unaffected.

For further information on the adoption of AASB16 and its effect on the financial statements please refer to Xplore's Appendix 4E and FY20 Financial Report for the financial year ended 30 June 2020.

### (b) Consolidated historical income statements

The following is a summary of Xplore's consolidated statement of profit or loss and other comprehensive income for the financial years ended 30 June 2018, 30 June 2019 and 30 June 2020.

<b>Statement of profit or loss and other comprehensive income</b>			
<b>For the year ended 30 June</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
	(\$'000)	(\$'000)	(\$'000)
<b>Revenue</b>			
Service fee revenue	15,147	22,770	22,985
Less: transaction costs	(3,106)	(4,755)	(5,661)
<b>Gross margin</b>	<b>12,040</b>	<b>18,015</b>	<b>17,324</b>
Share of profits of joint ventures accounted for using the equity method	21	50	-
Other income	128	485	298
Interest revenue calculated using the effective interest method	498	95	71
<b>Expenses</b>			
Employee benefits expense	(6,821)	(10,484)	(11,694)
Professional Fees and Consulting	(739)	(1,012)	(1,258)
Depreciation and amortisation expense	(2,788)	(4,483)	(2,172)
Impairment of intangibles	(1,935)	(5)	(10,979)
Impairment of receivables	-	-	(199)
Computer and IT expenses	(548)	(1,547)	(1,849)
Premises expense	(438)	(506)	-
Insurance expense	(160)	(184)	(213)
Acquisition related expenses	(1,263)	(224)	-
Impairment of investments	-	(95)	-
Cost of Employee Share Scheme	(282)	23	(237)
Other expenses	(1,107)	(1,943)	(1,560)
Finance costs	(5)	(5)	(75)
<b>Loss before income tax benefit</b>	<b>(3,400)</b>	<b>(1,820)</b>	<b>(12,544)</b>
Income tax benefit	896	1,279	796
<b>Loss after income tax benefit for the year attributable to the owners of Xplora Wealth Limited</b>	<b>(2,504)</b>	<b>(540)</b>	<b>(11,748)</b>
Other comprehensive income for the year, net of tax	-	-	-
<b>Total comprehensive income for the year attributable to the owners of Xplora Wealth Limited</b>	<b>(2,504)</b>	<b>(540)</b>	<b>(11,748)</b>

**(c) Consolidated balance sheet**

The following is a summary of Xplore's consolidated statements of financial position as at 30 June 2018, 30 June 2019 and 30 June 2020.

<b>Statement of financial position</b>			
<b>As at 30 June</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>(\$'000)</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4,932	941	2,251
Other financial assets	1,250	1,501	1,980
Trade and other receivables	2,476	5,714	1,989
Other assets	-	893	1,361
Non-current assets classified as held for sale	-	500	-
<b>Total current assets</b>	<b>8,659</b>	<b>9,548</b>	<b>7,581</b>
<b>Non-current assets</b>			
Investments accounted for using the equity method	545	-	-
Investments	101	12	-
Plant & Equipment	262	341	263
Intangibles	40,549	38,954	27,899
Right of use asset	-	-	1,066
Deferred tax	4,298	5,398	5,971
<b>Total non-current assets</b>	<b>45,755</b>	<b>44,705</b>	<b>35,199</b>
<b>Total assets</b>	<b>54,413</b>	<b>54,254</b>	<b>42,779</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	2,086	3,353	3,050
Deferred government grant	307	237	111
Lease liabilities	-	-	565
Employee benefits	725	736	911
Deferred consideration	-	500	-
Other	6	-	-
<b>Total current liabilities</b>	<b>3,124</b>	<b>4,827</b>	<b>4,636</b>
<b>Non-current liabilities</b>			
Deferred government grant	399	354	178
Lease liabilities	-	-	615
Deferred tax	982	758	533
Employee benefits	175	198	249
<b>Total non-current liabilities</b>	<b>1,556</b>	<b>1,310</b>	<b>1,575</b>
<b>Total liabilities</b>	<b>4,681</b>	<b>6,136</b>	<b>6,211</b>

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<b>Net Assets</b>	<b>49,733</b>	<b>48,117</b>	<b>36,568</b>
<b>Equity</b>			
Issued capital	57,725	56,673	56,746
Share option reserve	484	461	376
Accumulated losses	(8,476)	(9,016)	(20,554)
<b>Total equity</b>	<b>49,733</b>	<b>48,117</b>	<b>36,568</b>

**(d) Consolidated cash flow**

The following is a summary of Xplore's consolidated statements of cash flow for the financial years ended 30 June 2018, 30 June 2019 and 30 June 2020.

<b>Statement of financial position</b>			
<b>For the year ended 30 June</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>(\$'000)</b>
<b>Cash flow from operating activities</b>			
Receipts from customers (inclusive of GST)	15,004	21,638	26,146
Payments to suppliers and employees (inclusive of GST)	(12,690)	(21,631)	(22,588)
Acquisition related expenses	(1,263)	(224)	-
Payment to acquiree's suppliers and employees owing on acquisition	(1,526)	(196)	-
Interest received	128	95	71
Government grants received	-	-	81
Other revenue	498	-	-
Interest and other finance costs paid	(5)	(5)	(75)
Income taxes refunded	-	2	1
<b>Net cash from/(used in) operating activities</b>	<b>146</b>	<b>(323)</b>	<b>3,637</b>
<b>Cash flows from investing activities</b>			
Payment for purchase of business, net of cash acquired	(23,071)	(904)	(792)
Payments for investments	(78)	(12)	0
Payments for plant and equipment	(214)	(51)	(65)
Payments for intangibles	(1,227)	(1,386)	(1,139)
Receipt from related party	-	-	125
(Payments)/proceeds from term deposits	138	(263)	(9)
<b>Net cash used in investing activities</b>	<b>(24,452)</b>	<b>(2,616)</b>	<b>(1,880)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	35,151	-	75
Payments for share buy-backs	-	(1,042)	-
Share issue transaction costs	(1,910)	(10)	(2)
Dividends paid	(268)	-	-
Repayment of borrowings - Linear	(5,359)	-	-
Repayment of lease liabilities	-	-	(520)
<b>Net cash used in financing activities</b>	<b>27,614</b>	<b>(1,052)</b>	<b>(447)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3,308</b>	<b>(3,991)</b>	<b>1,310</b>
Cash and cash equivalents at the beginning of the financial year	1,624	4,932	941
<b>Cash and cash equivalents at the end of the financial year</b>	<b>4,932</b>	<b>941</b>	<b>2,251</b>

## 8.10 Material changes in Xplore's financial position

To the knowledge of the Xplore Directors, the financial position of Xplore as at the Last Practicable Date has not materially changed since the financial year ended 30 June 2020, being the date of the last balance sheet laid before the Xplore Shareholders in a general meeting, other than:

- (a) On 4 November 2020, AusIndustry informed Xplore that they had completed their review of disputed research and development claims pertaining to the 2016, 2017 and 2018 financial years which had previously been declined. AusIndustry have reversed their original findings and have found that Xplore are entitled to claim the relevant expenditure as research & development. Xplore had made a provision of \$594,000 at 30 June 2020 representing 50% of the disputed claim and recognised the balance of the disputed claim as a contingent liability in the FY20 Annual Financial Statements. As a result of this decision, the provision will be reversed in the current financial year and there is no remaining contingent liability with respect to this matter.
- (b) in the ordinary course of trading;
- (c) as a result of generally known market conditions; and
- (d) as disclosed elsewhere in this Scheme Booklet or otherwise disclosed to the ASX by Xplore.

## 8.11 Recent Xplore share price performance

Xplore's Shares are listed on the ASX under the ticker 'XPL'. The closing price of the Xplore's Shares on the ASX before the ASX announcement relating to the Schemes on 28 October 2020 was 6.60 cents.

The VWAPs for Xplore Shares prior to the announcement on 28 October 2020 were:

- (a) 10-day VWAP of 6.70 cents;
- (b) 1-month VWAP of 6.67 cents;
- (c) 3-month VWAP of 6.75 cents; and
- (d) 6-month VWAP of 6.06 cents.

The closing price for Xplore Group Shares on ASX on the Last Practicable Date was \$0.18.

Figure 7 below shows Xplore's share price performance during the 12 months up to the Last Practicable Date:

**Figure 7. Xplore share price performance for the last 12 months to Last Practicable Date**



## 8.12 Xplore Directors' intentions for the business of Xplore

The Corporations Regulations require a statement by the Xplore Directors of their intentions regarding Xplore's business and employees. If the Share Scheme is implemented, unless HUB24 requests otherwise, the existing Xplore Directors will resign, and the Xplore Board will be reconstituted in accordance with the instructions of HUB24.

Accordingly, it is not possible for the Xplore Directors to provide a statement of their intentions after the Share Scheme is implemented regarding:

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

If the Share Scheme is implemented, HUB24 will own and control all Xplore Shares.

If the Share Scheme is not implemented, the Xplore Directors intend to continue to operate Xplore in the ordinary course of the business.

### 8.13 Litigation

Xplore is not aware of any litigation, either in progress or proposed, to which it is a party.

### 8.14 Certain information available for inspection

Xplore 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 the Listing Rules. These obligations require Xplore to notify the ASX of information about specified matters and events as they arise for the purpose of the ASX making that information available to participants in the market. As a company listed on the ASX, Xplore is subject to Listing Rules, which require (subject to some exceptions) continuous disclosure of any information that Xplore has that a reasonable person would expect to have a material effect on the price or value of Xplore Shares. Xplore is also required to lodge various documents with ASIC and the ASX.

Copies of documents lodged with the ASX is available on ASX's website at [www.asx.com.au](http://www.asx.com.au).

Copies of documents lodged with ASIC by Xplore may be obtained from ASIC.

Xplore's Shareholders may obtain a copy of Xplore's 2020 Annual Report (including its audited financial statements in respect of the year ended 30 June 2020) from ASX's website at [www.asx.com.au](http://www.asx.com.au) or from Xplore's website at [www.xplorewalth.com.au](http://www.xplorewalth.com.au)

Xplore's announcements to ASX since 28 October 2020 (being the date of the lodgement of the Scheme Implementation Agreement) are:

Date	Announcement
28 October 2020	Quarterly Activity Report and Appendix 4C
29 October 2020	Entry into Scheme Implementation Agreement with HUB24
29 October 2020	HUB Placement Completion
4 November 2020	Notification of R&D Claim Decision
6 November 2020	Notice of Ceasing to be Substantial Holder
8 November 2020	Relief from Quarterly Reporting
24 November 2020	Appendix 3G
25 November 2020	Annual General Meeting Presentation
25 November 2020	Chief Executive Officer AGM Update
25 November 2020	Results of Annual General Meeting

## 9. Information about HUB24

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### 9.1 Responsibility for information

The information set out in this section was prepared by HUB24 and HUB24 is responsible for the information contained in this section.

### 9.2 Background

HUB24 is a financial services company which provides investment and superannuation portfolio administration services, licensee services to financial advisers and technology and data services to licensees.

HUB24 was first established in 2007 and has been built by a team with vast experience in building market-leading solutions including Visiplan, COIN, Navigator (now MLC wrap) and Avanteos (now Colonial First Wrap). Products were launched to market from 2010 achieving \$1 billion in Funds Under Administration (FUA) in 2014. Since that time the business has grown to over \$19 billion (as at September 2020) and has consistently maintained 2nd place for both annual and quarterly net inflows since March 2019.<sup>7</sup>

HUB24 is listed on the ASX and HUB24 Shares are quoted on the ASX under the code 'HUB'. As at the Last Practicable Date, HUB24's market capitalisation was approximately \$1.37 billion. As at 30 September 2020, FUA in HUB24's Platform segment was \$19 billion.

### 9.3 Business overview

HUB24 Limited operates the HUB24 investment and superannuation Platform (**Platform**), licenses financial advisers authorised by Paragem Pty Ltd (**Paragem**) and provides technology and data services through Agility Applications Pty Ltd and HUBconnect Pty Ltd.

The Platform is a leading portfolio administration service that provides financial advisers with the capability to offer their clients access to a wide range of investments including market leading managed portfolio functionality, efficient and cost effective trading, insurance and comprehensive reporting for all types of investors – individuals, companies, trusts or self-managed super funds. As one of the fastest growing platforms in the market, the HUB24 platform is recognised for providing choice and innovative product solutions that create value for advisers and their clients.

HUB24's award-winning platform solution is used by more than 2000 advisers and continues to be recognised across the industry for its innovative products, value for money and customer experience:

- (a) Equal first for platform service out of 15 platforms, with the highest percentage of top ratings across all categories<sup>8</sup>
- (b) Best Platform Managed Accounts functionality 4th year running<sup>9</sup>
- (c) Rated No.1 for Product Offering
- (d) Rated No.1 for Integration
- (e) 1<sup>st</sup> place in terms of overall investment options and second overall in terms of adviser satisfaction<sup>10</sup>

Over the 12 months to 30 June 2020, HUB24's market-leading technology, product leadership and customer focus have continued to deliver growth in revenue, profit and shareholder returns. Platform revenue increased by 37% to \$74.3m for FY20 and has grown over the last 5 years with a CAGR of 55%. HUB24 has delivered a compound annual growth rate of 59% in FUA over the last five years.

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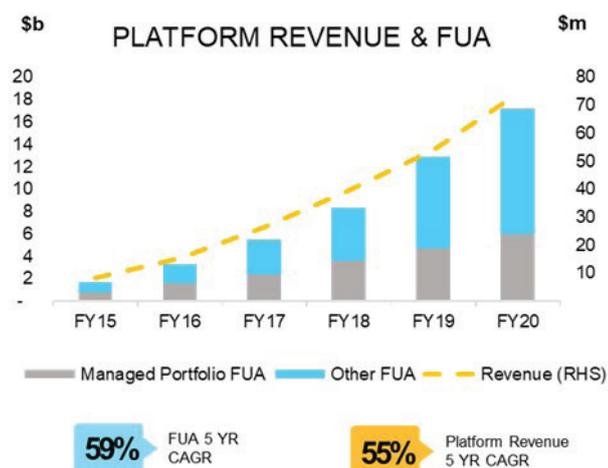
<sup>7</sup> Strategic Insights Master Funds Platforms and Wraps June 2020

<sup>8</sup> Wealth Insights Platform Service Report 2020

<sup>9</sup> Investment Trends Competitive Analysis and Benchmarking Report December 2019

<sup>10</sup> Adviser Ratings – Financial Advice Landscape Report 2019

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Paragem (the Licensee) provides boutique dealer group licensee services to financial planning businesses. It comprises a network of 37 financial advice businesses (as at 30 June 2020) which deliver high quality, goals-based advice. It provides compliance, software, education and support to the practices, enabling advisers to provide clients with financial advice across a range of products.<sup>11</sup>

The technology solutions business (HUBconnect Pty Ltd and Agility Applications Pty Ltd) provides technology and data services to the financial services industry, leveraging innovative solutions to support licensees, advisers and stockbrokers to deliver services to their clients.

HUB24's businesses currently function through a number of different entities. The overall business segments, including the principal activities, are described above. Further information about HUB24's group structure is available in the HUB24 2020 annual report and at HUB24's website at [www.hub24.com.au](http://www.hub24.com.au).

## 9.4 Strategy and growth opportunities

### (a) Industry trends



The Australian financial services industry continues to undergo unprecedented change as a result of the Hayne Royal Commission, exacerbated by the COVID-19 pandemic. Dislocation has accelerated recently with several of the incumbent institutions either revising their wealth strategy or opting out of wealth management altogether by selling, or announcing the sale of, their wealth businesses.

Due to this uncertainty, licensees and advisers are increasingly looking for providers that are committed to wealth management and continuing to invest in their proposition, evidenced by increasing net flows to Specialist Platforms and FUA transitions from incumbent platforms.

In this context, HUB24 continues to be positioned as a platform of choice, given its robust operational infrastructure, customer service excellence and innovative product solutions. HUB24 is rapidly growing and gaining market share.

<sup>11</sup> On 28 October 2020, HUB24 disclosed to the ASX that it would be divesting Paragem to Easton, which combined with an investment in Easton would result in HUB24 owning up to 40% of Easton. See section 9.4 for more detail.

According to the latest available Strategic Insights data for the Australian platform market HUB24 has maintained 2nd place ranking for both quarterly and annual net inflows. Market share has increased from 1.5% at June 2019 to 2.1% at June 2020<sup>12</sup>.

Furthermore, mid-tier licensees are growing and aggregated self-licensed practices are emerging. Advisers within these practices are continuing to transform their businesses to remain competitive and adjust to new regulations and education requirements. Innovative technology and data solutions available through HUB24 are highly valued to assist them in this transformation.

## **(b) Strategy**

HUB24 has a clear purpose: **to make a difference in our customers' lives by connecting them to innovative solutions that create better investment outcomes**. This purpose underpins HUB24's vision and strategy.

HUB24's strategic objectives are centred around strengthening its position as a leading specialist platform provider through constant innovation, delivering broad product choice, and delivering innovative solutions that unlock value for advisers and their clients to help them meet their retirement and investment goals.

HUB24 is committed to wealth management and enabling the transformation of advice so that more Australians can access cost-effective professional financial advice.

HUB24 is focused on three strategic priorities; maintaining its market leading platform and capabilities; accelerating growth and enabling an advice profession.

## **(c) Outlook**

FY20 was a successful year for HUB24 even though the COVID-19 pandemic brought challenges that impacted customers, staff, shareholders and the community. In this context, HUB24 continued to successfully operate and grow the business with record growth, while also building the foundations for further growth.

Subject to market conditions, HUB24 expects this rapid growth will continue moving forward as its focus is resulting in a strengthening pipeline and is securing a number of new client relationships.

Despite the current pandemic HUB24 believes the market conditions are increasingly favourable for HUB24 as the wealth management industry continues to transform and the financial advice market continues to reshape.

With the continued growth in FUA onto the HUB24 investment and superannuation platform and continuing success of its supporting businesses, the HUB24 Group expects its financial results to continue improving with scale.

As disclosed to ASX on 28 October 2020, in addition to the proposed acquisition of investment platform provider Xplore by way of a scheme of arrangement, HUB24 also announced the following two additional transactions:

- the acquisition of Ord Minnett's non-custody Portfolio Administration and Reporting Service ('PARS') for \$10.5 million upfront cash consideration, which successfully completed on 28 November 2020. PARS is a non-custody portfolio service that has been operating within Ord Minnett for 15 years and includes tax reporting and corporate action management for over \$8 billion in FUA and is one of the largest providers in the Australian market. This acquisition includes an experienced team of 12 FTE, software and related intellectual property; and
- the proposed acquisition of shares in Easton Investment Limited (ASX:EAS) ('Easton') for cash consideration of \$14 million and divestment of HUB24 subsidiary Paragem to Easton for \$4 million of new Easton shares, which will result in HUB24 having a shareholding of up to 40% of the issued shares in Easton. Easton is a diversified financial services business servicing 250 financial advisers (including Paragem) and over 420 licensed accountants as at 29 October 2020. Easton will continue the provision of licensee, training and educational services to advisers and will become an anchor client for HUB24's vision to enable the advice businesses of the future through innovative technology and data solutions.

At the same time, an equity capital raising of up to \$60 million being a combination of institutional placement of \$50 million and a share purchase plan of up to \$10 million was announced. The institutional placement was completed on 29 October 2020 for \$50 million and the share purchase plan was oversubscribed and subsequently increased to \$20 million. Shares for the SPP were issued on 30 November 2020.

Whilst these three transactions and the capital raising will strengthen and further consolidate HUB24's position as a leading specialist platform provider and technology services business, there is no interdependency between them. Each transaction has stand-alone value to HUB24. The proposed transaction in respect of Easton is subject to all necessary approvals for the acquisition by HUB24 of Easton shares.

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<sup>12</sup> Strategic Insights Master Funds Platforms and Wraps June 2020

On 28 November 2020, HUB24 completed the acquisition of Ord Minnett's PARS business.

Further information about these strategic transactions can be found on the ASX's website at [www.asx.com.au](http://www.asx.com.au).

## 9.5 Board and Senior Management

This section provides details of the HUB24 Directors and key management personnel of HUB24 as at the date of this Scheme Booklet.

### (a) Directors:

**Bruce Higgins** – Chairman, Non-Executive Director

*B Eng CP Eng, MBA, FAICD*

Bruce has more than 20 years' experience as a senior executive or CEO, with companies such as Honeywell, Raytheon and listed technology companies. He is a specialist in rapid growth entrepreneurial companies, financial and software services companies, M&A and corporate governance and has also served on ASX boards as a Non-Executive Director or Chairman for more than 14 years. Bruce was awarded the Ernst & Young Entrepreneur of the Year award in Southern California in 2005 and has a Bachelor Degree in Electronic Engineering and an MBA in Technology Management. He is a Chartered Professional Engineer and Fellow of the Australian Institute of Company Directors.

Bruce was appointed as Chairman of the HUB24 Board on 19 October 2012.

**Andrew Alcock** – Managing Director

*B Bus, GAICD*

Andrew joined HUB24 in 2013 as Chief Executive Officer. Since that time, FUA on the HUB24 platform has grown from approximately \$500m to over \$19 billion (as at September 2020) and the company has become one of the market's leading specialist platform providers. Andrew has more than 25 years' experience across wealth management encompassing advice, platforms, industry superannuation, insurance and information technology. Andrew was formerly Chief Operating Officer of Genesys Wealth Advisers overseeing the authorisation of more than 300 financial planners and Head of the Genesys Equity Program, where he was a director of more than 20 financial planning practices across Australia. Prior to this Andrew was CEO of Australian Administration Services, a subsidiary of Link Market Services, providing superannuation administration for some of Australia's largest superannuation funds. He was also previously General Manager for Asteron's wealth management business. Andrew's extensive financial services experience solidly underpins his role as Managing Director of HUB24.

Andrew was appointed to the HUB24 Board on 29 August 2014 as Managing Director.

**Ian Litster** – Non-Executive Director

*B Sc (Hons)*

Ian Litster has more than 13 years' experience in designing and developing software for the financial services industries, particularly in the area of financial planning. He has been the founder of the companies behind the VisiPlan and COIN software packages, two of the leading financial planning systems in Australia. His main areas of expertise are the management of information technology organisations and software development. Ian has a Bachelor Degree in Science (Honours in Mathematics). Ian was appointed to the HUB24 Board on 25 September 2012.

**Anthony McDonald** – Non-Executive Director

*B Comm LLB*

Anthony McDonald co-founded financial planning firm Snowball Group Limited in 2000, which merged with Shadforth in 2011 to become ASX-listed SFG Australia Limited. Anthony is also a former Director of The Investment Funds Association of Australia (now Financial Services Council) and currently Chairman of a leading not-for-profit organisation. He is currently non-executive Director of 8IP Emerging Companies Limited. As a financial services executive Anthony worked in a variety of senior roles with the Snowball Group, SFG, Jardine Fleming Holdings Limited (Hong Kong), and Pacific Mutual Australia Limited. Prior to entering the financial services industry, Anthony worked as a solicitor with two global law firms. He holds a Bachelor of Laws (LLB) and a Bachelor of Commerce (Marketing) from the University of NSW. Anthony was appointed to the HUB24 Board on 1 September 2015 and is the Chair of the Remuneration and Nomination Committee.

**Paul Rogan** – Non-Executive Director

*B Bus, GAICD*

Paul is a senior financial services professional with a background in accounting and finance, with a proven track record for delivering results in different regions and markets. In his executive career he successfully drove businesses through rapid growth phases including with Challenger, NAB, MLC and Lend Lease. Paul has more than 26 years' experience serving on entity boards and industry groups, including 13 years in the not for profit sector. Paul was appointed to the HUB24 Limited Board on 20 December 2017 and appointed as Chair of the Audit, Risk and Compliance Committee on 1 March 2018. Paul was appointed a member of the Remuneration and Nomination Committee effective 1 August 2020.

**Ruth Stringer** – Non-Executive Director

*B Sc, LLM, GAICD*

Ruth is an experienced financial services lawyer with particular expertise in funds management, superannuation, life insurance and financial planning. Her diverse career has included working in significant national and international law firms, as well as serving as in-house counsel with various financial institutions and more recently, working with the Australian Securities and Investments Commission. Ruth is engaged as a Consultant to Herbert Smith Freehills. Ruth has served on a number of boards and committees during her career, including the Board of Taxation's Advisory Panel and the Steering Committee of the International Pension and Employee Benefit Lawyers Association. Ruth's passion for improving the superannuation system resulted in her appointment to the CIPR (Comprehensive Income Products for Retirement) Framework Advisory Group, formed to advise Treasury on aspects of the legislative framework for new retirement income products. Ruth was appointed to the HUB24 Board on 1 February 2020 and also serves on the Audit, Risk and Compliance Committee.

**(b) Company Secretary:**

**Kitrina Shanahan**

Kitrina has over 20 years of experience in finance, governance and risk. Prior to HUB24, Kitrina was Chief Financial Officer Insurance at Westpac. She has also held roles across BTFG as Deputy Chief Financial Officer and as Group Financial Controller at Westpac. With deep experience in platforms, advice and broader financial services, Kitrina has executive leadership experience delivering large strategic transformation projects.

**(c) Executive Management Team:**

- Andrew Alcock – Managing Director
- Kitrina Shanahan – Chief Financial Officer and Company Secretary
- Jason Entwistle – Director, Strategic Development
- Craig Lawrenson – Chief Operating Officer
- Paul Biggs – Chief Information Officer
- Wendy McIntyre – General Counsel & Head of Risk & Compliance
- Anne McDonnell – Head of Marketing

**9.6 Capital Structure**

The capital structure of HUB24 at the date of this Scheme Booklet is made up of:

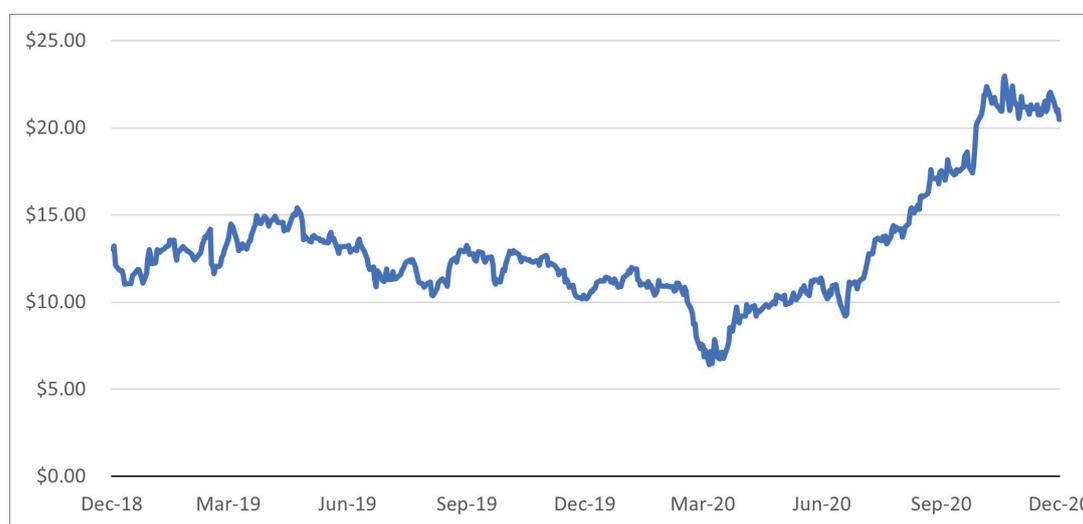
HUB security	Number on issue
Shares	66,954,435
Options	1,120,821
Performance rights	788,191

## 9.7 Recent Share Price History

HUB24 Share price information	Price
Last recorded price on ASX for HUB24 Shares on 27 October 2020, being the last trading day before the public announcement of the Schemes (27 October 2020)	\$20.97
Highest closing price in the 3 months prior to the announcement of the Schemes (16 October 2020)	\$22.38
Lowest closing price in the 3 months prior to the announcement of the Schemes (31 July 2020)	\$13.34
Highest closing price in the 12 months prior to the announcement of the Schemes (16 October 2020)	\$22.38
Lowest closing price in the 12 months prior to the announcement of the Schemes (16 March 2020)	\$6.40

Set out below is a graph depicting the share price performance of HUB24 Shares on the ASX from the last two years until the Last Practicable Date.

**Figure 8. Recent HUB24 Share Price History (last 2 years)**



None of the HUB24 Share prices referred to above should be taken as an indication of the likely price of HUB24 Shares following the implementation of the Share Scheme.

## 9.8 Dividend Policy

The HUB24 Board's dividend policy targets a payout ratio between 40% and 60% of the HUB24 Group's underlying net profit after tax over the medium term subject to prevailing market conditions and alternate uses of capital.

### Historical Dividend payments

- For FY20, HUB24 paid a full year fully franked dividend of 3.5 cents per share and an interim fully unfranked dividend of 3.5 cents per share, combined dividend for FY20 of 7.0 cents per share, representing a payout ratio of 43% of HUB24 Group's underlying net profit after tax for that financial year.
- For FY19, HUB24 paid a full year fully unfranked dividend of 4.6 cents per share, representing a payout ratio of 42% of HUB24 Group's underlying net profit after tax for that financial year.
- For FY18, HUB24 paid a full year fully unfranked inaugural dividend of 3.5 cents per share, representing a payout ratio of 40% of HUB24 Group's underlying net profit after tax for that financial year.

## 9.9 Substantial HUB24 Shareholders

As of 30 November 2020, the substantial HUB24 Shareholders who have notified their interests to the ASX are as below.

Name	Holding	Percentage
ECP Asset Management Pty Ltd	6,915,640	10.33%
Hyperion Asset Management	6,651,965	9.94%
Thorney Investment Group and associates	5,850,297	8.74%
Bennelong Australian Equity Partners	5,450,737	8.14%
Ian J Litster	3,280,677	4.9%

Note: Ian J Litster reduced his shareholding to 2,480,677 being 3.7% on 8 December 2020

## 9.10 HUB24 Directors' Interests in HUB24 Shares and Xplore Shares

### (a) Interests in HUB24 Shares (at the date of the Scheme Booklet)

HUB24 Director	Interest in HUB24 Shares
Bruce Higgins	808,311 fully paid ordinary shares
Andrew Alcock	1,061,383 fully paid ordinary shares 290,491 options 184,752 performance rights
Ian Litster	2,480,677 fully paid ordinary shares
Anthony McDonald	18,874 fully paid ordinary shares
Paul Rogan	37,500 fully paid ordinary shares
Ruth Stringer	3,070 fully paid ordinary shares

### (b) Interests in Xplore Shares

Nil. However, some HUB24 Directors hold (including through independently managed funds or accounts) a diversified portfolio of shares which may include Xplore Shares.

## 9.11 HUB24's employee incentive plans

### (a) Short Term Incentive Plan

The objective of HUB24's Short Term Incentive Plan is to reward valued employees in addition to their fixed remuneration, in a manner that focusses them on achieving personal and business goals which contribute to current strategies and to the creation and growth of sustained shareholder value.

Short Term Incentive Plan payments are granted to executives based upon structured qualitative and quantitative scorecard measures being achieved as determined by the HUB24 Board. The scoreboard measures include "base case" and "stretch" targets. The allocated weighting between base case and stretch may vary between key management talent.

### (b) Long Term Incentive Plan

Key employees may be eligible to participate in HUB24's Long Term Incentive Plans receiving options and/or performance award rights (**PARs**) over ordinary shares.

The objective of HUB24's Long Term Incentive Plans is to recognise and incentivise key employees to deliver sustained growth in shareholder value and to enhance the HUB24 Group's ability to attract, motivate and retain appropriate talent.

Long term incentives issued annually under HUB24's Long Term Incentive Plans generally have two performance hurdles:

- 50% of the options and 50% of the PARs – the Compound Annual Growth Rate (**CAGR**) in Funds Under Administration (**FUA**) over a three year period; and
- 50% of the options and 50% of the PARs – the Absolute Total Shareholder Return (**ATSR**) performance over a three year period.

The current hurdles incentivise long term incentive recipients to build scale with appropriate margins in order to deliver business growth and profitability (as currently measured by the CAGR in FUA) as well as the success in implementing the HUB24 Group's long term strategic objectives (as currently measured by the CAGR in ATSR).

Additionally, from time to time, the HUB24 Board may, at their discretion and with the approval of shareholders (as required), elect to remunerate key employees through the issue of options or PARs outside of these plans in order to support the achievement of the HUB24 Group's long term strategic objectives, incentivise and reward key employees for the performance, and to support the retention of key employees considered instrumental to the ongoing success of the business.

### 9.12 Funding of the Share Scheme Consideration and Option Scheme Consideration

As announced on 29 October 2020 and 25 November 2020, HUB24 completed a capital raising involving an institutional placement and share purchase plan, which raised approximately \$70 million. HUB24 proposes to use the funds raised under the capital raising to fund the cash component of the Share Scheme Consideration and the Option Scheme Consideration.

HUB24 will issue HUB24 Consideration Shares to satisfy the Scrip Consideration component of the Share Scheme Consideration, for which it does not require HUB24 shareholder approval.

### 9.13 Rights and Liabilities Attaching to HUB24 Consideration Shares

The rights and liabilities attaching to HUB24 Consideration Shares which will be issued to participants in the Share Scheme as Share Scheme Consideration will be the same as those attaching to existing HUB24 Shares and will rank equally with all issued fully paid ordinary shares of HUB24 from the date of their allotment. These rights and liabilities are detailed in the HUB24 constitution and are subject to the Corporations Act and the Listing Rules.

The table below summarises some of the key rules in the HUB24 constitution in relation to the rights and liabilities currently attaching to HUB24 Shares. This summary does not purport to be exhaustive and must be read subject to the full text of the HUB24 constitution. A copy of HUB24 constitution is available on the ASX announcements platform or HUB24 website.

Xplore Shareholders should seek their own independent advice in relation to their rights and liabilities as potential holders of HUB24 Shares in specific circumstances.

Item	Description
<b>Issue of further HUB24 Shares</b>	The HUB24 Board may, from time to time, issue any shares in the capital of HUB24.
<b>HUB24 Share transfers</b>	A HUB24 Shareholder may transfer all or any of the HUB24 Shares held by them to a third party, including on the ASX, subject to customary requirements.  Generally, the HUB24 Board must register a transfer of HUB24 Shares, unless the refusal to register the transfer is permitted under the Listing Rules. If a transfer is refused, HUB24 will provide notice within 5 Business Days after the date of lodgement.
<b>Meetings of members</b>	Each holder of HUB24 Shares is entitled to receive notice of and to attend and vote at all meetings of members of HUB24.  HUB24 Shareholders are also entitled to call a general meeting in accordance with the Corporations Act.

Item	Description
<b>Voting</b>	<p>Each HUB24 Share confers the right to vote at general meetings. Each HUB24 Shareholder is entitled to be present and vote at meetings in person, or by proxy, attorney or representative.</p> <p>On a show of hands, each HUB24 Shareholder has one vote. On a poll, each HUB24 Shareholder has one vote for each fully paid ordinary share held by the shareholder and a fraction of a vote proportional to the amount paid on each partly-paid ordinary share.</p>
<b>Dividends</b>	<p>HUB24 Shareholders are entitled to receive dividends declared in respect of HUB24 Shares they hold and a fraction of the dividend proportional to the amount paid on each partly-paid ordinary share.</p> <p>The HUB24 Board may declare dividends as and when it sees fit.</p>
<b>Rights on winding up</b>	<p>Each HUB24 Share confers on its holder the right to participate equally in the distribution of the assets of HUB24 on a winding up, subject only to any amounts unpaid on the share.</p> <p>If HUB24 is wound up, the liquidator may, with the sanction of a special resolution, divide among the members all or any of HUB24's assets and for that purpose, determine how it will carry out the division between the members but may not require a member to accept any shares or other securities in respect of which there is any liability.</p>
<b>Sale of non-marketable parcels</b>	<p>As permitted by the Listing Rules, the HUB24 constitution confers the power on HUB24 to dispose of small parcels of HUB24 Shares (being parcels of HUB24 Shares, the number of which in aggregate constitutes less than a marketable parcel of shares under the Listing Rules).</p> <p>HUB24 must not sell a small parcel of HUB24 Shares unless it has given six weeks' written notice to the HUB24 Shareholder of its intention to sell those HUB24 Shares. The shareholder may ask HUB24 in writing to exempt their HUB24 Shares before the date specified in the written notice, in which case HUB24 will not sell the parcel. If HUB24 does sell the HUB24 Shares, the proceeds of the sale are remitted to the HUB24 Shareholder.</p>
<b>Variation of class rights</b>	<p>The rights attaching to a HUB24 Share may, unless their terms of issue state otherwise, only be varied or abrogated with the sanction of a special resolution passed at a meeting of the class of holders holding shares in the class.</p>

#### 9.14 Interests in Xplore Shares and Benefits

As at the date of this Scheme Booklet, HUB24 does not own any Xplore Shares and during the four months before the date of this Scheme Booklet, other than pursuant to the Scheme Implementation Agreement and the Share Scheme neither HUB24 nor any of its associates has agreed to provide consideration for any Xplore Shares under any transaction or agreement. For completeness, clients and fund managers using HUB24's custody platform may hold Xplore Shares but these Xplore Shares are not held for or on behalf of HUB24.

#### 9.15 Historical Financial Information

##### (a) Basis of preparation

The historical financial information of the HUB24 Group presented is in an abbreviated form and does not contain all the disclosures, presentation, statements, notes or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act, Australian Accounting Standards and other mandatory professional reporting requirements. HUB24 considers that for the purposes of this Explanatory Booklet the historical financial information presented in an abbreviated form is more meaningful to Xplore Shareholders.

The historical financial information of the HUB24 Group are general-purpose financial statements, which has been prepared in accordance with the requirements of the *Corporations Act 2001* (Cth), Australian Accounting Standards and other authoritative pronouncements of the AASB and IFRS as issued by the IASB.

The historical financial information of the HUB24 Group have also been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value, and biological assets that are measured at fair value less costs to sell.

The financial report is presented in Australian dollars and under the ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated. Both the functional and presentation currency of HUB24 and its Australian subsidiaries is AUD. Subsidiaries incorporated in countries other than Australia, which have a functional currency other than Australian Dollars, are translated to the presentation currency.

Transactions in foreign currencies are initially recorded by subsidiaries at their respective functional currency rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit and loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. The financial report has been prepared on a going concern basis. Comparative information which relates to prior periods is restated to be comparable with current year disclosures.

The consolidated financial statements comprise the financial statements of HUB24 and its Subsidiaries. Control is achieved when HUB24 is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When HUB24 has less than a majority of the voting or similar rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee.

HUB24 re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date HUB24 gains control until the date HUB24 ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of HUB24 and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with HUB24's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of HUB24 are eliminated in full on consolidation.

(b) Consolidated historical income statements

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2020		
	Consolidated	
	2020	2019
	\$	\$
<b>Revenue from continuing operations</b>		
Revenue	110,265,071	96,358,115
Fair value gain on contingent consideration	850,627	1,145,336
Interest and other income	944,510	1,164,132
	<b>112,060,208</b>	98,667,583
<b>Expenses</b>		
Platform and custody fees	(7,689,122)	(6,122,683)
Licensee fees	(28,252,729)	(33,798,356)
Employee benefits expense	(42,320,107)	(32,351,399)
Property and occupancy costs	(417,078)	(2,203,212)
Depreciation and amortisation expense	(5,322,539)	(2,574,321)
Administrative expenses	(14,026,827)	(10,771,870)
Impairment write-off	(1,000,000)	-
Interest expense on lease liability	(204,408)	-
	<b>99,232,810</b>	87,821,841
<b>Profit before income tax</b>	<b>12,827,398</b>	10,845,742
Income tax (expense)/benefit	(4,599,101)	(3,681,787)
<b>Profit after income tax for the year</b>	<b>8,228,297</b>	7,163,955
<b>Other comprehensive income</b>	-	-
Blank		
<b>Total comprehensive income for the year</b>	<b>8,228,297</b>	7,163,955
<b>Total comprehensive income for the year attributable to ordinary members of HUB24 Limited</b>	<b>8,228,297</b>	7,163,955

(c) Consolidated balance sheet

Consolidated statement of financial position as at 30 June 2020		
	Consolidated	
	2020	2019
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	33,809,323	18,465,847
Trade and other receivables	10,046,081	7,565,465
Other current assets	1,799,377	780,997
<b>Total current assets</b>	<b>45,654,781</b>	<b>26,812,309</b>
<b>Non-current assets</b>		
Intangible assets	39,963,264	37,068,563
Right of Use Asset	5,436,824	-
Deferred tax assets(net of deferred tax liability)	5,101,024	9,685,343
Office equipment	1,661,629	1,955,564
Other non-current assets	-	2,000,000
<b>Total non-current assets</b>	<b>52,162,741</b>	<b>50,709,470</b>
<b>Total assets</b>	<b>97,817,522</b>	<b>77,521,779</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Provisions	7,811,054	5,053,154
Trade and other payables	5,369,919	3,363,071
Lease liabilities	1,670,311	-
Deferred income	88,879	259,419
<b>Total current liabilities</b>	<b>14,940,163</b>	<b>8,675,644</b>
<b>Non-current liabilities</b>		
Lease liabilities	4,385,270	-
Provisions	1,513,662	1,001,090
Deferred income	587,078	775,303
Other non-current liabilities	1,567,978	2,146,200
<b>Total non-current liabilities</b>	<b>8,053,988</b>	<b>3,922,593</b>
<b>Total liabilities</b>	<b>22,994,151</b>	<b>12,598,237</b>
<b>Net assets</b>	<b>74,823,371</b>	<b>64,923,542</b>
<b>EQUITY</b>		
Issued capital	100,146,048	98,187,400
Profit reserve	40,847,253	13,014,445
Reserves	8,823,118	5,256,545
Accumulated losses	(74,993,048)	(51,534,848)
<b>Total equity</b>	<b>74,823,371</b>	<b>64,923,542</b>

(d) Consolidated cash flow

<b>Consolidated statement of cash flows for the year ended 30 June 2020</b>		
	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	<b>116,810,659</b>	102,183,621
Payments to suppliers and employees (inclusive of GST)	<b>(91,563,864)</b>	(91,197,982)
Interest received	<b>633,021</b>	645,014
Interest paid on lease liability	<b>(204,408)</b>	-
Short term lease payments	<b>(212,620)</b>	-
<b>Net cash inflow from operating activities</b>	<b>25,462,788</b>	11,630,653
<b>Cash flows from investing activities</b>		
Payments for acquisitions (net of cash acquired)	<b>(475,000)</b>	(411,250)
Payments for office equipment	<b>(498,365)</b>	(458,350)
Payments for intangible assets	<b>(6,726,958)</b>	(6,904,702)
<b>Net cash (outflow) from investing activities</b>	<b>(7,700,323)</b>	(7,774,302)
<b>Cash flows from financing activities</b>		
ORFR loan facility advance settlement proceeds	<b>2,000,000</b>	-
Payments for capital raising costs	<b>(15,756)</b>	(19,471)
Proceeds from issues of shares and other equity securities	<b>1,242,371</b>	1,093,137
Repayment of lease principal payments	<b>(1,818,661)</b>	-
Dividends paid	<b>(3,826,943)</b>	(3,423,166)
<b>Net cash (outflow) from financing activities</b>	<b>(2,418,989)</b>	(2,349,500)
<b>Net increase in cash and cash equivalents</b>	<b>15,343,476</b>	1,506,851
Cash and cash equivalents at the beginning of the financial year	18,465,847	16,958,996
Cash and cash equivalents at end of year	<b>33,809,323</b>	<b>18,465,847</b>

**9.16 Material Changes in HUB24's Financial Position**

Other than:

- the accumulation of revenue in the ordinary course of trading; and
- as disclosed in this Explanatory Booklet or as otherwise disclosed to ASX by HUB24,

within the knowledge of HUB24, the financial position of the HUB24 Group has not materially changed since 30 June 2020, being the date of the HUB24 Group audited financial statements for the financial year ended 30 June 2020 (released to ASX on 25 August 2020).

### **9.17 Publicly Available Information**

HUB24 is a disclosing entity for the purposes of the Corporations Act and as such it is subject to regular reporting and disclosure obligations. As a company listed on ASX, HUB24 is also subject to the ASX Listing Rules which require continuous disclosure (with some exceptions) of any information which a reasonable person would expect to have a material effect on the price or value of HUB24 Shares. In addition, HUB24 is required to maintain periodic disclosure (including yearly and half-yearly financial statements) with ASIC in accordance with the Corporations Act and the ASX in accordance with the ASX Listing Rules.

The information disclosed to the ASX is available from the ASX's website ([www.asx.com.au](http://www.asx.com.au)) as well as HUB24 website ([www.hub24.com.au](http://www.hub24.com.au)). Copies of the documents lodged with ASIC by HUB24 may be obtained from or inspected at any ASIC office.

### **9.18 No other material information known to HUB24**

Except as disclosed elsewhere in this Scheme Booklet, so far as HUB24 is aware, as at the date of the Scheme Booklet, there is no other information that is:

- material to the making of a decision by an Xplore Shareholder whether or not to vote in favour of the Share Scheme;
- material to the making of a decision by an Xplore Optionholder whether or not to vote in favour of the Option Scheme; and
- known to HUB24, at the date of lodging this Scheme Booklet with ASIC for registration, which has not previously been disclosed to Xplore Shareholders.

## 10. Overview of the Combined Group

### 10.1 Responsibility for information

The information set out in this section was prepared by HUB24 and HUB24 is responsible for the information contained in this section (except to the extent that Xplore has provided HUB24 with information for the purpose of HUB24 preparing this section, for which Xplore takes responsibility).

The Combined Group financial information in section 10.8 has been prepared by HUB24 and Xplore and is the joint responsibility of both HUB24 and Xplore.

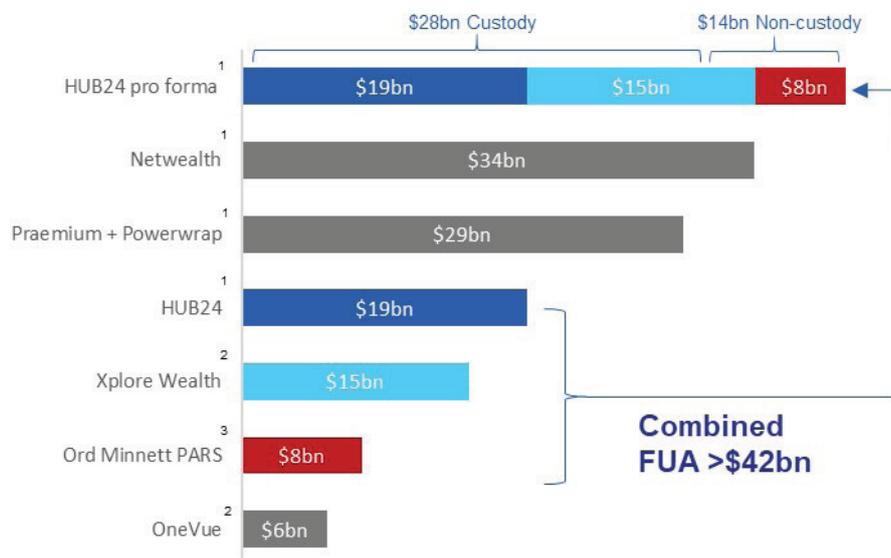
### 10.2 The Combined Group Overview

The Combined Group of HUB24, Xplore and Ord Minnett's PARS is intended to create a unique offering in the specialist platform services space enabling HUB24 to become a:

- market leader in the Specialist Platform Provider Sector;
- market leader in non-custody, direct HIN solutions;
- leader in International Securities administration services;
- provider of services to High Net Worth clients; and
- strategic partner to a leading financial advice services provider to enable a transformation of financial advice leveraging HUB24 data and technology solutions.

The Combined Group adds material scale to HUB24 and will consolidate HUB24's leadership in the Specialist Platform Sector. The successful completion of these transactions is expected to result in a 47% increase in custodial FUA, around 400 new adviser relationships and the expansion of non-custody administration FUA to \$14 billion.

#### Funds Under Administration



Notes:

1. Company filings, as at 30 September 2020
2. Company filings, as at 30 June 2020
3. Company information as at 31 July 2020

In addition, through the proposed divestment and merger of Paragem and HUB24's investment in Easton Investments Limited (**Easton**). HUB24 anticipates holding up to a 40% shareholding in Easton which is a diversified financial services business servicing 250 financial advisers (including Paragem) and over 420 licensed accountants.

The client base of the Combined Group will be even further diversified with clients covering High Net Worth, institutional licensees as well as broad base retail clients. Clients will benefit from a number of highly attractive differentiators once full integration is complete including:

- market leading platform;
- market leading Managed Accounts functionality;
- market leading scale and capability in non-custody portfolio services;
- domestic and global bonds;
- international domiciled managed funds;
- significant additional scale and capability in international listed securities and foreign currency; and
- increased investment in data and technology solutions that support advisers to grow their business, meet their compliance obligations and deliver cost effective advice.

### 10.3 Capital structure and ownership

If the Share Scheme is implemented, HUB24 will issue between approximately 1.19 million and 1.49 million HUB24 Consideration Shares to Scheme Shareholders who are entitled to receive HUB24 Consideration Shares. The eventual number will be dependent on the Elections made by Xplore Shareholders and the application of any scale back.

As a result of the Share Scheme, the number of HUB24 Shares on issue will increase from approximately 66,954,435 (being the number on issue as at the date of this Scheme Booklet) to approximately between 68,142,435 to 68,439,435 as illustrated below:

Type of Security	Number on issue
<b>Quoted Securities</b>	
Ordinary Fully Paid Shares	68,142,435 to 68,439,435
<b>Unquoted Securities</b>	
Options expiring various dates	1,120,821
Performance rights	788,191

Upon implementation of the Share Scheme, Xplore Shareholders are expected to own approximately between 1.8% and 2.2% of the Combined Group with HUB24 Shareholders owning the remaining approximately between 97.8% and 98.2% of the Combined Group.

It is expected that the free float of the Combined Group will be approximately 88%.

### 10.4 Combined Group Board and management

#### (a) Directors

HUB24 will be the ultimate parent company of the Combined Group. HUB24 does not currently anticipate any change to the composition of the HUB24 Board following implementation of the Share Scheme, and therefore expects the Board to remain as set out in section 9.5. See section 9.5 for information about the members of the HUB24 Board.

#### (b) Senior management

If the Share Scheme is implemented, HUB24 intends to conduct a review of Xplore's operations. Whilst the key operational responsibilities for the Xplore business are expected to be largely unchanged, final decisions regarding the structure of the Combined Group and its senior management requirements will be made as part of the integration process.

## 10.5 Strategic rationale for the Schemes

The proposed acquisition of Xplore, the acquisition of Ord Minnett's PARS and the proposed investment of up to 40% of the issued shares in Easton support HUB24's strategic objectives, positioning HUB24 for ongoing success and providing long term growth for shareholders:

- Increased scale
  - Significantly adds material scale to the HUB24 platform, with additional FUA of \$23 billion
  - Significant growth through new High Net Worth focused wealth advisers and new retail financial adviser relationships
  - Opportunity to leverage scale to continue to develop market-leading non-custody administration and reporting services
- Broaden capabilities
  - Delivers access to new products and services including domestic and global bonds and international domiciled managed funds
  - Additional scale and capability in international listed securities and foreign currency
  - Leverage the capability to deliver the leading full range custodial and non-custodial services provider
  - Materially enhances HUB24's High Net Worth client offering.
- Extend reach
  - Appropriately 400 new active adviser relationships
  - New product features increase the appeal of combined platform offer to new clients
  - Extend new features to existing HUB24 clients
  - Invest to meet growing demand for non-custodial tax reporting services among private wealth advisers and financial planning market.
- Extract synergies
  - Reduction of corporate overheads
  - Leverage combined capability to reduce cost to serve
  - Deliver accretive returns for shareholders

Once implemented, the three strategic transactions will strengthen and further consolidate HUB24's position as a leading specialist platform provider and technology services business while building scale in platform FUA and introduce capability to HUB24's market leading platform.

The acquisition of Ord Minnett's PARS facilitates HUB24's entry to the non-custody administration segment delivering capability and scale. The proposed acquisition of Xplore provides HUB24 with scale, capabilities, synergies and new client relationships. Combined with PARS, Xplore adds significant scale delivering HUB24 market leadership in non-custody platform services. Together these transactions represent significant entry into the non-custody administration market that complements HUB24's existing leading specialist platform position, increasing scale, adding new revenue streams and building the foundations for growth.

The proposed investment in Easton demonstrates HUB24's commitment to the financial advice industry by creating opportunities for HUB24 to leverage its data and technology expertise and collaborate with Easton to deliver innovative solutions that solve common challenges for advisers and licensees.

These compelling transactions, should they proceed, are expected to return approximately 13% improvement in EPS to shareholders in FY22.

## 10.6 HUB24's intentions for the business, assets and employees of Xplore

This section sets out the intentions of HUB24 in relation to the continuation of the business, any major changes to the business, and the future employment of the present employees of Xplore and any redeployment of the assets of Xplore, in each case if the Share Scheme is implemented.

The statements in this section regarding HUB24's intentions are based on information concerning Xplore and the general business environment which are known to HUB24 at the time of the preparation of this Scheme Booklet. Final decisions regarding these matters will be made in light of all material information, facts and circumstances at the relevant time if the Share Scheme is implemented. Accordingly, it is important to recognise that the statements set out in this section are statements of current intention only and may change as new information becomes available or circumstances change.

If the Share Scheme is implemented, HUB24 intends to work with Xplore's management team to optimise the prospects and operating performance of the business of the Combined Group, including new potential growth opportunities.

In order to achieve these outcomes, HUB24, as part of its integration planning process (currently underway), intends to undertake a detailed review of Xplore's operations covering strategic, financial, compliance and commercial operating matters.

HUB24 intends to review all opportunities that may optimise capital deployment decisions, operating returns and other opportunities to improve the business of the Combined Group and maximise value for all HUB24 shareholders. For example, there may be obvious instances where a compelling logic exists to integrate existing Xplore operations or processes where there is duplication to either realise savings or enhance service and capability.

## 10.7 Prospects of the Combined Group after implementation

Prior to the announcement of the proposed transactions on 28 October 2020, HUB24 was targeting a custodial FUA range of \$28 - \$32 billion by 30 June 2022, subject to any unexpected impacts arising from the current pandemic or broader economy.

In making the proposed acquisition of Xplore and the acquisition of Ord Minnett's PARS, HUB24 expects this FUA range above will be exceeded significantly. Together, these proposed transactions represent additional FUA of \$23 billion (\$9 billion in custody FUA and \$14 billion in non-custody FUA)<sup>13</sup> and further growth opportunities for HUB24.

HUB24 is confident that its profitable growth trajectory will continue in FY21 and beyond.<sup>14</sup> In combination, we will be a leading specialist platform with one of the broadest offerings in the market and as a result expect to leverage this position with additional growth.

## 10.8 Combined Group pro forma historical financial information

### (a) Overview

This section contains the following pro forma financial information in respect of the Combined Group:

- unaudited pro forma historical consolidated income statement of the Combined Group (**Combined Group Unaudited Pro Forma Historical Income Statement**);
- unaudited pro forma historical consolidated statement of cash flows of the Combined Group (**Combined Group Unaudited Pro Forma Historical Statement of Cash Flows**), and
- unaudited pro forma historical consolidated statement of financial position of the Combined Group (**Combined Group Unaudited Pro Forma Historical Statement of Financial Position**),

(together, the **Combined Group Unaudited Pro Forma Historical Consolidated Financial Information**).

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<sup>13</sup> XPL FUA at 30 September 2020 and PARS FUA as at 31 July 2020.

<sup>14</sup> The company expects strong growth and increased profitability moving forward subject to consistent and stable investment markets, HUB24 terms of business and further significant unexpected or ongoing impacts arising from the COVID-19 pandemic that may affect Platform FUA and revenue.

The Combined Group Unaudited Pro Forma Historical Consolidated Financial Information should be read together with the:

- basis of preparation as set out in section 10.8(b);
- risk factors set out in section 11;
- historical financial information of Xplore and HUB24 as set out in sections 8.9 and 9.15 respectively; and
- other information contained in this Scheme Booklet.

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions are subject to the effect of rounding. Accordingly, totals in tables may not add due to rounding.

Grant Thornton Corporate Finance has been appointed as the Investigating Accountant to prepare an Independent Limited Assurance Report in respect of the Combined Group Unaudited Pro Forma Historical Consolidated Financial Information, a copy of which is included in Annexure B and section 10.8 of this Scheme Booklet.

## **(b) Basis of preparation**

### **Overview**

The Combined Group Unaudited Pro Forma Historical Consolidated Financial Information set out in section 10.8 has been prepared for illustrative purposes to provide Xplore Shareholders with an indication of the financial performance, financial position and cash flow of the Combined Group as if the Schemes had been implemented prior to 1 July 2019 in respect of the financial performance and cash flow, and prior to 30 June 2020 in respect of the financial position. The Combined Group Unaudited Pro Forma Historical Consolidated Financial Information does not reflect the actual performance, financial position or cash flow of the Combined Group at the time of Implementation. It has been prepared for illustrative purposes only for this Scheme Booklet.

The Combined Group Pro Forma Historical Financial Information presented in this section 10.8 comprises;

- Xplore's Audited Statutory Historical Consolidated Financial Information as at, and for the 12 months ended, 30 June 2020 (presented in section 8.9 of this Scheme Booklet);
- HUB24 Audited Statutory Historical Consolidated Financial Information as at, and for the 12 months ended, 30 June 2020 (presented in section 9.15 of this Scheme Booklet); and
- pro forma adjustments described in this section 10.8 (**Pro Forma Adjustments**).

The Combined Group Unaudited Pro forma Historical Consolidated Financial Information for the year ended 30 June 2020 is based on Xplore's Audited Statutory Historical Consolidated Financial Information for FY2020 and HUB24's Audited Statutory Historical Consolidated Financial Information for FY2020.

The Xplore Audited Statutory Historical Consolidated Financial Information presented in this Section 10.8 has been derived from the audited consolidated financial statements of XPL for the financial year ended 30 June 2020. The audited consolidated financial statements of XPL for the financial year ended 30 June 2020 have been prepared in accordance with the recognition and measurement principles of AAS (including the Australian Accounting Interpretations), issued by the AASB which are consistent with International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board.

The HUB Audited Statutory Historical Consolidated Financial Information presented in this section 10.8 has been derived from the audited consolidated financial statements of HUB24 for the financial year ended 30 June 2020. The audited consolidated financial statements of Xplore for the financial year ended 30 June 2020 have been prepared in accordance with the recognition and measurement principles of AAS (including the Australian Accounting Interpretations), issued by the AASB which are consistent with International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board.

The Combined Group Unaudited Pro Forma Historical Consolidated Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, other than it is presented on a pro forma basis as if Implementation of the Scheme had already occurred. The Combined Group Unaudited Pro Forma Historical Consolidated Financial Information is presented in abbreviated form and consequently does not contain all the presentation and disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act.

### ***Basis of pro forma consolidation***

From an accounting perspective HUB24 will gain control over Xplore and therefore, under AASB 3 *Business Combinations (AASB 3)*, the Combined Group will be required to recognise the identifiable net assets of Xplore at fair value within the Combined Group's financial statements. Any excess between the fair value of the consideration paid and the fair value of the identifiable net assets of Xplore will be recognised as goodwill.

Under AASB 3, the Combined Group will have 12 months from the date of HUB gaining control over XPL to undertake a purchase price allocation exercise to determine the fair value of goodwill and identifiable assets (including intangible assets) and liabilities related to the acquisition of Xplore. As at the date of this Scheme Booklet, it is not possible to reliably determine the fair values of the acquired assets and liabilities of Xplore. For the purposes of preparing the Combined Group Pro Forma Historical Statement of Financial Position, the Scheme Consideration (assumed as \$30 million cash consideration and \$30 million share consideration) less Xplore's unaudited net assets at 30 June 2020 has been reflected as a single Pro Forma Adjustment to the "intangible assets" line. Subsequent to Implementation, the actual determination of the fair values of goodwill, and identifiable assets and liabilities acquired, may differ to those values presented in the Combined Group Unaudited Pro Forma Historical Consolidated Statement of Financial Position.

As the purchase price allocation exercise has not been finalised, additional amortisation in relation to identified finite life intangible assets may arise, which has not been reflected in the Combined Group Unaudited Pro Forma Historical Consolidated Income Statement. The quantum of any additional amortisation will depend on the incremental fair value allocated and the useful lives ascribed to the identifiable intangible assets as part of the final purchase price allocation exercise.

For the purpose of preparing the Combined Group Unaudited Pro Forma Historical Consolidated Statement of Financial Position, it has been assumed that there will be no resetting of the Combined Group's tax cost bases following the acquisition. However, it is likely that the allocable cost amount calculation will result in a deferred tax position which is different to the position presented in the Combined Group Unaudited Pro Forma Historical Consolidated Statement of Financial Position. Any resulting adjustment to deferred tax assets and liabilities will have an equal but opposite impact on the amount of goodwill recognised in the Combined Group Unaudited Pro Forma Historical Consolidated Statement of Financial Position.

### ***Items not reflected in the Combined Group Unaudited Pro Forma Historical Consolidated Financial Information***

As detailed above, the Combined Group Unaudited Pro Forma Historical Consolidated Financial Information is provided for illustrative purposes only.

The Combined Group Unaudited Pro Forma Historical Consolidated Financial Information presented in this section 10.8 does not purport to reflect the likely actual or prospective reported financial performance, financial position or cash flows of the Combined Group.

It is likely that the actual financial performance, financial position and cash flows of the Combined Group in future periods will differ from the Combined Group Pro Forma Unaudited Historical Consolidated Financial Information presented in this section 10.8. The factors which may impact the actual financial performance, financial position or cash flows of the Combined Group include but are not limited to:

- trading of Xplore and HUB24 after 30 June 2020, which is not reflected in the XPL Audited Statutory Historical Consolidated Financial Information or the HUB Audited Statutory Historical Consolidated Financial Information;
- the risk factors set out in section 11, including any financial impact of COVID-19;
- the ultimate timing of Implementation;

- finalisation of the acquisition accounting, including determining appropriate purchase price allocation, including the fair value of all assets and liabilities acquired in accordance with the relevant accounting standards;
- finalisation of the resetting of the tax cost bases of Xplore after Implementation, including the recognition of the associated deferred tax assets and liabilities, in accordance with the relevant accounting standards;
- the ultimate timing and realisation of synergies, business improvements and implementation (and associated costs) arising from the combination of Xplore and HUB24; and
- current and future changes to accounting standards (see the section below).

### **Changes to Accounting Standards**

Three new accounting standards have recently been implemented by Xplore and HUB24 as follows:

- AASB 15 *Revenue from Contracts with Customers* (**AASB 15**), was adopted by Xplore and HUB24 from 1 July 2018;
- AASB 9 *Financial Instruments* (**AASB 9**), effective for Xplore and HUB24 from 1 July 2018; and
- AASB 16 *Leases* (**AASB 16**), was adopted by Xplore and HUB24 from 1 July 2019.

Accordingly, the Xplore and HUB24 Audited Statutory Historical Consolidated Financial Information, upon which the Combined Group Pro Forma Historical Consolidated Financial Information is based, have been consistently prepared after the adoption of AASB 15, AASB 9 and AASB 16.

**(c) Consolidated historical income statements**

The Combined Group Unaudited Pro Forma Historical Consolidated Income Statement is presented in table 2 below

**Table 2: Combined Group Unaudited Pro Forma Historical Consolidated Income Statement**

<b>\$'000</b>	<b>XPL Audited FY2020</b>	<b>HUB Audited FY2020</b>	<b>Transaction adjustments (A)</b>	<b>R&amp;D claim reversal (B)</b>	<b>Combined Group Pro Forma Unaudited FY2020</b>
Revenue	22,985	110,265	(26,583)		106,667
Other income	298	304	675		1,277
Employee benefits expense	(11,694)	(42,320)			(54,014)
Transaction costs, platform and custody fees and licensee fees	(5,661)	(35,942)	24,627		(16,976)
Communication and IT expenses	(1,849)	(3,685)			(5,534)
Professional fees and consulting	(1,258)	(3,690)			(4,948)
Acquisition related expenses		(1,733)			(1,733)
Other expenses	(2,209)	(5,335)	3,733	594	(3,217)
Depreciation & amortisation	(2,172)	(5,323)			(7,495)
Impairment of intangibles	(10,979)	(1,000)			(11,979)
Fair value gain on contingent consideration	-	851			851
Net financing costs	(4)	436			432
<b>Net profit/(loss) before tax</b>	<b>(12,544)</b>	<b>12,827</b>	<b>2,452</b>	<b>594</b>	<b>3,329</b>
Income tax benefit/ (expense)	796	(4,599)	(526)	-	(4,329)
<b>Net profit/(loss) after tax</b>	<b>(11,748)</b>	<b>8,228</b>	<b>1,926</b>	<b>594</b>	<b>(999)</b>

Note: Source: Xplore and HUB24 Pro forma audited income statements set out in sections 8.9 and 9.15 respectively.

***Pro Forma adjustments – Combined Group Unaudited Pro Forma Historical Statement of Financial Position***

- Adjustment (A): The impact on HUB24 of the Easton, Ord Minnett and Paragem transactions as described in section 9.3 of this Scheme Booklet;
- Adjustment (B): The reversal of the Xplore provision for R&D claim previously disputed.

**(d) Items not reflected in the Combined Group Unaudited Pro Forma Historical Consolidated Income Statement**

The Combined Group Unaudited Pro Forma Historical Consolidated Income Statement has not been adjusted to reflect:

- the trading of Xplore or HUB24 after 30 June 2020;
- the ultimate timing and realisation of any potential synergies or business improvements (and associated costs) arising from the combination of Xplore and HUB24;
- additional depreciation and amortisation relating to identified tangible and intangible assets which may arise as a result of Implementation of the Schemes and the finalisation of the purchase price allocation exercise; and
- any potential tax impact which may arise as a result of Implementation of the Schemes including finalisation of resetting of tax cost bases of assets and the finalisation of the accounting for the Proposed Transaction.

**(e) Combined Group Unaudited Statutory and Pro Forma Historical Statement of Financial Position**

The Combined Group Unaudited Statutory and Pro Forma Historical Statement of Financial Position is presented in Table 3 below.

**Table 3: Combined Group Unaudited Statutory and Pro Forma Historical Statement of Financial Position**

			A	B	C	D	E	F	G	
\$'000	XPL Audited As at 30 June 2020	HUB Audited As at 30 June 2020	Placement	SPP	ANZ Debt Facility	Impact of transactions	XPL R&D claim	Acquisition of XPL	Transaction costs	Combined Group Pro Forma As at 30 June 2020
Cash and cash equivalents	2,251	33,809	50,000	20,000	12,500	(25,540)		(30,000)	(6,013)	57,008
Trade and other receivables	1,989	10,046			-	(499)	-	-	-	11,536
Other assets	3,341	1,799								5,140
<b>Total current assets</b>	<b>7,581</b>	<b>45,655</b>	<b>50,000</b>	<b>20,000</b>	<b>12,500</b>	<b>(26,038)</b>		<b>(30,000)</b>	<b>(6,013)</b>	<b>73,684</b>
Property, plant and equipment	263	1,662			-	(7)	-	-	-	1,918
Right of use assets	1,066	5,437								6,503
Deferred tax assets (net of deferred tax liability)	5,437	5,101								10,538
Investment in associate						18,000				18,000
Intangible assets	27,899	39,963				10,496		23,432		101,790
Other non-current assets					-	(7)	-	-	-	(7)
<b>Total non-current assets</b>	<b>34,665</b>	<b>52,163</b>				<b>28,481</b>		<b>23,432</b>		<b>138,741</b>
<b>Total assets</b>	<b>42,246</b>	<b>97,818</b>	<b>50,000</b>	<b>20,000</b>	<b>12,500</b>	<b>2,442</b>		<b>(6,568)</b>	<b>(6,013)</b>	<b>212,425</b>
Trade and other payables	3,050	5,370					(594)			7,825
Deferred income, grants and consideration	111	89							-	200
Employee benefits	911	6,824								7,735
Lease liabilities	565	1,670								2,235
Other liabilities		987			3,000	(25)		-	-	3,962
<b>Total current liabilities</b>	<b>4,636</b>	<b>14,940</b>			<b>3,000</b>	<b>(25)</b>	<b>(594)</b>		<b>-</b>	<b>21,957</b>
Deferred income, grants and consideration	178	587								765
Employee benefits	249	1,398								1,647
Lease liabilities	615	4,385								5,001
Other liabilities		1,684			9,500					11,184
<b>Total non-current liabilities</b>	<b>1,042</b>	<b>8,054</b>			<b>9,500</b>					<b>18,596</b>
<b>Total liabilities</b>	<b>5,678</b>	<b>22,994</b>	<b>-</b>		<b>9,500</b>	<b>(25)</b>	<b>(594)</b>	<b>-</b>	<b>-</b>	<b>40,553</b>
<b>Net assets</b>	<b>36,568</b>	<b>74,823</b>	<b>50,000</b>	<b>20,000</b>		<b>2,467</b>	<b>594</b>	<b>(6,568)</b>	<b>(6,013)</b>	<b>171,872</b>
Issued capital	56,746	100,146	50,000	20,000				(26,746)	(1,728)	198,418
Reserves	376	49,670						(376)		49,670
Retained earnings/ (accumulated losses)	(20,554)	(74,993)				2,467	594	20,554	(4,285)	(76,217)
<b>Total equity</b>	<b>36,568</b>	<b>74,823</b>	<b>50,000</b>	<b>20,000</b>		<b>2,467</b>	<b>594</b>	<b>(6,568)</b>	<b>(6,013)</b>	<b>171,872</b>

Note: Source: Xplore and HUB24 Pro forma audited income statements set out in sections 8.9 and 9.15 respectively.

**Pro Forma Adjustments – Combined Group Unaudited Pro Forma Historical Statement of Financial Position**

- Adjustment (A): Receipt of cash consideration of \$50 million from the Placement in October 2020 representing the issue of 2,500,000 Shares;
- Adjustment (B): Receipt of cash consideration of \$20 million from the Share Purchase Plan in November 2020 representing the issue of 1,000,000 Shares;
- Adjustment (C); The drawdown of the ANZ debt facility amounting to \$12.5 million;
- Adjustment (D) The impact of the investment in Easton at \$1.20 per share amounting to \$14 million, acquisition of PARS from Ord Minnett for a cash payment amounting to \$10.5 million and divestment of Paragem for a consideration of the issue of 3.3 million new shares in Easton at \$1.20 per share amounting to \$4 million as described in section 9.3;
- Adjustment (E); Reversal of the XPL provision for R&D claim previously disputed amounting to \$0.6 million.
- Adjustment (F): Effect the acquisition of XPL by HUB as described in Section 10.8 (a) assumed as \$30 million cash consideration and \$30 million share consideration; and
- Adjustment (G): Transaction costs amounting to \$6.0 million.

**(f) Items not reflected in the Combined Group Unaudited Pro Forma Historical Statement of Financial Position**

The Combined Group Unaudited Pro Forma Historical Statement of Financial Position has not been adjusted to reflect:

- the trading of Xplore or HUB24 after 30 June 2020;
- finalisation of the acquisition accounting, including determining appropriate purchase price allocation, including the fair value of all assets and liabilities acquired in accordance with the relevant accounting standards; and
- resetting of the tax cost bases of Xplore following Implementation, including recognition of the associated deferred tax assets and liabilities in accordance with the relevant accounting standards.

**(g) Combined Group unaudited Statutory and Pro Forma Historical Statement of Cash Flows**

The Combined Group Unaudited Statutory and Pro Forma Historical Statement of Cash Flows is presented in table 4 below.

**Table 4: Combined Group Unaudited Statutory and Pro Forma Historical Statement of Cash Flows**

			A	B	C	D	E	F	
\$'000	XPL Audited	HUB Audited	Placement	SPP	ANZ Debt Facility	Impact of transactions	Acquisition accounting	Transaction costs	Combined Group Pro Forma
	FY2020	FY2020							FY2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>									
Receipts from customers	26,146	116,811	-	-	-	(32,231)	-	-	110,726
Payments to suppliers and employees	(22,588)	(91,564)	-	-	-	33,062	-	-	(81,090)
Interest received	71	633	-	-	-	(25)	-	-	679
Government grants received	81		-	-	-	-	-	-	81
Interest and other finance costs paid	(75)	(204)	-	-	-	-	-	-	(280)
Income tax refunded	1		-	-	-	-	-	-	1
<b>Net cash from operating activities</b>	<b>3,637</b>	<b>25,675</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>806</b>	<b>-</b>	<b>-</b>	<b>30,118</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
Receipt/(payment) for divestment/acquisitions	(792)	(475)	-	-	-	(22,738)	(30,000)	-	(54,005)
Payments for plant and equipment	(65)	(498)	-	-	-	4	-	-	(559)
Payments for intangibles	(1,139)	(6,727)	-	-	-	-	-	-	(7,866)
Receipt from related party	125		-	-	-	(3,613)	-	-	(3,488)
(Payments)/proceeds from term deposits	(9)	-	-	-	-	-	-	-	(9)
<b>Net cash from investing activities</b>	<b>(1,880)</b>	<b>(7,700)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(26,346)</b>	<b>(30,000)</b>	<b>-</b>	<b>(65,926)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
Proceeds from issue of shares	75	1,242	50,000	20,000	-	-	-	-	71,317
Share issue transaction costs	(2)	(16)	-	-	-	-	-	(6,013)	(6,031)
Dividends paid		(3,827)	-	-	-	-	-	-	(3,827)
Proceeds from borrowings		2,000	-	-	12,500	-	-	-	14,500
Repayment of lease liabilities	(540)	(2,031)	-	-	-	-	-	-	(2,551)
<b>Net cash from financing activities</b>	<b>(447)</b>	<b>(2,632)</b>	<b>50,000</b>	<b>20,000</b>	<b>12,500</b>	<b>-</b>	<b>-</b>	<b>(6,013)</b>	<b>73,409</b>
<b>Net cash flows</b>	<b>1,310</b>	<b>15,343</b>	<b>50,000</b>	<b>20,000</b>	<b>12,500</b>	<b>(25,540)</b>	<b>(30,000)</b>	<b>(6,013)</b>	<b>37,601</b>
Opening cash and cash equivalents	941	18,466							19,407
<b>Closing cash and cash equivalents</b>	<b>2,251</b>	<b>33,809</b>							<b>57,008</b>

Note: Source: Xplore and HUB24 Pro forma audited income statements set out in sections 8.9 and 9.15 respectively.

***Pro Forma Adjustments – Combined Group Unaudited Pro Forma Historical Statement of Cash Flows***

Refer to section 10.8(e) above for a description of the Pro Forma Adjustments applied to the Combined Group Unaudited Pro Forma Historical Statement of Cash Flows.

**(h) Items not reflected in the Combined Group Unaudited Pro Forma Historical Statement of Cash Flows**

The Combined Group Unaudited Pro Forma Historical Statement of Cash Flows has not been adjusted to reflect:

- the operating cash flows of Xplore or HUB24 after 30 June 2020;
- the cash outflows relating to the payment of future dividends following Implementation of the Schemes; and
- any potential tax impact which may arise as a result of Implementation of the Schemes and the finalisation of the accounting for the acquisition.

**10.9 Other intentions**

Nil.

## 11. Risk factors

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### 11.1 Overview

This section describes certain key risks associated with the Schemes. It outlines:

- (a) risks relating to the Schemes;
- (b) specific risks relating to the Combined Group; and
- (c) risks to Xplore Securityholders if the Schemes do not proceed.

The outline of risks in this section is a summary only and should not be considered exhaustive. This Section does not attempt to set out every risk that may be associated with an investment in Xplore, HUB24 or the Combined Group now or in the future. The occurrence or consequences of some of the risks described in this Section may be partially or completely outside the control of Xplore, HUB24 or the Combined Group.

### 11.2 Risks relating to the Schemes

#### (a) Implied value of Scrip Consideration

Under the terms of the Share Scheme, Xplore Shareholders (other than Foreign Scheme Shareholders) may elect to receive Scrip Consideration, or may receive a portion of Scrip Consideration depending on the Elections made (or not made) by other Xplore Shareholders (other than Foreign Scheme Shareholders).

If an Xplore Shareholder receives Scrip Consideration, the value that the Xplore Shareholder may realise on the sale of the HUB24 Consideration Shares issued as the Scrip Consideration will depend on the price at which HUB24 Shares trade on the ASX after the Implementation Date.

Some Xplore Shareholders may not wish to continue to hold the HUB24 Consideration Shares received under the Share Scheme and may sell them on the ASX soon after the Implementation Date. There is a risk that such sales, or the perception that such sales may occur, may drive down the price of HUB24 Shares in the short term.

In any event, there is no guarantee regarding the market price of HUB24 Shares before the Share Scheme Meeting or after the Implementation Date. Future market prices may be either above or below current or historical market prices. Information about the current trading prices of HUB24 Shares may be obtained from [www.asx.com.au](http://www.asx.com.au).

#### (b) Completion of the Schemes is subject to various Scheme Conditions

The implementation of the Schemes is subject to the satisfaction or waiver of applicable Scheme Conditions (which are summarised in section 5.3 of this Scheme Booklet).

The Schemes will not proceed if the relevant Scheme Conditions are not satisfied or waived (as applicable) before the End Date.

There can be no certainty, nor can Xplore provide any assurance, that these conditions will be satisfied or waived (where applicable), or if satisfied or waived (where applicable), when that will occur. There are also a number of conditions which are outside the control of Xplore, including, but not limited to, approval of the Schemes by the Requisite Majorities of Xplore Securityholders and required regulatory and third party approvals and consents.

If the Share Scheme is approved, but the Option Scheme is not approved, the Proposed Transaction will proceed because the Share Scheme is not conditional on the Option Scheme. If that happens, HUB24 will acquire all the Xplore Shares but Xplore Optionholders will continue to hold their Xplore Options.

In relation to the Share Scheme, a failure to satisfy any of the relevant Scheme Conditions, or a delay in satisfying the relevant Scheme Conditions and implementing the Share Scheme, may adversely affect the market price of Xplore Shares.

#### (c) Scheme Implementation Agreement may be terminated

Each of Xplore and HUB24 has the right to terminate the Scheme Implementation Agreement in certain circumstances as set out in section 5.9 of this Scheme Booklet. Accordingly, there is no certainty that the Scheme Implementation Agreement will not be terminated by either Xplore or HUB24 before the implementation of the Schemes.

If the Scheme Implementation Agreement is terminated, there is no assurance that the Xplore Board will be able to find a party willing to pay an equivalent or greater price for Xplore Shares than the price to be paid pursuant to the terms of the Scheme Implementation Agreement.

**(d) HUB24 does not expect to pay dividends on HUB24 Shares in the near term**

HUB24 declares and pays dividends in line with the policy and at the HUB24's Board's discretion as outlined in section 9.8 of this Scheme Booklet. HUB24 does not anticipate paying any cash dividends on HUB24 Shares in the near term. Each half year reporting is the usual timeframe for the Board to consider any potential dividend declaration. As a result, Xplore Shareholders will have to rely on capital appreciation, if any, to earn a return on investment in HUB24 Consideration Shares in the near term.

**(e) Court Approval**

There is a risk that the Court may not approve the Schemes, either at all or in the form proposed, or the Court's approval of the Schemes may be delayed. In particular, if there is a material change in circumstances between the Scheme Meetings and the Second Court Date, the Court will take the change into account in deciding whether it should approve the Schemes. 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.

**(f) Break fees under Scheme Implementation Agreement**

Depending on the reasons why the Share Scheme does not proceed, either HUB24 or Xplore may be liable to pay a break fee of \$600,000 (inclusive of GST) to the other party. The Xplore break fee is not payable if the Share Scheme does not proceed merely because Xplore Shareholders do not approve the Share Scheme by the Requisite Majority. More information about the Xplore break fee is set out in section 5.8 of the Scheme Booklet.

**(g) Transaction costs**

Transaction costs and other costs incurred (or which are expected to be incurred by Xplore) in relation to the successful implementation of the Proposed Transaction are currently estimated at approximately \$1,400,000 (exclusive of GST and disbursements).

**(h) Litigation risk**

Xplore and/or HUB24 could face new claims and litigation, in particular brought by third parties in connection with the Schemes, including partners, suppliers, competitors and/or regulators of Xplore or HUB24, or by investors.

**(i) Change in risk and investment profile**

After implementation of the Share Scheme, eligible Scheme Shareholders who currently hold Xplore Shares will be exposed to certain additional risks relating to the Combined Group.

While the operations of Xplore and HUB24 are similar in a number of ways, there will be differences between the size, capital structure, infrastructure, business offerings and clients of the Combined Group and Xplore currently which may give rise to a different investment risk profile.

**(j) Superior Proposal may emerge**

The Xplore Board is not currently aware of any Superior Proposal for Xplore and notes that since Xplore and HUB24 announced the Proposed Transaction, there has been a significant period of time and ample opportunity for a Competing Proposal which provides a different outcome for Xplore Securityholders to emerge. Since the Announcement Date, no alternative proposal has emerged, and the Xplore Directors have decided that the Proposed Transaction is in the best interests of Xplore Securityholders at the date of this Scheme Booklet.

However, it is possible that a Superior Proposal for Xplore, which is more attractive for Xplore Securityholders than the Proposed Transaction, may materialise in the future. The implementation of the Proposed Transaction would mean that Xplore Securityholders would not obtain the benefit of any such proposal.

**(k) Tax consequences for Xplore Securityholders**

If the Schemes proceed, there may be tax consequences for the Scheme Shareholders and Scheme Optionholders. General information on the Australian tax consequences of the Schemes is set out in section 12 of the Scheme Booklet.

**(l) Other risks**

Additional risks and uncertainties not currently known to Xplore or HUB24 may also have a material adverse effect on Xplore or HUB24 business and that of the Combined Group and the information set out above does not purport to be, nor should it be construed as representing, an exhaustive list of the risks of Xplore, HUB24 or the Combined Group.

**11.3 Risks relating to the business of the Combined Group**

The following risks are relevant to each of Xplore and HUB24 as standalone entities, unless otherwise identified. Accordingly, they will also be relevant to the Combined Group after implementation of the Scheme.

**(a) Integration risk and realisation of synergies**

There is a risk that the Combined Group's success and profitability could be adversely affected if Xplore's business is not integrated effectively with HUB24's business. The integration of Xplore and HUB24 into the Combined Group may encounter unexpected challenges or issues.

There is a risk that integration could take longer or cost more than anticipated, including as a result of the COVID-19 pandemic and applicable physical separation requirements, or that the expected benefits and synergies of the combination of Xplore and HUB24 may be less than expected. Any failure to achieve expected synergies may impact on the financial performance and position of the Combined Group and the future price of HUB24 Shares.

**(b) Completion risk for proposed investment in Easton**

Completion of the proposed investment by HUB24 up to 40% of the shares in Easton is subject to various conditions including all relevant approvals. If these conditions are not satisfied or waived or take longer than anticipated to satisfy, completion of the proposed investment may be deferred or delayed, or may not occur either on the current terms or at all.

**(c) Acquisition risk**

In making the acquisitions of Xplore and Ord Minnett's PARS as well as the proposed investment in Easton, HUB24 has relied on information provided to it by these parties, third parties, advisers of these parties as well as its own third party advisers.

There is an inherent risk that any information will not be complete or true which may result in the acquisitions and investments being less favourable than desired or planned by HUB24. There is a risk that the accounting methodology used does not accurately reflect the value of any businesses which HUB24 may choose to acquire or invest in.

Although HUB24 has taken all precautions to determine the value of such acquisitions or investments, there remains an inherent risk that any acquisition or investment is not as favourable as desired which may be as a result of HUB24's accounting methodology or due to the figures and accounting standards used by these businesses.

In making the proposed acquisitions of Xplore and Ord Minnett's PARS as well as the proposed investment in Easton Investments Ltd, HUB24 may be liable for historical liabilities of these businesses which may affect future profitability and reputation.

HUB24 has taken all reasonable steps to ensure that it is aware of and taken into account all historical liabilities, however, there remains a risk of undisclosed historical liabilities including those associated with tax and intellectual property which may substantially affect the value of any acquisitions.

**(d) Contract risk**

Some contracts to which Xplore is a party may contain 'change of control' provisions (or equivalent) that could be triggered by implementation of the Schemes (including by entry into the Scheme Implementation Agreement), allowing the counterparty to renegotiate or terminate the contract. If a counterparty to any such contract were to terminate or seek to renegotiate the contract this may have an adverse effect on the Combined Group, depending on the relevant contract.

**(e) Competitive industry**

The Combined Group operates in a competitive market, with the Combined Group's expectations and market research indicating that this market will remain competitive. The Combined Group's position in the market is subject to change and is dependent on the actions, investments and position of its competitors as well as its clients.

Increased or improved competition may adversely affect the Combined Group's financial performance and key business.

Factors that may impact Combined Group's performance include:

- new or improved products made available by its competitors;
- the Combined Group's pricing and competitiveness;
- technological and regulatory change; and
- ability to respond to changing preferences of the Combined Group's clients and their underlying investor client.

**(f) Key personnel**

The Combined Group will be heavily reliant on the skills and services offered by its personnel. An ongoing and continuous risk of the industry that the Combined Group operates within is key employees leaving the business to join competitors or to exit the industry entirely. The relationship between employees and clients also continues to be a risk.

There is also a risk of not being able to replace key employees if they have left the business. The competitive environment, the Combined Group's ongoing reputation and that of its competitors will be key in ensuring the Combined Group may retain and as necessary, replace employees.

**(g) Reputation**

The Combined Group will be reliant on its reputation in respect to all aspects of its business, including in engaging and retaining client relationships, internal key personnel including hiring and retaining talent, engagement with staff and third party suppliers and engaging with the wider public.

There is a continuing risk of the Combined Group's good corporate standing and reputation being affected by regulatory action, poor performance, failure by third parties or key personnel exiting the business

**(h) Regulatory matters**

The Combined Group's business is governed by a range of legislation and regulations in Australia. This is a complex and constantly changing environment which is subject to the prevailing political climate. In addition to this, the regulatory environment for financial services in Australia is complex and has over recent times continued to increase, resulting in an increased burden on the business as well as direct costs associated with compliance.

Future changes to legislation, regulation, standards or policies may require the Combined Group to modify its product offerings or incur additional costs to ensure compliance, which may increase the costs of operations, affect profitability, the viability of some operations or adversely affect the Combined Group's ability to conduct its operations.

Whilst the Combined Group has in place sophisticated compliance protocols, there is a risk that the Combined Group's processes and systems may not be adequate to detect and prevent all potential breaches. Serious breaches could have significant consequences, including the suspension or cancellation of the group's AFSLs and other regulatory licences. The cancellation of the AFSLs and other licences may result in the Combined Group being unable to operate the combined business, being issued with fines or other penalties arising from regulatory action and reputational damage.

The Combined Group is subject to privacy laws in Australia. These laws regulate the handling of personal information and data collection. Such laws impact the way the Combined Group can collect, use, analyse, transfer and share personal and other information. Any actual or perceived failure by the Combined Group to comply with relevant privacy laws and regulations may result in the imposition of fines or other penalties, client losses, a reduction in existing services, and limitations on the use and development of technology requiring the input of such data. Any of these events could adversely impact the combined business, financial condition and financial performance.

**(i) Litigation and claims**

The Combined Group faces a risk of litigation (including litigation instigated by regulators) and disputes arising in the ordinary course of its business which has the potential to affect its financial standing or its reputation and to divert the attention of staff from the ordinary business of the Combined Group.

Litigation and disputes may arise from a regulator, by the Combined Group originating these or by third party originating these, with such events having the potential to affect the value of any investments made as well as the reputation and standing of the Combined Group.

**(j) Future earnings**

The forecast earnings of the Combined Group are subject to a number of risk factors including clients' appetite for the Combined Group's services, competitors' pricing, percentage of recoverable revenue, the ongoing COVID-19 pandemic and the quality of the service offerings provided by the Combined Group.

Future earnings will also be affected by expenses incurred by the Combined Group which are subject to staff costs, regulatory and compliance costs as well as other costs such as software and third party services.

**(k) Growth strategy**

The Combined Group's growth strategy and objectives may not be met. There is a risk that expected revenue will not meet targets while expenses may increase disproportionate to revenue.

There are ongoing risks with the growth of a business which include the costs associated with staffing, third party services, regulatory and compliance.

An ongoing risk is maintaining current client relationships while also building new client relationships which has the potential to strain the time and efforts of employees. This may also increase costing pressures

**(l) Liquidity**

Any investment in the Combined Group is subject to the liquidity of HUB24 Shares on the ASX and is dependent on market appetite, the size of the shareholding and the price sought for any shares. There is a risk that any HUB24 shares owned by an investor will be illiquid and not able to be sold at a desired price, or at all.

**(m) Technology and cyber-security risks**

The Combined Group engages a range of third-party suppliers, which include IT suppliers, that are necessary for the effective performance, reliability and availability of its services.

The Combined Group faces risks of business disruption and reputational risk if there is any failure of these parties to perform and undertake their contracted obligations.

The Combined Group has robust measures in place to protect its technology, systems and information from unauthorised access, there is however a risk of cyber-security breaches which could lead to loss, theft or corruption of data.

**(n) Disruption of IT infrastructure**

As the Combined Group's services are primarily IT focused, there is a risk of disruption of the business due to an inability of any systems used, which includes the Combined Group's systems and third party systems, to handle increases in the volume of clients, transactions, errors or omissions that may occur.

**(o) Inability to pay dividends or make distributions**

The payment of dividends (if any) by HUB24 will be determined by the HUB24 Board from time to time at its discretion. Due regard is given to relevant factors, which include available profits, cashflow, financial condition, operating results, future capital requirements, covenants in relation to financing agreements, as well as economic conditions more broadly. There is no guarantee that a dividend will be paid or, if paid, paid at historical levels

**(p) Equity dilution**

HUB24 may undertake offerings of equities in the future. Factors including the increase in the number of fully paid shares issued, the ability of an individual shareholder to participate in the equity offer, the issue price and the possibility of selling such equities may have an adverse effect on the financial position or voting power of any individual shareholder.

**(q) Securities market fluctuations**

There are various risks associated with investing in any form of business and with investing in listed entities generally. As with any entity listed on the ASX, the value of HUB24 Shares is influenced by a variety of factors, including macroeconomic factors and broader social occurrences which are beyond HUB24's ability to control or predict. The events relating to the COVID-19 pandemic have recently resulted in significant market falls and volatility including in the prices of securities trading on the ASX. The value of HUB24 Shares following implementation of the Schemes will depend upon general share market and economic conditions, which are uncertain and subject to fluctuation, as well as the specific performance of the Combined Group. There is no guarantee of profitability, dividends, return of capital, or the price at which HUB24 Shares will trade on the ASX. The past performance of HUB24 Shares is not necessarily an indication as to future performance as the trading price of shares can go down or up in value.

**(r) General economic conditions**

The financial performance of the Combined Group and the value of the HUB24 Shares may fluctuate due to various factors, including movements in the Australian and international capital markets, recommendations by brokers and analysts, interest rates, exchange rates, inflation, Australian and international economic conditions, change in international economic conditions, change in government, fiscal, monetary and regulatory policies, prices of commodities, global geo-political events and hostilities, global health pandemics, acts of terrorism, investor perceptions and various other factors which may affect the Combined Group's financial position and earnings. In the future, these factors may affect the Combined Group and may cause the price of HUB24 Shares to fluctuate and trade below current prices.

In light of recent global macroeconomic events, including the impact of COVID-19, Australia may experience an economic recession or downturn of uncertain severity and duration which could impact the Combined Group's ability to attract and retain customers and to invest sufficiently in its technology. These economic disruptions may adversely impact the Combined Group's earnings and assets, as well as the value of the HUB24 Shares.

**(s) COVID-19**

The global impact of the COVID-19 pandemic, and the advice and responses from health and regulatory authorities, is continuously developing. The global economic outlook is facing uncertainty due to the COVID-19 pandemic which has had and may continue to have significant impact on capital markets and share prices.

The Combined Group may be impacted both by deterioration in macroeconomic conditions generally and specifically in relation to its operations. Many of the operational and general risks relating to the Combined Group highlighted in this section are likely to be heightened due to the impacts of the COVID-19 pandemic. To date, COVID-19 has affected, amongst other things, economic conditions, employment markets, equity markets, regulatory policy and caused governmental action including, mandatory quarantine, self-isolations and other travel related restrictions.

**(t) Tax**

A change to the current tax regime may affect Xplore, HUB24 or the Combined Group, and Xplore Securityholders.

Any changes to the current rate of company income tax may impact shareholder returns. In addition, any change in tax rules and tax arrangements could have an adverse effect on the level of dividend franking and shareholder returns. Personal tax liabilities are the responsibility of each individual Scheme Shareholder. Xplore, HUB24 and the Combined Group are not responsible for tax or penalties incurred by Xplore Securityholders.

**(u) Change in accounting or financial reporting standards**

AAS are set by the AASB and are outside the control of Xplore, HUB24 or the Combined Group. Changes to accounting standards issued by the AASB could materially adversely affect the financial performance and position reported in the financial statements of Xplore, HUB24 or the Combined Group.

**(v) Force majeure events**

Events may occur within or outside Australia that could impact upon the global or Australian economy, the operations of the Combined Group and the price of the HUB24 Consideration Shares. These events include but are not limited to acts of terrorism, a global health pandemic such as the current COVID-19 pandemic, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events or occurrences that can have an adverse effect on the demand for the Combined Group's services and its ability to conduct business. The Combined Group has only a limited ability to insure against some of these risks.

**(w) Other**

There are a range of other general risks, which may impact on Combined Group's business or HUB24 Shares, which include but are not limited to:

- (i) industrial action impacting the business directly or indirectly;
- (ii) litigation disputes brought by third parties, including but not limited to customers, suppliers, business partners, employees and government bodies; and
- (iii) government regulation and policies generally (in addition to wealth management, taxation and those regulations and policies noted above).

**(x) Additional risks and uncertainties**

Additional risks and uncertainties not currently known to Xplore or HUB24 may also have a materially adverse effect on Xplore, HUB24 or the Combined Group and the information set out above does not purport to be, nor should it be construed as representing, an exhaustive list of the risks affecting Xplore, HUB24 or the Combined Group.

**11.4 Risks if the Schemes do not proceed**

If the Schemes do not proceed, Xplore will continue on a standalone basis and Xplore Securityholders will retain their Xplore Shares and will not receive any Share Scheme Consideration or Option Scheme Consideration (as applicable). In these circumstances, there is a risk that Xplore Shares may trade below their current market price.

Xplore Securityholders will also remain exposed to the normal risks inherent in the Xplore business if the Schemes and the acquisition of Xplore by HUB24 does not proceed.

If the Schemes are not implemented, Xplore expects to pay an aggregate of approximately \$800,000 (excluding GST and disbursements) in transaction costs in connection with the Schemes. These transaction costs are primarily payable to Xplore financial, legal, tax and accounting advisors, the Independent Expert, the Investigating Accountant and the Share Registry.

In addition, under the Scheme Implementation Agreement, Xplore is required to pay a break fee of \$600,000 to HUB24 if the Schemes do not proceed in certain circumstances.

## 12. Australian taxation implications

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### 12.1 Introduction

The following is a general description of the Australian tax consequences of the Scheme (assuming it is implemented) for Xplore Securityholders. It does not constitute tax advice and should not be relied upon as such.

The description is based upon the Australian tax law and administrative practice in effect at the date of this Scheme Booklet. It is general in nature and is not intended to be an authoritative or complete statement of the laws applicable to the particular circumstances of an Xplore Shareholder and an Xplore Optionholder. Xplore Shareholders and Xplore Optionholders are advised to seek their own independent professional tax advice in relation to their own particular circumstances.

The comments set out below are relevant only to those Xplore Shareholders who hold their Xplore Shares on capital account. The description does not apply to Xplore Shareholders who:

- (a) acquired their Xplore Shares pursuant to an employee share, option or rights plan;
- (b) hold their Xplore Shares for the purposes of speculation or a business of dealing in securities (e.g. as trading stock);
- (c) are subject to the taxation of financial arrangements rules in Division 230 of the ITAA 1997 in relation to gains and losses on their Xplore Shares; or
- (d) are non-residents of Australia who hold their Xplore Shares in connection with a business carried on or through a permanent establishment in Australia.

Xplore Shareholders who are tax residents of a country other than Australia (whether or not they are also residents, or are temporary residents, of Australia for tax purposes) should take into account the tax consequences of the Share Scheme under the laws of their country of residence, as well as under Australian law. These comments relate to Australian tax law only.

This tax summary is based on Australian tax law and relevant regulations, rulings or judicial or administrative interpretations of such tax laws as at the date of this Scheme Booklet.

### 12.2 ATO class ruling

Xplore intends to apply to the Australian Tax Office (**ATO**) for a class ruling to confirm the key implications of the Share Scheme as these may apply to Xplore Shareholders as noted below (**Class Ruling**). No application to the ATO for a Class Ruling will be made in relation to the application of the Option Scheme to Xplore Optionholders.

The ATO may not issue the Class Ruling in a form that is binding until after implementation of the Share Scheme. Although it is not expected to be the case, when the binding Class Ruling is issued by the ATO it may express a view contrary to that set out below.

When the final Class Ruling is issued by the ATO, it will be available on the ATO website at [www.ato.gov.au](http://www.ato.gov.au). Scheme Shareholders should review the Class Ruling when it is issued by the ATO.

### 12.3 Australian resident shareholders

#### (a) Capital Gains Tax

The disposal of Xplore Shares to HUB24 held on capital account by an Australian resident Xplore Shareholder will constitute a capital gains tax event A1 and may result in a capital gain or loss for tax purposes (subject to any scrip for scrip roll-over relief that may be available).

The time of the CGT event will be when the Xplore Shareholders transfer their Xplore Shares to HUB24 under the Share Scheme (i.e. the Implementation Date)

#### Calculation of capital gain or capital loss

Xplore Shareholders will make:

- a capital gain to the extent that their capital proceeds from the disposal of their Xplore Shares are more than the cost base of those Xplore Shares; or
- a capital loss to the extent that the capital proceeds are less than the reduced cost base of those Xplore Shares.

Subject to choosing to apply scrip for scrip rollover relief, a Xplore Shareholder who makes a capital gain or loss on the disposal of their Xplore Shares will be required to include the net capital gain (if any) for that income year in their assessable income.

Capital gains and capital losses of a taxpayer in a year of income are aggregated to determine whether there is a net capital gain or net capital loss. Any net capital gain is to be included in their assessable income, and is subject to income tax. A net capital loss may not be deducted against other income for income tax purposes, but may be carried forward to offset against future capital gains. Where a Xplore Shareholder is a company, certain specific loss rules apply. These rules limit the ability to offset capital losses in a current or later income year

### **Cost base of Xplore Shares**

The cost base of the Xplore Shares of an Xplore Shareholder will generally include the amount paid, and the market value of any property given, to acquire the Xplore Shares, plus certain incidental costs of acquisition and disposal (e.g. brokerage fees and stamp duty (if any)) that are not otherwise deductible to the Xplore Shareholder. The reduced cost base of the Xplore Shares of an Xplore Shareholder will be similarly determined.

### **Capital proceeds**

The capital proceeds for the disposal of the Xplore Shares of an Xplore Shareholder will be the Share Scheme Consideration. Where an Xplore Shareholder receives a cash consideration, the capital proceeds should be equal to the Cash Consideration so received. Where an Xplore Shareholder receives HUB24 Shares, the capital proceeds should be equal to the market value of the HUB24 Consideration Shares received under the Share Scheme.

For CGT purposes, the market value of the HUB24 Consideration Shares on the Implementation Date will be taken to be the VWAP of HUB24 Shares for the first five trading days, starting from the Implementation Date, of trading of HUB24 Consideration Shares on the ASX (including trading on a conditional or deferred settlement basis). Hence, the market value of the HUB24 Consideration Shares will not be known until after implementation of the Scheme. It will be made available to Xplore Shareholders on the Xplore website following implementation of the Scheme.

### **CGT discount**

Individuals, complying superannuation entities or trustees that have held their Xplore Shares for at least 12 months may be entitled to benefit from the CGT discount to reduce the amount of the capital gain (after application of capital losses) from the disposal of their Xplore Shares by:

- 50% in the case of individuals and trusts (for trustees, the ultimate availability of the discount for the beneficiaries of a trust will depend on the particular circumstances of the beneficiaries); or
- 33 % for complying superannuation entities.

The CGT discount will not be available to an Xplore Shareholder that is a company.

### **(b) Scrip for scrip rollover relief**

Xplore Shareholders who make a capital gain on disposal of their Xplore Shares under the Share Scheme may choose to apply scrip for scrip rollover relief where they receive HUB24 Share Consideration in respect of their Xplore Shares. No rollover relief is available in respect of a capital gain realised from the disposal of Xplore shares for which the capital proceeds are received in cash.

Scrip for scrip roll-over relief is not available where a capital loss is made upon the disposal of any particular units of Xplore Shares even where the capital proceeds of these Xplore Shares are received in the form of HUB24 Consideration Shares.

If scrip for scrip roll-over relief is available and chosen by an Xplore Shareholder, the capital gain realised from the disposal of the particular Xplore Shares will be disregarded.

HUB24 will not make an election under section 124-795(4) of the ITAA 1997 to deny scrip for scrip roll-over relief.

Xplore Shareholders must make a choice to apply scrip for scrip roll-over relief by the time they lodge their income tax return for the income year in which the Implementation Date occurs. The choice to apply scrip for scrip roll-over is generally evidenced by the way in which the Xplore Shareholder prepares their income tax return (i.e. generally, the Xplore Shareholder will be required to disclose on the Schedule for Capital Gains attached to their tax return that they have applied the scrip for scrip roll-over relief, and exclude the disregarded capital gain from the calculation of the net capital gains for inclusion in assessable income). There is no need to lodge a separate notice with the ATO.

Where an Xplore Shareholder has chosen scrip for scrip rollover relief:

- the first element of the cost base of the HUB24 Consideration Shares received as Share Scheme Consideration should be equal to the proportion of the cost base of their original Xplore Shares that were exchanged for Scrip Consideration; and
- the HUB24 Consideration Shares will be taken to be acquired at the time their Xplore Shares were originally acquired, for the purpose of any subsequent disposal of the HUB24 Consideration Shares and the application of the CGT discount.

The benefit of choosing scrip for scrip rollover relief will depend upon the individual circumstances of each Xplore Shareholder.

**(c) Where scrip for scrip roll-over relief is not chosen or available**

Where scrip for scrip rollover relief is not chosen or is not available in relation to an Xplore Shareholder's disposal of Xplore Shares under the Share Scheme (such as where the Share Scheme Consideration is Cash Consideration):

- the capital gain or capital loss from the disposal of the Xplore Shareholder's Xplore Shares will be taken into account in calculating the Xplore Shareholder's net capital gain for the income year in which the Implementation Date occurs;
- the first element of the cost base of each HUB24 Consideration Share (i.e. the Scrip Consideration) received should be an amount equal to the market value of the Xplore Share given in respect of acquiring the HUB24 Consideration Share, determined on the Implementation Date; and
- the acquisition date of the HUB24 Consideration Shares will be the Implementation Date. This date will be relevant for any future application of the CGT discount with respect to CGT events occurring in respect of the HUB24 Consideration Shares.

**(d) Implications of holding HUB24 Consideration Shares**

As a consequence of participating in the Share Scheme, an Xplore Shareholder will cease to be a shareholder of Xplore and will become a shareholder of HUB24.

**(e) Dividends**

Dividends (and any attached franking credits) received by an Australian tax resident shareholder of HUB24 would generally be required to be included in their assessable income.

**(f) Future disposal of HUB24 Consideration Shares**

Where an Australian resident shareholder sells, transfers or otherwise disposes of their HUB24 Consideration Shares to a third party, a CGT event may arise and the relevant shareholder may:

- derive a capital gain to the extent capital proceeds exceed the cost base of the HUB24 Consideration Shares; or
- incur a capital loss to the extent the reduced cost base of the HUB24 Consideration Shares exceeds the capital proceeds.

The cost base and acquisition date of the HUB24 Consideration Shares, and eligibility to claim the CGT general discount, are described above.

## **12.4 Xplore Optionholders**

The description of the tax implications of the Option Scheme to Xplore Optionholders set out in this section is based on the assumption that all the Xplore Options that are outstanding at the date of the Scheme Booklet are subject to the deferred taxation rules set out in Subdivision 83A-C of the ITAA 1997 and that no ESS deferred taxing point has arisen in relation to any of the Xplore Options. Xplore Optionholders should obtain their own tax advice to confirm the tax status of their Xplore Options.

Thus, where an Xplore Optionholder does not exercise their Xplore Options before they are cancelled pursuant to the Option Scheme, the cancellation will trigger an ESS deferred taxing point. The consideration received by the Xplore Optionholder for the cancellation of the Xplore Options will then be included in their assessable income under the tax rules relating to Employee Share Schemes.

If an Xplore Optionholder exercises their Xplore Options before the relevant Xplore Options are cancelled under the Option Scheme and acquires Xplore Shares under the relevant Xplore Employee Share Option Plan or Executive Share Option Plan, the exercise of the Xplore Options will trigger an ESS deferred taxing point. The market value of the underlying shares at the time of the exercise of the Options less any amounts paid for the acquisition of the Shares will reflect the discount obtained by exercising the Options, and will be included in the Xplore Optionholder's assessable income under the tax rules relating to Employee Share Schemes.

If the Xplore Shares acquired after the exercise of the Xplore Options are disposed of within 30 days of the exercise of the Xplore Options, then the ESS deferred taxing point will occur at the time the Xplore Shares are disposed of. The amount to be included in assessable income under the Employee Share Scheme tax rules will be calculated with reference to sale proceeds of the Xplore Shares and the exercise price paid for the acquisition of the Xplore Shares.

## **12.5 Non-resident shareholders**

For Xplore Shareholders who are not Australian tax residents (including Foreign Scheme Shareholders), the disposal of their Xplore Shares should have no CGT consequences if the Xplore Shares are not "taxable Australian property".

The Xplore Shares will only be "taxable Australian property" for non-resident Xplore Shareholders who:

- (a) hold their Xplore Shares in carrying on a business at or through a permanent establishment in Australia; or
- (b) are individuals who made an election to disregard a CGT event I1, capital gain or capital loss in respect of their Xplore Shares when they ceased to be an Australian tax resident.

For other Xplore Shareholders who are not Australian tax residents, no component of the Xplore Shares should be taxable Australian property as their underlying value is not principally derived from Australian real property.

## **12.6 Foreign Scheme Shareholders and Small Shareholders**

Foreign Scheme Shareholders and Small Shareholders will only receive Cash Consideration instead of HUB24 Consideration Shares as their Share Scheme Consideration.

The Australian income tax implications described in this section should apply to Australian resident Small Shareholders, except for the comments in relation to CGT rollover and cost base of the HUB24 Consideration Shares because those comments do not apply where Cash Consideration is received

The Australian income tax implications described in section 12.5 of the Scheme Booklet should generally also apply to Foreign Scheme Shareholders and non-resident Small Shareholders.

## **12.7 Stamp duty**

No Australian stamp duty should be payable by Xplore Shareholders in relation to the disposal of their Xplore Shares to HUB24 under the Share Scheme.

## **12.8 Goods and services tax**

Xplore Shareholders should not be liable for GST in respect of a disposal of their Xplore Shares. Similarly, Xplore Optionholders should not be liable for GST in respect of a disposal or cancellation of their Xplore Options. A different GST consequence may arise to those Xplore Optionholders who received their Options for providing services to Xplore where fees for those services were subject to GST. Any Xplore Optionholder who may have provided such services should obtain their own tax advice.

Xplore Shareholders and Xplore Optionholders may be charged GST on costs that they may incur (such as advisor fees relating to their participation in the relevant Scheme) in relation to the Schemes (as relevant). Xplore Shareholders and Xplore Optionholders who are registered for GST may be entitled to claim input tax credits for such GST costs. They should seek independent professional tax advice in relation to their individual circumstances.

## 13. Additional information

This section sets out additional information required to be disclosed to Xplore Securityholders pursuant to the Corporations Act and the Corporations Regulations, together with other information that may be of interest to Xplore Securityholders.

### 13.1 Interests of Xplore Directors

#### (a) Xplore Directors

The Xplore Directors as at the date of lodgement of this Scheme Booklet for registration by ASIC were:

- Alexander Hutchison
- Donald Sharp
- Stephen Reed
- Julie Berry.

#### (b) Interest of Xplore Directors in Xplore Securities

The following table shows the marketable securities of Xplore owned by, or on behalf of, each Xplore Director, or in which they have a Relevant Interest, as at the Last Practicable Date:

Xplore Director	Number of Xplore Shares	Number of Xplore Options
Alexander Hutchison	375,949 ordinary shares directly held	None
Stephen Reed	466,770 ordinary shares, directly held as trustee	None
Donald Sharp	35,707,047 ordinary shares indirectly held	None
Julie Berry	None	None

All Xplore Directors who hold Xplore Securities intend to vote in favour of the Schemes (as applicable), in each case in respect of all Xplore Securities in which they have a Relevant Interest in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Share Scheme is in the best interests of Xplore Shareholders and the Option Scheme is in the best interests of the Xplore Optionholders.

#### (c) Dealings of Xplore Directors in Xplore Securities

No Xplore Director has acquired or disposed of a Relevant Interest in any Xplore Securities in the four-month period ending on the date immediately prior to the date of this Scheme Booklet.

#### (d) Interests of Xplore Directors in HUB24

No Xplore Director has a Relevant Interest in any HUB24 Shares and no such persons are otherwise entitled to such securities as at the date of this Scheme Booklet, other than to the extent that an Xplore Director may hold HUB24 Shares as part of a diversified portfolio of shares (such as through independently managed funds or accounts).

No Xplore Director has acquired or disposed of a Relevant Interest in any HUB24 Shares in the four-month period ending on the date immediately prior to the date of this Scheme Booklet.

### 13.2 Interests of HUB24 in Xplore Shares

#### (a) Interests of HUB24 in marketable securities of Xplore

As at the date of this Scheme Booklet, HUB24 does not hold a Relevant Interest in any Xplore Shares.

#### (b) Dealings of HUB24 Directors in Xplore securities

No HUB24 Director acquired or disposed of a Relevant Interest in any Xplore Shares in the four-month period ending on the date immediately before the date of this Scheme Booklet apart from any acquisition or disposal as part of holding (including through independently managed funds or accounts) a diversified portfolio of shares which may include XPL Shares.

**(c) Interests of HUB24 Directors in marketable securities of Xplore**

No HUB24 Director has a Relevant Interest in any Xplore Shares and no such persons are otherwise entitled to such securities as at the date of this Scheme Booklet apart from holding (including through independently managed funds or accounts) a diversified portfolio of shares which may include XPL Shares.

**13.3 Benefits and agreements**

**(a) Payments in connection with retirement from office**

Other than as disclosed in this Scheme Booklet there is no payment or other benefit that is proposed to be made or given to any Xplore Director or secretary or executive officer of Xplore (or any of its Related Bodies Corporate) as compensation for the loss of, or as consideration for or in connection with their retirement from, office in Xplore or any of its Related Bodies Corporate.

**(b) No collateral benefits offered by HUB24 in the last four months**

Other than as disclosed in this Scheme Booklet, during the four-month period before the date of this Scheme Booklet, neither HUB24, a HUB24 Director or any associate of HUB24 gave, or offered to give or agreed to give a benefit to another person which was likely to induce the other person or an associate of the other person to:

- (i) vote in favour of the Schemes; or
- (ii) dispose of any Xplore Shares or Xplore Options (as applicable),

which benefit was not offered to all Xplore Securityholders.

**(c) Agreements or arrangements with Xplore Directors in connection with, or conditional on, the outcome of the Schemes**

There are no agreements or arrangements made between any Xplore Director and another person in connection with, or conditional on, the outcome of the Schemes other than as disclosed in this Scheme Booklet or in their capacity as an Xplore Securityholders.

**(d) Payments and benefits to Xplore Directors, secretaries and executive officers in connection with the Schemes**

Other than as disclosed in this Scheme Booklet, no Xplore Director, secretary or executive officer of Xplore (or any of its Related Bodies Corporate) has agreed to receive, or is entitled to receive, any payment or benefit from HUB24 which is conditional on, or is related to, the Schemes, other than in their capacity as a Xplore Securityholder.

**(e) Interests of Xplore Directors in HUB24 contracts**

Other than as described in this Scheme Booklet, no Xplore Director has an interest in any contract entered into by HUB24.

**13.4 Creditors of Xplore**

The Schemes, if implemented, are not expected to materially prejudice Xplore's ability to pay its creditors as it involves the acquisition of securities in Xplore for consideration provided by a third party. No material new liability is expected to be incurred by Xplore because of the implementation of the Schemes. Xplore has paid and is paying all of its creditors within normal terms and is solvent and trading in an ordinary commercial manner.

**13.5 Transaction costs**

Xplore will incur external transaction costs in connection with the Schemes. Certain of these costs are conditional on the Schemes proceeding, and if the Schemes are implemented these will effectively be borne by HUB24 who will have acquired Xplore from implementation.

If the Schemes are not implemented, Xplore expects to pay an aggregate of approximately \$800,000 (excluding GST and disbursements) in external transaction costs in connection with the Schemes. These transaction costs are primarily payable to Xplore financial, legal, tax and accounting advisors, the Independent Expert, the Investigating Accountant and the Share Registry.

These transaction costs do not include any break fee that may be payable by Xplore (see section 5.8 of the Scheme Booklet for information on the circumstances in which a break fee may be payable by Xplore).

### **13.6 ASIC relief and ASX waivers**

#### **(a) ASX waiver**

ASX Listing Rule 6.23.2 provides that the cancellation of options for consideration requires the approval of shareholders. Xplore has been granted a waiver of ASX Listing Rule 6.23.2 to permit the Xplore Options to be cancelled without requiring the approval of Xplore Shareholders, subject to the Share Scheme being approved by the Requisite Majority of Xplore Shareholders and the Court.

The waiver application was made on the basis that Xplore Shareholders are provided with information of the proposed treatment of Xplore Options in this Scheme Booklet and therefore able to consider this information when determining whether to vote in favour of the Schemes.

#### **(b) ASIC relief**

Sections 8201(a), (b), (c), (d) and (e) and 8203(a) and (b) of Part 2 of Schedule 8 of the Corporations Regulations set out various content requirements in connection with the Option Scheme, including the requirement to name all of the Xplore Optionholders and the amounts owing to them.

ASIC has granted relief to Xplore from compliance with these requirements.

### **13.7 Disclosures and consents**

#### **(a) Consents**

The following parties have given and have not withdrawn, before the time of registration of this Scheme Booklet by ASIC, their written consent to be named in this Scheme Booklet in the form and context in which they are named:

- Shaw and Partners Limited as financial adviser to Xplore;
- Hamilton Locke Pty Ltd as legal adviser to Xplore;
- Leadenhall Corporate Advisory Pty Ltd as the Independent Expert;
- Grant Thornton Corporate Finance Pty Ltd as the Investigating Accountant;
- Mitra Tax & Super Services Pty Ltd as the tax advisor to Xplore; and
- Registry Direct Limited as the Share Registry. .

Leadenhall Corporate Advisory Pty Ltd has also given and has not withdrawn, before the time of registration of this Scheme Booklet with ASIC, its written consent to the inclusion of its Independent Expert's Report in this Scheme Booklet in the form and context in which it is included and to all references in this Scheme Booklet to that report in the form and context in which they appear.

Grant Thornton Corporate Finance Pty Ltd has also given and has not withdrawn, before the time of registration of this Scheme Booklet with ASIC, its written consent to the inclusion of its Independent Limited Assurance Report and the information in section 10.8 in this Scheme Booklet in the form and context in which it is included and to all references in this Scheme Booklet to that report in the form and context in which they appear.

HUB24 has also given and has not withdrawn, before the time of registration of this Scheme Booklet with ASIC, its written consent to the inclusion of the HUB24 Information in the form and context in which it is included and to all references in this Scheme Booklet to the HUB24 Information in the form and context in which they appear.

Mitra Tax & Super Services Pty Ltd has also given and has not withdrawn, before the time of registration of this Scheme Booklet with ASIC, its written consent to the inclusion of section 12 of this Scheme Booklet being the outline of the taxation implications of the Schemes.

**(b) Disclaimers**

None of the persons referred to above has authorised or caused the issue of this Scheme Booklet and does not make or purport to make any statement in this Scheme Booklet other than those statements made in the capacity and to the extent the person has provided its consent, as referred to above.

To the maximum extent permitted by law, each person referred to above disclaims all liability in respect of, makes no representation regarding and takes no responsibility for any part of this Scheme Booklet,

**13.8 Privacy and personal information**

Xplore and HUB24, their respective share registries and investor relations advisers may collect personal information about you in the process of implementing the Schemes. The personal information may include the names, contact details and details of the security holdings of Xplore Securityholders, and the names of individuals appointed by Xplore Securityholders as proxies, corporate representatives or attorneys at the Scheme Meetings.

The personal information is collected for the primary purpose of implementing the Schemes. Xplore Securityholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them.

Such individuals should contact the Share Registry at [registry@registrydirect.com.au](mailto:registry@registrydirect.com.au) in the first instance if they wish to request access to that personal information. Xplore Securityholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Scheme Meetings should inform that individual of the matters outlined above.

**13.9 Right to inspect and obtain copies of the Share Register and Option Register**

Xplore Shareholders have the right to inspect the Share Register which contains the name and address of each Xplore Shareholder and certain other prescribed details relating to Xplore Shareholders, without charge.

Xplore Optionholders have the right to inspect the Option Register which contains the name and address of each Xplore Optionholder and certain other prescribed details relating to Xplore Optionholders, without charge.

Xplore Securityholders also have the right to request a copy of the Share Register or Option Register (as applicable), upon payment of a fee (if any) up to a prescribed amount.

Xplore Securityholders have these rights by virtue of section 173 of the Corporations Act.

**13.10 Foreign selling restrictions**

Law may restrict the distribution of this Scheme Booklet outside of Australia and persons 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 contravene applicable securities law. Xplore disclaims all liabilities to such persons. Xplore Securityholders who are nominees, trustees or custodians are encouraged to seek independent advice as to how they should proceed.

No action has been taken to register or qualify this Scheme Booklet or any aspect of the Scheme in any jurisdiction outside of Australia.

**13.11 No unacceptable circumstances**

The Xplore Directors believe that the Share Scheme and Option Scheme do not involve any circumstances in relation to the affairs of Xplore that could reasonably be characterised as constituting "unacceptable circumstances" for the purposes of section 657A of the Corporations Act.

**13.12 Formula for entitlement to HUB24 Consideration Shares**

The formula to be applied with respect to the HUB24 Consideration Shares, particularly where there is a scale back, to be issued as Share Scheme Consideration is set out in the Share Scheme in Annexure D of this Scheme Booklet and described in the definition of Scrip Consideration (being 0.00926746 HUB24 Consideration Share per Scheme Share). The formula was agreed through negotiations between Xplore and HUB24.

### 13.13 Interests of advisors

Other than as set out in this Scheme Booklet, no person named in this Scheme Booklet as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Scheme Booklet holds, or held at any time during the last two years before the date of this Scheme Booklet, any interest in:

- (a) the formation or promotion of Xplore; or
- (b) any property acquired or proposed to be acquired by Xplore in connection with its formation or promotion or in connection with the Schemes.

### 13.14 Fees

If the Schemes are Implemented, the amount of the external fees and expenses expected to be incurred by Xplore in connection with the Schemes, including the fees and expenses of financial advisers, lawyers, accountants, and communication consultants, is estimated at approximately \$1,400,000 (excluding GST and disbursements).

If the Schemes are not Implemented, Xplore expects to pay approximately \$800,000 (excluding GST and disbursements) in external transaction costs

### 13.15 Status of regulatory Scheme Conditions

The regulatory approvals that are Scheme Conditions are set out in section 5.3 of this Scheme Booklet. As at the Last Practicable Date, the following regulatory approvals that are Scheme Conditions are still outstanding:

No	Condition
<b>Share Scheme Conditions</b>	
1	<b>Regulatory Approvals</b> <ul style="list-style-type: none"><li>• ASIC and ASX issue or provide such consents or approvals as are necessary or which Xplore and HUB24 agree are necessary or desirable to implement the Share Scheme and such consent, approval or other act has not been withdrawn or revoked before the Delivery Time on the Second Court Date.</li><li>• Each other relevant Governmental Agency issue or provide such consents, waivers, approvals which HUB24 and Xplore consider are necessary or desirable to implement the Share Scheme (noting that if such consents waivers/and/or approvals are subject to conditions those conditions must be acceptable to the parties (each acting reasonably)) and such consent, approval or other act has not been withdrawn or revoked before the Delivery Time on the Second Court Date.</li></ul>
2	<b>Shareholder approval</b> <p>The Share Scheme is approved by Xplore Shareholders at the Share Scheme Meeting by the majorities required under section 411(4)(a)(ii) of the Corporations Act.</p>
3	<b>Court approval</b> <p>The Share Scheme is approved by the Court in accordance with section 411(4)(b) of the Corporations Act either unconditionally or on conditions that do not impose unduly onerous obligations upon either party (acting reasonably).</p>
<b>Option Scheme Conditions</b>	
4	<b>Regulatory Approvals</b> <ul style="list-style-type: none"><li>• ASIC and ASX issue or provide such consents or approvals as are necessary or which Xplore and HUB24 agree are necessary or desirable to implement the Option Scheme and such consent, approval or other act has not been withdrawn or revoked before the Delivery Time on the Second Court Date.</li><li>• Each other relevant Governmental Agency issue or provide such consents, waivers, approvals which HUB24 and Xplore consider are necessary or desirable to implement the Option Scheme (noting that if such consents waivers/and/or approvals are subject to conditions those conditions must be acceptable to the parties (each acting reasonably)) and such consent, approval or other act has not been withdrawn or revoked before the Delivery Time on the Second Court Date.</li></ul>

No	Condition
5	<p><b>Optionholder approval</b></p> <p>The Option Scheme is approved by Xplore Optionholders at the Option Scheme Meeting by the majority required under section 411(4)(a)(i) of the Corporations Act.</p>
6	<p><b>Court approval</b></p> <p>The Option Scheme is approved by the Court in accordance with section 411(4)(b) of the Corporations Act either unconditionally or on conditions that do not impose unduly onerous obligations upon either party (acting reasonably).</p>

### 13.16 Supplementary information

Xplore will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of lodgement of this Scheme Booklet for registration by ASIC and the Effective Date:

- (a) a material statement in this Scheme Booklet is materially false or misleading;
- (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 for registration by ASIC.

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

- (e) placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- (f) posting the supplementary document on Xplore's website at [www.xplorewealth.com.au](http://www.xplorewealth.com.au); or
- (g) making an announcement to ASX,

as Xplore, in its absolute discretion, considers appropriate, subject to any approval that may be required from the Court. In particular, where the matter is not materially adverse to Xplore Shareholders such circulation and publication may be only by an announcement to ASX.

### 13.17 Lodgement of Scheme Booklet

The Scheme Booklet was given to ASIC on 1 December 2020 in accordance with section 411(2)(b) of the Corporations Act. ASIC takes no responsibility for the content of this Scheme Booklet.

### 13.18 No other material information

Except as disclosed elsewhere in this Scheme Booklet, there is no other information that is material to the making of a decision by an Xplore Shareholder or Xplore Optionholder whether or not to vote in favour of the Share Scheme or Option Scheme (as applicable) which is known to any Xplore Director and which has not previously been disclosed to Xplore Shareholders at the date of lodging this Scheme Booklet with ASIC for registration.

## 14. Glossary

### 14.1 Definitions

The meaning of the terms used in this Scheme Booklet are set out below:

DEFINED TERM	MEANING
<b>AAS</b>	Accounting Standards in Australia.
<b>AASB</b>	Australian Accounting Standards Board.
<b>Accounting Standards</b>	(a) 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; and (b) generally accepted accounting principles that are consistently applied in Australia, except those inconsistent with the standards or requirements referred to in paragraph (a).
<b>Adviser</b>	in relation to an entity: (a) a financier to the entity in connection with the Proposed Transaction; or (b) a financial, corporate, legal, technical or other expert adviser or consultant, who provides advisory or consultancy services in a professional capacity in the ordinary course of its business and has been engaged in that capacity in connection with the Proposed Transaction by the entity.
<b>AFSL</b>	Australian Financial Services Licence.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>Associate</b>	has the meaning given in Division 2 of Part 1.2 of the Corporations Act, as if subsection 12(1) of the Corporations Act includes a reference to this Scheme Booklet and Xplore was the designated body.
<b>ASX</b>	ASX Limited (ABN 98 008 624 691) or, if the context requires, the financial market known as the Australian Securities Exchange operated by it.
<b>Authorised Person</b>	has the meaning in the Scheme Implementation Agreement.
<b>APRA</b>	Australian Prudential Regulation Authority.
<b>ATO</b>	the Australian Taxation Office.
<b>Business Day</b>	a day that is not a Saturday, Sunday or a public holiday or bank holiday in Sydney, New South Wales.
<b>Cash Consideration</b>	means \$0.20 per Scheme Share.
<b>Cash Consideration Share Cap</b>	has the meaning given in the Scheme Implementation Agreement, which equates to a maximum Cash Consideration of \$36 million.
<b>Combined Group</b>	the combination of the HUB24 Group and the Xplore Group, as comprised by HUB24 and its Subsidiaries following implementation of the Schemes.
<b>Competing Proposal</b>	has the meaning given in the Scheme Implementation Agreement.
<b>Control</b>	has the meaning given in Section 50AA of the Corporations Act.
<b>Controlled</b>	when used in the context of Shares Controlled by an Xplore Director, means Xplore Shares that an Xplore Director Controls or which that Xplore Director has a Relevant Interest in.

DEFINED TERM	MEANING
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth).
<b>Corporations Regulations</b>	<i>Corporations Regulations 2001</i> (Cth).
<b>Court</b>	the Federal Court of Australia (Sydney Registry).
<b>Default Consideration</b>	50% Cash Consideration and 50% Scrip Consideration.
<b>Delivery Time</b>	in relation to the Second Court Date, two hours before the commencement of the hearing or if the commencement of the hearing is adjourned, the commencement of the adjourned hearing, of the court to approve the Scheme in accordance with Section 411(4)(b) of the Corporations Act.
<b>Effective</b>	when used in relation to the Share Scheme or the Option 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 Share Scheme or the Option Scheme (as the case may be).
<b>Effective Date</b>	the date on which the Share Scheme or the Option Scheme (as the case may be) becomes Effective.
<b>Election</b>	an election by a Xplore Shareholder, to receive either: <ul style="list-style-type: none"> <li>(a) in relation to 100% of their Scheme Shares, Scheme Consideration in the form of HUB24 Consideration Shares (such Election, <b>Maximum Scrip Election</b>); or</li> <li>(b) in relation to 100% of their Scheme Shares, Scheme Consideration in the form of cash (such Election, <b>Maximum Cash Election</b>).</li> </ul>
<b>Election Date</b>	5.00pm on the date that is seven clear days before the Proxy Cut-Off Date.
<b>Election Form</b>	the form of election under which an Xplore Shareholder is offered the opportunity to make an Election, sent to Xplore Securityholders with this Scheme Booklet.
<b>End Date</b>	the later of: <ul style="list-style-type: none"> <li>(a) 30 April 2021; or</li> <li>(b) such other date and time agreed in writing between HUB24 and Xplore.</li> </ul>
<b>Exclusivity Period</b>	the period commencing on 28 October 2020 and ending on the earliest of: <ul style="list-style-type: none"> <li>(a) the End Date;</li> <li>(b) the Effective Date of the Share Scheme; and</li> <li>(c) the date the Scheme Implementation Agreement is terminated in accordance with its terms.</li> </ul>
<b>First Court Date</b>	the date the Court first hears the application to order the convening of the Share Scheme Meeting and the Option Scheme Meeting under section 411(1) of the Corporations Act or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.
<b>First Court Hearing</b>	the Court hearing on the First Court Date.

DEFINED TERM	MEANING
<b>Foreign Scheme Shareholder</b>	<p>a Scheme Shareholder whose address as shown in the Share Register (as at the Record Date) is located outside of:</p> <ul style="list-style-type: none"> <li>(a) Australia and its external territories;</li> <li>(b) New Zealand; and</li> <li>(c) any other jurisdictions as may be agreed in writing by Xplore and HUB24.</li> </ul>
<b>Government Agency</b>	<p>any government or representative of a government or any governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity and includes any minister, ASIC, ASX and any regulatory organisation established under statute or any stock exchange.</p>
<b>Headcount Test</b>	<p>the requirement under section 411(4)(a)(ii)(A) of the Corporations Act that the resolution to approve the Share Scheme at the Share Scheme Meeting is passed by a majority in number of Xplore Shareholders present and voting, either in person or by proxy.</p>
<b>HUB24</b>	<p>HUB24 Limited (ACN 124 891 685).</p>
<b>HUB24 Board</b>	<p>the HUB24 board of directors or any committee of the board of directors of HUB24 constituted to consider the Proposed Transaction on behalf of HUB24.</p>
<b>HUB24 Consideration Share</b>	<p>HUB24 Shares to be issued under the Share Scheme as Share Scheme Consideration.</p>
<b>HUB24 Directors</b>	<p>the directors of HUB24, being, as at the date of this Scheme Booklet, the individuals listed in section 9 of this Scheme Booklet.</p>
<b>HUB24 Group</b>	<p>HUB24 and each of its Subsidiaries (excluding, at any time, Xplore and its Subsidiaries to the extent that Xplore and its Subsidiaries are Subsidiaries of HUB24 at that time). A reference to a member of the <b>HUB24 Group</b> or a <b>HUB24 Group Member</b> is a reference to HUB24 or any such Subsidiary.</p>
<b>HUB24 Information</b>	<p>the information regarding the HUB24 Group and the Combined Group provided by HUB24 to Xplore for inclusion in this Scheme Booklet, being:</p> <ul style="list-style-type: none"> <li>(a) the letter from the Chairman of HUB24;</li> <li>(b) the information contained in sections 1.2(b), 1.12, 5.4, 5.8, 7.2, 9, 10, 11.2(d), 11.3 and 13.2 of this Scheme Booklet except to the extent it pertains to Xplore or Xplore's contribution to the information regarding the Combined Group.</li> </ul>
<b>HUB24 Prescribed Occurrence</b>	<p>has the meaning given in the Scheme Implementation Agreement.</p>
<b>HUB24 Register</b>	<p>the register of shareholders of HUB24 maintained by or on behalf of HUB24 in accordance with Section 168(1) of the Corporations Act.</p>
<b>HUB24 Share</b>	<p>a fully paid ordinary share in the capital of HUB24.</p>
<b>HUB24 Shareholder</b>	<p>each person who is registered in the HUB24 Register as a holder of HUB24 Shares.</p>
<b>HUB24 Warranties</b>	<p>the representations and warranties set out in clause 10.1 of the Scheme Implementation Agreement, as qualified by clause 10.3 of the Scheme Implementation Agreement.</p>

DEFINED TERM	MEANING
<b>Implementation Date</b>	with respect to the Share Scheme or the Option Scheme, the later of: <ul style="list-style-type: none"> <li>(a) the fifth Business Day following the Share Scheme Record Date or the Option Scheme Record Date (as relevant); or</li> <li>(b) such other Business Day as Xplore and HUB24.</li> </ul>
<b>Independent Expert</b>	an expert, independent of the parties, engaged by Xplore in good faith to prepare the Independent Expert's Report.
<b>Independent Expert's Report</b>	the report of the Independent Expert, as set out in Annexure A.
<b>Independent Limited Assurance Report</b>	the report of the Investigating Accountant set out in Annexure B.
<b>Ineligible Shares</b>	the total number of Scheme Shares held by Foreign Scheme Shareholders and Small Shareholders.
<b>Investigating Accountant</b>	Grant Thornton.
<b>ITAA 1997</b>	the Income Tax Assessment Act 1997 (Cth).
<b>Last Practicable Date</b>	11 December 2020 being the last practicable day before finalising the information in this Scheme Booklet.
<b>Listing Rules</b>	the official listing rules of ASX.
<b>Material Adverse Change</b>	has the meaning given in the Scheme Implementation Agreement.
<b>Material Contracts</b>	has the meaning given in the Scheme Implementation Agreement.
<b>Maximum Scrip Election</b>	an Xplore Shareholder electing to receive 100% of their Share Scheme Consideration in HUB24 Consideration Shares.
<b>Maximum Cash Election</b>	an Xplore Shareholder electing to receive 100% of their Share Scheme Consideration in Cash Consideration.
<b>Offer</b>	means the announcement of the Proposed Transaction.
<b>Option Register</b>	the register of optionholders of Xplore maintained in accordance with the Corporations Act.
<b>Option Scheme</b>	the proposed scheme of arrangement under Part 5.1 of the Corporations Act between Xplore and Scheme Optionholders in respect of all Scheme Options as substantially in the form set out in Annexure E.
<b>Option Scheme Consideration</b>	the consideration to be paid to Scheme Optionholder for the cancellation of each Scheme Option as specified in the Option Scheme.
<b>Option Scheme Deed Poll</b>	the deed poll dated 15 December 2020 by HUB24 prior to the First Court Date in relation to the Option Scheme as set out in Annexure G.
<b>Option Scheme Meeting</b>	the meeting of the Optionholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on the Option Scheme and includes any meeting convened following any adjournment or postponement of that meeting.
<b>Option Scheme Proxy Form</b>	the proxy form for the Option Scheme Meeting, which accompanies this Scheme Booklet.
<b>Option Scheme Record Date</b>	7.00pm on the second Business Day (or such other Business Day as the parties agree in writing) following the Effective Date.

DEFINED TERM	MEANING
<b>Proposed Transaction</b>	<p>(a) the proposed acquisition by HUB24 in accordance with the terms and conditions of this agreement, of all of the Xplore Shares through the implementation of the Share Scheme and all of the Xplore Options through the implementation of the Option Scheme; and</p> <p>(b) all associated transactions and steps contemplated by the Scheme Implementation Agreement.</p>
<b>Proxy Cut-Off Date</b>	the last day on or before which proxies must be lodged for the Share Scheme Meeting.
<b>Related Body Corporate of a person</b>	a related body corporate of that person under section 50 of the Corporations Act and includes any body corporate that would be a related body corporate if section 48(2) of the Corporations Act was omitted.
<b>Relevant Interest</b>	has the meaning given in the Corporations Act.
<b>RSEL</b>	a Registrable Superannuation Entity Licence.
<b>Requisite Majority</b>	<p>In respect of the Share Scheme, approval by:</p> <p>(a) more than 50% in number of Xplore Shareholders present and voting; and</p> <p>(b) at least 75% of the total number of votes cast on the Share Scheme Resolution by Xplore Shareholders.</p> <p>In respect of the Option Scheme, approval by:</p> <p>(a) more than 50% in number of Xplore Optionholders present and voting at the Option Scheme Meeting; and</p> <p>(b) at least 75% (by value) of the total amount of debts and claims of all Xplore Optionholders present and voting at the Option Scheme Meeting. For this purpose, the amount (or value) of each Xplore Optionholder's debt and claim will be the same as the Option Scheme Consideration payable for the cancellation of the Xplore Options held by that Xplore Optionholder under the Option Scheme (expressed in cents).</p>
<b>Schemes</b>	the Share Scheme and Option Scheme.
<b>Scheme Booklet</b>	this document that constitutes the Explanatory Booklet referred to in the Scheme Implementation Agreement in respect of the Schemes to be approved by the Court and despatched to Xplore Securityholders and includes the annexures to this document.
<b>Scheme Conditions</b>	the conditions set out in clauses 3.1 and 3.3 of the Scheme Implementation Agreement.
<b>Scheme Implementation Agreement</b>	the Scheme Implementation Agreement dated 28 October 2020 between HUB24 and Xplore relating to implementation of the Schemes, among other things, as announced to the ASX on 28 October 2020 (a link to which is contained in Annexure C).
<b>Scheme Option</b>	an Xplore Option on issue as at the Option Scheme Record Date.
<b>Scheme Optionholder</b>	a person who holds one or more Scheme Options.
<b>Scheme Share</b>	an Xplore Share on issue at the Share Scheme Record Date.
<b>Scheme Shareholder</b>	a person who holds on or more Scheme Shares at the Share Scheme Record Date.
<b>Scrip Consideration</b>	0.00926746 HUB24 Consideration Share per Scheme Share.

DEFINED TERM	MEANING
<b>Scrip Election Shares</b>	the number of Scheme Shares in respect of which Scrip Consideration are to be issued under paragraph (a)(i) of the definition of Share Scheme Consideration (after the operation of the scale back adjustment in paragraph (b) of the definition of Share Scheme Consideration).
<b>Second Court Date</b>	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 Share Scheme and/or the Option Scheme is heard or scheduled to be heard or, if the application is adjourned for any reason, the date on which the adjourned application is heard or scheduled to be heard.
<b>Second Court Hearing</b>	the Court hearing on the Second Court Date.
<b>Share Cap</b>	has the meaning given in the Scheme Implementation Agreement, which equates to a maximum of \$30 million in HUB24 Consideration Shares.
<b>Share Register</b>	the register of shareholders maintained by Xplore under section 168(1) of the Corporations Act.
<b>Share Registry</b>	Registry Direct Limited.
<b>Share Scheme</b>	the proposed scheme of arrangement under Part 5.1 of the Corporations Act between Xplore and Scheme Shareholders in respect of all Scheme Shares as described in clause 4 of the Scheme Implementation Agreement and a copy of which is contained in Annexure D.
<b>Share Scheme Consideration</b>	has the meaning given in the Share Implementation Agreement
<b>Share Scheme Deed Poll</b>	the deed poll dated 15 December 2020 by HUB24 prior to the First Court Date in relation to the Share Scheme as set out in Annexure F.
<b>Share Scheme Meeting</b>	the meeting of Xplore Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on the Share Scheme and includes any meeting convened following any adjournment or postponement of that meeting.
<b>Share Scheme Proxy Form</b>	the proxy form for the Share Scheme Meeting, which accompanies this Scheme Booklet.
<b>Share Scheme Record Date</b>	in respect of the Share Scheme, 7.00pm on the second Business Day (or such other Business Day as the parties agree in writing) following the Effective Date.
<b>Share Scheme Resolution</b>	the resolution set out in the Notice of Share Scheme Meeting set out in Annexure H.
<b>Small Shareholder</b>	a Scheme Shareholder who is entitled to receive HUB24 Consideration Shares equal to a value of less than \$500 (or such other amount as may be agreed between HUB24 and Xplore) on the Share Scheme Record Date, whether or not the Scheme Shareholder has made an Election.
<b>Share Splitting</b>	the splitting by a holder of Xplore Shares into two or more parcels of Xplore Shares whether or not it results in any change in beneficial ownership of the Xplore Shares.
<b>Subsidiary</b>	has the meaning given to that term in section 46 of the Corporations Act.

DEFINED TERM	MEANING
<b>Superior Proposal</b>	<p>a bona fide Competing Proposal which in the determination of the Xplore Board acting in good faith in order to satisfy what the Xplore Board considers to be its fiduciary or statutory duties (after having taken advice from their legal and financial advisers):</p> <p>(a) is reasonably likely to be completed in accordance with its terms, taking into account all financial, regulatory and other aspects of such proposal, including the ability of the proposing party to consummate the transactions contemplated by the Competing Proposal; and</p> <p>(b) would, if completed substantially in accordance with its terms, be reasonably likely to result in a transaction more favourable to Xplore Shareholders as a whole than the Proposed Transaction, taking into account all of the terms and conditions of the Competing Proposal, including consideration, conditionality, funding, certainty and timing.</p>
<b>Voting Entitlement Time</b>	the date for determining voting eligibility at the Share Scheme Meeting and the Option Scheme Meeting (as relevant), being 7.00pm on 10 February 2021.
<b>VWAP</b>	the volume weighted average price.
<b>Xplore</b>	Xplore Wealth Limited (ACN 128 316 441).
<b>Xplore Board</b>	the board of directors of Xplore (or any committee of the board of directors of Xplore constituted to consider the Proposed Transaction on behalf of Xplore).
<b>Xplore Director</b>	a director of Xplore as at the date of this Scheme Booklet.
<b>Xplore Group</b>	Xplore and its Subsidiaries.
<b>Xplore Information</b>	<p>the information contained in this Scheme Booklet other than:</p> <p>(c) the HUB24 Information;</p> <p>(d) the Independent Expert's Report;</p> <p>(e) the Independent Limited Assurance Report; and</p> <p>(f) section 12 (Australian taxation implications).</p>
<b>Xplore Option</b>	an option granted by Xplore under an Xplore Option Plan to acquire by way of issue one or more Xplore Shares but does not include a performance right.
<b>Xplore Option Plan</b>	the Employee Share Option Plan Rules, the Executive Share Option Plan Rules and/or any other applicable employee option plan adopted by Xplore.
<b>Xplore Optionholder</b>	a person who is recorded in the register maintained by Xplore under section 168(1) of the Corporations Act as the holder of Xplore Options.
<b>Xplore Prescribed Occurrence</b>	has the meaning given in the Scheme Implementation Agreement.
<b>Xplore Securityholder</b>	an Xplore Shareholder or Xplore Optionholder or both, as the case may be, and <b>Xplore Securityholders</b> means each of them.
<b>Xplore Share</b>	a fully paid ordinary share in Xplore.
<b>Xplore Shareholder</b>	each person who is registered as the holder of an Xplore Share in the Xplore Share Register from time to time.
<b>Xplore Securityholder Information Line</b>	means the information telephone line that Xplore Securityholders can contact for further information about the Schemes, being 1300 55 66 35 (within Australia) or +61 3 9909 9909 (outside Australia).
<b>Xplore Warranties</b>	the representations and warranties set out in clause 10.4 of the Scheme Implementation Agreement, as qualified by clause 10.6 of the Scheme Implementation Agreement.

## 14.2 Interpretation

In this Scheme Booklet, unless the context otherwise appears:

- (a) words and phrases have the same meaning (if any) given to them in the Corporations Act, unless inconsistent with the meaning given in this section
- (b) words importing a gender include any gender;
- (c) words importing the singular include the plural and vice versa;
- (d) where a word or phrase is given a particular meaning, other parts of speech and grammatical forms of that word or phrase have corresponding meanings;
- (e) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- (f) a reference to a section or annexure is a reference to a section of or an annexure to this Scheme Booklet as relevant;
- (g) a reference to any statute, regulation, proclamation, ordinance or by law includes all statutes, regulations, proclamations, ordinances or by laws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;
- (h) headings and bold type are for convenience only and do not affect the interpretation of this Scheme Booklet;
- (i) a reference to time is a reference to time is to Australian Eastern Daylight Time, unless otherwise indicated;
- (j) a reference to writing includes facsimile transmissions; and
- (k) a reference to dollars, \$, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

**Annexure A – Independent Expert’s Report**



Now you know  
LEADENHALL

# XPLORE WEALTH LIMITED

TAKEOVER OFFER FROM HUB24 LIMITED BY SCHEME OF ARRANGEMENT

INDEPENDENT EXPERT'S REPORT AND FINANCIAL SERVICES GUIDE  
14 DECEMBER 2020



14 December 2020

The Board of Directors  
Xplore Wealth Limited  
Suite 1, Level 5, 28 Margaret Street  
Sydney NSW 2000

Dear Directors,

## Independent Expert's Report for Xplore Wealth Limited

### 1. Introduction

Xplore Wealth Limited ("**Xplore Wealth**") is an Australian Securities Exchange ("**ASX**") listed specialist wealth management platform service provider that aims to provide a broad range of platform solutions to financial advisers. On 27 October 2020, Xplore has a market capitalisation of \$19.6 million.

HUB24 Limited ("**HUB24**") is also an ASX listed specialist platform service provider engaging in the provision of investment and superannuation portfolio administration services, licensee services to financial advisers and IT consulting services. On 27 October 2020, HUB24 has a market capitalisation of \$1.3 billion.

On 28 October 2020 Xplore Wealth and HUB24 entered into a Scheme Implementation Agreement for HUB24 to acquire 100% of the shares and options in Xplore Wealth through two schemes of arrangement ("**Proposed Transaction**"). The consideration for the shares is a combination of cash and scrip, and for the options is cash.

Further details of the Proposed Transaction are set out in Section 1 of our detailed report.

### 2. Purpose of the report

In order to assist shareholders and optionholders evaluate the Proposed Transaction, the directors of Xplore Wealth have engaged Leadenhall Corporate Advisory Pty Ltd ("**Leadenhall**") to prepare an independent expert's report assessing whether the Proposed Transaction is in the best interests of Xplore Wealth's shareholders not associated with HUB24 ("**Shareholders**") and separately whether it is in the best interests of the holders of options to acquire Xplore Wealth shares ("**Optionholders**"). This report is to be included in the scheme booklet regarding the Proposed Transaction.

Further information regarding our scope and purpose is set out in Section 2 of our detailed report.

### 3. Basis of evaluation

In order to assess whether the Proposed Transaction is in the best interest of Shareholders and Optionholders we have:

- ◆ Assessed the fairness and reasonableness of the Proposed Transaction
- ◆ Assessed it as fair if the value of the consideration offered is greater than or equal to the value of an Xplore Wealth share (or option) on a control basis
- ◆ Assessed it as reasonable if it is fair, or despite not being fair, the advantages to Shareholders or Optionholders outweigh the disadvantages.

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

#### 4. The Proposed Transaction is fair to Shareholders

##### *Assessed value of Xplore Wealth*

We have assessed the fair market value of an Xplore Wealth share using a capitalisation of maintainable earnings. In adopting this approach, we have selected a maintainable EBITDA level of \$4.5 million to \$5.0 million. This range was primarily selected with reference to the current earnings run rate, with an adjustment to reflect expected cost savings from a cost rationalisation project that is currently underway.

We applied a multiple of 12.0 to 13.0 times the selected maintainable earnings. This multiple range was primarily based on prices paid in recent transactions for companies with similar activities to Xplore Wealth.

This analysis led to an assessed value of \$0.192 to \$0.231 per Xplore Wealth share, on a control basis.

##### *Comparison to consideration*

We have assessed whether the Proposed Transaction is fair by comparing our assessed fair market value of a Xplore Wealth share (on a control basis) with the consideration offered. This comparison is set out in the table below.

**Table 1: Assessment of fairness - shares**

\$	Low	High
Assessed value of a Xplore Wealth share	0.192	0.231
Assessed value of Proposed Consideration	0.197	0.202

Source: Leadenhall Analysis

Since the consideration offered is within the assessed range of values of an Xplore Wealth share the Proposed Transaction is fair to Shareholders.

Further details of our valuation of Xplore Wealth are provided in Section 7 of our detailed report.

#### 5. The Proposed Transaction is not fair to Optionholders

The following table sets out the various tranches of options to acquire Xplore Wealth shares that are outstanding. The table also compares our valuation of the options with the consideration offered under the Proposed Transaction.

**Table 2: Assessment of fairness - options**

Tranche	Number	Valuation	Consideration
2017 ESOP	278,735	1,776	252
2019 ESOP	1,506,816	61,173	10,277
2020 ESOP	3,021,732	255,447	62,171
2021 ESOP	5,821,500	529,365	133,548
2017 XSOP	856,666	10,491	1,576
2020 XSOP i	3,402,100	287,694	69,995
2020 XSOP ii	1,000,000	62,016	16,481
2020 XSOP iii	1,000,000	50,495	14,224
2021 XSOP	5,460,000	496,493	120,596
<b>Total</b>	<b>22,347,549</b>	<b>1,754,951</b>	<b>429,120</b>

Source: Leadenhall Analysis

As the proposed consideration is below our assessed value of the options the Proposed Transaction is not fair to Optionholders.

## 6. The proposed Transaction is reasonable to Shareholders

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

### Advantages

The main advantages of the Proposed Transaction are:

- ◆ **Share price:** In the absence of the Proposed Transaction it is likely that the Xplore Wealth share price will fall below its recent trading range.
- ◆ **Control premium:** The Proposed Transaction offers a control premium of between 146% and 196% compared to the one-week VWAP for Xplore Wealth prior to its announcement. This is at the higher end of generally observed control premiums.
- ◆ **Retained exposure to the sector:** The scrip component of the Proposed Consideration allows for Xplore Wealth shareholders to retain exposure to the sector if they wish to do so.
- ◆ **No superior alternative:** We are not aware of any superior alternative proposals for Xplore Wealth.

### Disadvantages

The main disadvantages of the Proposed Transaction are:

- ◆ **Loss of upside:** If Xplore Wealth is able to implement its strategy it is likely that its share price will increase. By accepting the Proposed Transaction Shareholders will have reduced exposure to this upside.
- ◆ **Tax implications:** The acceptance of the Proposed Transaction may result in tax leakage for shareholders that could otherwise be deferred.

### Conclusion on reasonableness

As the Proposed Transaction is fair it is also reasonable. It is therefore in the best interest of Shareholders.

## 7. The Proposed Transaction is reasonable to Optionholders

The advantages and disadvantages to Optionholders are similar to those listed above for Shareholders. However, an additional consideration for Optionholders is that if the share scheme is approved but the option scheme is not, Optionholders will have a one month window to exercise their options, otherwise the options will lapse. The shares that would be issued upon conversion of the options could then be compulsorily acquired by HUB24, therefore losing their time value. Compulsory acquisition at the offer price of \$0.20 would lead to Optionholders receiving approximately \$354,000 (net of the exercise price) as opposed to the proposed consideration under the option scheme of \$429,000 as presented above. For this reason, we consider the Proposed Transaction is reasonable to Optionholders.

## 8. Opinion

As we have concluded that the Proposed Transaction is fair and reasonable to Shareholders and not fair but reasonable to Optionholders, we have also concluded that it is in the best interest of both Shareholders and Optionholders.

This opinion should be read in conjunction with our detailed report which sets out our scope, analysis and findings in more detail.

Yours faithfully



Richard Norris  
Director



Simon Dalgarno  
Director

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

**LEADENHALL CORPORATE ADVISORY PTY LTD**

ABN 11 114 534 619

**Australian Financial Services Licence No: 293586**

***FINANCIAL SERVICES GUIDE***

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

**Financial Services Guide**

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

**Financial Services We are Licensed to Provide**

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

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

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

**General Financial Product Advice**

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

**Benefits that We May Receive**

We charge fees for providing reports. These fees will be agreed with the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis. Leadenhall is entitled to receive a fixed fee of \$50,000 (excl. GST) for preparing this report. This fee is not contingent upon the outcome of the Proposed Transaction.

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

**Remuneration or Other Benefits Received by our Employees, Directors and Consultants**

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

## **Referrals**

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

## **Complaints Resolution**

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

Leadenhall Corporate Advisory Pty Ltd  
GPO Box 1572  
Adelaide SA 5001

Email: [office@leadenhall.com.au](mailto:office@leadenhall.com.au)

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

If you do not get a satisfactory outcome, you have the option of contacting the Financial Ombudsman Service (“**FOS**”). The FOS will then be able to advise you as to whether or not they can assist in this matter. The FOS can be contacted at the following address:

Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001

Telephone: 1300 780 808  
Email: [info@fos.org.au](mailto:info@fos.org.au)

## **Compensation Arrangements**

Leadenhall holds professional indemnity insurance in relation to the services we provide. The insurance cover satisfies the compensation requirements of the Corporations Act 2001.

14 December 2020

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## 1 THE PROPOSED TRANSACTION

### 1.1 Background

Xplore Wealth is an ASX listed specialist wealth management platform service provider. Further details of Xplore Wealth's operations are provided in Section 4 of this report. HUB24 is an ASX listed investment and superannuation platform service provider. Further details of HUB24's operations are provided in Section 5 of this report.

On 28 October 2020 Xplore Wealth and HUB24 entered into a Scheme Implementation Agreement for HUB24 to acquire 100% of the shares in Xplore Wealth by way of a scheme of arrangement. Xplore Wealth and HUB24 also agreed to a separate scheme of arrangement for HUB24 to acquire the outstanding options over Xplore Wealth shares. On the same date HUB24 also announced:

- ◆ The acquisition of Ord Minnett's portfolio administration and reporting service business for approximately \$10.5 million
- ◆ A proposed 40% investment in Easton Investments Ltd ("**Easton**") for cash consideration of \$14 million plus the transfer of advice business Paragem Pty Ltd ("**Paragem**") to Easton
- ◆ A capital raising package comprised of:
  - ❖ a \$50 million underwritten placement to sophisticated investors
  - ❖ a \$10 million share purchase plan for existing shareholders
  - ❖ a \$12.5 million debt facility from ANZ.

### 1.2 Consideration

The agreed consideration for the acquisition of each Xplore Wealth share is \$0.20. Under the Proposed Transactions, Shareholders may elect to receive their consideration as one of the following alternatives:

- ◆ \$0.20 per share in cash ("**Cash Consideration**")
- ◆ 0.00927 HUB24 shares ("**Scrip Consideration**")

The total Cash Consideration is capped at \$36 million and the Scrip Consideration is capped at 1.38 million HUB24 shares. If these caps are exceeded by the elections received from Shareholders, the elections will be scaled back on a pro-rata basis.

Shareholders who do not make an election will receive \$0.20 per Xplore share for 50% of their Xplore shares and 0.00927 HUB24 Consideration Shares for 50% of their Xplore Shares ("**Mixed Consideration**").

In addition, a separate scheme has also been proposed for Optionholders which is conditional upon, but does not impact the Share Scheme.

### 1.3 Conditions

For the Proposed Transaction to become effective the following conditions need to be met:

- ◆ Shareholder approval which requires both a majority by number of Shareholders and 75% of the votes cast, at the meeting due to be held on 12 February 2021, to be in favour of the Proposed Transaction
- ◆ Approval by the Federal Court of Australia
- ◆ Various other customary conditions precedent (no prescribed occurrences etc.).

## 2 SCOPE

### 2.1 Purpose of the report

The Proposed Transaction is to be implemented by a scheme of arrangement under Section 411 of the Corporations Act 2001 (“s411”). Under s411 the scheme must be approved by shareholders as described in Section 1.3.

Part 3 of Schedule 8 of the Corporations Regulations 2001 (Cwlth) (“**Part 3**”) prescribes the information to be provided to shareholders in relation to schemes of arrangement. Part 3 requires this to include an independent expert’s report stating whether a proposed scheme is in the best interests of shareholders of the company subject to the scheme if, prior to the Proposed Transaction, either:

- ◆ The other party to the scheme is entitled to more than 30% of the voting shares in the company which is subject to the scheme
- ◆ A director of the corporation that is the other party to the scheme is also a director of the company that is the subject of the scheme.

As Xplore Wealth and HUB24 do not have any directors in common and HUB24 does not currently hold shares in Xplore Wealth, there is no formal requirement for an independent expert’s report in relation to the Proposed Transaction. However, the directors of Xplore Wealth have engaged Leadenhall to prepare an independent expert’s report as if it was required under Part 3, to assist Shareholders and Optionholders in evaluating the Proposed Transaction.

### 2.2 Basis of evaluation

#### Introduction

There is no legal definition of the expression ‘*in the best interests*’. However, *Regulatory Guide 111: Content of Expert Reports* (“**RG111**”) issued by ASIC provides guidance on its meaning. RG111.19 requires an expert to assess whether a scheme of arrangement involving a change of control is ‘*fair and reasonable*’. A transaction would be ‘*in the best interests*’ of shareholders if it is either ‘*fair and reasonable*’ or ‘*not fair but reasonable*’. As the Proposed Transaction is a control transaction, we have adopted this approach.

RG111 requires a separate assessment of whether a control transaction is ‘*fair*’ and whether it is ‘*reasonable*’. We have therefore considered the concepts of ‘*fairness*’ and ‘*reasonableness*’ separately. The basis of assessment selected and the reasons for that basis are discussed below.

#### Fairness

In accordance with RG111.11, we have assessed the Proposed Transaction as fair if the consideration offered to Shareholders is equal to, or greater than, the value of an Xplore Wealth share. The value of an Xplore Wealth share has been determined on a control basis (i.e. including a control premium). This is consistent with the requirement of RG111.11 that the comparison for a takeover must be made assuming a 100% interest in the target company.

We have assessed the values of an Xplore Wealth share and the consideration offered at fair market value, which is defined by the International Glossary of Business Valuation Terms as:

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

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

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

## Reasonableness

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

- ◆ The size of existing shareholding blocks in Xplore Wealth
- ◆ The liquidity of the market in Xplore Wealth's shares
- ◆ Taxation losses, cash flow or other benefits through achieving 100% ownership of Xplore Wealth
- ◆ Any special value of Xplore Wealth to HUB24
- ◆ The likely market price of Xplore Wealth shares if the Proposed Transaction is rejected
- ◆ The value of Xplore Wealth to an alternative bidder and the likelihood of an alternative offer.

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

## 2.3 Individual circumstances

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

## 3 SPECIALIST PLATFORM PROVIDER INDUSTRY

### 3.1 Introduction

Specialist platform providers offer independent wealth management platforms primarily used by independent financial advisors. Wealth management platforms offer an integrated solution where financial advisors and their clients can view and manage their investments with access to a range of investment options.

Historically, the majority of financial advisers in Australia were aligned with large financial institutions and managed client investments through platforms administered by those institutions. However, the Future of Financial Advice (“FOFA”) reforms implemented in July 2013, significantly changed the structure of the financial advice industry resulting in many financial advisers severing ties with larger institutions and offering independent advice. This move led to increased demand for independent wealth management platforms.

The trend of advisers severing ties with large financial institutions is expected to continue which is leading those institutions to consider selling off their wealth management divisions. This provides an opportunity for unaffiliated advisers and specialist platform providers to continue to grow market share as investors and advisers are cautious of the uncertainty surrounding the future of institutional wealth management divisions. Specialist platform providers generate income from fees levied on client accounts, usually a percentage of Funds Under Administration (“FUA”). For some products, platform providers also earn a margin on client cash accounts being the difference between the interest earned on client funds and interest paid to the client. Fees are also charged to execute trades as directed by the client or their financial adviser.

### 3.2 General characteristics

The specialist platform provider industry exhibits the following key characteristics:

- ◆ Highly competitive with competition primarily based on fees, ease of platform use and diversity of product offerings
- ◆ Providers benefit greatly from economies of scale as technology allows for a large number of advisers/clients to be provided services without a significant increase in costs
- ◆ Low capital intensity which can attract new providers in times of growth. However, new entrants need to develop advance technology as well as generate scale to become competitive
- ◆ The industry is highly regulated, and the level of regulation and scrutiny is increasing
- ◆ Industry participants are susceptible to local and international shocks which affect share markets as income is predominantly dependent on the value of clients' investments.

### 3.3 Industry participants

There are currently four listed specialist platform providers (after Praemium acquired Powerwrap in September 2020 and IRESS acquired OneVue in November 2020).

A summary of the major players in the industry is set out in the table below.

**Table 3: Major specialist platform providers' metrics**

	Netwealth	HUB24	Praemium	Xplore
FUA Sep 2019 (\$ billion)	25.3	14.4	10.3	15.0
FUA Sep 2020 (\$ billion)	34.0	19.1	18.5 <sup>1</sup>	15.5
Revenue FY19 (\$ million)	98.8	54.1	48.7	19.3
Revenue FY20 (\$ million)	123.9	74.3	51.2	23.0
EBITDA FY19 <sup>3</sup> (\$ million)	52.0	18.0	12.5	2.8
EBITDA FY20 <sup>3</sup> (\$ million)	64.8	28.8	14.2	2.8
Market share June 2020	3.8%	2.1%	1.7% <sup>4</sup>	1.8%

Source: company annual reports and ASX announcements

Notes:

<sup>1</sup> Praemium acquired Powerwrap in September 2020 therefore FUA as at September 2020 includes Powerwrap FUA.

<sup>3</sup> Reported underlying EBITDA

<sup>4</sup> Combined market share of Praemium and Powerwrap as at 30 June 2020

Recently there has been significant consolidation in the industry with Praemium completing the takeover of Powerwrap on 21 September 2020 and IRESS completing the takeover of OneVue on 6 November 2020. Consolidation was expected after a period of rapid growth as platforms seek the benefits of economies of scale.

### 3.4 Changes to the regulatory environment

#### 3.4.1 FOFA

The most important factor in the growth of the specialist platform provider industry over the last ten years was the introduction of the FOFA reforms in 2013 in response to increasing complaints of poor financial advice leading to significant client losses. The FOFA reforms came about as a response to the Ripoll Report released by the Parliamentary Joint Committee on Corporations and Financial Services after the conduct of their inquiry into financial products and services in Australia. This report identified conflicted remuneration as the leading cause of poor financial advice provided to clients. The Ripoll Report made 11 recommendations that were designed to enhance professionalism in the financial advice sector and enhance consumer confidence and protection. Key aspects of the FOFA reforms are summarised below.

#### Best interest duty

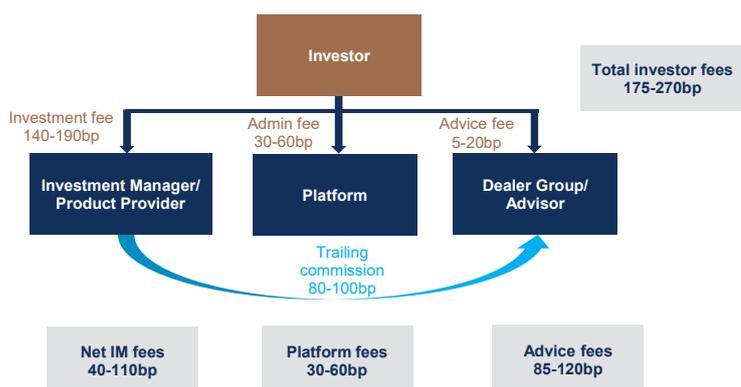
The FOFA reforms introduced a best interest duty, a statutory duty requiring financial advisers to act in the best interest of their client. Prior to this change there was no requirement that a financial adviser give priority to the interests of their client when providing advice, meaning as long as the advice met the standard of being appropriate and the necessary disclosures had been made, they were not prohibited from giving advice that benefited the adviser rather than, and in preference to, the client.

## Ban on conflicted remuneration

Traditionally financial advisers were remunerated by way of commission paid by the providers of financial products. Concerns that commissions increased an adviser's incentive to recommend products, regardless of the client's best interest, underpinned the ban on conflicted remuneration, which applied to both general advice and personal financial advice. The conflicted remuneration changes were aimed at creating a market-based incentive for advisers to act in the interest of their clients by ensuring an adviser's main source of remuneration was from clients, rather than from third parties. The conflicted remuneration provisions ban all payments that could reasonably be expected to influence advice provided.

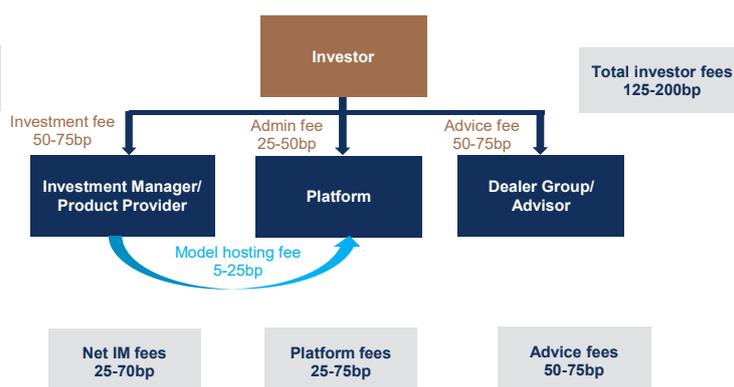
The estimated impact of the FOFA changes on the income structure of the industry is set out in the figure below.

**Figure 1: Pre-FOFA fee structure**



Source: Xplore Wealth

**Figure 2: Current fee structure**



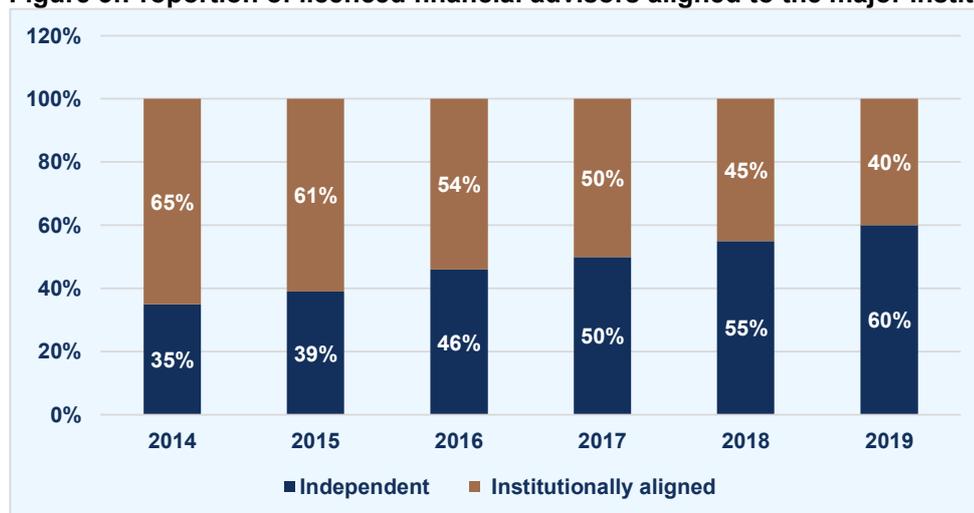
As shown in the figure above it is estimated that investors are paying less overall under the new structure. This reduction is primarily from fees generated by investment managers/product providers and financial advisers, while platform providers have the potential to earn an increased fee.

Changes have also meant that larger diversified financial institutions are exiting the wealth management sector as evidenced by:

- ◆ The sale of ANZ's OnePath pensions and investments business to IOOF in October 2019
- ◆ NAB entered into a transaction agreement with IOOF to divest 100% of its MLC wealth management business in August 2020
- ◆ Commonwealth Bank announcing the sale of 55% of its wealth management division, Colonial First State, to Kohlberg Kravis Roberts in May 2020
- ◆ Westpac initiating a process to sell its BT wealth management arm in May 2020

The impact of these changes on the financial advice industry has been significant. Most importantly, with respect to the specialist platform provider industry, the changes have resulted in a steady flow of advisers and corresponding FUA leaving institutionally linked wealth management teams to establish independent practices. Independent financial advisers generally prefer to use independent platforms. This trend away from institutionally aligned financial advisers and corresponding increase in market share of independent platform providers is demonstrated in the figures below:

**Figure 3: Proportion of licenced financial advisors aligned to the major institutions**



Source: Advisor Rating

As shown in the figure above there has been a significant trend of advisers leaving the large institutions to become independent. This trend is reflected in flow of FUA over this period with large institutional platforms as a whole losing nearly 10% market share over the five years to June 2020. The biggest institutional outflows have been at AMP (4.1% down) and NAB (3.1% down). The only large institutional platform to gain market share over the last five years was Macquarie Group which was up 2.3%. In contrast, specialist platform providers have all gained market share over the past five years as summarised below<sup>1</sup>:

**Figure 4: Gain in market share over the past five years**



Source: Company data and Credit Suisse estimates

### 3.4.2 Professional standards of financial advisers

Further to the FOFA reforms, subsequent inquiries have reviewed and made recommendations on additional changes to the financial advice industry. In particular, changes to the professional standards of financial advisers has had a significant impact on the industry.

Prior to the introduction of these reforms, the financial services industry, consumer groups and ASIC raised concerns about the education and training requirements applicable to financial advisers. The Parliamentary Joint Committee Inquiry and Financial System Inquiry identified that the existing professional standards for financial advisers were too low and did not ensure that all advisers had the skills to provide quality advice.

<sup>1</sup> Company data and Credit Suisse estimates

In response, the Corporations Amendment (Professional Standards of Financial Advisers) Act 2017 introduced several new measures including:

- ◆ Requiring new financial advisers to have a degree, pass an exam and undertake a professional year to be authorised to provide unsupervised personal advice to a retail client
- ◆ Requiring existing advisers to bring their qualifications up to degree or equivalent level, through bridging courses or other education-based programs and pass an exam
- ◆ Requiring all advisers, both new and existing, to undertake continuing professional development and be party to a code of ethics monitored by an ASIC approved compliance scheme
- ◆ Requiring Australian financial services licensees to ensure that their financial advisers comply with the new education standards.

Provisions for new advisers apply from 1 January 2019 whilst existing advisers have until 1 January 2020 to meet the degree equivalent requirement and 31 December 2021 to pass the exam.

The increased regulation of professional standards has had a noticeable impact on industry participation with adviser numbers dropping from 28,863 in the December 2018 quarter to 21,966 by August 2020, a 23.9% decline, as set out in the figure below.

**Figure 5: Adviser numbers for December 2018 – August 2020**



Source: ASIC

### 3.5 Key external drivers

The summary below set out the key external drivers of specialist platform provider performance.

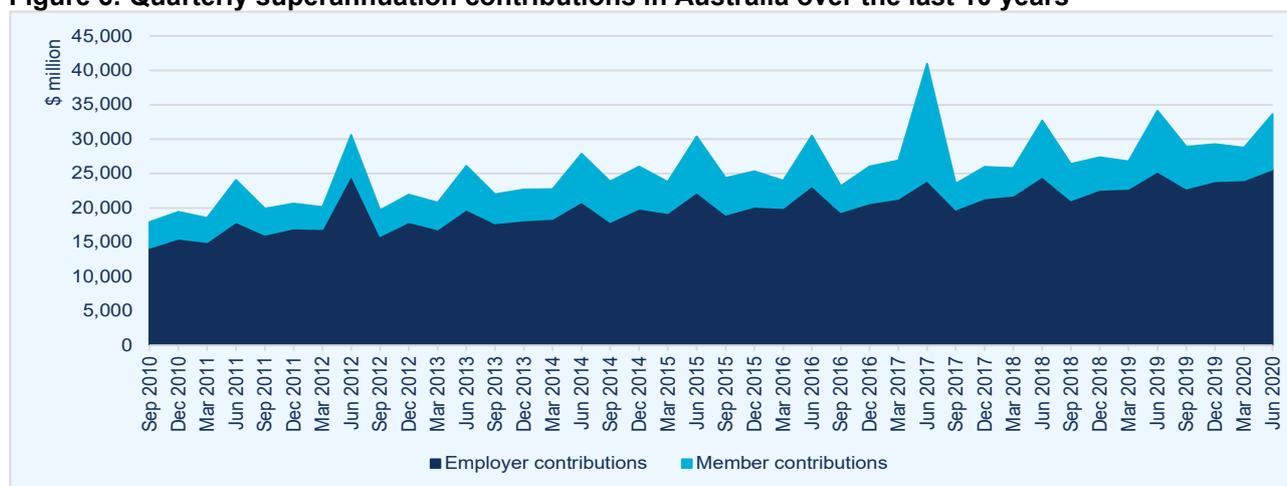
#### Number of financial advisors

The primary users of wealth management platforms are financial advisers. Financial advisers use these platforms to manage investments on behalf of their clients. As set out in Figure 5 above, there has been a significant decline in the total number of financial advisers in Australia since the introduction of more rigorous professional standards requirements. However, the performance of independent wealth management platforms is more closely aligned with the number of independent financial advisers. As set out in Figure 3 above, the percentage of independent financial advisers has grown rapidly since the introduction of the FOFA reforms from 35% in 2014 to 60% in 2019. This trend towards independence has benefited the specialist independent platform industry as independent financial advisers prefer to use independent platforms. The flow of funds from the large institutional wealth management platforms to independent platforms is expected to continue due to increased scrutiny of large financial services corporations, investor wariness of institutionally aligned advisers and structural industry change as large institutional players seek to sell or otherwise separate themselves from their wealth management businesses.

#### Superannuation funds flow

Increases in superannuation contributions provide an increased pool for funds for specialist platform providers to target. In particular, funds flow into self-managed superannuation funds ("SMSFs") is an important external factor affecting the performance of independent specialist platform providers as these funds are more likely to use an independent platform than industry or institutionally aligned funds. Over the last five years growth of superannuation contributions has been supported by the increase in minimum compulsory employer superannuation contributions from 9% to 9.5% in July 2014. The figure below shows the increase in quarterly superannuation contributions over the last ten years.

**Figure 6: Quarterly superannuation contributions in Australia over the last 10 years**



Source: APRA quarterly superannuation statistics

Note: Spikes in contributions in the June quarter primarily relate to additional salary sacrifice and personal member contributions made at the end of each financial year. Around June 2020, this trend was moderated by the COVID-19 early release of super measure.

As shown above, quarterly superannuation contributions have increased significantly in the last ten years from \$17.9 billion in the September 2010 quarter to \$28.7 billion in the March 2020 quarter. Furthermore, according to the Australian Taxation Office the number of SMSF's has also grown over the last ten years from 422,008 in the September 2010 quarter to 596,180 in the March 2020 quarter. SMSF's currently hold just under 40%<sup>2</sup> of the value of all superannuation funds.

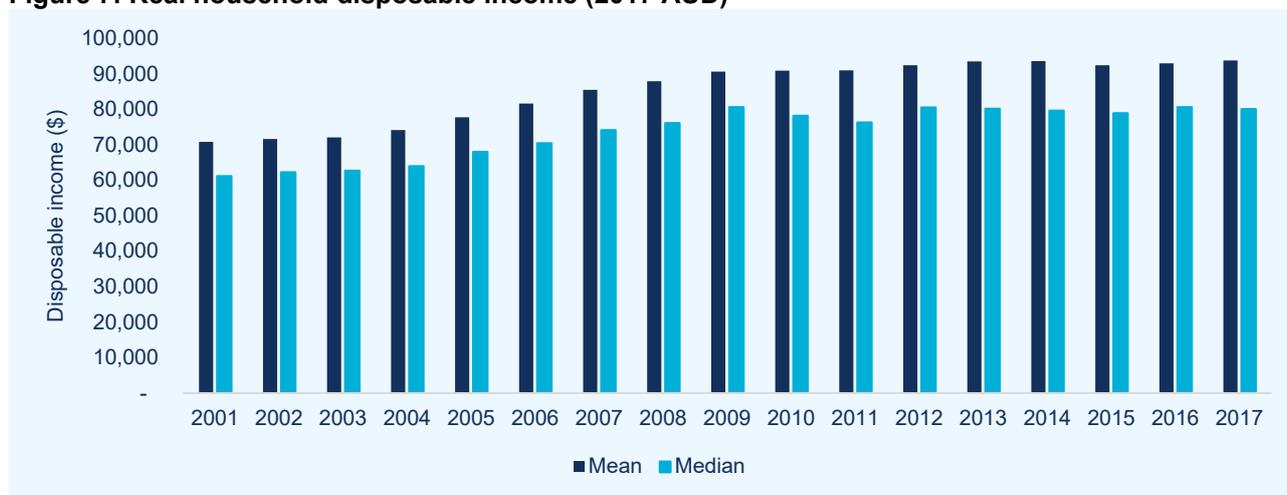
<sup>2</sup> IBISWorld

Superannuation contributions are expected to continue to grow over the next five years with compulsory employer superannuation contributions set to increase to 10% in FY22 and then at 0.5% per annum until the contribution rate reaches 12% in FY26. This will be partially offset by funds outflows as a greater number of members reach retirement age. Outside of the increase in compulsory contributions, SMSF balances are expected to grow at a slower rate due to the greater proportion in the retirement phase and the effect of regulatory changes that have reduced caps on concessional and non-concessional contributions made directly by members.

### High net wealth individuals

High net wealth individuals often have complicated financial affairs with significant wealth outside of superannuation and often seek advice from financial advisers. Furthermore, a growing number of households are looking to secure their financial future by investing disposable income outside of superannuation. These types of retail investors also often seek guidance from financial advisers.

**Figure 7: Real household disposable income (2017 AUD)**



Source: *The Household, Income and Labour Dynamics in Australia Survey, 2019*

More recently, the impact of COVID-19 on household finances has been somewhat cushioned by government support packages. Nevertheless, the RBA expects unemployment to peak at 10% or over 1.3 million by the end of 2020 (up from 700,000 in December 2019) and stay at these levels until mid-2021. This increase in unemployment will likely negatively impact spending capacity despite government assistance.

## Stock market levels

Specialist platform providers generate a significant proportion of revenue as a percentage of FUA. Therefore, market movements affecting the value of FUA also affect industry revenue. A broad measure of market movement and performance is the Australian All Ordinaries Index (“**All Ords**”). Over the past five years, consistent cuts to the cash rate by the Reserve Bank of Australia, and the rise of the technology sector, have contributed to consistent growth in the All Ords. Movements in the All Ords over this period are shown in the figure below.

**Figure 8: Historical All Ordinaries index**



Source: S&P CapIQ

The figure above shows a period of sustained growth in the All Ords until the onset of the COVID-19 epidemic in Australia. The first wave of COVID-19 caused the All Ords to plummet 37% in March 2020 before a partial recovery on the back of a significant government economic stimulus program. The economic impact of COVID-19 is expected to extend into FY21 particularly for the tourism and hospitality sectors. The uncertainty surrounding the economic recovery, weak consumer sentiment and negative business confidence is expected to constrain growth of the All Ords over the next twelve months.

## Cash rate

Movements in the cash rate often affect asset prices. Lower cash rates usually increase the value of equity markets as fixed income securities become a less appealing investment. This relationship does not necessarily hold in times of crisis, like the current COVID-19 epidemic, where a flight to the safety of cash is often seen. For platform managers the cash rate affects asset prices and subsequently revenue generated as a percentage of FUA. It also affects the margin earned on cash accounts as platform providers provide a lower interest rate to investors than they receive on cash held across client accounts. Currently the Australian cash rate is at an historic low of 0.1% which is squeezing platform provider margins on cash accounts. The figure below set out the historical cash rate in Australia since 1990.

**Figure 9: Historical Australian cash rate since 1990**



Source: Reserve Bank of Australia

In reducing the official cash rate to 0.1% on November 3, the Reserve Bank of Australia stated that it would not consider increasing the cash rate from this level until actual inflation is sustainably within the 2% to 3% target range. This will require significant gains in employment and a return to a tight labour market. Given the outlook on these factors the Reserve Bank is not expecting to increase the cash rate for at least three years.

### 3.6 Outlook

Despite the impact of COVID-19 on market performance and the resulting declining cash rate, the medium term outlook for specialist platform providers is positive, primarily to due the expected continuation in the trend of FUA flowing out of institutionally aligned platforms into independent platforms. There is a near term opportunity to accelerate this trend as larger diversified institutional players seek to divest their wealth management platforms creating uncertainty for both investors and financial advisers. In the near-term organic growth in FUA and revenue is likely to be hampered by lingering effects of COVID-19. However, the current spate of consolidations within the industry may lead to increased margins as a result of economies of scale, although some of these benefits may be offset by decreasing prices charged as competition remains high.

## 4 PROFILE OF XPLORE WEALTH

### 4.1 Background

Xplore Wealth was established in 2004 to provide Managed Discretionary Accounts (“MDAs”) to the financial planning market. Over the next 13 years Xplore Wealth grew to become Australia’s largest specialist MDA provider with approximately \$2.5 billion in FUA. In November 2017, Xplore Wealth merged with the Linear platform business. Linear was established in 2008 to provide administration and technology solutions to the wealth management industry and had over \$10 billion FUA at the time of the merger. As at 30 September 2020, Xplore has \$15.5 billion FUA and aims to provide a broad range of platform solutions to provide real choice for advisers in managing their clients’ wealth.

### 4.2 History

A brief history of Xplore Wealth is set out in the table below:

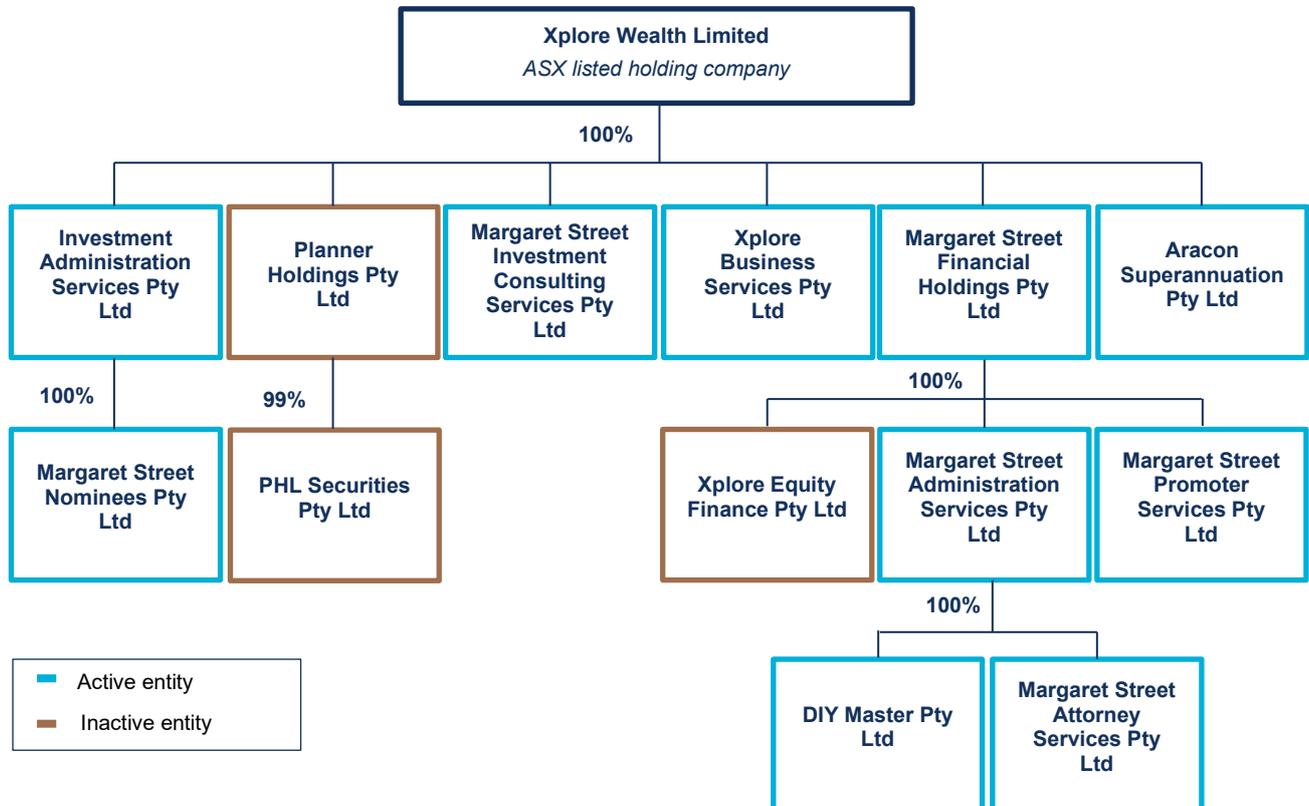
Year	Event
2004	<ul style="list-style-type: none"> <li>Managed Accounts Holding Ltd (“MAH”) (previous name of Xplore Wealth) was incorporated.</li> </ul>
2014	<ul style="list-style-type: none"> <li>MAH was admitted to the ASX and had 21 licensees with \$900 million FUA.</li> </ul>
2015	<ul style="list-style-type: none"> <li>Established a wholly owned subsidiary, Planner Holdings Pty Ltd, to provide expansion capital to select financial advisory firms.</li> </ul>
2016	<ul style="list-style-type: none"> <li>Knight Financial Advisors implement a MDA service built in partnership with MAH with \$300 million FUA transferred to the new solution.</li> <li>Planner Holdings Pty Ltd makes its first investment.</li> <li>MAH appointed as investment manager and asset consultant by a superannuation trustee.</li> </ul>
2017	<ul style="list-style-type: none"> <li>Investment Administration Services Pty Ltd, a wholly owned subsidiary of MAH is approved to be a sponsorship and settlement participant in CHESS allowing them the ability to hold assets in a custodial structure or directly in the client’s name.</li> <li>Acquired Linear Financial Holdings Pty Ltd (“Linear”), an administration and technology solutions provider to the wealth management industry.</li> </ul>
2018	<ul style="list-style-type: none"> <li>MAH acquired Aracon Superannuation Pty Ltd (“Aracon”), a Registrable Superannuation Entity.</li> <li>MAH acquired DIY Master Pty Ltd (“DIY Master”) a superannuation administrator and promoter.</li> </ul>
2019	<ul style="list-style-type: none"> <li>MAH changed its name to Xplore Wealth Ltd.</li> <li>New CEO, Michael Wright, is appointed.</li> </ul>
2020	<ul style="list-style-type: none"> <li>Implementation of One Platform transformation program to migrate all clients onto one fully integrated platform.</li> <li>Announced proposed acquisition of Xplore Wealth by HUB24.</li> </ul>

Source: Xplore Wealth

### 4.3 Corporate structure

The figure below sets out the corporate structure of Xplore Wealth.

**Figure 10: Xplore Wealth's corporate structure**



The corporate functions of the active entities set out in the figure above are summarised below:

- ◆ **Investment Administration Services Pty Ltd:** the holder of the approval for sponsorship and settlement participant in CHES
- ◆ **Margaret Street Nominees Pty Ltd:** ASX settlement participant nominee
- ◆ **Margaret Street Investment Consulting Services Pty Ltd:** Investment Committee and investment advisory supervision
- ◆ **Xplore Business Services Pty Ltd:** employment of group staff and administration of group service contracts
- ◆ **Margaret Street Financial Holdings Pty Ltd:** previous holding company of Linear Group with no current corporate activities
- ◆ **Margaret Street Administration Services Pty Ltd:** IDPS-Like, PAS and Westpac GIS Products investment administration
- ◆ **Margaret Street Promoter Services:** promoter activities for IDPS-like schemes and Aracon
- ◆ **DIY Master Pty Ltd:** Aracon and third-party registrable superannuation entity ("RSE") member administration of superannuation
- ◆ **Margaret Street Attorney Services Pty Ltd:** limited attorney services in relation to Xplore Wealth managed account scheme
- ◆ **Aracon Superannuation Pty Ltd:** RSE

## 4.4 Products

Xplore Wealth offers a wide range of platform solutions including MDA, super and investment wrap and direct holder identification number. Clients can access a broad range of investments including domestic and global listed securities, domestic managed funds, fixed interest and cash. Further detail on each of the solutions offered is set out below.

### Managed Discretionary Account

A MDA is a facility where the client can make contributions and the client's portfolio assets are managed on an individual basis by the MDA provider. As the MDA provider, Xplore Wealth gives the Investment Manager the authority to manage a client's investments in accordance with pre-determined investment objectives and agreed investment guidelines without obtaining specific instructions for each transaction. The Investment Manager develops and manages the client's portfolio, a custodian holds the investments and cash on the client's behalf and Xplore Wealth operates as the administrator undertaking transactions, reporting to the client and providing online resources.

### Xplore Wrap

The Xplore Wrap account enables the adviser to consolidate and manage their client's investment portfolio. The account revolves around a central transactional cash account which funds buy transactions and receives the proceeds from sold investments and investment income generated. The Xplore Wrap account is operated by an independent trustee, The Trust Company (RE Services) Limited, but the investor retains beneficial ownership of the underlying assets. An Xplore Wrap account:

- ◆ Consolidates all investments in one place
- ◆ Provides online access to view consolidated reports and enable quick and easy portfolio management
- ◆ Offers a single consolidated tax report at the end of each year
- ◆ Provides a wide range of investment choices
- ◆ Allows for access to boutique investments.

### Xplore Managed Account

The Xplore Managed Account offers similar functions as an Xplore Wrap account. It is available as an off-the-shelf product with a comprehensive global equity capability. The SMA can also be white labelled to meet the specific requirement of advisory firms, wealth managers and stockbrokers.

### Xplore Super and Pension

Xplore Super and Pension allows clients to hold a wrap style account (as detailed above) for their superannuation investment purposes. Xplore Super and Pension members must appoint a Financial Adviser to assist them in their investment choices. Aracon Superannuation Pty Ltd, a wholly owned subsidiary of Xplore Wealth, is the Trustee of the Fund. The trustee is an approved Trustee by the Australian Prudential Regulatory Authority ("APRA") under the Superannuation Industry (Supervision) Act 1993.

### RSE And Superannuation Administration Services

Xplore Wealth also provides RSE and superannuation administrative services offered by Aracon and DIY Master respectively, as standalone services.

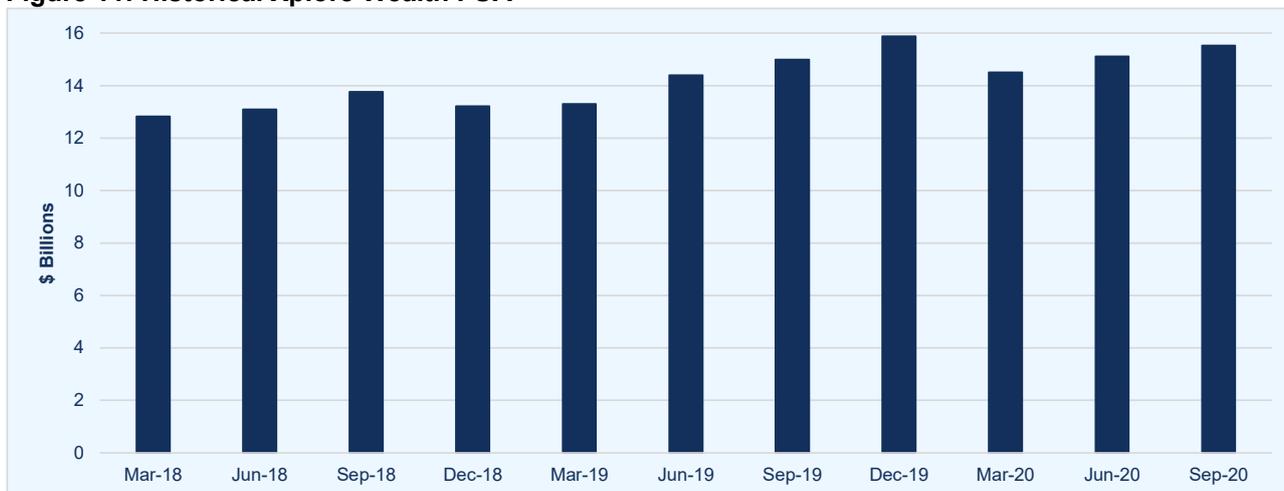
### Share Broking Solutions

The Xplore Wealth share broking solutions provide a flexible end-to-end administration and taxation solution for stockbrokers and financial advisers who predominantly utilise ASX listed shares in client portfolios.

## 4.5 Funds under administration

Historical Xplore Wealth FUA is set out in the chart below:

**Figure 11: Historical Xplore Wealth FUA**



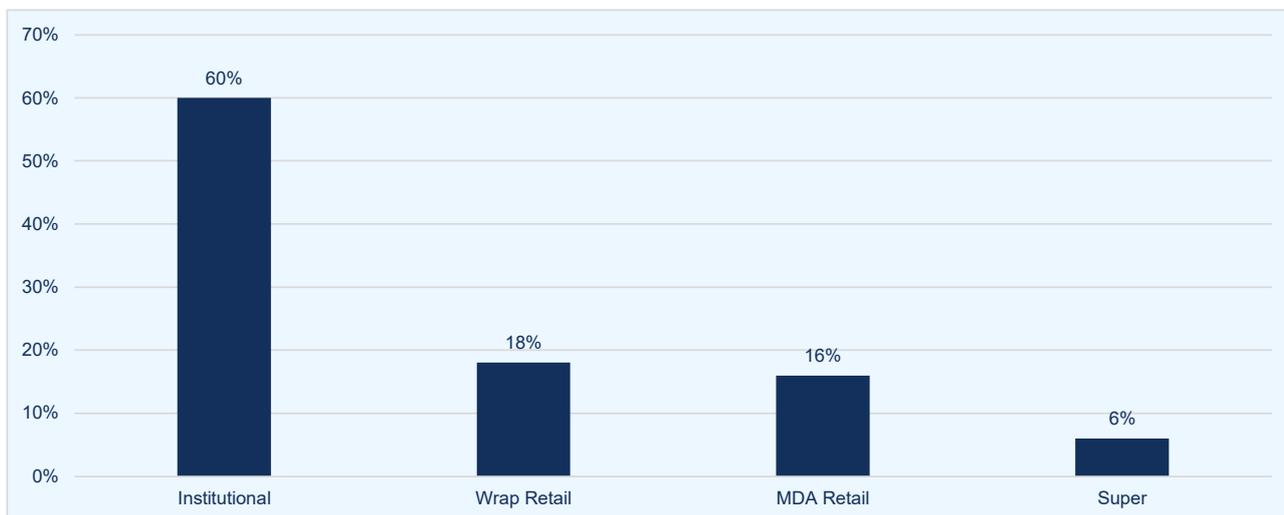
Source: Xplore Wealth

In respect of historical FUA we note the following:

- ◆ FUA has grown 21% from \$12.83 billion as at 31 March 2018 to \$15.53 billion as at 30 September 2020.
- ◆ Maximum FUA of \$15.89 billion was reached in the December 2019 quarter. The decline since this period is due to the decline in the equity markets driven by COVID. This trend was somewhat moderated by an uplift in transaction fees, cash margin and the impact of fee caps.

FUA is split between retail and institutional clients. Retail clients are full-service clients whereas Xplore Wealth only provides administration services to institutional clients. The FUA split between retail and institutional FUA in the September 2020 quarter is set out in the figure below.

**Figure 12: FUA split between retail and institutional - September quarter 2020**



Source: Xplore Wealth

The split between retail and institutional FUA has been relatively steady since the merger with Linear. However, despite institutional clients representing 60% of FUA, revenue generated from institutional clients only accounted for 14% of revenue in FY20. This is because a broader range of services are provided to retail clients. Further, institutional FUA and revenue is generated by only two clients. Retail FUA and revenue is primarily generated through a network of over 370 financial advisers that administer their clients' investments through an Xplore Wealth platform.

## 4.6 Key personnel

The Board of Directors of Xplore Wealth comprises:

**Table 4: Directors of Xplore Wealth**

Directors	Experience
<p><b>Alex Hutchison</b> Chairman</p>	<p>Mr Hutchison has over 20 years' experience in the financial services industry having worked in a number of senior leadership roles in both ASX-listed and not-for-profit organisations. Mr Hutchison as active participation in industry associations including the Financial Planning Association ("FPA"), Australian Institute of Superannuation Trustees and Customer Owned Banking Association. Mr Hutchison is currently the Chief Executive Officer of Energy Industries Superannuation Scheme.</p>
<p><b>Don Sharp</b> Non-executive Director</p>	<p>Mr Sharp is a qualified accountant and an experienced business builder and leader in the financial services sector. He co-founded Bridges Financial Services Pty Ltd, well known for establishing one of the first platform solutions for portfolio management in Australia. Mr Sharp is a former Chairman of Investors Mutual, Global Value Investors and Premium Investors limited and a former Director of Countplus Limited and Treasury Group Ltd.</p>
<p><b>Julie Berry</b> Non-executive Director</p>	<p>Ms Berry is a registered tax (financial) adviser and a Certified Financial Planner who has practised as a financial planner for more than 30 years. Ms Berry is a member of the Tax Practitioners Board and Deputy Chair of the Future2 Foundation. Ms Berry has previously served as Chair of the Institute of Financial Advisers in New Zealand. She is a life member of the FPA and a recipient of the Money Management Lifetime Achievement Award.</p>
<p><b>Stephen Reed</b> Non-executive Director</p>	<p>Mr Reed has extensive financial services experience including at Norwich Investments Management Ltd, as a Director and partner in Austock stockbroking companies and as founder and director of Austchoice Financial Services Ltd. He has established a number of financial practices, acted as Responsible Manager on a number of others and consulted to a number of financial services companies on strategy and marketing.</p>
<p><b>Jillian McGregor</b> Joint Company Secretary</p>	<p>Mr McGregor has worked as a corporate lawyer for over 20 years, during which time she regularly advised companies and directors on compliance with the Corporation Act, ASX listing rules and other corporate legal matters.</p>

Source: Xplore Wealth

## 4.7 Financial performance

The audited statements of financial performance for the periods ended 30 June 2018, 30 June 2019 and 30 June 2020 are set out in the table below.

**Table 5: Xplore Wealth's financial performance**

\$'000	FY18	FY19	FY20
<b>Revenue</b>	<b>15,147</b>	<b>19,275</b>	<b>22,985</b>
Transaction costs	(3,106)	(4,755)	(5,661)
<b>Gross Profit</b>	<b>12,040</b>	<b>14,520</b>	<b>17,324</b>
Share of profits of joint ventures	21	50	-
<b>Expenses</b>			
Employee benefits expense	(6,821)	(10,484)	(11,694)
Professional fees and consulting	(739)	(1,012)	(1,258)
Computer and IT expenses	(548)	(1,547)	(1,849)
Cost of employee share scheme	(282)	23	(237)
Other expenses	(1,706)	(2,633)	(1,773)
<b>EBITDA</b>	<b>1,966</b>	<b>(1,082)</b>	<b>513</b>
Depreciation and amortisation	(2,788)	(4,483)	(2,172)
Impairment	(1,935)	(100)	(11,179)
<b>EBIT</b>	<b>(2,758)</b>	<b>(5,666)</b>	<b>(12,838)</b>
Other income	498	3,980	298
Acquisition related expenses	(1,263)	(224)	-
Finance income	128	95	71
Finance costs	(5)	(5)	(75)
<b>Profit before tax</b>	<b>(3,400)</b>	<b>(1,820)</b>	<b>(12,544)</b>
Income tax (expense) / benefit	896	1,279	796
<b>Profit after tax</b>	<b>(2,504)</b>	<b>(540)</b>	<b>(11,748)</b>
<i>Other metrics</i>			
Revenue Growth	n/a	27%	19%
Gross Margin %	79.5%	75.3%	75.4%
EBITDA Margin %	13.0%	-5.6%	2.2%

Source: Xplore Wealth

Note: EBITDA prior to FY20 included operating lease expenses which are now recognised as depreciation expenses and interest expenses for right-of-use assets since the introduction of AASB 16 on 1 July 2019.

In relation to the historical financial performance of Xplore Wealth set out above:

- ◆ The significant increase in revenue in FY19 was primarily due to the full year impact of the Linear merger.
- ◆ The decline in gross margin from FY18 was primarily due to the impact of the various acquisitions in FY18 and FY19.
- ◆ Other income in FY19 primarily related to a GST claim of \$3.5 million in respect of the historical operations of Linear.
- ◆ The increase in operating expenses in FY19 is primarily as a result of the full year impact of the Linear merger.
- ◆ The increase in depreciation and amortisation in FY19 is primarily due to amortisation of software and customer relationship assets acquired as a result of the Linear merger. Depreciation expenses in FY20 also include the depreciation of a right-of-use asset (being leased premises) due to the adoption of AASB 16 Leases on 1 July 2019.
- ◆ The impairment expense recognised in FY20 is primarily related to the decision to write off the carrying value of the Linear software as a result of the decision to implement the One Platform program.

## 4.8 Financial position

The audited statements of financial position as at 30 June 2018, 30 June 2019 and 30 June 2020 are set out in the table below.

**Table 6: Xplore Wealth's financial position**

\$'000	30-Jun-18	30-Jun-19	30-Jun-20
<b>Current assets</b>			
Cash and cash equivalents	4,932	941	2,251
Other financial assets	1,250	1,501	1,908
Trade and other receivables	2,476	5,714	1,989
Other current assets	-	893	1,361
Non-current assets classified as held for sale	-	500	-
<b>Total current assets</b>	<b>8,659</b>	<b>9,548</b>	<b>7,509</b>
<b>Non-current assets</b>			
Investments accounted for using the equity method	545	-	-
Investments	101	12	-
Plant and equipment	262	341	263
Right-of-use assets	-	-	1,066
Intangibles	40,549	38,954	27,899
Deferred tax asset	4,298	5,398	5,971
<b>Total non-current assets</b>	<b>45,755</b>	<b>44,705</b>	<b>35,199</b>
<b>Total assets</b>	<b>54,413</b>	<b>54,254</b>	<b>42,707</b>
<b>Current liabilities</b>			
Trade and other payables	(2,086)	(3,353)	(3,050)
Deferred government grant	(307)	(237)	(111)
Lease liabilities	-	-	(565)
Provisions	(725)	(736)	(911)
Deferred consideration	-	(500)	-
Other current liabilities	(6)	-	-
<b>Total current liabilities</b>	<b>(3,124)</b>	<b>(4,827)</b>	<b>(4,636)</b>
<b>Non-current liabilities</b>			
Deferred government grant	(399)	(354)	(178)
Lease liabilities	-	-	(615)
Deferred tax liability	(982)	(758)	(533)
Provisions	(175)	(198)	(249)
<b>Total non-current liabilities</b>	<b>(1,556)</b>	<b>(1,310)</b>	<b>(1,575)</b>
<b>Total liabilities</b>	<b>(4,681)</b>	<b>(6,136)</b>	<b>(6,211)</b>
<b>Net assets</b>	<b>49,733</b>	<b>48,117</b>	<b>36,496</b>

Source: Xplore Wealth

In relation to the historical financial position of Xplore Wealth:

- ◆ The decrease in cash in FY19 was primarily related to acquisition expenses and share buy backs.
- ◆ Other financial assets are comprised of a loan receivable from McGregor Wealth Management Pty Ltd, term and bank deposits and the operational risk financial reserve requirement in accordance with APRA Prudential Standard.
- ◆ The increase in trade and other receivables in FY19 was as a result of the recognition of the Linear GST claim of \$3.5 million.
- ◆ Other current assets are primarily comprised of prepayments and accrued income.

- ◆ In FY19, Xplore wealth made the decision to sell its interest in McGregor Wealth Management Pty Ltd and as such this was reflected as non-current assets held for sale in this period.
- ◆ Intangibles primarily relate to goodwill, customer relationships and software assets acquired as a result of the Linear merger. The decrease in FY19 and FY20 is related to amortisation and impairment of the customer relationship and software assets due to the implementation of the One Platform program
- ◆ Xplore Wealth adopted AASB 16 Leases as at 1 July 2019. As a result, right-of-use assets and corresponding lease liabilities are recognised for business premises leases.
- ◆ The deferred tax asset is primarily comprised of historical tax losses.
- ◆ Trade & other payables primarily represent liabilities for goods and services received by Xplore Wealth that remain unpaid at the end of the reporting period, accrued expenses and provision for research & development tax offset claims.
- ◆ Provisions are related to annual and long service leave entitlements.
- ◆ The deferred consideration liability in FY19 related to contingent consideration payable in respect of the acquisition of DIY Master Pty Ltd.
- ◆ Deferred tax liability relates to the difference between accounting and tax treatments of customer relationship acquired as the amortisation expense for customer relationship is not deductible for tax purposes.

## 4.9 Cash flows

The audited statements of cash flows for the periods ended 30 June 2018, 30 June 2019 and 30 June 2020 are set out in the table below.

**Table 7: Xplore Wealth's cash flows**

\$'000	FY18	FY19	FY20
Receipts from customers (inclusive of GST)	15,004	21,638	26,146
Payments to suppliers and employees (inclusive of GST)	(12,690)	(21,631)	(22,588)
Acquisition related expenses	(1,263)	(224)	-
Payment to acquiree's supplier and employees	(1,526)	(196)	-
Interest received	128	95	71
Other revenue	498	-	-
Government grants received	-	-	81
Interest and other finance costs paid	(5)	(5)	(75)
Income taxes refunded	-	2	1
<b>Net cash flows from operating activities</b>	<b>146</b>	<b>(323)</b>	<b>3,637</b>
Payment for purchase of business	(23,071)	(904)	(792)
Payments for investments	(78)	(12)	-
Payments for plant and equipment	(214)	(51)	(65)
Payments for intangibles	(1,227)	(1,386)	(1,139)
Receipt from related party	-	-	125
(Payments)/proceeds from term deposits	138	(263)	(9)
<b>Net cash flows used in investing activities</b>	<b>(24,452)</b>	<b>(2,616)</b>	<b>(1,880)</b>
Proceeds from issue of shares	35,151	-	75
Payments for share buy-backs	-	(1,042)	-
Share issue transaction costs	(1,910)	(10)	(2)
Dividends paid	(268)	-	-
Repayment of borrowings - Linear	(5,359)	-	-
Repayment of lease liabilities	-	-	(520)
<b>Net cash used in financing activities</b>	<b>27,614</b>	<b>(1,052)</b>	<b>(447)</b>
<b>Net increase/(decrease) in cash held</b>	<b>3,308</b>	<b>(3,991)</b>	<b>1,310</b>
Cash at the beginning of the financial year	1,624	4,932	941
<b>Cash at the end of the financial year</b>	<b>4,932</b>	<b>941</b>	<b>2,251</b>

Source: Xplore Wealth

In relation to the historical cash flows of Xplore Wealth set out above, we note the following:

- ◆ Receipts from customers in FY20 includes receipt of \$3.5 million from the Linear GST claim.
- ◆ Payments for the purchase of business and acquisition related expenses in FY18 relate to the acquisition of Linear.

#### 4.10 Capital structure and shareholders

As at 5 November 2020, Xplore Wealth had a total of 297,536,240 ordinary shares on issue. The following table sets out details of Xplore Wealth's substantial shareholders as at that date:

**Table 8: Xplore Wealth's substantial shareholders**

Shareholder name	Number of shares	% interest
Pivot Wealth	23,000,000	7.7%
Mr & Mrs Colin J Scully	21,993,389	7.4%
Investors Mutual	20,351,790	6.8%
Mr Donald K Sharp	18,133,389	6.1%
Mr & Mrs Paul A Collins	17,872,745	6.0%
Messrs Colin J Scully & Donald K Sharp	17,573,658	5.9%
Other Shareholders	178,611,269	60.0%
<b>Total</b>	<b>297,536,240</b>	<b>100.0%</b>

Source: Xplore Wealth

In to the ordinary addition shares set out above, Xplore Wealth has a total of 22,347,549 options on issue which were issued under employee and executive share schemes. A summary of the options on issue is set out in the table below.

**Table 9: Xplore Wealth's options on issue**

Tranche	Number	Exercise price	Expiry date
2017 ESOP	278,735	\$0.35	15/09/2021
2019 ESOP	1,506,816	\$0.28	15/02/2023
2020 ESOP	3,021,732	\$0.18	12/03/2024
2021 ESOP	5,821,500	\$0.18	23/11/2024
2017 XSOP	856,666	\$0.35	29/01/2022
2020 XSOP i	3,402,100	\$0.18	13/03/2024
2020 XSOP ii	1,000,000	\$0.25	16/03/2024
2020 XSOP iii	1,000,000	\$0.30	16/03/2024
2021 XSOP	5,460,000	\$0.18	23/11/2024
<b>Total</b>	<b>22,347,549</b>		

Source: Xplore Wealth

*We understand that additional 11.3 million options, in respect of the 2021 employee and executive plans, have been allocated but not yet been granted as at the date of this report. This would not impact our conclusion on the fairness or reasonableness of the Proposed Transaction.*

## 4.11 Share trading

The following chart shows the share market trading of Xplore Wealth shares, for the 12 months to 5 November 2020:

**Figure 13: Xplore Wealth's share trading over the past 12 months**



Source: S&P CapIQ

In relation to the trading of Xplore Wealth shares over the past 12 months, we note the following:

- ◆ Xplore Wealth shares primarily traded in a band between \$0.04 and \$0.08 per share.
- ◆ The share price spiked to \$0.12 per share on 11 February 2020, seemingly in anticipation of positive half year results. Upon release of the half year results a week later the share price fell back to \$0.09.
- ◆ Between 20 March and 9 July shares traded between \$0.04 and \$0.06 as the uncertainty surrounding COVID-19 depressed the market in general. From 10 July 2020, the share price climbed slightly higher to trade between \$0.06 and \$0.09 as the overall market regained some strength.
- ◆ The spike in price and volume on 29 October 2020 coincided with the announcement of the HUB24 takeover offer. In total, 13.6 million shares were traded on 29 and 30 October 2020 at a price of \$0.19. A further 10.7 million shares were traded over the next four trading days at a price of \$0.18.
- ◆ Overall Xplore Wealth shares are relatively thinly traded with an average of 298,258 shares or \$15,962 traded per day.

## 4.12 Outlook

Prior to the announcement of the Proposed Transaction, Xplore Wealth was in the final stages of executing its One Platform strategy which has delivered initiatives that will generate \$1.6m in annualised cost savings to September 2020 and it's expected to contribute further significant cost savings in FY21 as well as providing a more streamlined service to clients. This low cost operating model and enhanced platform capability would enable Xplore Wealth to compete more effectively with the larger players in the independent platform market to exploit the outflows from institutional platforms which is expected to continue at least into the medium term. The short-term outlook is expected to be dominated by the negative effects of COVID-19 on the market, although there has been a significant recovery since the first wave hit the country at the end of March 2020. Overall, the outlook appears positive with industry dynamics expected to continue to favour the independent platform sector although this is likely to continue to increase competition in the sector.

## 5 PROFILE OF HUB24

As part of the consideration under the Proposed Transaction is HUB24 shares, we have provided an analysis of HUB24. HUB24 has a market capitalisation of \$1.3 billion, compared to Xplore Wealth of only \$20 million prior to the announcement of the Proposed Transaction. Accordingly, the impact of the Proposed Transaction on HUB24's share price is likely to be limited. HUB24 shares are also highly liquid, thus a Shareholder would be able to realise the HUB24 consideration shares in the near term at a price similar to current trading in HUB24 shares, all else being equal. Whether to continue to hold HUB24 shares received as consideration is a separate investment decision for Shareholders, and is not the subject of this report. Thus, the intrinsic value of HUB24 shares, to the extent it may differ from the market price, is of limited relevance. As a result, our analysis of HUB24 is relatively brief.

### 5.1 Background

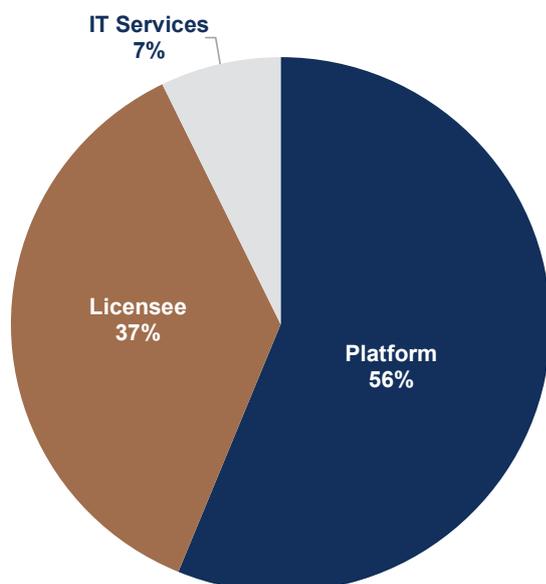
Founded in 2007, HUB24 is an ASX-Listed listed investment and superannuation platform service provider based in Sydney, NSW. The company, together with its subsidiaries provides a range of wealth management solutions to the financial services industry, including online portfolio administration services through their specialist investment platform ("Platform"). The Group also provides dealer licensee services under Paragem as well as application and technology products through Agility Applications Pty Ltd ("Agility").

### 5.2 Overview of Operations

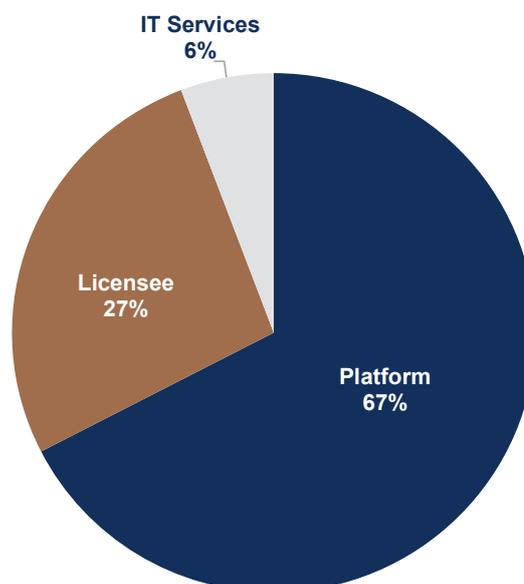
HUB24 operates through three main segments, Platform, Licensee and IT services with Platform accounting for the largest portion of total revenue (FY19: 56% and FY20: 67%).

The breakdown of FY19 and FY20 revenue is as follows:

**Figure 14: FY19 Revenue breakdown**



**Figure 15: FY20 Revenue breakdown**



Source: HUB24

Further information in respect of each of HUB24's segments is set out below.

- ◆ **Platform:** HUB24 provides investment portfolio and superannuation administration services to financial advisers through its specialist online platform. It allows advisers to serve their clients with access to diverse investment options, cost-effective trading and comprehensive reporting. Despite the COVID-19 disruption in the global economy, this segment has grown significantly with FUA up by over 30%, to \$17.2 billion as at 30 June 2020.

In March 2020, HUB24 entered a strategic partnership with Clearview Wealth Ltd (“**Clearview**”) to include Clearview’s managed portfolio and insurance products in the Platform. As part of the agreement, over \$1 billion FUA will migrate from Clearview to HUB24 platform’s in FY21.

- ◆ **Licensee:** HUB24 provides licensee services to financial advisers trading under Paragem. These include compliance, software, education, and support to financial planning practices, enabling advisers to provide clients with financial advice across a range of products. As at 30 June 2020, Paragem’s network comprised 37 financial advice businesses, representing 77 financial advisers.
- ◆ **IT services:** Through its subsidiary, Agility, HUB24 provides business application and technology products to the financial services industry. It delivers various data management and reporting solutions via CONNECT a proprietary web-based application platform, with an aim to improve organizations’ performance through efficiency in business process and data capacity. This segment currently services approximately 45% of the stockbroking market in Australia.

### 5.3 Key Personnel

The Board of Directors and senior management of HUB24 comprises:

**Table 10: Key personnel of HUB24**

Directors	Experience
<p><b>Bruce Higgins</b> Executive Chairman</p>	<p>Appointed as Chairman in October 2012, Mr Higgins has over 20 years' experience as a senior executive or CEO in various companies including listed technology companies. Prior to this, he held director positions in Legend Corporation Ltd and Novita Healthcare Ltd.</p>
<p><b>Andrew Alcock</b> Managing Director</p>	<p>Mr Alcock has over 25 years' experience across wealth management encompassing advice, platforms, industry superannuation, insurance and information technology. Previously, he served as CEO of Australian Administration Services, a subsidiary of Link Market Services, providing superannuation administrations.</p>
<p><b>Paul Rogan</b> Non-executive Director</p>	<p>Mr Rogan is a senior financial services executive with over 26 years' experience serving on several boards and industry groups. He has been on the HUB24 Board since 2017.</p>
<p><b>Ian Litster</b> Non-executive Director</p>	<p>Mr Lister has more than 13 years' experience in designing and developing software for the financial planning industries. He is an expert in the management of information technology organisations and software development. Mr Lister was appointed to the Board in September 2012.</p>
<p><b>Anthony McDonald</b> Non-executive Director</p>	<p>Mr McDonald was appointed to the HUB24 Board in September 2015. He was the co-founder of financial planning firm Snowball Group Ltd which merged with Shadforth in 2011. He is currently a non-executive director of SIP Emerging Companies Ltd and URB Investments Ltd.</p>
<p><b>Ruth Stringer</b> Non-executive Director</p>	<p>Appointed in February 2020, Ms Stringer is an experienced financial services lawyer, particularly in funds management, superannuation, life insurance and financial planning. Ms Stringer also serves on the Audit, Risk and Compliance Committee.</p>
<p><b>Kitrina Shanahan</b> Chief Financial Officer</p>	<p>Ms Shanahan has over 20 years of experience in finance, governance, and risk. She also has extensive experience in platforms, advice and broader financial services. Prior to HUB24, she was CFO at Westpac Insurance.</p>
<p><b>Craig Lawrenson</b> Chief Operating Officer</p>	<p>Mr Lawrenson has over 20 years' experience in financial services across operations, distribution, product management, product development and business transformation. Previously, he worked in a variety of roles within BT Financial Group.</p>

Source: HUB24

## 5.4 Financial performance

The audited statements of financial performance for the periods ended 30 June 2018, 30 June 2019 and 30 June 2020 are set out in the table below.

**Table 11: HUB24's financial performance**

\$'000	FY18	FY19	FY20
<b>Revenue</b>			
Platform	39,768	54,145	74,355
Licensee	35,769	35,236	29,550
IT Services	8,460	6,977	6,360
<b>Total</b>	<b>83,998</b>	<b>96,358</b>	<b>110,265</b>
Other income	2,384	1,145	851
<b>Expenses</b>			
Direct costs for providing services	(39,566)	(39,921)	(35,942)
Employee benefits	(25,222)	(32,351)	(42,320)
Property and occupancy	(1,811)	(2,203)	(417)
Administrative	(8,570)	(10,772)	(14,027)
<b>EBITDA</b>	<b>11,213</b>	<b>12,256</b>	<b>18,410</b>
Depreciation and amortisation	(2,016)	(2,574)	(5,323)
Impairment	-	-	(1,000)
<b>EBIT</b>	<b>9,197</b>	<b>9,682</b>	<b>12,087</b>
Finance income	613	1,164	945
Finance costs	-	-	(204)
<b>Profit before tax</b>	<b>9,810</b>	<b>10,846</b>	<b>12,827</b>
Income tax (expense) / benefit	(2,431)	(3,682)	(4,599)
<b>Profit after tax</b>	<b>7,379</b>	<b>7,164</b>	<b>8,228</b>
<b>Other metrics</b>			
Revenue Growth	n/a	14.7%	14.4%
Gross Margin %	52.9%	58.6%	67.4%
EBITDA Margin %	13.3%	12.7%	16.7%

Source: HUB24

Note: EBITDA prior to FY20 included operating lease expenses which are now recognised as depreciation expenses and interest expenses for right-of-use assets since the introduction of AASB 16 on 1 July 2019.

In relation to the historical financial performance of HUB24 set out above, we note the following:

- ◆ HUB24 has demonstrated consistent growth in profitability and revenue between FY18 and FY20. In particular, the significant increase in FY20 was unpinning by the growth in FUA and net fund flows from new and existing adviser relationships on the Platform. The business was not significantly impacted by COVID-19 due to the higher trading volumes and cash balances on the Platform offsetting the decline in FUA based revenue.
- ◆ Other income represents the fair value adjustment for the deferred contingent consideration in relation to the acquisition of Agility in 2017.
- ◆ Direct costs of providing services pertain to platform and custody fees and licensee-related charges. These costs decreased in FY20, primarily due to the decline in licensee charges consistent with reduced licensee revenue as a result of some advisers moving to self-licensing.
- ◆ Employee benefit expenses are the largest cost for HUB24. These costs have increased significantly in FY20 due to increased headcount in the sales and distribution and IT development teams, as part of HUB24's investment in growth coupled with employee share-based payments recognised for the special long term incentive scheme during the year.

- ◆ The drop in property and occupancy costs relates to the implementation of AASB 16 Leases resulting in lease expenses being recognised as depreciation expense and interest expense.
- ◆ Impairment losses recognised in FY20 relates to the customer relationships and intangible assets acquired with Agility in 2017 following a strategic review of the IT business, whereby HUB24 decided to cease to provide technology hosting services to new clients going forward.

## 5.5 Financial position

The audited statements of financial position as at 30 June 2018, 30 June 2019 and 30 June 2020 are set out in the table below.

**Table 12: HUB24's financial position**

\$'000	30-Jun-18	30-Jun-19	30-Jun-20
<b>Current assets</b>			
Cash and bank balances	16,959	18,466	33,809
Trade and other receivables	5,088	7,565	10,046
Other current assets	765	781	1,799
<b>Total current assets</b>	<b>22,812</b>	<b>26,812</b>	<b>45,655</b>
<b>Non-current assets</b>			
Receivables	2,011	2,000	-
Office equipment	2,214	1,956	1,662
Right-of-use assets	-	-	5,437
Intangible assets	32,023	37,069	39,963
Deferred tax assets	13,361	9,685	5,101
<b>Total non-current assets</b>	<b>49,610</b>	<b>50,709</b>	<b>52,163</b>
<b>Total assets</b>	<b>72,422</b>	<b>77,522</b>	<b>97,818</b>
<b>Current liabilities</b>			
Trade and other payables	(5,228)	(3,363)	(5,370)
Provisions	(4,080)	(5,053)	(7,811)
Deferred income	(417)	(259)	(89)
Lease Liabilities	-	-	(1,670)
<b>Total current liabilities</b>	<b>(9,725)</b>	<b>(8,676)</b>	<b>(14,940)</b>
<b>Non-current liabilities</b>			
Provisions	(882)	(1,001)	(1,514)
Deferred income	(1,022)	(775)	(587)
Lease Liabilities	-	-	(4,385)
Other	(2,927)	(2,146)	(1,568)
<b>Total non-current liabilities</b>	<b>(4,831)</b>	<b>(3,923)</b>	<b>(8,054)</b>
<b>Total liabilities</b>	<b>(14,556)</b>	<b>(12,598)</b>	<b>(22,994)</b>
<b>Net assets</b>	<b>57,866</b>	<b>64,924</b>	<b>74,823</b>

Source: HUB24

In relation to the historical financial position of HUB24 set out above, we note the following:

- ◆ Cash and cash equivalents increased year-on-year due to the strong growth in the Platform business which saw consistent net flows and a rise in FUA. The significant increase in cash balance in FY20 is primarily a result of COVID-19 induced market volatility driving up trading volumes and cash account balances on the Platform.
- ◆ The increase in trade and other receivables over the period is consistent with the revenue growth from the Platform business.

- ◆ Non-current receivables pertains to the Operational Risk Financial Requirement (“ORFR”) loan advance to the Trustee for the HUB24 Superfund. The amount was fully repaid to the Group due to a change of trustee on 30 June 2020. A new ORFR loan was made subsequent to the year-end.
- ◆ HUB24 adopted AASB 16 Leases as at 1 July 2019. As a result, right-of-use assets and corresponding lease liabilities are recognised for business premises and equipment.
- ◆ Intangible assets largely consist of capitalised Platform and HUBConnect development costs, goodwill, customer relationships and software acquired with Agility in 2017. In FY20, impairment losses were recognised on the Agility customer relationship and software upon the strategy review of the IT business.
- ◆ Trade and other payables include liabilities for goods and services received by HUB24 that remain unpaid at the end of the reporting period as well as the current portion of the deferred contingent consideration for the acquisition of Agility in 2017. The balance has increased in line with the high level of trading activities caused by COVID-19.
- ◆ Provisions predominately relate to employee benefits. The increase in provision in FY20 is reflective of the increased headcount leading to a rise in provision for employee entitlements.
- ◆ Other non-current liabilities represent the non-current portion of deferred contingent consideration for the acquisition of Agility, reassessed annually.
- ◆ HUB24 does not have any debt. In FY20, the company entered a \$5 million working capital facility which remained undrawn at year-end.

## 5.6 Cash flows

The audited statements of cash flows for the periods ended 30 June 2018, 30 June 2019 and 30 June 2020 are set out in the table below.

**Table 13: HUB24's cash flows**

\$'000	30-Jun-18	30-Jun-19	30-Jun-20
Receipts from customers (inclusive of GST)	93,223	102,184	116,811
Payments to suppliers and employees (inclusive of GST)	(81,482)	(91,198)	(91,768)
Interest received	510	645	633
Interest paid on lease liability	-	-	(204)
Short term lease payments	-	-	(213)
<b>Net cash inflow from operating activities</b>	<b>12,251</b>	<b>11,631</b>	<b>25,258</b>
Payments for acquisitions (net of cash acquired)	(2,000)	(411)	(475)
Payments for office equipment	(2,012)	(458)	(498)
Payments for intangible assets	(4,389)	(6,905)	(6,727)
<b>Net cash (outflow) from investing activities</b>	<b>(8,401)</b>	<b>(7,774)</b>	<b>(7,700)</b>
ORFR loan facility advance settlement proceeds	-	-	2,000
Proceeds from issues of shares and other equity securities	2,325	1,093	1,242
Dividends paid	-	(3,423)	(3,827)
Payments for capital raising costs	(52)	(19)	(16)
Repayment of lease principal payments	-	-	(1,614)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>2,273</b>	<b>(2,350)</b>	<b>(2,215)</b>
<b>Net increase in cash and cash equivalents</b>	<b>6,122</b>	<b>1,507</b>	<b>15,343</b>
Cash and cash equivalents at the beginning of the financial year	10,837	16,959	18,466
<b>Cash and cash equivalents at end of year</b>	<b>16,959</b>	<b>18,466</b>	<b>33,809</b>

Source: HUB24

In relation to the historical cash flows position of HUB24 set out above, we note the following:

- ◆ HUB24 has generated net cash inflow in each of the periods presented above. Most of which was due to the growth in the Platform business.
- ◆ The substantial net cash inflow in FY20 is largely attributable to higher transaction volume and cash account balance in the time of extreme market volatility led by COVID-19, coupled with organic growth in FUA driving up revenue.

## 5.7 Pro-forma Financials

On 28 October 2020, HUB24 announced the Proposed Transaction along with two other strategic transactions

- ◆ the acquisition of Ord Minnett's portfolio administration and reporting service business for approximately \$10.5 million
- ◆ a proposed 40% investment in Easton for cash consideration of \$14 million plus the transfer of Paragem.

A set of pro-forma consolidated financial statements have been prepared as if these transactions had been completed prior to 1 July 2019 in respect of the financial performance and prior to 30 June 2020 in respect of the financial position. Further information is provided in Section 10 of the scheme booklet.

The pro-forma statement of financial performance for the proposed merged entity for the 12 months ending 30 June 2020 is as follows:

**Figure 16: Proforma statement of financial performance of the proposed merged entity**

\$'000	XPL FY20 Audited	HUB FY20 Audited	Proforma adjustments	Proposed merged entity
Revenue	22,985	110,265	(26,583)	106,667
Other income	298	304	675	1,277
<b>Total</b>	<b>23,284</b>	<b>110,569</b>	<b>(25,908)</b>	<b>107,944</b>
<b>Expenses</b>				
Direct costs for providing services	(5,661)	(35,942)	24,627	(16,976)
Employee benefits expense	(11,694)	(42,320)	-	(54,014)
Communication and IT expenses	(1,849)	(3,685)	-	(5,534)
Professional fees and consulting	(1,258)	(3,690)	-	(4,948)
Other expenses	(2,209)	(5,335)	4,327	(3,217)
<b>EBITDA</b>	<b>612</b>	<b>19,596</b>	<b>3,046</b>	<b>23,254</b>
Acquisition-related expenses	-	(1,733)	-	(1,733)
Depreciation & amortisation	(2,172)	(5,323)	-	(7,495)
Impairment of intangibles	(10,979)	(1,000)	-	(11,979)
Fair value gain on contingent consideration	-	851	-	851
<b>EBIT</b>	<b>(12,540)</b>	<b>12,391</b>	<b>3,046</b>	<b>2,897</b>
Finance income	71	641	-	712
Finance costs	(75)	(204)	-	(280)
<b>Profit before tax</b>	<b>(12,544)</b>	<b>12,827</b>	<b>3,046</b>	<b>3,329</b>
Income tax (expense) / benefit	796	(4,599)	(526)	(4,329)
<b>Profit after tax</b>	<b>(11,748)</b>	<b>8,228</b>	<b>2,520</b>	<b>(999)</b>

Source: HUB24

The pro-forma statement of financial position for the proposed merged entity as at 30 June 2020 is set out below.

**Figure 17: Proforma statement of financial position of the proposed merged entity**

\$'000	XPL 30/06/2020	HUB 30/06/2020	Proforma adjustments	Proposed merged entity
<b>Current assets</b>				
Cash and cash equivalents	2,251	33,809	10,947	47,008
Trade and other receivables	1,989	10,046	(499)	11,536
Other financial assets	0	0	0	0
Other assets	3,341	1,799	0	5,140
<b>Total current assets</b>	<b>7,581</b>	<b>45,655</b>	<b>10,449</b>	<b>63,684</b>
<b>Non current assets</b>				
Plant and equipment	263	1,662	(7)	1,918
Intangibles	27,899	39,963	33,928	101,790
Right of use assets	1,066	5,437	0	6,503
Deferred tax assets (net of deferred tax liability)	5,437	5,101	0	10,538
Investment in associate	0	0	18,000	18,000
Other assets	0	0	(7)	(7)
<b>Total non current assets</b>	<b>34,665</b>	<b>52,163</b>	<b>51,913</b>	<b>138,741</b>
<b>Total assets</b>	<b>42,246</b>	<b>97,818</b>	<b>62,362</b>	<b>202,425</b>
<b>Current liabilities</b>				
Trade and other payables	(3,050)	(5,370)	594	(7,825)
Deferred income, grants and consideration	(111)	(89)	-	(200)
Employee benefits	(911)	(6,824)	-	(7,735)
Lease liabilities	(565)	(1,670)	-	(2,235)
Other liabilities	-	(987)	(2,975)	(3,962)
<b>Total current liabilities</b>	<b>(4,636)</b>	<b>(14,940)</b>	<b>(2,381)</b>	<b>(21,957)</b>
<b>Non current liabilities</b>				
Deferred income, grants and consideration	(178)	(587)	-	(765)
Employee benefits	(249)	(1,398)	-	(1,647)
Lease liabilities	(615)	(4,385)	-	(5,001)
Other liabilities	-	(1,684)	(9,500)	(11,184)
<b>Total non current liabilities</b>	<b>(1,042)</b>	<b>(8,054)</b>	<b>(9,500)</b>	<b>(18,596)</b>
<b>Total liabilities</b>	<b>(5,678)</b>	<b>(22,994)</b>	<b>(11,881)</b>	<b>(40,553)</b>
<b>Net assets</b>	<b>36,568</b>	<b>74,823</b>	<b>50,481</b>	<b>161,872</b>

Source: HUB24

## 5.8 Capital structure and shareholders

As at 4 November 2020, HUB24 had a total of 62,830,297 ordinary shares on issue. The following table sets out details of HUB24's substantial shareholders as at that date:

**Table 14: HUB24's substantial shareholders**

Shareholder name	Number of shares	% Total interest
TIGA Trading Pty Ltd	6,112,400	9.73%
ECP Asset Management Pty Ltd	6,135,832	9.77%
Hyperion Asset Management Limited	5,326,764	8.48%
Bennelong Australian Equity Partners Pty Ltd	4,857,092	7.73%
Mr Ian Litster	3,280,677	5.22%
Other shareholders	37,117,532	59.08%
<b>Total</b>	<b>62,830,297</b>	<b>100%</b>

Source: HUB24 Annual report FY20 and ASX

In addition, there are a total of 1.6 million share options on issue with exercise prices between \$2.46 and \$13.44, expiring between October 2020 and November 2024 and 864,936 performance award rights expiring between November 2031 and November 2034.

## 5.9 Share trading

The following chart shows the market trading of HUB24 shares, for the 12 months to 4 November 2020:

**Figure 18: HUB24's share performance**



Source: CapIQ

In relation to the trading of HUB24 shares over the past 12 months, we note the following:

- ◆ Shares were relatively liquid, with an average daily value traded of approximately \$4.9 million at a volume weighted average price ("VWAP") of \$11.49 over the period.
- ◆ Prior to March 2020, HUB24 was trading above \$10. The decline in share price in the first half of March 2020 is likely attributable to the onset of the COVID-19 pandemic disrupting the capital market. The share price fell to \$6.40 before recovering in April 2020.
- ◆ The surge in trading volume on 5 March 2020 coincided with the announcement of the resignation of the CFO and the appointment of an interim CFO.
- ◆ On 12 June 2020 HUB24 was removed from the S&P/ASX200 index, resulting in a spike in trading volume and subsequent dip in the share price.
- ◆ The share price has steadily grown since July 2020, surpassing \$15 in late August 2020. This is likely due to the favourable industry conditions, positive FY20 result accompanied by fully franked dividends.
- ◆ On 28 October 2020, the company announced a \$60 million equity raising for the Proposed Transaction along with two other strategic transactions. The share price rose by \$1.75 to \$22.72 the following day.

## 6 VALUATION METHODOLOGY

To estimate the fair market value of Xplore Wealth and the Scrip Consideration payable by HUB24 we have considered common market practice and the valuation methodologies recommended in RG 111. There are a number of methods that can be used to value a business including:

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

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

### 6.1 Selected Methodology – Xplore Wealth

In selecting an appropriate valuation methodology for Xplore Wealth, we have considered the following:

**Table 15: Consideration of methodologies**

Method	Considerations	Approach
<b>Capitalisation of earnings</b>	<ul style="list-style-type: none"> <li>◆ There are a number of comparable listed companies for which there is sufficient data available to calculate comparable earnings multiples. There have also been a number of recent M&amp;A transactions involving other platform providers.</li> <li>◆ We have been provided with a detailed FY21 budget and have had discussions with management regarding year to date performance.</li> <li>◆ Whilst Xplore Wealth expects to improve profitability significantly in the short term, a significant portion of this improvement is attributable to cost savings which have already been identified and implemented.</li> </ul>	Selected
<b>Discounted cash flow</b>	<ul style="list-style-type: none"> <li>◆ While there are medium term projections available for Xplore Wealth, they were prepared for impairment testing purposes ("<b>Impairment Model</b>"). Due to the restrictions placed on cash flows allowed for impairment testing, these cash flows are lower than those we believe a hypothetical acquirer of Xplore Wealth would adopt.</li> <li>◆ Longer term growth expectations that can be captured from a discounted cash flow model are also captured in a capitalisation of earnings approach to the extent suitable comparable companies are used which have similar growth prospects. For this reason, a discounted cash flow approach would not provide a better measure of the potential growth in this particular instance due to the existence of listed companies with highly comparable business to Xplore Wealth.</li> </ul>	Cross-check

Method	Considerations	Approach
Share trading	<ul style="list-style-type: none"> <li>Share market trading in Xplore Wealth's shares has been moderately liquid, although there have been periods where no or very low volumes of shares have been traded for several days. Therefore, an analysis of share market trading is not as reliable as the capitalisation of earnings method as a primary valuation methodology in assessing the intrinsic value of an Xplore Wealth share.</li> </ul>	Cross-check
Asset approaches	<ul style="list-style-type: none"> <li>Xplore Wealth is neither an asset-based business nor an investment holding company. Asset approaches are generally not appropriate for operating businesses as they ignore the value of most internally generated intangible assets.</li> <li>Although Xplore Wealth has a history of before tax losses, we consider it to be a going concern as the business has been able to obtain additional capital from its shareholders when required. Therefore, an asset approach is not appropriate.</li> </ul>	Not considered

## 6.2 Selected Methodology – Scrip Consideration

In selecting an appropriate methodology for the valuation of the Scrip Consideration, we have considered the following:

Method	Considerations	Approach
Share trading	<ul style="list-style-type: none"> <li>Trading in HUB24 shares is relatively liquid indicating that the share price probably adequately reflects expectations of future performance.</li> <li>HUB24 provides quarterly market updates of FUA, a key driver of performance, and other significant matters.</li> <li>HUB24 is much larger than Xplore Wealth and as such the Proposed Transaction is not expected to have a significant effect on the HUB24 share price in the short term.</li> <li>To the extent Shareholders receive HUB24 shares as consideration, in the near term those shares could be sold at, or close to, the prevailing market price. If a Shareholder chose to hold HUB24 shares longer term that is a separate investment decision that is not the subject of this report.</li> </ul>	Selected
Capitalisation of earnings	<ul style="list-style-type: none"> <li>In the short term we do not anticipate that the Proposed Transaction will have a material impact on the price of HUB24 shares. Thus, the capitalisation of earnings approach is less relevant to a Shareholder's decision about the Proposed Transaction than the analysis of share trading.</li> <li>There is limited analyst coverage of HUB24, however FY21 earnings estimates are available.</li> <li>There are a number of comparable listed companies for which there is sufficient analyst coverage to determine market multiples.</li> </ul>	Cross-check
Discounted cash flow	<ul style="list-style-type: none"> <li>As with the capitalisation of earnings approach, we consider the analysis of share trading to be more relevant to a shareholders decision than a discounted cash flow analysis.</li> </ul>	Not considered
Asset approaches	<ul style="list-style-type: none"> <li>HUB24 is neither an asset-based business nor an investment holding company. Asset approaches are generally not appropriate for operating businesses as they ignore the value of most internally generated intangible assets.</li> </ul>	Not considered

## 7 VALUATION OF XPLORE WEALTH

We have assessed the fair market value of Xplore Wealth using the capitalisation of future maintainable earnings method which requires consideration of the following factors:

- ◆ An appropriate level of maintainable earnings
- ◆ An appropriate earnings multiple
- ◆ The value of any non-operating assets and liabilities
- ◆ Relevant cross-checks

These considerations are discussed in more detail below.

### 7.1 Maintainable earnings

The following measures of earnings are often used for business valuations:

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

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

We have selected EBITDA as appropriate measures for Xplore Wealth because:

- ◆ Earnings multiples based on EBITDA, EBITA and EBIT are not affected by different financing structures which impact multiples of net profit after tax.
- ◆ EBITDA is a commonly adopted metric in the industry and removes the impact of varying capital and asset structures across comparable companies.
- ◆ Comparable companies have significantly varying investments in intangible assets, particularly capitalised software assets acquired through business combinations. This results in large differences in amortisation costs across the comparable companies that are not necessarily reflective of ongoing investment requirements. Using a multiple of EBITDA eliminates the impact of this variance in amortisation expense.
- ◆ Historically, Xplore Wealth has recorded EBIT losses primarily due to large, short term amortisation expense which is not reflective of ongoing investment required.
- ◆ Third party forecasts of EBITA for comparable companies are not readily available, making EBITA multiples difficult to apply.

When considering an appropriate level of future maintainable earnings, it is important to base the analysis on a maintainable level of earnings which includes adjustment for any non-recurring items as these items will not impact the ongoing earnings of the business.

## Maintainable EBITDA

The table below sets out the FY20 underlying EBITDA and annualised year-to-date performance to 31 October 2020.

**Figure 19: EBITDA build up**

EBITDA build up	FY20	Annualised FY21	FY21M
<b>Underlying EBITDA</b>	2.8	3.7	3.7
Cost of employee option scheme	(0.3)	(0.3)	(0.3)
<b>Subtotal</b>	<b>2.6</b>	<b>3.4</b>	<b>3.4</b>
Annualised One Platform savings in FY21	-	1.4	2.3
<b>Adjusted EBITDA</b>	<b>2.6</b>	<b>4.8</b>	<b>5.7</b>

Source: Xplore Wealth and Leadenhall analysis

Notes:

1. Annualised FY21 underlying EBITDA is based on the four months to October 2020.
2. FY21M represents the FY21 maintainable earnings after the completion of the One Platform program.
3. Total annualised One Platform savings is estimated to be \$2.5 million net of \$0.2 million savings realised to date.

## Factors considered

In considering an appropriate level of maintainable EBITDA we have focussed on the following key factors:

- ◆ **FY20 EBITDA:** underlying EBITDA reported by Xplore Wealth for FY20 was \$2.8 million after taking into account the following non-recurring items:
  - ❖ A provision of \$0.5 million for an historical R&D claim payment that was being challenged. This claim has now been allowed in full and no repayment will be required.
  - ❖ Expenses relating to the implementation of the One Platform program.
  - ❖ Expenses incurred as a result of the termination of the previous CEO and hiring of a new CEO and head of sales.
- ◆ **Year to date performance:** Annualised EBITDA for the four months to October 2020 is \$3.7 million, based on Xplore Wealth's management accounts.
- ◆ **One Platform cost savings:** The One Platform program is a transformation project to fully integrate the Linear business. It will create a single technology back-end with one custodian, one client portal, one team and one set of policies and procedures to achieve operational efficiencies and savings. The project is expected to deliver an annualised recurring savings, up to \$2.5 million. As at the close of the first quarter in FY21, various initiatives had been implemented to deliver \$1.6 million in annualised recurring cost savings, \$208,000 of which had been realised. Further savings are expected to be realised in the near term, subject to the completion of the Platform migration.
- ◆ **Cost of employee option scheme:** Xplore Wealth employees are able to participate in an employee option scheme. Historically the cost of this scheme has been excluded from the calculation of reported underlying EBITDA. We consider that the cost of the scheme is akin to remuneration and as such have included the cost in our estimate of maintainable EBITDA based on an average historical cost of \$250,000 per annum.
- ◆ **Key client retention:** early in FY21 a key client informed Xplore Wealth that it decided to put the contract to a limited tender involving Xplore Wealth, HUB24 and one other provider. We understand there are some operational impediments that would make changing provider challenging. However, there is still a possibility of Xplore Wealth losing this client. The loss of this client would have a significant impact on revenue and EBITDA.

Based the above analysis, we have selected a future maintainable earnings of \$4.5 million to \$5.0 million having regards to the uncertainty over the completion of the One Platform migration and subsequent realisation of cost savings as well as the potential risk of the loss of the key client.

## 7.2 Earnings multiple

### Overview

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

- ◆ Using the guideline public company method, market multiples are derived from the trading prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market, such as the ASX.
- ◆ Transactions involving companies engaged in the same or similar lines of business.
- ◆ It is also possible to build a multiple from first principles based on an appropriate discount rate and growth expectations. This approach is generally used when the first two are not possible. We have not considered this approach in valuing Xplore Wealth.

### Trading multiples

In respect of public company trading multiples, we have considered publicly listed companies that operate businesses with similar industry exposure to Xplore Wealth. We have taken into account two sets of comparable companies. The first set includes publicly listed independent platform providers in Australia while the second set includes publicly listed financial services administration providers in Australia. The following table sets out the historical and forecast trading EBITDA and EBIT multiples for the selected comparable companies:

**Table 16: Trading multiples of comparable companies**

Company	EV (\$'m)	Revenue growth		EBITDA growth		EBITDA margin		EBITDA multiple	
		FY21	FY22	FY21	FY22	FY21	FY22	FY21	FY22
<b>Independent platform providers</b>									
Netwealth Group Limited	3,983.0	17%	19%	18%	21%	53%	53%	52.1x	43.1x
HUB24 Limited	1,354.5	14%	21%	35%	48%	26%	32%	40.5x	27.4x
Praemium Limited	316.0	31%	17%	9%	33%	24%	27%	20.3x	15.3x
<b>Average</b>		<b>21%</b>	<b>19%</b>	<b>20.9%</b>	<b>34.0%</b>	<b>34.2%</b>	<b>37.4%</b>	<b>37.7x</b>	<b>28.6x</b>
<b>Other platform and administration providers</b>									
Link Administration Holdings Limited	3,655.9	0%	8%	10%	19%	22%	24%	13.5x	11.4x
IRESS Limited	2,000.3	8%	11%	-5%	9%	23%	23%	15.7x	14.5x
Class Limited	259.6	20%	10%	21%	10%	42%	42%	11.8x	10.7x
Mainstream Group Holdings Limited	151.6	27%	12%	27%	17%	18%	18%	12.9x	11.0x
<b>Average</b>		<b>14%</b>	<b>10%</b>	<b>13%</b>	<b>14%</b>	<b>26%</b>	<b>27%</b>	<b>13.5x</b>	<b>11.9x</b>
<b>Overall average</b>		<b>17%</b>	<b>14%</b>	<b>17%</b>	<b>22%</b>	<b>30%</b>	<b>31%</b>	<b>23.8x</b>	<b>19.1x</b>
<b>Overall median</b>		<b>17%</b>	<b>12%</b>	<b>18%</b>	<b>19%</b>	<b>24%</b>	<b>27%</b>	<b>15.7x</b>	<b>14.5x</b>

Source: S&P CapIQ, company announcements and Leadenhall analysis as at 10 November 2020

Note: the figures presented above are post AASB116 implementation

It should be noted that these multiples are based on trading of minority shareholders. In contrast, we are considering the value of an Xplore Wealth share on a control basis. Therefore, consideration must be given to observed control premiums in the Australian market and the impact on the minority trading multiples, of the comparable companies, if applied. Further information on control premiums is provided in Appendix 4.

In addition to considering the differences between minority and control multiples, we have also considered the following factors in relation to the comparable company trading multiples in determining an appropriate earnings multiple to apply to the valuation of Xplore Wealth:

- ◆ Xplore Wealth is much smaller than the comparable listed companies set out above. All other things being equal, smaller companies trade on lower multiples.
- ◆ Based on the midpoint of the selected maintainable earnings and FY20 revenue, Xplore Wealth's EBITDA margin would be 17.4%. This is lower than the other independent platform providers and in line with Mainstream. All other things being equal, companies operating on lower margins trade at lower multiples.

- ◆ Xplore Wealth has much lower forecast revenue growth than the comparable platform providers, Class Limited and Mainstream Group. Furthermore, Xplore Wealth's forecast EBITDA growth is almost exclusively related to cost reductions rather than revenue growth. All other things being equal, higher growth companies tend to trade on higher multiples. The difference in perceived growth prospects is highlighted by the significant increase in share prices experienced by the other listed independent platform providers over the last three months as summarised below:
  - ❖ Netwealth has increased from an enterprise value of \$3.0 billion on August 17 2020<sup>3</sup> to \$4 billion
  - ❖ HUB24 has increased from an enterprise value of \$1.0 billion on August 24 2020<sup>3</sup> to \$1.4 billion
  - ❖ Praemium has increased from an enterprise value of \$158 million on August 13 2020<sup>3</sup> to \$316 million
  - ❖ Xplore Wealth's enterprise value declined from \$23 million on August 24 2020<sup>3</sup> to \$20 million on the day prior to the announcement of the transaction with HUB24.
- ◆ The significant uplift in enterprise value of the comparable independent platform providers has not been driven by an increase in near term EBITDA forecasts (which have not changed materially since August 2020). This has resulted in a significant increase in forecast EBITDA multiples. Therefore, we have not placed significant weight on these trading multiples in our selection of an appropriate multiple generally to apply to the valuation of Xplore Wealth.
- ◆ Of the other platform and administration providers, the most comparable in terms of size and operations is Mainstream Group which provides fund administration services to 350 clients with over 1,000 funds. Importantly Mainstream Group revenue is driven by FUA, cash balances and transaction volumes in the same manner as platform providers. The main difference is a lower % of FUA is charged for administration services. In comparison to Xplore Wealth, Mainstream Group is larger, has higher growth expectations and a similar EBITDA margin (although Xplore Wealth would have a higher margin if all of the cost benefits from the One Platform Program were recognised). On this basis we would expect Xplore Wealth the trade on a lower multiple than Mainstream Group (before adjusting for a control premium).

## Transaction multiples

In addition to our analysis of trading multiples, we have also reviewed relevant transaction multiples in Australia. The table below shows the historical and forecast (where available) EBITDA multiples from relevant transactions with publicly available data.

**Table 17: Transaction multiples**

Target	Acquirer	Target location	Date	Implied EV (\$'m)	EBITDA		EBITDA multiple	
					Historical	Forecast	Historical	Forecast
OneVue Holdings	IRESS Limited	Australia	6/11/2020	112.7	6.6	7.75 to 8.2	17.1x	13.7x to 14.5x
GBST Holdings Limited	FNZ (UK) Ltd	Australia	5/11/2019	225.9	16.0	19.6	14.1x	11.5x
Stat Pro Group plc	Confluence Technologies Inc.	UK	29/10/2019	353.7	12.6	22.0	28.1x	16.1x
IFG Group plc	Epiris Fund II	UK	28/08/2019	318.8	25.0	n/a	12.8x	n/a
Diversa Trustees/CCSL Limited	Sargon Capital	Australia	28/06/2019	37.0	2.7	n/a	13.9x	n/a
Trinity Fund Administration	Mainstream	Australia	2/10/2017	4.7	0.7	n/a	7.0x	n/a
Agility Applications	Hub24	Australia	3/01/2017	6.2	0.5	n/a	12.8x	n/a
Financial Synergy Pty Ltd	IRESS Limited	Australia	26/09/2016	87.8	9.4	n/a	9.3x	n/a
<b>Average</b>							<b>14.4x</b>	<b>13.9x</b>

Source: S&P CapIQ, company announcements and Leadenhall analysis

Notes:

1. All transaction multiples except the OneVue Holdings multiple are calculated pre-AASB116. Pre-implementation of AASB116 EBITDA would have been lower as lease costs were included as an operating expense as such pre-AASB116 multiples would be higher than post-AASB116 multiples all other things being equal.
2. We have considered the recent acquisition of Powerwrap by Praemium. However, as Powerwrap has negative historical EBITDA and no analyst coverage we were unable to determine a meaning multiple from this transaction.
3. The range of forecast EBITDA for OneVue Holdings is derived from the mid-point of the selected maintainable earnings of the independent expert who provided an opinion on the transaction and the consensus analyst EBITDA at the time the transaction was announced.
4. The assessed enterprise value for the Diversa Trustees and Trinity Fund administration transactions excludes contingent consideration as there was no forecast EBITDA publicly available.
5. The average forecast multiple includes the mid-point of the OneVue Holdings forecast multiple.

<sup>3</sup> Date of last balance sheet filing

The observed multiples from comparable transactions are control multiples and include any premium paid for control. Therefore, no adjustment for a control premium is required. These multiples also include any value paid for synergies, including any special value.

We have considered the following factors in relation to the above transaction multiples in determining an appropriate earnings multiple to apply to the valuation of Xplore Wealth:

- ◆ The most comparable transaction is the acquisition of OneVue Holdings by IRESS which closed on 6 November 2020. OneVue has similar operations to Xplore Wealth. In FY20 OneVue derived approximately 64% of revenue from fund administration services with the remaining 36% of revenue being derived from platform services.
- ◆ In comparison to Xplore Wealth, at the time of the transaction, OneVue Holdings was larger (pre-announcement market cap of approximately \$70 million, had higher historical EBITDA and EBITDA growth (underlying EBITDA of \$6.6 million in FY20, representing 42% growth on the prior year), slightly higher forecast revenue growth in FY21 of 6.5%, lower forecast FY21 EBITDA growth of 24% (noting Xplore wealth forecast FY21 EBITDA growth is primarily attributable to One Platform cost savings) and similar forecast EBITDA margins (when using our selected maintainable earnings to calculate Xplore Wealth's forecast FY21 margin). Overall, due to the larger size and higher growth prospects of OneVue Holdings we expect that Xplore Wealth would trade on a slightly lower multiple.
- ◆ Excluding the Stat Pro transaction (which has a much higher historical multiple than the other comparable transactions), the average historical EBITDA multiple of the comparable transactions is 12.4x.

## Conclusion

We have selected a capitalisation multiple of 12.0x to 13.0x to value Xplore Wealth on a control basis. Our key considerations in selecting the appropriate multiple are summarised below:

- ◆ We have given less weight to the current trading multiples of the comparable listed independent platform providers as Xplore Wealth has not followed the trend of positive market sentiment experienced by these companies in the last three months.
- ◆ We have given most weight to the forecast trading multiples of Mainstream Group and the OneVue Holdings transaction multiples as these are the most comparable companies in terms of size and EBITDA margins whilst also operating similar business models with the same revenue drivers as Xplore Wealth.

## 7.3 Non-operating assets and liabilities

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

- ◆ **Surplus assets:** assets held by the company that are not utilised in its business operation. This could be investments, unused plant and equipment held for resale, or any other assets not required to run the operating business. It is necessary to ensure that any income from surplus assets (i.e. rent / dividends) is excluded from the business value.
- ◆ **Non-operating liabilities:** liabilities of a company not directly related to its current business operations, although they may relate to previous business activities, for example claims against the entity.
- ◆ **Net debt:** comprising of debt used to fund a business, less surplus cash held by the company.

Each of these factors are considered below.

### Surplus assets

We have identified one surplus asset being carried forward tax losses. As at 30 June 2020, a deferred tax asset of \$5.2 million was recognised in respect of carried forward tax losses. There are a further \$2 million carried forward tax losses which does not meet the recognition criteria. We do not consider that a purchaser would attribute full value to the carried forward tax losses due to uncertainty regarding the timing and quantum of tax loss realisation. As such we have included a value of \$3.6 million for the carried forward tax losses. We note that attributing full value to the tax losses would not change our opinion.

## Non-operating liabilities

We have identified one non-operating liability, being the investment required to complete the One Platform program. Management estimate the cost to complete the One Platform program is in the range of \$2 million to \$2.5 million.

We note that as at June 2020, there was a contingent liability in respect of the potential repayment of previous R&D claims made by Linear. On 4 November 2020 it was confirmed that the R&D claim has been accepted in full and therefore no repayment is required.

### Net debt

The net debt position for Xplore Wealth as at 30 September 2020 is set out in the table below:

**Table 18: Net debt summary**

Net debt (\$'m)	
Cash	3.1
Loan receivable	0.7
<b>Net cash / (debt)</b>	<b>3.8</b>

Source: Xplore Wealth

Note: Loan receivable relates to the sale of Xplore Wealth's 50% interest in McGregor Wealth Management, the proceeds from which have a two year repayment period with settlement expected before 30 June 2021.

## 7.4 Value allocated to options

Xplore Wealth currently has 22.3 million options on issue as set out in Section 4.10 above. We have assessed the value of the outstanding options using the Black-Scholes Merton valuation method as described in Section 8 below.

## 7.5 Valuation summary

Based on the analysis set out above, the value of a Xplore Wealth share (on a control basis) is as set out in the table below:

**Table 19: Valuation summary**

(\$'m)	Low	High
Maintainable EBITDA	4.5	5.0
Multiple	12.0x	13.0x
<b>Enterprise value</b>	<b>54.0</b>	<b>65.0</b>
Net cash	3.8	3.8
Surplus asset	3.6	3.6
Non-operating liabilities	(2.5)	(2.0)
<b>Equity value</b>	<b>58.9</b>	<b>70.4</b>
Value allocated to options	(1.8)	(1.8)
<b>Value attributable to ordinary shares</b>	<b>57.1</b>	<b>68.6</b>
Number of shares	297.5	297.5
<b>\$/share</b>	<b>0.192</b>	<b>0.231</b>

Source: Leadenhall analysis

## 7.6 Cross-checks

### High level DCF

We have conducted a high level DCF analysis based on the impairment model provided by Xplore Wealth and our assessed discount rate. The key inputs to this analysis are summarised below:

- ◆ Revenue growth rate is assumed to be in line with the budget for FY21 and FY22 and 5% from FY23 onwards
- ◆ EBITDA margin is expected to increase towards market average over the forecast period
- ◆ The adopted discount rate is in the range of 12.5% to 14.5%
- ◆ The adopted terminal growth rate is 2.5%.

Based on the above inputs, the enterprise value for Xplore Wealth is in the range of \$38.5 to \$46.4million or \$0.13 to \$0.16 per share, which is slightly below our assessed value. This is in line with our expectation as, due to the restrictions on cash flows for impairment testing purposes, forecasts prepared for impairment testing purposes are generally conservative. Thus, we consider the high-level DCF to be broadly supportive of the value derived from our primary valuation methodology.

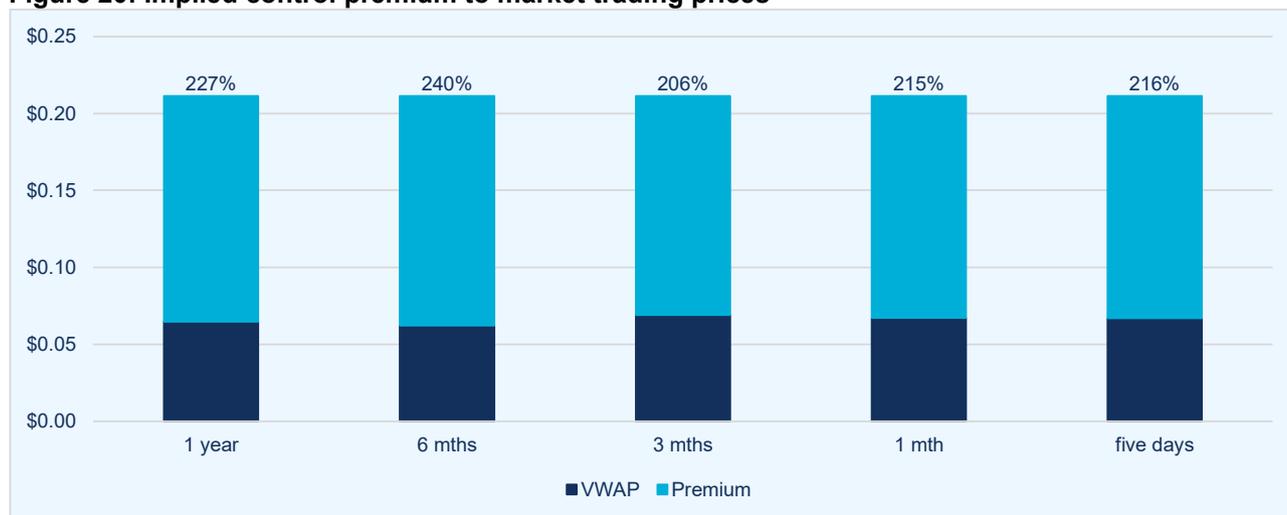
### Share trading analysis

Market trading in Xplore Wealth shares provides an indication of the market's assessment of the value of Xplore Wealth on a minority basis. We have presented an analysis of recent trading in Xplore Wealth shares in Section 4.11 above. When assessing market trading, it is necessary to consider whether the market is informed and liquid. In this regard, we note:

- ◆ Xplore Wealth is a listed company with continuous disclosure obligations under the ASX Listing Rules, thus the market is reasonably informed about its activities. However, Xplore Wealth has demonstrated limited profitability in recent times. Investing in Xplore Wealth may therefore be perceived as speculative.
- ◆ Xplore Wealth is currently undergoing a transformation project aimed at delivering significant cost savings. The full quantum of the potential cost savings from the One Platform program has not been disclosed to the market.
- ◆ Xplore Wealth shares are reasonably widely held. However, Xplore Wealth shares traded with an average daily volume of approximately 0.25 million and the daily market trading was frequently under \$20,000 over the 12 months to 28 October 2020. This level is below the level at which many institutional investors may wish to trade and may be seen as a deterrent for other significant investors.

As a result of these factors, we consider the market trading to be moderately well-informed but relatively illiquid. We have therefore undertaken only a high level analysis of share market trading by assessing the level of control premium implied by our mid-point valuation range compared to the VWAP of an Xplore Wealth share over various periods leading up to the announcement of the Proposed Transaction on 29 October 2020, as set out in the following figure.

**Figure 20: Implied control premium to market trading prices**



Source: S&P CapIQ and Leadenhall analysis.

The generally observed range for control premiums is between 20% and 40%. In addition, the average takeover premium observed for transactions in the information technology sector in Australia between 2007

and 2017 ranged from 1% to 100%. Further information on observed control premiums and takeover premiums is included in Appendix 4.

The control premium for Xplore Wealth is outside of the generally observed range, however we consider this is largely attributable to Xplore Wealth's shares likely trading below intrinsic value prior to the Proposed Transaction for the following reasons:

- ◆ Low liquidity level of Xplore Wealth shares with period of several days of little or no share trading. Companies with lower liquidity levels generally have larger gaps between share trading prices and intrinsic value.
- ◆ No analyst coverage. Smaller listed companies that have no analyst coverage have a smaller pool of buyers as institutional investors generally do not invest in these companies. Further, no analyst coverage means there is less information available regarding the expected intrinsic value of a companies shares.
- ◆ Low growth compared to larger listed peers. The significant growth of HUB24 and Netwealth may have led investors to believe that these larger listed companies would likely capture the majority of the growth opportunity from the continued trend away from institutionally aligned platforms to independent platforms.
- ◆ The market is not privy to the expected full benefit of the One Platform program. As this information is commercially sensitive it is likely that the full cost saving benefit of the One Platform program is not represented in the historical share price of Xplore Wealth.
- ◆ No FY21 earnings guidance. To date, Xplore Wealth has not provided earnings guidance for FY21 resulting in any expected increase in future earnings not being reflected in historical share prices.

Having regard to the potential reasons for the disparity between historical share prices and our assessed value, we do not consider that historical share trading is a meaningful representation of the value of an Xplore Wealth share and as such we have placed little weight on historical share prices when considering the current value of an Xplore Wealth share.

## 8 VALUATION OF OPTIONS

We have assessed the value of the outstanding options to acquire Xplore Wealth shares using the Black-Scholes option pricing model.

We adopted the following key inputs:

- ◆ A spot price of \$0.211, being the midpoint of our assessed valuation range
- ◆ The relevant exercise price and expiry date as set out in Section 4.10 above
- ◆ A risk-free rate consistent with the yield on Australian Government bonds that most closely match the remaining life of each option tranche as at 12 November 2020 (two or three year bonds with a yield of 0.10% and 0.11% respectively)
- ◆ Volatility of 50% based on consideration of the observed volatilities for comparable entities presented in Appendix 5. In making this selection we note that recent market volatilities have been unusually high, which is not expected to persist in the future. This would lead to a generally lower volatility. This is balanced by Xplore Wealth being considerably smaller than many of the selected comparable entities and smaller entities generally experiencing a higher level of volatility.
- ◆ A dividend yield of 0% consistent with recent historical dividend yields and managements near term expectations.

The results of this analysis are summarised in our conclusion table in Section 11 below.

## 9 VALUATION OF CONSIDERATION

### 9.1 Introduction

Shareholders may elect to receive their consideration (per Xplore Wealth share) as one of the following alternatives:

- ◆ Cash Consideration - \$0.20
- ◆ Scrip Consideration - 0.00927 HUB24 shares

The total Cash Consideration is capped at \$36 million and the Scrip Consideration is capped at 1.38 million HUB24 shares. If these caps are exceeded by the elections received from Shareholders, the elections will be scaled back on a pro-rata basis.

Shareholders who do not make an election will receive \$0.20 per Xplore share for 50% of their Xplore shares and 0.00927 HUB24 Consideration Shares for 50% of their Xplore Shares.

We have valued the cash component at face value which is typical unless there is a delay between completion and payment, or funds are received in tranches.

We have determined the fair market value of the scrip component using an analysis of share market trading in HUB24 shares. We have cross checked this against the current trading multiples of comparable companies. This assessment has been made on a minority interest basis (i.e. excluding a control premium) as Xplore Wealth's existing shareholders would be minority shareholders in HUB24 if the Proposed Transaction proceeds.

### 9.2 Analysis of share market trading

As market trading in HUB24 shares is well informed and liquid with a wide spread of shareholders we consider an analysis of recent share market trading to be a reasonable basis to determine the fair market value of a HUB24 share.

The Proposed Consideration is comprised of post transaction shares. As such we have primarily analysed trading in HUB24 shares since the announcement of the Proposed Transaction on 28 October 2020. Since the announcement of the Proposed Acquisition, HUB24 shares have traded in the range of \$20.54 on 10 November 2020 to \$22.97 on 30 October 2020, with a VWAP of \$21.60 and average daily volume of \$6.7 million. The latest share price as at 16 November 2020 is \$21.23.

Based on recent share market trading after the announcement of the Proposed Transaction we have assessed the value of a HUB24 share to be in the range of \$21.0 and \$22.0.

### 9.3 Cross-check

Based on the selected value of a HUB24 share of between \$21.0 and \$22.0, the enterprise value and forecast EBITDA multiples for HUB24 are set out in the table below.

Implied EBITDA multiples		
(\$'m)	Low	High
Selected share price (\$)	21	22
Number of share on issue	66	66
<b>Notional market capitalisation</b>	<b>1,378</b>	<b>1,443</b>
Add: net debt	(28)	(28)
<b>Implied enterprise value</b>	<b>1,350</b>	<b>1,416</b>
<b>EBITDA multiple (FY21)</b>	<b>40.4x</b>	<b>42.4x</b>
<b>EBITDA multiple (FY22)</b>	<b>27.3x</b>	<b>28.6x</b>

Source: Leadenhall Analysis

Note: EBITDA multiples are calculated based on the consensus forecast EBITDA available prior to the Proposed Transaction.

Forecast multiples for companies that operate in the same or similar sectors to HUB24 and Xplore Wealth are set out in Table 16. Whilst the calculated HUB24 EBITDA multiples are at the higher end of the comparable companies, we do not consider this to be unreasonable given their strong historical and forecast growth as well the recent performance and multiples of their closest competitor, Netwealth. Overall, we consider that the cross-check provides support for the selected value of a HUB24 share.

## 9.4 Assessed value of consideration

Based on the analysis above, the assessed value of the consideration is set out in the table below.

**Table 20: Assessed value of consideration**

(\$)	Low	High
Number of HUB24 shares per Xplore Wealth share	0.004635	0.004635
Assessed value of HUB24 share	21.00	22.00
<b>Assessed value of scrip component of consideration</b>	<b>0.097</b>	<b>0.102</b>
Cash consideration	0.10	0.10
<b>Total value of Proposed Consideration</b>	<b>0.197</b>	<b>0.202</b>

Source: Leadenhall Analysis

As the current share price of HUB24 is consistent with the price at which the Proposed Transaction was negotiated there is no material difference between the Scrip Consideration and the Cash Consideration. A shareholder's choice between the two will depend on the price of HUB24 shares at the time of the shareholder's election and the shareholder's personal situation, including individual taxation considerations.

Furthermore, as the total Cash Consideration is capped at \$36 million and the Scrip Consideration is capped at 1.38 million HUB24 shares, if these caps are exceeded by the elections received from Shareholders, the elections will be scaled back on a pro-rata basis. This effectively means that overall shareholders need to take a mix of Cash and Scrip consideration.

## 10 EVALUATION - SHAREHOLDERS

### 10.1 Fairness

We have assessed whether the Proposed Transaction is fair by comparing our assessed fair market value of a Xplore Wealth share on a control basis with the consideration offered. This comparison is set out in the table below.

**Table 21: Assessment of fairness**

\$	Low	High
Assessed value of a Xplore Wealth share	0.192	0.231
Assessed value of Proposed Consideration	0.197	0.202

Source: Leadenhall Analysis

Since the consideration offered is within the assessed range of values of a Xplore Wealth share the Proposed Transaction is fair to Shareholders.

### 10.2 Reasonableness

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

#### Advantages

##### *Share price*

Since the announcement of the Proposed Transaction Xplore Wealth shares have traded approximately in line with proposed consideration. This is considerably higher than trading prices before the announcement. If the Proposed Transaction is not approved it is likely that trading price will fall, at least in the short term.

##### *Control premium*

The assessed value of the Proposed Consideration represents a control premium of between 146% and 196% compared to the one week VWAP prior to the announcement of the Proposed Transaction. This is at the higher end of observed control premiums as set out in Appendix 4. Further if the Proposed Transaction did not proceed it is likely that the share price of Xplore Wealth would drop to closer to pre-transaction levels.

##### *Retained exposure to sector*

The scrip component of the Proposed Consideration allows for Xplore Wealth shareholders to retain exposure to the sector if they wish to do so.

##### *No superior alternative offer*

We are not aware of any competing proposals to acquire Xplore Wealth by any third party. However, we note that there would be an opportunity for any other interested party to put forward a competing offer prior to the scheme meeting being held. In these circumstances Shareholders would need to consider the competing offer before concluding on the Proposed Transaction.

#### Disadvantages

##### *Potential loss of upside benefit*

If Xplore Wealth is able to successfully implement the One Platform program delivering cost savings at the higher end of expectations and attracting new clients with an improved customer experience, it is possible that share price of Xplore Wealth may exceed our assessed value in the medium term. To the extent Shareholders receive cash consideration they will lose this exposure. However, there are significant risks associated with achieving this level of growth.

### *Tax implications*

The acceptance of the Proposed Transaction may have varying tax implications for individual shareholders, which could result in immediate tax leakage that would otherwise be deferred in other transaction structures or in the absence of the Proposed Transaction. Since this may impact the net cash consideration received this may be a disadvantage for those shareholders that incur a taxation liability as a result of the Proposed Transaction. Shareholders should seek their own independent advice as to any potential tax implications of the Proposed Transaction.

### **Conclusion on reasonableness**

As the Proposed Transaction is fair it is also reasonable.

## **10.3 Opinion**

As the Proposed Transaction is fair and reasonable, it is also in the best interests of Shareholders.

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

## 11 EVALUATION – OPTIONHOLDERS

### 11.1 Fairness

The following table sets out a comparison of our assessed value for the options with the proposed consideration:

**Table 22: Assessment of fairness - options**

Tranche	Number	Valuation	Consideration
2017 ESOP	278,735	1,776	252
2019 ESOP	1,506,816	61,173	10,277
2020 ESOP	3,021,732	255,447	62,171
2021 ESOP	5,821,500	529,365	133,548
2017 XSOP	856,666	10,491	1,576
2020 XSOP i	3,402,100	287,694	69,995
2020 XSOP ii	1,000,000	62,016	16,481
2020 XSOP iii	1,000,000	50,495	14,224
2021 XSOP	5,460,000	496,493	120,596
<b>Total</b>	<b>22,347,549</b>	<b>1,754,951</b>	<b>429,120</b>

Source: Leadenhall Analysis

As the consideration offered is below our assessed value of the options, the Proposed Transaction is not fair to Optionholders.

### 11.2 Reasonableness

The advantages and disadvantages to Optionholders are broadly similar to those set out for Shareholders in Section 10.2 above. However, an additional consideration for Optionholders is that if the share scheme is approved but the option scheme is not, Optionholders will have a one month window to exercise their options, otherwise the options will lapse. The shares that would be issued upon conversion of the options could then be compulsorily acquired by HUB24, therefore losing their time value. As we consider the share scheme to be in the best interests of Shareholders we consider this to be a likely outcome. The following table compares the proceeds to Optionholders based on a compulsory acquisition at \$0.20 with the consideration payable under the Proposed Transaction:

**Table 23: Comparison to compulsory acquisition at \$0.20**

Tranche	Number	Consideration	Intrinsic value @ \$0.20 share
2017 ESOP	278,735	252	-
2019 ESOP	1,506,816	10,277	-
2020 ESOP	3,021,732	62,171	60,435
2021 ESOP	5,821,500	133,548	116,430
2017 XSOP	856,666	1,576	-
2020 XSOP i	3,402,100	69,995	68,042
2020 XSOP ii	1,000,000	16,481	-
2020 XSOP iii	1,000,000	14,224	-
2021 XSOP	5,460,000	120,596	109,200
<b>Total</b>	<b>22,347,549</b>	<b>429,120</b>	<b>354,107</b>

Source: Leadenhall Analysis

As set out above, if the share scheme is approved the outcome for Optionholders is better if the option scheme is approved than if it is not approved. For this reason, we consider the Proposed Transaction is reasonable to Optionholders.

### **11.3 Opinion**

As the Proposed Transaction is not fair but reasonable to Optionholders, it is in their best interests.

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

## APPENDIX 1: GLOSSARY

Term	Meaning
Agility	Agility Applications Pty Ltd
All Ords	Australian All Ordinaries Index
APRA	Australian Prudential Regulatory Authority
Aracon	Aracon Superannuation Pty Ltd
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
AUD	Australian Dollar
CAPM	Capital Asset Pricing Model
Cash Consideration	\$0.20 per Xplore Wealth share in cash
Corporations Act	The Corporations Act 2001
DIY Master	DIY Master Pty Ltd
Easton	Easton Investments Ltd
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Fair market value	The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arms' length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts
FOS	Financial Ombudsman Service
FPA	Financial Planning Association
FSG	Financial Services Guide
FUA	Funds under Administration
FY	Financial year
Item 7	Item 7 of Section 611 of the Corporations Act
Leadenhall	Leadenhall Corporate Advisory Pty Ltd
Linear	Linear Financial Holdings Pty Ltd
MAH	Managed Accounts Holding Ltd
MDAs	Managed Discretionary Accounts
Mixed Consideration	\$0.20 per Xplore share for 50% of an Xplore share and 0.00927 HUB24 Consideration Share for 50% of an Xplore Share
Optionholders	Optionholders of Xplore Wealth
P / E	Price to Earnings
Paragem	Paragem Pty Ltd
Part 3	Part 3 of Schedule 8 of the Corporations Regulations 2001 (Cwlth)
PBT	Profit Before Tax
Platform	HUB24 investment platform
PP&E	Property, plant and equipment
Proposed Transaction	The acquisition of 100% of the shares in Xplore Wealth by HUB24 through a scheme of arrangement
RG111	Regulatory Guide 111: Content of Expert Reports
RG74	Regulatory Guide 74: Acquisitions Approved by Members
RSE	Registrable Superannuation Entity
Scrip Consideration	0.00927 HUB24 share per Xplore Wealth share
Section 411	Section 411 of the Corporations Act 2001
Shareholders	Shareholders of Xplore Wealth
SMSFs	Self-managed Superannuation Funds
WACC	Weighted Average Cost of Capital

## APPENDIX 2: VALUATION METHODOLOGIES

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

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

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

### Discounted Cash Flow Method

#### Description

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

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

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

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

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

#### Use of the Discounted Cash Flow Method

A discounted cash flow approach is usually preferred when valuing:

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

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

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

## Capitalisation of Earnings Method

### Description

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

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

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

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

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

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

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

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

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

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

### Use of the Capitalisation of Earnings Method

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

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

## Asset Based Methods

### Description

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

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

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

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

### Use of Asset Based Methods

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

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

Asset based methods are not appropriate if:

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

## Analysis of Share Trading

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

## Industry Specific Rules of Thumb

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

## APPENDIX 3: COMPARABLE COMPANIES

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

Company	Description
Class Limited	Class Limited develops and distributes cloud-based accounting, investment reporting, and administration software for accountants, administrators, and advisers in Australia.
Fiducian Group Limited	Fiducian Group Limited, through its subsidiaries, operates as a financial services company in Australia and India.
HUB24 Limited	HUB24 Limited, together with its subsidiaries, provides wealth management solutions for the financial services industry in Australia.
IIOF Holdings Ltd	IIOF Holdings Ltd provides financial advice, portfolio management and administration, and investment management services in Australia.
IRESS Limited	IRESS Limited provides market data, trading, compliance, order management, portfolio and wealth management, mortgages and related tools in Australia, New Zealand, Asia, North America, Europe, South Africa, and the United Kingdom.
Link Administration Holdings Limited	Link Administration Holdings Limited provides technology-enabled administration solutions trustees in Australia, New Zealand, the United Kingdom, Channel Islands, and internationally.
Mainstream Group Holdings Limited	Mainstream Group Holdings Limited provides fund administration services for the financial services industry in the Asia Pacific, Americas, and Europe.
Netwealth Group Limited	Netwealth Group Limited, a financial services company, engages in the wealth management business in Australia.
Perpetual Limited	Perpetual Limited is a publicly owned investment manager.
Praemium Limited	Praemium Limited, together with its subsidiaries, provides managed accounts platform, investment management, portfolio administration, and reporting and financial planning software in Australia and internationally.
Xplore Wealth Limited	Xplore Wealth Limited, through its subsidiaries, operates as an independent specialist platform provider and investment administrator with a specialization in managed accounts in Australia.

Source: CapIQ

## APPENDIX 4: CONTROL PREMIUM

The outbreak of COVID-19 and the consequential general decline in share prices is likely to have an impact on implied control premiums in the current environment. Although there is anecdotal evidence from previous economic downturns of control premiums being higher than the long-term average in times of economic distress, it is difficult to quantify the impact of the current environment on long-term estimates based on currently available data. We have therefore presented our analysis of control premiums prior to the outbreak of COVID-19 noting that any reasonable range of control premiums does not impact our conclusion on the Proposed Transaction.

### Background

As discussed above, the difference between the control value and the liquid minority value of a security is the control premium. The inverse of a control premium is a minority discount (also known as a discount for lack of control). A control premium is said to exist because the holder of a controlling stake has several rights that a minority holder does not enjoy (subject to shareholders agreements and other legal constraints), including the ability to:

- ◆ Appoint or change operational management
- ◆ Appoint or change members of the board
- ◆ Determine management compensation
- ◆ Determine owner's remuneration, including remuneration to related party employees
- ◆ Determine the size and timing of dividends
- ◆ Control the dissemination of information about the company
- ◆ Set strategic focus of the organisation, including acquisitions, divestments and any restructuring
- ◆ Set the financial structure of the company (debt / equity mix)
- ◆ Block any or all of the above actions

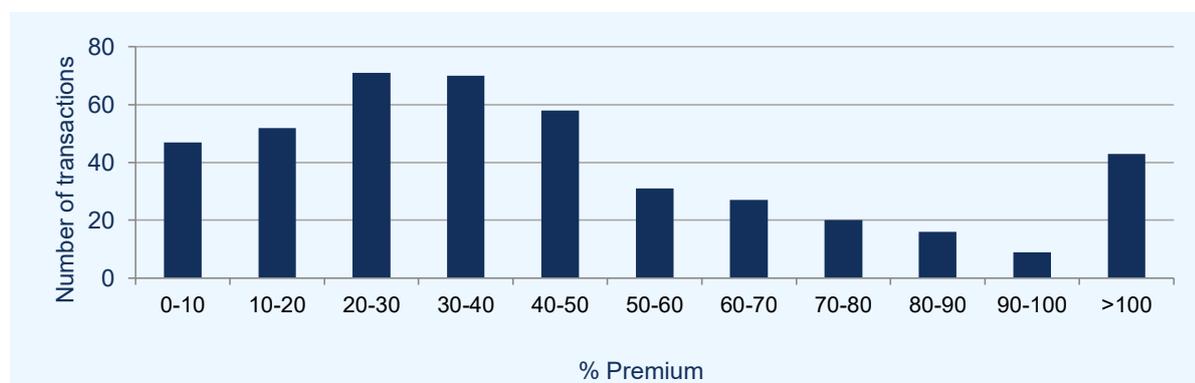
The most common approach to quantifying a control premium is to analyse the size of premiums implied from prices paid in corporate takeovers. Another method is the comparison between prices of voting and non-voting shares in the same company. We note that the size of the control premium should generally be an outcome of a valuation and not an input into one, as there is significant judgement involved.

## Takeover Premiums

### Dispersion of premiums

The following chart shows the spread of premiums paid in takeovers between 2007 and 2017. We note that these takeover premiums may not be purely control premiums, for example the very high premiums are likely to include synergy benefits, while the very low premiums may be influenced by share prices rising in anticipation of a bid.

**Figure 21: Takeover premium by size**



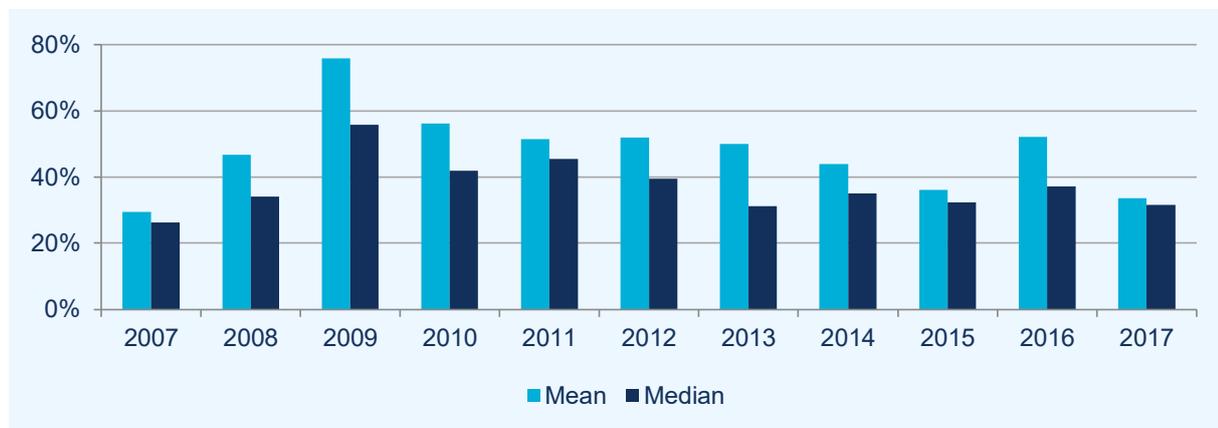
Sources: S&P Capital IQ, Leadenhall analysis

This chart highlights the dispersion of premiums paid in takeovers. The chart shows a long tail of high premium transactions, although the most common recorded premiums are in the range of 20% to 40%, with approximately 65% of all premiums falling in the range of 0% to 50%.

## Premiums over time

The following chart shows the average premium paid in completed takeovers compared to the price one month before the initial announcement.

**Figure 22: Average takeover premium (1 month)**



Sources: S&P Capital IQ, Leadenhall analysis

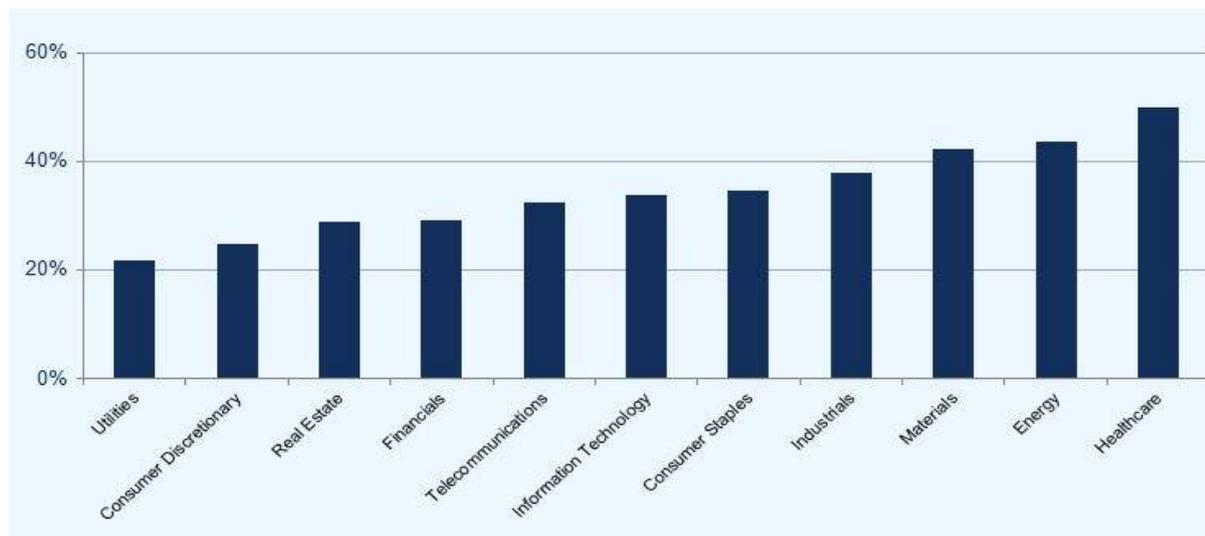
Note: The average premiums presented above exclude transactions with implied control premiums below zero and transactions which we consider to be outliers.

The chart indicates that while premiums vary over time, there is no clearly discernible pattern. The mean is higher than the median due to a small number of high premiums.

## Premiums by industry

The following chart shows the average takeover premium by industry, compared to the share price one month before the takeover was announced. Most industries show an average premium of 20% to 40%.

**Figure 23: Average takeover premium (2007 to 2017)**



Sources: S&P Capital IQ, Leadenhall analysis

Note: The average premiums presented above exclude specific transactions with implied control premiums below zero or over 100% which we consider to be outliers.

Key factors that generally lead to higher premiums being observed include:

- ◆ Competitive tension arising from more than one party presenting a takeover offer.
- ◆ Favourable trading conditions in certain industries (e.g. recent mining and tech booms).
- ◆ Significant synergistic special or strategic value.
- ◆ Scrip offers where the price of the acquiring entity's shares increases between announcement and completion.

## Industry Practice

In Australia, industry practice is to apply a control premium in the range of 20% to 40%, as shown in the following list quoting ranges noted in various independent experts' reports.

- ◆ Deloitte - 20% to 40%
- ◆ Ernst & Young - 20% to 40%
- ◆ Grant Samuel - 20% to 35%
- ◆ KPMG - 25% to 35%
- ◆ Lonergan Edwards - 30 to 35%
- ◆ PwC - 20% to 40%

The range of control premiums shown above is consistent with most academic and professional literature on the topic.

## Alternative View

Whilst common practice is to accept the existence of a control premium in the order of 20% to 40%, certain industry practitioners (particularly in the US) disagree with the validity of this conclusion. Those with an alternate viewpoint to the fact that very few listed companies are acquired each year as evidence that 100% of a company is not necessarily worth more than the proportionate value of a small interest. Those practitioners agree that the reason we see some takeovers at a premium is that if a company is not well run, there is a control premium related to the difference in value between a hypothetical well run company and the company being run as it is.

## Impact of Methodologies Used

The requirement for an explicit valuation adjustment for a control premium depends on the valuation methodology and approach adopted and the level of value to be examined. It may be necessary to apply a control premium to the value of a liquid minority value to determine the control value. Alternatively, in order to estimate the value of a minority interest, it may be necessary to apply a minority discount to a proportional interest in the control value of the company.

### Discounted cash flow

The discounted cash flow methodology generally assumes control of the cash flows generated by the assets being valued. Accordingly, such valuations reflect a premium for control. Where a minority value is sought a minority discount must therefore be applied. The most common exception to this is where a discounted dividend model has been used to directly determine the value of an illiquid minority holding.

### Capitalisation of earnings

Depending on the type of multiple selected, the capitalisation of earnings methodology can reflect a control value (transaction multiples) or a liquid minority value (listed company trading multiples).

### Asset based methodologies

Asset based methodologies implicitly assume control of the assets being valued. Accordingly, such valuations reflect a control value.

## Intermediate Levels of Ownership

There are a number of intermediate levels of ownership between a portfolio interest and 100% ownership. Different levels of ownership/strategic stakes will confer different degrees of control and rights as shown below.

- ◆ 90% - can compulsory purchase remaining shares if certain conditions are satisfied
- ◆ 75% - power to pass special resolutions
- ◆ 50% - gives control depending on the structure of other interests (but not absolute control)
- ◆ 25% - ability to block a special resolution
- ◆ 20% - power to elect directors, generally gives significant influence, depending on other shareholding blocks
- ◆ < 20% generally has only limited influence

Conceptually, the value of each of these interests lies somewhere between the portfolio value (liquid minority value) and the value of a 100% interest (control value). Each of these levels confers different degrees of control and therefore different levels of control premium or minority discount.

### 50%

For all practical purposes, a 50% interest confers a similar level of control to holdings of greater than 50%, at least where the balance of the shares is listed and widely held. Where there are other significant holders, such as in a 50/50 joint venture, 50% interests involve different considerations depending upon the particular circumstances.

Strategic parcels do not always attract a control premium. In fact, if there is no bidder, the owner may be forced to sell the shares through the share market, usually at a discount to the prevailing market price. This reflects the fact that the sale of a parcel of shares significantly larger than the average number of shares traded on an average day in a particular stock generally causes a stock overhang, therefore there is more stock available for sale than there are buyers for the stock and in order to clear the level of stock available, the share price is usually reduced by what is referred to as a blockage discount.

### 20% to 50%

Holdings of less than 50% but more than 20% can confer a significant degree of influence on the owner. If the balance of shareholders is widely spread, a holding of less than 50% can still convey effective control of the business. However, it may not provide direct ownership of assets or access to cash flow. This level of holding has a strategic value because it may allow the holder significant influence over the company's management, possibly additional access to information and a board seat.

### <20%

Holdings of less than 20% are rarely considered strategic and would normally be valued in the same way as a portfolio interest given the stake would not be able to pass any ordinary or special resolution on their own if they were against the interests of the other shareholders. Depending on the circumstances, a blockage discount may also apply.

As explained above, the amount of control premium or minority discount that would apply in specific circumstances is highly subjective. In relation to the appropriate level of control premium, Aswath Damodaran notes "the value of controlling a firm has to lie in being able to run it differently (and better)". A controlling shareholder will be able to implement their desired changes. However, it is not certain that a non-controlling shareholder would be able to implement changes they desired. Thus, following the logic of Damodaran and the fact that the strategic value of the holding typically diminishes as the level of holding decreases, the appropriate control premium for a non-controlling shareholder should be lower than that control premium for a controlling stake.

### Key Factors in Determining a Reasonable Control Premium

Key factors to consider in determining a reasonable control premium include:

- ◆ **Size of holding** – Generally, larger stakes attract a higher control premium
- ◆ **Other holdings** – The dispersion of other shareholders is highly relevant to the ability for a major shareholder to exert control. The wider dispersed other holdings are, the higher the control premium
- ◆ **Industry premiums** – Evidence of premiums recently paid in a given industry can indicate the level of premium that may be appropriate
- ◆ **Size** – medium sized businesses in a consolidating industry are likely to be acquired at a larger premium than other businesses
- ◆ **Dividends** – a high dividend pay-out generally leads to a low premium for control
- ◆ **Gearing** – a company that is not optimally geared may attract a higher premium than otherwise, as the incoming shareholder has the opportunity to adjust the financing structure
- ◆ **Board** – the ability to appoint directors would increase the control premium attaching to a given parcel of shares. The existence of independent directors would tend to decrease the level of premium as this may serve to reduce any oppression of minority interests and therefore support the level of the illiquid minority value
- ◆ **Shareholders' agreement** - the existence and contents of a shareholder's agreement, with any protection such as tag along and drag along rights offered to minority shareholders lowers the appropriate control premium.

## APPENDIX 5: VOLATILITY ANALYSIS

The historical volatility of companies with comparable operations to Xplore Wealth are set out in the table below.

Company	Market cap (\$'m)	4 Year	3 Year	2 Year	1 Year
<b>Independent platform providers</b>					
Netwealth Group Limited	3,767	41%	41%	42%	46%
HUB24 Limited	1,361	40%	44%	45%	49%
Praemium Limited	333	54%	57%	62%	64%
<b>Average</b>		<b>45%</b>	<b>47%</b>	<b>50%</b>	<b>53%</b>
<b>Median</b>		<b>41%</b>	<b>44%</b>	<b>45%</b>	<b>49%</b>
<b>Other platform and administration providers</b>					
Link Administration Holdings Limited	2,626	33%	36%	41%	48%
IOOF Holdings Ltd	2,497	49%	56%	66%	64%
IRESS Limited	1,995	24%	26%	27%	30%
Perpetual Limited	1,891	30%	33%	38%	46%
Class Limited	245	39%	41%	45%	52%
Fiducian Group Limited	180	30%	33%	35%	42%
Mainstream Group Holdings Limited	147	49%	52%	56%	59%
<b>Average</b>		<b>36%</b>	<b>40%</b>	<b>44%</b>	<b>49%</b>
<b>Median</b>		<b>33%</b>	<b>36%</b>	<b>41%</b>	<b>48%</b>

Sources: S&P Capital IQ as at 25 November 2020

## APPENDIX 6: QUALIFICATIONS, DECLARATIONS AND CONSENTS

### Responsibility and purpose

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

### Reliance on information

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

### Prospective information

To the extent that this report refers to prospective financial information, we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Leadenhall's consideration of this information consisted of enquiries of Xplore Wealth's personnel and analytical procedures applied to the financial data. These procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with Australian Auditing Standards, or any other standards. Nothing has come to our attention as a result of these enquiries to suggest that the financial projections for Xplore Wealth, when taken as a whole, are unreasonable for the purpose of this report.

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

### Market conditions

Leadenhall's opinion is based on prevailing market, economic and other conditions as at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon the conclusion reached in this report.

As a valuation is based upon expectations of future results it involves significant judgement. Although we consider the assumptions used and the conclusions reached in this report are reasonable, other parties may have alternative expectations of the future, which may result in different valuation conclusions. The conclusions reached by other parties may be outside Leadenhall's preferred range

### Indemnities

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

### Qualifications

The personnel of Leadenhall principally involved in the preparation of this report were Richard Norris, BA (Hons), FCA, M.App.Fin, F.Fin, Simon Dalgarno, B.Ec, FCA, F.FINSIA, Nathan Timosevski, BBus, Grad Dip App Fin, BV Specialist, CA, A.FINSIA, Katy Lawrence, BCom., CA and Vicky Lau, BCom., CA.

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

## **Independence**

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

Leadenhall and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with Xplore Wealth, HUB24 or any related entities or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

In the previous two years we have provided valuation advice to Xplore Wealth in order to assist Xplore Wealth management in satisfying their financial reporting requirements. This work did not involve Leadenhall participating in setting the terms of this report.

**Annexure B – Independent Limited Assurance Report**

The Board of Directors  
XPlore Wealth Limited  
Suite 1, Level 5  
28 Margaret Street  
SYDNEY NSW 2000

The Board of Directors  
HUB24 Limited  
Level 2  
7-15 Macquarie Place  
SYDNEY NSW 2000

14 December 2020

Dear Directors

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**Grant Thornton Corporate  
Finance Pty Ltd**  
Level 17  
383 Kent Street  
Sydney NSW 2000  
Locked Bag Q800  
Queen Victoria Building NSW  
1230  
T +61 2 8297 2400

## **INDEPENDENT LIMITED ASSURANCE REPORT AND FINANCIAL SERVICES GUIDE**

### **INTRODUCTION**

Grant Thornton Corporate Finance Pty Limited (“Grant Thornton Corporate Finance”) has been engaged by XPlore Wealth Limited (“XPL”) and HUB24 Limited (“HUB”) to prepare this report for inclusion in the scheme booklet to be dated on or about 14 December 2020 (the “Scheme Booklet”) to be issued by XPL, in respect of the proposed acquisition (the “Transaction”) by HUB (together the “Combined Group”).

Grant Thornton Corporate Finance Pty Ltd (“Grant Thornton Corporate Finance”) holds an Australian Financial Services Licence (AFS Licence Number 247140). This report is both an Independent Limited Assurance Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

Expressions defined in the Scheme Booklet have the same meaning in this report, unless otherwise specified.

### **SCOPE**

You have requested Grant Thornton Corporate Finance to perform a limited assurance engagement in relation to the unaudited pro forma historical consolidated financial information described below and disclosed in the Scheme Booklet:

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ABN-59 003 265 987 ACN-003 265 987 AFSL-247140

Grant Thornton Corporate Finance Pty Ltd ABN 59 003 265 987 ACN 003 265 987 (holder of Australian Financial Services Licence No. 247140), a subsidiary or related entity of Grant Thornton Australia Limited ABN 41 127556 389. ‘Grant Thornton’ refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Limited is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another’s acts or omissions. In the Australian context only, the use of the term ‘Grant Thornton’ may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. Liability limited by a scheme approved under Professional Standards Legislation.

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The unaudited pro forma historical consolidated financial information is presented in the Scheme Booklet in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001 (Cth).

### **Combined Group Unaudited Pro Forma Historical Consolidated Financial Information**

The unaudited pro forma historical consolidated financial information of the Combined Group included in the Scheme Booklet has been derived from the audited historical consolidated financial information of XPL and HUB, after adjusting for the effects of the pro forma adjustments described in Section 10.8 of the Scheme Booklet. The unaudited pro forma historical consolidated financial information of the Combined Group consists of:

- the Combined Group unaudited pro forma historical consolidated statement of comprehensive income for the year ended 30 June 2020 (FY2020) is based on XPL's audited historical consolidated statement of comprehensive income for FY2020 and HUB's audited historical consolidated statement of comprehensive income for FY2020 and the pro forma adjustments applied to the audited historical consolidated statements of comprehensive income (the "Combined Group Unaudited Pro Forma Historical Consolidated Income Statement" as set out in Section 10.8(c) of the Scheme Booklet).
- the Combined Group unaudited pro forma historical consolidated statement of cash flows for FY2020 based on XPL's audited historical consolidated statement of cash flows for FY2020 and HUB's audited historical consolidated statement of cash flows for FY2020 and the pro forma adjustments applied to the audited historical consolidated statements of cash flows; (the "Combined Group Unaudited Pro Forma Historical Consolidated Statement of Cash Flows" as set out in Section 10.8(h) of the Scheme Booklet); and
- the Combined Group unaudited pro forma historical consolidated statement of financial position at 30 June 2020 based on XPL's audited historical consolidated statement of financial position at 30 June 2020 and HUB's audited historical consolidated statement of financial position at 30 June 2020 and the pro forma adjustments applied to the audited historical consolidated statements of financial position; (the "Combined Group Unaudited Pro Forma Historical Consolidated Statement of Financial Position" as set out in Section 10.8(e) of the Scheme Booklet).

(together the "Combined Group Unaudited Pro Forma Historical Consolidated Financial Information").

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in Section 10.8(b) of the Scheme Booklet. Due to its nature, the Combined Group Unaudited Pro Forma Historical Consolidated Financial Information does not represent the Combined Group's actual or prospective financial position, financial performance, and/or cash flows.

The Combined Group Unaudited Pro Forma Historical Consolidated Financial Information has been compiled by XPL and HUB for illustrative purposes to provide an indication of the financial performance (income statement and cash flows) and financial position of the Combined Group as if the Scheme had been implemented prior to 1 July 2019 in respect of the financial performance and cash flows, and prior to 30 June 2020 in respect of the financial position.

## DIRECTORS' RESPONSIBILITY

The Directors of XPL are responsible for the preparation and presentation of the Combined Group Unaudited Pro Forma Historical Consolidated Financial Information including the selection and determination of the pro forma transactions and/ or adjustments, and for properly compiling the Combined Group Unaudited Pro Forma Historical Consolidated Financial Information on the basis stated in Section 10.8(b) of the Scheme Booklet.

This responsibility includes for the operation of such internal controls as the Directors determine are necessary to enable the preparation of financial information that are free from material misstatement, whether due to fraud or error.

## OUR RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the Combined Group Unaudited Pro Forma Historical Consolidated Financial Information based on the procedures performed and the evidence we have obtained.

We have conducted our engagement in accordance with the Australian Standard on Assurance Engagements (ASAE) 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly we do not express an audit opinion about whether the Combined Group Unaudited Pro Forma Historical Consolidated Financial Information is prepared, in all material respects by XPL and HUB in accordance with the stated basis of preparation.

We have performed the following procedures as we, in our professional judgement, considered reasonable in the circumstances.

- consideration of work papers, accounting records and other documents, including those dealing with the extraction of the Unaudited Pro Forma Historical Consolidated Financial Information of XPL and HUB for FY2020;
- enquiry of the Directors, management in relation to the Unaudited Pro Forma Historical Consolidated Financial Information of XPL and HUB for FY2020;
- analytical procedures applied to the Unaudited Pro Forma Historical Consolidated Financial Information;
- a review of the consistency of the application of the stated basis of preparation as described in the Scheme Booklet used in the preparation of the Unaudited Pro Forma Historical Consolidated Financial Information;

Our limited assurance engagement has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdiction outside of Australia and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

We have assumed, and relied on representations from XPL and HUB, that all material information concerning the Combined Group Unaudited Pro Forma Historical Consolidated Financial Information has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

## CONCLUSIONS

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Combined Group Unaudited Pro Forma Historical Consolidated Financial Information comprising the:

- Combined Group Unaudited Pro Forma Historical Consolidated Income Statement as set out in Section 10.8(c) of the Scheme Booklet;
- Combined Group Unaudited Pro Forma Historical Consolidated Statement of Cash Flows as set out in Section 10.8(h) of the Scheme Booklet; and
- Combined Group Unaudited Pro Forma Historical Consolidated Statement of Financial Position as set out in Section 10.8(e) of the Scheme Booklet

is not presented fairly, in all material aspects, in accordance with the stated basis of preparation described in Section 10.8(b) of the Scheme Booklet.

## Restrictions on Use

Without modifying our conclusions, we draw attention to Section 10.8(b) of the Scheme Booklet, which describes the purpose of the Combined Group Unaudited Pro Forma Historical Consolidated Financial Information, being for inclusion in the Scheme Booklet. As a result, this Independent Limited Assurance Report may not be suitable for use for another purpose.

## Consent

Grant Thornton Corporate Finance Pty Limited has consented to the inclusion of this Independent Limited Assurance Report in the Scheme Booklet in the form and context in which it is included.

## Liability

The liability of Grant Thornton Corporate Finance Pty Limited is limited to the inclusion of this report in the Scheme Booklet. Grant Thornton Corporate Finance makes no representation regarding, and has no liability, for any other statements or other material in, or omissions from the Scheme Booklet.

## Independence or Disclosure of Interest

Grant Thornton Corporate Finance does not have any interest in the outcome of the proposed Scheme, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD



Neil Cooke

Partner

## Appendix A (Financial Services Guide)

This Financial Services Guide is dated 14 December 2020.

### 1 About us

Grant Thornton Corporate Finance Pty Ltd (ABN 59 003 265 987 and Australian Financial Services Licence no 247140) ("Grant Thornton Corporate Finance") has been engaged by XPlore Wealth Limited ("XPL") and HUB24 Limited ("HUB") to provide general financial product advice in the form of an Independent Limited Assurance Report (the "Report") in relation to a scheme of arrangement (the "Scheme"). This report is included in the Scheme Booklet dated on or about 14 December 2020 (the "Scheme Booklet"). You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

### 2 This Financial Services Guide

This Financial Services Guide (FSG) is designed to assist retail clients in their use of any general financial product advice contained in the report. This FSG contains information about Grant Thornton Corporate Finance generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the report, and how complaints against us will be dealt with.

### 3 Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities and superannuation products and deal in a financial product by applying for, acquiring, varying or disposing of a financial product on behalf of another person in respect of securities and superannuation products.

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#### ABN-59 003 265 987 ACN-003 265 987 AFSL-247140

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## 4 General financial product advice

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

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 financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

## 5 Fees, commissions and other benefits we may receive

Grant Thornton Corporate Finance charges fees to produce reports, including the report. These fees are negotiated and agreed with the entity which engages Grant Thornton Corporate Finance to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this report, Grant Thornton Corporate Finance will receive a fee of \$45,000 (plus GST), which is based on commercial rates plus reimbursement of out-of-pocket expenses.

Partners, Directors, employees or associates of Grant Thornton Corporate Finance, or its related bodies corporate, may receive dividends, salary or wages from Grant Thornton Australia Ltd. None of those persons or entities receive non-monetary benefits in respect of, or that is attributable to, the provision of the services described in this FSG.

## 6 Referrals

Grant Thornton Corporate Finance - including its Partners, Directors, employees, associates and related bodies corporate - does not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

## 7 Associations with issuers of financial products

Grant Thornton Corporate Finance and its Partners, Directors, employees or associates and related bodies corporate may from time to time have associations or relationships with the issuers of financial products. For example, Grant Thornton Australia Ltd may be the auditor of, or provide financial services to the issuer of a financial product and Grant Thornton Corporate Finance may provide financial services to the issuer of a financial product in the ordinary course of its business.

In the context of the Report, Grant Thornton Corporate Finance considers that there are no such associations or relationships which influence in any way the services described in this FSG.

## 8 Independence

Grant Thornton Corporate Finance is required to be independent of XPL and HUB in order to provide this report. 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 XPL and HUB (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to 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 Scheme.*

*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.*

## 9 Complaints

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Australian Financial Complaints Authority (AFCA) (membership no. 11800). All complaints must be in writing and addressed to the Head of Corporate Finance 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 AFCA who can be contacted at:

Australian Financial Complaints Authority

GPO Box 3  
Melbourne, VIC 3001  
Telephone: 1800 367 287

Email: [info@afca.org.au](mailto:info@afca.org.au)

Grant Thornton Corporate Finance is only responsible for the Report and FSG. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

## 10 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.

## 11 Contact Details

Grant Thornton Corporate Finance can be contacted by sending a letter to the following address:

Head of Corporate Finance  
Grant Thornton Corporate Finance Pty Ltd  
Level 17, 383 Kent Street  
Sydney, NSW, 2000

## **Annexure C – Scheme Implementation Agreement**

A copy of the Scheme Implementation Agreement is available with the ASX announcement made by Xplore on 28 October 2020, which can be accessed at the following link: <https://xplorewealth.com.au/wp-content/uploads/2020/10/Xplore-Enters-into-a-Scheme-of-Implementation-Agreement-with-HUB24.pdf>.

Xplore Securityholders can request a hard copy of the Scheme Implementation Agreement by contacting the Xplore Securityholder Information Line.

**Annexure D – Share Scheme**



# Share Scheme of Arrangement

Xplore Wealth Limited ABN 34 128 316 441

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Scheme Shareholders

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# Share Scheme of Arrangement

Xplore Wealth Limited ABN 34 128 316 441

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# Details

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth).

Between the parties

**Xplore Wealth Limited** ABN 34 128 316 441 of Suite 1, Level 5, 28 Margaret Street, Sydney, NSW 2000  
(Xplore)

and

**Each Scheme Shareholder**

# Agreed terms

## 1. Defined terms & interpretation

### 1.1 Definitions

In this Share Scheme, unless the context requires otherwise:

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited ACN 008 624 691, or as the context requires or permits, the financial market known as the Australian Securities Exchange operated by it.

**Business Day** means a day that is not a Saturday, Sunday or a public holiday or bank holiday in Sydney, New South Wales.

**Cash Consideration Share Cap** means the greater of:

- (a) zero; and
- (b) the number of Xplore Shares representing 60% of all Xplore Shares on issue as at the Share Scheme Record Date (rounded down to the nearest whole Xplore Share) less the sum of:
  - (i) the Ineligible Shares; and
  - (ii) the number of Scheme Shares in respect of which cash is to be paid as Scheme Consideration under paragraph (d)(ii) of the definition of Share Scheme Consideration (after the operation of the scale back adjustment under paragraph (d)(iii) of the definition of Share Scheme Consideration (if applicable)).

**Cash Consideration** means \$0.20 for each Scheme Share.

**CHES** means the clearing house electronic subregister system of share transfers operated by ASX Settlement Pty Limited ABN 49 008 504 532.

**CHES Holding** has the meaning given in the Settlement Rules.

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

**Court** means the Federal Court of Australia or such other court of competent jurisdiction under the Corporations Act agreed in writing between Xplore and HUB24.

**Delivery Time** means, in relation to the Second Court Date, two hours before the commencement of the hearing or, if the commencement of the hearing is adjourned, two hours before the commencement of the adjourned hearing, of the Court to approve this Share Scheme in accordance with section 411(4)(b) of the Corporations Act.

**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 this Share Scheme.

**Effective Date** means the date on which this Share Scheme becomes Effective.

**Election** means an election by a Xplore Shareholder, to receive either:

- (i) in relation to 100% of their Scheme Shares, Share Scheme Consideration in the form of HUB24 Consideration Shares (such Election, **Maximum Scrip Election**); or
- (ii) in relation to 100% of their Scheme Shares, Share Scheme Consideration in the form of cash (such Election, **Maximum Cash Election**).

**Election Date** means 5.00pm on the date that is seven clear days before the Proxy Cut-Off Date.

**Election Form** means a form issued by Xplore for the purposes of a Xplore Shareholder making an Election.

**End Date** means the 'End Date' determined in accordance with the Scheme Implementation Agreement.

**Foreign Scheme Shareholder** means a Scheme Shareholder whose Registered Address is a place outside of:

- (a) Australia or its external territories;
- (b) New Zealand; and
- (c) any other jurisdictions as may be agreed in writing by Xplore and HUB24,

(unless HUB24 determines (in its absolute discretion), that HUB24 is permitted to allot and issue HUB24 Consideration Shares to that Scheme Shareholder under this Share Scheme by the laws of that place either unconditionally or after compliance with conditions that HUB24 considers are not unduly onerous or impracticable).

**Governmental Agency** means any government or representative of a government or any governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity and includes any minister, ASIC, ASX and any regulatory organisation established under statute or any stock exchange.

**HUB24** means HUB24 Limited ACN 124 891 685.

**HUB24 Consideration Share** means a HUB24 Share to be issued under the terms of this Share Scheme as Share Scheme Consideration.

**HUB24 Share** means an issued fully paid ordinary share in the capital of HUB24.

**Implementation Date** means the fifth Business Day after the Share Scheme Record Date or such other Business Day after the Share Scheme Record Date agreed to in writing between the relevant parties to the Scheme Implementation Agreement.

**Ineligible Shares** means the total number of Scheme Shares held by Foreign Scheme Shareholders and Small Shareholders.

**Issuer Sponsored Holding** has the meaning given in the Settlement Rules.

**Listing Rules** means the official listing rules of ASX as amended from time to time.

**Market Integrity Rules** means any rules made by ASIC under section 798G of the Corporations Act that apply to ASX or any other prescribed financial market on which Xplore Shares are quoted.

**Maximum Cash Election** has the meaning given in the definition of Election.

**Maximum Scrip Election** has the meaning given in the definition of Election.

**No Election Shares** means the total number of Scheme Shares which are not held by Foreign Scheme Shareholders or Small Shareholders and in respect of which either:

- (a) no valid Election is made on or before the Election Date; or
- (b) a valid Election is made on or before the Election Date but are subsequently transferred or sold after the Election Date to the effect that under this Scheme they are treated as not being subject to a valid Election.

**Proxy Cut-Off Date** means the last day on or before which proxies must be lodged for the Share Scheme Meeting.

**Registered Address** means, in relation to a Xplore Shareholder, the address shown in the Share Register as at the Share Scheme Record Date.

**Regulatory Authority** means:

- (a) any government or governmental, semi-governmental, administrative, monetary, fiscal or judicial body, tribunal, agency or entity;

- (b) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; or
  - (c) any regulatory organisation established under statute,
- in Australia whether federal, state, territorial or local.

**Scheme Implementation Agreement** means the Scheme Implementation Agreement dated 28 October 2020 between Xplore and HUB24.

**Scheme Share** means a Share on issue as at the Share Scheme Record Date.

**Scheme Shareholder** means a person who holds one or more Scheme Shares.

**Second Court Date** means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving this Share Scheme is heard or scheduled to be heard or, if the application is adjourned for any reason, means the date on which the adjourned application is heard or scheduled to be heard.

**Settlement Rules** means the ASX Settlement Operating Rules.

**Scrip Consideration** means 0.00926746 HUB24 Consideration Share(s) per Scheme Share.

**Scrip Election Shares** means the number of Scheme Shares in respect of which Scrip Consideration are to be issued under paragraph (a)(i) of the definition of Share Scheme Consideration (after the operation of the scale back adjustment in paragraph (b) of the definition of Share Scheme Consideration).

**Share Cap** means the number of Xplore Shares representing 50% of all Xplore Shares on issue as at the Share Scheme Record Date (rounded down to the nearest whole Xplore Share) less the amount equal to 50% of the No Election Shares.

**Share Register** means the register of members of Xplore maintained in accordance with the Corporations Act.

**Share Scheme** means this scheme of arrangement under Part 5.1 of the Corporations Act between Xplore and the Scheme Shareholders, subject to any alterations or conditions that are:

- (a) agreed to in writing by Xplore and HUB24 and approved by the Court; or
- (b) made or required by the Court under section 411(6) of the Corporations Act and agreed to by Xplore and HUB24.

**Share Scheme Consideration** in respect of a Scheme Shareholder means:

- (a) if the Scheme Shareholder is not a Foreign Scheme Shareholder or a Small Shareholder and has made a valid Election on or before the Election Date, then
  - (i) if the Scheme Shareholder has made a Maximum Scrip Election, subject to paragraph (b), the Scrip Consideration multiplied by each Scheme Share held by the Scheme Shareholder; or
  - (ii) if the Scheme Shareholder has made a Maximum Cash Election, subject to paragraph (c), the Cash Consideration multiplied by every Scheme Share held by the Scheme Shareholder,
- (b) if the total number of Scheme Shares in respect of which Scrip Consideration are to be issued in aggregate exceeds the Share Cap, then the number of Share Scheme Shares in respect of which Scrip Consideration are to be issued under paragraph (a)(i) will be subject to a scale back adjustment as set out below:
  - (i) Scrip Consideration for the number of Scheme Shares calculated as:  
 $(B/A) \times C$ ,  
where:  
A = the total number of Scheme Shares in respect of which Scrip Consideration are to be issued under paragraph (a)(i);  
B = the Share Cap; and

- C = the number of Scheme Shares held by the Scheme Shareholder in respect of which Scrip Consideration are to be issued under (a)(i); and
- (ii) the Cash Consideration for each of the Scheme Shares held by the Scheme Shareholder less the number of Scheme Shares held by the Scheme Shareholder in respect of which Scrip Consideration are to be issued as calculated in accordance with paragraph (b)(i);
- (c) if the total number of Scheme Shares in respect of which cash is to be paid as Scheme Consideration in aggregate exceeds the Cash Consideration Share Cap, then number of Scheme Shares in respect of which cash is to be paid as Share Scheme Consideration under paragraph (a)(ii) will be subject to a scale back adjustment as set out below:
- (i) the Cash Consideration for the number of Scheme Shares calculated as:
- $(B/A) \times C$ ,
- where:
- A = the total number of Scheme Shares in respect of which cash is to be paid as Share Scheme Consideration under paragraph (a)(ii);
- B = the Cash Consideration Share Cap; and
- C = the number of Scheme Shares held by the Scheme Shareholder in respect of which cash is to be paid as Scheme Consideration under paragraph (a)(ii); and
- (ii) the Scrip Consideration for each Scheme Share held by the Scheme Shareholder less the number of Scheme Shares held by the Scheme Shareholder in respect of which cash is to be paid as calculated in accordance with paragraph (c)(i);
- (d) if the Scheme Shareholder is not a Foreign Scheme Shareholder or a Small Shareholder and has not made a valid Election on or before the Election Date:
- (i) in relation to 50% of their Scheme Shares, the Scrip Consideration for each Scheme Share held by the Scheme Shareholder; and
- (ii) in relation to 50% of their Scheme Shares, the Cash Consideration for each Scheme Share held by the Scheme Shareholder,

unless the total number of Ineligible Shares less the number of Xplore Shares representing 10% of all Xplore Shares on issue as at the Share Scheme Record Date (rounded down the nearest whole Xplore Share) exceed the Scrip Election Shares, in which case:

- (iii) the number of Scheme Shares in respect of which cash is to be paid as Scheme Consideration under paragraph (d)(ii) will be subject to a scale back adjustment as set out below:
- (A) the Cash Consideration for the number of Scheme Shares calculated as:
- $(B/A) \times C$ ,
- where:
- A = 50% of the No Election Shares
- B = the greater of zero and the sum of G + (50% multiplied by the sum of (D+E-F))
- C = the number of Scheme Shares held by the Scheme Shareholder in respect of which cash is to be paid as Scheme Consideration under paragraph (d)(ii);
- D = the No Election Shares;
- E = the Scrip Election Shares;
- F = the Ineligible Shares; and
- G = the number of Xplore Shares representing 10% of all Xplore Shares on issue as at the Share Scheme Record Date (rounded down to the nearest whole Xplore Share),

provided that B does not exceed A. If B exceeds A, then the scale back adjustment in this paragraph (d)(iii) will not apply; and

- (B) the Scrip Consideration for each Scheme Share held by the Scheme Shareholder less the number of Scheme Shares held by the Scheme Shareholder in respect of which cash is to be paid as calculated in accordance with paragraph (d)(iii); or
- (e) if the Scheme Shareholder is a Foreign Scheme Shareholder or a Small Shareholder, the Cash Consideration for each Scheme Share held by the Scheme Shareholder.

**Share Scheme Deed Poll** means the deed poll dated 15 December 2020 executed by Xplore and HUB24 under which HUB24 among other things covenant in favour of the Scheme Shareholders to perform the actions attributed to it respectively under this Share Scheme.

**Share Scheme Meeting** means the meeting of Xplore Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on this Share Scheme and includes any meeting convened following any adjournment or postponement of that meeting.

**Share Scheme Record Date** means 7.00pm on the second Business Day after the Effective Date or such other time and date agreed to in writing between Xplore and HUB24.

**Small Shareholders** means a Scheme Shareholder who is entitled to receive HUB24 Consideration Shares equal to a value of less than \$500 (or such other amount as may be agreed between HUB24 and Xplore) on the Share Scheme Record Date, whether or not the Scheme Shareholder has made an Election.

**Trust Account** means an Australian dollar denominated trust account operated by Xplore as trustee for the benefit of Scheme Shareholders.

**Xplore Registry** means Registry Direct or any replacement provider of share registry services to Xplore.

**Xplore Share** means an issued fully paid ordinary share in the capital of Xplore.

**Xplore Shareholder** means a person who is registered in the register maintained by Xplore under section 168(1) of the Corporations Act as a holder of one or more Xplore Shares.

## 1.2 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise.

- (a) The singular includes the plural, and the converse also applies.
- (b) A gender includes all genders.
- (c) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (d) A reference to a person, corporation, trust, partnership, unincorporated body or other entity includes any of them.
- (e) A reference to a clause or schedule is a reference to a clause of or schedule to this Share Scheme.
- (f) A reference to an **agreement** or **document** (including a reference to this Share Scheme) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this Share Scheme or that other agreement or document, and includes, except to the extent this Share Scheme expressly provides otherwise the recitals, schedules and annexures to that agreement or document.

- (g) A reference to a party to this Share Scheme or an agreement or document includes the party's executors, administrators, successors, permitted substitutes and permitted assigns (and, where applicable, the party's legal personal representatives).
- (h) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.
- (i) A reference to conduct includes an omission, statement or undertaking, whether or not in writing.
- (j) A reference to an agreement includes any undertaking, deed, agreement and legally enforceable arrangement, whether or not in writing, and a reference to a document includes an agreement (as so defined) in writing and any certificate, notice, instrument and document of any kind.
- (k) A reference to **dollars** or **\$** is to Australian currency.
- (l) All references to time are to Sydney, New South Wales time.
- (m) Mentioning anything after *includes*, *including*, *for example*, or similar expressions, does not limit what else might be included.
- (n) A word or expression defined in the Corporations Act has the meaning given to it in the Corporations Act.
- (o) A reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity.

### **1.3 Business Day**

Where the day on or by which any act, matter or thing under this Share Scheme is to be done is not a Business Day, that act, matter or thing must be done on or by the next Business Day.

### **1.4 Listing requirements included as law**

A listing rule or operating rule of a financial market and a Market Integrity Rule will be regarded as a law and a reference to legislation (as appropriate), and a reference to such a rule is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

## **2. Preliminary**

### **2.1 Xplore**

- (a) Xplore is a public company limited by shares, registered in New South Wales and admitted to the official list of ASX.
- (b) The Xplore Shares are officially quoted on ASX. As at the date of the Scheme Implementation Agreement 297,536,240 Xplore Shares were on issue which are officially quoted on ASX.

### **2.2 HUB24**

HUB24 is a public company limited by shares, registered in Victoria and admitted to the official list of ASX.

### **2.3 General**

- (a) Xplore and HUB24 have agreed by executing the Scheme Implementation Agreement to implement this Share Scheme subject to the terms and conditions of this Share Scheme.
- (b) This Share Scheme attributes actions to HUB24 but does not itself impose an obligation on it to perform those actions, as HUB24 is not a party to this Share Scheme. HUB24 has agreed, by executing the Share Scheme Deed Poll, to perform the actions attributed to it under this Share Scheme (including the provision of the Share Scheme Consideration to the Scheme Shareholders subject to the terms and conditions of this Share Scheme).

## 2.4 Consequence of this Share Scheme becoming Effective

If this Share Scheme becomes Effective:

- (a) HUB24 will provide or procure the provision of the Share Scheme Consideration to Scheme Shareholders in accordance with this Share Scheme; and
- (b) all the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date, will be transferred to HUB24, and Xplore will enter HUB24 in the Share Register as the holder of the Scheme Shares with the result that Xplore will become a wholly-owned subsidiary of HUB24.

## 3. Conditions

- (a) This Share Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:
  - (i) all the conditions precedent in clause 3.1 of the Scheme Implementation Agreement (other than the condition in clause 3.1(h) of the Scheme Implementation Agreement (Court approval)) having been satisfied or waived in accordance with the terms of the Scheme Implementation Agreement by no later than the Delivery Time on the Second Court Date;
  - (ii) neither the Scheme Implementation Agreement nor the Share Scheme Deed Poll having been terminated in accordance with their terms by no later than the Delivery Time on the Second Court Date;
  - (iii) approval of this Share Scheme by the Court under section 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under section 411(6) of the Corporations Act as are agreed to in writing by Xplore and HUB24;
  - (iv) such other conditions imposed by the Court under section 411(6) of the Corporations Act, as are agreed to in writing by Xplore and HUB24, having been satisfied; and
  - (v) the orders of the Court made under section 411(4)(b) (and if applicable section 411(6)) of the Corporations Act approving this Share Scheme coming into effect, pursuant to section 411(10) of the Corporations Act, on or before the End Date (or any later date Xplore and HUB24 agree in writing).
- (b) The satisfaction of the conditions referred to in clause 3(a) of this document is a condition precedent to the operation of clauses 4.2 and 5.

## 4. Implementation

### 4.1 Lodgement of Court orders

Subject to the Listing Rules, Xplore must lodge with ASIC office copies of any Court orders under section 411(4)(b) (and if applicable section 411(6)) of the Corporations Act approving this Share Scheme as soon as reasonably practicable after the Court approves this Share Scheme and in any event no later than by 5.00pm on the first Business Day after the Court approves this Share Scheme.

### 4.2 Transfer of Scheme Shares

On the Implementation Date:

- (a) subject to:
  - (i) the payment by Xplore of the cash component of the Share Scheme Consideration in the manner contemplated by clause 5.4(c); and
  - (ii) HUB24 confirming in writing to Xplore by no later than 12 noon (or such later time as HUB24 and Xplore may agree) on the Implementation Date that the HUB24

Consideration Shares component of the Share Scheme Consideration has been provided in the manner contemplated by clause 5.4(b),

the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date, will be transferred to HUB24, without the need for any further act by any Scheme Shareholder (other than acts performed by Xplore or its officers as agent and attorney of the Scheme Shareholders under clause 8.6 or otherwise), by:

- (iii) Xplore delivering to HUB24 a duly completed and executed share transfer form to transfer all the Scheme Shares to HUB24, executed on behalf of the Scheme Shareholders by Xplore; and
  - (iv) HUB24 duly executing such transfer form and delivering it to Xplore for registration; and
- (b) immediately after receipt of the transfer form in accordance with clause 4.2(a)(iv), Xplore must enter, or procure the entry of, the name of HUB24 in the Share Register in respect of the Scheme Shares transferred to HUB24 in accordance with this Share Scheme.

## 5. Share Scheme Consideration

### 5.1 Amount of Share Scheme Consideration

Each Scheme Shareholder is entitled to receive the Share Scheme Consideration.

### 5.2 Election procedure

- (a) Each Xplore Shareholder other than Foreign Scheme Shareholder will be entitled to make an Election. All Elections will take effect in accordance with this Share Scheme to the extent that any Xplore Shareholder who makes an Election qualifies as a Scheme Shareholder.
- (b) A Xplore Shareholder which makes an Election may vary, withdraw or revoke that Election by lodging a replacement Election Form, subject to that replacement Election Form being received on or before the Election Date.
- (c) An Election must be made in accordance with the terms and conditions of the Election Form and this clause 5.2, and an Election not so made will not be a valid election for the purpose of this Share Scheme and will not be recognised by HUB24 or Xplore for any purpose (provided that HUB24 may, with the agreement of Xplore, waive this requirement and may, with the agreement of Xplore, settle as it thinks fit any difficulty, matter of interpretation or dispute which may arise in connection with determining the validity of any Election, and any such decision will be conclusive and binding on HUB24, Xplore and the relevant Scheme Shareholder).
- (d) Clause 5.3 will apply to any Xplore Shareholder who purports to make an Election but who qualifies as a Foreign Scheme Shareholder or a Small Shareholder.
- (e) Subject to clause 5.2(f), if a Xplore Shareholder makes a valid Election, that Election will be deemed to apply in respect of the Xplore Shareholder's registered holding of Xplore Shares at the Share Scheme Record Date, regardless of whether the Xplore Shareholder's holding of Xplore Shares at the Share Scheme Record Date is greater or less than the Xplore Shareholder's holding at the time it made its Election.
- (f) A Xplore Shareholder who is noted on the Share Register as holding one or more parcels of Xplore Shares as trustee or nominee for, or otherwise on account of, another person, may make separate Elections under this clause 5.2 in relation to each of those parcels of Xplore Shares (subject to it providing to HUB24 and Xplore any substantiating information they reasonably require), and if it does so it will be treated as a separate Xplore Shareholder in respect of each such parcel in respect of which a separate Election is made (and in respect of any balance of its holding), provided that if, at the Share Scheme Record Date, it holds fewer Xplore Shares than it held at the time it made the Election, then, unless it has at the time of any sale of Xplore Shares notified Xplore whether the Xplore Shares sold relate to any such separate Election (and if so which separate Election the Xplore Shares sold relate to), it will be treated as not having made a valid Election in respect of any of its Xplore Shares (or will be treated in any other manner that HUB24 and Xplore agree is fair to the Xplore Shareholder in all the circumstances acting reasonably).

### 5.3 Foreign Scheme Shareholders and Small Shareholders

HUB24 will be under no obligation to issue, and must not issue, any HUB24 Consideration Shares under the Share Scheme to Foreign Scheme Shareholders or Small Shareholders. All Foreign Scheme Shareholders and Small Shareholders will receive the Cash Consideration for all of their Scheme Shares.

### 5.4 Provision of Share Scheme Consideration

- (a) The obligation of HUB24 to provide the Cash Consideration under this Share Scheme and the Share Scheme Deed Poll will be satisfied by HUB24, no later than the Business Day before the Implementation Date, depositing in cleared funds into the Trust Account an amount equal to the aggregate amount of the Cash Consideration payable to Scheme Shareholders who are entitled to the Cash Consideration under this Share Scheme, such amount to be held by Xplore on trust for the Scheme Shareholders and for the purpose of sending the aggregate amount of the Cash Consideration to the Scheme Shareholders (except that any interest on the amount will be for the account of HUB24).
- (b) HUB24 must before 12 noon (or such later time as HUB24 and Xplore may agree) on the Implementation Date procure that the name of each Scheme Shareholder (if any) entitled to receive HUB24 Consideration Shares under this Share Scheme is entered in HUB24's register of members as the holder of those HUB24 Consideration Shares (having the same holding name and address and other details as the holding of the relevant Scheme Shares).
- (c) On the Implementation Date and subject to funds having been deposited in accordance with clause 5.4(a), Xplore must pay or procure the payment of the Cash Consideration to each Scheme Shareholder who is entitled to the Cash Consideration under this Share Scheme from the Trust Account by doing any of the following at its election:
  - (i) sending (or procuring the Xplore Registry to send) it to the Scheme Shareholder's Registered Address by cheque (in the name of that Scheme Shareholder) in Australian currency drawn out of the Trust Account; or
  - (ii) depositing (or procuring the Xplore Registry to deposit) it into an account with any Australian ADI (as defined in the Corporations Act) notified to Xplore (or the Xplore Registry) by an appropriate authority from the Scheme Shareholder.
- (d) If:
  - (i) a Scheme Shareholder does not have a Registered Address and no account has been notified in accordance with clause 5.4(c)(ii) or a deposit into such an account is rejected or refunded; or
  - (ii) a cheque issued under this clause 5 has been cancelled in accordance with clause 5.8(a),

Xplore as the trustee for the Scheme Shareholders may credit the amount payable to the relevant Scheme Shareholder to a separate bank account of Xplore (**Separate Account**) to be held until the Scheme Shareholder claims the amount or the amount is dealt with under the *Unclaimed Money Act 1995* (NSW). To avoid doubt, if the amount is not credited to a Separate Account, the amount will continue to be held in the Trust Account until the Scheme Shareholder claims the amount or the amount is dealt with under *Unclaimed Money Act 1995* (NSW). Until such time as the amount is dealt with under *Unclaimed Money Act 1995* (NSW), Xplore must hold the amount on trust for the relevant Scheme Shareholder, but any interest or other benefit accruing from the amount will be to the benefit of HUB24. An amount credited to the Separate Account or Trust Account (as applicable) is to be treated as having been paid to the Scheme Shareholder when credited to the Separate Account or Trust Account (as applicable). Xplore must maintain records of the amounts paid, the people who are intitled to the amount and any transfers of the amounts.

- (e) On or before the date that is five Business Days after the Implementation Date, HUB24 must send or procure the sending of a share certificate or holding statement (or equivalent

document) to each Scheme Shareholder entitled to receive HUB24 Consideration Shares under this Share Scheme, reflecting the issue of such HUB24 Consideration Shares.

- (f) To the extent that, following satisfaction of Xplore's obligations under clause 5.2(c), there is a surplus in the amount held in the Trust Account, that surplus may be paid by Xplore to HUB24.

## 5.5 Foreign resident capital gains withholding

- (a) If HUB24 determines, having regard to legal advice, that HUB24 is either:
- (i) required by law to withhold any amount from a payment or an issue of HUB24 Consideration Shares (or a combination) to a Scheme Shareholder; or
  - (ii) liable to pay an amount to the Commissioner of Taxation under Subdivision 14-D of Schedule 1 to the *Taxation Administration Act 1953* (Cth) in respect of the acquisition of Scheme Shares from a Scheme Shareholder,
- (either of the above being the **Relevant Amount**),

then HUB24 is entitled to:

- (iii) withhold the Relevant Amount before making the payment or issuing the HUB24 Consideration Shares to the Scheme Shareholder (as applicable); and
- (iv) where the Share Scheme Consideration consist of only HUB24 Consideration Shares (i.e. there is no Cash Consideration), reduce the number of HUB24 Consideration Shares issued by a number calculated by the following factor, RA/VS, rounded up to the nearest whole number of HUB24 Consideration Shares, where:
  - (A) RA means the Relevant Amount; and
  - (B) VS means the value (as reasonably assessed by HUB24) of one HUB24 Consideration Shares; and
- (v) where the Share Scheme Consideration is a combination of Cash Consideration and HUB24 Consideration Shares, first withhold the Relevant Amount from any Cash Consideration,

and payment of the reduced amount or issue of the reduced number of HUB24 Consideration Shares (or a combination) and payment of the Relevant Amount to the relevant taxation authority pursuant to clause 5.5(b) shall be taken to be full payment of the Relevant Amount for the purposes of this Share Scheme, including clause 5.4.

- (b) HUB24 must pay any Relevant Amount so withheld to the relevant taxation authority within the time permitted by law, and, if requested in writing by the relevant Scheme Shareholder, provide a receipt or other appropriate evidence (or procure the provision of such receipt or other evidence) of such payment to the relevant Scheme Shareholder.

## 5.6 Joint holders

In the case of Scheme Shares held in joint names:

- (a) any HUB24 Consideration Shares comprised in the Share Scheme Consideration are to be registered in the names of the joint holders;
- (b) any cheque required to be sent under this Share Scheme will be made payable to the joint holders and sent at the sole discretion of Xplore, either to the holder whose name appears first in the Share Register as at the Share Scheme Record Date or to the joint holders; and
- (c) any other document required to be sent under this Share Scheme, will be forwarded, at the sole discretion of Xplore, either to the holder whose name appears first in the Share Register as at the Share Scheme Record Date or to the joint holders.

## 5.7 Fractional entitlements

- (a) Where the calculation of the Share Scheme Consideration to be provided to a Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a cent or a fraction of a HUB24 Consideration Share, that fractional entitlement will be

rounded down to the nearest whole cent or HUB24 Consideration Share as the case may be.

- (b) Any fraction of a HUB24 Consideration Share arising as provided under clause 5.7(a) will be paid in cash of an amount equal to the fraction multiplied by the issue price of one HUB24 Consideration Share (calculated as the closing price per share of HUB24 Shares on ASX as at the Share Scheme Record Date) and rounded down to the nearest whole cent.
- (c) If HUB24 is of the reasonable opinion that two or more Scheme Shareholders (each of whom holds a number of Scheme Shares which results in rounding in accordance with clause 5.7(a) or each of whom holds less than or equal to the number of Scheme Shares required to classify as a Small Shareholder) have, before the Share Scheme Record Date, been party to shareholding splitting or division in an attempt to obtain unfair advantage by reference to such rounding or shareholding splitting or division, HUB24 may give notice to those Scheme Shareholders:
  - (i) setting out their names and Registered Addresses;
  - (ii) stating that opinion; and
  - (iii) attributing to one of them specifically identified in the notice the Scheme Shares held by all of them,

and, after such notice has been given, the Scheme Shareholder specifically identified in the notice as the deemed holder of all the specified Scheme Shares will, for the purposes of the other provisions of this Share Scheme, be taken to hold all of those Scheme Shares and each of the other Scheme Shareholders whose names and Registered Addresses are set out in the notice will, for the purposes of the other provisions of this Share Scheme, be taken to hold no Scheme Shares. HUB24, in complying with the other provisions of this Share Scheme relating to it in respect of the Scheme Shareholder specifically identified in the notice as the deemed holder of all the specified Scheme Shares, will be taken to have satisfied and discharged its obligations to the other Scheme Shareholders named in the notice under the terms of this Share Scheme.

## 5.8 Unclaimed monies

- (a) Xplore may cancel a cheque sent under this clause 5 if the cheque:
  - (i) is returned to Xplore; 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 11 months commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Xplore (or the Share Registry) (which request may not be made until the date which is 20 Business Days after the Implementation Date), Xplore must reissue a cheque that was previously cancelled under clause 5.8(a).
- (c) The *Unclaimed Money Act 1995* (NSW) will apply in relation to any Share 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 unclaimed Share Scheme Consideration will be to the benefit of HUB24.

## 5.9 Status of HUB24 Consideration Shares

Subject to this Share Scheme becoming Effective, HUB24 must:

- (a) issue the HUB24 Consideration Shares required to be issued under this Share Scheme on terms such that each such HUB24 Consideration Shares will rank equally in all respects with each other HUB24 Share then on issue; and
- (b) ensure that each HUB24 Consideration Share required to be issued under this Share Scheme is duly issued and is fully paid and free from any mortgage, charge, lien, encumbrance or other security interest (except for any lien arising under the constitution of HUB24); and

- (c) use all reasonable endeavours to ensure that such HUB24 Consideration Shares are, from the Business Day following the date this Share Scheme becomes Effective (or such later date as ASX requires), quoted for trading on the ASX initially on a deferred settlement basis and thereafter on an ordinary settlement basis.

## 5.10 Order of a court or Regulatory Authority

If:

- (a) written notice is given to Xplore (or the Share Registry) of an order or direction made by a court of competent jurisdiction or by another Regulatory Authority that requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable to that Scheme Shareholder by Xplore in accordance with this clause 5, then Xplore may procure that payment is made in accordance with that order or direction; or
- (b) written notice is given to Xplore (or the Share Registry) of an order or direction made by a court of competent jurisdiction or by another Regulatory Authority that prevents Xplore from making a payment to any particular Scheme Shareholder in accordance with clause 5.4(c), or such payment is otherwise prohibited by applicable law, Xplore may retain an amount equal to the number of Scheme Shares held by that Scheme Shareholder for which Cash Consideration is payable multiplied by the applicable Cash Consideration to be paid as a portion of the Share Scheme Consideration until such time as payment in accordance with this clause 5 is permitted by that order or direction or otherwise by law,

and the payment or retention by Xplore (or the Share Registry) will constitute the full discharge of Xplore's obligations under clause 5.4(c) with respect of the amount so paid or retained until, in the case of clause 5.10(b), it is no longer required to be retained.

## 5.11 Definition of *sending*

For the purposes of clause 5, the expression *sending* means, in relation to each Scheme Shareholder:

- (a) sending by ordinary pre-paid post or courier to the Registered Address of that Scheme Shareholder as at the Share Scheme Record Date; or
- (b) delivery to the Registered Address of that Scheme Shareholder as at the Share Scheme Record Date by any other means at no cost to the recipient.

## 6. Dealings in Xplore Shares

### 6.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in Xplore Shares or other alterations to the Share Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Share Register as the holder of the relevant Xplore Shares on or before 7.00pm on the Share Scheme Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in respect of those dealings are received on or before 5.00pm on the day on which the Share Scheme Record Date occurs at the place where the Share Register is kept,

and Xplore will not accept for registration, nor recognise for any purpose (except a transfer to HUB24 under this Share Scheme and any subsequent transfer by HUB24 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.

### 6.2 Register

- (a) (**Registration of transfers**) Xplore must register registrable transmission applications or transfers of the kind referred to in clause 6.1(b) by or as soon as reasonably practicable after the Share Scheme Record Date (provided that for the avoidance of doubt nothing in this clause 6.2 requires Xplore to register a transfer that would result in a Xplore

Shareholder holding a parcel of Xplore Shares that is less than a 'marketable parcel' (as defined in the Settlement Rules)).

- (b) **(No registration after Share Scheme Record Date)** Xplore will not accept for registration or recognise for any purpose any transmission application or transfer in respect of Xplore Shares received after 5.00pm on the day on which the Share Scheme Record Date occurs, other than to HUB24 in accordance with this Share Scheme and any subsequent transfer by HUB24 or its successors in title.
- (c) **(Maintenance of Share Register)** For the purpose of determining entitlements to the Share Scheme Consideration, Xplore must maintain the Share Register in accordance with the provisions of this clause until the Share Scheme Consideration has been delivered to the Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Share Scheme Consideration.
- (d) **(No disposal after Share Scheme Record Date)** From the Share Scheme Record Date until registration of HUB24 in respect of all Scheme Shares under clause 4, no Xplore Shareholder may dispose or otherwise deal with Xplore Shares (or purport to do so) in any way except as set out in this Share Scheme and any attempt to do so will have no effect and Xplore shall be entitled to disregard any such disposal or dealing.
- (e) **(Statements of holding from Share Scheme Record Date)** All statements of holding for Xplore Shares will cease to have effect from the Share Scheme Record Date as documents of title in respect of those shares. As from the Share Scheme Record Date, each entry current at that date on the Share Register will cease to have effect except as evidence of entitlement to the Share Scheme Consideration in respect of the Xplore Shares relating to that entry.
- (f) **(Provision of Scheme Shareholder details)** As soon as practicable on or after the Share Scheme Record Date and in any event within one Business Day after the Share Scheme Record Date, Xplore will ensure that details of the names, Registered Addresses and holdings of Xplore Shares for each Scheme Shareholder are available to HUB24 in the form HUB24 reasonably requires.

## 7. Suspension and delisting

- (a) Xplore will apply to ASX to suspend trading on the ASX in Xplore Shares with effect from the close of trading on the Effective Date.
- (b) On a date after the Implementation Date to be determined by HUB24, and to take effect only after the transfer of the Scheme Shares has been registered in accordance with clause 4.2(b), Xplore will apply:
  - (i) for termination of the official quotation of Xplore Shares on ASX; and
  - (ii) to have itself removed from the official list of ASX.

## 8. General Share Scheme provisions

### 8.1 Consent to amendments to this Share Scheme

If the Court proposes to approve this Share Scheme subject to any alterations or conditions:

- (a) Xplore may, by its counsel or solicitors, consent on behalf of all persons concerned to those alterations or conditions to which HUB24 has consented in writing; and
- (b) each Scheme Shareholder agrees to any such alterations or conditions to which counsel for Xplore has consented.

## 8.2 Binding effect of Share Scheme

This Share Scheme binds Xplore and all Scheme Shareholders (including those who did not attend the Share Scheme Meeting, those who did not vote at that meeting, or voted against this Share Scheme at that meeting) and, to the extent of any inconsistency, overrides the constitution of Xplore.

## 8.3 Scheme Shareholders' agreements and acknowledgment

Each Scheme Shareholder:

- (a) agrees to the transfer of their Xplore Shares together with all rights and entitlements attaching to those Xplore Shares in accordance with this Share Scheme;
- (b) who holds their Shares in a CHESS Holding agrees to the conversion of those Shares to an Issuer Sponsored Holding and irrevocably authorises Xplore to do anything necessary or expedient (whether required by the Settlement Rules or otherwise) to effect or facilitate such conversion;
- (c) agrees to any variation, cancellation or modification of the rights attached to their Xplore Shares constituted by or resulting from this Share Scheme;
- (d) agrees to, on the direction of HUB24, destroy any holding statements or share certificates relating to their Xplore Shares;
- (e) to the extent they are to receive HUB24 Consideration Shares as a component of the Share Scheme Consideration to which they are entitled, agrees to become a shareholder of HUB24, have their name and address entered in HUB24's register of members (and other details as the holding of the relevant Scheme Shares), and to be bound by its constitution; and
- (f) acknowledges and agrees that this Share Scheme binds Xplore and all Scheme Shareholders (including those who did not attend the Share Scheme Meeting or did not vote at that meeting or voted against this Share Scheme at that Share Scheme Meeting).

## 8.4 Warranties by Scheme Shareholders

- (a) Each Scheme Shareholder is deemed to have warranted to Xplore, in its own right and for the benefit of HUB24, that as at the Implementation Date:
  - (i) all of its Xplore Shares which are transferred to HUB24 under this Share Scheme, including any rights and entitlements attaching to those Xplore Shares, will, at the time of transfer, be free from all 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 restrictions on transfer of any kind;
  - (ii) all of its Xplore Shares which are transferred to HUB24 under this Share Scheme will, on the date on which they are transferred to HUB24, be fully paid;
  - (iii) it has full power and capacity to transfer its Xplore Shares to HUB24 together with any rights attaching to those shares; and
  - (iv) it has no existing right to be issued any Xplore Shares, options exercisable into Xplore shares, Xplore convertible notes or any other Xplore securities.
- (b) Xplore undertakes that it will provide the warranties in clause 8.4(a) to HUB24 as agent and attorney of each Scheme Shareholder.

## 8.5 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attached to Scheme Shares) transferred under this Share Scheme will be transferred free from all 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 restrictions on transfer of any kind.

- (b) On and from the Implementation Date, subject to the provision of the Share Scheme Consideration to each Scheme Shareholder in the manner contemplated by clauses 5.4(b) and 5.4(c), HUB24 will be beneficially entitled to the Scheme Shares transferred to it under this Share Scheme pending registration by Xplore of HUB24 in the Share Register as the holder of the Scheme Shares.

## **8.6 Authority given to Xplore**

- (a) Scheme Shareholders will be deemed to have authorised Xplore to do and execute all acts, matters, things and documents on the part of each Scheme Shareholder necessary for or incidental to the implementation of this Share Scheme, including executing and delivering, as agent and attorney of each Scheme Shareholder:
  - (i) a share transfer or transfers in relation to Scheme Shares as contemplated by clause 4.2; and
  - (ii) any deed or document required by Xplore or HUB24 that causes each Scheme Shareholder entitled to HUB24 Consideration Shares to be bound by the constitution of HUB24.
- (b) Each Scheme Shareholder, without the need for any further act, irrevocably appoints Xplore and all of its directors, secretaries and officers (jointly and severally) as its attorney and agent for the purpose of:
  - (i) on the Effective Date, enforcing the Share Scheme Deed Poll against HUB24 and Xplore accepts such appointment; and
  - (ii) on the Implementation Date, executing any document necessary to give effect to this Share Scheme including, a proper instrument of transfer of its Scheme Shares for the purposes of section 1071B of the Corporations Act which may be a master transfer of all the Scheme Shares and Xplore accepts such appointment.

## **8.7 Appointment of sole proxy**

Immediately after the provision of the Share Scheme Consideration to each Scheme Shareholder in the manner contemplated by clauses 5.4(b) and 5.4(c) until Xplore registers HUB24 as the holder of all Xplore Shares in the Share Register, each Scheme Shareholder:

- (a) is deemed to have irrevocably appointed HUB24 as its attorney and agent (and directed HUB24 in such capacity) to appoint an officer or agent nominated by HUB24 as its sole proxy and, where applicable, corporate representative to attend shareholders' meetings of Xplore, exercise the votes attaching to the Scheme Shares registered in its name and sign any shareholders' resolution;
- (b) undertakes not to otherwise attend Shareholders' meetings, exercise the votes attaching to Scheme Shares registered in their names or sign or vote on any resolutions (whether in person, by proxy or by corporate representative) other than pursuant to clause 8.7(a);
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as HUB24 reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in clause 8.7(a), HUB24 and any officer or agent nominated by HUB24 under clause 8.7(a) may act in the best interests of HUB24 as the intended registered holder of the Scheme Shares.

## **8.8 Instructions and elections**

If not prohibited by law (and including where permitted or facilitated by relief granted by a Regulatory Authority), all instructions, notifications or elections by a Scheme Shareholder to Xplore binding or deemed binding between the Scheme Shareholder and Xplore relating to Xplore or Xplore Shares (including any email addresses, instructions relating to communications from Xplore, whether dividends are to be paid by cheque or into a specific bank account, notices of

meetings or other communications from Xplore) will be deemed from the Implementation Date (except to the extent determined otherwise by HUB24 and in its sole discretion), by reason of this Share Scheme, to be made by the Scheme Shareholder to HUB24, and will be accepted by HUB24 until that instruction, notification or election is revoked or amended in writing addressed to HUB24 at the relevant registry, provided that any such instructions or notifications accepted by HUB24 will apply to and in respect of the issue of HUB24 Consideration Shares as part of the Share Scheme Consideration only to the extent that they are not inconsistent with the other provisions of the Share Scheme.

## **9. General**

### **9.1 Stamp duty**

HUB24 must pay all stamp duty payable in connection with the transfer of the Share Scheme Shares to HUB24 pursuant to this Share Scheme.

### **9.2 Notices**

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this document is sent by post to Xplore, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Xplore's registered office or at the office of the Xplore Registry.
- (b) The accidental omission to give notice of the Share Scheme Meeting or the non-receipt of such a notice by any Shareholder may not, unless so ordered by the Court, invalidate the Share Scheme Meeting or the proceedings of the Share Scheme Meeting.

### **9.3 Further assurances**

- (a) Xplore must do anything necessary (including executing agreements and documents) or incidental to give full effect to this Share Scheme and the transactions contemplated by it.
- (b) Each Scheme Shareholder consents to Xplore doing all things necessary or incidental to give full effect to this Share Scheme and the transactions contemplated by it.

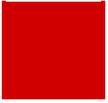
### **9.4 Governing law and jurisdiction**

- (a) This Share Scheme is governed by the laws of New South Wales.
- (b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in New South Wales and courts of appeal from them in respect of any proceedings arising out of or in connection with this Share Scheme.

### **9.5 No liability when acting in good faith**

None of HUB24 nor any of its directors, officers, secretaries or employees, will be liable for anything done or omitted to be done in the performance of this Share Scheme or the Share Scheme Deed Poll in good faith.

**Annexure E – Option Scheme**



# Option Scheme of Arrangement

Xplore Wealth Limited ABN 34 128 316 441

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Scheme Optionholders

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# Option Scheme of Arrangement

Xplore Wealth Limited ABN 34 128 316 441

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# Details

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth).

Between the parties

**Xplore Wealth Limited** ABN 34 128 316 441 of Suite 1, Level 5, 28 Margaret Street, Sydney, NSW 2000  
(**Xplore**)

and

**Each Scheme Optionholder**

# Agreed terms

## 1. Defined terms & interpretation

### 1.1 Definitions

In this Option Scheme, unless the context requires otherwise:

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited ACN 008 624 691, or as the context requires or permits, the financial market known as the Australian Securities Exchange operated by it.

**Business Day** means a day that is not a Saturday, Sunday or a public holiday or bank holiday in Sydney, New South Wales.

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

**Court** means the Federal Court of Australia or such other court of competent jurisdiction under the Corporations Act agreed in writing between Xplore and HUB24.

**Delivery Time** means, in relation to the Second Court Date, two hours before the commencement of the hearing or, if the commencement of the hearing is adjourned, two hours before the commencement of the adjourned hearing, of the Court to approve this Option Scheme in accordance with section 411(4)(b) of the Corporations Act.

**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 this Option Scheme.

**Effective Date** means the date on which this Option Scheme becomes Effective.

**End Date** means the 'End Date' determined in accordance with the Scheme Implementation Agreement.

**HUB24** means HUB24 Limited ACN 124 891 685.

**Implementation Date** means the fifth Business Day after the Option Scheme Record Date or such other Business Day after the Option Scheme Record Date agreed to in writing between the relevant parties to the Scheme Implementation Agreement.

**Registered Address** means, in relation to an Xplore Optionholder, the address shown in the Option Register as at the Option Scheme Record Date.

**Regulatory Authority** means:

- (a) any government or governmental, semi-governmental, administrative, monetary, fiscal or judicial body, tribunal, agency or entity;
  - (b) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; or
  - (c) any regulatory organisation established under statute,
- in Australia whether federal, state, territorial or local.

**Scheme Implementation Agreement** means the Scheme Implementation Agreement dated 28 October 2020 between Xplore and HUB24.

**Option Register** means the register of optionholders of Xplore maintained in accordance with the Corporations Act.

**Option Scheme** means this scheme of arrangement under Part 5.1 of the Corporations Act between Xplore and the Scheme Optionholders, subject to any alterations or conditions that are:

- (a) agreed to in writing by Xplore and HUB24 and approved by the Court; or
- (b) made or required by the Court under section 411(6) of the Corporations Act and agreed to by Xplore and HUB24.

**Option Scheme Consideration** means the consideration to be provided to Scheme Optionholders under the terms of this Option Scheme, being the amount set out in Schedule 1 to this Option Scheme.

**Option Scheme Deed Poll** means the deed poll dated 15 December 2020 executed by Xplore and HUB24 under which HUB24 among other things covenant in favour of the Scheme Optionholders to perform the actions attributed to it respectively under this Option Scheme.

**Option Scheme Meeting** means the meeting of Xplore Optionholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on this Option Scheme and includes any meeting convened following any adjournment or postponement of that meeting.

**Option Scheme Record Date** means 7.00pm on the second Business Day after the Effective Date or such other time and date agreed to in writing between Xplore and HUB24.

**Scheme Options** means an Xplore Option on issue as at the Option Scheme Record Date.

**Scheme Optionholder** means a person who holds one or more Scheme Options.

**Second Court Date** means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving this Option Scheme is heard or scheduled to be heard or, if the application is adjourned for any reason, means the date on which the adjourned application is heard or scheduled to be heard.

**Share Scheme** has the meaning given in the Scheme Implementation Agreement.

**Trust Account** means an Australian dollar denominated trust account operated by Xplore as trustee for the benefit of Scheme Optionholders.

**Xplore Option** means an option to acquire by way of issue one Xplore Share, which option is not listed for quotation on ASX.

**Xplore Optionholder** means a person who is registered in the register maintained by Xplore under section 168(1) of the Corporations Act as a holder of one or more Xplore Options.

**Xplore Registry** means Registry Direct or any replacement provider of option registry services to Xplore.

**Xplore Share** means an issued fully paid ordinary share in the capital of Xplore.

## 1.2 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise.

- (a) The singular includes the plural, and the converse also applies.
- (b) A gender includes all genders.
- (c) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (d) A reference to a person, corporation, trust, partnership, unincorporated body or other entity includes any of them.
- (e) A reference to a clause or schedule is a reference to a clause of or schedule to this Option Scheme.

- (f) A reference to an **agreement** or **document** (including a reference to this Option Scheme) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this Option Scheme or that other agreement or document, and includes, except to the extent this Option Scheme expressly provides otherwise the recitals, schedules and annexures to that agreement or document.
- (g) A reference to a party to this Option Scheme or an agreement or document includes the party's executors, administrators, successors, permitted substitutes and permitted assigns (and, where applicable, the party's legal personal representatives).
- (h) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.
- (i) A reference to conduct includes an omission, statement or undertaking, whether or not in writing.
- (j) A reference to an agreement includes any undertaking, deed, agreement and legally enforceable arrangement, whether or not in writing, and a reference to a document includes an agreement (as so defined) in writing and any certificate, notice, instrument and document of any kind.
- (k) A reference to **dollars** or **\$** is to Australian currency.
- (l) All references to time are to Sydney, New South Wales time.
- (m) Mentioning anything after *includes, including, for example*, or similar expressions, does not limit what else might be included.
- (n) A word or expression defined in the Corporations Act has the meaning given to it in the Corporations Act.
- (o) A reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity.

### 1.3 Business Day

Where the day on or by which any act, matter or thing under this Option Scheme is to be done is not a Business Day, that act, matter or thing must be done on or by the next Business Day.

## 2. Preliminary

### 2.1 Xplore

- (a) Xplore is a public company limited by shares, registered in New South Wales and admitted to the official list of ASX.
- (b) As at the date of the Scheme Implementation Agreement, 11,066,409 Xplore Options were on issue which are not quoted any financial market and a further 11,506,400 Xplore Options are intended to be issued to Xplore employees and executives after release of the Announcements (as defined in the Scheme Implementation Agreement).

### 2.2 HUB24

HUB24 is a public company limited by shares, registered in Victoria and admitted to the official list of ASX.

### 2.3 General

- (a) Xplore and HUB24 have agreed by executing the Scheme Implementation Agreement to implement this Option Scheme subject to the terms and conditions of this Option Scheme.
- (b) This Option Scheme attributes actions to HUB24 but does not itself impose an obligation on it to perform those actions, as HUB24 is not a party to this Option Scheme. HUB24 has agreed, by executing the Option Scheme Deed Poll, to perform the actions attributed to it

under this Option Scheme (including the provision of the Option Scheme Consideration to the Scheme Optionholders subject to the terms and conditions of this Option Scheme).

## **2.4 Consequence of this Option Scheme becoming Effective**

If this Option Scheme becomes Effective:

- (a) HUB24 will provide or procure the provision of the Option Scheme Consideration to Scheme Optionholders in accordance with this Option Scheme; and
- (b) all the Scheme Options, together with all rights and entitlements attaching to the Scheme Options at the Implementation Date, will be cancelled, and Xplore will remove the names of all Scheme Optionholders from the Option Register.

## **3. Conditions**

- (a) This Option Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:
  - (i) all the conditions precedent in clause 3.3 of the Scheme Implementation Agreement (other than the condition in clause 3.3(d) of the Scheme Implementation Agreement (Court approval)) having been satisfied or waived in accordance with the terms of the Scheme Implementation Agreement by no later than the Delivery Time on the Second Court Date;
  - (ii) neither the Scheme Implementation Agreement nor the Option Scheme Deed Poll having been terminated in accordance with their terms by no later than the Delivery Time on the Second Court Date;
  - (iii) approval of this Option Scheme by the Court under section 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under section 411(6) of the Corporations Act as are agreed to in writing by Xplore and HUB24;
  - (iv) such other conditions imposed by the Court under section 411(6) of the Corporations Act, as are agreed to in writing by Xplore and HUB24, having been satisfied; and
  - (v) the orders of the Court made under section 411(4)(b) (and if applicable section 411(6)) of the Corporations Act approving this Option Scheme coming into effect, pursuant to section 411(10) of the Corporations Act, on or before the End Date (or any later date Xplore and HUB24 agree in writing).
- (b) The satisfaction of the conditions referred to in clause 3(a) of this document is a condition precedent to the operation of clauses 4.2 and 5.

## **4. Implementation**

### **4.1 Lodgement of Court orders**

Xplore must lodge with ASIC office copies of any Court orders under section 411(4)(b) (and if applicable section 411(6)) of the Corporations Act approving this Option Scheme as soon as reasonably practicable after the Court approves this Option Scheme and in any event no later than by 5.00pm on the first Business Day after the Court approves this Option Scheme.

### **4.2 Cancellation of Scheme Options**

- (a) On the Implementation Date:
  - (i) subject to the payment by Xplore of the Option Scheme Consideration in the manner contemplated by clause 5.2(b), the Scheme Options, together with all rights and entitlements attaching to the Scheme Options at the Implementation Date, will be cancelled without the need for any further act by any Scheme Optionholder (other than acts performed by Xplore or its officers as agent and

attorney of the Scheme Optionholders under clause 7.6 or otherwise) and each Scheme Optionholder:

- (A) releases Xplore from all liabilities and obligations in relation to those Scheme Options;
- (B) releases and waives any and all rights they may have had (including to be issued Xplore Shares) in relation to those Scheme Options (including under the terms of the relevant Scheme Options); and
- (C) authorises Xplore to update the Option Register recording the cancellation of the Scheme Options.

(b) Under clause 4.2(a), Xplore will ensure the cancellation of the Scheme Options.

## 5. Option Scheme Consideration

### 5.1 Amount of Option Scheme Consideration

Each Scheme Optionholder is entitled to receive the Option Scheme Consideration.

### 5.2 Provision of Option Scheme Consideration

- (a) The obligation of HUB24 to provide the Option Scheme Consideration under this Option Scheme and the Option Scheme Deed Poll will be satisfied by HUB24, no later than the Business Day before the Implementation Date, depositing in cleared funds into the Trust Account an amount equal to the aggregate amount of the Option Scheme Consideration payable to Scheme Optionholders who are entitled to the Option Scheme Consideration under this Option Scheme, such amount to be held by Xplore on trust for the Scheme Optionholders and for the purpose of sending the aggregate amount of the Option Scheme Consideration to the Scheme Optionholders (except that any interest on the amount will be for the account of HUB24).
- (b) On the Implementation Date and subject to funds having been deposited in accordance with clause 5.2(a), Xplore must pay or procure the payment of the Option Scheme Consideration to each Scheme Optionholder who is entitled to the Option Scheme Consideration under this Option Scheme from the Trust Account by doing any of the following at its election:
  - (i) sending (or procuring the Xplore Registry to send) it to the Scheme Optionholder's Registered Address by cheque (in the name of that Scheme Optionholder) in Australian currency drawn out of the Trust Account; or
  - (ii) depositing (or procuring the Xplore Registry to deposit) it into an account with any Australian ADI (as defined in the Corporations Act) notified to Xplore (or the Xplore Registry) by an appropriate authority from the Scheme Optionholder.
- (c) If:
  - (i) a Scheme Optionholder does not have a Registered Address and no account has been notified in accordance with clause 5.2(b)(ii) or a deposit into such an account is rejected or refunded; or
  - (ii) a cheque issued under this clause 5 has been cancelled in accordance with clause 5.6(a),

Xplore as the trustee for the Scheme Optionholders may credit the amount payable to the relevant Scheme Optionholder to a separate bank account of Xplore (**Separate Account**) to be held until the Scheme Optionholder claims the amount or the amount is dealt with under the *Unclaimed Money Act 1995* (NSW). To avoid doubt, if the amount is not credited to a Separate Account, the amount will continue to be held in the Trust Account until the Scheme Optionholder claims the amount or the amount is dealt with under *Unclaimed Money Act 1995* (NSW). Until such time as the amount is dealt with under *Unclaimed Money Act 1995* (NSW), Xplore must hold the amount on trust for the relevant Scheme Optionholder, but any interest or other benefit accruing from the amount will be to the benefit of HUB24. An amount credited to the Separate Account or Trust Account (as

applicable) is to be treated as having been paid to the Scheme Optionholder when credited to the Separate Account or Trust Account (as applicable). Xplore must maintain records of the amounts paid, the people who are entitled to the amount and any transfers of the amounts.

- (d) To the extent that, following satisfaction of Xplore's obligations under clause 5.2(b), there is a surplus in the amount held in the Trust Account, that surplus may be paid by Xplore to HUB24.

### 5.3 Foreign resident capital gains withholding

- (a) If HUB24 determines, having regard to legal advice, that HUB24 is either:
  - (i) required by law to withhold any amount from a payment to a Scheme Optionholder; or
  - (ii) liable to pay an amount to the Commissioner of Taxation under Subdivision 14-D of Schedule 1 to the *Taxation Administration Act 1953* (Cth) in respect of the cancellation of Scheme Options,  
(either of the above being the **Relevant Amount**),

then HUB24 is entitled to withhold the Relevant Amount before making the payment to the Scheme Optionholder and payment of the reduced amount shall be taken to be full payment of the Relevant Amount for the purposes of this Option Scheme, including clause 5.2

- (b) HUB24 must pay any Relevant Amount so withheld to the relevant taxation authority within the time permitted by law, and, if requested in writing by the relevant Scheme Optionholder, provide a receipt or other appropriate evidence (or procure the provision of such receipt or other evidence) of such payment to the relevant Scheme Optionholder.

### 5.4 Joint holders

In the case of Scheme Options held in joint names:

- (a) any cheque required to be sent under this Option Scheme will be made payable to the joint holders and sent at the sole discretion of Xplore, either to the holder whose name appears first in the Option Register as at the Option Scheme Record Date or to the joint holders; and
- (b) any other document required to be sent under this Option Scheme, will be forwarded, at the sole discretion of Xplore, either to the holder whose name appears first in the Option Register as at the Option Scheme Record Date or to the joint holders.

### 5.5 Fractional entitlements

Where the calculation of the Option Scheme Consideration to be provided to a Scheme Optionholders would result in the Scheme Optionholder becoming entitled to a fraction of a cent, that fractional entitlement will be rounded down to the nearest whole cent.

### 5.6 Unclaimed monies

- (a) Xplore may cancel a cheque sent under this clause 5 if the cheque:
  - (i) is returned to Xplore; 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 11 months commencing on the Implementation Date, on request in writing from a Scheme Optionholder to Xplore (or the Xplore Registry) (which request may not be made until the date which is 20 Business Days after the Implementation Date), Xplore must reissue a cheque that was previously cancelled under clause 5.6(a).
- (c) The *Unclaimed Money Act 1995* (NSW) will apply in relation to any Option 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 unclaimed Option Scheme Consideration will be to the benefit of HUB24.

## **5.7 Order of a court or Regulatory Authority**

If:

- (a) written notice is given to Xplore (or the Xplore Registry) of an order or direction made by a court of competent jurisdiction or by another Regulatory Authority that requires payment to a third party of a sum in respect of Scheme Options held by a particular Scheme Optionholder, which would otherwise be payable to that Scheme Optionholder by Xplore in accordance with this clause 5, then Xplore may procure that payment is made in accordance with that order or direction; or
- (b) written notice is given to Xplore (or the Xplore Registry) of an order or direction made by a court of competent jurisdiction or by another Regulatory Authority that prevents Xplore from making a payment to any particular Scheme Optionholder in accordance with clause 5.2(b), or such payment is otherwise prohibited by applicable law, Xplore may retain an amount equal to the number of Scheme Options held by that Scheme Optionholder multiplied by the applicable Option Scheme Consideration until such time as payment in accordance with this clause 5 is permitted by that order or direction or otherwise by law,

and the payment or retention by Xplore (or the Xplore Registry) will constitute the full discharge of Xplore's obligations under clause 5.2(b) with respect of the amount so paid or retained until, in the case of clause 5.7(b), it is no longer required to be retained.

## **5.8 Definition of *sending***

For the purposes of clause 5 the expression *sending* means, in relation to each Scheme Optionholder:

- (a) sending by ordinary pre-paid post or courier to the Registered Address of that Scheme Optionholder as at the Option Scheme Record Date; or
- (b) delivery to the Registered Address of that Scheme Optionholder as at the Option Scheme Record Date by any other means at no cost to the recipient.

# **6. Dealings in Xplore Options**

## **6.1 Determination of Scheme Optionholders**

To establish the identity of the Scheme Optionholders, any dealings in Xplore Options (including the exercise of Xplore Options) or other alterations to the Option Register will only be recognised if the notices of exercise, registrable transmission applications or transfers in respect of those dealings are received on or before 5.00pm on the day on which the Option Scheme Record Date occurs at the place where the Option Register is kept and Xplore will not accept for registration, nor recognise for any purpose, any exercise, 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.

## **6.2 Registration as holder of Xplore Shares**

Xplore will issue, and register the Optionholder as the holder of, a Xplore Share in respect of any valid exercise of a Xplore Option registered in the name of the Optionholder permitted by clause 6.1 and in accordance with the terms of grant of the Xplore Option, and the Optionholder acknowledges and agrees that, if the Share Scheme becomes Effective and the Optionholder has validly exercised a Xplore Option in accordance with the foregoing, the Optionholder will be bound by the terms of the Share Scheme in respect of each such Xplore Share and, accordingly, each

such Xplore Share will be transferred to HUB24 in accordance with the Share Scheme on the Implementation Date.

### **6.3 Register**

- (a) **(Registration of transfers)** Xplore must register registrable transmission applications or transfers of the kind referred to in clause 6.1 by or as soon as reasonably practicable after the Option Scheme Record Date.
- (b) **(No registration after Option Scheme Record Date)** Xplore will not accept for registration or recognise for any purpose any exercise, transmission application or transfer in respect of Xplore Options received after 5.00pm on the day on which the Option Scheme Record Date occurs.
- (c) **(Maintenance of Option Register)** For the purpose of determining entitlements to the Option Scheme Consideration, Xplore must maintain the Option Register in accordance with the provisions of this clause until the Option Scheme Consideration has been paid to the Scheme Optionholders. The Option Register in this form will solely determine entitlements to the Option Scheme Consideration.
- (d) **(No disposal after Option Scheme Record Date)** From the Option Scheme Record Date, no Xplore Optionholder may dispose or otherwise deal with Xplore Options (or purport to do so) in any way except as set out in this Option Scheme and any attempt to do so will have no effect and Xplore shall be entitled to disregard any such disposal or dealing.
- (e) **(Statements of holding from Option Scheme Record Date)** All statements of holding for Xplore Options will cease to have effect from the Option Scheme Record Date as documents of title in respect of those options. As from the Option Scheme Record Date, each entry current at that date on the Option Register will cease to have effect except as evidence of entitlement to the Option Scheme Consideration in respect of the Xplore Options relating to that entry.
- (f) **(Provision of Scheme Optionholder details)** As soon as practicable on or after the Option Scheme Record Date and in any event within one Business Day after the Option Scheme Record Date, Xplore will ensure that details of the names, Registered Addresses and holdings of Xplore Options for each Scheme Optionholder are available to HUB24 in the form HUB24 reasonably requires.

## **7. General Scheme provisions**

### **7.1 Consent to amendments to this Option Scheme**

If the Court proposes to approve this Option Scheme subject to any alterations or conditions:

- (a) Xplore may, by its counsel or solicitors, consent on behalf of all persons concerned to those alterations or conditions to which HUB24 has consented in writing; and
- (b) each Scheme Optionholder agrees to any such alterations or conditions to which counsel for Xplore has consented.

### **7.2 Binding effect of Option Scheme**

This Option Scheme binds Xplore and all Scheme Optionholders (including those who did not attend the Option Scheme Meeting, those who did not vote at that meeting, or voted against this Option Scheme at that meeting) and, to the extent of any inconsistency, overrides the constitution of Xplore.

### **7.3 Scheme Optionholders' agreements and acknowledgment**

Each Scheme Optionholder:

- (a) agrees to the cancellation of their Xplore Options together with all rights and entitlements attaching to those Xplore Options in accordance with this Option Scheme;

- (b) agrees to, on the direction of HUB24, destroy any holding statements or option certificates relating to their Xplore Options; and
- (c) acknowledges and agrees that this Option Scheme binds Xplore and all Scheme Optionholders (including those who did not attend the Option Scheme Meeting or did not vote at that meeting or voted against this Option Scheme at that Option Scheme Meeting).

#### **7.4 Warranties by Scheme Optionholders**

- (a) Each Scheme Optionholder is deemed to have warranted to Xplore, in its own right and for the benefit of HUB24, that as at the Implementation Date:
  - (i) all of its Xplore Options which are cancelled under this Option Scheme, including any rights and entitlements attaching to those Xplore Option, will, at the time of transfer, be free from all 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 restrictions on transfer of any kind;
  - (ii) it has no existing right to be issued any Xplore Shares, Xplore Options or any other Xplore securities other than the right to be issued Xplore Shares on the exercise of their Xplore Options in accordance with their terms.
- (b) Xplore undertakes that it will provide the warranties in clause 7.4(a) to HUB24 as agent and attorney of each Scheme Optionholder.

#### **7.5 Title to and rights in Scheme Options**

To the extent permitted by law, the Scheme Options (including all rights and entitlements attached to Scheme Options) cancelled under this Option Scheme will be transferred free from all 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 restrictions on transfer of any kind.

#### **7.6 Authority given to Xplore**

- (a) Scheme Optionholders will be deemed to have authorised Xplore to do and execute all acts, matters, things and documents on the part of each Scheme Optionholder necessary for or incidental to the implementation of this Option Scheme, including cancellation of the Scheme Options.
- (b) Each Scheme Optionholder, without the need for any further act, irrevocably appoints Xplore and all of its directors, secretaries and officers (jointly and severally) as its attorney and agent for the purpose of:
  - (i) on the Effective Date, enforcing the Option Scheme Deed Poll against HUB24 and Xplore accepts such appointment; and
  - (ii) on the Implementation Date, executing any document necessary to give effect to this Option Scheme including the cancellation of the Scheme Options,and Xplore accepts such appointment.

#### **7.7 Instructions and elections**

If not prohibited by law (and including where permitted or facilitated by relief granted by a Regulatory Authority), all instructions, notifications or elections by a Scheme Optionholder to Xplore binding or deemed binding between the Scheme Optionholder and Xplore relating to Xplore or Xplore Options (including any email addresses, instructions relating to communications from Xplore, whether dividends are to be paid by cheque or into a specific bank account, notices of meetings or other communications from Xplore) will be deemed from the Implementation Date (except to the extent determined otherwise by HUB24 and in its sole discretion), by reason of this Option Scheme, to be made by the Scheme Optionholder to HUB24, and will be accepted by HUB24 until that instruction, notification or election is revoked or amended in writing addressed to HUB24 at the relevant registry.

## **8. General**

### **8.1 Stamp duty**

HUB24 must pay all stamp duty payable in connection with the cancellation of the Scheme Options pursuant to this Option Scheme.

### **8.2 Notices**

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this document is sent by post to Xplore, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Xplore's registered office or at the office of the Xplore Registry.
- (b) The accidental omission to give notice of the Option Scheme Meeting or the non-receipt of such a notice by any Optionholder may not, unless so ordered by the Court, invalidate the Option Scheme Meeting or the proceedings of the Option Scheme Meeting.

### **8.3 Further assurances**

- (a) Xplore must do anything necessary (including executing agreements and documents) or incidental to give full effect to this Option Scheme and the transactions contemplated by it.
- (b) Each Scheme Optionholder consents to Xplore doing all things necessary or incidental to give full effect to this Option Scheme and the transactions contemplated by it.

### **8.4 Governing law and jurisdiction**

- (a) This Option Scheme is governed by the laws of New South Wales.
- (b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in New South Wales and courts of appeal from them in respect of any proceedings arising out of or in connection with this Option Scheme.

### **8.5 No liability when acting in good faith**

None of HUB24 nor any of its directors, officers, secretaries or employees, will be liable for anything done or omitted to be done in the performance of this Option Scheme or the Option Scheme Deed Poll in good faith.

# Schedule 1 – Option Scheme Consideration

Option tranche and number of Xplore Options in the relevant tranche	Expire date of Xplore Options in the relevant tranche	Exercise price of Xplore Options in the relevant tranche	Aggregate Option Scheme Consideration per Xplore Option tranche (A\$)	Option Scheme Consideration per Xplore Option in the relevant tranche (A\$)
2017 ESOP 278,735	15 Sept '21	0.35	\$252	\$0.00090
2019 ESOP 1,506,816	15 Feb '23	0.28	\$10,277	\$0.00682
2020 ESOP 3,021,732	12 Mar '24	0.18	\$62,171	\$0.02057
2021 ESOP 5,821,500	15 Oct '24	0.18	\$133,548	\$0.02209
2017 XSOP 856,666	29 Jan '22	0.35	\$1,576	\$0.00184
2020 XSOP 3,402,100	13 Mar '24	0.18	\$69,995	\$0.02057
2020 XSOP 1,000,000	16 Mar '24	0.25	\$16,481	\$0.01648
2020 XSOP 1,000,000	16 Mar '24	0.30	\$14,224	\$0.01422
2021 XSOP 5,460,000	15 Oct '24	0.18	\$120,596	\$0.02209

**Annexure F – Share Scheme Deed Poll**



# Share Scheme Deed poll

—  
HUB24 Limited (**HUB24**)  
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# Share Scheme Deed poll

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# Details

Date 15 December 2020

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## Parties

Name **HUB24 Limited**  
ABN 67 124 891 685  
Short form name **HUB24**  
Notice details Level 2, 7 Macquarie Place, Sydney, 2000  
Email: [wmcintyre@hub24.com.au](mailto:wmcintyre@hub24.com.au) and [phoward@hub24.com.au](mailto:phoward@hub24.com.au)  
Attention: Wendy McIntyre and Paul Howard

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## Background

- A On 28 October 2020, HUB24 and Xplore entered into the Scheme Implementation Agreement to provide for (among other matters) the implementation of the Share Scheme.
- B The effect of the Share Scheme will be to transfer all Scheme Shares to HUB24 in return for the Share Scheme Consideration.
- C HUB24 enters this deed poll to covenant in favour of Scheme Shareholders to:
  - (i) perform the actions attributed to it under the Share Scheme; and
  - (ii) provide the Share Scheme Consideration in accordance with the Share Scheme.

# Agreed terms

## 1. Defined terms & interpretation

### 1.1 Defined terms

In this document:

**Scheme Implementation Agreement** means the Scheme Implementation Agreement dated 28 October 2020 between HUB24 and Xplore.

**Xplore** means Xplore Wealth Limited ABN 34 128 316 441 as trustee for the Scheme Shareholders.

**Trust Account** has the meaning given in the Share Scheme.

### 1.2 Terms defined in Scheme Implementation Agreement

Words and phrases defined in the Scheme Implementation Agreement have the same meaning in this deed poll unless the context requires otherwise.

### 1.3 Incorporation by reference

The provisions of clauses 1.2, 1.3 and 1.4 of the Scheme Implementation Agreement form part of this deed poll as if set out at length in this deed poll but with *deed poll* substituted for *agreement* and with any reference to *party* being taken to include the Scheme Shareholders.

## 2. Nature of this deed poll

HUB24 agrees that this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not a party to it.

## 3. Conditions

### 3.1 Conditions

HUB24's obligations under this deed poll are subject to the Share Scheme becoming Effective.

### 3.2 Termination

This deed poll and the obligations of HUB24 under this deed poll will automatically terminate and this deed poll will be of no further force or effect if:

- (a) the Scheme Implementation Agreement is terminated in accordance with its terms; or
- (b) the Share Scheme is not Effective on or before the End Date or any later date as the Court, with the consent of HUB24 and Xplore, may order,

unless HUB24 and Xplore otherwise agree in writing.

### 3.3 Consequences of termination

If this deed poll terminates under clause 3.2, in addition and without prejudice to any other rights, powers or remedies available to them:

- (a) HUB24 is released from its obligations to further perform this deed poll; and
- (b) each Scheme Shareholder retains the rights they have against HUB24 in respect of any breach of this deed poll which occurred before it terminated.

## 4. Performance of obligations

### 4.1 Generally

Subject to clause 3, HUB24 covenants in favour of Scheme Shareholders to perform the actions attributed to it under, and otherwise comply with, the Share Scheme as if HUB24 was a party to the Share Scheme.

### 4.2 Provision of Share Scheme Consideration

- (a) Subject to clause 3, HUB24 undertakes in favour of each Scheme Shareholder to provide or procure the provision of the Share Scheme Consideration to each Scheme Shareholder in accordance with the terms of the Share Scheme.
- (b) The obligations of HUB24 under clause 4.2(a) will be satisfied if, in respect of the Share Scheme Consideration:
  - (i) HUB24 deposits, no later than the Business Day before the Implementation Date, an amount equal to the aggregate amount of the cash component of the Share Scheme Consideration payable to Scheme Shareholders who are entitled to the Cash Consideration under the Share Scheme in cleared funds to the Trust Account;
  - (ii) no later than 12.00 noon (or such later time as HUB24 and Xplore may agree) on the Implementation Date, HUB24 procures that the name of each Scheme Shareholder entitled to receive HUB24 Consideration Shares under the Share Scheme is entered in HUB24's register of members as the holder of those HUB24 Consideration Shares (having the same holding name and address and other details as the holding of the relevant Scheme Shares) and HUB24 provides Xplore with written confirmation that HUB24 has done so; and
  - (iii) on or before the date that is five Business Days after the Implementation Date, HUB24 sends or procures the sending of a share certificate or holding statement (or equivalent document to each Scheme Shareholder entitled to receive HUB24 Consideration Shares under the Share Scheme, reflecting the issue of such HUB24 Consideration Shares,

in each case, in accordance with, and subject to, the provisions of the Share Scheme.

## 5. Warranties

HUB24 represents and warrants to each Scheme Shareholder that:

- (a) **(status)** it is a corporation duly incorporated and validly existing under the laws of the place of its incorporation;
- (b) **(power)** it has the power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) **(corporate authorisations)** it has taken all necessary corporate action to authorise the entry into and performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) **(documents binding)** this deed poll is its valid and binding obligation enforceable in accordance with its terms;
- (e) **(transactions permitted)** the execution and performance by it of this deed poll and each transaction contemplated by this deed poll did not and will not violate in any respect a provision of:
  - (i) a law or treaty or a judgment, ruling, order or decree of a Governmental Agency binding on it;
  - (ii) its constitution or other constituent documents; or
  - (iii) any other document which is binding on it or its assets; and
- (f) **(solvency)** it is solvent and no resolutions have been passed nor has any other step been taken or legal action or proceedings commenced or threatened against it for its winding up

or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets.

## 6. Continuing Obligations

### 6.1 Deed poll irrevocable

This deed poll is irrevocable and, subject to clause 3, remains in full force and effect until the earlier of:

- (a) HUB24 having fully performed its obligations under this deed poll; and
- (b) termination of this deed poll under clause 3.2.

### 6.2 Variation

A provision of this deed poll may not be varied unless:

- (a) before the Second Court Date, the variation is agreed to in writing by Xplore; or
- (b) on or after the Second Court Date, the variation is agreed to in writing by Xplore and is approved by the Court,

in which event HUB24 will enter into a further deed poll in favour of each Scheme Shareholder giving effect to the amendment.

## 7. Notices

Any notice, demand or other communication (a **Notice**) to HUB24 in respect of this deed poll:

- (a) must be in writing and signed by the sender or a person duly authorised by it;
- (b) must be delivered to the intended recipient by prepaid post (if posted to an address in another country, by registered airmail) or by hand, email or to the address or email address specified in the Details;
- (c) will be conclusively taken to be duly given or made:
  - (i) **(in the case of delivery in hand)**, when delivered at the address of the addressee as provided in the Details, unless that delivery is not made on a Business Day, or is made after 5.00pm on a Business Day, in which case that Notice will be deemed to be received at 9.00am on the next Business Day;
  - (ii) **(in the case of delivery by post)**, on the third Business Day after the date of posting (if posted to an address within Australia) or the fifth Business Day after the date of posting (if posted to an address outside Australia); or
  - (iii) **(in the case of email)**, on the earlier of:
    - (A) when the sending party's email system confirms delivery of the email by way of a delivery notification; or
    - (B) when the recipient party confirms receipt to the sending party via email or telephone.

## 8. General Provisions

### 8.1 Assignment

- (a) The rights and obligations of HUB24, Xplore and each Scheme Shareholder under this deed poll are personal. They cannot be assigned, charged, encumbered or otherwise dealt with at law or in equity without the prior written consent of HUB24 and Xplore.
- (b) Any purported dealing in contravention of clause 8.1(a) is invalid.

## 8.2 Cumulative rights

The rights, powers and remedies of HUB24, Xplore and each Scheme Shareholder under this deed poll are cumulative with and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

## 8.3 No waiver

- (a) HUB24 may not rely on the words or conduct of any Scheme Shareholder as a waiver of any right unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver.
- (b) If a Scheme Shareholder does not exercise a right arising from a breach of this deed poll at a given time, it may, unless it has waived that right in writing, exercise the right at a later point in time.
- (c) No Scheme Shareholder may rely on words or conduct of HUB24 as a waiver of any right unless the waiver is in writing and signed by HUB24.
- (d) The meanings of the terms used in this clause 8.4 are set out below.

**conduct** includes delay in the exercise of a right.

**right** means any right arising under or in connection with this deed poll and includes the right to rely on this clause.

**waiver** includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

## 8.4 Stamp duty

HUB24:

- (a) must pay or procure the payment of all stamp duty (if any) any related fines, penalties and interest in respect of the Share Scheme and this deed poll (including the acquisition or transfer of Scheme Shares pursuant to the Share Scheme), the performance of this deed poll and each transaction effected by or made under or pursuant to the Share Scheme and this deed poll; and
- (b) indemnify and undertake to keep indemnified each Scheme Shareholder against any liability arising from a failure to comply with clause 8.4(a).

## 8.5 Further assurances

HUB24 will, at its own expense, do all things reasonably required of it to give full effect to this deed poll.

## 8.6 Governing law and jurisdiction

This deed poll is governed by the laws of the State of New South Wales. In relation to it and related non-contractual matters HUB24 irrevocably:

- (a) submits to the non-exclusive jurisdiction of courts with jurisdiction there; and
- (b) waives any right to object to the venue on any ground.

# Signing page

**EXECUTED** and delivered as a deed poll.

**Executed by HUB24 Limited** in accordance with  
Section 127 of the *Corporations Act 2001*



Signature of director

Andrew Alcock

Name of director (print)



Signature of company secretary  
(Please delete as applicable)

Kitrina Shanahan

Name of company secretary (print)

By signing above, each director or secretary (as applicable) consents to electronic execution of this document (in whole or in part), represents that they hold the position or are the person named with respect to their execution and authorises any other director or secretary (as applicable) to produce a copy of this document bearing his or her signature for the purpose of signing the copy to complete its execution under section 127 of the Corporations Act. The copy of the signature appearing on the copy so executed is to be treated as his or her original signature.

**Annexure G – Option Scheme Deed Poll**



# Option Scheme Deed poll

—  
HUB24 Limited (**HUB24**)  
—

# Option Scheme Deed poll

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# Details

Date 15 December 2020

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## Parties

Name **HUB24 Limited**  
ABN 67 124 891 685  
Short form name **HUB24**  
Notice details Level 2, 7 Macquarie Place, Sydney, 2000  
Email: [wmcintyre@hub24.com.au](mailto:wmcintyre@hub24.com.au) and [phoward@hub24.com.au](mailto:phoward@hub24.com.au)  
Attention: Wendy McIntyre and Paul Howard

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## Background

- A On 28 October 2020, HUB24 and Xplore entered into the Scheme Implementation Agreement to provide for (among other matters) the implementation of the Option Scheme.
- B The effect of the Option Scheme will be to cancel all Scheme Options to HUB24 in return for the Option Scheme Consideration.
- C HUB24 enters this deed poll to covenant in favour of Scheme Optionholders to:
  - (i) perform the actions attributed to it under the Option Scheme; and
  - (ii) provide the Option Scheme Consideration in accordance with the Option Scheme.

# Agreed terms

## 1. Defined terms & interpretation

### 1.1 Defined terms

In this document:

**Scheme Implementation Agreement** means the Scheme Implementation Agreement dated 28 October 2020 between HUB24 and Xplore.

**Xplore** means Xplore Wealth Limited ABN 34 128 316 441 as trustee for the Scheme Optionholders.

**Trust Account** has the meaning given in the Option Scheme.

### 1.2 Terms defined in Scheme Implementation Agreement

Words and phrases defined in the Scheme Implementation Agreement have the same meaning in this deed poll unless the context requires otherwise.

### 1.3 Incorporation by reference

The provisions of clauses 1.2, 1.3 and 1.4 of the Scheme Implementation Agreement form part of this deed poll as if set out at length in this deed poll but with *deed poll* substituted for *agreement* and with any reference to *party* being taken to include the Scheme Optionholders.

## 2. Nature of this deed poll

HUB24 agrees that this deed poll may be relied on and enforced by any Scheme Optionholder in accordance with its terms even though the Scheme Optionholders are not a party to it.

## 3. Conditions

### 3.1 Conditions

HUB24's obligations under this deed poll are subject to the Option Scheme becoming Effective.

### 3.2 Termination

This deed poll and the obligations of HUB24 under this deed poll will automatically terminate and this deed poll will be of no further force or effect if:

- (a) the Scheme Implementation Agreement is terminated in accordance with its terms; or
- (b) the Option Scheme is not Effective on or before the End Date or any later date as the Court, with the consent of HUB24 and Xplore, may order,

unless HUB24 and Xplore otherwise agree in writing.

### 3.3 Consequences of termination

If this deed poll terminates under clause 3.2, in addition and without prejudice to any other rights, powers or remedies available to them:

- (a) HUB24 is released from its obligations to further perform this deed poll; and
- (b) each Scheme Optionholder retains the rights they have against HUB24 in respect of any breach of this deed poll which occurred before it terminated.

## 4. Performance of obligations

### 4.1 Generally

Subject to clause 3, HUB24 covenants in favour of Scheme Optionholders to perform the actions attributed to it under, and otherwise comply with, the Option Scheme as if HUB24 was a party to the Option Scheme.

### 4.2 Provision of Option Scheme Consideration

- (a) Subject to clause 3, HUB24 undertakes in favour of each Scheme Optionholder to provide or procure the provision of the Option Scheme Consideration to each Scheme Optionholder in accordance with the terms of the Option Scheme.
- (b) The obligations of HUB24 under clause 4.2(a) will be satisfied if, in respect of the Option Scheme Consideration, HUB24 deposits, no later than the Business Day before the Implementation Date, an amount equal to the aggregate Option Scheme Consideration payable to Scheme Optionholders who are entitled to the Option Scheme Consideration under the Option Scheme in cleared funds to the Trust Account, in accordance with, and subject to, the provisions of the Option Scheme.

## 5. Warranties

HUB24 represents and warrants to each Scheme Optionholder that:

- (a) (**status**) it is a corporation duly incorporated and validly existing under the laws of the place of its incorporation;
- (b) (**power**) it has the power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) (**corporate authorisations**) it has taken all necessary corporate action to authorise the entry into and performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) (**documents binding**) this deed poll is its valid and binding obligation enforceable in accordance with its terms;
- (e) (**transactions permitted**) the execution and performance by it of this deed poll and each transaction contemplated by this deed poll did not and will not violate in any respect a provision of:
  - (i) a law or treaty or a judgment, ruling, order or decree of a Governmental Agency binding on it;
  - (ii) its constitution or other constituent documents; or
  - (iii) any other document which is binding on it or its assets; and
- (f) (**solvency**) it is solvent and no resolutions have been passed nor has any other step been taken or legal action or proceedings commenced or threatened against it for its winding up or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets.

## 6. Continuing Obligations

### 6.1 Deed poll irrevocable

This deed poll is irrevocable and, subject to clause 3, remains in full force and effect until the earlier of:

- (a) HUB24 having fully performed its obligations under this deed poll; and
- (b) termination of this deed poll under clause 3.2.

### 6.2 Variation

A provision of this deed poll may not be varied unless:

- (a) before the Second Court Date, the variation is agreed to in writing by Xplore; or

- (b) on or after the Second Court Date, the variation is agreed to in writing by Xplore and is approved by the Court,

in which event HUB24 will enter into a further deed poll in favour of each Scheme Optionholder giving effect to the amendment.

## 7. Notices

Any notice, demand or other communication (a **Notice**) to HUB24 in respect of this deed poll:

- (a) must be in writing and signed by the sender or a person duly authorised by it;
- (b) must be delivered to the intended recipient by prepaid post (if posted to an address in another country, by registered airmail) or by hand, email or to the address or email address specified in the Details;
- (c) will be conclusively taken to be duly given or made:
  - (i) **(in the case of delivery in hand)**, when delivered at the address of the addressee as provided in the Details, unless that delivery is not made on a Business Day, or is made after 5.00pm on a Business Day, in which case that Notice will be deemed to be received at 9.00am on the next Business Day;
  - (ii) **(in the case of delivery by post)**, on the third Business Day after the date of posting (if posted to an address within Australia) or the fifth Business Day after the date of posting (if posted to an address outside Australia); or
  - (iii) **(in the case of email)**, on the earlier of:
    - (A) when the sending party's email system confirms delivery of the email by way of a delivery notification; or
    - (B) when the recipient party confirms receipt to the sending party via email or telephone.

## 8. General Provisions

### 8.1 Assignment

- (a) The rights and obligations of HUB24, Xplore and each Option Scheme Optionholder under this deed poll are personal. They cannot be assigned, charged, encumbered or otherwise dealt with at law or in equity without the prior written consent of HUB24 and Xplore.
- (b) Any purported dealing in contravention of clause 8.1(a) is invalid.

### 8.2 Cumulative rights

The rights, powers and remedies of HUB24, Xplore and each Scheme Optionholder under this deed poll are cumulative with and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

### 8.3 No waiver

- (a) HUB24 may not rely on the words or conduct of any Scheme Optionholder as a waiver of any right unless the waiver is in writing and signed by the Scheme Optionholder granting the waiver.
- (b) If a Scheme Optionholder does not exercise a right arising from a breach of this deed poll at a given time, it may, unless it has waived that right in writing, exercise the right at a later point in time.
- (c) No Scheme Optionholder may rely on words or conduct of HUB24 as a waiver of any right unless the waiver is in writing and signed by HUB24.
- (d) The meanings of the terms used in this clause 8.4 are set out below.

**conduct** includes delay in the exercise of a right.

**right** means any right arising under or in connection with this deed poll and includes the right to rely on this clause.

**waiver** includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

#### **8.4 Stamp duty**

HUB24:

- (a) must pay or procure the payment of all stamp duty (if any) any related fines, penalties and interest in respect of the Option Scheme and this deed poll (including the cancellation of the Scheme Options pursuant to the Option Scheme), the performance of this deed poll and each transaction effected by or made under or pursuant to the Option Scheme and this deed poll; and
- (b) indemnify and undertake to keep indemnified each Scheme Optionholder against any liability arising from a failure to comply with clause 8.4(a).

#### **8.5 Further assurances**

HUB24 will, at its own expense, do all things reasonably required of it to give full effect to this deed poll.

#### **8.6 Governing law and jurisdiction**

This deed poll is governed by the laws of the State of New South Wales. In relation to it and related non-contractual matters HUB24 irrevocably:

- (a) submits to the non-exclusive jurisdiction of courts with jurisdiction there; and
- (b) waives any right to object to the venue on any ground.

# Signing page

**EXECUTED** and delivered as a deed poll.

**Executed by HUB24 Limited** in accordance with  
Section 127 of the *Corporations Act 2001*



Signature of director

Andrew Alcock

Name of director (print)



Signature of company secretary  
(Please delete as applicable)

Kitrina Shanahan

Name of company secretary (print)

By signing above, each director or secretary (as applicable) consents to electronic execution of this document (in whole or in part), represents that they hold the position or are the person named with respect to their execution and authorises any other director or secretary (as applicable) to produce a copy of this document bearing his or her signature for the purpose of signing the copy to complete its execution under section 127 of the Corporations Act. The copy of the signature appearing on the copy so executed is to be treated as his or her original signature.

**Annexure H - Notice of Share Scheme Meeting**

# NOTICE OF SHARE SCHEME MEETING

**XPLORE WEALTH LIMITED**  
**ACN 128 316 441**

## **NOTICE OF COURT ORDERED MEETING OF XPLORE WEALTH LIMITED SHAREHOLDERS**

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**Notice is given** that, by an Order of the Federal Court of Australia (**Court**) made on 18 December 2020 under section 411(1) of the Corporations Act, the Court has directed that a meeting of the holders of fully paid ordinary shares of Xplore will be held virtually (online only) at 10:00am (Sydney time) on 12 February 2021.

The Court has also directed that Mr Alex Hutchison, or failing him Mr Donald Sharp, act as chairperson of the meeting and report the result of the meeting to the Court.

## **PURPOSE OF THE MEETING**

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The purpose of this meeting is to consider and, if thought fit, to agree (with or without any (a) alterations or conditions agreed to in writing between Xplore and HUB24 and approved by the Court; or (b) any alterations or conditions required by the Court to which Xplore and HUB24 agree) to the scheme of arrangement (**Share Scheme**) between Xplore and the Xplore Shareholders.

A copy of the Share Scheme and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Share Scheme are contained in the Scheme Booklet of which this notice forms part.

## **RESOLUTION – APPROVAL OF SHARE SCHEME**

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The meeting will be asked to consider and, if thought fit, pass the following resolution:

*“That under and in accordance with section 411 of the Corporations Act, the members agree to the arrangement proposed between Xplore and the holders of its fully paid ordinary shares, designated the Share Scheme, as contained in and more particularly described in the Scheme Booklet accompanying the notice convening this meeting (with or without any alterations or conditions agreed or any alterations or conditions required by the Court) and the Xplore Board is authorised to implement the Share Scheme with any such alterations or conditions.”*

**DATED 21 DECEMBER 2020**

BY ORDER OF THE COURT



.....  
Alex Hutchison  
Chairman

# EXPLANATORY NOTES TO THE NOTICE OF MEETING

## 1. General

- (a) Capitalised words and phrases contained in the notice of meeting (including the proposed resolution) have the same meaning as set out in the Glossary in Section 14 of the Scheme Booklet, of which this notice forms part.
- (b) The notice of meeting should be read in conjunction with the entire Scheme Booklet of which this notice forms part. The Scheme Booklet contains important information to assist you in determining how to vote on the proposed resolution. The Scheme Booklet includes a copy of the Share Scheme (refer Annexure D) and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Share Scheme (the explanatory statement being all sections of the Scheme Booklet, other than the Annexures).

## 2. Entitlement to vote

For the purposes of the Share Scheme Meeting, only those persons registered in the Share Register as a holder of an Xplore Share at 7.00pm (AEDT) on 10 February 2021 are entitled to participate and vote at the virtual (online only) Share Scheme Meeting in respect of each Xplore Share held by them at that time, either personally, by proxy or attorney or, in the case of an Xplore Shareholder or proxy who is a corporation, by corporate representative.

## 3. Required voting majority

- (a) The resolution to approve the Share Scheme is subject to approval by the majorities required under section 411(4)(a)(ii) of the Corporations Act.
- (b) The resolution to approve the Share Scheme must be approved by:
  - (i) unless the Court orders otherwise, a majority in number (more than 50%) of the Xplore Shareholders present and voting at the Share Scheme Meeting (whether personally, by proxy, attorney or, in the case of an Xplore Shareholder or a proxy who is a corporation, by corporate representative); and
  - (ii) at least 75% of the total number of votes which are cast at the Share Scheme Meeting by Xplore Shareholders (whether personally or by proxy, attorney, or in the case of an Xplore Shareholder or a proxy who is a corporation, by corporate representative).

## 4. Court approval

In accordance with section 411(4)(b) of the Corporations Act, to become Effective, the Share Scheme (with or without any alterations or conditions (a) agreed between Xplore and HUB24 and approved by the Court; or (b) any alterations or conditions required by the Court to which Xplore and HUB24 agree) must also be approved by an order of the Court and an office copy of the orders must be lodged with ASIC. If the Share Scheme is approved by the Requisite Majority at the Share Scheme Meeting, Xplore intends to apply to the Court for orders approving the Share Scheme.

## 5. How to vote

Xplore Shareholders who are entitled to vote at the Share Scheme Meeting may vote:

- (a) by participating in the virtual (online only) meeting and voting personally, or by appointing an attorney to participate in the virtual meeting and vote on their behalf or, in the case of an Xplore Shareholder or proxy who is a corporation, a corporate representative to attend the meeting and vote on its behalf; or
- (b) by appointing a proxy to participate and vote on their behalf. A proxy may be an individual or a body corporate. You may appoint a proxy:
  - (i) online at <https://www.registrydirect.com.au/login/>; or

- (ii) by completing and signing the Share Scheme Proxy Form provided to you and returning it to the Share Registry by:
- A. post: Registry Direct Limited, 10 Exon Street, Brighton, Victoria, 3186, Australia;
  - B. facsimile: +61 3 9111 5652;
  - C. email: [registry@registrydirect.com.au](mailto:registry@registrydirect.com.au); or
  - D. hand or courier delivery: Registry Direct Limited, 10 Exon Street, Brighton, Victoria, 3186, Australia.<sup>1</sup>

Please see explanatory note 8 (Additional Voting Instructions) below for additional instructions specific to each voting method.

## 6. Jointly held Xplore Shares

If you hold Xplore Shares jointly with one or more other persons, only one of you may vote. If more than one of you attempts to vote in person at the Share Scheme Meeting, only the vote of the holder whose name appears first on the Share Register will be counted.

## 7. Advertisement

Where this notice of meeting is advertised unaccompanied by the Scheme Booklet, a copy of the Scheme Booklet can be obtained by anyone entitled to participate in the Share Scheme Meeting from Xplore's website at [xplorewealth.com.au](http://xplorewealth.com.au), or by contacting the Joint Company Secretary of Xplore Wealth Limited or the Share Registry.

## 8. Additional Voting Instructions

Method	Voting instructions
In person	<p><b>Step 1: Join the virtual scheme meeting</b></p> <p>Step 1A Open your browser and go to <a href="https://zoom.us/webinar/register/WN_cEa9pD_kRaChSFoJwE0Zxw">https://zoom.us/webinar/register/WN_cEa9pD_kRaChSFoJwE0Zxw</a>.</p> <p>Step 1B Register for the Share Scheme Meeting webinar by inserting your full name and email address. Please read and accept the terms and conditions before clicking on the blue 'Register' button.</p> <p>Step 1C Once you have registered, you will receive a confirmation email containing details about how to join the Share Scheme Meeting via Zoom. The confirmation email will include a link to join the meeting from a PC, Mac, iPad or Android device (including a passcode) and telephone numbers if you wish to join by telephone.</p> <p>Step 1D To join the Share Scheme Meeting, you can either view the broadcast by launching Zoom or dial in by telephone. Please note that you will only be able to dial in by telephone if you are located in a selected jurisdiction, which will be listed in the confirmation email.</p> <ul style="list-style-type: none"> <li>• <b>To view the broadcast</b>, you must click the "Click Here to Join" link in the confirmation email. This will launch Zoom on your browser. You may then need to enter the passcode provided in the confirmation email to be admitted to the meeting.</li> <li>• <b>To dial in by telephone</b>, you must use one of the telephone numbers provided in the confirmation email based on your current location. You may need to enter the Webinar ID and passcode specified in the confirmation email.</li> </ul> <p><b>Step 2: Access your Share Registry Account during the meeting</b></p> <p>During the meeting, attendees will be provided with an "Attendance Verification Code". Once you have been provided with the Attendance Verification Code and have decided how you will vote:</p> <ul style="list-style-type: none"> <li>• Log into your account at <a href="https://www.registrydirect.com.au/login/">https://www.registrydirect.com.au/login/</a></li> <li>• Go to the Meeting menu item</li> </ul>

<sup>1</sup> Please note that hand deliveries may only be made Monday to Friday between the hours of 9.00am to 5.00pm (AEDT).

	<ul style="list-style-type: none"> <li>• Select the Meeting and the holding to be voted on</li> <li>• Enter the Attendance Verification Code</li> <li>• Cast your votes</li> <li>• If you have any additional holdings, repeat steps 3 to 5 in respect of those additional holdings.</li> </ul> <p>You are strongly advised to verify that you can access your account on the Share Registry's website (being Registry Direct Limited) before the meeting.</p> <p>If you cannot access your account, please email the Share Registry at <a href="mailto:registry@registrydirect.com.au">registry@registrydirect.com.au</a> or call the Share Registry on 1300 55 66 35 (within Australia) or +61 3 9909 9909 (outside Australia).</p>
<b>By proxy</b>	<p>As an Xplore Shareholder, you have the right to appoint a proxy to attend the meeting on your behalf and to vote as directed by you. The proxy need not be an Xplore Shareholder and may be an individual or a body corporate.</p> <p>You are entitled to appoint up to two proxies and if you do so, you must specify the proportion or number of votes each proxy is appointed to exercise. If you appoint two proxies and the appointment does not specify the proportion or number of your votes, then each proxy may exercise half of the votes as in accordance with s249X(3) of the Corporations Act. If you hold Xplore Shares jointly with one or more other persons, in order for your proxy appointment to be valid, each of you must sign the Share Scheme Proxy Form.</p> <p>You may make your proxy appointment and direct how you want your votes to be cast online at <a href="https://www.registrydirect.com.au/login/">https://www.registrydirect.com.au/login/</a>. If you have any problems accessing the online service, please email the Share Registry at <a href="mailto:registry@registrydirect.com.au">registry@registrydirect.com.au</a> or call the Share Registry on 1300 55 66 35 (within Australia) or +61 3 9909 9909 (outside Australia).</p> <p>Alternatively, you may complete and sign the personalised Share Scheme Proxy Form provided to you and lodge it with the Share Registry by:</p> <ul style="list-style-type: none"> <li>• post: Direct Registry Limited, 10 Exon Street, Brighton, Victoria, 3186, Australia;</li> <li>• facsimile: +61 3 9111 5652;</li> <li>• email: <a href="mailto:registry@registrydirect.com.au">registry@registrydirect.com.au</a>; or</li> <li>• hand or courier delivery: Registry Direct Limited, 10 Exon Street, Brighton, Victoria, 3186, Australia.<sup>2</sup></li> </ul> <p><b>Your Share Scheme Proxy Form must be received by the Share Registry by 10:00am (Sydney time) on 10 February 2021. Share Scheme Proxy Forms received after the deadline will be invalid.</b></p> <p>Eligible proxy holders must contact the Share Registry on 1300 55 66 35 (within Australia) or +61 3 9909 9909 (outside Australia) before the meeting to obtain access to a proxy voting card and instructions on how to complete the voting card.</p> <p>Your appointment of a proxy does not preclude you from attending in person (online only) and voting at the meeting. The appointment of your proxy is not revoked merely by your attendance to and participation in the meeting, but if you vote on a resolution, any vote made by your proxy on your behalf will not be counted.</p> <p>A proxy may vote or abstain as he or she chooses except where the appointment of the proxy directs the way the proxy is to vote on the resolution. If an appointment directs the way the proxy is to vote on the resolution:</p> <ul style="list-style-type: none"> <li>• if the proxy is the Chairperson – the proxy must vote on the poll and must vote in the way directed; or</li> <li>• if the proxy is not the Chairperson – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote in the way directed.</li> </ul> <p>If a proxy appointment is signed or validly authenticated by a Xplore Shareholder but does not name the proxy or proxies in whose favour it is given, the Chairperson or any other director of Xplore or the company secretary, as nominated by the Chairperson, will act as proxy in respect of the resolution to be considered at the Share Scheme Meeting.</p> <p>If:</p> <ul style="list-style-type: none"> <li>• a Xplore Shareholder nominates the Chairperson of the meeting as their proxy; or</li> <li>• the Chairperson is otherwise appointed to act as proxy,</li> </ul> <p>then the person acting as Chairperson in respect of an item of business at the meeting must act as proxy in respect of the resolution to be considered at the Share Scheme Meeting.</p>

<sup>2</sup> Please note that hand deliveries may only be made Monday to Friday between the hours of 9.00am to 5.00pm (AEDT).

	<p>The Chairperson intends to vote undirected proxies of which he is appointed as proxy in favour of the resolution to approve the Share Scheme (in the absence of a Superior Proposal from another party prior to the date of the Share Scheme Meeting).</p> <p>A vote cast in accordance with the appointment of a proxy is valid even if before the vote was cast the appointor:</p> <ul style="list-style-type: none"> <li>• died;</li> <li>• became mentally incapacitated;</li> <li>• revoked the proxy; or</li> <li>• transferred the shares in respect of which the vote was cast,</li> </ul> <p>unless Xplore received written notification of the death, mental incapacity, revocation or transfer before the meeting or, if applicable, before the resumption of any adjourned meeting.</p>
<b>By power of attorney</b>	<p>If voting by attorney, the power of attorney appointing the attorney must be duly executed by you (the Xplore Shareholder) in the presence of at least one witness, and specify your name, the company's name (Xplore Wealth Limited), and the appointed attorney, and also specify the meeting at which the appointment may be used. The appointment may be a standing one.</p> <p>The power of attorney must be lodged with the Share Registry in the same manner as outlined for proxy forms above. <b>The deadline for the receipt of powers of attorney by the Share Registry is 10:00am (Sydney time) on 10 February 2021.</b></p> <p>Your appointment of an attorney does not preclude you from attending in person (online only) and voting at the meeting. The appointment of your attorney is not revoked merely by your attendance to and participation in the meeting, but if you vote on a resolution, any vote made by your attorney on your behalf will not be counted.</p> <p>A vote cast in accordance with the appointment of a power of attorney is valid even if before the vote was cast the appointor:</p> <ul style="list-style-type: none"> <li>• died;</li> <li>• became mentally incapacitated;</li> <li>• revoked the power; or</li> <li>• transferred the Xplore Shares in respect of which the vote was cast,</li> </ul> <p>unless Xplore received written notification of the death, mental incapacity, revocation or transfer before the meeting or, if applicable, the resumption of any adjourned meeting.</p>
<b>By corporate representative</b>	<p>To vote at the meeting, an Xplore Shareholder or proxy which is a corporation may appoint an individual to act as its representative.</p> <p>To vote by corporate representative at the meeting, an Xplore Shareholder or proxy which is a corporation must provide the representative with a duly executed notice of appointment, which the representative must lodge with the Share Registry in the same manner as outlined for proxy forms above. <b>The deadline for the receipt of appointment of a corporate representative by the Share Registry is 10:00am (Sydney time) on 10 February 2021.</b></p> <p>The appointment of a representative may set out restrictions on the representative's powers.</p> <p>The original form of appointment of a representative, a certified copy of the appointment, or a certificate of the body corporate evidencing the appointment of a representative is prima facie evidence of a representative having been appointed. The chairperson of the meeting may permit a person claiming to be a representative to exercise the body's powers even if they have not produced a certificate or other satisfactory evidence of their appointment.</p>
<b>Further information</b>	<p>For further information, you may call the Share Registry on 1300 55 66 35 (within Australia) or +61 3 9909 9909 (outside Australia) on Monday to Friday between 9.00am and 5.00pm (AEDT).</p>

**Annexure I – Notice of Option Scheme Meeting**

# NOTICE OF OPTION SCHEME MEETING

**XPLORE WEALTH LIMITED**  
**ACN 128 316 441**

## **NOTICE OF COURT ORDERED MEETING OF XPLORE WEALTH LIMITED OPTIONHOLDERS**

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**Notice is given** that, by an Order of the Federal Court of Australia (**Court**) made on 18 December 2020 under section 411(1) of the Corporations Act, the Court has directed that a meeting of Xplore Optionholders will be held virtually (online only) at 11:00am (Sydney time) on 12 February 2021.

The Court has also directed that Mr Alex Hutchison, or failing him Mr Donald Sharp, act as chairperson of the meeting and report the result of the meeting to the Court.

## **PURPOSE OF THE MEETING**

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The purpose of this meeting is to consider and, if thought fit, to agree (with or without any (a) alterations or conditions agreed to in writing between Xplore and HUB24 and approved by the Court; or (b) any alterations or conditions required by the Court to which Xplore and HUB24 agree) to the scheme of arrangement (**Option Scheme**) between Xplore and the Xplore Optionholders.

A copy of the Option Scheme and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Option Scheme are contained in the Scheme Booklet of which this notice forms part.

## **RESOLUTION – APPROVAL OF OPTION SCHEME**

---

The meeting will be asked to consider and, if thought fit, pass the following resolution:

*“That under and in accordance with section 411 of the Corporations Act, the creditors agree to the arrangement proposed between Xplore and the Xplore Optionholders, designated the Option Scheme, as contained in and more particularly described in the Scheme Booklet accompanying the notice convening this meeting (with or without any alterations or conditions agreed or any alterations or conditions required by the Court) and the Xplore Board is authorised to implement the Option Scheme with any such alterations or conditions.”*

**DATED 21 DECEMBER 2020**

**BY ORDER OF THE COURT**



.....  
Alex Hutchison  
Chairman

# EXPLANATORY NOTES TO THE NOTICE OF MEETING

## 1. General

- (a) Capitalised words and phrases contained in the notice of meeting (including the proposed resolution) have the same meaning as set out in the Glossary in Section 14 of the Scheme Booklet, of which this notice forms part.
- (b) The notice of meeting should be read in conjunction with the entire Scheme Booklet of which this notice forms part. The Scheme Booklet contains important information to assist you in determining how to vote on the proposed resolution. The Scheme Booklet includes a copy of the Option Scheme (refer Annexure E) and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Option Scheme (the explanatory statement being all sections of this Scheme Booklet, other than the Annexures).

## 2. Entitlement to vote

For the purposes of the Option Scheme Meeting, only those persons registered in the Option Register as a holder of an Xplore Option at 7.00pm (AEDT) on 10 February 2021 are entitled to participate and vote at the virtual (online only) Option Scheme Meeting in respect of each Xplore Option held by them at that time, either personally, by proxy or attorney or, in the case of an Xplore Optionholder or proxy who is a corporation, by corporate representative.

## 3. Required voting majority

- (a) The resolution to approve the Option Scheme is subject to approval by the majorities required under section 411(4)(a)(i) of the Corporations Act.
- (b) The resolution to approve the Option Scheme must be approved by:
  - (i) a majority in number (more than 50%) of the Xplore Optionholders present and voting at the Option Scheme Meeting (whether personally, by proxy, attorney or, in the case of an Xplore Optionholder or a proxy who is a corporation, by corporate representative); and
  - (ii) Xplore Optionholders whose Xplore Options amount in aggregate to at least 75% (by value) of the total amount of debts and claims of all Xplore Optionholders present and voting at the Option Scheme Meeting (whether personally or by proxy, attorney, or in the case of an Xplore Optionholder or a proxy who is a corporation, by corporate representative). For this purpose, the amount (or value) of each Xplore Optionholder's debt and claim will be the same as the Option Scheme Consideration payable for the cancellation of the Xplore Options held by that Xplore Optionholder under the Option Scheme (expressed in cent).

## 4. Court approval

In accordance with section 411(4)(b) of the Corporations Act, to become Effective, the Option Scheme (with or without any alterations or conditions (a) agreed between Xplore and HUB24 and approved by the Court; or (b) any alterations or conditions required by the Court to which Xplore and HUB24 agree) must also be approved by an order of the Court and an office copy of the orders must be lodged with ASIC. If the Option Scheme is approved by the Requisite Majority at the Option Scheme Meeting, Xplore intends to apply to the Court for orders approving the Option Scheme.

## 5. How to vote

Xplore Optionholders who are entitled to vote at the Option Scheme Meeting may vote:

- (a) by participating in the virtual (online only) meeting and voting personally, or by appointing an attorney to participate in the virtual meeting and vote on their behalf or, in the case of an Xplore Optionholder or proxy who is a corporation, a corporate representative to attend the meeting and vote on its behalf; or

- (b) by appointing a proxy to participate and vote on their behalf. A proxy may be an individual or a body corporate. You may appoint a proxy:
- (i) online at <https://www.registrydirect.com.au/login/>; or
  - (ii) by completing and signing the Option Scheme Proxy Form provided to you and returning it to the Share Registry by:
    - A. post: Registry Direct Limited, 10 Exon Street, Brighton, Victoria, 3186, Australia;
    - B. facsimile: +61 3 9111 5652;
    - C. email: [registry@registrydirect.com.au](mailto:registry@registrydirect.com.au); or
    - D. hand or courier delivery: Registry Direct Limited, 10 Exon Street, Brighton, Victoria, 3186, Australia.<sup>1</sup>

Please see explanatory note 8 (Additional Voting Instructions) below for additional instructions specific to each voting method.

## 6. Jointly held Xplore Options

If you hold Xplore Options jointly with one or more other persons, only one of you may vote. If more than one of you attempts to vote in person at the Option Scheme Meeting, only the vote of the holder whose name appears first on the Option Register will be counted.

## 7. Advertisement

Where this notice of meeting is advertised unaccompanied by the Scheme Booklet, a copy of the Scheme Booklet can be obtained by anyone entitled to participate in the Option Scheme Meeting from Xplore's website at [xplorewealth.com.au](http://xplorewealth.com.au), or by contacting the Joint Company Secretary of Xplore Wealth Limited or the Share Registry.

## 8. Additional Voting Instructions

Method	Voting instructions
In person	<p><b>Step 1: Join the virtual scheme meeting</b></p> <p>Step 1A Open your browser and go to <a href="https://zoom.us/webinar/register/WN_SSahgUo_TI-NSpLZbl-J5w">https://zoom.us/webinar/register/WN_SSahgUo_TI-NSpLZbl-J5w</a>.</p> <hr/> <p>Step 1B Register for the Option Scheme Meeting webinar by inserting your full name and email address. Please read and accept the terms and conditions before clicking on the blue 'Register' button.</p> <hr/> <p>Step 1C Once you have registered, you will receive a confirmation email containing details about how to join the Option Scheme Meeting via Zoom. The confirmation email will include a link to join the meeting from a PC, Mac, iPad or Android device (including a passcode) and telephone numbers if you wish to join by telephone.</p> <hr/> <p>Step 1D To join the Option Scheme Meeting, you can either view the broadcast by launching Zoom or dial in by telephone. Please note that you will only be able to dial in by telephone if you are located in a selected jurisdiction, which will be listed in the confirmation email.</p> <ul style="list-style-type: none"> <li>• <b>To view the broadcast</b>, you must click the "Click Here to Join" link in the confirmation email. This will launch Zoom on your browser. You may then need to enter the passcode provided in the confirmation email to be admitted to the meeting.</li> <li>• <b>To dial in by telephone</b>, you must use one of the telephone numbers provided in the confirmation email based on your current location. You may need to enter the Webinar ID and passcode specified in the confirmation email.</li> </ul>

<sup>1</sup> Please note that hand deliveries may only be made Monday to Friday between the hours of 9.00am to 5.00pm (AEDT).

	<p><b>Step 2: Access your Share Registry Account during the meeting</b></p> <p>During the meeting, attendees will be provided with an “Attendance Verification Code”. Once you have been provided with the Attendance Verification Code and have decided how you will vote:</p> <ul style="list-style-type: none"> <li>• Log into your account at <a href="https://www.registrydirect.com.au/login/">https://www.registrydirect.com.au/login/</a></li> <li>• Go to the Meeting menu item</li> <li>• Select the Meeting and the holding to be voted on</li> <li>• Enter the Attendance Verification Code</li> <li>• Cast your votes</li> <li>• If you have any additional holdings, repeat steps 3 to 5 in respect of those additional holdings.</li> </ul> <p>You are strongly advised to verify that you can access your account on the Share Registry's website (being Registry Direct Limited) before the meeting.</p> <p>If you cannot access your account, please email the Share Registry at <a href="mailto:registry@registrydirect.com.au">registry@registrydirect.com.au</a> or call the Share Registry on 1300 55 66 35 (within Australia) or +61 3 9909 9909 (outside Australia).</p>
<p><b>By proxy</b></p>	<p>As an Xplore Optionholder, you have the right to appoint a proxy to attend the meeting on your behalf and to vote as directed by you. The proxy need not be an Xplore Optionholder and may be an individual or a body corporate.</p> <p>You are entitled to appoint up to two proxies and if you so, you must specify the proportion or number of votes each proxy is appointed to exercise. If you appoint two proxies and the appointment does not specify the proportion or number of your votes, then each proxy may exercise half of the votes as in accordance with s249X(3) of the Corporations Act. If you hold Xplore Options jointly with one or more other persons, in order for your proxy appointment to be valid, each of you must sign the Option Scheme Proxy Form.</p> <p>You may make your proxy appointment and direct how you want your votes to be cast online at <a href="https://www.registrydirect.com.au/login/">https://www.registrydirect.com.au/login/</a>. If you have any problems accessing the online service, please email the Share Registry at <a href="mailto:registry@registrydirect.com.au">registry@registrydirect.com.au</a> or call the Share Registry on 1300 55 66 35 (within Australia) or +61 3 9909 9909 (outside Australia).</p> <p>Alternatively, you may complete and sign the Option Scheme Proxy Form provide to you and lodge it with the Share Registry by:</p> <ul style="list-style-type: none"> <li>• post: Direct Registry Limited, 10 Exon Street, Brighton, Victoria, 3186, Australia;</li> <li>• facsimile: +61 3 9111 5652;</li> <li>• email: <a href="mailto:registry@registrydirect.com.au">registry@registrydirect.com.au</a>; or</li> <li>• hand or courier delivery: Registry Direct Limited, 10 Exon Street, Brighton, Victoria, 3186, Australia.<sup>2</sup></li> </ul> <p><b>Your Option Scheme Proxy Form must be received by the Share Registry by 10:00am (Sydney time) on 10 February 2021. Option Scheme Proxy Forms received after the deadline will be invalid.</b></p> <p>Eligible proxy holders must contact the Share Registry on 1300 55 66 35 (within Australia) or +61 3 9909 9909 (outside Australia) before the meeting to obtain access to a proxy voting card and instructions on how to complete the voting card.</p> <p>Your appointment of a proxy does not preclude you from attending in person (online only) and voting at the meeting. The appointment of your proxy is not revoked merely by your attendance to and participation in the meeting, but if you vote on a resolution, any vote made by your proxy on your behalf will not be counted.</p> <p>A proxy may vote or abstain as he or she chooses except where the appointment of the proxy directs the way the proxy is to vote on the resolution. If an appointment directs the way the proxy is to vote on the resolution:</p> <ul style="list-style-type: none"> <li>• if the proxy is the Chairperson – the proxy must vote on the poll and must vote in the way directed; or</li> <li>• if the proxy is not the Chairperson – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote in the way directed.</li> </ul> <p>If a proxy appointment is signed or validly authenticated by a Xplore Optionholder but does not name the proxy or proxies in whose favour it is given, the Chairperson or any other director of Xplore or the company secretary, as nominated by the Chairperson, will act as proxy in respect of the resolution to be considered at the Option Scheme Meeting.</p>

<sup>2</sup> Please note that hand deliveries may only be made Monday to Friday between the hours of 9.00am to 5.00pm (AEDT).

	<p>If:</p> <ul style="list-style-type: none"> <li>• a Xplore Optionholder nominates the Chairperson of the meeting as their proxy; or</li> <li>• the Chairperson is otherwise appointed to act as proxy,</li> </ul> <p>then the person acting as Chairperson in respect of an item of business at the meeting must act as proxy in respect of the resolution to be considered at the Option Scheme Meeting.</p> <p>The Chairperson intends to vote undirected proxies of which he is appointed as proxy in favour of the resolution to approve the Option Scheme (in the absence of a Superior Proposal from another party prior to the date of the Option Scheme Meeting).</p> <p>A vote cast in accordance with the appointment of a proxy is valid even if before the vote was cast the appointor:</p> <ul style="list-style-type: none"> <li>• died;</li> <li>• became mentally incapacitated;</li> <li>• revoked the proxy; or</li> <li>• transferred the shares in respect of which the vote was cast,</li> </ul> <p>unless Xplore received written notification of the death, mental incapacity, revocation or transfer before the meeting or, if applicable, before the resumption of any adjourned meeting.</p>
<b>By power of attorney</b>	<p>If voting by attorney, the power of attorney appointing the attorney must be duly executed by you (the Xplore Optionholder) in the presence of at least one witness, and specify your name, the company's name (Xplore Wealth Limited), and the appointed attorney, and also specify the meeting at which the appointment may be used. The appointment may be a standing one.</p> <p>The power of attorney must be lodged with the Share Registry in the same manner as outlined for proxy forms above. <b>The deadline for the receipt of powers of attorney by the Share Registry is 10:00am (Sydney time) on 10 February 2021.</b></p> <p>Your appointment of an attorney does not preclude you from attending in person (online only) and voting at the meeting. The appointment of your attorney is not revoked merely by your attendance to and participation in the meeting, but if you vote on a resolution, any vote made by your attorney on your behalf will not be counted.</p> <p>A vote cast in accordance with the appointment of a power of attorney is valid even if before the vote was cast the appointor:</p> <ul style="list-style-type: none"> <li>• died;</li> <li>• became mentally incapacitated;</li> <li>• revoked the power; or</li> <li>• transferred the Xplore Shares in respect of which the vote was cast,</li> </ul> <p>unless Xplore received written notification of the death, mental incapacity, revocation or transfer before the meeting or, if applicable, the resumption of any adjourned meeting.</p>
<b>By corporate representative</b>	<p>To vote at the meeting, an Xplore Optionholder or proxy which is a corporation may appoint an individual to act as its representative.</p> <p>To vote by corporate representative at the meeting, an Xplore Optionholder or proxy which is a corporation must provide the representative with a duly executed notice of appointment, which the representative must lodge with the Share Registry in the same manner as outlined for proxy forms above. <b>The deadline for the receipt of appointment of a corporate representative by the Share Registry is 10:00am (Sydney time) on 10 February 2021.</b></p> <p>The appointment of a representative may set out restrictions on the representative's powers.</p> <p>The original form of appointment of a representative, a certified copy of the appointment, or a certificate of the body corporate evidencing the appointment of a representative is prima facie evidence of a representative having been appointed. The chairperson of the meeting may permit a person claiming to be a representative to exercise the body's powers even if they have not produced a certificate or other satisfactory evidence of their appointment.</p>
<b>Further information</b>	<p>For further information, you may call the Share Registry on 1300 55 66 35 (within Australia) or +61 3 9909 9909 (outside Australia) on Monday to Friday between 9.00am and 5.00pm (AEDT).</p>

# Corporate Directory

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## **Xplore Wealth Limited**

ACN 128 316 441

Suite 1, Level 5,  
28 Margaret Street  
Sydney, NSW, 2000

02 8006 5900

[www.xplorewealth.com.au](http://www.xplorewealth.com.au)

### **Directors**

Alexander Paul Hutchison  
(Chairman, Non-Executive Director)

Donald Sharp  
(Non-Executive Director)

Julie-Anne Berry  
(Non-Executive Director)

Stephen Douglas Reed  
(Non-Executive Director)

### **Company Secretaries**

Jillian McGregor

Craig William Giffin

### **Auditor**

Grant Thornton Audit Pty Ltd

### **Legal adviser**

Hamilton Locke Pty Ltd  
Level 42, Australia Square,  
264 George Street  
Sydney NSW 2000

[www.hamiltonlocke.com.au](http://www.hamiltonlocke.com.au)

### **Financial adviser**

Shaw and Partners Limited  
Chifley Tower, Level 7/2 Chifley Square  
Sydney NSW 2000

[www.shawandpartners.com.au](http://www.shawandpartners.com.au)

### **Tax adviser**

Mitra Tax & Super Services Pty Ltd  
30 Selwyn Street  
Pymble NSW 2073

### **Independent Expert**

Leadenhall Corporate Advisory Pty Ltd  
111 Elizabeth Street  
Sydney NSW 2000

[www.leadenhall.com.au](http://www.leadenhall.com.au)

### **Independent Account**

Grant Thornton Corporate Finance Pty  
Ltd  
Level 17, 383 Kent Street  
Sydney NSW 2000

[www.grantthornton.com.au](http://www.grantthornton.com.au)

### **Share Registry**

Registry Direct Limited  
10 Exon Street  
Brighton VIC 318

[www.registrydirect.com.au](http://www.registrydirect.com.au)

**XPLORE**  
WEALTH

**Annexure B – Cover Letter**

## Scheme Booklet and Notices of Scheme Meetings

Dear Xplore Securityholders,

On 28 October 2020, Xplore Wealth Limited (ACN 128 316 441) (**Xplore**) announced that Xplore had entered into a Scheme Implementation Agreement with HUB24 Limited (**HUB24**), under which HUB24 undertakes to acquire control of Xplore by way of two separate schemes of arrangement, being the Share Scheme and the Option Scheme (together, the **Schemes**), subject to the terms of the Implementation Agreement.

This letter is being sent to you because you are shown on the register of members of Xplore as holding shares and/or holding options in Xplore and you have not elected to receive communications electronically or, although you have elected to receive communications electronically, we have been notified that our email communication was unable to be delivered to your nominated email address.

Please disregard this letter if you have recently sold all your Xplore shares or no longer hold any Xplore shares or options.

### Scheme Booklet

A Scheme Booklet has been prepared in connection with the Schemes and is now available. The Scheme Booklet includes the explanatory statements required by Part 5.1 of the Corporations Act for the Schemes, the Independent Expert's Report, and the Notices of Scheme Meeting for the Schemes. Unless otherwise defined, capitalised terms used in this letter have the meaning given to them in the Scheme Booklet.

This Scheme Booklet also sets out the manner in which the Schemes will be considered and implemented (if all the conditions precedent are satisfied, or, if permitted, waived) and provides such information as is prescribed by law or is otherwise material to the decision of Xplore shareholders and/or optionholders, as applicable, whether or not to vote in favour of the Schemes.

In accordance with subsection 5(1)(f) of the *Corporations (Coronavirus Economic Response) Determination (No.3) 2020* made by the Commonwealth Treasurer on 21 September 2020, the Company will not be dispatching physical copies of the Scheme Booklet (which includes the Notices of Scheme Meetings). Instead, you can access the Scheme Booklet at the following link: <https://xplorewealth.com.au/shareholder-centre/financial-reports-and-announcements/#asx-announcements>.

If you wish to receive a printed copy of the Scheme Booklet, you may request one by calling the Xplore Securityholder Information Line on 1300 55 66 35 (within Australia) or +61 3 9909 9909 (outside Australia) Monday to Friday between 9.00am and 5.00pm (AEDT).

The Scheme Booklet is important and requires your prompt attention

### Scheme Meetings

Xplore is pleased to announce the:

- Share Scheme Meeting to consider the Share Scheme will be held on 12 February 2021 at 10.00am (Sydney time); and
- the Option Scheme Meeting to consider the Option Scheme will be held on 12 February 2021 at 11.00am (Sydney time) or at the conclusion or adjournment of the Share Scheme Meeting (whichever time is later).

(together, the **Scheme Meetings**).

The Scheme Meetings will proceed as virtual (online only) meetings. There will not be a physical meeting that Xplore shareholders or Xplore optionholders and their proxies, attorneys or corporate representatives can attend.

Details of how to attend and vote at the applicable Scheme Meeting are set out in the Scheme Booklet.

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## Invitation letter

If you do not have an account on the Share Registry website, an invitation letter to register is included with this letter. Please follow the instructions in the separate invitation letter to set up your account. You are strongly advised to verify that you can access your account on the Share Registry's website (being Registry Direct Limited) before attending the Scheme Meetings (as relevant).

## Election Forms

If you are an Xplore shareholder (other than a Foreign Scheme Shareholder as defined in the Scheme Booklet), you can make an Election to receive your Share Scheme Consideration as either Maximum Cash Consideration or Maximum Scrip Consideration (subject to scale back mechanics that are described in detail in the Scheme Booklet).

Details on how to make an Election are set out in the Scheme Booklet, which include emailing the completed Election Form to [registry@registrydirect.com.au](mailto:registry@registrydirect.com.au), lodging the Election Form online or by the other methods specified in the Scheme Booklet.

Accompanying this letter is a reply-paid envelope for the return of your Election Form should you not wish to submit it online or by another method specified in the Scheme Booklet.

## Proxy Forms

Accompanying this letter is a personalised Proxy Form which you may use for the Share Scheme Meeting and Option Scheme Meeting (as relevant to you). Proxy Forms may be submitted online by visiting [www.registrydirect.com.au](http://www.registrydirect.com.au) and following the instructions on that website or by the other methods specified in the Scheme Booklet.

Accompanying this letter is a reply-paid envelope for the return of your personalised Proxy Form should you not wish to submit it online or by another method specified in the Scheme Booklet.

## Indicative timetable for lodgement of Proxy Form and Election Form

Event	Deadline <sup>1</sup>
<b>Election Form:</b> Deadline for receipt by the Share Registry of Election Forms for the Share Scheme Consideration ( <b>Election Date</b> )	5.00pm (AEDT) on 2 February 2021
<b>Proxy Form:</b> Deadline for receipt by the Share Registry of Share Scheme Proxy Forms and Option Scheme Proxy Forms, powers of attorney or appointments of corporate representatives for the Scheme Meetings ( <b>Proxy Cut Off Date</b> )	10.00am (AEDT) on 10 February 2021

If you intend to make an Election or submit Proxy Forms, we strongly recommend using the email or online lodgement methods described in the Scheme Booklet because mail delivery times may be slower than normal due to the COVID-19 pandemic and your form may be rejected if not received by the relevant deadline.

If you have any questions, please call the Xplore Securityholder Information Line on 1300 55 66 35 (within Australia) or +61 3 9909 9909 (outside Australia) Monday to Friday between 9.00am and 5.00pm (AEDT).

Yours sincerely,



Alex Hutchison  
Non-Executive Chairman  
E: [Alex.Hutchison@xplorewealth.com.au](mailto:Alex.Hutchison@xplorewealth.com.au)

<sup>1</sup> All dates and times in this timetable are indicative only and any changes will be announced through ASX and notified on Xplore's website at [xplorewealth.com.au](http://xplorewealth.com.au).