

ASX Announcement

20 November 2017

Market Update: Shareholder Claimant Scheme Supplementary Disclosure

Slater and Gordon Limited (ASX:SGH) (the “**Company**”) announces that the Federal Court of Australia has today approved supplementary disclosure documentation in connection with the Company’s proposed scheme of arrangement with shareholder claimants (“**Shareholder Claimant Scheme**”).

A copy of the supplementary disclosure that has been distributed to shareholder claimants today is attached to this announcement.

The disclosure relates to new information provided to the Company in connection with a hearing held late last week in relation to the application for approval of the proposed settlement of the class action brought against the Company on behalf of Mr Matthew Hall announced to ASX on 21 September 2017.

This additional information has not changed the opinion given by the independent expert in relation to the Shareholder Claimant Scheme, nor the recommendation of the Company’s directors.

There has also been no change to the anticipated timetable for the Shareholder Claimant Scheme that was announced to ASX on 30 October 2017. The Shareholder Claimant Scheme meeting will be held at 10.30 am on Tuesday, 28 November 2017.

ENDS

Contact:

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About Slater and Gordon

Slater and Gordon Limited (“Slater and Gordon Group”, ASX:SGH) includes Slater and Gordon Lawyers in the United Kingdom and Australia, as well as Slater Gordon Solutions in the UK.



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20 November 2017

Dear Shareholder Claimant

Shareholder Claimant Scheme - Supplementary Disclosure

You were sent an explanatory statement in respect of the shareholder claimant creditors' scheme of arrangement between Slater and Gordon and its shareholder claimants, dated 30 October 2017 ("**Explanatory Statement**").

Unless otherwise defined in this letter, capitalised terms have the meaning given to them in the Explanatory Statement.

This letter has been sent to you pursuant to an order of the Federal Court of Australia ("**Court**") and supplements the Explanatory Statement that you have already received. The purpose of the letter is to inform Shareholder Claimants about material new information that has become known to the Company since the Explanatory Statement was sent to Shareholder Claimants on 30 October 2017. This letter does not replace the Explanatory Statement and should be read together with that document.

Material New Information and Impact on Shareholder Claimants

1. Hall Proceeding Claimants' costs

As disclosed in the Explanatory Statement, the Scheme Fund from which Shareholder Claimants are entitled to share rateably (subject to proof) is established from the Hall Proceeding Settlement Contribution Amount, being the \$32.5 million contributed by Insurers, once those funds have been used to pay certain costs. These costs include the legal costs of the Hall Proceeding Claimants as well as the Funding Costs of their litigation funder. Consequently the amount of the costs approved by the Court will impact upon the size of the Scheme Fund available for distribution to Shareholder Creditors.

The approval application for the Hall Proceeding settlement was part heard on 16 November 2017. In connection with that hearing, Maurice Blackburn, the solicitors for the Hall Proceeding Claimants, filed submissions on behalf of the applicant Mr Matthew Hall seeking approval for payment of \$5.3 million of legal costs (\$3.5 million in professional fees and \$1.8 million in disbursements) incurred in respect of the Hall Proceeding. Maurice Blackburn also stated that Catherine Dealehr, a costs consultant, opined that the amount of Mr Hall's reasonable legal costs and disbursements incurred in respect of the Hall Proceeding was \$6.1 million.

In the material filed with the Court, Maurice Blackburn also sought approval for Funding Costs of \$8 million for the Hall Proceeding Claimants' litigation funder.

The Company is not privy to the confidential information that was filed with the Court supporting Maurice Blackburn's costs estimates and the estimates of the litigation funder's commission.

Given this new information, the Company considers that it is appropriate to revise the range of legal costs that might be approved as part of the Hall Proceeding Settlement from its

previous assessment of \$2 million - \$3 million, to \$4 million - \$6 million given the information now in its possession. The Company also notes that the \$8 million in Funding Costs that Maurice Blackburn is seeking approval for is less than the \$8.25 million estimate previously disclosed in Section 4.2 of the Explanatory Statement.

Shareholder Claimants should note that the Hall Proceeding Claimants' legal costs and Funding Costs remain subject to Court approval. The parties will be addressing the Court on the question of costs and funding fees again on or around 14 December 2017. For that reason, the Company cannot provide a precise estimate of the costs that will be approved.

2. Maurice Blackburn as Hall Proceeding Claimants' Proxy

The Court has vacated the orders previously made which appointed Maurice Blackburn as proxy for lodging Voting Proof of Debt Forms and for voting on the Scheme on behalf of the Hall Proceeding Claimants.

The Court indicated that the parties can approach it with a revised order which appoints Maurice Blackburn as proxy for lodging Voting Proof of Debt Forms on behalf of the Hall Proceeding Claimants.

Any Shareholder Claimant who does not have a contractual retainer or other contractual obligation with Maurice Blackburn for it to act as proxy for that Shareholder Claimant will need to either attend the Scheme Meeting and vote in person, or vote by proxy, attorney or corporate representative. If a Shareholder Claimant would like to appoint a proxy, a Proxy Form must be received by **10.30 am on 26 November 2017** in order for the proxy to be valid. Shareholder Claimants should refer to Section 9.4 of the Explanatory Statement for further details on how to vote at the Scheme Meeting.

3. Babs cay Proceeding

As disclosed in Section 3.2(b) of the Explanatory Statement, the statement of claim filed in respect of the Babs cay Proceeding alleges that the Company's financial statements in each of the 2013, 2014 and 2015 financial years contained false and/or misleading statements, in part due to the Company adopting an erroneous approach to recognising revenue in its accounts (which resulted in revenue from work in progress being overstated). Babs cay sought, and was granted, leave to file an amended statement of claim that extends the time period during which claims are made against the Company that relate to the Company's financial statements to the 2012 financial year in addition to the 2013, 2014 and 2015 financial years.

4. Potential Claim Against the Company

On 1 November 2017 Babs cay filed a class action claim against Pitcher Partners in relation to its audit of the Company's financial statements for the 2012, 2013, 2014 and 2015 financial years. In the first directions hearing held on 16 November 2017, Counsel for Pitcher Partners stated that Pitcher Partners intends to seek leave to file third party claims against the Company and/or its directors in response to this proceeding. As at the date of this letter no such claim has been filed against the Company. Pitcher Partners has until 12 December 2017 to make such an application for leave.

As noted in the Explanatory Statement, the Scheme is intended to provide a comprehensive solution to resolve and compromise all potential Shareholder Claims against the Company and its directors. The Scheme will also ensure that there are no future adverse financial consequences for the Company or its directors as a result of claims by Shareholder Claimants against Third Parties such as the Company's advisers or auditors. The Scheme will limit the claims that Shareholder Claimants can bring against Third Parties, and the Company and its directors will be indemnified by Shareholder Claimants against any loss arising from Shareholder Claimants pursuing Third Party Claims.

For a description of the effect of the proposed Scheme on claims against Third Parties, Shareholder Claimants should read Sections 4.7, 5.1, 6.11 and 6.12 of the Explanatory Statement in conjunction with the information in this letter.

Independent Expert's opinion

As a result of the new information, the Independent Expert has provided a supplementary report dated 17 November 2017 to the Independent Expert's Report dated 27 October 2017, which appears at Annexure D to the Explanatory Statement ("**Supplementary Report**"). While the Independent Expert has provided a Supplementary Report, the new information has not affected the Independent Expert's conclusion that the Scheme is in the best interests of Shareholder Claimants, in the absence of a superior proposal. In arriving at this conclusion, the Independent Expert assessed whether the Scheme was fair and reasonable to Shareholder Claimants.

Following the increase in the estimated legal costs of Maurice Blackburn in respect of the Hall Proceeding, the Independent Expert has revised its conclusion about the net financial position of Shareholder Claimants if the Scheme is approved and implemented. In the Independent Expert's opinion, and subject to the assumptions in the Supplementary Report, the funds available to be distributed to Shareholder Claimants, subject to proof, will be in the range of \$17.25 million to \$19.25 million. The Independent Expert considers that Shareholder Claimants will still be in a financially superior position if the Scheme is implemented.

The full Supplementary Report is **attached** to this letter.

As part of your assessment of the Scheme you should read the Independent Expert's Report in its entirety, including the Supplementary Report, before deciding how to vote at the Scheme Meeting.

No change to Directors' Recommendation

The Directors unanimously recommend that Shareholder Claimants vote in favour of the Scheme.

The reasons for the Directors' recommendation have not changed since the Explanatory Statement was distributed. These reasons and other relevant considerations are set out in the Explanatory Statement.

Scheme Meeting and Voting

The details of the Scheme Meeting and the time for lodging Proxy Forms and Voting Proof of Debt Forms have not changed.

The Scheme Meeting will commence at **10.30 am on Tuesday, 28 November 2017** at the Marriott Hotel, Corner of Exhibition Street and Lonsdale Street, Melbourne, Victoria 3000.

1. Proxy Forms

You do not need to take any action if you have already lodged your Proxy Form and do not wish to change your vote as a result of the supplementary information in this letter.

If however you have already submitted your Proxy Form and wish to change your vote as a result of the new information, at any time prior to the deadline for receipt of Proxy Forms, being **10.30 am on 26 November 2017**, you may withdraw your Proxy Form by filing a written notice of withdrawal with a replacement Proxy Form.

To file a valid withdrawal, the notice of withdrawal must:

- (i) specify the name of the person having submitted the original Proxy Form;
- (ii) specify the date the Proxy Form was submitted, and
- (iii) be signed by the party who signed the Proxy Form that is to be revoked.

2. Voting Proof of Debt Forms

You do not need to take any action if you have already lodged your Voting Proof of Debt Form and do not wish to change your claim as a result of the supplementary information.

If however you have already submitted your Voting Proof of Debt Form and wish to change your claim as a result of the new information, at any time prior to the deadline for receipt of Voting Proof of Debt Forms, being **10.30 am on 26 November 2017**, you may withdraw your

Voting Proof of Debt Form by filing a written notice of withdrawal with a replacement Voting Proof of Debt Form.

To file a valid withdrawal, the notice of withdrawal must:

- (i) specify the name of the person having submitted the original Voting Proof of Debt Form;
- (ii) specify the date the Voting Proof of Debt Form was submitted, and
- (iii) be signed by the party who signed the Voting Proof of Debt Form that is to be revoked.

Important Notices

1. ASIC and ASX

A copy of this letter has been provided to ASIC. A copy has also been released on ASX. Neither ASIC, ASX nor any of their officers take any responsibility for the contents of this letter.

2. Court

The fact that the Court has made orders approving the despatch of this letter (which forms part of the Explanatory Statement) is not an endorsement of, or any other expression of opinion on, the Scheme and does not mean that the Court:

- (a) has formed any view as to the merits of the proposed Scheme or as to how Shareholder Claimants should vote (on this matter Shareholder Claimants must reach their own decision); or
- (b) has prepared, or is responsible for the content of, this letter or the Explanatory Statement.

3. Rounding

Figures and amounts in this letter are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this letter.

Further Information

If you have any questions in relation to the Scheme or lodgement of Proxy Forms or Voting Proof of Debt Forms, please contact the General Counsel and Company Secretary at the following address:

Ms Kirsten Morrison
General Counsel and Company Secretary
Slater and Gordon Limited
485 La Trobe Street
Melbourne, Victoria 3000

or by email to CoSec@slatergordon.com.au

You are encouraged to carefully read and consider the Explanatory Statement and this letter in full, and to seek your own professional, financial, legal and taxation advice before deciding how to vote on the Scheme.

Yours faithfully



John Skippen
Chairman
SLATER & GORDON LIMITED



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The Directors
Slater & Gordon Limited
485 La Trobe Street
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17 November 2017

Dear Directors

SUPPLEMENTARY INDEPENDENT EXPERT'S REPORT AND FINANCIAL SERVICES GUIDE

PART ONE –SUPPLEMENTARY INDEPENDENT EXPERT'S REPORT

1 Introduction

On 29 June 2017, Slater & Gordon Limited (Slater & Gordon or the Company) announced it had entered into a Restructuring Support Deed (RSD) with its lenders who collectively represent over 75 percent of its secured debt by value and over 50 percent of the number of secured lenders (Supporting Lenders). On 31 August 2017, a revised RSD with updated restructuring terms was signed. The RSD is to give effect to the recapitalisation of the Company's equity and debt obligations (the Recapitalisation).

The Recapitalisation is intended to reduce the senior secured debt to a sustainable level of debt, and enable the Company to continue to trade and operate and prevent a breach of existing facilities and other finance documents. The Company is seeking to implement the Recapitalisation via a creditors' scheme of arrangement (Senior Lender Scheme) between Slater & Gordon and the Senior Lenders (Senior Lenders or Scheme Senior Lenders)¹. As a consequence of the Recapitalisation all existing Slater & Gordon shareholders (Shareholders) will be materially diluted. The Shareholders will have an opportunity to consider and approve the Recapitalisation at the Annual General Meeting (AGM) to be held on 6 December 2017 as part of the resolution to be put to shareholders in relation to the Recapitalisation (Recapitalisation Resolution). The Recapitalisation of Slater & Gordon is only possible if the

¹ Scheme Senior Lenders are defined in the Senior Lenders Explanatory Statement and means each person who is a Senior Lender as at the date the Scheme becomes effective.

Recapitalisation Resolution is passed at the AGM by more than 50 percent of the votes cast by Eligible Shareholders.²

Further to its announcement on 29 June 2017, Slater & Gordon advised on 31 August 2017 that it had entered into an amended binding RSD with 100 percent of its Senior Lenders in relation to the Recapitalisation. The revised terms of the Recapitalisation will provide the Company with the additional liquidity support required for its continued operation prior to the implementation of the Recapitalisation and to fund the business plan thereafter. It will also deliver the substantial debt reduction that was a feature of the original RSD and Slater & Gordon's UK Operations will be transferred to the Senior Lenders.

On 10 July 2017, the Company entered into a Heads of Agreement in order to resolve a claim brought against the Company by Mr Matthew Hall. On 21 September 2017, the Company entered into a binding settlement deed to settle the claim brought against the Company by Mr Matthew Hall. As a result, in order to manage this and other recent and potential claims that have been brought against the Company by Shareholder(s) in relation to the acquisition, dealing in or selling of Slater & Gordon shares over a set six year period (Shareholder Claimants), the Company seeks to implement the binding settlement deed via a creditor's scheme of arrangement between Slater & Gordon and the Shareholder Claimants (Shareholder Claimant Scheme). Due to the inter-conditional nature of the Shareholder Claimant Scheme and the Senior Lenders Scheme, approval of the Shareholder Claimant Scheme is required to facilitate the Recapitalisation.

The Shareholder Claimant Scheme is designed to protect the interests of the Company's clients, creditors, current and future Shareholders and other stakeholders having regard to the current financial position of the Company. It is also part of a comprehensive solution to resolve and compromise all potential claims raised by Shareholder Claimants against Slater & Gordon and its current and former Officers.

KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (KPMG Corporate Finance) prepared an Independent Expert's Report (IER) dated 27 October 2017³ to assist the Shareholders and the Senior Lenders in assessing the Recapitalisation and the Shareholder Claimants in assessing the Shareholder Claimant Scheme. The IER concluded that, the Recapitalisation to be fair and reasonable to Shareholders, in the absence of a superior proposal and in relation to the Shareholder Claimant Scheme concluded that it was in the best interest of the Shareholder Claimants, in the absence of a superior proposal.

1.1 Recent developments

On 15 November 2017, Maurice Blackburn served on Slater & Gordon the non-confidential affidavit affirmed by Mr Andrew Watson of Maurice Blackburn (Andrew Watson Affidavit) in

² Eligible Shareholders means Shareholders as at the Meeting Record Date.

³ Annexure D of the Explanatory Statement

support of Mr Matthew Hall's application for approval of the Hall Proceeding settlement. The information contained in the affidavit references Maurice Blackburn's likely legal costs in relation to the Hall Proceeding. These legal costs are substantially greater than the estimate set out in our IER.

On 16 November 2017 the Hall Proceeding settlement approval application was in Court. As part of the Court proceedings, Maurice Blackburn provided further information in relation to the costs they have indicated as incurred in relation to the Hall Proceeding. The Court has adjourned the settlement approval application to 14 December 2017 (as it had previously indicated it would) so that approval can be considered at the same time as the approval of the Scheme. As such, until that date it is not certain the costs that may be approved. Further, whilst Maurice Blackburn has filed the affidavit of the Costs Consultant it engaged to cost the file, this has been done on a confidential basis, such that Slater & Gordon does not have access to that material.

Further, the Judge gave a preliminary indication that he may form a view that the costs and litigation funding commission for which Mr Hall seeks approval cannot be approved 'as is' and that a mechanism for taxation of costs and fixing a lower funding commission rate may be appropriate. Maurice Blackburn have been invited to consider this preliminary indication prior to the next hearing. Accordingly, no certainty exists that the amounts for which approval have been sought (\$5.3 million in legal costs and \$8 million in litigation funding fees) will be approved rather than a lower amount.

As a consequence KPMG Corporate Finance has considered the likely legal costs in relation to the Shareholder Claimant Scheme and have issued this Supplementary IER to consider whether our opinion in relation to the Shareholder Claimant Scheme has changed as a consequence of the information in relation to legal costs contained within the Andrew Watson Affidavit. This Supplementary IER sets out the opinion of KPMG Corporate Finance as to the impact of the new information regarding legal costs in relation to the Shareholder Claimant Scheme. This report should be considered in conjunction with, and not independently of, the information contained in the Explanatory Statement (including the IER) and the Supplementary Explanatory Statement provided to Shareholder Claimants in relation to Shareholder Claimant Scheme.

Further information regarding KPMG Corporate Finance as it pertains to the preparation of this report is set out in Appendix 1.

KPMG Corporate Finance's Financial Services Guide is contained in Part Two of this report.

2 **Opinion for the Shareholder Claimant Scheme**

In our opinion, the Shareholder Claimant Scheme continues to be **in the best interest of the Shareholder Claimants, in the absence of a superior proposal.**

In arriving at this opinion, we consider that the Shareholder Claimant Scheme should continue to be assessed as follows:

- *fair*, by considering the financial position of the Shareholder Claimants should the Shareholder Claimant Scheme be voted down relative to the financial position of the Shareholder Claimants should the Shareholder Claimant Scheme be approved
- *reasonable*, by assessing for the Shareholder Claimants:
 - implications of the Shareholder Claimant Scheme
 - available alternatives to the Shareholder Claimant Scheme, and
 - the consequences of not approving the Shareholder Claimant Scheme.

Having analysed the Shareholder Claimant Scheme on this basis, we consider the Shareholder Claimant Scheme continues to be fair.

The principal matters that KPMG Corporate Finance has taken into consideration in forming our opinion that the Shareholder Claimant Scheme continues to be in the best interest of Shareholder Claimants are summarised in the remainder of Section 2 below.

2.1 Assessment of the fairness of the Shareholder Claimant Scheme

The fairness assessment of the Shareholder Claimant Scheme in our IER is based upon the likely net financial position of the Shareholder Claimants assuming the Shareholder Claimant Scheme is not approved, relative to the net financial position of the Shareholder Claimants assuming that the Shareholder Claimant Scheme is approved.

The original view, as set out in our IER, was that it was unlikely that estimated legal costs associated with the claims, should the claims be settled as a result of the approval of the Shareholder Claimant Scheme, would be greater than \$3.0 million. However, the Andrew Watson Affidavit contained further information in terms of the costs agreement including the reasonableness of legal costs. This included that Catherine Dealehr of Australian Legal Costing Group has been retained to express an opinion as to the amount that represents the applicants' reasonable costs of and incidental to the proceeding. While Maurice Blackburn has sought approval for \$5.3 million in legal costs, Ms Dealehr has opined that the applicant's reasonable legal costs are in the order of \$6.0 million. Whilst Maurice Blackburn subsequently filed the affidavit of Ms Dealehr, this has been done on a confidential basis such that Slater & Gordon does not have access to that material.

As a result of the disclosures made by Maurice Blackburn in the Hall Proceeding settlement approval application Slater & Gordon intends to seek ASIC's consent and the Court's approval to make supplementary disclosure that the likely legal costs are estimated to be in the range of \$4.0 million to \$6.0 million and litigation funding fees may be up to \$8.0 million. Having considered the additional material and indications made by the Court, we are of the view that notwithstanding that these amounts are subject to Court approval, we consider them at this point in time to be the best guide as to likely costs and have adopted them for the purpose of our updated analysis.

With respect to our IER the impact is to reduce the amount available to Shareholder Claimants by the estimated increase in legal fees of between and \$1.0 million and \$3.0 million and to increase the amount available by \$0.25 million in relation to the litigation funding fees. As such, the Shareholder Claimants' net financial position is changed from that in our IER and:

- if the Shareholder Claimant Scheme is approved, and assuming legal costs are now expected to be in the order of \$4.0 million to \$6.0 million, litigation funding costs of \$8.0 million and scheme running costs are at the high end of the range at \$1.25 million, funds available to be distributed to Shareholder Claimants are in the order of \$17.25 million to \$19.25 million, which is payable to Shareholder Claimants upon proof of claim
- if the Shareholder Claimant Scheme is not approved, no change arises in our prior analysis. Previously we indicated that notwithstanding the litigation funders commission, this results in the Shareholder Claimants, assuming a single claim is made, receiving \$10.0 million to \$20.0 million (average \$15 million) at the end of the litigation proceedings should the court rule favourably to the claimant, which may take up to several years. We further noted that to date, two class action claims are currently on foot against Slater & Gordon, and one potential claim notified, so the recovery may be less than if only one claim had been filed.

Based upon the net financial position of the Shareholder Claimants as outlined above, we consider the Shareholder Claimants continue to be in a financially superior position should the Shareholder Claimant Scheme be implemented, and as such, in our opinion we consider the Shareholder Claimant Scheme continues to be fair.

2.2 Assessment of changes to the reasonableness arising from the Shareholder Claimant Scheme

We have considered the key factors of the Shareholder Claimants Scheme and they are consistent with those which were outlined in the IER with respect to the Shareholder Claimants Scheme, which supports the Shareholder Claimants Scheme being considered reasonable.

3 Other matters

In forming our opinion, we have considered the interests of the Shareholder Claimants, as a whole. This advice therefore does not consider the financial situation, objectives or needs of individual Shareholder Claimants. It is not practical or possible to assess the implications of the Shareholder Claimant Scheme on individual Shareholder Claimants as their financial circumstances are not known. The decision of Shareholder Claimants as to whether or not to approve the Shareholder Claimant Scheme is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual Shareholder Claimants should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to vote for or against the proposed resolutions may be influenced by his or her particular circumstances, we recommend that individual Shareholder Claimants including residents of foreign jurisdictions seek their own independent professional advice.

Our report has also been prepared in accordance with the relevant provisions of the Corporations Act 2001 (Cth) and other applicable Australian regulatory requirements. This report has been prepared solely for the purpose of assisting Shareholder Claimants in considering the Shareholder Claimants Scheme. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

Neither the whole nor any part of this report or its attachments or any reference thereto may be included in or attached to any document, other than the Supplementary Shareholder Claimants Explanatory Statement sent to Shareholder Claimants in relation to the Shareholder Claimant Scheme, without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears. KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it appears in the Supplementary Shareholder Claimants Explanatory Statement.

Our opinions are based solely on information available as at the date of this report. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion. All currency amounts in this report are denominated in Australian dollars unless otherwise stated.

The above opinion should be considered in conjunction with, and not independently of, the information set out in the remainder of this report, including the appendices.

Yours faithfully



Ian Jedlin
Authorised Representative



Joanne Lupton
Authorised Representative

Appendix 1 – KPMG Corporate Finance Disclosures

Qualifications

The individuals responsible for preparing this report on behalf of KPMG Corporate Finance are Ian Jedlin, Joanne Lupton and Guy Edwards. Ian is an Associate of the Institute of Chartered Accountants in Australia and a Senior Fellow of the Financial Securities Institute of Australasia and holds a Master of Commerce from the University of New South Wales. Joanne is a member of the Institute of Chartered Accountants in Australia and a Fellow of the Financial Securities Institute Australasia and holds a Bachelor of Commerce degree. Each has a significant number of years of experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of independent expert reports. Guy is an Associate, Institute of Chartered Accountants Australia and New Zealand, a Registered Liquidator since 2002 and holds a Bachelor of Commerce degree. Guy has over 25 years in providing restructuring and insolvency services.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than KPMG Corporate Finance's opinion as to whether the Recapitalisation is fair and reasonable to Shareholders. KPMG Corporate Finance expressly disclaims any liability to any Shareholders who rely or purport to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, neither KPMG Corporate Finance nor the KPMG Partnership has been involved in the preparation of the Explanatory Memorandum or any other document prepared in respect of the Recapitalisation. Accordingly, we take no responsibility for the content of the Explanatory Memorandum as a whole or other documents prepared in respect of the Recapitalisation. We note that the forward-looking financial information prepared by the Company does not include estimates as to the potential impact of any future changes in taxation legislation.

Independence

In addition to the disclosures in our Financial Services Guide, it is relevant to a consideration of our independence that, during the course of this engagement, KPMG Corporate Finance provided draft copies of this report to management of Slater & Gordon for comment as to factual accuracy, as opposed to opinions which are the responsibility of KPMG Corporate Finance alone. Changes made to this report as a result of those reviews have not altered the opinions of KPMG Corporate Finance as stated in this report.

Consent

KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it is included with the Explanatory Memorandum to be issued to the shareholders of Slater & Gordon. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears.

PART TWO – FINANCIAL SERVICES GUIDE

Dated 17 November 2017

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215, Australian Financial Services Licence Number 246901 (of which KPMG Corporate Finance is a division) (KPMG Corporate Finance) and Ian Jedlin as an authorised representative of KPMG Corporate Finance, authorised representative number 404177 and Joanne Lupton as an authorised representative of KPMG Corporate Finance, authorised representative number 449593 (Authorised Representative).

This FSG includes information about:

- KPMG Corporate Finance and its Authorised Representative and how they can be contacted
- the services KPMG Corporate Finance and its Authorised Representative are authorised to provide
- how KPMG Corporate Finance and its Authorised Representative are paid
- any relevant associations or relationships of KPMG Corporate Finance and its Authorised Representative
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and the compensation arrangements that KPMG Corporate Finance has in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Corporate Finance.

This FSG forms part of an Independent Expert's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Corporate Finance and the Authorised Representative are authorised to provide

KPMG Corporate Finance holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;
- interests in managed investment schemes including investor directed portfolio services;
- securities;
- superannuation;
- carbon units;
- Australian carbon credit units; and
- eligible international emissions units,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG Corporate Finance to provide financial product advice on KPMG Corporate Finance's behalf.

KPMG Corporate Finance and the Authorised Representative's responsibility to you

KPMG Corporate Finance has been engaged by Slater & Gordon Limited (Client) to provide general financial product advice in the form of a Report to be included in the Notice of Meeting and Explanatory Statement (Document) prepared by the Client in relation to the Recapitalisation between the Client and Senior Lenders.

You have not engaged KPMG Corporate Finance or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Corporate Finance nor the Authorised Representative are acting for any person other than the Client.

KPMG Corporate Finance and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As KPMG Corporate Finance has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees KPMG Corporate Finance may receive and remuneration or other benefits received by our representatives

KPMG Corporate Finance charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Corporate Finance professional fees of \$582,000 for preparing the Report inclusive of our original independent expert's report. KPMG Corporate Finance and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG Corporate Finance officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Corporate Finance's representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

Neither KPMG Corporate Finance nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Corporate Finance is controlled by and operates as part of the KPMG Partnership. KPMG Corporate Finance's directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Corporate Finance and the Authorised Representative and not by the KPMG Partnership.

From time to time KPMG Corporate Finance, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

KPMG entities have provided, and continue to provide, a range of audit, tax and advisory services to the Client for which professional fees are received. Over the past three years professional fees of \$679,363 have been received by KPMG Australia from Slater & Gordon. None of those services have related to the Recapitalisation or alternatives to the Recapitalisation.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the Recapitalisation.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Corporate Finance or the Authorised Representative know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please

telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Corporate Finance or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO
Box 3, Melbourne Victoria 3001

Telephone: 1300 78 08 08

Facsimile: (03) 9613 6399 Email: info@fos.org.au

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Corporate Finance has professional indemnity insurance cover as required by the Corporations Act.

Contact Details

You may contact KPMG Corporate Finance or the Authorised Representative using the contact details:

KPMG Corporate Finance

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