

Notice of Extraordinary General Meeting

Tamawood Limited ACN 010 954 499

To be held at:

Dixon Homes Office
1821 Ipswich Road,
Rocklea, Queensland

on 12 May 2022 at 10:00am (Brisbane time)

This is an important document. If you are in any doubt about how to deal with this document, please consult your legal, financial or other professional adviser.

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared for the purposes of ASX Listing Rule 10.1. The Independent Expert's Report comments on the fairness and the reasonableness of the transactions in Resolution 1 to the non-associated Shareholders. The Independent Expert has determined the transactions the subject of Resolution 1 are **FAIR AND REASONABLE**

IMPORTANT NOTICE

This Notice of Meeting and the Explanatory Memorandum (including the Independent Expert's Report) are important documents. The matters raised in these documents will affect your shareholding in Tamawood Limited (ASX: TWD) (**Tamawood**). You are advised to read these documents carefully and in their entirety before the Meeting is held. If you have any doubt regarding the information contained in this Notice of Meeting or the Explanatory Memorandum or any action you should take in respect of such information, you should consult your financial, legal, taxation or other professional adviser.

This Notice of Meeting and Explanatory Memorandum (other than the Independent Expert's Report) have been prepared by Tamawood. Tamawood makes all statements, representations and undertakings in this Notice of Meeting and Explanatory Memorandum (other than the Independent Expert's Report). The Independent Expert's Report has been prepared by Vincents Capital Management Pty Ltd (**Vincents**). Vincents makes all statements and representations in the Independent Expert's Report.

The information contained in this Notice of Meeting, and the Explanatory Memorandum (other than the Independent Expert's Report) does not constitute financial product advice and has been prepared without reference to your own investment objectives, financial situation, taxation position and particular needs. If you are in any doubt in relation to these matters, you should consult your financial, legal, taxation or other professional advisor immediately.

This Notice of Meeting and the Explanatory Memorandum are not a prospectus and do not form part of any offer, invitation or recommendation in respect of securities, or an offer, invitation or recommendation to sell, or a solicitation of an offer to buy, any securities. They have been delivered to each Shareholder solely for its information to permit it to vote on the matters before the Meeting.

FORWARD-LOOKING STATEMENTS

This Notice of Meeting and the Explanatory Memorandum (including the Independent Expert's Report) contain 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 Notice of Meeting and the Explanatory Meeting (including the Independent Expert's Report) reflect views only as at the date of this Notice of Meeting, and generally may be identified by the use of forward-looking words, such as "believe", "expect", "anticipate", "intending", "likely", "should", "may", "estimate" or "potential" or other similar words. Similarly, statements that describe Tamawood's objectives, plans, goals or expectations are or may be forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to differ materially from the anticipated results, performance or achievements, expressed, projected or implied by these forward-looking statements.

None of Tamawood, its Directors, its officers, any persons named in this Notice of Meeting or the Explanatory Memorandum (including the Independent Expert's Report) with their consent or any persons involved in the preparation of this Notice of Meeting or the Explanatory Memorandum, makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any events or results expressed, projected or implied in any forward-looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward-looking statement.

All subsequent written and oral forward-looking statements attributable to Tamawood or any person acting on its behalf are qualified by this notice. Subject to any continuing obligations under relevant laws of the ASX Listing Rules, Tamawood does not give any undertaking to update or revise any such statements after the date of this Notice of Meeting, to reflect any change in expectations in relation thereto or any change in events, conditions or circumstances on which any such statement is based.

Tamawood undertakes no obligation to revise the forward-looking statements included in this Notice of Meeting or the documentation which accompanies it to reflect any future events or circumstances.

Chairman's Letter to Shareholders

6 April 2022

Dear Shareholder

AGM

The Tamawood Board invites all Shareholders to attend the Extraordinary General Meeting at 10:00am on 12 May 2022, to be held at Dixon Homes Office, 1821 Ipswich Road, Rocklea, Queensland.

I welcome your attendance at the Extraordinary General Meeting. If you are unable to attend the meeting please complete the attached proxy form and return it in accordance with the instructions provided.

Yours sincerely,

A handwritten signature in black ink that reads "R. Lynch". The signature is written in a cursive, slightly stylized font.

Robert Lynch
Chairman

Notice of extraordinary general meeting

Tamawood Limited ACN 010 954 499

Notice is given that the Extraordinary General Meeting of Tamawood Limited (**Company**) will be held at:

Location	Dixon Homes Office, 1821 Ipswich Road, Rocklea, Queensland.
Date	12 May 2022
Time	10:00am

The business to be considered at the meeting is set out below.

Agenda

Ordinary Business

RESOLUTION 1 – APPROVAL OF ACQUISITION OF AIR SHARES HELD BY INTERESTS ASSOCIATED WITH MR LEV MIZIKOVSKY

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*“That for the purposes of listing Rule 10.1 of the ASX listing Rules and for all other purposes, approval is given for Tamawood to proceed with the proposed acquisition of all the shares in AstiVita Limited (ASX: AIR) (**AIR**) held by the following entities associated with Lev Mizikovsky:*

*(a) Rainrose Pty Ltd (**Rainrose**): 7,997,654 AIR Shares;*

*(b) Ankla Pty Ltd (**Ankla**): 6,591,54 AIR Shares;*

*(c) Sunstar Australia Pty Ltd (**Sunstar**): 2,186,892 AIR Shares;*

*(d) Mrs Mollika Winothai Mizikovsky as trustee for the Winothai Family (**Mollika**): 60,313 AIR Shares;*

*(e) Mr Lev Mizikovsky and Mrs Mollika Winothai Mizikovsky (**Mr and Mrs Mizikovsky**): 41,667 AIR Shares,*

comprising in aggregate 67.94% of the AIR Shares on issue, on the terms set out in the Explanatory Memorandum accompanying this Notice of Meeting.”

Independent Expert’s Report: Shareholders should carefully consider the Independent Expert’s Report prepared for the purposes of ASX Listing Rule 10.1. The Independent Expert’s Report comments on the fairness and the reasonableness of the transactions in Resolution 1 to the non-associated Shareholders.

The Independent Expert has determined the transactions the subject of Resolution 1 are FAIR AND REASONABLE

Voting Exclusion: Tamawood will disregard any votes cast in respect of Resolution 1 by Rainrose, Ankla, Sunstar, Mollika, Mr and Mrs Mizikovsky and any of their respective associates. However, in accordance with the ASX Listing Rules, Tamawood need not disregard a vote if:

- 1 it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or

- 2 it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 2 –Election of Mrs Linda Barr as a Director

- 1 To consider and, if in favour, to pass the following as an ordinary resolution:

'That Mrs Linda Barr in accordance with Rule 10.3 of the Company's constitution and being eligible and offering herself for election, be elected as a Director of the Company.'

Note: Information about Mrs Barr appears in the Explanatory Memorandum.

Dated 6 April 2022

By order of the Board



Robert Lynch
Chairman

Notes

- (a) A shareholder who is entitled to attend and cast a vote at the meeting is entitled to appoint a proxy.
- (b) The proxy need not be a shareholder of the Company. A shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.
- (c) If you wish to appoint a proxy and are entitled to do so, then complete and return the **attached** proxy form.
- (d) KMP (or their closely related parties) (as defined in the Corporations Act) appointed as a proxy must not vote on a resolution connected directly or indirectly with the remuneration of KMP if the proxy is undirected unless:
- (i) the proxy is the person chairing the meeting; and
 - (ii) the proxy appointment expressly authorises the person chairing the meeting to vote undirected proxies on that resolution.
- (e) If the proxy form specifies the way the proxy is to vote on a particular resolution the proxy need not vote on a show of hands but if the proxy does so, it must vote as specified in the proxy form.
- (f) If the proxy has two or more appointments that specify different ways to vote on the resolution the proxy must not vote on a show of hands.
- (g) If the proxy is the chair of the meeting, the proxy must vote on a poll or must vote the way specified in the proxy form.
- (h) If the proxy is not the chair of the meeting the proxy need not vote on the poll, but if the proxy does so, the proxy must vote as specified in the proxy form.
- (i) If the proxy form specifies the way the proxy is to vote on a particular resolution and the proxy is not the chair of the meeting and a poll is demanded and either:
- (i) the proxy is not recorded as attending; or
 - (ii) the proxy does not vote,
- the chair of the meeting is deemed the proxy for that resolution.
- (j) A corporation may elect to appoint a representative, rather than appoint a proxy, under the Corporations Act in which case the Company will require written proof of the representative's appointment which must be lodged with or presented to the Company before the meeting.
- (k) If you have any queries on how to cast your votes then email Geoff Acton on geoff@dixonhomes.com.au during business hours.

Glossary of terms

In the accompanying Notice of Meeting and Explanatory Memorandum the following words and expressions have the following meanings:

Term	Definition
AIR	means AstiVita Limited ACN 139 461 733.
Ankla	means Ankla Pty Ltd ACN 074 315 432.
ASX	means ASX Limited ACN 008 624 691 or the securities exchange operated by it, as the context requires.
Board	means the board of directors of the Company.
Chairman	means the Chairman of the Company as approved from time to time and includes an acting Chairman.
Company	means Tamawood Limited ACN 010 954 499.
Directors	means the directors of the Company from time to time.
EGM, Extraordinary General Meeting or Meeting	means the extraordinary general meeting of Shareholders.
Explanatory Memorandum	means the Explanatory Memorandum accompanying and which forms part of this Notice
Independent Expert Report	means the report prepared by Vincents dated 5 April 2022
Law or Corporations Act	means <i>Corporations Act 2001</i> and the Corporations Regulations (as defined in the Corporations Act 2001).
Listing Rules or ASX Listing Rules	means the official listing rules of ASX.
Mr and Mrs Mizikovsky	means Mr Lev Mizikovsky and Mrs Mollika Winothai Mizikovsky.
Mizikovsky Entities	means Rainrose, Ankla, Sunstar, Mr and Mrs Mizikovsky and Mollika.
Mollika	means Mrs Mollika Winothai Mizikovsky as trustee for the Winothai Family
New Tamawood Group	means Tamawood and its subsidiaries following the acquisition by Tamawood of all the AIR Shares on issue.
Notice, Notice of Meeting	means the Notice of EGM included in this booklet.
Rainrose	means Rainrose Pty Ltd ACN 010 892 154
Share	means an ordinary share in the capital of the Company, the terms of which are contained in the constitution of the Company.
Shareholders	means the holders of the Shares in the Company from time to time.
Sunstar	means Sunstar Australia Pty Ltd ACN 073 856 676
Tamawood	means Tamawood Limited ACN 010 954 499
Takeover Offer	means the takeover offer for all the shares in AIR, as set in the bidder's statement dated 6 April 2022

Explanatory Memorandum

Tamawood Limited ACN 010 954 499

Introduction

This is an important document that needs your immediate attention.

Please read the following Explanatory Memorandum and accompanying information carefully.

It is important that you either attend the meeting personally or complete and lodge the proxy form attached to the Notice of Meeting.

If you do not understand this Explanatory Memorandum or are in any doubt about the action to be taken, you should consult your solicitor, accountant, investment advisor or other professional advisor immediately.

This Explanatory Memorandum has been prepared to assist Shareholders with their consideration of the resolutions to be put to the Extraordinary General Meeting to be held on 12 May 2022 as set out in the accompanying Notice, and should be read with, and forms part of, the accompanying Notice.

This Explanatory Memorandum is required pursuant to various regulatory and ASX requirements.

Resolution 1 - Acquisition of AIR Shares from Lev Mizikovsky and his Associates

1 Overview

This Explanatory Memorandum contains information relevant to Resolution 1 set out in the Notice of Meeting. This Explanatory Memorandum includes an Independent Expert's Report prepared by Vincents and attached to this Notice Meeting. This Explanatory Memorandum, including the Independent Expert's Report, should be read carefully and in its entirety by Shareholders before making a decision in relation to Resolution 1.

In the Independent Expert's Report, Vincents, has concluded that the Offer is fair and reasonable and that therefore the acquisition of the AIR Shares from Rainrose, Ankla, Sunstar, Mollika, Mr and Mrs Mizikovsky, on the terms proposed, is fair and reasonable to the other Shareholders.

The Directors (other than Mr Lev Mizikovsky who makes no recommendation given his interest in Resolution 1 believe that it is in the best interests of Tamawood that Resolution 1 set out in the Notice of Meeting be passed and unanimously recommend that you vote in favour of Resolution 1. The reasons for the Directors' recommendation in relation to each Resolution are set out in detail below.

If you have any doubt regarding the information contained in this Explanatory Memorandum or any action you should take in respect of such information, you should consult your financial, legal, taxation or other professional adviser.

2 The Takeover Offer

(a) Background

As previously advised by Tamawood in its announcement to the ASX dated 16 March 2022, Tamawood proposes to make a takeover bid under Chapter 6 of the Corporations Act for AstiVita Limited (ASX: AIR) (**AIR**) (**Offer**). The Offer is to purchase all of the ordinary shares in AIR (**AIR Shares**) in exchange for Tamawood securities.

Tamawood and AIR entered into a Bid Implementation Agreement dated 16 March 2022 pursuant to which Tamawood agreed to make the Offer for all the AIR Shares, subject to various conditions, including obtaining all Shareholder approvals necessary to implement the Offer.

(b) Summary of the Offer

(i) What is being offered

Under the Offer, AIR Shareholders will receive 1 Tamawood Share for every 5 AIR Shares held.

(ii) Conditions of the Offer

In summary, the Offer is subject to the following conditions:

- Tamawood obtains a relevant interest in at least 90% of the aggregate of AIR Shares on issue (on a fully diluted basis)
- Tamawood Shareholder approvals required to implement the Offer (being Resolution 1) being obtained;
- no regulatory action;
- no 'prescribed occurrence;
- AIR conducting its business subject to certain restrictions;
- AIR not acquiring or disposing of any interest in any company, business or asset, entering into an agreement requiring expenditure of more than \$100,000;
- no distributions being announced, made, declared or paid by AIR;
- no inaccurate public information;
- no material adverse change in relation to AIR;
- no breach of representation of warrant.

(iii) Offer timing

The Offer commences on 6 April 2022 and closes at 5.00pm AEST on 19 May 2022, unless it is extended by Tamawood. If Tamawood obtains a relevant interest in at least 90% of AIR Shares, Tamawood may proceed to compulsorily acquire the remaining AIR Shares, after the close of the Offer.

(c) Effect of Offer on Tamawood's capital

If all AIR Shareholders accept the Offer, Tamawood will issue a maximum of 4,968,395 additional Tamawood Shares.

(d) AIR Limited

The following information about AIR is based on public information and limited non-public information made available to Tamawood by AIR and has not been independently verified. Accordingly, Tamawood does not make any representation or warranty, express or implied, as to the accuracy or completeness of this information. This information should not be considered comprehensive.

AIR is a public listed company whose primary business is the wholesale and distribution household products including solar PV panels, solar hot water systems, appliances and bathroom and kitchen products to the residential housing market.

AIR has 3 wholly owned subsidiaries including AstiVita Bathrooms and Kitchens Pty Ltd, Solarpower Pty Ltd and Indent Manufacturing Pty Ltd.

(e) Further information

Further information about AIR is included in section 4 of the Independent Expert's Report. You should read the Independent Expert's Report in full before making a decision in relation to Resolution 1.

Additional details about the Offer and AIR may also be found in Tamawood's bidder's statement in relation to the Offer, which has been lodged with ASIC and filed with the ASX 6 April 2022 and is available on the ASX website www2.asx.com.au/markets/company/twd

3 Management and Profile of the New Tamawood Group

(a) Directors and CEO

If the Offer is successful there will be no changes to the Tamawood Board as a result of the acquisition of AIR. A summary of the Tamawood Board has been included in Tamawood's bidder's statement dated 6 April 2022 however, it has been included below for convenience.

**Mr Robert Lynch – Non-Executive Chairman
LREA, Justice of the Peace**

As Chairman of Tamawood Limited, Robert has had more than 30 years' experience in residential housing construction and land development. Robert was CEO of Mirvac Homes for 17 years and Clarendon Homes for two years. Robert is a past President of the New South Wales Housing Industry Association. Robert has been a Non-executive Director of the Tamawood Group since 2008 and Chairman of the Group since November 2011. He is currently the Chairman of the Group's Risk Management Committee and is a member of the Nominations, Remuneration and Audit Committees. Robert was formerly a Non-executive Director of AstiVita Limited until 16 March 2017.

**Mr Lev Mizikovsky – Non-Executive Director
FAICD**

Lev Mizikovsky started Tamawood in July 1989. Tamawood was listed on the ASX in August 2000 and in December 2000 acquired Dixon Homes. Lev is currently Executive Chairman of AstiVita Limited (AIR). Since 1997, Lev has been a Fellow of the Australian Institute of Company Directors (AICD). He is a substantial shareholder in a number of other Queensland Companies including Lindsay Australia Limited (LAU). Lev is a Non-executive Chairman of Advance NanoTek Limited (ANO) since 3 March 2017, Chairman of Senterprisys Ltd (formerly Resiweb Ltd) and was formerly a Non-executive director of Collection House Limited (CLH). He is currently a member of the Audit and Risk Management Committees.

Mrs Linda Barr– Non-Executive Director

Linda Barr brings to Tamawood extensive knowledge in accounting systems and over 30 years in accounting and management roles. Growth and expansion focused director with executive experience in finance and ICT gained in Manufacturing, Engineering, Hospitality and Wholesale Distribution industries. She gained valuable skills in senior finance and executive roles reporting to an ASX 100 listed Company Board, where she focused on delivering strategic integration of acquisitions, identifying synergies, and creating value added services for Finance and ICT to support business operations. An accomplished leader of cultural change, business innovation and transformation. Determined to seek and create business value by acquisition, digital transformation, operational excellence, and financial acumen.

**Mr Tim Bartholomaeus – Managing Director
GAICD**

Timothy has been with the group since 1996 commencing as a Building Designer. Since 2001 he held a number of management positions including Design and Estimating Manager, Construction Manager, Administration Manager, Premium Brands Manager and Sales & Marketing Manager. Timothy was Chief Operating Officer from 2010 until his appointment as Managing Director and is a Director of the Group's Dixon Homes NSW operations. Timothy is not and has not been a director of any other publicly listed company in the past 4 years.

(b) Overview of the New Tamawood Group's financial profile

On successful completion of the Offer the New Tamawood Group will have:

- Cash and cash equivalents of \$4,900,000;
- pro forma consolidated net assets of 24,230,000 as at 31 December 2021; and
- 34,745,184 Tamawood Shares on issue.
- franking credits of \$1.497 million
- be able to utilise tax losses of \$16.8 million

For further financial information about the New Tamawood Group's financial profile, please see the pro forma consolidated balance sheet for the New Tamawood Group in section 5 of the Independent Expert's Report.

- (c) Assuming Tamawood acquires 100% of the AIR Shares under the Offer, immediately after completion of the Offer, Mr Lev Mizikovsky and his associates and other substantial holders are expected to have the following holdings in the New Tamawood Group:

Substantial holder	Number of Ordinary Shares	Percentage of total Ordinary Shares
Lev Mizikovsky and his associates	19,558,404	56.29%
Mutual Trust Pty Ltd	1,706,563	4.91%

- (d) Further information

Further information about the New Tamawood Group may also be found in section 8 of Tamawood's Statement which has been lodged with ASIC and filed with the ASX on 6 April 2022.

4 Risks

If the Offer becomes unconditional, Tamawood Shareholders will become indirectly exposed to the risks outlined below which are associated with having an indirect interest in AIR and the New Tamawood Group's proposed strategy, as well as the general economic, share market and industry risks to which they are already exposed.

Additional risks and uncertainties not currently known to Tamawood may also have a material adverse effect on AIR and the New Tamawood Group and the information set out below does not purport to be, nor should it be construed as representing, an exhaustive list of the risks affecting AIR or the New Tamawood Group.

- (a) Transaction Completion Risk

Tamawood seeks to acquire 100% of the issued capital of AIR by way of the Takeover Offer. The Takeover Offer is subject to Conditions. If any of the Conditions are not satisfied or waived, or any of the counterparties do not comply with their obligations, Completion of the Takeover Offer may be deferred or not occur.

- (b) Tamawood Transaction Due Diligence Risk

Tamawood has performed certain pre-acquisition due diligence on AIR. While Tamawood has obtained certain warranties from AIR under the Bid Implementation Agreement with respect to information provided by AIR, there is a risk that the due diligence conducted has not identified issues that would have been material to the decision by Tamawood to acquire AIR. A material adverse issue which was not identified prior to Tamawood's acquisition of AIR could have an adverse impact on the financial performance or operations of the relevant businesses and may have a material adverse effect on Tamawood.

- (c) Issue of Tamawood Shares as consideration

AIR Shareholders are being offered specific quantities of Tamawood Shares as consideration under the Offer. As a result, the value of the consideration will fluctuate depending upon the market value of Tamawood Shares at any given time. Accordingly, the market value of the Tamawood Shares at the time you receive them may vary significantly from their market value on the date of your acceptance of the Offer.

- (d) Rollover Relief

If Tamawood does not acquire a Relevant Interest in at least 80% of AIR Shares, scrip-for-scrip CGT rollover relief will not be available to AIR Shareholders.

- (e) Sale of Tamawood Shares

Under the Offer, Tamawood will issue a significant number of new Tamawood Shares. Some holders of Tamawood Shares may not intend to continue to hold their Tamawood Shares and may wish to sell them. There is a risk that this may adversely impact on the price of and demand for Tamawood Shares.

(f) Tamawood Acquisition of Less than 90% of AIR Shares

It is possible that Tamawood could acquire a Relevant Interest of less than 90% of AIR Shares on issue under the Offer. The existence of a minority interest in AIR may have an impact on the operations of the New Tamawood Group, although the degree of this impact will depend upon the ultimate level of AIR ownership acquired by Tamawood.

(g) Specific Risks Relating to the New Tamawood Group – Tamawood’s Current Operations

Tamawood and AIR each have a number of contractual arrangements with key suppliers and sub-contractors. Should any of these key suppliers or sub-contractors become unable to deliver the required product or service, this may impact Tamawood’s ability to deliver products on time or on budget which may lead to a decline in profitability.

(i) Supply chain risk

Tamawood and AIR each have a number of contractual arrangements with key suppliers and sub-contractors. Should any of these key suppliers or sub-contractors become unable to deliver the required product or service, this may impact Tamawood’s ability to deliver products on time or on budget which may lead to a decline in profitability.

(ii) Loss of key management personnel

Tamawood’s success largely depends upon key management personnel for the management of Tamawood as well as upon other management and technical personnel for the daily operation of Tamawood. Consequently, there is a possibility that Tamawood will be adversely affected if one or more of the key management personnel cease their employment.

(iii) Tax rules

Tax rules or their interpretation in relation to equity investments may change. In particular, both the level and basis of taxation may change. In addition, an investment in the Shares involves tax considerations that may differ for each Shareholder. Each prospective Shareholder is encouraged to seek professional tax advice in connection with any investment in Tamawood.

Tax law is complex and is subject to regular change. Changes in tax law, including various proposed but as yet not enacted changes in tax law may adversely impact Tamawood’s future financial performance and position.

Resulting changes in tax arrangements may adversely impact Tamawood’s future financial performance and position. In addition, future changes to other laws and regulations or accounting standards, which apply to Tamawood from time to time, could materially adversely affect Tamawood’s future financial performance and position.

(iv) Competition risk

Tamawood is susceptible to competition for the provision of homes in the markets in which operates. Although Tamawood will undertake all reasonable due diligence in its business decisions and operations, it will have no influence or control over the activities or actions of its competitors, which activities or actions may positively or negatively affect the operating and financial performance of Tamawood’s business.

(v) Economic Risks

General economic conditions, movements in building material prices, interest and inflation rates may have an adverse effect on Tamawood’s activities, as well as on its ability to fund those activities.

Further, share market conditions may affect the value of Tamawood's securities regardless of Tamawood's operating performance. Share market conditions are affected by many factors such as:

- general economic outlook;
- interest rates and inflation rates;
- currency fluctuations;
- the demand for, and supply of, capital; and
- war and other hostilities.

(vi) Force Majeure

Tamawood, now or in the future may be adversely affected by risks outside the control of Tamawood including labour unrest, civil disorder, war, subversive activities or sabotage, extreme weather conditions, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

Tamawood will seek to mitigate these risks to the extent possible. However, Tamawood's ability to mitigate such risks may be limited to by occurrences outside their control.

(h) General Risks Relating to the New Tamawood Group

(i) Risk of High Volume of Sale of Securities in Tamawood

If the Takeover Offer is successfully completed, Tamawood will have issued a significant number of new Shares to various parties. Some of the AIR Shareholders that receive Tamawood Shares as a result of the Takeover Offer may not intend to continue to hold those Shares and may wish to sell them on ASX. There is a risk that an increase in the amount of people wanting to sell Tamawood shares may adversely impact on the market price of Tamawood's securities.

There can be no assurance that there will be, or continue to be, an active market for Tamawood shares or that the price of Tamawood shares will increase. As a result, AIR Shareholders may, upon selling their Tamawood Shares, receive a market price for their securities that is less than the price at the date of this Bidder's Statement.

(ii) Acquisition of less than 90% of AIR Shares

It is possible that Tamawood could acquire a Relevant Interest of less than 90% of all AIR Shares on issue under the Takeover Offer (in the event that Tamawood waives, with the prior written consent of Airband subject to the status of the other Conditions, the Minimum Acceptance Condition). The existence of third-party minority interests in AIR Shares may have an impact on the operations of Air AIR would not, in those circumstances, be a wholly owned subsidiary of Tamawood. However, this impact will depend upon the ultimate level of Tamawood's ownership in AIR.

(iii) Trading Price of Tamawood Shares

Tamawood's operating results, economic and financial prospects and other factors will affect the trading price of the Tamawood Shares. In addition, the price of Tamawood Shares is subject to varied and often unpredictable influences on the market for equities, including, but not limited to general economic conditions including the performance of the Australian dollar on world markets, inflation rates, foreign exchange rates and interest rates, variations in the general market for listed stocks in general or Australian home builder stocks in particular, changes to government policy, legislation or regulation, industrial disputes, general operational and business risks and hedging or arbitrage trading activity that may develop involving the Tamawood Shares.

In particular, the share prices for many companies have been and may in the future be highly volatile, which in many cases may reflect a diverse range of non-company specific influences such as global hostilities and tensions relating to certain unstable regions of the world, acts of terrorism and the general state of the global economy. No assurances can be made that Tamawood's market performance will not be adversely affected by any such market fluctuations or factors.

(iv) Additional Requirements for Capital

The capital requirements of the New Tamawood Group depend on numerous factors. Depending on the ability of the New Tamawood Group to generate income from its operations, the New Tamawood Group may require further financing. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the New Tamawood Group is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be.

5 Resolution 1 – Approval of Acquisition of AIR Shares Held by Interests Associated with Mr Lev Mizikovsky

(a) Background

Resolution 1 seeks shareholder approval pursuant to ASX Listing Rule 10.1 for the acquisition from the Mizikovsky Entities, AIR Shares which may have a value that exceeds 5% of the value of Tamawood's equity interests (as determined by reference to its shareholders' equity as stated in Tamawood's half-year financial statements) in order to implement the takeover Offer for AIR.

ASX Listing Rule 10.1 provides that a company must not, subject to certain exceptions, acquire a substantial asset from, or dispose of a substantial asset to, a related party or the related party's associates without the approval of holders of the company's ordinary securities.

The Mizikovsky Entities are associated with Mr Lev Mizikovsky, Director of Tamawood. Pursuant to section 228(2) of the Corporations Act, a director of a public company is a related party of the public company. Accordingly, for the purposes of ASX Listing Rule 10.1, Tamawood seeks Shareholder approval for the acquisition of the AIR Shares held by the Mizikovsky Entities under the Offer.

Pursuant to, and in accordance with, ASX Listing Rule 10.10, an independent expert's report on the proposed acquisition of AIR Shares from the Mizikovsky Entities, prepared by Vincents is provided to Shareholders: see the Independent Expert's Report attached to this Notice of Meeting.

(b) What will happen if Resolution 1 is passed?

(i) Increased likelihood the Offer will be successful

If Shareholders approve Resolution 1, Tamawood will purchase all of the AIR Shares held by the Mizikovsky Entities. As at the date of this Notice of Meeting, the aggregate percentage shareholding in AIR held by Mizikovsky Entities is 67.94%.

Mr Lev Mizikovsky has publicly announced that interests associated with him intend to accept the Offer in the absence of a superior proposal. If Resolution 1 is passed, there will be no impediment to the Mizikovsky Entities accepting the Offer under the ASX Listing Rules or Corporations Act. As the Mizikovsky Entities will then be in a position to accept the Offer in respect of their collective 67.94% holding in AIR, the likelihood of the Offer successfully completing increases significantly.

(ii) Advantages

If the Offer is successfully completed:

- The New Tamawood Group will be a home building company that is more integrated with respect to:
 - supply of kitchen appliances, sanitary-ware, bathroom products, solar hot water and photovoltaic systems used in homes (**AIR Products**);
 - control over the selection of AIR Products that are best suited to the needs of Tamawood customers;
 - efficiency in the ordering and handling of AIR Products for use in Tamawood built homes; and
 - handling of product warranties, maintenance and service for AIR Products.

- The New Tamawood Group will be able to leverage its stronger financial position to negotiate larger purchasing volumes. Having the ability to increase inventory levels will help to reduce the impact of supply chain delays.
- AIR is currently unlikely to pay dividends for the next 5 years meaning that AIR Shareholders will not be able to realise the value in AIR's franking credit reserves. The New Tamawood Group is expected to pay regular dividends and will be able to utilise AIR's accumulated tax losses and franking credits, to the advantage of all shareholders of the New Tamawood Group.

(iii) Disadvantages and risks

The key potential disadvantages and risks associated with Resolution 1 and the Offer proceeding are described in section 4 above. Further information about the implications of the Offer not proceeding is set out in section 7 of the Independent Expert Report.

(c) What will happen if Resolution 1 is not passed?

The Offer is subject to a 90% minimum acceptance condition and a condition that Tamawood obtains all shareholder approvals necessary to implement the offer. If Shareholders do not approve Resolution 1, these bid conditions will not be satisfied and consequently the Offer will not proceed.

(d) Directors' assessment

In the Independent Expert's Report, Vincents, has concluded that the Offer is fair and reasonable and that therefore the acquisition of AIR Shares from the Mizikovsky Entities on the terms proposed, is fair and reasonable to the other Shareholders of Tamawood.

The Directors (other than Mr Lev Mizikovsky, who is interested in Resolution 1) are of the opinion that these potential disadvantages and risks are outweighed by the potential advantages and benefits of acquiring the Mizikovsky Entities' AIR Shares. Accordingly, having regard to their assessment and Vincent's conclusions, the Directors (other than Mr Lev Mizikovsky) consider that Resolution 1 is in the best interests of Tamawood Shareholders.

However, Tamawood Shareholders should consider their individual circumstances and make their own determination as to how to vote on Resolution 1.

6 Resolution 2 - Election of Mrs Linda Barr as a Director

- (a) That Mrs Linda Barr in accordance with Rule 10.3 of the Company's constitution and being eligible and offering herself for election, be elected as a Director of the Company.
- (b) Ms Linda Barr brings to Tamawood over 30 years in accounting and management roles. Growth and expansion focused director with executive experience in finance and ICT gained in Manufacturing, Engineering, Hospitality and Wholesale Distribution industries. She gained valuable skills in senior finance and executive roles reporting to an ASX 100 listed Company Board, where she focused on delivering strategic integration of acquisitions, identifying synergies, and creating value added services for Finance and ICT to support business operations. An accomplished leader of cultural change, business innovation and transformation. Determined to seek and create business value by acquisition, digital transformation, operational excellence, and financial acumen.
- (c) Skills Matrix Data

Experience	No. of years
Residential Construction	>100 years (all except L. Barr)
Accounting	>30 years (L. Barr)
Sales & Marketing	>110 years (L. Mizikovsky / R. Lynch / T. Bartholomaeus)

Corporate Communications	>50 years (L. Mizikovsky / R. Lynch)
--------------------------	--------------------------------------

- (d) The Board has conducted all relevant background checks on Linda Barr. There was no information received that affects Linda's appointment.

Linda will act in the best interest of the entity as a whole.

Directors' Recommendation

The Board of Tamawood unanimously supports the election of Mrs Linda Barr. Linda Barr is independent as per the Board Charter which clarifies independence as follows:

- < \$200,000 in consulting services with the company
- < 5% shareholding in Tamawood Limited

Proxy form

Section 1: Name and address of member

Full name _____

Address _____

Section 2: Appointment of proxy

I/We, being a member of the Company and entitled to attend and vote appoint

the Chairman of the meeting
(mark with an 'X' and
complete section 3)

OR

Write here the full name of the person or body
corporate you are appointing if this person is
someone other than the Chairman of the meeting.

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the meeting, as my proxy to attend, to vote in accordance with the following directions in Section 3 (**the Chairman will vote in favour of all undirected proxies#**), and to act generally on my/our behalf, at the Extraordinary general meeting of the Company to be held at:

Location	Dixon Homes Office, 1821 Ipswich Road, Rocklea, Queensland.
Date	12 May 2022
Time	10:00am (Brisbane time)

and at any adjournment of that meeting.

#If you wish to appoint the Chairman of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that resolution.

Chairman authorised to exercise undirected proxies on remuneration related matters.

Section 3: Voting instructions

Voting directions to proxy – please mark to indicate your directions.

Resolution 1. Acquisition of AIR Shares form Lev Mizikovsky and his Associates

Resolution 2. Election of Mrs Linda Barr as Director

For	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

*If you mark the Abstain box for a particular item, you are directing your proxy **not** to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Section 4: Signing by member

This section **must** be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Member 1

Sole Director and Sole Secretary

Member 2 (if joint holding)

Director/Company Secretary
(delete one)

Member 3 (if joint holding)

Director

Please provide the information below in case we need to contact you.

Contact name

Contact day time telephone

Date

Instructions for completion of proxy form

Section 1: Name and address of member

- 1 Insert your name and address. If it is a joint holding, insert details of all holders.

Section 2: Appointment of proxy

- 2 If you wish to appoint the Chairman of the meeting as your proxy, mark the box. If the person or body corporate you wish to appoint as your proxy is someone other than the Chairman of the meeting, write the full name of that person or body corporate in the space provided. A proxy may be an individual or a body corporate. If you leave this section blank or your named proxy does not attend the Meeting, the Chairman of the meeting will be your proxy. A proxy need not be a member of the Company.
- 3 **The Chairman strongly urges you to nominate a proxy other than himself or another Director unless you direct your proxy how to vote on each resolution. If you do not specify a person to act as proxy, or you appoint the Chairman, you are strongly advised to direct the proxy how to vote as the Chairman will vote in favour of each resolution. Therefore, in order to ensure your vote is not wasted, you are strongly urged to direct your proxy how to vote and if possible appoint a person who is not a Director or secretary of the Company.**
- 4 If you are entitled to cast two or more votes at the general meeting, you are entitled to appoint two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional proxy form may be obtained by telephoning the Company. Alternatively you may copy this form.
- 5 To appoint a second proxy:
 - (a) on each of the first proxy form and second proxy form state the percentage of your voting rights or number of shares applicable to that form (if the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise one half of your votes, and fractions of votes will be disregarded); and
 - (b) return both forms in the same envelope.

Section 3: Voting instructions

- 6 You may direct your proxy how to vote on an item of business by placing a mark in one of the three boxes opposite that item of business. All of your shares will be voted in accordance with your direction unless you indicate a proportion of voting rights on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may decide whether or how to vote on that item.
- 7 If you mark more than one box on an item, your vote on that item will be invalid.

Section 4: Signing by member

8 You must sign this form as follows in the spaces provided:

Individual	Where the holding is in one name, the member must sign.
Joint holding	Where the holding is in more than one name, all of the members must sign.
Power of Attorney	To sign under power of attorney, either the power of attorney must have already been lodged with the Company's share registry for notation or the original (or a certified copy) of the power of attorney must accompany this document.
Companies	<p>In the following cases, subject to the Company's constitution, the following person must sign:</p> <p>Australian proprietary company with a sole director who is also the sole company secretary - that person must sign;</p> <p>Australian proprietary company with a sole director and no company secretary - that person must sign;</p> <p>other Australian companies - two directors, or one director and one company secretary must sign; and</p> <p>foreign company - in accordance with the laws of the jurisdiction of incorporation and constituent documents.</p>

Section 5: Lodging of proxy

9 This proxy form (and the original or a certified copy of any power of attorney under which it is signed) must be received by the Company not later than close of business on the date set out below, by mail, hand delivery, or facsimile.

Last time and date for lodgement*	4:00pm (Brisbane time) on 10 May 2022
By mail	PO Box 16, Sherwood, Qld 4075
By delivery	1821 Ipswich Road, Rocklea, Qld 4106
By facsimile	(07) 3274 0768

* Any proxy form received after that time will not be valid.



Independent Expert's Report

Tamawood Limited

04 April 2022

Prepared by: Paul Green FCA & Peter Haley FCA
Engaged by: Tamawood Limited

CONTENTS

1.0	INTRODUCTION	4
	PURPOSE AND SCOPE	4
	RELIANCE ON INFORMATION	5
2.0	SUMMARY OF OPINION	6
3.0	PROFILE OF TAMAWOOD	8
	FINANCIAL POSITION AND FINANCIAL PERFORMANCE	8
	SHARE PRICE ANALYSIS	11
	INDUSTRY SUMMARY / ANALYSIS	12
4.0	PROFILE OF ASTIVITA	14
	FINANCIAL POSITION AND FINANCIAL PERFORMANCE	14
	SHARE PRICE ANALYSIS	17
	INDUSTRY SUMMARY / ANALYSIS	18
5.0	PRO FORMA BALANCE SHEET – POST TAKEOVER	22
6.0	VALUATION OF ASTIVITA	23
	VALUATION METHODS	23
	VALUATION METHODOLOGY ADOPTED	27
	VALUATION OF ASTIVITA	28
	CONSIDERATION – TAMAWOOD SHARES	29
7.0	EVALUATION OF THE PROPOSED TRANSACTION	31
	BASIS OF EVALUATION	31
	IS THE PROPOSED TRANSACTION FAIR TO TAMAWOOD SHAREHOLDERS?	32
	OTHER CONSIDERATIONS	32
	IS THE PROPOSED TRANSACTION REASONABLE TO TAMAWOOD SHAREHOLDERS?	33
	CONCLUSION	34
8.0	OTHER MATTERS	35
	SOURCES OF INFORMATION	35
	ROUNDING	36
	QUALIFICATIONS, DECLARATIONS AND CONSENTS	36

GLOSSARY

Term	Description
Tamawood	Tamawood Limited
AstiVita	AstiVita Limited
VC MPL	Vincent's Capital Management Pty Ltd
ASX	Australian Stock Exchange
Resolution 1	Means Resolution 1 as set out in the Notice of Meeting to which this report relates
Takeover Offer	The off-market takeover offer by Tamawood to acquire all AstiVita shares (including rights attached to them) in consideration for 1 Tamawood share for every 5 AstiVita shares, on the terms and conditions set out in the Bidders Statement
Proposed Transaction	The acquisition of 16,182,789 shares in AstiVita Limited from Mr Lev Mizikovsky and his associated entities (together Mr Mizikovsky), as part of the proposed takeover of AstiVita Limited by Tamawood Limited

1.0 INTRODUCTION

PURPOSE AND SCOPE

- 1.1 Vincents Capital Management Pty Ltd (“VCMPL”) has been engaged to prepare an Independent Expert Report (“our Report”) to express an opinion as to the fairness and reasonableness of the proposed transactions in Resolution 1 of the Notice of Meeting to the shareholders of Tamawood who are not associated with those transactions (“non-associated shareholders”). Those transactions being, in summary, the acquisition of 16,182,789 shares in AstiVita Limited from Mr Lev Mizikovsky and his associated entities (together Mr Mizikovsky), as part of the proposed takeover of AstiVita Limited by Tamawood Limited (“proposed transaction”).
- 1.2 On 16 March 2022, Tamawood announced it signed a binding Bid Implementation Agreement with AstiVita in connection with the proposed takeover of AstiVita by Tamawood.
- 1.3 The proposed takeover offer is as follows:
 - (a) Tamawood and AstiVita have agreed that Tamawood will seek to acquire 100% of the issued capital of AstiVita through an off-market takeover offer.
 - (b) Tamawood is to offer 1 fully paid ordinary share in Tamawood for every 5 AstiVita shares held.
- 1.4 Mr Mizikovsky and his related entities hold 67.94% of the issued capital of AstiVita and 54.35% of Tamawood’s issued shares. The takeover offer would have the effect of increasing this shareholding in Tamawood to 56.29%.
- 1.5 ASX Listing Rule 10.1 requires an entity to obtain approval from shareholders where it acquires a substantial asset from, or disposes of a substantial asset to, amongst other persons:
 - (a) A related party of the entity;
 - (b) A substantial holder of the entity; or
 - (c) An associate of a substantial holder of the entity.

- 1.6 For the purposes of ASX Listing Rule 10.1:
- (a) An asset is substantial if its value, or the value of the consideration for it is 5% or more of the equity interests in the entity; and
 - (b) A substantial holder is a person who has a relevant interest (either directly or through its associates), at least 10% of the total votes attached to the voting securities of the company.
- 1.7 The equity interests of Tamawood as set out in the latest accounts given to ASX under the ASX Listing Rules (being for the period ended 31 December 2021) were \$19,541,000. Mr Mizikovsky is both a related party and substantial holder of Tamawood, and the proposed transaction comprises the acquisition of a substantial asset by Tamawood. Tamawood is therefore required to seek shareholder approval under ASX Listing Rule 10.1 in respect of the proposed transaction.
- 1.8 We are to assess whether we consider the proposed transaction to be fair to the non-associated shareholders.
- 1.9 On the basis that the advantages of the proposed transaction outweigh the disadvantages of the proposed transaction, we are to assess whether we consider the proposed transaction to be reasonable to the non-associated shareholders.
- 1.10 We understand that our Report will be included with the Notice of Meeting to be sent to all shareholders to assist them in voting on the resolution and in deciding whether to accept or reject the proposed transaction.

RELIANCE ON INFORMATION

- 1.11 We detail at Section 8.0 the materials and sources of information relied upon in preparing this report, which we believe to be reliable and accurate.
- 1.12 We have no reason to believe that any material facts (that a reasonable person would expect to be disclosed) have been withheld from us, and we have taken no steps to verify the accuracy, completeness or fairness of the data provided.
- 1.13 Our procedures and enquiries do not include verification work, nor constitute an audit in accordance with Australian Accounting Standards.

2.0 SUMMARY OF OPINION

2.1 We have considered the terms of the proposed transaction and have concluded it is fair and reasonable to the non-associated shareholders of Tamawood.

Fairness

2.2 In Section 7 of our Report, we determined that the proposed transaction is fair to non-associated shareholders of Tamawood.

2.3 Based on the range of values, Tamawood is paying a small discount to all AsitVita shareholders (compared to the market price of AsitVita) to obtain control of AsitVita.

2.4 In our opinion, the consideration being received by Mr Mizikovsky (and his related entities) is fair value for his direct and indirect interests in AsitVita.

Reasonableness

2.5 We have considered the matters outlined in Section 7 of our Report in terms of both:

- (a) The advantages and disadvantages of the proposed transaction, and
- (b) Alternatives available to the non-associated shareholders of Tamawood, including the risks should Resolution 1 not be approved, and the Takeover Offer be unable to proceed due to this condition not being satisfied.

2.6 In our opinion, if the Resolution 1 is approved, the position of non-associated shareholders of Tamawood is more advantageous than the position if it is not approved. Accordingly, we consider that the Takeover Offer is reasonable for the non-associated shareholders. The advantages and disadvantages identified by us are outlined in Section 7 of our report and are summarised as:

Advantages: Tamawood having control of AsitVita, including its inventory and key supplier relationships.

Tamawood having the benefit of utilising tax losses and franking credits.

Disadvantages: The current shareholders' interest will be diluted.

- 2.7 On the basis that we consider the acquisition of Mr Mizikovsky's shares to be fair (as they are being acquired at fair value), and having regard to the advantages and disadvantages above, in our opinion the proposed transaction is also reasonable to the non-associated shareholders.

Capital Structure

- 2.8 Upon completion of the Takeover Offer, Tamawood's issued shares will change from 29,776,789 currently on issue, to 34,745,184 (following the issue of 4,968,395 Tamawood shares for the 24,841,974 AstiVita shares currently on issue).

3.0 PROFILE OF TAMAWOOD

- 3.1 Tamawood is a residential house builder, operating in Queensland and New South Wales. It was incorporated in 1989 and has been listed on the ASX since August 2000.
- 3.2 Tamawood's 100% owned subsidiaries are Dixonbuild Pty Ltd, DixonConstruct Pty Ltd, Dixon NSW Pty Ltd, DixonRes Pty Ltd, Dixon Systems Pty Ltd and TamawoodL Pty Ltd. Tamawood also has a 70% ownership interest in SolarpowerRex Pty Ltd and SolarRex Pty Ltd.
- 3.3 Tamawood currently has 29,776,789 shares on issue. The top 2 shareholders hold 59.45% of the issued capital. The directors of Tamawood have an interest in approximately 57.32% of the issued shares.

FINANCIAL POSITION AND FINANCIAL PERFORMANCE

- 3.4 We have extracted the consolidated statement of profit or loss and other comprehensive income from the Annual Reports and Interim Financial Statements, which we summarise as follows:

	CONSOLIDATED	CONSOLIDATED	CONSOLIDATED Interim Accounts
	Year Ended 30-Jun 2020 \$000's	Year Ended 30-Jun 2021 \$000's	Period Ended 31-Dec 2021 \$000's
TAMAWOOD LIMITED			
Summary of Profit & Loss Statements			
Income	91,451	97,370	52,379
Less: Cost of Sales	(72,227)	(75,529)	(43,272)
GROSS PROFIT	19,224	21,841	9,107
Gross Profit Margin	21.0%	22.4%	17.4%
Less: Expenses			
Employee Expenses	(7,076)	(7,844)	(4,053)
Tenancy Expenses	(148)	(146)	(92)
All Other Expenses	(4,888)	(3,935)	(1,297)
Total Expenses	(12,112)	(11,925)	(5,442)
Add: Other Income	750	738	398
EBITDA	7,862	10,654	4,063
Less: Depreciation & Amortisation	(1,217)	(1,223)	(588)
EBIT	6,645	9,431	3,475
Less: Interest	(241)	(209)	(94)
PROFIT / (LOSS) BEFORE TAX	6,404	9,222	3,381

Table 1

3.5 We refer to the above table and note the following:

- (a) Tamawood's income, gross profit and gross profit margin increased from 2020 to 2021. On an annualised basis, Tamawood's income is continuing to increase in 2022, to approximately \$100 million.
- (b) Tamawood's expenses have been decreasing each year (including on an annualised basis in 2022).
- (c) Tamawood has derived substantial profits during the period under review.
- (d) Tamawood has paid fully franked dividends over the past 5 years.

3.6 We have extracted the consolidated statement of financial position from the Annual Reports and Interim Financial Statements, which we summarise as follows:

	Interim Accounts		
	As At	As At	As At
TAMAWOOD LIMITED	30-Jun	30-Jun	31-Dec
Summary of Balance Sheets	2020	2021	2021
<i>Consolidated</i>	\$000's	\$000's	\$000's
ASSETS			
Cash and Cash Equivalents	8,163	3,808	4,557
Trade and Other Receivables	16,211	25,950	25,630
Inventory	813	707	998
Fixed Assets	540	668	678
Investments	815	430	430
Intangible Assets	5,209	4,933	4,291
Other Assets	105	1,908	765
TOTAL ASSETS	31,856	38,404	37,349
LIABILITIES			
Trade and Other Payables	(6,499)	(7,164)	(6,208)
Tax Liabilities	(3,237)	(6,269)	(6,488)
Employee Liabilities	(755)	(801)	(1,046)
Other Liabilities	(5,029)	(4,580)	(4,066)
TOTAL LIABILITIES	(15,520)	(18,814)	(17,808)
NET ASSETS	16,336	19,590	19,541

Table 2

3.7 We refer to the above table and note the following:

- (a) Tamawood's major category of assets is trade and other receivables, which also includes construction contract progress payments and inventories and completed works not yet invoiced;
- (b) Tamawood has substantial cash reserves, of \$4.6 million at 31 December 2021.
- (c) Liabilities as a proportion of assets are below 50% each year.
- (d) Tamawood's net assets have increased from 2020 to 2021.

3.8 We have extracted the consolidated statement of cash flows from the Annual Reports and Interim Financial Statements, which we summarise as follows:

	CONSOLIDATED	CONSOLIDATED	CONSOLIDATED
	Year Ended	Year Ended	Period Ended
TAMAWOOD LIMITED	30-Jun	30-Jun	31-Dec
Summary of Cash Flow Statements	2020	2021	2021
	\$000's	\$000's	\$000's
Cash flows from operating activities			
Receipts from customers (incl. GST)	93,398	96,926	52,532
Payments to suppliers and employees (incl. GST)	(87,485)	(95,540)	(49,563)
Interest received	44	21	3
Lease interest paid	(241)	(209)	(94)
Income taxes received / (paid)	(1,015)	(1,525)	906
Net cash from operating activities	4,701	(327)	3,784
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	16	80	19
Payments for property, plant and equipment	(70)	(418)	(36)
Payment for investments in associates	-	(72)	-
Net cash used in investing activities	(54)	(410)	(17)
Cash flows from financing activities			
Repayment of lease liabilities	(793)	(900)	(487)
Dividend paid by parent entity	-	(2,718)	(2,531)
Net cash used in financing activities	(793)	(3,618)	(3,018)
Net increase (decrease) in cash and cash equivalents	3,854	(4,355)	749
Cash and cash equivalents at beginning of year	4,309	8,163	3,808
Ending cash and cash equivalents	8,163	3,808	4,557

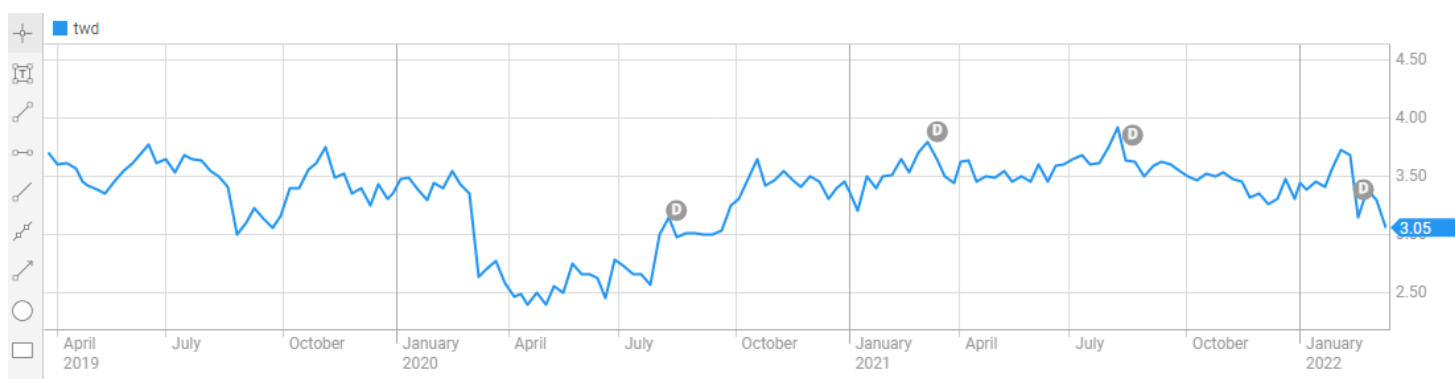
Table 3

3.9 We refer to the above table and note the following:

- (a) Positive cashflows from operating activities were generated in 2020 and the period ended 31 December 2021.
- (b) Substantial dividends were paid in 2021 and the period ended 31 December 2021.
- (c) Tamawood has substantial cash reserves, of \$4.6 million at 31 December 2021.

SHARE PRICE ANALYSIS

3.10 We have extracted the following share price data from the ASX (as at 18 March 2022) in relation to Tamawood (ASX:TWD):



3.11 Tamawood currently (as of 16 March 2022¹) trades on a price earnings (P/E) ratio of 13.4, at a last price of \$3.04. The stock went ex-dividend on 24 February. Average daily trading volume of 9,307 represents a higher volume than AstiVita²; however, it is still traded on relatively low volume, evidenced by a daily volume of just 200 on 14 March 2022. The 52-week range of Tamawood's share price of \$3.03 - \$4.00, indicates a bearish short-term and medium-term trend with the current price at \$3.04.

3.12 Long-term, Tamawood shares appear to be in a bearish trend, with a falling 200-day moving average. With respect to shorter-term indicators, the 5-day moving average is beneath both the 20 and 50-day moving averages.

3.13 Based on the price of \$3.04, the market capitalisation of Tamawood is \$90.81 million.

¹ Prior to the announcement of the Takeover Offer.

² Discussed further at Sections 4.0 to 6.0 of this report.

3.14 As of 28 March 2022, the most recent trading price is \$3.19 being a 5% increase on the pre-announcement price, and consistent with the pre-announcement price range.

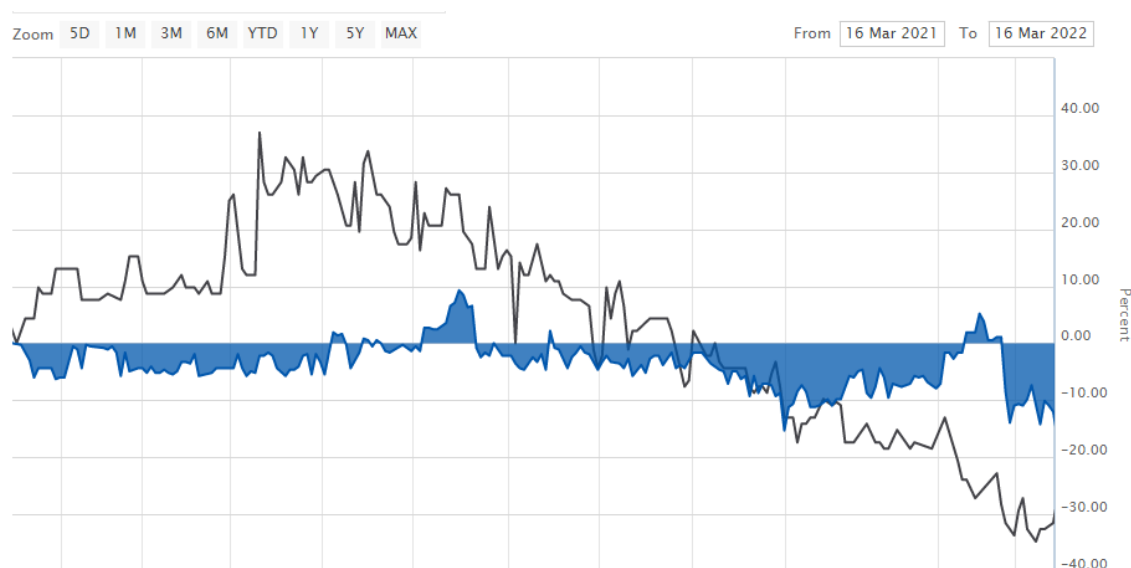
INDUSTRY SUMMARY / ANALYSIS

3.15 Tamawood is part of the Consumer Durables & Apparel industry group.

3.16 There are 18 ASX-listed stocks that comprise the Consumer Durables & Apparel industry group, with a total market capitalisation of \$5.55B. Breville Group, which represents approximately 70% of the group, with a market capitalisation of \$3.95B is a producer of small electrical devices. Tamawood is the 7th largest company in the group, behind Breville Group, Audio Pixels Holdings (ASX:AKP - \$545m), Globe International (ASX:GLB - \$206m), Atomos (ASX:AMS - \$198m), Fleetwood (ASX:FWD - \$179m) and Waterco (ASX:WAT - \$118m).

3.17 Tamawood, which divides its operations into housing design, project management and contract construction, is one of three ASX-listed stocks that comprise the Homebuilding sub-industry group, with a total market capitalisation of \$308.1m. Fleetwood (ASX:FWD) comprises approximately 55% of the Homebuilding sub-industry group. Simonds Group Limited is the third company in the GICS sub-industry, and most comparable to Tamawood.

3.18 The share price performance of Tamawood and Simonds Group is illustrated below, for the year ended 16 March 2022, in which Tamawood's share price (represented by the blue line) has declined by approximately 10% in the period. Simonds, represented by the black line, has declined by approximately 30% in the same period as follows:



3.19 As discussed above, Tamawood is part of the Consumer Durables & Apparel industry group. This group, in addition to Automobiles & Components, Consumer Services, and Retailing, make up the Consumer Discretionary sector. With the exception of the Information Technology sector, which has suffered a 12.71% loss in the 12-month period to the date of this Report, the Consumer Discretionary sector has been the weakest performing sector, with a 1-year return of 0.57% (underperforming the market by 7.30%). This is illustrated as follows:

Consumer Discretionary ^{^XDJ}



4.0 PROFILE OF ASTIVITA

- 4.1 AstiVita is an importer and distributor of household products to the residential housing market (including solar PV panels, solar hot water systems, kitchen appliances and bathroom products). It has been listed on the ASX since December 2009.
- 4.2 AstiVita's major customer is Tamawood.
- 4.3 AstiVita's 100% owned subsidiaries are AstiVita Bathrooms and Kitchens Pty Ltd, Solarpower Pty Ltd and Indent Manufacturing Pty Ltd.
- 4.4 AstiVita currently has 24,841,974 shares on issue. The top 2 shareholders hold 81.36% of the issued capital. The major shareholder of AstiVita (holding 67.94% of issued capital) also holds 54.35% of Tamawood's issued shares.

FINANCIAL POSITION AND FINANCIAL PERFORMANCE

- 4.5 We have been provided with the Annual Report and Interim Financial Statements of AstiVita. We note the reported financial performance and financial position relates to the consolidated group of AstiVita, which has changed since 31 December 2021.
- 4.6 We have also been provided with the Special Purpose Financial Report of AstiVita for the 6 months ended 31 December 2021. We are instructed the financial statements have been audited by the Auditors for Tamawood and AstiVita.
- 4.7 The Special Purpose Financial Report for the 6 months ended 31 December 2021 has been restated to exclude the assets and liabilities (and associated income and expenses) of Veganic SKN Limited, which was a wholly owned subsidiary of AstiVita as at 31 December 2021, but following a restructure, AstiVita now only owns 100 of 24,841,974 shares in this entity. The remaining reported assets and liabilities of AstiVita reflect those which will be subject to the takeover by Tamawood.
- 4.8 Accordingly, we have not further considered the Annual Report and Interim Financial Statements of AstiVita, as they are not reflective of the current operations of AstiVita.

4.9 We have extracted the profit and loss statement from the Special Purpose Financial Report, which we summarise as follows:

	Special Purpose Accounts
ASTIVITA LIMITED	
Summary of Profit & Loss Statements	
	Period Ended 31-Dec 2021 \$000's
Income	1,999
Less: Cost of Sales	(1,470)
GROSS PROFIT	529
Gross Profit Margin	26.5%
Less: Expenses	
Administrative Expenses	(19)
Financial Expenses	(3)
Employee Expenses	(113)
Tenancy Expenses	-
All Other Expenses	(249)
Total Expenses	(384)
Add: Other Income	380
EBITDA	526
Less: Depreciation & Amortisation	(57)
EBIT	468
Less: Interest	-
PROFIT / (LOSS) BEFORE TAX	468

Table 4

4.10 We refer to the above table and note the following:

- (a) The current year's results in the special purpose accounts reflect annualised sales of \$4 million, at an increased gross profit margin of 26.5%.
- (b) AstiVita derived a profit before tax of \$468,000 in the 6 months to 31 December 2021.

- 4.11 We are instructed³ that the corporate costs of AstiVita in the year ended 30 June 2021 totalled \$331,902. This comprised company secretarial costs, director fees, taxation fees, audit fees, insurance expenses, computershare expenses, ASX fees, ASIC fees, rent, legal fees, consulting fees, marketing fees and telephone / fax / internet. For the 2022 financial year, these costs are forecast to be \$323,387 (for the same categories as 2021, and also including a small provision for research and development costs).
- 4.12 Following the Takeover, it is expected (by the Board of Tamawood) that these corporate costs will be entirely saved. Having regard to the consolidated operations, we would expect these costs savings to occur (on the basis that they are currently being duplicated across Tamawood and AstiVita).
- 4.13 We have not been provided with financial forecasts; however, we have been provided with a listing of the inventory of AstiVita which is expected to be sold in the next 9 months. Products totalling \$2.9 million are on hand to be sold, with an expected gross profit margin of 27%, deriving a gross profit of \$786,000. This margin is consistent with that derived from the current operations of AstiVita in the 6 months ended 31 December 2021.
- 4.14 We have been provided with inventory listings indicating AstiVita currently sells goods of approximately \$9,000 per house to Dixon⁴. At a gross profit margin of 27% this derives a gross profit of approximately \$2,500. Over the past 5 years, Asti has sold goods for on average 425 houses (comprising approximately 80% lowset and 20% highset houses). On this basis, an annual gross profit margin exceeding \$1 million is expected. This is consistent with that derived from the current operations of AstiVita in the 6 months ended 31 December 2021.
- 4.15 We have extracted the statement of financial position from the Special Purpose Financial Report, which we summarise as follows:

³ Letter prepared by the Auditors, to the Board of Directors dated 8 March 2022.

⁴ A business which is part of Tamawood.

	Special Purpose Accounts
ASTIVITA LIMITED	As At
Summary of Balance Sheets	31-Dec 2021
	\$000's
ASSETS	
Cash and Cash Equivalents	343
Trade and Other Receivables	854
Inventory	3,199
Fixed Assets	34
Intangible Assets	530
Other Assets	412
TOTAL ASSETS	5,372
LIABILITIES	
Trade and Other Payables	(578)
Tax Liabilities	(3)
Employee Liabilities	(102)
TOTAL LIABILITIES	(683)
NET ASSETS	4,689

Table 5

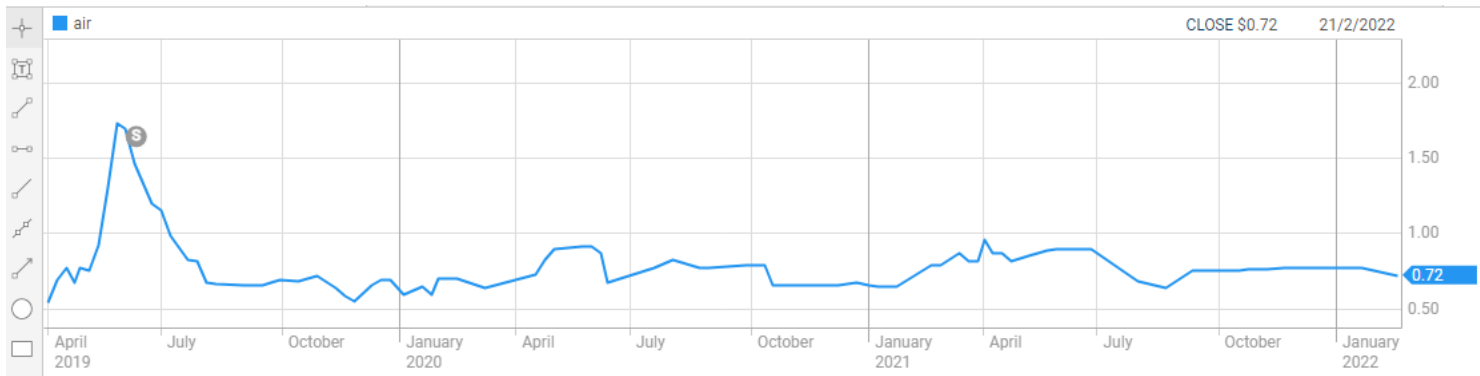
4.16 We refer to the above table and note the following:

- (a) The net assets at 31 December 2021 reported in the Special Purpose Financial Report represent the position of AstiVita which will be transferred to Tamawood as a result of the takeover⁵.
- (b) AstiVita's major category of assets is inventory.
- (c) Liabilities as a proportion of assets are currently 13%.

SHARE PRICE ANALYSIS

4.17 We have extracted the following share price data from the ASX (as at 18 March 2022) in relation to AstiVita (ASX:AIR):

⁵ On the basis that the financial position has not materially changed.



- 4.18 AstiVita's share price has remained relatively consistent from August 2019 to the date of this report, in which time the average price was \$0.75, and the range was \$0.55 - \$1.00. The 52-week range of AstiVita's share price is \$0.64 - \$1.00. We note there has been minimal trading volume on the stock, with an average daily trading volume of 1,071 per day.
- 4.19 As of 16 March 2022, the most recent trading price is \$0.72. This is the share price at the time of the announcement of the Takeover offer. Based on the price of \$0.72, the market capitalisation of AstiVita is \$17.9 million.
- 4.20 As of 28 March 2022, the most recent trading price is \$0.59 (following less than 600 shares being traded on 18 March 2022). The bid/offer range is currently \$0.60 – \$0.765, reflecting the pre-announcement price range.

INDUSTRY SUMMARY / ANALYSIS

- 4.21 AstiVita is part of the Capital Goods industry group.
- 4.22 Making up over half the stocks in the Industrials sector, Capital Goods is one of the more diverse industry groups on the ASX, dealing with the manufacture or distribution of goods. AstiVita is one of 89 companies listed in the industry group, which has a total market capitalisation of approximately \$46.7B as at the date of this Report. The largest listed company in the industry group is Reece Limited (ASX:REH), which supplies plumbing and bathroom products, with a market capitalisation of \$12.55B
- 4.23 The Capital Goods group is part of the wider Industrials sector, which also includes Commercial & Professional Services and Transportation. The Industrials sector has generally performed in line with the XJO (7.87% 1-year return) in the 12 months to the date of this Report, with a 7.55% 1-year return. These results are illustrated in the chart below:



IBISWorld Reports – Industry Data

4.24 Although AstiVita operate in the consumer durables industry, the main driver for their sales is the residential construction industry (being the business of Tamawood). Accordingly, we have had regard to IBIS World reports House Construction in Australia, dated June 2021, Multi-Unit Apartment and Townhouse Construction in Australia, dated October 2021 and Construction in Australia, dated June 2020.

4.25 We highlight the following key data from our review of the IBIS World reports:

- (a) The HomeBuilder subsidy has positively influenced the industry’s performance, while low home loan interest rates have further supported the demand for housing in recent years. However, industry profitability is expected to deteriorate in the face of weaker demand and fierce internal competition.
- (b) Despite the gradual recovery of demand for new housing construction from 2023-24 onwards, industry revenue is forecast to decline at an annualised 1.4% over the five years through 2025-26, falling to \$62.6 billion. Industry revenue has increased at an annualised rate of 1.6% in the five years to 2021.

- (c) In June 2020, the Federal Government introduced the HomeBuilder scheme, which has reversed the decline in new house commencements and supported the industry's revenue performance. Grants of \$25,000 were available to applicants building a new home valued up to \$750,000 and those undertaking substantial home renovations. The scheme was extended to the end of March 2021 and was instrumental in encouraging sales of house and land packages in outer urban areas.
- (d) The IBISWorld Industry Report for House Construction in Australia indicates that restrictions imposed to contain COVID-19 have likely contributed to structural changes in the dwelling preferences of Australians. This includes demand for accommodation with more rooms for home offices or studies, along with more recreation space. Travel restrictions to contain the pandemic also reduced the net migration of adults and students to Australia, limiting the demand for higher density dwellings.
- (e) Profitability in the industry is expected to remain stable in the short term, with surging demand conditions offset by fierce competition across all segments of the building construction market. Competitive conditions are anticipated to intensify across the residential building market over the next five years, which is expected to drive profitability to a cyclical low in 2022-23. Average profit margin is forecast to narrow over the five years through 2025-26, to approximately 6.9% of revenue; however, the larger-scale homebuilders and diversified construction businesses are projected to display above-average profitability over the next five years by combining construction with land development in lifestyle community projects.

- (f) The industry is subject to a range of short-term and long-term demand factors, which reflect the investment capacity of households. Government policy, such as financial assistance for new homebuyers, sales of serviced Crown land, and tax treatment related to negative gearing and the fringe benefit tax, can directly affect demand
- (g) The growth in multi-unit and townhouse construction is expected to slow due to excess supply and reduced foreign investment, however will rebound in the years from 2022-23 to grow by an annualised 5.7% in the five years through to 2026-27 as the economy recovers from the COVID-19 pandemic and population pressures gradually absorb excess housing stock.
- (h) The current industry net profit percentage is 7.7%, however this is expected to fall to 6.9% over the five years to FY2025-26, with larger scale home builders expected to display above average profitability due to the combination of construction and land development in lifestyle community projects.
- (i) Australia's strong population growth and low residential home loan rates have underpinned demand for housing over the past five years, however the commencement of new housing slumped during the first half of 2020 due to COVID-19 and the resulting economic pressures and cease in immigration. Additionally, some builders have encountered disruptions in supply chains for building materials, equipment, and skilled labour. The industry is expected to deteriorate at an annualised 1.4% over the period to 2025-26.
- (j) The residential construction industry is boosted by federal, state and territory Government assistance provided to first homebuyers. This assistance is expected to be trimmed over the next five years, and accordingly the Business faces a risk in the resulting dampening in housing investments. We note however, that some of this risk may be offset by a modest increase in house prices.
- (k) Multi-unit apartment and townhouse construction has decreased due to excess supply and reduced foreign investment; however demand is forecast to rebound from 2022-23 onwards. Industry revenue is forecast to steadily improve over the next five years as the economy recovers from the COVID-19 pandemic and population pressures and increased migration gradually absorb excess housing stock.

5.0 PRO FORMA BALANCE SHEET – POST TAKEOVER

5.1 Based on the information at paragraph 4.5 above (i.e. that the Special Purpose Financial Report is more representative of the operations which will be subject to the takeover of Tamawood) and the Interim Financial Statements of Tamawood, we have prepared a Pro-Forma Balance Sheet of Tamawood following the takeover (as at 31 December 2021)⁶.

5.2 The following table sets out the pro-forma balance sheet of Tamawood, following the takeover of AstiVita⁷:

TAMAWOOD LIMITED	Tamawood	AstiVita	Combined
Pro-Forma Balance Sheet			Post-Takeover
<i>Consolidated</i>	\$000's	\$000's	\$000's
ASSETS			
Cash and Cash Equivalents	4,557	343	4,900
Trade and Other Receivables	25,630	854	26,484
Inventory	998	3,199	4,197
Fixed Assets	678	34	712
Investments	430	-	430
Intangible Assets	4,291	530	4,821
Other Assets	765	412	1,177
TOTAL ASSETS	37,349	5,372	42,721
LIABILITIES			
Trade and Other Payables	(6,208)	(578)	(6,786)
Tax Liabilities	(6,488)	(3)	(6,491)
Employee Liabilities	(1,046)	(102)	(1,148)
Other Liabilities	(4,066)	-	(4,066)
TOTAL LIABILITIES	(17,808)	(683)	(18,491)
NET ASSETS	19,541	4,689	24,230

Table 6

⁶ Being the latest available audited accounts and assuming no other material change since that date.

⁷ Being the consolidated audited balance sheets of each entity as at 31 December 2021, and assuming no material changes in the financial position of each entity since that date.

6.0 VALUATION OF ASTIVITA

VALUATION METHODS

- 6.1 There are three (3) general approaches to determine business and/or entity value:
- (a) Income approach, including the Capitalisation of Future Maintainable Earnings and Discounted Cash Flow methodologies.
 - (b) Asset approach, including the Net Underlying Assets methodology.
 - (c) Market approach, including quoted market price, comparable sales and industry “Rule of Thumb” methodologies.
- 6.2 A business or entity may be valued by one (1) or a combination (“the Dual Method”) of the above approaches.

Capitalisation of Future Maintainable Earnings Method (“FME”)

- 6.3 This conventionally accepted method capitalises the earnings of a business by an adequate earning rate, based on open market expectations, after giving consideration to all relevant conditions peculiar to the business or industry at the time of preparing the valuation.
- 6.4 This methodology is generally considered to be appropriate for businesses with an established operating history and a sufficiently stable trend in earnings that is capable of indicating future earning potential or reliable forecasts. Accordingly, this methodology may not be suitable for start-up business ventures, businesses with a volatile earnings pattern or a history of losses, or businesses that have erratic or unusual capital expenditure requirements.
- 6.5 When adopting this method, the normal practice is to capitalise the expected future maintainable earnings of the business at an appropriate multiple after making any adjustments which are deemed necessary for non-recurring items, non-core business expenditure, financing and non-arm’s length payments.
- 6.6 The appropriate multiple (or inversely, capitalisation rate) is a reflection of the risks and opportunities that relate to the Future Maintainable Earnings determined.

- 6.7 It is not uncommon for the value calculated under this method to be different from the net underlying assets required to operate the business. If the value exceeds the net underlying business assets, the difference is generally referred to as Goodwill. If the value does not exceed the value determined under the net underlying business asset basis, it is common practice for the business to be valued alternatively, on the net underlying assets basis.
- 6.8 If forecast future trading results are not available, the future maintainable earnings of a business are usually determined by making appropriate adjustments to the business' immediate past earnings as a proxy for the future earnings.
- 6.9 The FME approach is applicable to profitable businesses with relatively steady growth history and forecasts, regular capital expenditure requirements and an infinite life.
- 6.10 If the use of an earnings-based method (either the FME or DCF method) is appropriate, the result represents a value of the entire business operations, including all underlying business assets, both tangible and intangible.

Discounted Cash Flow Method ("DCF") / Net Present Value ("NPV")

- 6.11 This method values the entity or business (including all underlying business assets, both tangible and intangible) on the basis of the net present value of the future net cash flows from the operations of that entity or business. These future net cash flows are then discounted using a discount rate⁸ which reflects the risks associated with the cash flow stream. The net present value method may be considered appropriate where the future cash flows associated with an entity or business are readily identifiable or where the future cash flows have a finite life.
- 6.12 The net present value method is considered to have a strong theoretical basis and is commonly used in valuation. This method may be considered particularly relevant for the valuation of start-up projects where earnings during the first few years can be negative or highly volatile. This methodology is able to incorporate the effect on value of a turnaround in a business, significant initial increases in revenues and significant changes expected in capital expenditure patterns. The DCF methodology is particularly applicable to businesses in start-up phase, experiencing substantial growth, with limited life or which experience irregular cash flows.

⁸ The discount rate represents the total expected rate of return (stated as a percentage) that a buyer would demand on the purchase price of an ownership interest in an asset given the level of risk inherent in that ownership interest.

6.13 However, considerable judgement is required in estimating future cash flows and it is generally necessary to place significant reliance on forecasted cash and profit projections prepared by the management of a business or entity. The discount rate applied also, by its nature, requires a substantial element of judgement, along with the terminal or continuing value which is usually a high proportion of value.

Net tangible asset value (“NTA”)

6.14 In using the NTA methodology the business’ tangible assets and liabilities are adjusted to their appraised realisable values, and the net result is an indication of the total value of the business or entity. Methods under which the values of the assets and liabilities can be appraised include:

(a) Orderly realisation.

(b) Liquidation basis.

(c) On a going concern.

6.15 The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to equity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

6.16 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 entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

6.17 The net assets on a going concern basis is usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity’s valuation.

6.18 Often the FME and DCF methodologies are used in valuing assets forming part of the overall net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

6.19 These asset-based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when entities are not profitable, a significant proportion of the entity's assets are liquid or for asset holding companies. The net underlying assets method may be considered appropriate where the underlying assets consistently fail to generate a commercial rate of return.

Quoted market price basis

6.20 Another alternative valuation approach that can be used in conjunction with (or as a replacement for) any of the above methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high-volume trading, creating a "deep" market in that security.

6.21 The quoted market price reflects a minority interest in AstiVita. A minority interest is an interest that is not significant enough for the holder to individually have an influence in the operations and value of the company. RG 111.11 states that the expert should consider a premium for control when considering the value of a company's shares for the purposes of approval under item 7 of s611. An acquirer may pay a premium due to advantages as a result of owning 100% of a company.

Industry "Rules of Thumb"

6.22 In the market, buyers and sellers of certain businesses often determine a value using an industry methodology or rule of thumb. Often industry value does not necessarily equate to the intrinsic value of the business as many rules of thumb are based on gross revenue rather than net profit/cashflow.

6.23 We are not aware of any "rules of thumb" applicable in this instance.

Dual Method

- 6.24 There are entities which carry on more than one business and/or hold more than one type of asset (e.g. business, investments, etc.). In these circumstances, and particularly where one business or asset may be disposed of without jeopardising the remaining businesses or assets, it may be appropriate to consider each of the businesses/assets separately and value each of them in the most appropriate manner. The total value of the entity is then the sum of the values of each of its separate parts. This is often called the Dual Method.

VALUATION METHODOLOGY ADOPTED

- 6.25 A history of positive earnings, on which future earnings is based, is required for the FME methodology to be used in the valuation of a company. AstiVita does not have a recent history of positive earnings (due to the other operations which were historically undertaken in AstiVita, and have since been divested). We also do not have a detailed breakdown of historical earnings which split out the income and expenses for each division, to allow us to undertake such analysis). We have not been provided with Special Purpose financial statements for all historical periods to dissect income and expenses, as a basis for adopting FME.
- 6.26 Therefore, we do not believe that the FME methodology is appropriate in the valuation of AstiVita.
- 6.27 DCF valuations require reliable forecast cash flows to be prepared, generally for five or more years. We have not been provided with financial projections or forecasts for AstiVita, beyond the projected sale of inventory currently on hand. In the absence of such information, we are unable to use the DCF methodology in the valuation of AstiVita.
- 6.28 The balance sheet of AstiVita does not incorporate any value for intangible assets (such as management, intellectual property and goodwill) or other benefits such as the available tax losses and franking credits⁹. In our opinion, the net assets of AstiVita would represent a minimum value. Accordingly, in this instance, we consider that it is not appropriate to use the Net Tangible Asset value methodology.
- 6.29 As AstiVita is an ASX listed company and given our opinion of the unsuitability of the other valuation methodologies, we have adopted the Quoted Market Price Basis.

⁹ Discussed further and quantified at Section 7 below.



6.30 In considering the consideration being paid by Tamawood (i.e. scrip for scrip), we have also adopted the Quoted Market Price Basis.

VALUATION OF ASTIVITA

6.31 The following chart provides a summary of the share price movement from June 2020 to date¹⁰:



6.32 We note that Tamawood announced the Takeover Offer on 16 March 2022.

¹⁰ The blue line represents the share price, and the green line represents the VWAP – Volume Weighted Average Price.



6.33 We summarise the range of share prices of AstiVita, and the volume weighted average price (“VWAP”) for up to the 12 months prior to the announcement as follows:

Astivita VWAP Analysis				
	<i>Low</i>		<i>High</i>	<i>VWAP</i>
Up to 16 March 2022				
5 day	\$ 0.720	\$	0.720	N/A
10 day	\$ 0.720	\$	0.720	N/A
1 month	\$ 0.700	\$	0.775	\$ 0.713
2 month	\$ 0.700	\$	0.775	\$ 0.734
3 month	\$ 0.645	\$	0.775	\$ 0.718
6 month	\$ 0.645	\$	0.775	\$ 0.741
12 month	\$ 0.640	\$	1.000	\$ 0.777

Table 7

6.34 During the 3-month period prior to the announcement of the Takeover Bid, AstiVita shares were trading between \$0.645 and \$0.775.

6.35 Immediately prior to the announcement AstiVita shares were trading at \$0.72. We note this is consistent with the 1-month and 3-month VWAP, and slightly below the 2-month and 6-month VWAP.

6.36 Accordingly, we consider that a range of \$0.645 to \$0.775 represents the value of one AstiVita share, on a minority interest basis.

6.37 Based on the current issued shares of 24,841,974 and a price per share of \$0.645 to \$0.775 we value AstiVita at \$16.023 million to \$19.252 million, on a minority interest basis.

6.38 We note that the above valuation is based on AstiVita continuing as a going concern.

CONSIDERATION – TAMAWOOD SHARES

6.39 The following chart provides a summary of the share price movement from June 2020 to date¹¹:

¹¹ The blue line represents the share price, and the green line represents the VWAP – Volume Weighted Average Price.



6.40 We note that Tamawood announced the Takeover Offer on 16 March 2022.

6.41 We summarise the range of share prices of Tamawood, and the volume weighted average price (“VWAP”) for up to the 12 months prior to the announcement as follows:

Tamawood VWAP Analysis			
	<i>Low</i>	<i>High</i>	<i>VWAP</i>
Up to 16 March 2022			
5 day	\$ 3.140	\$ 3.290	\$ 3.22
10 day	\$ 3.140	\$ 3.390	\$ 3.24
1 month	\$ 3.050	\$ 3.850	\$ 3.42
2 month	\$ 3.050	\$ 3.850	\$ 3.49
3 month	\$ 3.050	\$ 3.850	\$ 3.46
6 month	\$ 3.030	\$ 3.850	\$ 3.43
12 month	\$ 3.030	\$ 4.000	\$ 3.53

Table 8

6.42 Immediately prior to the announcement Tamawood shares were trading at \$3.22. The 1-month to 6-month VWAP ranged from \$3.42 to \$3.49.

6.43 During the 3-month period prior to the announcement of the Takeover Bid, Tamawood shares were trading between \$3.05 and \$3.85. Accordingly, we consider this range represents the value of one Tamawood share, on a minority interest basis.

7.0 EVALUATION OF THE PROPOSED TRANSACTION

BASIS OF EVALUATION

Regulatory Guidelines

- 7.1 In determining whether the proposed transaction is fair and reasonable, we have referred to Regulatory Guides 111 (Content of Expert Reports) and 112 (Independence of Experts) issued by ASIC.
- 7.2 An offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities subject to the offer. The comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length, and assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash¹².
- 7.3 Regulatory Guide 111 requires that we should identify the advantages and disadvantages of the proposal to security holders not associated with the transaction, as well as providing an opinion on whether the advantages of the proposal outweigh the disadvantages. Regulatory Guide 111 suggests that *"An expert should focus on the purpose and outcome, that is, the substance of the transaction, rather than the legal mechanism used to effect the transaction."*
- 7.4 If the bidder is offering non-cash consideration in a control transaction, the expert should examine the value of that consideration and compare it with the valuation of the target's securities.

Adopted Basis of Evaluation

- 7.5 We have satisfied the requirements of Regulatory Guide 111 by completing the following:
- (a) A comparison of the value of AstiVita shares and the value of the consideration (being 1 Tamawood share for every 5 AstiVita shares).
 - (b) An enquiry into whether there are sufficient reasons for the non-associated shareholders to accept the offer in the absence of any higher bid before the close of the offer.

¹² RG111.11



IS THE PROPOSED TRANSACTION FAIR TO TAMAWOOD SHAREHOLDERS?

7.6 Having regard to the analysis and prices determined at Section 6.0 above, we summarise the takeover offer as follows:

- (a) 5 AstiVita shares, with a value range of \$3.23¹³ to \$3.88¹⁴.
- (b) 1 Tamawood share, with a value range of \$3.05 to \$3.85.

7.7 From the perspective of Tamawood shareholders, the proposed transaction is fair.

7.8 In our opinion, the consideration being received by Mr Mizikovsky (and his related entities) is fair value for his direct and indirect interests in AstiVita.

OTHER CONSIDERATIONS

Alternative Proposal

7.9 We are unaware of any alternative proposal that AstiVita has received that might result in the value of shares held by non-associated shareholders being higher than that ascribed by us above.

Implications of the Takeover Offer not proceeding

7.10 Tamawood is the major customer of AstiVita. While Tamawood and AstiVita intend to continue their existing trading relationship, there is a risk to both parties if the Takeover Offer does not proceed. That is, AstiVita may supply their goods to competitors of Tamawood, or alternatively, Tamawood may find a new supplier.

7.11 AstiVita has developed significant key relationships with suppliers which Tamawood would not easily be able to achieve in the short term. Tamawood is reliant on the AstiVita business.

7.12 If AstiVita shareholders do not approve Resolution 1, there are no prospects of receiving franked dividends from AstiVita in the foreseeable future, assuming that 100% of AstiVita is acquired by Tamawood under the takeover.

¹³ \$0.645 x 5 shares

¹⁴ \$0.775 x 5 shares



Premium for Control

- 7.13 A premium for control is normally paid where a party obtains a controlling interest in a company. The Takeover Offer, if successful, will result in Tamawood having control of the operations of AstiVita.
- 7.14 ASIC Regulatory Guide 111 requires that the expert give an opinion as to whether the proposed issue of ordinary shares (i.e. the issue of 1 Tamawood share for each 5 AstiVita shares) will result in AstiVita shareholders receiving a premium for control. Based on the prices set out at paragraph 7.6 above, we conclude that Tamawood will not be paying a premium for control.
- 7.15 There does not appear there will be a material change in the majority shareholders across the consolidated group.

CGT Implications

- 7.16 A scrip-for-scrip CGT rollover relief may be available for AstiVita shareholders, in relation to this takeover transaction and the issue of Tamawood shares. That is, AstiVita shareholders may be able to defer any capital gains tax liability until they dispose of the issued Tamawood shares.

IS THE PROPOSED TRANSACTION REASONABLE TO TAMAWOOD SHAREHOLDERS?

- 7.17 We have considered the effect on shareholders if Resolution 1 is approved and have accordingly taken into account the following advantages and disadvantages of the proposed transaction proceeding. We have concluded that in all cases, the advantages and disadvantages of not approving Resolution 1 are the inverse of approving Resolution 1. We have therefore only set out below the significant factors in the context of approving Resolution 1.
- 7.18 We have investigated other significant factors which Tamawood shareholders might give consideration prior to approving Resolution 1. The matters we have considered are set out below.

Advantages of accepting the Proposal

- 7.19 Tamawood would control AstiVita, including the supply of products and the relationships with key suppliers.



- 7.20 AstiVita currently has a franking account balance of \$1,497,548. Following the takeover, this balance would be transferred to Tamawood, and it would operate a single franking account for the consolidated group.
- 7.21 We've been provided with a copy of advice provided by Pilot Partners that AstiVita has unutilised tax losses carried forward of \$16.8 million (as at 30 June 2021). On the basis that Mr Mizikovsky and his related entities holding of more than 50% would meet the Australian Taxation Office's Continuity of Ownership Test, the tax losses of \$16.8 million would be eligible to be transferred to Tamawood (following the takeover), and Tamawood would be taken to have made the loss in the year of transfer. Tamawood's ability to utilise these losses going forward will depend on it continuing to meet the Australian Taxation Office's tests of Continuity of Ownership or Business Continuity Test in the relevant financial year.
- 7.22 Based on a tax rate of 30%, the tax losses have a maximum value of \$5.04 million. This assumes that Tamawood will be able to utilise all available tax losses. We cannot conclusively conclude whether the value of the tax losses is fully factored into the current share price of AstiVita, but consider it unlikely they are fully factored in, given AstiVita's history of trading losses.

CONCLUSION

- 7.23 After considering the terms of the proposed transaction and assessing its advantages and disadvantages, we have concluded that the proposed transaction is fair and reasonable to the non-associated Shareholders of Tamawood.
- 7.24 On the basis that we consider the acquisition of Mr Mizikovsky's shares to be fair (as they are being acquired at fair value), and having regard to the advantages and disadvantages above, in our opinion the proposed transaction is also reasonable to the non-associated shareholders.

8.0 OTHER MATTERS

SOURCES OF INFORMATION

- 8.1 In preparing this report, we have had access to the following principal sources of information:
- (a) Annual report of AstiVita for the years ended 30 June 2020 and 2021.
 - (b) Interim financial statements of AstiVita for the half year ended 31 December 2021.
 - (c) Special purpose financial report of AstiVita for the half year ended 31 December 2021.
 - (d) Annual report of Tamawood for the years ended 30 June 2020 and 2021.
 - (e) Interim financial statements of Tamawood for the half year ended 31 December 2021.
 - (f) Trading history of Tamawood and AstiVita, extracted from www.asx.com.au.
 - (g) Market announcements made by AstiVita.
 - (h) Letter from Econ Audit and Assurance Services Pty Ltd, dated 08 March 2022, regarding AstiVita Corporate Cost Summary.
 - (i) AstiVita inventory forecasts.
 - (j) Emails from Pilot Partners regarding taxation implications.
 - (k) IBISWorld reports (E3011 House Construction in Australia, dated June 2021, E3019 Multi-Unit Apartment and Townhouse Construction in Australia, dated October 2021 and Construction in Australia, dated June 2020).
- 8.2 In compiling this report and in reaching our opinions and conclusions, we have assumed that the information contained in the documents provided to and obtained by our office, is accurate and reliable unless otherwise stated.



ROUNDING

- 8.3 Some calculations have been presented in this Report and Annexures have been rounded to the nearest dollar, whole or decimal number, as appropriate.
- 8.4 In our opinion, any resulting differences are minor and do not materially affect the overall conclusions in this report.

QUALIFICATIONS, DECLARATIONS AND CONSENTS

- 8.5 Vincents Capital Management Pty Ltd which is a wholly owned entity of Vincents Chartered Accountants, is a Licensed Investment Adviser and holder of an Australian Financial Services Licence under the Act and its authorised representatives are qualified to provide our Report.
- 8.6 Prior to accepting this engagement, Vincents Capital Management Pty Ltd considered its independence with respect to Tamawood and AstiVita with reference to ASIC Regulatory Guide 112. In Vincents Capital Management Pty Ltd's opinion, it is independent of Tamawood and AstiVita.
- 8.7 Our Report has been prepared specifically for the shareholders of Tamawood. It is not intended that our Report be used for any other purpose other than to accompany the Bidder's Statement to be sent to the Tamawood shareholders. In particular, it is not intended that our Report should be used for any purpose other than as an expression of the opinion as to whether or not the Proposal is fair and reasonable to the non-associated shareholders of Tamawood. Vincents Capital Management Pty Ltd disclaims any assumption of responsibility for any reliance on our Report to any person other than those for whom it was intended, or for any purpose other than that for which it was prepared. Vincents Capital Management Pty Ltd takes no responsibility for the contents of the Bidder's Statement other than this report.
- 8.8 The statements and opinions given in the Report are given in good faith and in the belief that such statements and opinions are not false or misleading. In the preparation of our Report, Vincents Capital Management Pty Ltd has relied on and considered information believed, after due inquiry, to be reliable and accurate. Vincents Capital Management Pty Ltd has no reason to believe that any information supplied to it was false or that any material information has been withheld.



- 8.9 Vincents Capital Management Pty Ltd has evaluated the information provided to it by Tamawood and other parties, through inquiry, analysis and review, and nothing has come to its attention to indicate the information provided was materially misstated or would not provide a reasonable basis for our Report. Vincents Capital Management Pty Ltd has not, nor does it imply that it has, audited or in any way verified any of the information provided to it.
- 8.10 Vincents Capital Management Pty Ltd has been indemnified by Tamawood in respect of any claim arising from Vincents Capital Management Pty Ltd's reliance on information provided by Tamawood or any of its representatives which is false, misleading or incomplete.
- 8.11 A draft of this report was provided to Tamawood and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.
- 8.12 In accordance with the Act, Vincents Capital Management Pty Ltd provides the following information and disclosures:
- (a) Vincents Capital Management Pty Ltd will be paid its usual professional fees (estimated to be approximately \$25,000 plus GST) based on time involvement at normal professional rates, for the preparation of our Report.
 - (b) Apart from the aforementioned fee, neither Vincents Capital Management Pty Ltd, nor any of its associates will receive any other benefits, either directly or indirectly, for or in connection with the preparation of our Report.
 - (c) Vincents Capital Management Pty Ltd, nor any of its directors or associates, have any interest in Tamawood or AstiVita.
 - (d) Neither Vincents Capital Management Pty Ltd nor Vincents Chartered Accountants has had any relationship with Tamawood or AstiVita, or their associates in the last two years, other than in connection with the preparation of this report.
- 8.13 This Report has been prepared in accordance with professional standards APES 215 "Forensic Accounting Services" and APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board ("APESB").



Should you have any queries in relation to the above, please do not hesitate to contact our office on (07) 3228 4000.

Vincent's Capital Management Pty Ltd

Paul Green FCA
Director

Peter Haley FCA
Director



ANNEXURE 1

Financial Services Guide

The background of the cover features a photograph of several small green seedlings with two leaves each, growing out of stacks of gold coins. The scene is set against a soft, out-of-focus green background. The entire image is overlaid with a large, semi-transparent orange-red geometric shape that forms a diagonal cross across the page.

Financial Services Guide

July 2021

Vincents Capital Management Pty Ltd AFS licence number: 236 608

 **.VINCENTS**

Introduction

Vincent's Capital Management Pty Ltd

Vincent's Capital Management Pty Ltd (ABN 40 010 855 991) (VCM) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER).

VCM holds Australian Financial Services License No. 236608.

Financial Services Guide

The *Corporations Act 2001 (Cth)* (Corporations Act) authorises VCM to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Bidders Statement to be sent to Tamawood shareholders in connection with the Takeover Offer.

This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about VCM generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial Services we are licensed to provide

Our Australian Financial Services License allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

The IER 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 IER 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.

Fees, commissions and other benefits we may receive

VCM charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages VCM 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 entity who engages us. In the preparation of this IER, VCM is entitled to receive a fee estimated at \$27,500 plus GST.

Neither VCM nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to as above.

All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.

We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority (AFCA), an external complaints resolution service. You will not be charged for using the AFCA service.

If you have any questions about this FSG or would like to discuss how Vincents can help you, contact us on 1300 VINCENTS.

Vincents Capital Management Pty Ltd

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AFS licence number 236 608

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