
FORESTA GROUP HOLDINGS LIMITED
ACN 074 969 056
NOTICE OF GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: Friday, 24 January 2025
DATE: 11.00am (AEDT)
PLACE: Steinepreis Paganin
Level 6, 99 William Street
MELBOURNE VIC 3000

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

This Notice should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 7.00pm (AEDT) on Wednesday, 22 January 2025.

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – APPROVAL FOR DIRECTOR PARTICIPATION IN PLACEMENT – DR MAURIZIO (MAURICE) FABIANI

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 10.11 and for all other purposes, approval is given for the Company to issue up to 10,000,000 Shares and 10,000,000 Options to Dr Maurizio (Maurice) Fabiani (or his nominee(s)) on the terms and conditions set out in the Explanatory Statement.”

2. RESOLUTION 2 – APPROVAL FOR DIRECTOR PARTICIPATION IN PLACEMENT – MR PAI-HENG (HENRY) CHENG

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 10.11 and for all other purposes, approval is given for the Company to issue up to 6,000,000 Shares and 6,000,000 Options to Mr Pai-Heng (Henry) Cheng (or his nominee(s)) on the terms and conditions set out in the Explanatory Statement.”

3. RESOLUTION 3 – APPROVAL OF ACQUISITION AND TRANSFER OF SECURITIES TO SWAT7D PTY LTD

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

“That, for the purposes of section 611 (Item 7) of the Corporations Act and for all other purposes, approval is given for the acquisition by SWAT7D Pty Ltd of 432,650,000 Shares from the Company’s substantial shareholder Mr Ramon Dudley Mountfort and Mrs Shirley Joy Mountfort as trustees for the Mounties1 Family Trust, on the terms and conditions set out in the Explanatory Statement, which, in addition to 414,213,248 Shares already held by the SWAT7D Group, will result in their voting power increasing from 15.75% up to 32.21% (and up to 55.80% if Resolution 4 is passed) as set out in the Explanatory Statement.”

Expert’s Report: Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval required under section 611 Item 7 of the Corporations Act. The Independent Expert’s Report comments on the advantages and disadvantages of the transaction the subject of this Resolution to the non-associated Shareholders in the Company.

The opinion of the Independent Expert is that the ADVANTAGES of the acquisition of the Sale Shares and the resulting increase in the voting power of the SWAWT7D Group in the Company OUTWEIGH THE DISADVANTAGES to the non-associated Shareholders.

4. RESOLUTION 4 – APPROVAL TO ISSUE SECURITIES TO SWAT7D PTY LTD ON CONVERSION OF CONVERTIBLE NOTES AND UPON EXERCISE OF OPTIONS

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

“That, for the purposes of section 611 (Item 7) of the Corporations Act and for all other purposes, approval is given for the Company to issue up to:

- (a) 400,000,000 Shares and 400,000,000 Options on conversion of the Convertible Notes;*
- (b) 132,400,000 Shares and 132,400,000 Options as payment of the Convertible Note Interest;*
- (c) 532,400,000 Shares upon the exercise of the Options referred to in paragraphs (a) and (b) above; and*
- (d) 338,662,803 Shares upon the exercise of the Existing Options,*

to SWAT7D Pty Ltd on the terms and conditions set out in the Explanatory Statement, which, in addition to the 414,213,248 Shares already held by the SWAT7D Group, will result in their voting power increasing from 15.75% up to 45.07% (and up to 55.80% if Resolution 3 is passed) as set out in the Explanatory Statement."

Expert's Report: Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval required under section 611 Item 7 of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the transactions the subject of this Resolution to the non-associated Shareholders in the Company.

The opinion of the Independent Expert is that the issue of the New Shares and New Options and the resulting increase in the voting power of the SWAWT7D Group in the Company is NOT FAIR BUT REASONABLE to the non-associated Shareholders.

Dated: 24 December 2024

By order of the Board

A handwritten signature in blue ink, appearing to read 'Henry Cheng', is positioned above the printed name.

Henry Cheng
Executive Chariman

Voting Exclusion Statements

In accordance with Listing Rule 14.11, the Company will disregard any votes cast in favour of the Resolution set out below by or on behalf of the following persons:

RESOLUTION 1 – APPROVAL FOR DIRECTOR PARTICIPATION IN PLACEMENT – DR MAURIZIO (MAURICE) FABIANI	Dr Maurizio (Maurice) Fabiani (or his nominee(s)) and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person or those persons.
RESOLUTION 2 – APPROVAL FOR DIRECTOR PARTICIPATION IN PLACEMENT – MR PAI-HENG (HENRY) CHENG	Mr Pai-Heng (Henry) Cheng (or his nominee(s)) and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person or those persons.
RESOLUTION 3 – APPROVAL OF ACQUISITION AND TRANSFER OF SECURITIES TO SWAT7D PTY LTD	No votes may be cast in favour of this Resolution by: (a) the person proposing to make the acquisition and their associates; or (b) the persons (if any) from whom the acquisition is to be made and their associates. Accordingly, the Company will disregard any votes cast on this Resolution by SWAT7D and any of its associates and the Seller and any of its associates.
RESOLUTION 4 – APPROVAL TO ISSUE SECURITIES TO SWAT7D PTY LTD ON CONVERSION OF CONVERTIBLE NOTES AND UPON EXERCISE OF OPTIONS	No votes may be cast in favour of this Resolution by: (a) the person proposing to make the acquisition and their associates; or (b) the persons (if any) from whom the acquisition is to be made and their associates. Accordingly, the Company will disregard any votes cast on this Resolution by SWAT7D and any of its associates.

However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- 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. If the Shareholder appoints two proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Voting in person

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

Should you wish to discuss the matters in this Notice please do not hesitate to contact the Company Secretary at meetings-australia@acclime.com.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. RESOLUTIONS 1 AND 2 – APPROVAL FOR DIRECTOR PARTICIPATION IN PLACEMENT

1.1 Background

On 22 November 2024, the Company announced that it had received firm commitments from new and existing sophisticated and professional investors to raise approximately \$1,100,000 (before costs) pursuant to a placement of 220,000,00 Shares at an issue price of \$0.005 per Share (**Placement Shares**), together with one (1) free attaching unquoted Option (exercisable at \$0.02 on or before the date that is two years from the date of issue) for every one (1) Placement Share subscribed for and issued (**Placement Options**) (together, the **Placement**).

On 28 November 2024, the Company announced that the initial amount of the Placement had been adjusted to \$1,150,000 (before costs) via the proposed issue of a total of 230,000,000 Shares, together with one (1) free attaching unquoted Option (exercisable at \$0.02 on or before the date that is two years from the date of issue) for every one (1) Placement Share subscribed for and issued.

The Company's Directors, Dr Maurice Fabiani and Mr Henry Cheng, agreed to subscribe for up to 16,000,000 Placement Shares of the total Placement Shares on offer to raise \$80,000, on the same terms and conditions as unrelated participants in the Placement, subject to shareholder approval (**Director Participation**).

On 4 December 2024, the Company issued:

- (a) 95,836,262 Placement Shares and 214,000,000 Placement Options to participants of the Placement, pursuant to the Company's available placement capacity under ASX Listing Rule 7.1; and
- (b) 118,163,738 Shares to participants of the Placement, pursuant to the Company's available placement capacity under ASX Listing Rule 7.1A.

The funds from the Placement are intended to be used for general working capital.

1.2 General

Resolutions 1 and 2 seek Shareholder approval for the purposes of Listing Rule 10.11 for the issue of an aggregate of 16,000,000 Shares and 16,000,000 Options to Dr Fabiani and Mr Cheng (or their nominee(s)) comprising:

- (a) 10,000,000 Placement Shares to be issued to Dr Fabiani pursuant to Resolution 1; and
- (b) 6,000,000 Placement Shares to be issued to Mr Cheng pursuant to Resolution 2,

to enable their participation in the Placement on the same terms as unrelated participants.

1.3 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act requires that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

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

The issue constitutes giving a financial benefit and each of the proposed recipients is a related party of the Company by virtue of being Directors.

For the purposes of Resolution 1, the Directors (other than Dr Fabiani who has a material personal interest in Resolution 1) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue because the Securities will be issued to Dr Fabiani (or his nominee(s)) on the same terms as Securities issued to non-related party participants in the capital raising and as such the giving of the financial benefit is on arm's length terms.

For the purposes of Resolution 2, the Directors (other than Mr Cheng who has a material personal interest in Resolution 2) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue because the Securities will be issued to Dr Cheng (or his nominee(s)) on the same terms as Securities issued to non-related party participants in the capital raising and as such the giving of the financial benefit is on arm's length terms.

1.4 Listing Rule 10.11

Listing Rule 10.11 provides that unless one of the exceptions in Listing Rule 10.12 applies, a listed company must not issue or agree to issue equity securities to:

- 10.11.1 a related party;
- 10.11.2 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (30%+) holder in the company;
- 10.11.3 a person who is, or was at any time in the 6 months before the issue or agreement, a substantial (10%+) holder in the company and who has nominated a director to the board of the company pursuant to a relevant agreement which gives them a right or expectation to do so;
- 10.11.4 an associate of a person referred to in Listing Rules 10.11.1 to 10.11.3; or
- 10.11.5 a person whose relationship with the company or a person referred to in Listing Rules 10.11.1 to 10.11.4 is such that, in ASX's opinion, the issue or agreement should be approved by its shareholders,

unless it obtains the approval of its shareholders.

The issue falls within Listing Rule 10.11.1 and does not fall within any of the exceptions in Listing Rule 10.12. It therefore requires the approval of Shareholders under Listing Rule 10.11.

1.5 Technical information required by Listing Rule 14.1A

If Resolutions 1 and 2 are passed, the Company will be able to proceed with the issue within one month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules) and will raise additional funds which will be used in the manner set out in Section 1.1. As approval pursuant to Listing Rule 7.1 is not required for the issue (because approval is being obtained under Listing Rule 10.11), the issue will not use up any of the Company's 15% annual placement capacity.

If Resolutions 1 and 2 are not passed, the Company will not be able to proceed with the issue and no further funds will be raised

1.6 Technical Information required by Listing Rule 10.13

REQUIRED INFORMATION	DETAILS
Name of the person to whom Securities will be issued	Dr Maurice Fabiani and Mr Henry Cheng.
Categorisation under Listing Rule 10.11	Dr Fabiani and Mr Cheng both fall within the category set out in Listing Rule 10.11.1 as they are a related party of the Company by virtue of being Directors. Any nominee(s) of Dr Fabiani and Mr Cheng who receive Securities may constitute 'associates' for the purposes of Listing Rule 10.11.4.

REQUIRED INFORMATION	DETAILS
Number of Securities and class to be issued	10,000,000 Shares will be issued to Dr Fabiani and 6,000,000 Shares will be issued to Mr Cheng. The maximum number of Options to be issued is equal to 100% of the number of Shares to be issued (being approximately 10,000,000 Options to Dr Fabiani and 6,000,000 Options to Mr Cheng) as the Options will be issued free attaching with the Shares on a 1:1 basis.
Terms of Securities	The Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares. The Options will be issued on the terms and conditions set out in Schedule 1.
Date(s) on or by which the Securities will be issued	The Company expects to issue the Securities within 5 Business Days of the Meeting. In any event, the Company will not issue any Securities later than one month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules).
Price or other consideration the Company will receive for the Securities	\$0.005 per Share and nil per Option as the Options will be issued free attaching with the Shares on a 1:1 basis.
Purpose of the issue, including the intended use of any funds raised by the issue	Refer to Section 1.1 for details of the proposed use of funds.
Voting exclusion statement	A voting exclusion statement applies to this Resolution.

2. BACKGROUND TO RESOLUTIONS 3 AND 4

2.1 Share Sale Agreement

On 22 November 2024, the Company announced that SWAT7D Pty Ltd (ACN 665 234 391) as trustee for SWAT7D Investment Trust (**SWAT7D**), an entity associated with the Company's Director, Mr Russell Allen, had entered into a binding share sale agreement (**SSA**) to acquire 100% of the total shares held by substantial holder Mr Ramon Dudley Mountfort and Mrs Shirley Joy Mountfort as trustees for the Mounties1 Family Trust (**Seller**), being a total of 432,650,000 Shares, at a price of \$0.005 per share (**Sale Shares**), equivalent to a total consideration amount of \$2,163,250, a 10% non-refundable deposit (\$216,325) of which was paid on or about 20 November 2024 (**Acquisition**).

Pursuant to the terms of the SSA, the Acquisition is conditional upon the Company's shareholders approving by resolution at an extraordinary general meeting of shareholders the Acquisition under section 611 (item 7) of the Corporations Act within 3 months from the date of the SSA. In the event this condition is not satisfied or waived by this date, the SSA automatically terminates. Following satisfaction (or waiver) of this condition, completion is expected to occur on 7 April 2025, or such other date as agreed by the parties in writing.

The Company's legal advisors, Steinepreis Paganin, are party to the SSA as agent and have obligations in respect of the transfer form executed by the Seller in relation to the Acquisition (**Transfer Form**), including to:

- provide a written confirmation to the Buyer and Seller (as applicable) following receipt of the Transfer Form;
- hold the Transfer Form in accordance with the SSA on trust for and on behalf of SWAT7D and the Seller;
- hold and deal with the Transfer Form in accordance with the terms of the SSA; and
- at completion, release the Transfer Form to SWAT7D.

Mr Ramon Dudley Mountfort is a former director of the Company.

For the avoidance of doubt, the SSA contemplates the sale of Shares in the Company between existing Shareholders, and not the issue of any new shares by the Company.

2.2 Convertible Note Raise

On 31 July 2024, the Company announced that it had entered into an unsecured convertible note agreement with SWAT7D (**CNA**) to raise \$2,000,000 (before costs) via the issue of 2,000,000 convertible notes with a face value of \$1 each (**Convertible Notes**), convertible into up to 400,000,000 Shares (**CN Shares**) at a conversion price of \$0.005, subject to shareholder approval.

Pursuant to the CNA, for every CN Share issued at conversion, SWAT7D will receive one (1) free attaching unlisted Option on the terms set out in Schedule 2 (**CN Options**).

The subscription date of the Convertible Notes is 31 March 2025 (or such other date as mutually agreed between the parties) and the Convertible Notes have a maturity date of three years from the subscription date.

As previously announced, interest is payable on the principal amount at a rate of 10% per annum (**CN Interest**), capitalised annually and payable upon conversion or redemption which is payable, at SWAT7D's election, in Shares or in cash to a bank account. Where the CN Interest is to be paid in Shares, the issue of such Shares will be on the same terms and conditions as the Shares issued on conversion, for example, the amount of Interest owing will be satisfied by way of the issue of Shares at an issue price of \$0.01 together with one (1) free attaching unlisted option for every Share issued on the terms set out in Schedule 2). Accordingly, the Company may issue up to 132,400,000 Shares (**CN Interest Shares**) and free attaching 132,400,000 Options (**CN Interest Options**) in lieu of a cash payment of the Interest under the CNA.

The SSA and CNA are together referred to as the **Agreements**.

3. RESOLUTIONS 3 AND 4 – APPROVAL OF ACQUISITION AND ISSUE OF SECURITIES TO SWAT7D PTY LTD

3.1 General

Resolutions 3 seeks Shareholder approval for the purpose of Item 7 of section 611 of the Corporations Act to effect the transfer of 432,650,000 Sale Shares pursuant to the Acquisition (**Transfer**).

Resolution 4 seeks Shareholder approval for the purpose of Item 7 of section 611 of the Corporations Act to allow the Company to Issue up to:

- (a) 400,000,000 CN Shares and 400,000,000 CN Options;
 - (b) 132,400,000 CN Interest Shares and 132,400,000 CN Interest Options;
 - (c) 532,400,000 Shares upon exercise of the CN Options and CN Interest Options; and
 - (d) 338,662,803 Shares upon exercise of the Existing Options,
- (together, the **Issue**) to SWAT7D.

The transfer of the Sale Shares and Issue of the New Shares, when aggregated with the existing Shares held by the SWAT7D Group, will result in the SWAT7D Group's voting power in the Company increasing from 15.75% up to 43.62%.

If all of the Existing Options are exercised, and the New Options are issued and exercised, it will result in the SWAT7D Group's voting power in the Company increasing to 55.80%, assuming no other Shares are issued, and no other Options are exercised.

Pursuant to ASX Listing Rule 7.2 (Exception 8), Listing Rule 7.1 does not apply to an issue of securities approved for the purpose of Item 7 of section 611 of the Corporations Act. Accordingly, if Shareholders approve the issue of securities pursuant to Resolution 4, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 and the additional 10% annual capacity

set out in ASX Listing Rule 7.1A without the requirement to obtain prior Shareholder approval.

In addition, pursuant to Listing Rule 10.12 (Exception 6), Listing Rule 10.11 does not apply to an issue of securities approved for the purpose of item 7 of section 611 of the Corporations Act. Accordingly, the Company is not seeking Listing Rule 10.11 approval for the Issue to the SWAT7D.

3.2 Item 7 of Section 611 of the Corporations Act

(a) Section 606 of the Corporations Act – Statutory Prohibition

Pursuant to section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

- (i) from 20% or below to more than 20%; or
- (ii) from a starting point that is above 20% and below 90%,

(Prohibition).

(b) Voting Power

The voting power of a person in a body corporate is determined in accordance with section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

(c) SWAT7D Group's existing holdings in the Company

SWAT7D and Russell Allen hold a relevant interest in 414,213,248 Shares, reflecting a voting power in the Company of 15.75% as at the date of this Notice of Meeting.

Current holdings of the SWAT7D Group

REGISTERED HOLDER	SHARES	OPTIONS	VOTING POWER ¹
SWAT7D	378,662,726	338,662,803 ²	14.40 ³
Mr Russell Allen	35,550,522	Nil	1.35%

Note:

- 1. Based on the number of Shares on issue as at the date of this Notice of Meeting, being 2,629,118,779 Shares.
- 2. Comprising 76,923,077 unlisted Options issued on 16 October 2023 and exercisable at \$0.02 on or before 16 October 2025, 210,000,000 unlisted Options issued on 16 June 2023 and exercisable at \$0.045 on or before 31 December 2025 and 51,739,726 unlisted Options issued on 4 December 2024 and exercisable at \$0.02 on or before 4 December 2025.
- 3. Excludes the issue of Shares on conversion of the Options currently held by SWAT7D.

(d) Associates

For the purposes of determining voting power under the Corporations Act, a person (**second person**) is an "associate" of the other person (**first person**) if:

- (i) (pursuant to section 12(2) of the Corporations Act) the first person is a body corporate and the second person is:
 - (A) a body corporate the first person controls;
 - (B) a body corporate that controls the first person; or
 - (C) a body corporate that is controlled by an entity that controls the person;

- (ii) the second person has entered or proposes to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; or
- (iii) the second person is a person with whom the first person is acting or proposes to act, in concert in relation to the company's affairs.

Associates are, therefore, determined as a matter of fact. For example, where a person controls or influences the board or the conduct of a company's business affairs, or acts in concert with a person in relation to the entity's business affairs.

(e) Relevant Interests

Section 608(1) of the Corporations Act provides that a person has a relevant interest in securities if they:

- (i) are the holder of the securities;
- (ii) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- (iii) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

In addition, section 608(3) of the Corporations Act provides that a person has a relevant interest in securities that any of the following has:

- (i) a body corporate in which the person's voting power is above 20%;
- (ii) a body corporate that the person controls.

(f) Relationship between SWAT7D and Russell Allen

For the purposes of the Corporations Act, Mr Russell Allen is deemed to be an associate of SWAT7D as Mr Allen is the sole director and sole shareholder of SWAT7D (**Associate**).

Mr Russell Allen has a relevant interest in the Shares held by SWAT7D for the purposes of section 608(3)(b) of the Corporations Act as Mr Russell Allen has the power to exercise, or control the exercise of, a right to vote attached to the Shares and the power to dispose of, the Shares.

The relevant interests of the SWAT7D and the Associate are set out in Section 3.2(c). Accordingly, SWAT7D will be taken to have the same relevant interest in the securities of the Company as the Associate.

(g) Control

The Corporations Act defines "control" and "relevant agreement" very broadly as follows:

- (i) Under section 50AA of the Corporations Act control means the capacity to determine the outcome of decisions about the financial and operating policies of the Company.
- (ii) Under section 9 of the Corporations Act, a relevant agreement includes an agreement, arrangement or understanding whether written or oral, formal or informal and whether or not having legal or equitable force.

(h) Agreements and options in relation to shares

Section 608(8) of the Corporations Act states that if at a particular time all the following conditions are satisfied:

- (i) a person has a relevant interest in issued securities;

- (ii) the person (whether before or after acquiring the relevant interest);
 - (A) has entered or enters into an agreement with another person with respect to the securities; or
 - (B) has given or gives another person an enforceable right, or has been or is given an enforceable right by another person, in relation to the securities (whether the right is enforceable presently or in the future and whether or not on the fulfilment of a condition); or
 - (C) has granted or grants an option to, or has been or is granted an option by, another person with respect to the securities;
- (iii) the other person would have a relevant interest in the securities if the agreement were performed, the right enforced or the option exercised, the other person is taken to already have a relevant interest in the securities.

(i) **Effect of section 608(8) on the Issue**

The effect of section 608(8) on the proposed Issue is as follows:

- (i) SWAT7D will acquire a relevant interest in all of the Securities the subject of Resolutions 3 and 4 when Shareholder approval to Resolutions 3 and 4 is granted; and
- (ii) Mr Russell Allen will acquire a relevant interest in all of the Securities the subject of Resolutions 3 and 4 when Shareholder approval to Resolutions 3 and 4 is granted.

Although the Agreements were executed before Shareholder approval was granted, the acquisition of the relevant interest will not occur until Shareholder approval has been given.

3.3 Reason Section 611 Approval is Required

Item 7 of section 611 of the Corporations Act provides an exception to the Prohibition, whereby a person may acquire a relevant interest in a company's voting shares with shareholder approval.

Following the transfer of the Sale Shares, and issue of the New Shares, the SWAT7D Group will have a relevant interest in 1,379,263,248 Shares in the Company, representing 43.63% voting power in the Company. This assumes that no other Shares are issued, or Options are exercised.

Further, following the issue of the New Options, SWAT7D will be entitled to exercise the New Options and be issued up to 532,400,000 additional Shares. Assuming the Existing Options are also exercised, this would increase the SWAT7D Group's voting power to 55.80%. This also assumes that no other Shares are issued, or Options are exercised.

Accordingly, Resolutions 3 and 4 seek Shareholder approval for the purpose of section 611 Item 7 and all other purposes to enable the Company to proceed with the Transfer and Issue and to enable SWAT7D to exercise the Options noted above.

3.4 Specific Information required by section 611 Item 7 of the Corporations Act and ASIC Regulatory Guide 74

The following information is required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval for Item 7 of section 611 of the Corporations Act. Shareholders are also referred to the Independent Expert's Report prepared by Moore Australia annexed to this Explanatory Statement.

(a) **Identity of the Acquirer and its Associates**

It is proposed that SWAT7D will be transferred the Sale Shares and issued the New Shares and New Options in accordance with the terms of the Agreements as set out in section 2 of this Explanatory Memorandum.

The identity of the Associate and the nature of their relevant interest is summarised in section 3.2(f) of this Explanatory Statement.

(b) **Relevant Interest and Voting Power**

Relevant Interest

The relevant interests of SWAT7D and Mr Russell Allen in voting shares in the capital of the Company (both current, and following the issue of the Securities to SWAT7D as contemplated by this Notice) are set out in the table below:

PARTY	RELEVANT INTEREST AS AT THE DATE OF THIS NOTICE OF MEETING ¹	RELEVANT INTEREST AFTER THE TRANSFER	RELEVANT INTEREST AFTER THE ISSUE OF THE NEW SHARES	RELEVANT INTEREST AFTER EXERCISE OF THE NEW OPTIONS	RELEVANT INTEREST AFTER THE EXERCISE OF THE EXISTING OPTIONS
SWAT7D	378,662,726	811,312,726	1,343,712,726	1,876,112,726	2,214,775,529
Russell Allen	35,550,522	35,550,522	35,550,522	35,550,522	35,550,522
Total	414,213,248	846,863,248	1,379,263,248	1,911,663,248	2,250,326,051

Notes:

- Based on the number of Shares on issue as at the date of this Notice of Meeting, being 2,629,118,779 Shares.
- Assumes that:
 - The Company does not issue any additional Shares, and no Options are exercised (apart from the Existing Options and New Options).
 - The SWAT7D Group do not acquire any additional Shares (apart from the Shares issued on conversion of the Options).

Voting Power

The voting power of SWAT7D and Russell Allen (both current, and following the issue of the Securities to SWAT7D as contemplated by this Notice) is set out in the table below:

PARTY	VOTING POWER AS AT THE DATE OF THIS NOTICE OF MEETING ¹	RELEVANT INTEREST AFTER THE TRANSFER	RELEVANT INTEREST AFTER THE ISSUE OF THE NEW SHARES	RELEVANT INTEREST AFTER EXERCISE OF THE NEW OPTIONS	RELEVANT INTEREST AFTER THE EXERCISE OF THE EXISTING OPTIONS
SWAT7D	14.40%	30.86%	42.50%	50.79%	54.92%
Russell Allen	1.35%	1.35%	1.12%	0.96%	0.88%
Total	15.75%	32.21%	43.62%	51.75%	55.80%

Notes:

- Based on the number of Shares on issue as at the date of this Notice of Meeting, being 2,629,118,779 Shares.
- Assumes that:
 - The Company does not issue any additional Shares, including the Shares the subject of Resolutions 1 and 2, and no Options are exercised (apart from the Existing Options and New Options).
 - The SWAT7D Group do not acquire any additional Shares (apart from the Shares issued on conversion of the Options).

Further details on the voting power of the SWAT7D Group is set out in the Independent Expert's Report prepared by Moore Australia.

Summary of increases

From the above table it can be seen that the maximum relevant interest that the SWAT7D Group will hold after completion of the Transfer and Issue (and after the exercise of all of the Options) is 2,250,326,051 Shares, and the maximum voting power that the SWAT7D Group will hold is 55.80%. This represents a maximum increase in voting power of 40.05% (being the difference between 15.75% and 55.80%).

Assumptions

Note that the following assumptions have been made in calculating the above:

- (i) the Company has 2,629,118,779 Shares on issue as at the date of this Notice of Meeting;
- (ii) the Company does not issue any additional Shares other than pursuant to the exercise of the Existing Options and New Options; and
- (iii) the SWAT7D Group do not acquire any additional Shares other than under the exercise of Options contemplated by (B) above.

(c) **Reasons for the proposed transfer and issue of securities**

As set out in Section 2 of this Explanatory Statement, the reason for the Transfer and Issue to SWAT7D is to satisfy obligations under the Agreements.

(d) **Date of proposed issue of securities**

The Securities the subject of Resolution 3 will be transferred to SWAT7D on 7 April 2025, or such other date as agreed by SWAT7D and the Seller in writing.

The Securities the subject of Resolution 4 will be issued on a date after the Meeting to be determined by the Company and SWAT7D.

(e) **Material terms of proposed issue of securities**

As set out in section 2.1 of this Explanatory Statement, the Sale Shares will be transferred pursuant to the SSA.

The Company is proposing to issue the New Shares and New Options and associated Shares on exercise of the New Options pursuant to the CNA.

Shares issued pursuant to Resolution 4 will rank equally with the Company's existing Shares currently on issue.

(f) **SWAT7D Group's Intentions**

Other than as disclosed elsewhere in this Explanatory Statement, the Company understands that the SWAT7D Group:

- (i) has no present intention of making any significant changes to the business of the Company;
- (ii) has no present intention to inject further capital into the Company;
- (iii) has no present intention of making changes regarding the future employment of the present employees of the Company;
- (iv) does not intend to redeploy any fixed assets of the Company;
- (v) does not intend to transfer any property between the Company and SWAT7D or Mr Russell Allen; and
- (vi) has no intention to change the Company's existing policies in relation to financial matters or dividends.

These intentions are based on information concerning the Company, its business and the business environment which is known to the SWAT7D Group at the date of this document.

These present intentions may change as new information becomes available, as circumstances change or in the light of all material information, facts and circumstances necessary to assess the operational, commercial, taxation and financial implications of those decisions at the relevant time.

(g) **Interests and Recommendations of Directors**

- (i) None of the current Board members, other than Russell Allen, have a material personal interest in the outcome of Resolutions 3 and 4.
- (ii) The Directors (other than Russell Allen, who has a material personal interest in Resolutions 3 and 4) are of the opinion that the Transfer and Issue pursuant to the Agreements are in the best interests of Shareholders and, accordingly, the Directors (other than Mr Russell Allen) recommend that Shareholders vote in favour of Resolutions 3 and 4. The Directors' recommendations are based on the reasons outlined in Section 3.5 below.
- (iii) The Directors are not aware of any other information other than as set out in this Notice of Meeting that would be reasonably required by Shareholders to allow them to make a decision on whether it is in the best interests of the Company to pass Resolutions 3 and 4.

(h) **Capital Structure**

Below is a table showing the Company's current capital structure and the possible capital structure on completion of the Issue.

	SHARES	OPTIONS
Balance at the date of this Notice	2,629,118,779	750,546,076
Balance after Issue of the New Shares and New Options	3,161,518,779	1,282,946,076
Balance following exercise of the Existing Options and New Options	4,032,581,582	411,883,273

Assumptions:

- no additional Shares are issued by the Company; and
- all of the Existing Options and New Options are exercised prior to the relevant expiry date.

3.5 **Advantages of the Transfer and Issue – Resolutions 3 and 4**

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on proposed Resolutions 3 and 4:

- (a) the issue of the New Shares and New Options to SWAT7D would allow the Company to retain its cash reserves as it would not be required to repay SWAT7D in cash;
- (b) the SWAT7D Group is a strong institutional shareholder partner, and Mr Russell Allen is a current director of the Company, who will add value to the Company's strategic goals;
- (c) if the New Options are issued to and exercised by SWAT7D, additional funds of up to \$5,324,000 will be raised from the exercise price of those Options, in the event they are exercised;
- (d) the Transfer and Issue to SWAT7D will complete the Company's obligations under the Agreements and will not require renegotiation of its terms; and

- (e) the Transfer will reduce the risk of the Seller selling the Sale Shares on market which may dampen the Share price.

3.6 Disadvantages of the Issue – Resolutions 3 and 4

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on proposed Resolutions 3 and 4:

- (a) the Transfer and Issue to SWAT7D will increase the voting power of the SWAT7D Group from 15.75% to 55.80%, reducing the voting power of non-associated Shareholders in aggregate from 84.25% to 44.20%; and
- (b) there is no guarantee that the Company's Shares will not fall in value as a result of the Issue.

3.7 Independent Expert's Report – Resolutions 3 and 4

The Independent Expert's Report prepared by Moore Australia (a copy of which is attached as Annexure A to this Explanatory Statement) assesses whether the advantages of the transaction contemplated by Resolution 3 outweigh the disadvantages to the non-associated Shareholders of the Company, and whether the transactions contemplated by Resolution 4 is fair and reasonable to the non-associated Shareholders of the Company.

The Independent Expert's Report concludes that **the advantages of the transaction contemplated by Resolution 3 outweigh the disadvantages** to the non-associated Shareholders of the Company and that **the transactions contemplated by Resolution 4 is not fair but reasonable** to the non-associated Shareholders of the Company.

The Independent Expert notes that the key advantages of the proposal raised in Resolutions 3 and 4 to the Company and existing Shareholders are as follows:

Resolution 3

- (a) At the Independent Expert's high marker preferred value, there is no significant control premium being paid to the Seller. This means Shareholders are not missing out on a control premium.
- (b) The offer price of the Sale Shares is equal to the recent Placement offer price.
- (c) There is no indication of any compensation to the Seller for the sale price being \$0.005.
- (d) The acquisition of the Sale Shares in a block to SWAT7D mean further sales on market are unlikely in the short term, avoiding the risk of dampening the Company's share price.

Resolution 4

- (a) The Convertible Notes provide \$2 million in funding to allow the Company to continue to operate in the short term.
- (b) If the New Options are exercised, up to \$5.3 million may be received by the Company.
- (c) If the Existing Options are exercised, approximately \$12 million may be received by the Company at a share price that would be value accretive (i.e. a control premium paid) to Shareholders. However, the Independent Expert is of the view that this is unlikely to occur.
- (d) The Issue is fair at the low range and mid-range on a diluted basis, as set out in the Independent Expert's Report.

The key disadvantages noted by the Independent Expert are as follows:

Resolution 3

- (a) At the low net asset and mid control range and minority values for the Company's shares, a control premium may be paid. Meaning Shareholders may have missed out on this offer. However, the Independent Expert notes that their

low range valuation is well below the recent volume weighted average price, Placement price and current share price.

- (b) SWAT7D's offer to buy the Sale Shares was made to the Seller and not to other Shareholders as a takeover bid. However, in the view of the Independent Expert, there is enough liquidity in the shares of the Company for Shareholders to be able to sell their shares independently at a price similar or above the offer price of the Sale Shares.
- (c) The SWAT7D Group will be the largest shareholder of the Company and hold significant sway in shareholder decisions.

Resolution 4

- (a) The Proposal is not fair at the Independent Expert's preferred high range (excluding the exercise of the Existing Options).
- (b) The Convertible Note conversion price of 0.5 cents per Share and the option exercise price of 1 cent per share are at or below the post trading half current share price. This confirms that no control premium is being paid, which is not fair in the opinion of the Independent Expert.
- (c) If project milestones are progressed towards final investment decision and funding, it is possible the share price may appreciate above current values. Given SWAT7D has 3 years to convert the Convertible Note and a further 3 years to exercise the CN Options, it is possible that SWAT7D may receive a pay-off in Shares received at a price below the fair value at that time. However, if the project does not progress to final investment decision and funding, then it is likely the Company's Shares will be near worthless and / or be unable to repay debt. Therefore, SWAT7D's potential pay-off is to compensate for that risk.
- (d) If Resolution 3 is passed, the SWAT7D Group could increase its control to up to 51.8% (or 55.8% including Existing Options) and therefore obtain absolute control if the Convertible Notes are converted and CN Options are exercised. However, the Independent Expert is of the view that the control may be temporary even if achieved as the project requires substantial equity funds. Therefore, it is likely that the SWAT7D Group will be diluted if further funding occurs.
- (e) If the Convertible Notes are not converted nor the CN Options exercised, SWAT7D will retain rights as an unsecured equal ranking debt holder. If the cash proceeds from the note are spent and the project not progressed, then net assets and value could decrease by up to \$2.0m, or up to 0.06 cents per Share.
- (f) Accounting standards may require the non-cash effects of a portion of interest and the option value to be recognised immediately as an expense. However, the Independent Expert does not think this would greatly impact the Independent Expert's value assessment.

Shareholders are urged to carefully read the Independent Expert's Report set out in Annexure A to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

3.8 Pro forma balance sheet

A pro forma balance sheet of the Company post the completion of the Transfer, Issue and the transactions the subject of Resolutions 1 and 2 is set out in Schedule 3. Resolutions 1, 2 and 4 will have an effect on the pro forma balance sheet, while Resolution 3 will have no effect on the pro forma balance sheet.

GLOSSARY

\$ means Australian dollars.

Acquisition has the meaning given in Section 2.1.

AEDT means Australian Eastern Daylight Time as observed in Melbourne, Victoria.

Agreements means the SSA and CNA.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day and Boxing Day.

Chair means the chair of the Meeting.

CNA means the Convertible Note Agreement entered into between the Company and SWAT7D on or about 30 July 2024.

CN Interest has the meaning given in Section 2.2.

CN Interest Options has the meaning given in Section 2.2.

CN Interest Shares has the meaning given in Section 2.2.

CN Options has the meaning given in Section 2.2.

CN Shares has the meaning given in Section 2.2.

Company means Foresta Group Holdings Limited (ACN 074 969 056).

Constitution means the Company's constitution.

Convertible Notes has the meaning given in Section 2.2.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

Director Participation has the meaning given in Section 1.1.

Exercised Securities has the meaning given in Section 3.1.

Existing Options means the 338,662,803 Options currently held by SWAT7D.

Explanatory Statement means the explanatory statement accompanying the Notice.

Independent Expert means Moore Australia.

Independent Expert Report means the Independent Experts Report prepared by Moore Australia which is attached to this Notice as Annexure A.

Issue means the proposed issue of Securities to SWAT7D as outlined in Section 3.1.

Meeting means the meeting convened by the Notice.

Moore Australia means Moore Australia (VIC) Pty Ltd (ACN 052 362 348).

New Shares means the CN Shares and CN Interest Shares.

New Options means the CN Options and CN Interest Options.

Notice means this notice of meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a Share.

Placement has the meaning given in Section 1.1.

Placement Shares has the meaning given in Section 1.1.

Placement Options has the meaning given in Section 1.1.

Proxy Form means the proxy form accompanying the Notice.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Sale Shares has the meaning given in Section 2.1.

Section means a section of the Explanatory Statement.

Seller means Mr Ramon Dudley Mountfort and Mrs Shirley Joy Mountfort as trustees for the Mounties1 Family Trust.

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

Shareholder means a registered holder of a Share.

SSA means the share sale agreement between SWAT7D and the Seller on or about 21 November 2024.

SWAT7D means SWAT7D Pty Ltd (ACN 665 234 391) as trustee for SWAT7D Investment Trust.

SWAT7D Group means SWAT7D and the Company's director, Russell Allen.

Transfer means the transfer of the Sale Shares pursuant to the Acquisition.

Transfer Form has the meaning given in Section 2.1.

SCHEDULE 1 – TERMS AND CONDITIONS OF PLACEMENT OPTIONS

The terms and conditions of the Placement Options are set out below:

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (j), the amount payable upon exercise of each Option will be \$0.02 AUD (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (AEST) on the date that is two (2) years from the date of issue (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

Subject to compliance with the *Corporations Act 2001* (Cth), the ASX Listing Rules or any other applicable laws or regulations, the Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within five Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Quotation of Shares issued on exercise**

Application will be made by the Company to ASX for quotation of the Shares issued upon exercise of the Options.

(j) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(k) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(l) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(m) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

SCHEDULE 2 – TERMS AND CONDITIONS OF CN OPTIONS AND CN INTEREST OPTIONS

The terms and conditions of the CN Options and CN Interest Options are set out below:

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (j), the amount payable upon exercise of each Option will be \$0.01 AUD (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (AEST) on the date that is three (3) years from the date of issue (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

Subject to compliance with the *Corporations Act 2001* (Cth), the ASX Listing Rules or any other applicable laws or regulations, the Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within five Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Quotation of Shares issued on exercise**

Application will be made by the Company to ASX for quotation of the Shares issued upon exercise of the Options.

(j) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(k) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(l) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(m) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

SCHEDULE 3 – PRO FORMA BALANCE SHEET

Financial Position	Consolidated Audit Extract 30-Jun-2024											30-Nov-2024 Unaudited Pro-forma
	\$	1	2	3	4	5	6	7	8	9	10	\$
Current Assets												
Cash and cash equivalents	185,748	500,000	75,000	800,000	1,150,000	183,813	80,000	(1,978,549)	2,000,000		17,347,256	20,343,267
Trade and other receivables	2,307,361			(800,000)								1,507,361
Inventories	3,303											3,303
Other current assets	71,403											71,403
Non-current assets held for sale	124,492					(124,492)						-
Total Current Assets	2,692,307	500,000	75,000	-	1,150,000	59,321	80,000	(1,978,549)	2,000,000	-	17,347,256	21,925,334
Non-Current Assets												
Property, plant and equipment	938,487											938,487
Right of use assets	92,975											92,975
Other non-current assets	37,899											37,899
Total Non-Current Assets	1,069,361	-	-	-	-	-	-	-	-	-	-	1,069,361
Total Assets	3,761,668	500,000	75,000	-	1,150,000	59,321	80,000	(1,978,549)	2,000,000	-	17,347,256	22,994,696
Current Liabilities												
Trade and other payables	497,578					27,572		(415,169)				109,981
Borrowings	45,233	500,000										545,233
Lease Liability	127,766											127,766
Provisions	160,364											160,364
Liabilities directly associated with non-current assets held for sale	72,561											72,561
Total Current Liabilities	903,502	500,000	-	-	-	27,572	-	(415,169)	-	-	-	1,015,905
Non-Current Liabilities												
Borrowings	85,312		75,000									160,312
Lease Liability	1,129,131											1,129,131
Provisions	52,910											52,910
Total Non-Current Liabilities	1,267,353	-	75,000	-	-	-	-	-	-	-	-	1,342,353
Total Liabilities	2,170,855	500,000	75,000	-	-	27,572	-	(415,169)	-	-	-	2,358,258
Net Assets	1,590,813	-	-	-	1,150,000	31,749	80,000	(1,563,381)	2,000,000	-	17,347,256	20,636,437
Equity												
Issued capital	35,462,635				1,150,000		80,000		2,000,000	662,000	17,347,256	56,701,891
Reserves	1,371,621											1,371,621
Accumulated losses	(35,243,443)	-	-	-	-	31,749	-	(1,563,381)	-	(662,000)	-	(37,437,075)
Total Equity	1,590,813	-	-	-	1,150,000	31,749	80,000	(1,563,381)	2,000,000	-	17,347,256	20,636,437

Pro-Forma Adjustments:

1. On 31 July 2024, the Company announced that it successfully completed and received \$500,000 for convertible notes with a face value of \$0.01 and at a cost of 10% per annum capitalised annually and payable upon conversion or redemption with a maturity date of the earlier of a future capital raising or 12 months. The conversion price is set at \$0.01 per share and for each share the investor will be granted a free-attaching unlisted option exercisable at \$0.02 per share that expires within one year of the grant date.
 2. On 13 September 2024, the Company announced that it successfully completed and received \$75,000 for convertible notes with a face value of \$0.01 and at a cost of 10% per annum capitalised annually and payable upon conversion or redemption. The convertible notes are secured against all present and after acquired property of the Company. The conversion price is set at \$0.01 per share and for each share the investor will be granted a free-attaching unlisted option exercisable at \$0.02 per share that expires within one year of the grant date.
 3. On 3 October 2024, the Company announced that it had received an interim payout in the amount of \$800,000 from Howden Insurance Brokers as a partial payment in relation to its ongoing insurance claim in connection with assets damaged in the Apple Tree Creek incident.
 4. On 22 November 2024, the Company announced that it successfully completed a share placement raising \$1,150,000 through the issue of 220,000,000 ordinary shares at \$0.005 per share with one free attaching option for every one share issued, with an exercise price of \$0.02 and an expiry date of 2 year from the date of issue. It is noted that \$80,000 is subject to shareholders approval pursuant to Resolutions 1 and 2.
 5. Sale of outdated chemical equipment (refer to ASX announcement 26 August 2024).
 6. Directors participation in May 2024 Cap Raise approved at the Company's Annual General Meeting held on 29 November 2024.
 7. Expense payments for the period from 1 July 2024 to 30 November 2024.
 8. Issue of 400,000,000 ordinary shares on the conversion of the Convertible Notes pursuant to the CNA for \$2,000,000 (the subject of Resolution 4).
 9. Issue of 132,400,000 shares as maximum settlement of interest on the Convertible Notes pursuant to the CNA (the subject of Resolution 4).
 10. Exercise of 871,062,803 unlisted options with varying exercise prices held by SWAT7D raising \$17,347,256 (532,400,000 options of which are the subject of Resolution 4).
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FORESTA GROUP HOLDINGS LIMITED

Independent Expert's Report and Financial Service
Guide for distribution to Shareholders.

Resolution 3: Proposed sale & acquisition of
Shares.

Resolution 4: Proposed issue of Shares upon
conversion of convertible note & exercise of options.

Both requiring Shareholder approval under s.611(7)
of the Corporations Act 2001.

17 DECEMBER 2024

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17 December 2024

The Directors
Foresta Group Holdings Limited
330 Collins Street, Level 7
Melbourne, Victoria 3000

Dear Directors

INDEPENDENT EXPERT'S REPORT FOR SHAREHOLDERS**PROPOSED SALE & ISSUE OF SHARES REQUIRING SHAREHOLDER APPROVAL**

1. We refer to our engagement letter dated 25 November 2024 and are pleased to submit our Independent Expert opinion on the above Proposal.
2. This summary should be read with the body of our Report, which sets out our scope of work, reasoning, and findings. It should also be read with the Notice of Meeting (**NoM**) provided to Shareholders.

1.1. Introduction*Background*

3. Foresta Group Holdings Limited (**FGH** or **Company**) is an Australian company listed on the ASX. The Company's main activity is the development of natural and renewable pine chemical and biomass pellet manufacturing. Its main project under development is in New Zealand and is yet to be constructed or commence commercial operations.
4. In FY24 it reported revenue of \$1.8m and a net loss of \$9.7m. Net assets were reported as \$1.6m on 30 June 2024. The current share price of FGH is ~\$0.09 per share and a market capitalisation of \$23.7m¹, following a recent period of suspension from trading during October and November 2024.
5. Since 30 June 2024, the Company has announced it has received \$0.6m in convertible note funding, \$0.8m in insurance claim proceeds; as well as \$1.0m from a placement. The placement was at 0.5 cents per Share, with a free attaching option exercisable at 2.0 cents per Share. The placement closed 22 Nov 2024 with further participation of some Directors up to \$0.1m subject to approval.
6. On 30 October 2024, it was announced that FGH entered into a **Convertible Note Agreement** with Director Russell Allen (**Russell**) or his associates. The Convertible note is for \$2.0m, to be drawn 31 March 2025. If converted at 0.5 cents per Share before the 3 year maturity, Russell may be issued up to 532m Shares (including accrued interest, if any). Russell is also entitled to up to a further 532m in Shares upon conversion of free attaching options (**CN Options**), exercisable at 1.0 cent per Share.
7. On 21 November 2024 a **Share Sale Agreement** was signed between a former Director of the Company and substantial shareholder Ramon Mountfort (**Ray**) offering to sell 432.65m Shares to Russell.

¹ As of 12 Dec 2024, assuming 2.6b of Shares on issue

8. As Russell (or his interests) already owns ~414.2m Shares and ~338.7 **Existing Options**, his interest in the Company will increase, if either or both Resolutions are approved.

Summary of the Proposal

9. The NoM sets out the following resolutions which we summarise as:
10. **Resolution 3**, on the proposed sale by Ray and acquisition of shares by Russell. In summary:
- The proposed transaction is for Russell to acquire 432.65 million shares (being 16.5% of the total FGH shares on issue) for \$2.16m at a price of 0.5 cents per Share. As a result of the acquisition, Russell will increase his interest in FGH from ~15.8% to ~32.2% (calculated as of 30 November 2024). This is viewed as a change in control transaction.
 - The consideration offered is cash at completion.
 - The sale is subject to non-associated shareholder approval.
11. **Resolution 4**, on the potential Share issues that may arise if:
- The \$2.0m Convertible Note is converted by Russell to Shares at 0.5 cents per Share, plus interest (from 400m Shares, up to 532m shares). Assuming Resolution 3 is passed, for Resolution 4, if converted, Russell's interest may increase up to 43.6%. The Convertible Notes are unsecured and rank equally with other payables.
 - The CN Options are issued upon conversion of the note and subsequently exercised at 1 cent per Share (from 400m Shares, up to 532m shares). Assuming Resolution 3 is passed, for Resolution 4, if the Convertible Note Shares are converted as well as the CN Options exercised, Russell's interest may increase up to 51.8%.
 - If the 338.7m Existing Options controlled by Russell are also exercised in addition to the Convertible Note and CN Options, then his interest could increase to 55.8%.
 - This is also viewed as a change in control transaction.
12. We understand that Russell and Ray (including their associates) are persons excluded from voting on Resolution 3, and Russell is excluded from voting on Resolution 4 for the purposes of **Act**.
13. We consider the ordinary shareholders other than Ray, Russell, or associates as the non-associated shareholders (**Shareholders**).
14. As Resolutions 3 & 4 are not conditional upon each other, we assess each separately in our Reporting. Nevertheless, due to somewhat interrelated effects, we regard both resolutions as the **Proposal** for the purposes of our analysis.
- 1.2. Purpose of this Report**
15. As set out in the NoM, our Report is required for the purposes of Shareholder approval of the Proposal for under s.611(7) of the Act and other purposes.
16. Therefore, the Directors have engaged Moore to prepare this Independent Experts Report. The scope of our Report is to assess whether:
- **Resolution 3** - advantages outweigh the disadvantages for Shareholders.
 - **Resolution 4** – is fair and reasonable to Shareholders.
- 1.3. Basis of evaluation**
17. For **Resolution 3** the Proposal represents a sale of shares of the Company between existing shareholders, as opposed to an issue of new shares by the Company. We have followed ASIC regulatory guidance for this situation and assessed the if the advantages outweigh the disadvantages of the Proposal to Shareholders from the viewpoint of:

- Whether the vendor is receiving a premium for control. The lower the level of any premium of control paid, the lower the disadvantage for Shareholders. We have made this assessment by comparing the Offer price to our fair value assessment of FGH Shares including and excluding a control premium. This is called our control premium assessment.
- Whether Shareholders are foregoing the opportunity for sharing in any control premium.
- Whether Shareholders are foregoing the opportunity of receiving a takeover bid.
- Whether the Proposal may deter the making of a takeover bid.
- Whether any other transactions are contemplated with the vendor.
- Any other advantages and disadvantages of the Proposal.

18. For **Resolution 4**, the Proposal represents a potential issue of Shares by the Company. We have followed ASIC regulatory guidance for this situation and assessed whether the Proposal is 'fair' and 'reasonable' to Shareholders. To assess if the Proposal is fair and reasonable, we have:

- Undertaken a quantitative assessment. The Proposal is fair if the consideration to be received is greater than the fair value on a control basis of FGH Shares that may be issued upon conversion or exercise of options. We do this assessment by comparing the Pre Proposal control value to the Post Proposal minority value to see if a premium is paid by Russell for the Shares that may be issued.
- Assessed the qualitative merits as reasonable if it is fair, or despite not being fair, if advantages outweigh the disadvantages for Shareholders. We also consider alternatives and the likely outcome if the resolution does not proceed.

1.4. Resolution 3: Summary of control premium assessment

19. The table below sets out the offer price compared to our estimated values of the Shares Pre Proposal to see if the vendor is receiving a premium for control.

Table 1

\$ whole	Low	Mid	High
Evaluation - Offer price compared to Pre Proposal value	Net assets		Market Share price
Offer price per share	\$0.005	\$0.005	\$0.005
Pre Proposal share price \$ whole (control value)	\$0.001	\$0.003	\$0.006
Higher / (Lower) per share	\$0.004	\$0.002	-\$0.001
Quantitative evaluation - control	Premium	Premium	No Premium
Pre Proposal share price \$ whole (minority value)	\$0.000	\$0.003	\$0.005
Higher / (Lower) per share	\$0.005	\$0.002	\$0.000
Quantitative evaluation - minority	Premium	Premium	No Premium

20. The Offer price per share is 0.5 cents as described above.

21. We estimate that the Pre Proposal value ranges from 0.1 cents to 0.6 cents per share on an undiluted control basis (rounded). On an undiluted minority basis, the share price ranges from Nil cents to 0.5 cents per share (rounded)

22. The Pre Proposal Share values were estimated using an adjusted net assets (**Net Assets**) and market value approaches. We selected these methodologies as alternate methods were not in our view suitable.

23. For the Adjusted Net Asset method, we took 30 June 2024 audited balances and applied management accounts adjustments for significant events to 30 Nov 2024.
24. For the market based method, we adopted the market evidence of the November \$1.0m placement price of 0.5 cents in our valuation assessment but note that this aligns the 6 month VWAP price. In our opinion that price reflected a liquid and active market for FGH shares on a minority basis. We then added a control premium to see if a significant control premium is being paid.
25. We compared the offer price per Share offered by Russell to our fair value assessment of Shares shown in Table 1 above. This ranges from 0.5 cents premium to negative (in Shareholder's favour) 0.1 cents per share (rounded) on a control basis. On a minority basis, it ranges from 0.5 cents premium to no premium (in Shareholder's favour) per share (rounded).

Control opinion

26. At our preferred high market value, we do not think the vendor is receiving a significant premium for control as the offer price is below the control fair value or equal to the minority value. We think the net asset value, (and the mid-point) understates FGH's value that may exist in intangible assets. Therefore, we prefer the high value.

1.5. Resolution 4: Summary of fairness assessment.

27. Table 2 below also sets out our comparison of the estimated fair values Pre Proposal and Post Proposal. We show this assuming conversion of the Convertible Notes and that plus the exercise of the options, (i.e., diluted).

Table 2

\$ whole	Low	Mid	High	High Market Share price incl. Existing Options
	Net assets		Market Share price	
Evaluation Pre Proposal vs Post Proposal				
Pre Proposal share price \$ whole (control value)	\$0.001	\$0.003	\$0.006	\$0.006
Post Proposal share price \$ whole (minority value)	\$0.001	\$0.003	\$0.005	
Higher / (Lower) per share (rounded)	\$0.000	-\$0.000	-\$0.001	
Quantitative evaluation, post Convertible notes	Fair	Neutral	Not Fair	
Diluted Post Proposal share price \$ whole (minority value)	\$0.002	\$0.003	\$0.005	\$0.007
Higher / (Lower) per share (rounded)	\$0.001	\$0.000	-\$0.001	\$0.001
Quantitative evaluation - post Convertible note and options	Fair	Neutral	Not Fair	Fair

28. The Pre Proposal price is taken from our assessment in **Section 1.4** above on a control basis.
29. The Post Proposal price is following \$2.0m of cash received and conversion of debt from the Convertible Notes assuming the number of shares issued at conversion of 400m to 532m, being without or with interest.
30. The Diluted Post Proposal price is following \$4.0m to \$5.3m of cash received on exercise of the CN Options assuming the number of shares issued at exercise of 400m to 532m; corresponding to the number of convertible note Shares. In the dark blue shaded column, we also show the impact if the Existing Options are also exercised.
31. We estimate that Post Proposal, Shareholders are between Nil and -0.1 cents worse off if only the convertible note Shares are issued. If the CN Options are also exercised, this range is 0.1 cents better to -0.1 cents worse off. Whilst Shareholders would be better off if the Existing Options are also exercised, we think this is unlikely to occur. This is because all the Existing Options expire before 31

Dec 2025 and are at exercise prices greater than 2.0 or 4.5 cents per Share (see **Section 4.2**). Therefore they are significantly 'out of the money' when compared to our Pre Proposal Share price or recent trading.

Fairness opinion

32. At our preferred high market value circled in green (ignoring the exercise of the Existing Options) as the Pre Proposal value exceeds or equals the Post Proposal value (rounded, whether diluted or not), we think Resolution 4 is **not fair** to Shareholders.

1.6. Summary of merits assessment

33. We summarise the merits of the Proposal under headings for each Resolution:

	Resolution 3	Resolution 4
Advantages of the Proposal	<ul style="list-style-type: none"> At our high market preferred value, we think no significant control premium is being paid by Russell to Ray. This has the advantage for Shareholders in that they are not missing out on a control premium. The Offer price of 0.5 cents is also equal to the recent November 2024 placement price. Directors confirm that there are no material transactions contemplated with the vendor (Ray) such that there is no indication of any compensation to the vendor for the sale price being too low. After Ray had departed the Company as Director 12 July 2024, he slowly sold 158m Shares (until September) and Directors believe would continue to sell. Given the size of his remaining holding of 433m Shares, further sales may dampen the Share price if sales were to continue. The sale of his holding in a block to Russell mean further sales are unlikely in the short term. 	<ul style="list-style-type: none"> The Convertible Note provides \$2.0m in funding to allow the Company to continue to operate in the short term. If the CN Options are exercised, a further \$4.0m to \$5.3m may be received by the Company. If the Existing Options are exercised, a further \$12.0m may be received by the Company at a Share price that would be value accretive (i.e. a control premium paid) to Shareholders. However we think this is unlikely to occur as stated in paragraph 75. The Proposal is Fair at the low range and mid-range on a diluted basis.
Disadvantages of the Proposal	<ul style="list-style-type: none"> At the low Net Asset and mid control range and minority values for FGH shares, a 	<ul style="list-style-type: none"> The Proposal is not fair at our preferred high range (ignoring

Resolution 3	Resolution 4
<p>control premium may be paid. This has the disadvantage to Shareholders in that they may have missed out on this offer. However we note that our low range valuation is well below the recent VWAP, November placement price and current share price.</p> <ul style="list-style-type: none"> • Similarly, Russell's offer to buy was made to Ray and not to other Shareholders as a takeover bid. However in our view there is enough liquidity in the shares of FGH for Shareholders to be able to sell their shares independently at a price similar or above the Offer price. Limited trading in the few days following reinstatement is above the Offer price of 0.5 cents. • Russell will be overwhelmingly the largest shareholder of FGH at 32.2% and hold significant sway in shareholder decisions. That said, he does not hold absolute control, (prior to Resolution 4). His acquisition price of 0.5 cents is below the current trading price. As such, we do not think there is any relative increased deterrence to a future takeover bid, over that parcel of Shares. 	<p>the exercise of Existing Options).</p> <ul style="list-style-type: none"> • The stated conversion price of 0.5 cents per Share and the option exercise price of 1 cent per share are at or below the post trading halt current share price. This confirms that no control premium is being paid, which is not fair. • If project milestones are progressed towards final investment decision and funding, it is possible the Share price may appreciate above current values. Given Russell has 3 years to convert the note (to 31 March 2028) and a further 3 years to exercise the options, it is possible that he may receive a pay-off in Shares received at a price below the fair value at that time. However, if the project does not progress to final investment decision and funding, then it is likely FGH Shares will be near worthless and / or be unable to repay debt. Therefore, Russell's potential pay-off is to compensate him for that risk. • If Resolution 3 is passed, Russell could increase his control to up to 51.8% (or 55.8% including Existing Options) and therefore obtain absolute control if the note is converted and options are exercised. However we think such control may be temporary even if achieved. This is because to undertake the project substantial equity funds (e.g. out of a ~\$274m CAPEX funding requirement) will be required. Therefore it is likely that Russell will be

Resolution 3		Resolution 4
		<p>diluted if further funding occurs. It is also more likely to be rational for Russell to only convert the note or exercise the option if the project achieves funding milestones. Otherwise, the notes may not be converted, or the options exercised at all.</p> <ul style="list-style-type: none"> If the notes are not converted nor the options exercised, Russell will retain rights as an unsecured equal ranking debt holder. If the cash proceeds from the note are spent and the project not progressed, then net assets and value could decrease by up to \$2.0m, or up to 0.06 cents per Share. Accounting standards may require the non-cash effects of a portion of interest and the option value to be recognised immediately as an expense. However we do not think this would greatly impact our value assessment.
Other considerations including no change in circumstances	<ul style="list-style-type: none"> Non-Associated shareholders interest, FGH's value and Board positions remains identical Pre and Post Proposal. 	<ul style="list-style-type: none"> Board positions remains identical Pre and Post Proposal.
Alternatives to the Proposal	<ul style="list-style-type: none"> Not relevant. 	<ul style="list-style-type: none"> Directors confirm that there are no other proposals to fund FGH in the short term that are capable of acceptance.
Impact of the Proposal if the Proposal does not proceed	<ul style="list-style-type: none"> As noted above, there is a risk that Ray may continue to sell Shares that may dampen the Share price. 	<ul style="list-style-type: none"> Directors advise that the Company is continuing to incur monthly operating cashflow losses for at least the remainder of FY25. We calculate the monthly operating loss was \$287k

Resolution 3	Resolution 4
	<p>which we do not expect to improve in the near term.</p> <ul style="list-style-type: none"> • The Company has diminishing resources to fund those losses or continue to operate. On 30 November 2024, cash was \$996k, being ~3-4 months historical expenditure. • Therefore if further funding is not secured, then it is likely that the Company will not be able to continue to operate and have minimal residual value.

1.7. Summary of Opinion

34. On the balance of the above matters considered, we think:

- **Resolution 3:** We are mostly persuaded by a lack of control premium being paid to Ray for his Shares sold, the disadvantages of Ray continuing to sell Shares on market, and the practical lack of other changes in circumstances. Therefore we think that for Resolution 3 **the advantages outweigh the disadvantages** to Shareholders.
- **Resolution 4:** We are mostly persuaded by the poorer outcomes for FGH if the Resolution 4 does not proceed, despite the lack of a control premium being paid for the Share issue (ignoring the exercise of the Existing Options). Therefore we think that Resolution 4 is **Not Fair but Reasonable** to the Shareholders of the Company.

1.8. Summary of disclosures and limitations

35. Our opinion is subject to the limitations and disclaimers set out in the body of this Report.

Changes in market conditions

36. Our analysis and conclusions are based on market conditions existing at the date of this Report. We have assumed a valuation date of 30 November 2024. A limitation of our conclusion is that market conditions may change between the date of this Report and when the various aspects of the Proposal are concluded.

Individual Shareholder circumstances

37. Acceptance or rejection of the Proposal is a matter for individual Shareholders based upon their own views of value, risk, and portfolio strategy. Shareholders who are in doubt as to the action that they should take in relation to the Proposal should consult their professional advisor.

Financial Services Guide

38. Our Financial Services Guide is attached in **Appendix 4**. This includes the contact details of whom to address any concerns with this Report.

We thank you for the opportunity to assist you in this important matter.

Yours faithfully

Moore Australia (VIC) Pty Ltd

Holder of Australian Financial Services License No.247362



Colin Prasad
Director – Corporate Finance
CAANZ Business Valuation Specialist

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GLOSSARY

Term	Meaning
ACT	Corporations Act 2001.
APES	Accounting Professional and Ethical Standard.
ASIC	Australian Securities and Investments Commission.
ASX (GN)	Australian Stock Exchange. (Guidance Note).
Convertible Note	Agreement signed between 30 October 2024 between FGH and Russell (and his associated entity SWAT7D Pty Ltd) for \$2.0m in funding on 31 March 2025, 3-year term, converting at 0.5 cents per share, plus interest, up to 532m shares.
CN Options	Being 1 free attaching option with an exercise price of 1 cent per Share, attached to the Convertible Note, being up to 532m Shares.
CFME / CFMR	Capitalised future maintainable earnings / revenue.
Company	Foresta Group Holdings Limited.
DCF	Discounted cash flow.
Directors	Directors of FGH.
Existing Options	Being 338.7m Shares upon exercise of these options controlled by Russell Pre Proposal. Details set out in Section 4.2.
FGH	Foresta Group Holdings Limited.
FMV	Fair Market Value.

Term	Meaning
FY	Financial year ending 30 June.
MAV	Moore Australia (Vic) Pty Ltd – the authors of this Report.
NoM	Notice of Meeting including explanatory memorandum.
Offer (price)	The sale of shares by Ray to Russell at 0.5 cents per Share.
Proposal	The sale of shares by Ray to Russell.
QMP	Quoted market price.
Ray	Mr. Ramon Dudley Mountfort and Mrs. Shirley Joy Mountfort as trustees for the Mounties1 Family Trust, the seller of Shares to Russell.
Resolutions	Resolutions 3 and 4 as set out in Section 2.0.
RG	ASIC Regulatory Guide.
Russell	Mr. Russell Allen, Director of FGH, and the buyer of Shares, including his associates SWAT7D Pty Ltd as trustee for the SWAT7D Investment Trust.
Shareholders	The non-associated shareholders of the Company, being ordinary shareholders other than Russell, Ray, or their associates.
Shares	Shares in the Company.
Share Sale Agreement	Signed 21 Nov 2024 between Russell (and his associated entity SWAT7D Pty Ltd) and Ray.
TEV	Total Enterprise Value.

Term	Meaning
VWAP	Volume weighted average price.

2.0 THE PROPOSAL

2.1. Resolution 3 – Share Sale & Acquisition

39. The exact resolution is set out in the NoM. It is to vote on approving the acquisition of shares by Russell from Ray. In summary:
- The proposed transaction is for Russell to acquire 432.65m million shares (being ~16.5% of the total FGH shares on issue) for \$2.16m at a price of 0.5 cents per Share. As a result of the acquisition, Russell will increase his interest in FGH from ~15.8% to ~32.2%. This is viewed as a change in control transaction.
 - The consideration offered is cash at completion.
 - The proposal is subject to non-associated shareholder approval.

2.2. Resolution 4 – Share Issue

40. The exact resolution is set out in the NoM. It is to vote on approving on the potential Share issues that may arise if:
- The \$2.0m Convertible Note is converted to Shares at 0.5 cents per Share, plus interest (from 400m Shares, up to 532m shares). Assuming Resolution 3 is passed, for Resolution 4, if converted, Russell's interest may increase to 43.6%.
 - The CN Options are issued upon conversion of the note and subsequently exercised at 1 cent per Share (from 400m Shares, up to 532m shares). Assuming Resolution 3 is passed, for Resolution 4, if the Convertible Note Shares are converted as well as the CN Options exercised, Russell's interest may increase up to 51.8%.
 - If the 338.7m Existing Options controlled by Russell are also exercised in addition to the Convertible Note and CN Options, then his interest could increase to 55.8%.

2.3. Other details

41. The NoM states the Resolutions are, for the purposes of section 611 (Item 7) of the Corporations Act and for all other purposes.
42. We understand that Russell and Ray (including their associates) are persons excluded from voting on the Resolutions 3, Russell is excluded from voting on Resolution 4 for the purposes of **Act**.
43. We consider the ordinary shareholders other than Russell or his associates as the non-associated shareholders (**Shareholders**).
44. As Resolutions 3 & 4 are not conditional upon each other, we assess each separately in our Reporting. Nevertheless, due to interrelated effects, we regard both resolutions as the **Proposal** for the purposes of our analysis.

3.0 SCOPE OF THIS REPORT

3.1. Purpose

45. As set out in the NoM, FGH have received advice that our Report is required for the purposes of Shareholder approval of the Proposal for under s.611(7) of the Act.
46. Therefore, the Directors have engaged Moore to prepare this Independent Experts Report. The scope of the Report is to assess whether the Proposal's advantages outweigh the disadvantages for Shareholders.

3.2. Basis of evaluation

47. For **Resolution 3** the Proposal represents a sale of shares of the Company between existing shareholders, as opposed to an issue of new shares by the Company. We have followed ASIC regulatory guidance for this situation and assessed whether the advantages outweigh the disadvantages of the Proposal to Shareholders from the viewpoint of:
- Whether the vendor is receiving a premium for control. The lower the level of any premium of control paid, the lower the disadvantage for Shareholders. We have made this assessment by comparing the Offer price to our fair value assessment of FGH Shares including and excluding a control premium. This is called our control premium assessment.
 - Whether Shareholders are foregoing the opportunity for sharing in any control premium.
 - Whether Shareholders are foregoing the opportunity of receiving a takeover bid.
 - Whether the Proposal may deter the making of a takeover bid.
 - Whether any other transactions are contemplated with the vendor.
 - Any other advantages and disadvantages of the Proposal. These other advantages may come from, for example, better long term profit outlook as the incoming security holder offers superior management skills.
48. For **Resolution 4**, the Proposal represents a potential issue of Shares by the Company. We have followed ASIC regulatory guidance for this situation and assessed whether the Proposal is 'fair' and 'reasonable' to Shareholders. To assess if the Proposal is fair and reasonable, we have:
- Undertaken a quantitative assessment. The Proposal is fair if the consideration to be received is greater than the fair value on a control basis of FGH Shares that may be issued upon conversion or exercise of options. We do this assessment by comparing the Pre Proposal control value to the Post Proposal minority value to see if a premium is paid by Russell for the Shares that may be issued.
 - Assessed the qualitative merits as reasonable if it is fair, or despite not being fair, if advantages outweigh the disadvantages for Shareholders. We also consider alternatives and the likely outcome if the Proposal does not proceed.
49. In assessing whether a control premium is paid or not we have valued the Shares of FGH assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. This is a standard of fair value.
50. We have also assumed premise of value as a going concern, notwithstanding the material uncertainty of this identified by the auditors (paragraph 74).
- Guidance*
51. The resolutions refer to approval being sought for the sale under s611(7) of the Act.

For Resolution 3 we have considered RG111.41 through RG 111.46 on the approval of a sale of securities under the above section of the Act.

52. Resolution 4 refers to a Share Issue. We have considered RG111.5 through RG111.17 on Control transactions and takeover bids under the above section of the Act.

53. The recommended form of analysis is consistent with our basis described above.

3.3. Limitations

54. We have only considered the effects of the Proposal.

55. We are not aware of any other significant limitations on scope. Had our work not been limited in scope, then our opinion could differ, perhaps materially.

3.4. Other terms of reference

56. We have conducted our Services according to the guidelines contained in APES 110 *"Code of Ethics for Professional Accountants"* and the principals of APES 225 *"Valuation Services"*.

57. We confirm MAV are the holder of AFSL licence 247 262, which authorises us to provide reports and advice in respect of securities. A copy of our Financial Services Guide is included in **Appendix 4**.

58. Regulatory guidance from ASIC includes:

- RG 112 "Independence of Experts March 2011". We confirm our qualifications and independence in **Appendix 3**.
- RG 111 "Content of Experts Reports – October 2020". Relevant guidance is given on the basis of evaluation including the standard of fair market value on a control basis and the use of prospective financial information only where there is a 'reasonable' (and not hypothetical – per RG 170) basis to do so.
- RG 170 "Prospective Financial Information – April 2011" – factors that indicate 'reasonable grounds' for prospective financial information.
- RG 74 "Acquisitions approved by members – December 2011".

4.0 PROFILE

4.1. Background²

59. Foresta Group Holdings Limited (**FGH** or **Company**) is an Australian company listed on the ASX. The objective of the Company is to develop a facility to produce and sell the following products³:

- **Wood Pellets:** High-energy biomass fuel made via a proprietary torrefaction process. Advantages include high energy output and sustainability. Used in renewable energy markets and heating solutions.
- **Rosin:** Extracted from Radiata Pine through steam distillation. Provides natural adhesive and chemical properties. Applications include adhesives, printing inks, and industrial uses.
- **Terpenes:** Produced using chemical-free steam distillation. Known for purity and organic qualities. Utilized in fragrances, cleaning products, and other industrial applications.

60. Its main project under development is in New Zealand and is yet to be constructed or commence commercial operations. The project was relocated from Apple Tree Creek, QLD Australia to Rotorua, New Zealand.

61. The current Directors are:

- Mr Pai-Heng (Henry) Cheng. Chairman.
- Mr Maurizio (Maurice) Fabini. Executive Director.
- Mr Russell Allen (**Russell**) – appointed 12 July 2024. Non-executive Director.

62. Ray, the former Managing Director, and seller of Shares to Russell resigned 12 July 2024.

63. In FY24 it reported revenue of \$1.8m and a net loss of \$9.7m. Net assets were reported as \$1.6m on 30 June 2024. The current share price of FGH is ~\$0.09 per share and a market capitalisation of \$23.7m⁴, following a recent period of suspension from trading during October and November 2024.

64. In the FY24 Annual Report, FGH stated that they continued to focus on planning and establishing supply and offtake agreements and applying for consents to build a factory at Kawerau, New Zealand.

Kawerau project overview

- Secured a 30-year lease (with extension options) for industrial land in Kawerau, New Zealand, to develop a flagship manufacturing facility for pine chemicals and black wood pellets.
- Approved by New Zealand's Overseas Investment Office. Earthworks and other consents to follow.
- Harvesting & supply agreements: Agreement with Silvertree for up to 100% of initial stage production feedstock supply needs of logs and stumps. Signed a 10-year agreement with PF Olsen Limited for 61% of raw feedstock of logs, stumps, and slash needs.
- Offtake Sales Contracts: Ten-year binding agreement with Tailored Energy Resources Limited for torrefied wood pellets, projected revenue of NZD \$229 million over 10 years. Additional five-year renewable contract with AV Pound for natural wood rosin and terpene.

² Source: Directors / management, previous announcements.

³ Extracted from Company website.

⁴ As of 12 Dec 2024, assuming 2.6b of Shares on issue

- Filed a patent for integrating wood pellet and chemical production, reducing costs and enhancing efficiency.

65. In the September 2024 Quarterly update:

- Design & Engineering: received proposals for Civil engineering, contract administrator, Independent Certifier. Request for proposal for balance of plant design.
- Main equipment: Pre-wood sizing equipment suppliers shortlisted. Torrefaction plant equipment supplier contract and license agreed. Preferred supplier of boiler selected. A proposal for new extraction equipment received and being evaluated.

66. Other key developments since 30 June 2024 are.

- Completed Convertible Notes raises: \$0.5m (31 July 2024) and \$0.1m (13 September 2024).
- Received \$2.2 million settlement offer for Apple Tree Creek insurance claim, with \$0.8m paid on 3 October 2024.
- Signed the Convertible Note agreement (with Russell) to raise \$2.0 million, settling on 31 March 2025.
- Engaged SV Partners to investigate potential Corporations Act 2001 breaches by former officers.
- Raised \$1.1 million by Placement in November 2024 by issuing 220m shares at 0.5 cents each.

4.2. Capital structure and Shareholders

67. The table below sets out Shareholders in the Company as of 5 Dec 2024 (including the November placement and note conversions) and the expected position if all parts of the Proposal proceed:

Table 3 Company Shareholders

Top 10 shareholders #’000’s	Pre Proposal		Post Proposal		+ Acquisition		Converted C’note		+ C’note Options		+ Existing Options	
		%		%		%		%		%		%
1 MR RAMON DUDLEY MOUNTFORT &	432,650	16.5%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
2 MR RUSSELL WAYNE ALLEN	414,213	15.8%	846,863	32.2%	1,379,263	43.6%	1,911,663	51.8%	2,250,326	55.8%		
3 BRINCLIFF PTY LTD	60,000	2.3%	60,000	2.3%	60,000	1.9%	60,000	1.6%	60,000	1.5%	60,000	1.5%
4 GREGORY LLOYD SAMSON &	53,625	2.0%	53,625	2.0%	53,625	1.7%	53,625	1.5%	53,625	1.3%	53,625	1.3%
5 BRINCLIFF PTY LTD	45,205	1.7%	45,205	1.7%	45,205	1.4%	45,205	1.2%	45,205	1.1%	45,205	1.1%
6 DR FAB SUPER PTY LTD	42,000	1.6%	42,000	1.6%	42,000	1.3%	42,000	1.1%	42,000	1.0%	42,000	1.0%
7 KELIRI PTY LTD	40,708	1.5%	40,708	1.5%	40,708	1.3%	40,708	1.1%	40,708	1.0%	40,708	1.0%
8 MRPG INVESTMENTS (AUS) PTY LTD	40,057	1.5%	40,057	1.5%	40,057	1.3%	40,057	1.1%	40,057	1.0%	40,057	1.0%
9 MR GRANT RICHARD LESLIE	35,250	1.3%	35,250	1.3%	35,250	1.1%	35,250	1.0%	35,250	0.9%	35,250	0.9%
10 NETWEALTH INVESTMENTS LIMITED	35,250	1.3%	35,250	1.3%	35,250	1.1%	35,250	1.0%	35,250	0.9%	35,250	0.9%
Total top 10	1,198,958	45.6%	1,198,958	45.6%	1,731,358	54.8%	2,263,758	61.3%	2,602,421	64.5%		
All other shareholders	1,430,160	54.4%	1,430,160	54.4%	1,430,160	45.2%	1,430,160	38.7%	1,430,160	35.5%		
Total Shares	2,629,119	100.0%	2,629,119	100.0%	3,161,519	100.0%	3,693,919	100.0%	4,032,582	100.0%		
<i>Movements reconciled as:</i>												
Acquisition Shares			432,650	16.5%	432,650	13.7%	432,650	11.7%	432,650	10.7%		
Convertible note			-	0.0%	532,400	16.8%	532,400	14.4%	532,400	13.2%		
C’note Options			-	0.0%	-	0.0%	532,400	14.4%	532,400	13.2%		
Existing Options			-	0.0%	-	0.0%	-	0.0%	338,663	8.4%		
Total movement			432,650	16.5%	965,050	30.5%	1,497,450	40.5%	1,836,113	45.5%		
<i>All shareholders other than Russell & Ray</i>												
		67.8%		67.8%		56.4%		48.2%		44.2%		

Source: Company and MAV analysis

68. There are 2.629b shares on issue. All shares carry equal voting rights with one fully paid Share entitled to one vote at a meeting of the Shareholders. There is a total of ~2,142⁵ ordinary Shareholders of the Company, meaning outside of the top 10, other shareholdings average circa 668k each. At the current share price of ~0.9 cents, this is greater than the minimum marketable parcel of \$500. However, there is a tail of smaller Shareholdings with less than a marketable parcel.

69. We observe that the capital structure of FGH is concentrated Pre Proposal. The top 10 shareholders comprise 46% of total shares. Outside the top 3, no shareholder individually has more than 2%.

70. Post Proposal:

- If Resolution 3 is passed, this is reflected in the “+ Acquisition” column. Russell’s interest increases from 15.8% to 32.2%. We highlight that (non-associated) Shareholders interests remain at 68% Pre and Post Proposal.
- If Resolution 4 is then passed, and if the Convertible Note Shares are subsequently issued. Russell’s interest may increase to 43.6%. If the options are also subsequently exercised, then his interest may increase to 51.8%, (or 55.8% if the Existing Options are also exercised). Non-associated Shareholders would be diluted from 68% to 56% to 48% or 44% respectively.

71. The contributed equity to the Company to 30 June 2024 was \$32.5 million arising from previous capital raisings, (May 2024, \$1.1m at 1 cent per share). As noted, the November 2024 \$1.0m placement was at 0.5 cents per share.

⁵ Per 30 June 2024 Annual Report

72. Not shown in the above table are 412m in other unquoted options held by executives and directors. We observe that exercise prices for those options are greater than (or substantially greater than) 2 cents per Share. They are therefore significantly 'out of the money' compared to the resolution's prices and current trading. In any case, these continue to exist whether the Proposal proceeds or not and are therefore apart from Russell's, Existing Options, excluded from our analysis.

Russell's Existing Options

73. Russel's Existing Options are summarised as:

Existing options	Ex price	Ex. Value	Expiry
76,923,077	\$ 0.020	\$ 1,538,462	16-Oct-25
210,000,000	\$ 0.045	\$ 9,450,000	31-Dec-25
51,739,726	\$ 0.020	\$ 1,034,795	04-Dec-25
338,662,803		\$ 12,023,256	

74. We observe that all the Existing Options expire before 31 Dec 2025 and are at exercise prices greater than 2.0 or 4.5 cents per Share. Therefore they are significantly 'out of the money' when compared to our Pre Proposal Share price or recent trading. Therefore we think it is unlikely that they will be exercised. For this reason, we place a low emphasis on the effect of the Existing Options being exercised in forming our overall opinion on Resolution 4.

4.3. Financial Performance of Company

76. The historical financial information in this Section was extracted from the audited financial reports for 30 June **FY23** and **FY24** as well as the unaudited management actuals to November 2024 (5 months).
77. The Auditor, Hall Chadwick Melbourne issued an unqualified audit opinion dated 22 November 2024 on the FY24 financial report. Without modifying their opinion, their report contained a paragraph highlighting a material uncertainty related to going concern.
78. We set out below the recent historic and unaudited actual financial performance for the Company as:

Table 4: Profit and Loss

\$A'000s		FY23	FY24	5 months 30 Nov 2024
FGH consolidated	Note	Audit extract	Audit extract	Unaudited
Revenue from customers		16		ns
Insurance recoveries	a	403	1,831	ns
Total Revenue	a	419	1,831	ns
Other income		39	40	
Employee & consultant expenses	b	(3,358)	(3,183)	ns
Plant operating expenses		(604)	(151)	ns
Share based payments		(112)	(50)	ns
Other expenses		(1,058)	(848)	ns
EBITDA	c	(4,673)	(2,362)	(1,433)
Depreciation and amortisation		(617)	(323)	ns
Gain (Loss) on sale, write off or impairment of assets	d	(2,302)	(6,676)	32
Finance expenses		(500)	(186)	ns
FX gain / (loss)		(115)	(103)	ns
Tax expense				ns

\$A'000s		FY23	FY24	5 months 30 Nov 2024
FGH consolidated	Note	Audit extract	Audit extract	Unaudited
Net loss		(8,207)	(9,650)	ns

Key Performance Indicators
Cash flow from operations
e

(3,461)

(4,074)

EBITDA / Cash flow from ops

1.4x

0.6x

Source: Financial Reports and MAV analysis. Classifications may differ from the financial reports. NS means not stated.

79. Table notes are as follows:

- a) Historically there is no material operating revenue, and the Company is yet to construct a commercial project. The only material source of revenue is the insurance claim relating to Apple Tree Creek in QLD.
- b) Employee and consultant expenses are the most significant operating costs for developing the project and administration.
- c) The Company is below commercial scale and therefore incurs heavy operating losses.
- d) As stated in the FY24 annual report, much of the plant & equipment has been either scrapped, sold, or impaired.
- e) Cash flow from operations is also negative, more than EBITDA in FY24.

80. In our view the historical financial performance of the Company reflects an earlier stage 'start-up' that is yet to achieve commercial scale operating revenues. It is likely that the Company will require additional funds to continue operations.

4.5. Financial Position of Company

81. We set out below a summary of the financial position for the Company on 30 June 2024 extracted from the audited financial reports noted above. We also show unaudited management accounts amounts on 30 November 2024 after the effects of certain significant post 30 June 2024 events noted above, with details shown in **Appendix 5**. We also show how we classify items.

Table 5: Statement of Financial Position

\$A'000s		30-Jun-24	30-Nov-24	
FGH consolidated	Notes	Audit extract	Unaudited	Classification
ASSETS				
Current assets				
Cash and cash equivalents	a	186	1,046	Working Capital
Trade and other receivables	b	2,307	1,507	Working Capital
Inventories		3	3	Working Capital
Other assets		71	71	Working Capital
Non-current assets held for sale		124	-	Other
Total current assets		2,692	2,628	
Non-current assets				
Property, plant & equipment	c	938	938	P&E
Right of use assets		93	93	Other
Other non-current assets		38	38	Other
Total non-current assets		1,069	1,069	
TOTAL ASSETS		3,762	3,697	
LIABILITIES				
Trade and other payables		(498)	(110)	Working Capital
Borrowings	d	(45)	(545)	Debt
Lease liabilities		(128)	(128)	Other
Provisions		(160)	(160)	Working Capital
Liabilities associated with assets held for sale		(73)	(73)	Other
Total current liabilities		(904)	(1,016)	
Non-current liabilities				
Borrowings	d	(85)	(160)	Debt
Lease liabilities		(1,129)	(1,129)	Other
Provisions		(53)	(53)	Other
Total non-current liabilities		(1,267)	(1,342)	
TOTAL LIABILITIES		(2,171)	(2,358)	
NET ASSETS		1,591	1,339	
NWC				
NWC		1,910	2,358	
Net operating assets (NWC+P&E)		2,848	3,296	
Debt		(131)	(706)	
Change in net assets		(6,407)	(252)	

Source: Financial Reports and MAV analysis. Classifications may differ from the Financial Reports.

82. Table notes are:

- a) We regard the whole of the cash balance as part of working capital due to a monthly operating loss run rate of approximately \$0.3m. Cash increased from 30 June 2024 to 30 Nov 2024 due to convertible notes, the placement and insurance proceeds, offset by operating expenses – see **Appendix 5**.
- b) Trade and other receivables we assume are in good order and realisable – relate mainly to the insurance claim and GST.
- c) Property, plant & equipment relates mainly to capital works in progress and motor vehicles.
- d) Debt increased by 30 Nov 2024 due to convertible notes issued (see **Appendix 5**).

83. The Company exhibits positive net assets and net operating assets, being mostly due to cash, the insurance receivable and PP&E.

4.6. Share trading performance of the Company

84. We set out below the recent share trading performance of the Company from December 2023 to December 2024:



Chart 1 – share price & volume

Source: S&PCapIQ

85. The chart shows a decline in the share price from December 2023. From early July to September, following his resignation, Directors believe that Ray sold ~158m (~7% of total Shares then on issue) of his shares on market which may have had a dampening impact on the Share price. However, whilst Ray was a seller, there were still market participant buyers to match those orders.
86. There was a trading halt period from 30 September 2024 to 26 November 2024. We understand this was due to a delay in releasing the FY24 audited Annual Report. Since then, the Share price has increased, albeit on limited trading volumes of ~1.5% of total shares (see below) to ~1 cent.
87. During the trading halt period, FGH announced:
 - It received \$0.8m from the insurance claim.
 - The \$2.0m Convertible Note agreement with Rusell, the subject of Resolution 4.
 - The \$1.1m November placement at 0.5 cents.
 - The audited FY24 annual report (22 Nov 2024).
88. We expect that given the announcements for sources of funds above, there may be some improved market confidence in the ability of the Company to continue to operate in the short term.

89. The implied market capitalisation of the Company at the current share price is ~0.9 cents per share and a market capitalisation of \$23.7m⁶ which is substantially more than the book net asset value of \$1.3m taken from Table 4.
90. We summarise recent share trading in the following table:

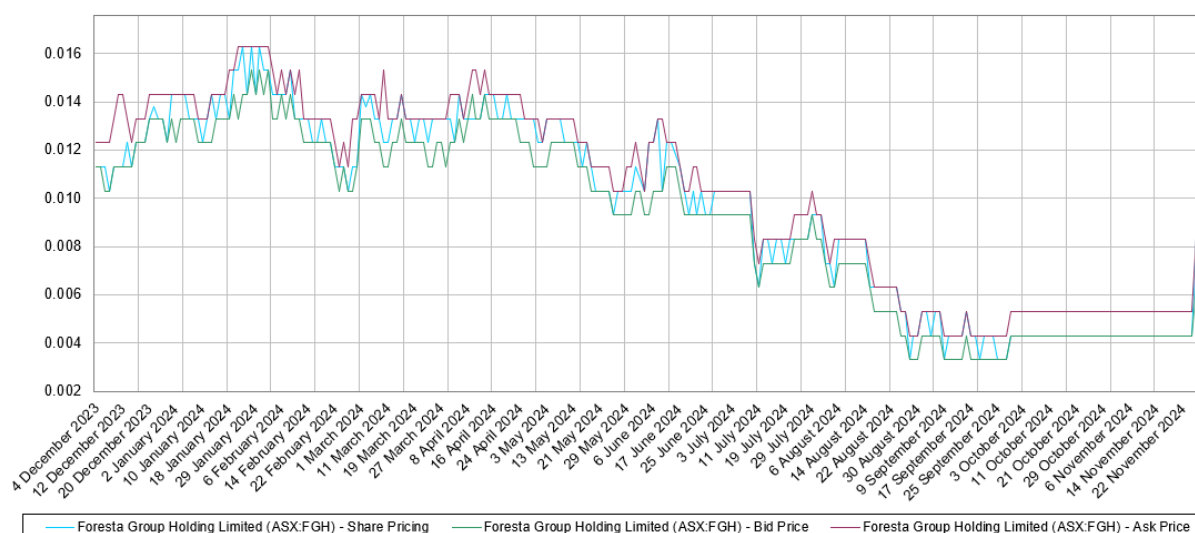
Table 6: Recent share trading summary

Share trading summary	Post trading halt 12 trading days	Pre Announcement (trading halt)			
		20 trading days	Last 3 months	Last 6 months	Last 12 months
\$'whole Value	\$ 366,910	\$ 433,620	\$ 567,105	\$ 1,501,176	\$ 2,984,345
Number of shares	39,013,348	119,672,626	154,571,174	278,598,895	397,454,971
VWAP \$ whole	\$ 0.009	\$ 0.004	\$ 0.004	\$ 0.005	\$ 0.008
Number of shares % to total issue	1.5%	5.1%	6.6%	11.8%	16.9%
Annualised % traded	31.2%	64.0%	26.2%	23.7%	16.9%
Market capitalisation at VWAP	\$ 23,662,069	\$ 9,421,732	\$ 8,641,826	\$ 12,691,789	\$ 17,686,091

Source: S&PCapIQ and MAV analysis. The total number of shares used in calculations is 2.6b for Post trading halt column and 2.4b, before the late Nov 2024 placement and note conversions for the other columns as this was the number of shares for most of the period.

91. The table shows that the number of shares traded over the past year was 17% of the total shares on issue, or \$2.9m vs a market capitalisation of \$23.7m. In our view this may indicate a liquid and active market for Shares. On an annualised basis, shorter periods also appear liquid and active. However, the shorter pre trading halt period includes the selling pressure from Ray's Share sales, notwithstanding available buyers.
92. We also observed the spread between Bid and Ask prices.

Chart 2 – Bid vs Ask



Source: S&PCapIQ

93. We think that the correlation of these prices indicates a reasonable opportunity to buy or sell Shares.

⁶ As of 12 Dec 2024, assuming 2.6b of Shares on issue

94. On this basis, we think we can use the market share price as a meaningful guide to minority Share value.
95. We calculated the VWAP for the periods shown in **Table 6** as well as the annualised number of shares traded in the periods.
96. This results in a price of 0.8 cents per Share (rounded) over the last 12 months, and 0.4-0.5 cents (rounded) for 3 and 6 months preceding announcement of the Proposal / trading halt.
97. As noted, the price increased in the 12 days following reinstatement from the trading halt to around 1 cent on limited volumes. Whilst the annualised trading is 31%, we do not think that trading based on 1.5% of shares traded over 6 days is sufficient to represent longer term market value. It may also be influenced by the announcement of the Convertible Note, the subject for Resolution 4.
98. In our view, longer term periods and periods before the announcement of the Proposal reflect a more meaningful sample of the market value than shorter periods. However, we are also cautious about the period Ray was selling shares and likely dampening the price.
99. For that reason, we adopt the market evidence of the November \$1.0m placement price of 0.5 cents in our valuation assessment but note that this aligns the 6 month VWAP price. The 6 month VWAP includes ~ 120m Share sales unrelated to Ray's sales. We observe it is slightly higher than the 3 month period by 0.1 cents higher. However that 3 month period is more likely adversely impacted by Ray's Share sales given the volume was dominated by his sales.
100. Whilst the annual VWAP of 0.8 cents is closer to early 2024 fund raising prices (and current limited) trading and less impacted by Ray's Share sales, we think that circumstances in the Company have changed since early 2024 which makes that price less reliable. In any case, our opinion would not change for either resolution if we adopted a slightly higher Pre Proposal price.

5.0 INDUSTRY OVERVIEW

5.1. Overview

101. We sourced the following high level information on the global market^{7 8 9} for FGH's products.

102. Wood Pellets

- Market Size: Expected to reach \$13.38 billion by 2030, growing at a CAGR of 6.2% from 2024-2030
- Drivers: Increased demand for renewable energy and heating applications due to sustainability and cost-effectiveness. Used in co-firing, cogeneration, and direct coal replacement to reduce emissions.
- Applications: Residential heating, commercial heating systems, and power generation. Growth is supported by government subsidies in residential sectors, particularly in Europe and North America.
- Major Players: Drax Group, Enviva Partners, Georgia Biomass, Pinnacle Renewable Energy.

103. Rosin

- Market Size & Dynamics: Driven by its use in adhesives, paints, coatings, and rubber industries. The demand for environmentally friendly adhesives boosts this market.
- Applications: Adhesives, paper sizing, printing inks, and varnishes. Key uses include enhancing the tackiness and durability of products.
- Key Regions: Asia-Pacific (China, India), North America, and Europe dominate due to the growing manufacturing industries.
- Major Players: Harima Chemicals, Eastman Chemical Company, and Foreverest Resources.

104. Terpenes

- Market Overview: Terpenes are used in fragrances, pharmaceuticals, and industrial solvents. Growth is driven by their natural origin and expanding application in health and wellness products.
- Applications: Essential oils, resin manufacturing, and solvents. The pharmaceutical and personal care industries represent significant growth sectors.

5.2. Industry remarks

105. Given the above, we observe that the macro conditions for FGH's products are positive. However, FGH's early stage of development may lead to above or below industry average performance depending upon specific critical success factors.

⁷ Grand View Research: Wood Pellets Market Trends and Growth

<https://www.grandviewresearch.com/press-release/global-wood-pellets-market>

⁸ Mordor Intelligence: Wood Pellet Market Report <https://www.mordorintelligence.com/industry-reports/wood-pellet-market>

⁹ Mordor Intelligence: Rosin Market Analysis <https://www.mordorintelligence.com/industry-reports/rosin-market>

All Accessed 5 Dec 2024.

106. Our valuation and assessment of the Proposal does not depend on any further industry analysis.

6.0 VALUATION METHODOLOGIES

6.1. Available methodologies

107. The following summarises the various methodologies we have considered:

- **Market Based:** Business value or equity or an asset is determined by reference to comparable market buy/sell transactions or quoted market prices (**QMP**) if it is listed on an exchange or recent transactions.
- **Income Based:** Value is determined by reference to capitalised future maintainable earnings or revenue (**CFME / CFMR**) or discounted cash flows (**DCF**) derived by the business or asset.
- **Asset Based:** Value is determined by reference to the sale or realisable proceeds of individual assets or groups of assets in an entity.

108. We provide more details of the available valuation methodologies in **Appendix 2** of this Report.

6.2. Selected methodology for Company

Market Based Value

109. The Company is a publicly listed with a current share price ~0.9 cents per share and a market capitalisation of \$23.7m¹⁰. For the reasons set out in Section 4.6, we think there may be an active and liquid market for the Shares over longer periods and there is the market evidence of the November 2024 placement. Therefore, we think it is appropriate to use a market-based value for FGH.

Income Based Value

110. FGH is yet to generate commercial operating revenues, earnings, or cash flows.

111. Given a lack of commercial operations historically or in the near term a CFME or CFMR method is not possible.

112. Whilst our preference is often for a DCF, in our view there are no reliable forecasts available from management on which to reasonably determine a value. Management provided an FY25 budget, however that shows that operating losses are expected to continue. A 30 year project forecast was also provided; however, it depends upon raising substantial funding to undertake the early phases of the project. For example, in years 1-3, the forecasts indicate significant CAPEX exceeding hundreds of \$ million. Directors confirmed that at this stage there are no firm offers of debt or equity funding. Applications for fundings, and some interest from providers is with:

- Bank of New Zealand. The application has been referred to the larger corporate banking team. However it is likely that the bank will only participate if other sources (including Government) of funding are secured, and the project is further de-risked. No indicative offer has been provided.
- New Zealand Government Green Investment Finance. An application has recently been made, but no indicative offer has been provided. Timely investment may depend upon the passing of the New Zealand Government's "Fast-Track Approvals" Bill. The aim of the bill is to provide a 'one-stop shop' for otherwise separate permitting and consents from regulatory bodies for significant projects. The bill is yet to pass the third reading¹¹ of Parliament.

¹⁰ As of 12 Dec 2024, assuming 2.6b of Shares on issue

¹¹ <https://bills.parliament.nz/v/Bill/083f0a7b-f182-41d5-0897-08dc3e31559c?Tab=sub> Accessed 5 Dec 2024.

- New Zealand Regional Infrastructure Fund. An application has recently been made. The decision process and time to draw funds can take up to 13 months¹².

113. Considering the significant and uncertain steps to secure funding, we think that project forecast contains assumptions that are considered hypothetical in the context of RG 170. We do not mean this as a pejorative statement on the prospects of the business, but simply a reflection of the regulatory guidance we are obliged to follow. Therefore, we do not think we can apply a DCF valuation methodology.

Asset Based Value

114. FGH's proforma book value of net assets is largely comprised of cash, NWC and capitalised development at costs. We think a net assets approach is appropriate as a cross check guide to downside value.
115. For the above reasons, we adopted the Net Assets and Market based methods.

¹² <https://www.growregions.govt.nz/new-funding/regional-infrastructure-fund> Accessed 5 Dec 2024.

7.0 FGH PRE PROPOSAL VALUE

7.1. Summary

116. We have assessed the equity value of FGH using a proforma net asset method and market based method including a control premium, as well as with a minority discount as set out in the following table:

Table 7: FGH value Pre Proposal

\$'000s		Low	Mid	High
Equity value Pre Proposal (Control)	Ref	Net assets	Market Share	price
Equity value	Table 5 /	1,339	7,015	12,692
Control premium	para.95	included	average	2,538
Equals estimated equity fair value (control basis)		1,339	8,285	15,230
Number of Shares #'000's Pre Proposal	Table 3	2,629,119	2,629,119	2,629,119
Pre Proposal share price \$ whole (control value)		\$ 0.001	\$ 0.003	\$ 0.006
Pre Proposal share price \$ whole (minority value)		\$ 0.000	\$ 0.003	0.005

7.2. Net assets equity value

117. This is taken from Table 5. Net assets represent a control value, so no control premium adjustment is required. We observe that the proforma net assets value does not include any possible intangible assets, for e.g.,
- Internally developed intellectual property and know how. For example for the processing of pine into the saleable products. The Company has developed this IP over several years, including from learnings at the tangible asset test production facilities in QLD. However at the FY24 audit, those tangible assets were written off (see **Section 4.5**).
 - The progress of the NZ project outlined in **Section 4.1**, including supply, offtake and applications made for regulatory approvals and funding.
118. In our view, the value of any intangible assets is linked to the success of the NZ project. For the reasons stated in **Section 6.2**, we have not used a DCF approach to value the project. However, we accept that in theory, these intangible assets may exist, depending upon probability of funding success of the project which is uncertain.
119. In the above table, the difference between the net asset value and the market VWAP based values on a control basis is most likely based upon the market's view of the possibility of the project's success. Therefore, the net assets value in our view represents a downside case.

7.3. Market equity value

120. As noted above, (paragraph 95) we also used the market Share price of 0.5 cents to determine value to derive an equity value of \$12.7m (using 2.355b shares consistent with the VWAP price period for most of that period). That value in our view represents a liquid minority value. We then applied a control premium of 20% (see below) to derive a control value equity value of \$15.2m.

Premium for control

121. A premium for control can be defined as an amount or a percentage by which the pro-rata value of a controlling interest exceeds the pro-rata value of a non-controlling interest in a business enterprise, to reflect the power of control. The requirement for an explicit valuation adjustment for a control premium depends on the valuation purpose, methodology and approach adopted.
122. An Australian empirical study¹³ calculated observed premiums paid in takeovers to be in the order of 22%-35% over the long run. However takeover premiums in any period were volatile depending on the sectors involved and the economic cycle. This is based upon successful takeover offers and schemes of arrangement completed between 2005 and 2020 for companies listed on the ASX. Another study of ASX takeover data from 2012 to 2023¹⁴ showed median acquisition premiums of 35% but ranging from 15% to 46% by industry.
123. We have also considered other empirical control premium studies and authorities¹⁵ that take into account international markets. KPMG's 2019 valuation practices survey (not an empirical study) notes premiums for control adopted in the range of 14-34%.
124. It is not clear from acquisition price observational studies as to how much of an acquisition premium is paid for control, versus other factors including synergies or irrational exuberance. In theory, the value of control arises from the ability to optimise business decisions and improve returns to the owner.
125. Taking the above into account, in our judgement we therefore adjust the minority equity value above for a 20% control premium, to derive the control value.

7.4. Pre Proposal control and minority equity per Share values

126. We use the current number of 2.629b Shares (**Table 2**) to determine the per share values above based upon both the Net Assets and VWAP market valuation of equity methods. This results in a range of 0.1 to 0.6 cents per share (rounded).
127. For the reasons stated in paragraph 116 we adopt at the high range market evidence of the November \$1.0m placement price of 0.5 cents but note that this aligns the 6 month VWAP price.
128. Table 6 above also shows control equity values adjusted to exclude the 20% control premium. This results in the minority equity per share values ranging from Nil to 0.5 cents per share (rounded) also used later in our overall evaluation.
129. The mid-ranges shown is simply between the Low and High values.

¹³ <https://www.rsm.global/australia/report/control-premium-study-2021>

¹⁴ <https://www.findex.com.au/insights/article/acquisition-premium-study-an-analysis-of-acquisition-premiums-in-australia-from-2013-to-2023>

¹⁵ Mergerstat, & Pratt "Discounts & Premiums, 2nd edition

8.0 FG POST PROPOSAL VALUE

8.1. Post Convertible Note conversion only

130. For Resolution 4, we have assessed the equity value of FGH showing the effects of the assuming conversion of the Convertible Notes in the following table on a minority basis:

Table 8: FGH value Post Proposal – Convertible Notes only

\$'000s		Low	Mid	High
Equity value Post Proposal (C'notes)	Ref	Net assets		Market Share price
Pre Proposal equity value	a	1,339	8,285	15,230
Plus, conversion of note	b	2,000	2,000	2,000
Equals estimated equity fair value (control basis)		3,339	10,285	17,230
Less minority discount	c)	(557)	(1,714)	(2,872)
Equals estimated equity fair value (minority basis)		2,783	8,571	14,358
Number of Shares #'000's Pre Proposal	d	2,629,119	2,629,119	2,629,119
Plus conversion of note	e	400,000	460,000	520,000
Equals number of shares #'000's Post Proposal		3,029,119	3,089,119	3,149,119
Post Proposal share price \$ whole (minority value)		\$0.001	\$0.003	\$0.005

131. Table notes are:

- Pre Proposal value taken from Table 7.
 - \$2.0m in value of the Convertible Note cash, taken from Section 2.0. Any interest is factored into the denominator in the number of Shares issued.
 - A minority discount of 17%, being the inverse of the control premium adopted in paragraph 122.
 - Taken from Table 3. This assumes Resolution 3 is passed.
 - Taken from Section 2.0. At the low range, being \$2.0m converted at 0.5 cents per Share. At the high range, inclusive of an additional 120m Shares in maximum interest. The mid-range is the average. We have adopted this approach as it is not certain when or if Russell will convert, and therefore the quantum of interest.
132. We take the equity value on a minority basis and divide by the Post Proposal number of Shares to determine the per Share values.
133. This results in a minority value of 0.1 cents to 0.5 cents (rounded).

8.2. Post Convertible Note conversion & option exercises

134. For Resolution 4, we have assessed the diluted equity value of FGH showing the effects of the assuming conversion of the Convertible Notes and the exercise of options in the following table on a minority basis:

Table 9: FGH value Post Proposal – Convertible Notes & options

\$'000s		Low	Mid	High	High
				Market Share price	Market Share price incl. Existing Options
Equity value Post Proposal (C'notes + options)	Ref	Net assets			
Pre Proposal equity value	a	1,339	8,285	15,230	15,230
Plus conversion of note	b	2,000	2,000	2,000	2,000
Plus CN options converted	c	4,000	4,662	5,324	5,324
Plus Existing Options	d				12,023
Equals estimated equity fair value (control basis)		7,339	14,947	22,554	34,577
Less minority discount	e	(1,223)	(2,491)	(3,759)	(5,763)
Equals estimated equity fair value (minority basis)		6,116	12,456	18,795	28,815
Number of Shares #'000's Pre Proposal	f	2,629,119	2,629,119	2,629,119	2,629,119
Plus conversion of note	g	400,000	466,200	532,400	532,400
Plus CN options converted	h	400,000	466,200	532,400	532,400
Plus Existing Options	i	-	-	-	338,663
Equals number of shares #'000's Post Proposal		3,429,119	3,561,519	3,693,919	4,032,582
Diluted Post Proposal share price \$ whole (minority value)		\$0.002	\$0.003	\$0.005	\$0.007

135. Table notes are:

- Pre Proposal value taken from Table 7.
- \$2.0m in value of the Convertible Note cash, as for Table 8.
- Assuming following \$4.0m to \$5.3m of cash received on exercise of the CN Options assuming the number of shares issued at exercise of 400m to 532m; corresponding to the number of convertible note Shares.
- Assuming \$12.0m of cash received on exercise of the Existing Options (see **Section 4.2**).
- A minority discount of 17%, being the inverse of the control premium adopted in paragraph 122.
- Taken from Table 3. This assumes Resolution 3 is passed.
- Taken from Table 8 above.
- See item c above, aligned to the corresponding to the number of convertible note Shares.
- See item d above and Section 4.2 for the Existing Options.

136. We take the equity value on a minority basis and divide by the Post Proposal number of Shares to determine the per Share values.

137. This results in a minority value of 0.2 cents to 0.5 cents, or 0.7 cents if the Existing Options are also exercised (rounded).

8.3. If the Convertible notes are not converted

- 138. On the date the Convertible note is issued, and the Company receives \$2.0m in cash drawn, there is no change in net assets or value of the Company as the asset equals the liability.
- 139. If the notes are not converted nor the options exercised, Russell will retain rights as an unsecured equal ranking debt holder. If the cash proceeds from the note are spent and the project not progressed or value added, then net assets and value could decrease by up to \$2.0m (being the face value of the debt).
- 140. Depending upon whether interest is accrued or not, this could decrease Shareholder value by between 0.07 cents to 0.06 cents per Share.

9.0 EVALUATION

9.1. Resolution 3 - Control premium assessment

141. The table below sets out the offer price compared to our estimated values of the Shares under the Proposal to see if the vendor is receiving a premium for control.

Table 10: Resolution 3

\$ whole		Low	Mid	High
Evaluation - Offer price compared to Pre Proposal value	Ref	Net assets		Market Share price
Offer price per share		\$0.005	\$0.005	\$0.005
Pre Proposal share price \$ whole (control value)	Tbl.6	\$0.001	\$0.003	\$0.006
Higher / (Lower) per share		\$0.004	\$0.002	-\$0.001
Quantitative evaluation - control		Premium	Premium	No Premium
Pre Proposal share price \$ whole (minority value)	Tbl.6	\$0.000	\$0.003	\$0.005
Higher / (Lower) per share		\$0.005	\$0.002	\$0.000
Quantitative evaluation - minority		Premium	Premium	No Premium

142. The Offer price per share is 0.5 cents as described in **Section 2**.
143. We estimate that the Pre Proposal value ranges from 0.1 cents to 0.6 cents per share on an undiluted control basis (rounded). On an undiluted minority basis, the share price ranges from Nil cents to 0.5 cents per share (rounded)
144. We compared the offer price per Share offered by Russell to our fair value assessment of Shares shown in Table 1 above. This ranges from 0.5 cents premium to negative (in Shareholder's favour) 0.1 cents per share (rounded) on a control basis. On a minority basis, it ranges from 0.5 cents premium to no premium (in Shareholder's favour) per share (rounded).

Control opinion

145. At our preferred high market value we do not think the vendor is receiving a significant premium for control as the offer price is below the control fair value or equal to the minority value. We think the net asset value, (and the mid-point) understates FGH's value that may exist in intangible assets.

9.2. Resolution 4 – Fairness assessment.

146. The table below also sets out our comparison of the estimated fair values Pre Proposal and Post Proposal. We show this assuming conversion of the Convertible Notes and that plus the exercise of the Options, (i.e., diluted).

Table 11: Resolution 4

\$ whole		Low	Mid	High Market Share price	High Market Share price incl. Existing Options
Evaluation Pre Proposal vs Post Proposal		Ref	Net assets		
Pre Proposal share price \$ whole (control value)	Tbl.7	\$0.001	\$0.003	\$0.006	\$0.006
Post Proposal share price \$ whole (minority value)	Tbl.8	\$0.001	\$0.003	\$0.005	
Higher / (Lower) per share (rounded)		\$0.000	-\$0.000	-\$0.001	
Quantitative evaluation, post Convertible notes		Fair	Neutral	Not Fair	
Diluted Post Proposal share price \$ whole (minority value)	Tbl.9	\$0.002	\$0.003	\$0.005	\$0.007
Higher / (Lower) per share (rounded)		\$0.001	\$0.000	-\$0.001	\$0.001
Quantitative evaluation - post Convertible note and options		Fair	Neutral	Not Fair	Fair

147. We estimate that Post Proposal, Shareholders are between Nil and -0.1 cents worse off if only the convertible note Shares are issued. If the CN Options are also exercised, this range is 0.1 cents better to -0.1 cents worse off. Whilst Shareholders would be better off if the Existing Options are also exercised as shown in the dark blue shaded column, we think this is unlikely to occur.

Fairness opinion

148. At our preferred high market value circled in green (ignoring the exercise of the Existing Options) as the Pre Proposal value exceeds or equals the Post Proposal value (rounded, whether diluted or not), we think Resolution 4 is **not fair** to Shareholders.

9.3. Overall merits assessment

149. We summarise the overall merits of the Proposal under headings for each Resolution:

Resolution 3		Resolution 4
Advantages of the Proposal	<ul style="list-style-type: none"> At our high market preferred value, we think no significant control premium is being paid by Russell to Ray. This has the advantage for Shareholders in that they are not missing out on a control premium. The Offer price of 0.5 cents is also equal to the recent November 2024 placement price. 	<ul style="list-style-type: none"> The Convertible Note provides \$2.0m in funding to allow the Company to continue to operate in the short term. If the CN Options are exercised, a further \$4.0m to \$5.3m may be received by the Company. If the Existing Options are exercised, a further \$12.0m may be received by the Company at a Share price that would be value accretive (i.e.

	Resolution 3	Resolution 4
	<ul style="list-style-type: none"> • Directors confirm that there are no material transactions contemplated with the vendor (Ray) such that there is no indication of any compensation to the vendor for the sale price being too low. • After Ray had departed the Company as Director 12 July 2024, he slowly sold 158m Shares (until September) and Directors believe would continue to sell. Given the size of his remaining holding of 433m Shares, further sales may dampen the Share price if sales were to continue. The sale of his holding in a block to Russell mean further sales are unlikely in the short term. 	<p>a control premium paid) to Shareholders. However we think this is unlikely to occur as stated in paragraph 75.</p> <ul style="list-style-type: none"> • The Proposal is Fair at the low range and mid-range on a diluted basis.
Disadvantages of the Proposal	<ul style="list-style-type: none"> • At the low Net Asset and mid control range and minority values for FGH shares, a control premium may be paid. This has the disadvantage to Shareholders in that they may have missed out on this offer. However we note that our low range valuation is well below the recent VWAP, November placement price and current share price. • Similarly, Russell's offer to buy was made to Ray and not to other Shareholders as a takeover bid. However in our view there is enough liquidity in the shares of FGH for Shareholders to be able to sell their shares independently at a price similar or above the Offer price. Limited trading in the few days following reinstatement is above the Offer price of 0.5 cents. • Russell will be overwhelmingly the largest shareholder of FGH 	<ul style="list-style-type: none"> • The Proposal is not fair at our preferred high range (ignoring the exercise of Existing Options). • The stated conversion price of 0.5 cents per Share and the option exercise price of 1 cent per share are at or below the post trading halt current share price. This confirms that no control premium is being paid, which is not fair. • If project milestones are progressed towards final investment decision and funding, it is possible the Share price may appreciate above current values. Given Russell has 3 years to convert the note (to 31 March 2028) and a further 3 years to exercise the options, it is possible that he may receive a pay-off in Shares received at a price below the fair value at that time. However, if the project does not progress to

Resolution 3	Resolution 4
<p>at 32.2% and hold significant sway in shareholder decisions. That said, he does not hold absolute control, (prior to Resolution 4). His acquisition price of 0.5 cents is below the current trading price. As such, we do not think there is any relative increased deterrence to a future takeover bid, over that parcel of Shares.</p>	<p>final investment decision and funding, then it is likely FGH Shares will be near worthless and / or be unable to repay debt. Therefore, Russell's potential pay-off is to compensate him for that risk.</p> <ul style="list-style-type: none"> • If Resolution 3 is passed, Russell could increase his control to up to 51.8% (or 55.8% including Existing Options) and therefore obtain absolute control if the note is converted and options are exercised. However we think such control may be temporary even if achieved. This is because to undertake the project substantial equity funds (e.g. out of a ~\$274m CAPEX funding requirement) will be required. Therefore it is likely that Russell will be diluted if further funding occurs. It is also more likely to be rational for Russell to only convert the note or exercise the option if the project achieves funding milestones. Otherwise, the notes may not be converted, or the options exercised at all. • If the notes are not converted nor the options exercised, Russell will retain rights as an unsecured equal ranking debt holder. If the cash proceeds from the note are spent and the project not progressed, then net assets and value could decrease by up to \$2.0m, or up to 0.06 cents per Share. • Accounting standards may require the non-cash effects of a portion of interest and the option value to be recognised immediately as an expense.

Resolution 3		Resolution 4
Other considerations including no change in circumstances	<ul style="list-style-type: none"> Non-Associated shareholders interest, FGH's value and Board positions remains identical Pre and Post Proposal. 	<p>However we do not think this would greatly impact our value assessment.</p> <ul style="list-style-type: none"> Board positions remains identical Pre and Post Proposal.
Alternatives to the Proposal	<ul style="list-style-type: none"> Not relevant. 	<ul style="list-style-type: none"> Directors confirm that there are no other proposals to fund FGH in the short term that are capable of acceptance.
Impact of the Proposal if the Proposal does not proceed	<ul style="list-style-type: none"> As noted above, there is a risk that Ray may continue to sell Shares that may dampen the Share price. 	<ul style="list-style-type: none"> Directors advise that the Company is continuing to incur monthly operating cashflow losses for at least the remainder of FY25. We calculate the monthly operating loss was \$287k which we do not expect to improve in the near term. The Company has diminishing resources to fund those losses or continue to operate. On 30 November 2024, cash was \$996k, being ~3-4 months historical expenditure. Therefore if further funding is not secured, then it is likely that the Company will not be able to continue to operate and have minimal residual value.

150. On the balance of the above matters considered, we think:

- Resolution 3:** We are mostly persuaded by a lack of control premium being paid to Ray for his Shares sold, the disadvantages of Ray continuing to sell Shares on market, and the practical lack of other changes in circumstances. Therefore we think that for Resolution 3 **the advantages outweigh the disadvantages** to Shareholders.
- Resolution 4:** We are mostly persuaded by the poorer outcomes for FGH if the Resolution 4 does not proceed, despite the lack of a control premium being paid for the Share issue (ignoring the exercise of the Existing Options). Therefore we think that Resolution 4 is **Not Fair but Reasonable** to the Shareholders of the Company.

APPENDIX 1 – SOURCES OF INFORMATION

- Advanced draft Notice of Meeting received 17 Dec 2024.
- Sale Agreement.
- Convertible Note Agreement.
- FY24 Annual Report.
- NZ Project forecast model.
- Company announcements.
- Emails and discussion with Directors or management.
- S&PCapIQ and other public sources listed throughout the Report.

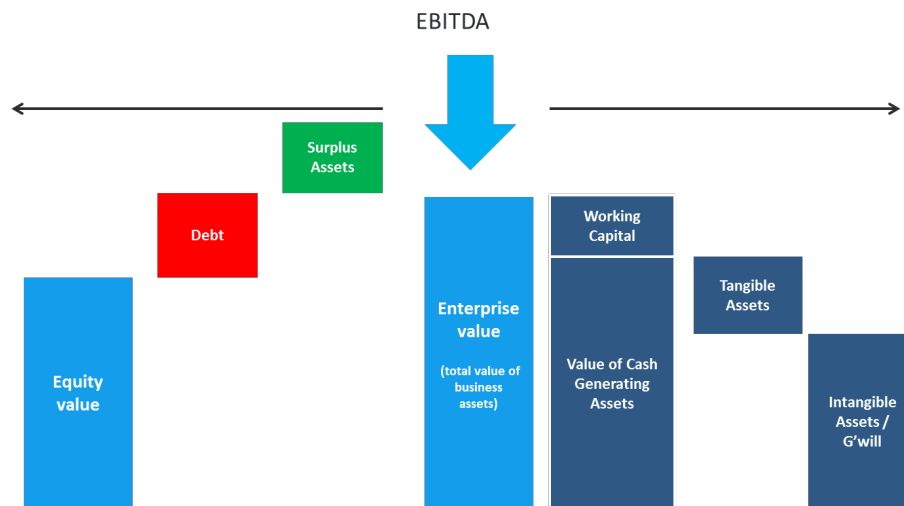
APPENDIX 2 – OVERVIEW OF VALUATION METHODOLOGIES AND PRINCIPLES

Type	Method	Description	When method used
Income Approaches	Discounted Cash Flow	<p>The Discounted Cash Flow (DCF) method derives the value of a business on a controlling basis based on the future cash flows of the business discounted back to a present value at an appropriate discount rate (cost of capital). The discount rate used will reflect the time value of money and the risks associated with the cash flows.</p> <p>The DCF Method requires:</p> <ul style="list-style-type: none"> • Forecasting cash flows over a sufficient extended period (at least 5 years and usually 10 years) • Assessing an appropriate discount rate (typically derived using judgment and aids such as the Capital Asset Pricing Model (CAPM)). The cost of equity (Ke) can be built up from first principles or benchmarked against comparable companies ("Co-Co") or transactions ("Co-Tran"), and • Estimation of the terminal value (value of the business into perpetuity) at the end of the period (typically derived using the capitalisation of earnings method). 	<p>Reasonably accurate forecast cash flows (minimum 5 years).</p> <p>Earnings or cash flows expected to fluctuate from year to year.</p> <p>Business is in start-up or turn around phase.</p> <p>Specific projects that have a finite or infinite life, for example, mining projects.</p>
	Capitalisation of Maintainable Earnings	<p>The Capitalisation of Maintainable Earnings (CME) method is the most used valuation method. It involves the application of a capitalisation multiple to an estimate of the Future Maintainable Earnings (FME) of the business. The FME must be maintainable by the business and must not include one-off gains or losses. The capitalisation multiple will reflect the risk, time value of money and future growth prospects of the business.</p> <p>The appropriate capitalisation multiple is determined with reference to the observed multiples of entities whose businesses are comparable ("Co-Co") to that of the business being considered and/or comparable transactions, ("Co-Tran").</p>	<p>The business has a history of profits with a reasonably consistent trend and that trend is expected to continue.</p> <p>The business has an indefinite life.</p> <p>Cash flow forecasts are not available.</p>

Type	Method	Description	When method used
	Capitalisation of Dividends	This method involves the capitalisation of forecast future maintainable dividends. The maintainable level of dividends is estimated by assessing the expected level of future maintainable earnings and the dividend policy of the entity. The appropriate capitalisation rate reflects the investor's required rate of return.	Valuation is for a minority interest. Stable business. High payout ratios.
	Yield Based	This method is primarily used for property assets and involves capitalising forecast distributions by an estimated future maintainable yield. The yield or rate is determined based on analysis of comparable entities.	Commercial or investment properties including retail, industrial and commercial.
Market Approach	Market	<p>This method values a Group bases on the traded prices of its equity on a public market/exchange. The approach can adopt the prevailing spot rate of the entity's securities at valuation date or the Volume Weighted Average Price (VWAP over a set trading period i.e., the preceding 30, 60 or 90 trading days to the valuation date).</p> <p>In the absence of market data specific to the entity, the market approach can also be used by examining market values for comparable companies ("Co-Co") or comparable transactions ("Co-trans").</p> <p>Comparable transactions may be observed as being based upon a widely used industry practice such as a multiple of revenue instead of earnings.</p>	<p>Group's equity is listed on public market/exchange i.e., ASX.</p> <p>Securities in the entity are actively traded on the market/exchange.</p> <p>As above for comparable companies or transactions</p>
Asset Approach	Asset Based	<p>Asset based valuation involve separating the business into components that can be readily sold, such as individual business Shares or items of plant and equipment and ascribing a value of each component based on the amount that could be obtained if sold.</p> <p>The asset value can be determined based on:</p> <ul style="list-style-type: none"> • Orderly realisation • Liquidation • Going concern 	<p>Asset rich entities</p> <p>For wind-up or realisation value</p>

Type	Method	Description	When method used
Asset Approach	Cost approach	The value of an asset determined by: <ul style="list-style-type: none"> • Reproduction cost less depreciation (in basic terms, the cost of replicating functionality). • Reproduction cost (in basic terms, the cost of recreating the asset). 	The cost-based approach can be used to derive market value where market or income factors are difficult to obtain or estimate with reliability (for example, for some intangible assets).

Valuation Principles



In adopting an income approach, a multiple of EBITDA or a DCF of cash flows is typically used to determine Total Enterprise Value (TEV), which represents the total value of the net business assets. Any excess over tangible and identified intangible assets (moving right in the diagram above) represents goodwill.

Moving left in the diagram, adjustments are made to TEV to add surplus assets (e.g., cash) and deduct debt to determine equity value. Surplus assets are any assets that are not required to generate the business's earnings or cash flows.

Further discounts may be applied to equity to determine a minority or illiquid value.

APPENDIX 3 – QUALIFICATIONS, INDEPENDENCE, DECLARATIONS AND CONSENTS

Statement of Qualifications, Independence, Declarations and Consents

Qualifications

Moore Australia (Vic) Pty Ltd (ABN 17 386 983 833) (**Moore**) is a Melbourne based accounting, audit and business advisory practice and is a licensed investment adviser within the terms of the Corporations Act 2001. Moore is an independent practice and a member of Moore International. Moore International is a national and international association of separate accountant and advisor entities represented in major capital cities of Australia and with member firms operating in many countries worldwide.

The AFSL licence (No 247262) allows Moore to act for clients only in the capacity of providing reports in relation to certain corporate transactions or to provide general financial product advice on certain classes of financial products. Senior directors at Moore Stephens specialise in such advice and regularly perform corporate and asset valuations and advice on company restructures, acquisitions, and proposals. Moore Stephens Audit (Vic) is affiliated with Moore Stephens and, acting through different directors, also performs audits on the accounts of Australian companies.

The primary persons responsible for preparing this Report on behalf of Moore are Mr Colin Prasad (B. Com ACA and BVS) (with the assistance of staff), who has a significant number of years of experience in relevant corporate matters including valuations, independent expert reports and investigating accountant engagements.

Independence

Moore considers itself to be independent in terms of Regulatory Guide 112 issued by ASIC relating to independence of experts and has developed and issued an opinion and report on an unbiased basis.

Moore and its related entities or any of its directors have not had within the previous two years, any Shareholding in the Company. During the 2 years period to this report Moore and its related entities have not provided any professional services to the Company or any related parties to the Company.

None of Moore, Mr Colin Prasad, nor any other member, director, partner, or employee of any of Moore has any interest in the opinion reached by Moore except that we are entitled to receive professional fees for the completion of this Report based on time incurred at normal professional rates. Our fee for the preparation of this report is \$38,000. Except for these fees no parties will receive any other benefits, whether directly or indirectly, for or in connection with issuing this Report.

Disclaimers

This Report has been prepared at the request of Directors and was not prepared for any other purpose than stated in this Report in Section 3. This Report has been prepared for the sole benefit of the Directors and the Shareholders of the Company. This Report should not be used or relied upon for any purpose other than as set out in Section 3. Accordingly, Moore expressly disclaims any liability to any person (other than the Directors or Shareholders of the Company) who relies on our Report, or to any person at all who seeks to rely on the Report for any other purpose not set out in Section 3.

Appendix 1 identifies the sources of information upon which this Report has been based. To the extent we have used historical information we are entitled to rely upon the information. Any forecast information which has been referred to in this Report has been prepared by the relevant entity and is generally based upon best estimate assumptions about events and management actions that may or may not occur. Accordingly, Moore cannot provide any assurance that any

forecast is representative of results or outcomes that will actually be achieved. Whilst (unless stated otherwise in the Report) Moore has no reason to believe that such information is not reliable and accurate, it has not caused such information to be independently verified or audited in any way. Inquiry, analysis and review have brought nothing to our attention to indicate a material misstatement, omission or lack of reasonable grounds upon which to base our opinion.

The opinions given by Moore in this Report are given in good faith, based upon our consideration and assessment of information provided to us by the Directors and executives of the parties to the Proposal; and in the belief on reasonable grounds that such statements and opinions are correct and not misleading, (unless otherwise stated in the Report). This Report has been prepared with care and diligence.

Advanced drafts of this Report were provided to the Company. Minor changes for factual content were made to this Report. There was no alteration to the methodology or conclusions reached because of discussions related to drafts of the Report.

Moore's opinion is based on prevailing conditions at the date of this Report including market, economic and other relevant circumstances. These can change over relatively short time and any subsequent changes in these conditions in the value either positively or negatively.

Indemnity

The Company has agreed that it will indemnify Moore and its employees and officers in respect to any or all losses, claims, damages, and liabilities arising as a result of or in connection with the preparation of this Report, except where the claim has arisen as a result of wilful misconduct or negligence by Moore.

Consent

This Report has been prepared at the request of the Company and may accompany materials to be given to Shareholders.

Moore consents to the issuing of this Report and the form and context to which it is to be included with the materials. Other than the Report, Moore has not been involved in the preparation of the documents or other aspects of the Proposal or the materials to which this Report may be attached. Accordingly, we take no responsibility for the content of those materials or the Proposal as a whole. Neither the whole nor any part of this Report nor any reference thereto may be included in any other document without prior written consent of Moore as to the form and context to which it appears.

APPENDIX 4 – MOORE AUSTRALIA (VIC) PTY LTD FINANCIAL SERVICES GUIDE

This Financial Services Guide forms part of the Independent Expert Report.

Moore Australia (Vic) Pty Ltd (ABN 17 386 983 833) (**Moore**) holds Australian Financial Services Licence no 247262 authorising it to provide general financial product advice in relation to various financial products such as securities, interests in managed investment schemes, and superannuation to wholesale and retail clients. Moore has been engaged by the Company to provide an Independent Experts Report (the **Report**) for inclusion with materials to be sent Shareholders.

The Corporations Act, 2001 requires Moore to provide this Financial Services Guide (**FSG**) in connection with its provision of this Report. Moore does not accept instructions from retail clients. Moore provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Moore does not provide any personal retail financial product advice to retail investors, nor does it provide market-related advice to retail investors.

Moore is only responsible for this Report and this FSG. Moore is not responsible for any material publicly released by the Company in conjunction with this Report. Moore will not respond in any way that might involve any provision of financial product advice to any retail investor.

This Report contains only general financial product advice. It was prepared without considering your personal objectives, financial situation or needs. You should consider your own objectives, financial situation and needs when assessing the suitability of this Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

When providing reports in the form of this Report, Moore's client is the Company to which it provides the report. Moore receives its remuneration from the Company. For this Report and other services, Moore will receive a fee based upon normal professional rates plus reimbursement of out-of-pocket expenses from the Company. Directors or employees of Moore or other associated entities may receive partnership distributions, salary, or wages from Moore. Moore and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products.

Moore has professional indemnity insurance cover for reports of this nature under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of Section 912B of the Corporations Act 2001.

Moore has internal complaints-handling mechanisms. If you have concerns regarding this Report, please contact us in writing to Mr. Kevin Mullen, Moore Australia (Vic) Pty Ltd, Level 44, 600 Bourke Street, Melbourne, Vic, 3000. We will endeavor to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

APPENDIX 5 – 30 NOV 2024 BALANCE SHEET

Unaudited management balance sheet at 30 Nov 2024 showing significant movements from (audited) 30 Jun 2024:

\$A'000s Financial Position	Consolidated 30-Jun 2024	1 \$500k Con Note	2 \$75k Con Note	3 Insurance Proceeds	4 Cap Raise	5 Sale of Equip.	6 Cap Raise	7 Expense payment	Pro-forma
Current Assets									
Cash and cash equivalents	186	500	75	800	1,070	184	80	(1,849)	1,046
Trade and other receivables	2,307			(800)					1,507
Inventories	3								3
Other current assets	71								71
Non-current assets held for sale	124					(124)			-
Total Current Assets	2,692	500	75	-	1,070	59	80	(1,849)	2,628
Non-Current Assets									
Property, plant and equipment	938								938
Right of use assets	93								93
Other non-current assets	38								38
Total Non-Current Assets	1,069	-	-	-	-	-	-	-	1,069
Total Assets	3,762	500	75	-	1,070	59	80	(1,849)	3,697
Current Liabilities									
Trade and other payables	(498)					(28)		415	(110)
Borrowings	(45)	(500)							(545)
Lease Liability	(128)								(128)
Provisions	(160)								(160)
Liabilities directly associated with non-current assets held for sale	(73)								(73)
Total Current Liabilities	(904)	(500)	-	-	-	(28)	-	415	(1,016)
Non-Current Liabilities									
Borrowings	(85)		(75)						(160)
Lease Liability	(1,129)								(1,129)
Provisions	(53)								(53)
Total Non-Current Liabilities	(1,267)	-	(75)	-	-	-	-	-	(1,342)
Total Liabilities	(2,171)	(500)	(75)	-	-	(28)	-	415	(2,358)
Net Assets	1,591	-	-	-	1,070	32	80	(1,433)	1,339

Adjustments:

1. On 31 July 2024, the Company announced that it successfully completed and received \$0.5m for Convertible Notes with a face value of \$0.01 and at a cost of 10% per annum capitalised annually and payable upon conversion or redemption with a maturity date of the earlier of a future capital raising or 12 months. The conversion price is set at 1.0 cents per share and for each share the investor will be granted a free-attaching unlisted option exercisable at 2.0 cents per share that expires within one year of the grant date.
2. On 13 September 2024, the Company announced that it successfully completed and received \$75k for Convertible Notes with a face value of 1.0 cent and at a cost of 10% per annum capitalised annually and payable upon conversion or redemption. The Convertible Notes are secured against all present and after acquired property of the Company. The conversion price is set at 1.0 cent per share and for each share the investor will be granted a free-attaching unlisted option exercisable at 2.0 cents per share that expires within one year of the grant date.
3. On 3 October 2024, the Company announced that it had received an interim payout in the amount of \$0.8m from Howden Insurance Brokers as a partial payment in relation to its ongoing insurance claim in connection with assets damaged in the Apple Tree Creek incident.
4. On 22 November 2024, the Company announced that it successfully completed a share placement raising \$1.07m through the issue of 220m ordinary shares at 0.5 cents per share with one free attaching option for every one share issued, with an exercise price of 2.0 cents and an expiry date of 2 year from the date of issue. (\$0.08m excluded in the above table as subject to the passing of Resolutions 1 & 2 in the NoM).
5. Sale of outdated chemical equipment (refer to ASX announcement 26-Aug-2024)
6. Directors' \$80k participation in May 2024 Cap Raise approved at AGM on 29-11-2024
7. Provisional accounting for actual expenses incurred to date.

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