

VEALLS LIMITED

ACN 004 288 000

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10 November 2017

Company Announcements Office
Australian Securities Exchange
E-Lodgements

Dear Sir / Madam,

ON-MARKET BUY-BACK

Following is an announcement regarding an on-market buy-back.

Yours faithfully



Duncan Veall
Company Secretary

ANNOUNCEMENT

ON-MARKET SHARE BUY-BACK

Vealls Limited ACN 004 288 000 (ASX: VEL) (**Company**) today announced its intention to undertake an on-market buy-back of:

- capital shares; and
- income shares,

(together, **Buy-Back Shares**) on issue in the Company (**Buy-Back**). The Buy-Back will be conducted in accordance with section 257B of the *Corporations Act 2001* (Cth) (**Corporations Act**) and will not require shareholder approval.

The Buy-Back does not extend to preference shares on issue in the Company, as they cannot be bought back without shareholder approval. However, as described below, preference shares will be part of any compulsory acquisition process that follows the Buy-Back.

PURPOSE

The Buy-Back is the outcome of the Company's capital management strategic review.

The purpose of the Buy-Back is to provide the shareholders with an opportunity to realise their investment in the Company.

The Veall family (**Family**) currently has voting power in the Company of 88.53%.

The Family has informed the Company that it does not intend to participate in the Buy-Back and that if, as a result of the Buy-Back, the Family's aggregate holding of shares meets or exceeds the relevant thresholds required under section 664A(2) of the Corporations Act, being:

- voting power in the Company of at least 90%; and
- full beneficial interests in 90% by value of all the shares in the Company,

the Family intends to commence the process of compulsorily acquiring all the shares (including preference shares) that are not held or controlled by the Family (**Compulsory Acquisition**).

If there is insufficient shareholder participation in the Buy-Back to enable the Compulsory Acquisition, the Company intends to continue to pursue its previously stated long-term investment strategy, which is to acquire interests in securities listed on stock exchanges, primarily in the Asian region, utilizing the Singapore based subsidiary as a hub for such transactions.

BUY-BACK PRICE AND INDEPENDENT EXPERT'S REPORT

The Company intends to purchase Buy-Back Shares at the following prices:

- capital shares — \$14.56 per share; and
- income shares — \$0.52 per share.

These prices have been determined by the independent director following the receipt of an independent expert's report prepared by PricewaterhouseCoopers Securities Ltd (**Buy-Back IER**), which is attached to this announcement. The capital share price is the top of the fair value range set out in the Buy-Back IER, and the income share price is the fair value set out in the Buy-Back IER.

The Family has informed the Company that if the Compulsory Acquisition proceeds it intends to acquire:

- the capital and income shares at the same prices as those shares are purchased under the Buy-Back; and
- the preference shares at \$0.10 per share, which is the fair value set out in the Buy-Back IER,

subject to receipt of a separate independent expert's report prepared pursuant to the Corporations Act by an expert appointed by ASIC for the purposes of the Compulsory Acquisition (**Compulsory Acquisition IER**). Among other things, the Compulsory Acquisition IER will opine on whether the terms proposed in the Compulsory Acquisition notice give a fair value for each of the three classes of shares.

The Company does not anticipate there being any difference between the price at which capital and income shares will be purchased under the Buy-Back, and the price at which those shares would be acquired under the Compulsory Acquisition.

TIMING AND APPROVALS

The Buy-Back will be funded from the Company's existing cash reserves, and will be open from 21 November 2017 for at least one month.

As noted above, the Buy-Back is not subject to shareholder approval, however the Company will obtain specific relief from ASX Listing Rules 7.29 and 7.33 to undertake the Buy-Back, if necessary.

The Company has appointed Bell Potter Securities Ltd to act as its broker in relation to the Buy-Back.

An Appendix 3C is attached to this announcement.

Appendix 3C

Announcement of buy-back (except minimum holding buy-back)

Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/9/99. Origin: Appendix 7B. Amended 13/3/2000, 30/9/2001, 11/01/10

Name of entity	ABN/ARSN
Vealls Limited (Company)	39 004 288 000

We (the entity) give ASX the following information.

Information about buy-back

1	Type of buy-back	On-market
2	⁺ Class of shares/units which is the subject of the buy-back (eg, ordinary/preference)	Capital shares and income shares in the Company
3	Voting rights (eg, one for one)	Two votes for every one capital share and one vote for every five income shares
4	Fully paid/partly paid (and if partly paid, details of how much has been paid and how much is outstanding)	Fully paid
5	Number of shares/units in the ⁺ class on issue	There are 8,873,860 capital shares and 2,775,108 income shares on issue in the Company
6	Whether shareholder/unitholder approval is required for buy-back	No
7	Reason for buy-back	To provide shareholders with an opportunity to realise their investment in the Company

Appendix 3C

Announcement of buy-back

- | | | |
|---|---|---|
| 8 | Any other information material to a shareholder's/unitholder's decision whether to accept the offer (<i>eg, details of any proposed takeover bid</i>) | Please refer to the accompanying ASX announcement for further information |
|---|---|---|

On-market buy-back

- | | | |
|----|---|--|
| 9 | Name of broker who will act on the company's behalf | Bell Potter Securities Limited |
| 10 | Deleted 30/9/2001. | |
| 11 | If the company/trust intends to buy back a maximum number of shares - that number

<small>Note: This requires a figure to be included, not a percentage.</small> | 887,386 capital shares

277,510 income shares |
| 12 | If the company/trust intends to buy back shares/units within a period of time - that period of time; if the company/trust intends that the buy-back be of unlimited duration - that intention | The Buy-Back will be open for at least one month from 21 November 2017 |
| 13 | If the company/trust intends to buy back shares/units if conditions are met - those conditions | No conditions |

Employee share scheme buy-back

- | | | |
|----|---|-----|
| 14 | Number of shares proposed to be bought back | N/A |
| 15 | Price to be offered for shares | N/A |

⁺ See chapter 19 for defined terms.

Selective buy-back

16	Name of person or description of class of person whose shares are proposed to be bought back	N/A
17	Number of shares proposed to be bought back	N/A
18	Price to be offered for shares	N/A

Equal access scheme

19	Percentage of shares proposed to be bought back	N/A
20	Total number of shares proposed to be bought back if all offers are accepted	N/A
21	Price to be offered for shares	N/A
22	+Record date for participation in offer <small>Cross reference: Appendix 7A, clause 9.</small>	N/A

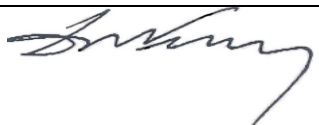
Compliance statement

- The company is in compliance with all Corporations Act requirements relevant to this buy-back.

or, for trusts only:

- The trust is in compliance with all requirements of the Corporations Act as modified by Class Order 07/422, and of the trust's constitution, relevant to this buy-back.
- There is no information that the listing rules require to be disclosed that has not already been disclosed, or is not contained in, or attached to, this form.

Sign here:

 Director/Company Secretary Print name: Duncan Veall	
	Date: 10 November 2017

⁺ See chapter 19 for defined terms.

Vealls Limited

Independent Expert Report

6 November 2017





Board of Directors
Vealls Limited
Level 1, 484 Toorak Road
Toorak, VIC 3142

6 November 2017

Dear Sirs,

Independent Expert Report in relation to the proposed on-market buy-back of the issued share capital of Vealls Limited

Introduction

Vealls Limited (“Vealls” or the “Company”) has advised PricewaterhouseCoopers Securities Ltd (“PwC Securities”) of its intention to undertake an on-market buy-back of up to 10% of the Company’s Income shares and Capital shares within a 12 month period commencing during November 2017 (“Buy-back”).

The share capital of Vealls is divided into three classes of share: Preference shares, Income shares and Capital shares. Veall family members and associated entities (“Veall Family”) hold approximately 85% of the Company’s shares (by number across all three classes). It is anticipated that the Veall Family will not participate in the Buy-back and if the Buy-back is successful, the Veall Family will own up to approximately 95% of the Company’s shares (by number across all three classes). The Veall Family has expressed their intention to proceed to compulsory acquisition of outstanding shares in the Company (“Compulsory Acquisition”), if they become entitled to do so, in accordance with section 664A of the Corporations Act. The Compulsory Acquisition will be subject to a report issued by an independent expert appointed by the Australian Securities and Investment Commission (“ASIC”) as to whether the Compulsory Acquisition terms give a fair value for the securities concerned (and confirming that the Veall Family has voting power in the Company of at least 90% and full beneficial ownership of at least 90% by value of all the Company’s securities).

Purpose of the report

The Company has requested PwC Securities prepare an independent expert report (“IER”) on the fair value of the shares in all three classes to accompany the Company’s announcement of the Buy-back to shareholders. The Buy-back will be conducted within the 10/12 limit under section 257B(4) of the Corporations Act. The Corporations Act does not require the Company to obtain an IER for the Buy-back, nor does it require the Company to obtain shareholder approval. However, the Company has engaged PwC Securities to prepare an IER as it would like to undertake the Buy-back at the same price as the Company expects the Compulsory Acquisition to be done.



Basis of evaluation

Our analysis has been conducted in the knowledge that the Veall Family do not intend to participate in the Buy-back and intend to proceed to compulsorily acquire all outstanding shares in the Company if the Buy-back results in the Veall Family having voting power in the Company of at least 90%, and full beneficial ownership of at least 90% by value of all the Company's securities. Accordingly, we have considered the fair value of the issued share capital of the Company on a controlling basis and consistent with the requirements of Regulatory Guide 111.47 which states that to determine 'fair value', section 667C of the Corporations Act is applied which requires that an expert:

- a) first assess the value of the entity as a whole;
- b) then allocate that value among the classes of issued securities in the company (taking into account the relative financial risk and the voting and distribution rights of the classes); and
- c) then allocate the value of each class pro rata among the securities in that class (without allowing any premium or applying a discount for particular securities or interest in that class).

Conclusion

PwC Securities' assessment of the fair value of the issued share capital of Vealls, on a controlling basis, derived using the Net Realisable Value methodology is in the range \$126.97 million to \$130.69 million. We have allocated the assessed fair value to the three classes of shares based on the wind up entitlements of each class. PwC Securities has assessed the fair value of the Preference shares to be \$0.10 per share, the Income shares to be \$0.52 per share and the Capital shares to be in the range \$14.14 to \$14.56 per share.

	Fair value (AUD'000)		No of shares	Fair value (AUD per share)	
	Low	High		Low	High
Preference shares	4	4	40,474	0.10	0.10
Income shares	1,454	1,454	2,775,108	0.52	0.52
Capital shares	125,509	129,229	8,873,860	14.14	14.56
Total	126,967	130,687	11,689,442		



Other matters

PwC Securities has prepared a Financial Services Guide as required by the Corporations Act 2001. This is included as Appendix A to the independent expert report attached.

This letter is a summary of PwC Securities' report. The independent expert report from which this summary letter has been extracted is attached and should be read in conjunction with this letter.

Our report is as at the date of this summary letter and reflects the circumstances and conditions as at that date.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Nigel Smythe'.

Nigel Smythe
Authorised Representative
PricewaterhouseCoopers Securities Ltd.

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1 Introduction and purpose

1.1 Introduction

Vealls Limited (“Vealls” or the “Company”) has advised PricewaterhouseCoopers Securities Ltd (“PwC Securities”) of its intention to undertake an on-market buy-back of up to 10% of the Company’s Income shares and Capital shares within a 12 month period commencing during November 2017 (“Buy-back”).

The share capital of Vealls is divided into three classes of share: Preference shares, Income shares and Capital shares. Veall family members and associated entities (“Veall Family”) hold approximately 85% of the Company’s shares (by number across all three classes). It is anticipated that the Veall Family will not participate in the Buy-back and if the Buy-back is successful, the Veall Family will own up to approximately 95% of the Company’s shares (by number across all three classes). The Veall Family has expressed their intention to proceed to compulsory acquisition of outstanding shares in the Company (“Compulsory Acquisition”), if they become entitled to do so, in accordance with section 664A of the Corporations Act. The Compulsory Acquisition will be subject to a report issued by an independent expert appointed by the Australian Securities and Investment Commission (“ASIC”) as to whether the Compulsory Acquisition terms give a fair value for the securities concerned (and confirming that the Veall Family have voting power in the Company of at least 90%, and full beneficial ownership of at least 90% by value of all the Company’s securities).

1.2 Purpose of report

The Company has requested PwC Securities prepare an independent expert report (“IER”) on the fair value of the shares in all three classes to accompany the Company’s announcement of the Buy-back to shareholders. The Buy-back will be conducted within the 10/12 limit under section 257B(4) of the Corporations Act. The Corporations Act does not require the Company to obtain an IER for the Buy-back, nor does it require the Company to obtain shareholder approval. However, the Company has engaged PwC Securities to prepare an IER as it would like to undertake the Buy-back at the same price as the Company expects the Compulsory Acquisition to be done.

1.3 Basis of evaluation

In preparing this report, we have considered the Regulatory Guides issued by ASIC, in particular, Regulatory Guide 110 “Share buy-backs”, Regulatory Guide 111 “Content of expert reports” and Regulatory Guide 112 “Independence of Experts”.

Our analysis has been conducted in the knowledge that the Veall Family do not intend to participate in the Buy-back and intend to proceed to compulsorily acquire all outstanding shares in the Company if the Buy-back results in the Veall Family having voting power in the Company of at least 90%, and full beneficial ownership of at least 90% by value of all the Company’s securities. Accordingly, we have considered the fair value of the issued share capital of the Company on a controlling basis and consistent with the requirements of Regulatory Guide 111.47 which states that to determine ‘fair value’, section 667C of the Corporations Act is applied which requires that an expert:

- a) first assess the value of the entity as a whole;
- b) then allocate that value among the classes of issued securities in the company (taking into account the relative financial risk and the voting and distribution rights of the classes); and

- c) then allocate the value of each class pro rata among the securities in that class (without allowing any premium or applying a discount for particular securities or interest in that class).

The Australian Stock Exchange (“ASX”) Listing Rules set out requirements to list with ASX. With respect to on-market buy-backs, ASX Listing Rules 7.29 states that “A company may only buy shares under an on-market buy-back if transactions in the company’s shares were recorded on ASX on at least 5 days in the 3 months before it buys back the shares.” ASX Listing Rules 7.33 also states that “A company may only buy back shares under an on-market buyback at a price which is not more than 5% above the average of the market price for securities in that class. The average is calculated over the last 5 days on which sales in the shares were recorded before the day on which the purchase under the buyback was made.” All three classes of shares of the Company are thinly traded as discussed in Section 2.5 of this report. The Company has advised PwC Securities that it will seek relief from these rules as required.

1.4 Limitations and reliance on information

In preparing this report, PwC Securities has had regard to public and non-public information. A listing of this information is detailed in Appendix B. PwC Securities has used and relied on the information set out in Appendix B and representations made to it by and on behalf of the Company.

PwC Securities has conducted such checks, enquiries and analysis on the information provided which it regards as appropriate for the purposes of this report; however such information and representations are not always capable of external verification or validation. Based on this evaluation, PwC Securities believes that the information used in forming the opinions in this report is reliable, complete and not misleading and is not aware of any reason to believe that material facts have been withheld. Preparation of this report does not in any way imply that PwC Securities has audited the financial statements or any other records of the Company. It has been assumed that the accounting information provided was prepared in accordance with generally accepted accounting principles.

PwC Securities' assessment has been made as at the date of this report. Economic conditions, market factors and performance changes may result in the report and opinion becoming outdated. PwC Securities reserves the right, but is under no obligation to review its assessments, and, if it considers it necessary to issue an addendum to this report in the light of any relevant material information which subsequently becomes known to PwC Securities prior to the Company’s announcement of the Buy-back to shareholders.

All value amounts in the report are denominated in Australian dollars (“AUD”) unless otherwise stated.

1.5 Reliance on property valuation report

Charter Keck Cramer (“CKC”) was engaged by the Company to provide an independent valuation report which sets out an opinion as to the market value of Veall’s investment property (“Property Valuation Report”) for use and reliance by us in the preparation of our IER. The Property Valuation Report is attached in Appendix E.

We are satisfied that:

- CKC has appropriate qualifications, industry experience and competence to conduct its assessments;
- CKC is independent of Vealls and the Veall Family;
- the methodologies used in its valuation are consistent with generally accepted industry practice; and
- CKC has considered sufficient information to support the conclusions drawn.

2 Overview of Vealls Limited

2.1 Brief company history

Vealls has been listed on the ASX since 1951 and has historically engaged in the business of agriculture, forestry, property investment and investments. Vealls has divested all operational assets including the Cardrona Alpine Ski Resort in 2013 and its French forest assets, Foret de Leyde, in 2017. All investments are now held in cash, property and listed shares.

2.2 Capital structure

As at 30 June 2017, the issued share capital of Vealls is divided into three classes of shares: 40,474 Preference shares, 2,775,108 Income shares and 8,873,860 Capital shares.

2.2.1 Dividend entitlements

Holders of each class of shares have the following rights with relation to dividends:

- Preference shares – fixed cumulative preferential dividend of 7% per annum on paid up capital
- Income shares – dividends from the profits of the Company in priority to any dividend being paid on Capital shares
- Capital shares – dividends as declared

2.2.2 Voting rights

Resolutions put to the vote of any general meeting is decided on a show of hands unless a poll is demanded by the Chairman or shareholders subject to certain conditions. Every shareholder present in person or represented by proxy or representative is entitled to one vote on a show of hands.

On a poll, every shareholder who is present in person or by proxy or representative is entitled to the following:

- Preference shares – four votes for every Preference share (in such cases as the holders of Preference shares are entitled to vote)
- Income shares – one vote for every five Income shares
- Capital shares – two votes for every Capital share

Preference shares have the right to vote where:

- the meeting is for the purpose of reducing the capital or winding up or sanctioning a sale of the undertaking, or
- the proposition to be submitted to the meeting directly affects their rights and privileges, or
- the dividend on the preference shares is in arrears more than six months.

Below is an analysis of the voting rights of each class of share as a proportion of the total voting rights in the case of a poll and where Preference shares are entitled to vote.

	No of shares	Vote per share	Total votes	% of total vote
Preference shares	40,474	4	161,896	0.9%
Income shares	2,775,108	0.2	555,022	3.0%
Capital shares	8,873,860	2	17,747,720	96.1%
Total			18,464,638	100.0%

Source: Vealls Limited Annual Financial Report (audited) for the period ended 30 June 2017, Vealls Limited constitution

2.2.3 Wind up entitlements

In the case of a wind up of the Company, the rights of each class of share is as follows:

- Preference shares – all accumulated preferential dividends to the date of the commencement of the winding up and repayment of the capital paid up on the Preference shares, in priority to all other shares. Preference shares do not have any other rights in the profits or assets of the Company.
- Income shares – repayment of the capital paid up on the Income shares and an additional amount of 40 cents per share in priority to any repayment of capital on Capital shares
- Capital shares - repayment of the capital paid up on the Capital shares and all surplus assets which shall be attributed to the Capital shares in proportion to the amount that was paid up on such shares at the commencement of the winding up.

2.2.4 Veall Family shareholding

The Veall Family holds approximately 85% of the Company's shares (by number across all three classes). A breakdown of the Veall Family shareholding is set out in the table below.

	No of shares	Veall Family shares	% of total
Preference shares	40,474	30,058	74.3%
Income shares	2,775,108	1,954,699	70.4%
Capital shares	8,873,860	7,906,019	89.1%
Total	11,689,442	9,890,776	84.6%

Source: Vealls Limited Annual Financial Report (audited) for the period ended 30 June 2017, Vealls Limited dividend audit reports dated 17 September 2017

2.3 Historic financial performance

The operating performance of Vealls for financial years ended 30 June 2016 and 30 June 2017 and the three months ended 30 September 2017 are presented in the table below.

AUD'000	Audited 30 Jun 2016	Audited 30 Jun 2017	Unaudited 3 months to 30 Sep 2017
Revenue	3,311	2,613	777
Other income	3,182	599	(18)
Total revenue	6,493	3,212	759
Loss on disposal of French asset	-	(401)	-
Employee benefits	(247)	(196)	(49)
Rates & taxes	(148)	(82)	(32)
Insurance	(1)	-	(0)
Light, power & telephone	(6)	(5)	(1)
Professional costs	(353)	(503)	(57)
Listing & share registry	(51)	(49)	(14)
Merchant & bank fees	(1)	(1)	(0)
Other expenses	(34)	(183)	(13)
Total expenses	(841)	(1,420)	(166)
Net profit before tax	5,652	1,792	593
Income tax expense	(802)	(826)	-
Net profit after tax	4,850	966	593
Other comprehensive income	4,723	(65)	(1,768)
Total comprehensive income	9,573	901	(1,175)

Source: Vealls Limited Financial Report (audited) for the 12 months ended 30 June 2017, Vealls Limited unaudited management accounts for the 3 months ended 30 September 2017

In relation to the historic financial performance of Vealls:

- Revenue primarily represents interest income derived from cash deposits denominated in New Zealand Dollar ("NZD") and AUD.
- In April 2017, Vealls sold its French forest assets, Foret de Leyde, for \$6.47 million (carrying value \$6.84 million) with an associated disposal cost of \$28,000. The sale of the French forest assets resulted in a loss on disposal of \$401,000.
- Other income comprises fair value gains on investment assets and foreign currency translation gains. Other income in FY16 of \$3.18 million primarily relates to fair value gain on the French assets of \$1.65 million and fair value gain on the Mt Martha property of \$1.40 million.
- Other comprehensive income consists of fair value gains on available for sale financial assets and foreign currency translation. Movements in foreign currency exchange rates resulted in gains of \$4.70 million in FY16, losses of \$85,000 in FY17 and losses of \$1.79 million in the three months ended 30 September 2017.

2.4 Historic financial position

The financial position of Vealls as at 30 June 2016, 30 June 2017 and 30 September 2017 is summarised in the following table.

AUD'000	Audited 30 Jun 2016	Audited 30 Jun 2017	Unaudited 30 Sep 2017
Current assets			
Cash & cash equivalents	105,639	111,829	109,826
Trade & other receivables	28	37	110
Income tax receivable	279	104	104
Total Current Assets	105,946	111,970	110,040
Non-current assets			
Investment properties	21,894	20,250	20,250
Available for sale financial assets	199	223	223
Biological assets	5,047	-	-
Receivables	-	250	250
Deferred tax assets	1,233	64	64
Total Non-Current Assets	28,373	20,787	20,787
Total Assets	134,319	132,757	130,827
Current liabilities			
Trade & other payables	(117)	(715)	(93)
Income tax payable	(1,131)	(24)	(23)
Provisions	(220)	(85)	(88)
Total Current Liabilities	(1,468)	(824)	(204)
Non-current liabilities			
Deferred tax liabilities	(1,545)	(79)	(79)
Total Non-Current Liabilities	(1,545)	(79)	(79)
Total Liabilities	(3,013)	(903)	(283)
Net Assets	131,306	131,854	130,544

Source: Vealls Limited Financial Report (audited) for the 12 months ended 30 June 2017, Vealls Limited unaudited management accounts for the 3 months ended 30 September 2017

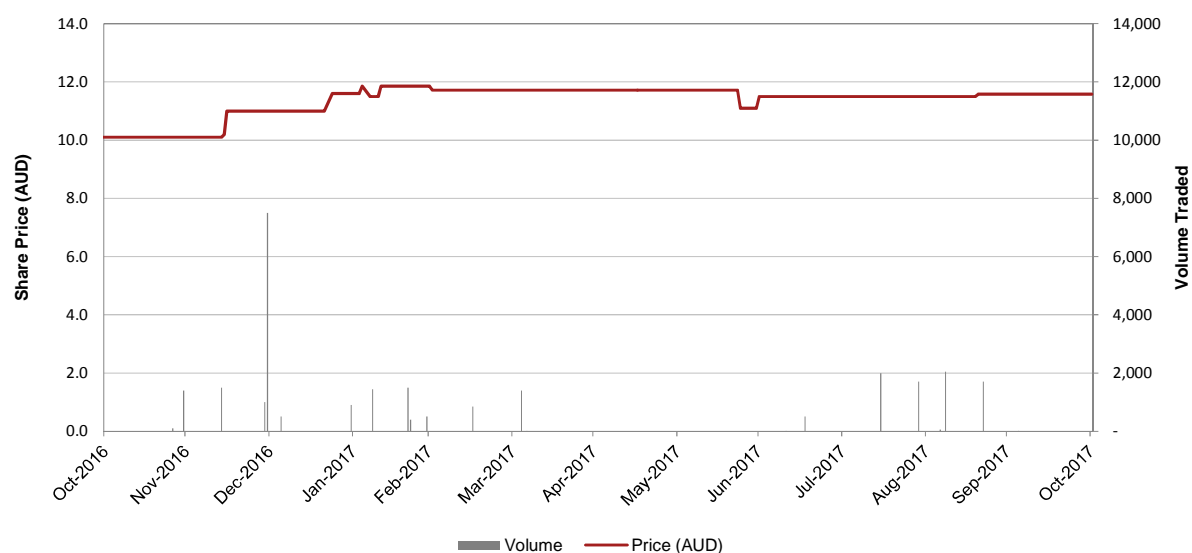
Summary observations in relation to the historic financial position set out above are discussed as follows.

- Cash and cash equivalents primarily relates to amounts denominated in AUD and NZD, which decreased from \$111.83 million as at 30 June 2017 to \$109.83 million as at 30 September 2017 predominantly due to payments of trade and other payables, prepayments and unfavourable movements in NZD/AUD exchange rate.
- Available for sale financial assets consists of listed shares in Barrick Gold Corporation and Illuka Resources Limited.
- Investment properties and biological assets decreased from a total of \$26.94 million in FY16 to \$20.25 million in FY17 as a result of the disposal of French assets in April 2017. The French assets sold comprised land and buildings with a carrying value of \$1.79 million at 30 June 2016 and mixed age forest timber with a carrying value of \$5.06 million at 30 June 2016 (total carrying value of \$6.84 million).
- Deferred tax liabilities decreased from \$1.55 million in FY16 to \$79,000 in FY17 primarily due to the release of deferred tax liability relating to fair value gains of the French assets upon disposal.
- The net asset position is sensitive to movements in AUD/NZD exchange rate given the balance of cash deposits denominated in NZD (approximately NZD 52.11 million at 30 September 2017). If the NZD strengthened by 1 cent against the AUD, the 30 September 2017 net asset balance would increase by approximately \$445,000. If the NZD weakened by 1 cent against the AUD, the 30 September 2017 net asset balance would decrease by approximately \$437,000.

2.5 Recent share price analysis

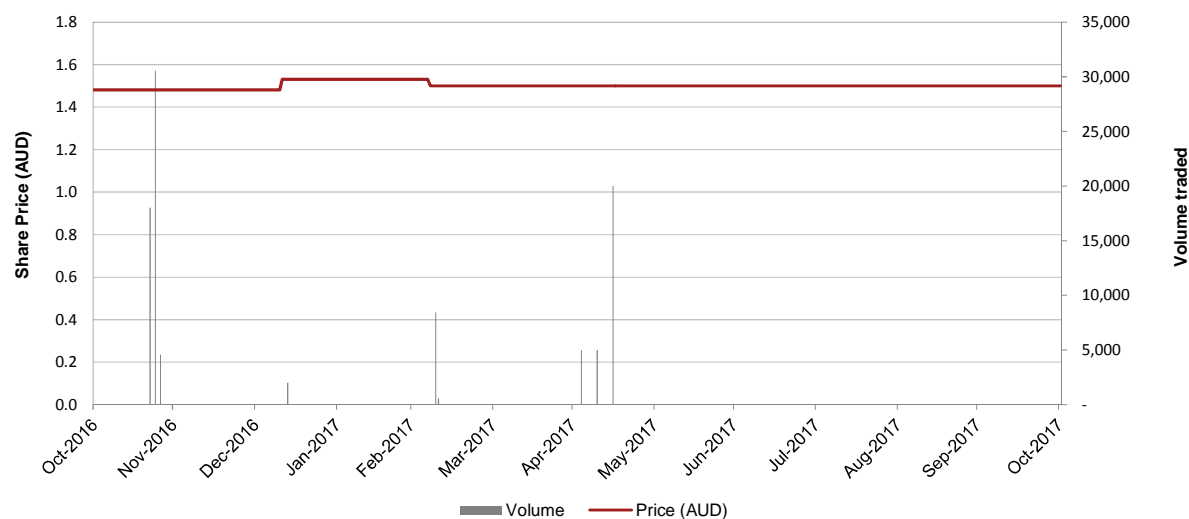
Share price and trading volume history of the Capital shares and Income shares for the 12 months ending 31 October 2017 are presented below. Preference shares did not trade during this period, with the last trade observed on 15 July 2014.

Capital Shares



Source: Bloomberg

Income Shares



Source: Bloomberg

An analysis of the trade volumes and liquidity of the Vealls shares is set out below.

Share class	No of shares	No Shareholders	Top 5 shareholders	Last 12 months ASX trading volume	Turnover
Preference	40,474	14	94%	n/a	n/a
Income	2,775,108	85	80%	94,096	3.4%
Capital	8,873,860	89	93%	27,018	0.3%

Source: Bloomberg, Vealls Limited Annual Financial Report for the period ended 30 June 2017

Over the 12 months to 31 October 2017 trades were observed on Income shares on 9 days, representing turnover of 3.4%, and on Capital shares on 22 days, representing turnover of 0.3%. No Preference shares were traded in this period.

Based on the above analysis, it is our view that each class of share are thinly traded and their market price may not be an appropriate reflection of the fair value of the shares.

3 *Valuation methodology*

3.1 *Introduction*

There is no single generally accepted approach to determining value and the approach adopted depends upon the specific circumstances. PwC Securities has considered common market practices and the valuation methodologies recommended by ASIC Practice Note 43 – “Valuation Reports and Profit Forecasts” and guidance provided by Regulatory Guide 111. The approaches PwC Securities has considered are discussed below.

3.2 *Discounted cash flow (“DCF”) approach*

DCF approaches are premised directly on the principle that the value of a company is dependent upon the future economic benefits it can generate.

This method indicates the value of a business enterprise based on the present value of the free cash flows that the business is expected to generate in the future. Such cash flows are discounted at a discount rate (the cost of capital) that reflects the time value of money and the risks associated with the forecast cash flows.

This approach is typical for companies with:

- high levels of growth
- reasonably accurate forecast cash flows (preferably 5 years)
- earnings or cash flows that are expected to fluctuate from year to year or are of a limited life
- irregular capital expenditure requirements.

3.3 *Market based approaches*

Market based approaches estimate the value of a company through reference to the market value of comparable companies and trading in the company’s own shares. There are a number of variants including the following three approaches:

- **capitalisation of earnings** - this method is commonly used for the valuation of relatively mature businesses. It involves the application of an earnings multiple (derived from an analysis of comparable companies and/or transactions) to an assessment of the future earnings of a business. The earnings must be maintainable by the business and must not include one-off gains or losses. Hence, this method is generally not appropriate for a business with fluctuating earnings. The method is appropriate for businesses with indefinite lives where stable earnings or trends in earnings are evident.
- **dividend based valuations** – this approach involve the capitalising the future maintainable dividend payments of the company. The capitalisation rate reflects the investor’s required rate of return. This method is appropriate for companies with:
 - stable growth rates and profits
 - high payout ratios that approximate the free cash flows to equity
 - stable leverage.

- **ASX market price valuation** - this valuation approach can be used at the prevailing spot price at the valuation date or volume weighted average price (“VWAP”) across a given period up to the valuation date, such as 30, 60 or 90 days. ASX Market Price Valuation is an indication of minority interest value if:
 - the shares are actively traded
 - the market is assumed to be efficient.

3.4 Asset based approach

This method analyses the value of the assets used in the business. This is done by separating the business into assets which can be readily sold and determining a value for each asset based on the net proceeds that could be obtained in the market place if the asset were sold. The value of the assets can be determined in the context of:

- **orderly realisation** - this method estimates the value by determining the net assets of the underlying business including any allowances or costs involved in carrying out the sale. This method is not a valuation under a forced liquidation where the value could be materially different from their market value
- **liquidation** - this method is based on the premise of a forced sale in terms of liquidation. In this case, the price the assets could be sold at (and hence value) is typically materially lower than their market value
- **going concern** - this method estimates the value of the net assets on a replacement cost basis, but does not consider realisation costs.

An asset based approach is typically used for asset rich companies, dormant companies or loss making companies. It is usually inappropriate for businesses in which intangible assets are significant, the value of which is usually best determined by reference to future income streams.

3.5 Approach adopted

PwC Securities has adopted the asset based approach as Vealls has divested all of its operational assets and investments are now held in cash, property and stock exchange listed shares. Specifically, we have adopted the Net Realisable Value (“NRV”) method in an orderly realisation context, which includes an allowance for costs associated with realising the value of the assets as a cash amount.

Our analysis has been conducted in the knowledge that the Veall Family do not intend to participate in the Buy-back and intend to proceed to compulsorily acquire all outstanding shares in the Company if the Buy-back results in the Veall Family having voting power in the Company of at least 90% and full beneficial ownership of at least 90% by value of all the Company’s securities. Accordingly, we have considered the fair value of the issued share capital of the Company on a controlling basis and consistent with the requirements of Regulatory Guide 111.47 which states that to determine ‘fair value’, section 667C of the Corporations Act is applied which requires that an expert:

- first assess the value of the entity as a whole;
- then allocate that value among the classes of issued securities in the company (taking into account the relative financial risk and the voting and distribution rights of the classes); and
- then allocate the value of each class pro rata among the securities in that class (without allowing any premium or applying a discount for particular securities or interest in that class).

4 Valuation of Vealls

4.1 Assessment of value

4.1.1 Net asset value

PwC Securities has valued the issued share capital of Vealls using the NRV method based on unaudited management accounts as at 30 September 2017.

AUD'000	Notes	Audited 30 Jun 2017	Unaudited 30 Sep 2017	Adjustment	Adjusted value
Current assets					
Cash and cash equivalents	(a)	111,829	109,826	(1,359)	108,467
Trade and other receivables		37	110		110
Income tax receivable		104	104		104
Total current assets		111,970	110,040	(1,359)	108,681
Non-current assets					
Investment properties	(b)	20,250	20,250	(1,750)	18,500
Available for sale financial assets	(c)	223	223	10	233
Deferred tax assets		64	64		64
Trade and other receivables		250	250		250
Total non-current assets		20,787	20,787	(1,740)	19,047
Total assets		132,757	130,827	(3,099)	127,728
Current liabilities					
Trade and other payables	(d)	(715)	(93)	(36)	(129)
Income tax payable		(24)	(23)		(23)
Provisions		(85)	(88)		(88)
Total current liabilities		(824)	(204)	(36)	(240)
Non-current liabilities					
Deferred tax liabilities	(e)	(79)	(79)	(163)	(242)
Total non-current liabilities		(79)	(79)	(163)	(242)
Total liabilities		(903)	(283)	(199)	(482)
Net assets		131,854	130,544	(3,298)	127,246

Source: Vealls Limited Financial Report (audited) for the period ended 30 June 2017, Vealls Limited unaudited management accounts for the period ended 30 September 2017, PwC Securities analysis

Management has advised that no tax instalment was paid for the quarter ended 30 September 2017 on the basis that the Company is in a refund position, and that no adjustment has been made to the underlying 30 June 2017 tax and deferred tax related balances. Accordingly, we have allowed for an estimate of deferred tax on the unaudited profit before tax ("PBT") for the three months ended 30 September 2017, and adjustments relating to October accrued interest, transaction costs of the Buy-back and October accrued expenses (refer to adjustment e).

PwC Securities has made the following adjustments to allow for transactions occurring subsequent to 30 September 2017:

- a) As at 30 September 2017, cash and cash equivalents consists of amounts denominated in AUD, NZD, United States Dollar ("USD") and Singapore Dollar ("SGD"). Interest is predominantly generated from the AUD and NZD deposits. Our estimate of the balance of cash and cash equivalents as at 31 October 2017 is set out in the table below.

Currency '000	Balance 30 Sep-17	Accrued interest	Balance 31 Oct-17	Foreign exchange rate	FX rate ¹	Balance 31 Oct 17 ² (AUD'000)
AUD	59,227	55	59,282	AUD/AUD	1.000	59,282
NZD	52,109	157	52,266	NZD/AUD	1.119	46,690
SGD	714	-	714	SGD/AUD	1.044	684
USD	1,508	-	1,508	USD/AUD	0.766	1,969
EUR	50	-	50	EUR/AUD	0.658	76
Total						108,701

Source: Vealls Limited management, S&P Capital IQ, PwC Securities analysis

Notes:

(1) S&P Capital IQ closing foreign exchange rate on 31 October 2017

(2) Minor differences may occur due to rounding of FX rate

Management has also provided us with an estimate of costs associated with the Buy-back of \$165,000 to \$175,000 (midpoint of \$170,000) which includes expected legal and valuation fees. We have estimated brokerage costs of 0.5% assuming 10% of the Capital and Income shares are acquired in the Buy-back at the midpoint of our assessed fair value range.

A summary of adjustments to cash and cash equivalents is set out below.

	AUD'000
Balance as at 30 September 2017	109,826
Balance as at 31 October 2017	108,701
Adjustment for accrued interest and foreign exchange movements	(1,125)
Buy-back transaction costs	(170)
Buy-back brokerage fees	(64)
Total adjustment	(1,359)

- b) Investment properties relate to the development land located at Mt Martha (Victoria). The book value of investment properties in the unaudited management accounts as at 30 September 2017 represents the market value of the Mt Martha property as assessed by CKC as at 30 June 2017. We have adjusted the fair value of the Mt Martha property for the updated valuation prepared by CKC as at 23 October 2017.

The reduction in value between the 30 June 2017 valuation and the 23 October 2017 valuation is due to an allowance for habitat compensation of \$1.75 million. The Property Valuation Report is attached in Appendix E.

	AUD'000
Market value as at 30 June 2017	20,250
Market value as at 23 October 2017	18,500
Adjustment	(1,750)

- c) Available for sale financial assets comprise stock exchange listed shares in Barrick Gold Corporation and Iluka Resources Limited. The book value of the shares in the unaudited management accounts as at 30 September 2017 is based on observed market prices as at 30 June 2017. We have adjusted the fair value of available for sale financial assets for share price movements between 30 June 2017 and 31 October 2017.

	Number of shares	Price (AUD per share)	Value (AUD'000)
As at 30 June 17			
Barrick Gold Corporation	2,404	20.68 ¹	50
Iluka Resources Limited	20,000	8.68	173
Total			223
As at 31 October 17			
Barrick Gold	2,404	18.87 ²	45
Iluka	20,000	9.39	188
Total			233
Adjustment			10

Source: Vealls Limited management, S&P Capital IQ, PwC Securities analysis

Notes:

(1) Based on Barrick Gold Corporation's closing share price of CAD 20.63 per share and CAD/AUD rate of 1.003 as at 30 June 2017

(2) Based on Barrick Gold Corporation's closing share price of CAD 18.64 per share and CAD/AUD rate of 1.013 as at 31 October 2017

- d) We have estimated accrued expenses in October 2017 based on the average monthly expenses incurred in the period July 2017 to September 2017.

AUD'000	Jul-17	Aug-17	Sep-17	Estimate for Oct-17
Employee benefits	(9)	(9)	(30)	(16) ¹
Rates & taxes	(10)	(11)	(10)	(11)
Insurance	(0)	(0)	(0)	(0)
Light, power & telephone	(0)	(0)	(1)	(0)
Professional costs	(11)	(23)	(23)	- ²
Listing & share registry	(5)	(5)	(5)	(5)
Merchant & bank fees	(0)	(0)	(0)	(0)
Other expenses	(5)	(5)	(4)	(4)
Total expenses	(40)	(53)	(73)	(36)

Source: Vealls Limited unaudited management accounts for the period ended 30 September 2017, S&P Capital IQ, PwC Securities analysis

Notes:

(1) Based on the monthly staff cost of \$9,432 and quarterly director costs of \$20,794 (\$6,931 monthly)

(2) Professional costs related to the Buy-back are incorporated in the transaction cost adjustment of cash and cash equivalents set out in adjustment a) above

- e) The investment property located in Mt Martha was acquired in 1968, prior to the introduction of Capital Gains Tax (“CGT”). Accordingly, we have assumed the realisation of the Mt Martha property will not have any tax implications. A deferred tax liability will arise from the fair value adjustment of the listed shares from the balance at 30 June 2017 to 31 October 2017. We have estimated the deferred tax liability that will arise from the fair value adjustment based on an assumed Company tax rate of 27.5%.

We have also allowed for an estimate of deferred tax on the unaudited PBT for the three months ended 30 September 2017, and adjustments relating to October accrued interest, transaction costs of the Buy-back and October accrued expenses. We have assumed that the estimated brokerage costs for the Buy-back will not be deductible for tax purposes.

	AUD'000
Adjustment to available for sale financial assets	10
PBT 3 months to 30 September 2017	593
Accrued interest 1 Oct 2017 to 31 Oct 2017	195 ¹
Estimated accrued expenses 1 Oct 2017 to 31 Oct 2017	(36)
Estimated Buy-back transaction costs	(170)
Total	592
Tax rate	27.5%
Adjustment	(163)

Source: PwC Securities analysis, Vealls Limited unaudited management accounts as at 30 September 2017

Notes:

(1) Accrued interest on NZD balances is estimated based on an AUD/NZD rate of 1.119 as at 31 October 2017

4.1.2 Realisation cost

In applying the NRV method, we have made an allowance for costs associated with realising the value of the assets as a cash amount. We have estimated the costs associated with the realisation of the investment property and the available for sale financial assets to be 1.5% and 0.5% of fair value respectively.

Asset	Fair value (AUD'000)	Realisation cost as % of fair value	Realisation cost (AUD'000)
Investment properties	18,500	1.5%	(278)
Available for sale financial assets	233	0.5%	(1)
Total	18,733		(279)

4.1.3 Franking credits

As at 30 June 2017, the franking credit balance of Vealls is approximately \$3.72 million (enabling a fully franked dividend of \$9.81 million to be paid based on an assumed Company tax rate of 27.5%). Under Australia’s dividend imputation system, tax paid by Australian companies can be attached to dividend payments and offset against the tax liabilities of Australian tax payers. The value of franking credits can only be realised by shareholders when they receive distributions. Accordingly, the value of franking credits to an individual shareholder will be dependent on the nature of any distribution and the individual tax position of each shareholder.

PwC Securities has attributed a fair value to the franking credit balance in the range of between \$nil and \$3.72 million. The high-end of the range assumes that the franking credit balance can be fully utilised by all shareholders.

4.1.4 Valuation summary

PwC Securities has assessed the fair value of the issued share capital of Vealls to be in the range \$126.97 million to \$130.69 million.

AUD'000	Low	High
Adjusted net assets	127,246	127,246
Realisation costs	(279)	(279)
Franking credit	-	3,720
Assessed fair value	126,967	130,687

We have considered if there is an alternative valuation methodology that is appropriate as a cross-check. Given the circumstances outlined in this IER, it is our view that no alternative cross-check methodology is relevant.

Ordinarily an actively traded market price for a stock exchange listed security would be considered as a cross-check, however as outlined previously, it is our view that each class of share are thinly traded and their market price may not be an appropriate reflection of the fair value of the shares.

4.2 Allocation of value

PwC Securities has allocated the assessed fair value of the issued share capital of Vealls to the three classes of shares based on the wind up entitlements of each class. We consider this appropriate because:

- It is consistent with the NRV methodology we have adopted in valuing the issued share capital of Vealls which considers the value of the Company based on the orderly realisation of the assets of the underlying business including any allowances or costs associated with realising the value of the assets.
- It is consistent with the relative voting power of the holders of Preference shares, Income shares, and Capital shares. On a poll, the holders of Preference shares and Income shares combined are entitled to a maximum of 3.9% of total votes and the holders of Capital shares are entitled to 96.1% of total votes. Accordingly, the holders of Preference shares (where they are entitled to vote) and Income shares are not able to independently pass resolutions without support from the holders of Capital shares.

Set out below is the allocation of the assessed fair value of the issued share capital of Vealls to the three classes of shares based on the wind up entitlements of each class.

- Preference shares are entitled to all accumulated preferential dividends to the date of the Buy-back and the paid up capital on the Preference shares. We consider that the fair value of the accumulated (but not yet paid) preferential dividend (7% per annum) up to the Buy-back is not significant to the fair value of the Preference shares (assuming an accumulation period of approximately one month). Accordingly, we have assessed the fair value of the Preference shares to be the paid up capital on the Preference shares of \$4,047 or \$0.10 per share.
- Income shares are entitled to the paid up capital on the Income shares of \$344,000 or \$0.12 per share. Income shares are also entitled to an additional amount \$0.40 per share or \$1.11 million. Accordingly, we have assessed the fair value of the Income shares to be \$1.45 million or \$0.52 per share.
- Capital shares are entitled to the capital paid up on the Capital shares and all surplus assets. The paid up capital on the Capital shares is \$887,000 or \$0.10 per share. The value of surplus assets after accounting for the wind up entitlements of Preference shares and Income shares, and the paid up capital on the Capital shares is approximately \$124.62 million to \$128.34 million or \$14.04 per share to \$14.46 per share. Accordingly, we have assessed the fair value of the Capital shares to be \$125.51 million to \$129.23 million or \$14.14 per share to \$14.56 per share.

A summary of the above analysis is set out below.

	Paid up capital (AUD'000)	Additional wind up entitlement (\$'000)		Fair value (AUD'000)		No of shares	Fair value (AUD per share)	
		Low	High	Low	High		Low	High
Preference shares	4	-	-	4	4	40,474	0.10	0.10
Income shares	344	1,110	1,110	1,454	1,454	2,775,108	0.52	0.52
Capital shares	887	124,622	128,342	125,509	129,229	8,873,860	14.14	14.56
Total	1,235	125,732	129,452	126,967	130,687	11,689,442		

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Appendix A Financial Services Guide

PricewaterhouseCoopers Securities Limited

This Financial Services Guide (FSG) is dated 6 November 2017.

About us

PwC Securities (ABN 54 003 311 617, Australian Financial Services Licence No 244572) has been engaged by Vealls Limited to provide a report in the form of an IER to accompany the Company's announcement of the Buy-back.

You have not engaged us directly but have been provided with a copy of the IER as a retail client because of your connection to the matters set out in the IER.

This Financial Services Guide

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

Financial services we are licensed to provide

Our Australian Financial Services Licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds and deposit products.

General financial product advice

The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. PwC Securities is entitled to receive a fixed fee for the preparation of this IER of \$50,000 (excluding GST) and will be reimbursed for out of pocket expenses incurred.

Directors, authorised representatives or employees of PwC Securities, PricewaterhouseCoopers ("PwC"), or other associated entities, may receive partnership distributions, salary or wages from PwC.

Associations with issuers of financial products

PwC Securities and its authorised representatives, partners, employees and associates may from time to time have relationships with the issuers of financial products. For example, PwC may be the auditor of, or PwC Securities may provide financial advisory services to, the issuer of a financial product in the ordinary course of its business.

Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request. If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Service (“FOS”), and external complaints resolution service. FOS can be contacted by calling 1300 780 808. You will not be charged for using the FOS service.

Compensation arrangements

PwC Securities has professional indemnity insurance in place that satisfies the compensation arrangement requirements under section 912B of the Corporations Act. This insurance will cover claims in relation to the conduct of representatives and employees who no longer provide services to PwC Securities (but who did at the time of the relevant conduct).

Contact details

PwC Securities can be contacted by sending a letter to the following address:

Mr Nigel Smythe
Authorised Representative
PricewaterhouseCoopers Securities Limited
GPO Box 1331
MELBOURNE VIC 3001

Appendix B Sources of information

In preparing this IER, PwC Securities has had access to and relied upon the following major sources of information:

- Vealls' Annual Financial Report for the year ended 30 June 2017
- Vealls' monthly management accounts for the period between 1 July 2017 to 30 September 2017
- Vealls Limited dividend audit reports as at 17 September 2017
- Veall's company constitution
- Breakdown of cash and cash equivalent balance as at 30 September 2017 and 31 October 2017
- Charter Keck Cramer valuation report of Mt Martha property as at 23 October 2017
- Share market data and related information from S&P Capital IQ and Bloomberg
- Discussions and correspondence with Vealls' management
- Other publicly available information including company web sites, government statistical data sets, industry web sites, industry reports, media releases and ASX announcements.

The information on Vealls contained in the Independent Expert Report has been prepared by PwC Securities using publicly available information and limited non-public information made available to PwC Securities by Vealls. The assets and liabilities, financial position and performance, profits and losses and prospects of these entities have not been independently verified by PwC Securities. Accordingly PwC Securities does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information

Appendix C Qualifications, disclaimers and consents

Qualifications

PricewaterhouseCoopers Securities Ltd (PwC Securities) is beneficially owned by PwC, a large international firm of Chartered Accountants. The individual responsible for the preparation of this report is Nigel Smythe.

Mr Nigel Smythe is a Partner of PwC and an authorised representative of PwC Securities. He has more than 20 years of experience in preparing business valuations and Independent Expert Reports. He is an associate of the Institute of Chartered Accountants in Australia, and a Senior Fellow of the Financial Services Institute of Australia. He holds a Bachelor of Business and a Graduate Diploma in Applied Finance & Investment.

Declarations

Neither PwC Securities nor PwC has any interest in the outcome of the Share Transaction. PwC Securities is entitled to receive a fixed fee for the preparation of this IER of \$50,000 (excluding GST) and will be reimbursed for out of pocket expenses incurred. The fee payable to PwC Securities is payable regardless of the outcome of the Offer. None of PwC Securities, PwC or Mr Smythe holds securities/units in Vealls and have not held any such beneficial interest in the previous two years.

Purpose of Report

This IER has been prepared at the request of the Company to accompany the Company's announcement of the Buy-back to Shareholders and should not be used for any other purpose. Neither the whole or any part of this IER nor any reference to it may be included in or attached to any document, circular, resolution, letter or statement (other than the Company's announcement of the Buy-back as mentioned above) without the prior written consent of PwC Securities to the form and context in which it appears.

Special note regarding forward-looking statements and forecast financial information

Certain statements in this IER may constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements of Vealls, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, the following:

- general economic conditions;
- the future movements in interest rates and taxes;
- changes in laws, regulations or governmental policies or the interpretation of those laws, the regulations or Vealls in particular; and
- other factors referenced in this IER.

Disclaimer and consents

PwC Securities has consented to the inclusion of this IER in the form and context in which it is included as an attachment to the Company's announcement of the Buy-back to shareholders. PwC Securities' sole involvement in the Company's announcement of the Buy-back has been the preparation of this IER and PwC Securities'

liability is limited to the inclusion of this IER in the Company's announcement of the Buy-back. PwC Securities has not been involved in, makes no representation regarding, and has no liability for, any other statements or other material in, or any omissions from, the Company's announcement of the Buy-back.

In preparing this IER, Vealls has indemnified PwC Securities, PwC and its employees, officers and agents against any claim, liability, loss or expense, cost or damage, including legal costs on a solicitor client basis, arising out of reliance on any information or documentation provided by Vealls which is false and misleading or omits any material particulars or arising from a failure to supply relevant documentation or information.

In addition, Vealls has agreed that if it makes any claim against PwC or PwC Securities for loss as a result of a breach of our contract, and that loss is contributed to by its own actions, then liability for its loss will be apportioned and is appropriate having regard to the respective responsibility for the loss, and the amount Vealls may recover from PwC Securities will be reduced by the extent of its contribution to that loss.

APES 225 "Valuation Services"

This IER has been prepared in accordance with APES 225 "Valuation Services".

Appendix D Glossary of terms

Term	Definition
ASIC	Australian Securities and Investment Commission
ASX	Australian Stock Exchange
AUD	Australian Dollar
Buy-back	Vealls Limited proposed share buy-back
CGT	Capital Gains Tax
CKC	Charter Keck Cramer
Company	Vealls Limited
Compulsory Acquisition	Compulsory acquisition of outstanding shares in the Company in accordance with section 664A of the Corporations Act.
Corporations Act	The Corporations Act 2001 including the Corporations Regulations 2001
DCF	Discounted Cash Flow
EUR	Euro
FOS	Financial Ombudsman Services
FSG	Financial Services Guide
FY	Financial year ended 30 June
IER	Independent Expert Report
Independent Expert	PricewaterhouseCoopers Securities Ltd (in relation to this IER)
NRV	Net Realisable Value
NZD	New Zealand Dollar
PBT	Profit Before Tax
Property Valuation Report	Valuation report prepared by Charter Keck Cramer that set out the fair value of Veall's investment property
PwC	PricewaterhouseCoopers
PwC Securities	PricewaterhouseCoopers Securities Ltd
SGD	Singapore Dollar
USD	United States Dollar
Vealls	Vealls Limited
Veall Family	The Veall Family members and associated entities
VWAP	Volume Weighted Average Price

Appendix E Property valuation report

Valuation Report

Corner Hearn Road and
Forest Drive
Mount Martha Vic 3934

[VALID UNTIL 21 January 2018]

Bradley Papworth
National Executive Director
bradley.papworth@charterkc.com.au

charterkc.com.au

Leaders in
Property
Intelligence.

ADVISORY.
RESEARCH.
VALUATIONS.
PROJECTS.

Valuation Report

Corner Hearn Road and Forest Drive, Mount Martha

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Instructions.

Instructing Party

Vealls Ltd
Level 1
484 Toorak Road
TOORAK VIC 3142
(Robert Righetti)

Email robr@condotel.ph

This report has been specifically undertaken by Charter Keck Cramer (Valuer) at the instruction of Vealls Ltd (instructing Party).

This valuation is valid for 90 days from the date of inspection, no responsibility being accepted for reliance upon reports beyond that period. Accordingly, any parties authorised to rely upon our opinion should be aware of the need for a review as necessary.

Refer to Assumptions / Qualifications - Instructing Party / Terms of Reference
Refer to Assumptions / Qualifications - Definition of Market Value

Purpose

This report has been prepared for the use of the Instructing Party for the stated purpose and should not be reproduced in whole or part, or relied upon by any other party for any other use, without the express written authority of Charter Keck Cramer. Specifically, no party may rely upon financial projections contained within the report. Any projections within our report are made as a valuation for the assessment of value at a static point in time and should not be represented in any way as providing an indication as to the likely future profits, cashflow or value.

Charter Keck Cramer has consented to the inclusion of this report as an appendix to the independent expert report prepared by Pricewaterhouse Coopers Securities Ltd (PwC) for Vealls Ltd., but is not providing advice about the financial performance or suitability of Vealls Ltd as an investment. Such an opinion can only be provided by a person who holds an Australian Financial Services Licence. Charter Keck Cramer does not hold such a licence and is not operating under any such licence in providing this report. We have been retained by Vealls Ltd. Other than Vealls Ltd., its Directors and Shareholders, and PwC no party may rely on this report. We do not have a financial interest in Vealls Ltd and have provided this report solely in our capacity as independent professional advisers.

The valuation is current as at the date of valuation only. The values assessed herein change significantly and unexpectedly over a relatively short period (including as a result of general market movements or other factors specific to the particular property). We do not accept liability for losses resulting from such subsequent changes in value. Without limiting generally of the above, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of three months from the date of valuation or such earlier date if you become aware of any factors that have any effect on the valuation.

Charter Keck Cramer, its Directors, Executive Officers and employees therefore cannot and do not make any warranty or representation as to the accuracy or completeness of any information or statement contained in any part of this report other than in respect of the material prepared by Charter Keck Cramer.

We draw your attention to the provisions of our Professional Indemnity insurance policies that all valuations are only valid for three months from the date of valuation and no responsibility being accepted for any party relying upon reports beyond that period. Accordingly, any parties authorised to rely upon our opinion should be aware for the need to review as necessary.

It is assumed no significant event has occurred between the date of inspection and the date of valuation and that would impact upon the value of the subject property.

Date of Inspection and Valuation

23 October 2017. This report has been prepared to assess the current market value of the freehold.

Date of Expiry

21 January 2018.

Our Reference

J100219:126633:BWP:TY

H:\SUBDIVISIONS PG\MOUNT MARTHA - CORNER HEARN ROAD AND FOREST DRIVE\J100219\J100219 VALUATION REPORT - CORNER HEARN ROAD AND FOREST DRIVE, MOUNT MARTHA.DOCX

Liability limited by a scheme approved under Professional Standards Legislation.

Assumptions / Qualifications.

This valuation is completed on the following basis:

Critical Matters.

- The developable area encompasses 28.044 hectares.
The property is unaffected by unsupervised fill, soil or groundwater contamination.
- The property is unaffected by Aboriginal or archaeological artefacts of significance.
- The property is unaffected by flora and fauna issues, other than as follows. The cost for rehabilitation of the site does not exceed allowance of \$50,000 and area of rehabilitation land encompasses 0.76 hectares. The cost of vegetation offset and trading fees to facilitate development of the site does not exceed \$1,750,000 (exclusive of GST).
- The property does not utilise the Margin Scheme.

The *Critical Matters* upon which our assessment is based must be read in conjunction with the balance of the formal report.

Legend

square metres	sq.m.
hectares	ha.
per annum	p.a.
per hectare	p.ha.
gross area	(G)
net area	(N)
cash equivalent	(CE)
terms contract	(T)

Date of Valuation

Due to possible changes in market forces and circumstances in relation to the subject property, this report can only be regarded as relevant as at the date of valuation.

This valuation is current as at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value.

We draw attention to the provisions of our Professional Indemnity insurance that all valuations are only valid for 90 days from the date of valuation, no responsibility being accepted for any parties' reliance upon reports beyond that period. Accordingly, any parties authorised to rely upon our opinion are advised since the date of valuation, the subject property has not been re-inspected and no further investigation or analysis has been undertaken as to any changes since that date.

Our assessment is subject to there being no significant event that has occurred between the date of valuation and the date of issue of the valuation report which would impact on the value of the subject property.

Our report is concluded in the context of current Federal and State Legislation, Regulations and Policies as at the date of this report and does not anticipate or reflect possible changes in these matters that may impact upon the fundamentals of the project or property, its target market, cost structure, profitability or value. Adverse changes in such Legislation, Regulations and Policies (such as fiscal, taxation, FIRB, migration, international affairs and security), among others, are outside the control of the Valuer, and may result in material adverse impact on the valuation advice provided. Charter Keck Cramer and its affiliates do not accept any liability arising with respect to these matters.

Definition of Value

This valuation has been prepared in accordance with the following API definition of market value:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Encumbrances

Our valuation is subject to there being no undisclosed or unregistered easements or encumbrances which would have an adverse effect on our valuation other than those previously described and noted on the Certificate of Title attached as an annexure at the rear of this report. Should it be discovered that further easements or encumbrances exist, this report should be referred back to Charter Keck Cramer for consideration, comment and amendment (if necessary).

Native Title

Pursuant to the *Native Title Act (Clth)* 1993, and as amended 30 September 1998, land with the exception of an "Exclusive Possession Grant", may be claimed as the property of Indigenous Australians leading to the co-existence or likely co-existence of Native Title in relation to a particular piece of land, subject to the verification of a prior or continuing connection to the land.

We are not experts in Native Title or the property rights derived therefrom and have not been supplied with appropriate anthropological, ethnoecological and/or ethnographic advice. Therefore, the property valuation or assessment is made subject to there being no actual or potential Native Title affecting:

- The value or marketability of the property.
- The land.

The National Native Title Register (NNTR) was established under Section 192 of the *Native Title Act (Clth)* 1993. The NNTR contains determinations of Native Title made by the High Court of Australia, the Federal Court of Australia, or such similarly recognised bodies. Formal verification the property is not subject to co-existing Native Title interests and/or subject to determination should be obtained by searching the Registry of Native Titles Claims, which is administered by the National Native Titles Tribunal. We have viewed maps prepared by the National Native Title Tribunal detailing Native Title Applications, determination areas and indigenous land use agreements. The map does not identify the subject property is affected by applications and determinations as per the Federal Court on 31 March 2010.

This assessment is completed on the basis the property is not affected by co-existing Native Title interests. Should subsequent investigation show the land is subject to existing or potential co-existing Native Title interests, this property valuation or assessment will require revision and should be referred back to Charter Keck Cramer for consideration, comment and amendment.

Land Description & Site Identification

A current survey has not been sighted. This valuation is subject to there being no encroachments by or upon the property and this should be confirmed by a current survey and/or advice from a Registered Surveyor. If any encroachments are noted by the survey report, the Valuer should be consulted to reassess any effect on the value stated herein.

Zoning & Overlays

Although a Planning Certificate has not been sighted, the zoning particulars have been confirmed by the online Planning Scheme, which is an internet based copy of the Planning Scheme provided by the Department of Environment, Land, Water and Planning (DELWP). Our assessment is completed subject to the planning information obtained being current and correct.

Please note a Planning Certificate has not been provided or obtained. In the event that a Planning Certificate is obtained and the information thereon is materially different to that provided to Charter Keck Cramer via the approved internet based version, then we reserve the right to review our assessment and amend this report (as necessary).

Third Party Disclaimer

This valuation is for the use only of the Instructing Party and for no other purpose. Charter Keck Cramer acknowledges that the report will be disclosed in an independent expert report annexed to an ASX announcement made by the Instructing Party in connection with an on-market share buy-back but (other than as provided in the 'Purpose' section of this report) no responsibility is accepted for any third party who may use or rely on the whole or any part of the content of this valuation. Any third parties (other than as provided in the 'Purpose' section of this report) who seek to rely on the report do so entirely at their own risk. No responsibility will be accepted for photocopied signatures. It should be noted that any subsequent amendments or changes in any form to the valuation and report would only be notified to and known by Instructing Party. This report is a valuation report and is not intended as a structural survey. Charter Keck Cramer prohibit publication of this report in whole or in part, or any reference thereto, or to the valuation assessment contained herein, or to the names and professional affiliation of the Valuers, without the written approval of the Valuer.

Title & Land Description.

Title Particulars	<p>The land is presently contained within four Certificates of Title, summarised as follows:</p> <ul style="list-style-type: none">- Lot 2 on Lodged Plan No. LP214579K, Certificate of Title Volume 9900 Folio 651.- Lot 3 on Lodged Plan No. LP214579K, Certificate of Title Volume 9900 Folio 652.- Lot 4 on Lodged Plan No. LP214579K, Certificate of Title Volume 9900 Folio 653.- Lot 5 on Lodged Plan No. LP214579K, Certificate of Title Volume 9900 Folio 654. <p>Copies of the relevant extracts are attached as an annexure to this report.</p>
Registered Proprietor	<p>In each instance, the registered proprietor is shown as V.L. Investments Pty Ltd</p>
Encumbrances	<p>The Title for Lot 2 refers to Instrument No. AN125626Y registered on 23 September 2016 which is a Section 173 Agreement made pursuant to the <i>Planning and Environment Act</i> 1987. The Agreement was made between the registered proprietor and the Mornington Peninsula Shire Council with specific obligations of the owner requiring the rehabilitation of Lot 2 in accordance with the Vegetation Management Plan prepared to satisfy a Victorian Civil and Administrative Tribunal (VCAT) Order dated 20 November 2012, with “... <i>all requirements of this document must be adhered to, unless a variation is consented to by Council. All works must be undertaken to the satisfaction of Council</i>”. The Vegetation Management Plan is further detailed within the <i>Flora and Fauna Considerations</i> section of this report.</p> <p>Refer to Assumptions / Qualifications - Encumbrances</p>
Native Title	<p>There are no attributes observed that would identify the property as having co-existing or likely co-existing Native Title interests.</p> <p>Refer to Assumptions / Qualifications - Native Title</p>

Planning Details.

Local Authority	<p>Mornington Peninsula Shire.</p>
Zoning & Overlays	<p>Planning Certificate Sighted - No.</p> <p>Pursuant to the provisions of the Mornington Planning Scheme, the land is included within a <i>Low Density Residential Zone (LDRZ)</i>. The objectives of this zone are as follows:</p> <ul style="list-style-type: none">- To implement the State Planning Policy Framework and the Local Planning Policy Framework, including the Municipal Strategic Statement and local planning policies.- To provide for low-density residential development on lots which, in the absence of reticulated sewerage, can treat and retain all wastewater.

An extract of the zoning map (not to scale) is shown as follows:



SOURCE - Department of Environment, Land, Water and Planning (DELWP)

The zoning provisions indicate a permit is required to subdivide the land and each lot must be at least the area specified for the land in a schedule to this zone. Any area specified must be at least:

- 0.4 hectares for each lot where reticulated sewerage is not connected. If no area is specified, each lot must be at least 0.4 hectares.
- 0.2 hectares for each lot with connected reticulated sewerage. If no area is specified, each lot must be at least 0.2 hectares.

The property is also subject to the following overlays:

- *Design and Development Overlay* pursuant to Schedules 3 and 4. The objective of this overlay is to identify areas which are affected by specific requirements relating to the design and built form of new development. Schedule 3 of the overlay relates to Coast and Landscape Design, whilst Schedule 4 relates to Environmental Design.
- *Significant Landscape Overlay* pursuant to Schedule 5. The objective of this overlay is to identify significant landscapes and to conserve and enhance the character of significant landscapes. Schedule 5 refers to landscape character objectives for scenic vantage points.
- *Vegetation Protection Overlay* pursuant to Schedule 1. The objectives of this overlay are to protect areas of significant vegetation; to ensure development minimises loss of vegetation; to preserve existing trees and other vegetation; to recognise vegetation protection areas as locations of special significance, natural beauty, interest and importance; to maintain and enhance habitat and habitat corridors for Indigenous fauna; and to encourage the regeneration of native vegetation. Schedule 1 refers to township vegetation protection objectives.
- *Bushfire Management Overlay*. The objectives of this overlay are to ensure the development of land prioritises the protection of human life and strengthens community resilience to bushfire; to identify areas where the bushfire hazard warrants bushfire protection measures to be implemented; and to ensure development is only permitted where the risk to life and property from bushfire can be reduced to an acceptable level.

Refer to Assumptions / Qualifications - Zoning / Overlays

Planning Approvals

Discussions with Council indicate there are no active planning permits or planning permit applications relating to the subject property. Our discussions with the Planning Consultant for Vealls Ltd indicate discussions are occurring with Council in relation to rezoning the land for conventional residential development.

Current Use

As at the date of our inspection, the property comprised a vacant, low density residential development site.

Potential / Future Use

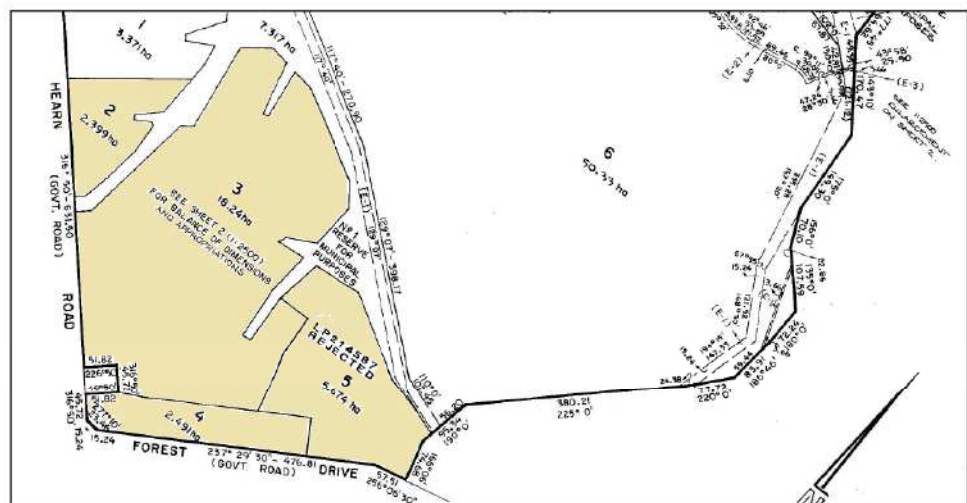
Pursuant to the Planning Scheme, the potential uses for the subject property may be summarised as those where a planning permit is not required (Section 1 of the Planning Scheme) and those where a planning permit is required (Section 2 of the Planning Scheme). Those uses noted under Section 3 (prohibited) are not considered to place any undue restriction upon the future use or development of the site. We refer you to the ordinances provided as an annexure to this report with respect to the allowable and prohibited uses.

In our opinion, given the current zoning, the development of the site as a low density residential subdivision is considered the highest and best use. The property has potential for a higher use upon rezoning.

Land & Locality Description.

Land Area & Dimensions

The subject of this report refers to Lots 2, 3, 4, and 5 on Lodged Plan No. 214579K. A copy of the title plan (not to scale) is as follows:



SOURCE - Equifax

The subject holding encompasses a total of 28.804 hectares. A summary of each lot area is as follows:

Lot No.	Area (Hectares)
2 LP214579K	2.399
3 LP214579K	18.240
4 LP214579K	2.491
5 LP214579K	5.674
Total	28.804

As detailed within *Flora and Fauna* section of this report, part of the subject land has been identified as Rehabilitation Land. Utilising a GIS Mapping program (MapInfo), we have calculated the area of the land identified for rehabilitation at 0.76 hectares. As the land is to be rehabilitated, our discussions with Ecology Australia and Council indicate the land may be precluded from development due to the conservation values, thereby reducing the developable area. In assessing value, we have adopted the total developable area at 28.044 hectares. A breakdown of the area is as follows:

Description	Area (Hectares)
Parent Area	28.804
Less land identified for rehabilitation	0.760
Developable Area	28.044

Should the developable area differ from that adopted, this would impact the value assessed and this valuation should be referred back to us for further comment.

Land Description & Site Identification

The land is situated on the north-eastern corner of Hearn Road and Forest Drive and is moderately sloping in surface contour, falling from the southern boundary to the northern boundary, as shown in the plan below:



SOURCE - Department of Environment, Land, Water and Planning (DELWP)

Due to the distances involved and topography of the land, occupational measurements could not be checked in the usual manner, however we have identified the property boundaries, with the property being suitably identified for valuation purposes.

Refer to Assumptions / Qualifications - Land Description & Site Identification

Locality & Surrounding Development

Within the Shire of Mornington Peninsula, in the area known as Mount Martha, Postcode 3934, the subject property is located approximately 55 kilometres south-east of the Melbourne Central Business District (CBD). More specifically, the subject property is situated on the north-eastern corner of Hearn Road and Forest Drive, as shown on the attached locality plan.

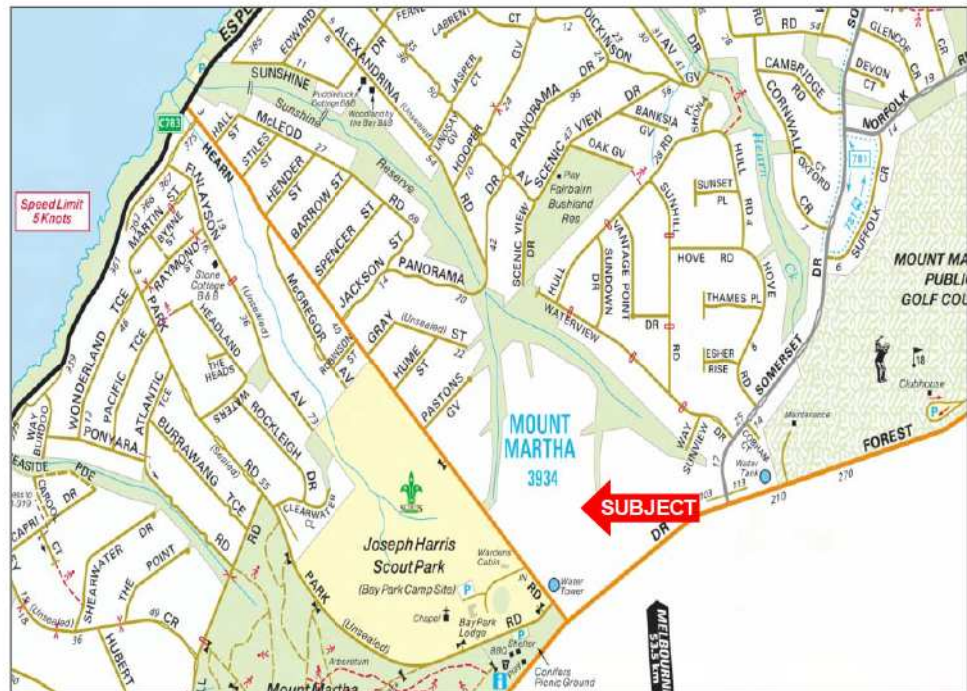
Mount Martha is a coastal suburb with beach frontage to Port Phillip Bay. Surrounding development includes recently established residential housing to the north and east, farming land within a *Green Wedge Zone* to the south and Joseph Harris Scout Park and Mount Martha Park to the west. Furthermore, the Mount Martha Public Golf Course is located approximately 500 metres east.

Educational facilities in close proximity to the subject property include Mount Martha Primary School, 2 kilometres north; Dromana Secondary College, 4 kilometres south-east; Dromana Primary School, 5 kilometres south-west and Osborne Primary School, 3 kilometres north-east.

Shopping facilities in close proximity to the subject property include Benton Square Shopping Centre, approximately 4 kilometres north-east providing a Safeway supermarket, Dan Murphy's, Post Office and other retail facilities; the Dromana Hub Shopping Centre, approximately 4 kilometres south-west, whilst further retail facilities are located along the main street of Mornington, approximately 5 kilometres north.

There are a number of residential estates within the locality, some of which include the Privilege estate, approximately 1.5 kilometres west and the Waterview Ridge estate, approximately 1 kilometre north. Both of these estates offer more conventional sized residential allotments, some of which have views towards Port Phillip Bay.

The locality map is shown as follows:



SOURCE - Melway Online

Road System & Access

Hearn Road extends in a south-westerly direction from The Esplanade in Mount Martha before terminating at Forest Drive. Forest Drive extends in a south-westerly direction from the Nepean Highway. Both roads are bitumen sealed and constructed to a rural standard with appropriate kerbing and channelling.

Services & Amenities

All usual utilities including electricity, gas, telephone, water and mains sewer are reticulated within the locality and can be augmented to service the subject property.

Urban amenities located within reasonable proximity to the subject property are as follows:

- Mount Martha Primary School - approximately 2 kilometres north.
- Dromana Secondary College - approximately 4 kilometres south-east.
- Benton Square Shopping Centre - approximately 4 kilometres north-east.
- Dromana Hub Shopping Centre - approximately 4 kilometres south-west.
- Melbourne CBD - approximately 55 kilometres north-west.

Environmental Statement

We have no reason to suspect the property is adversely affected by any environmental issues.

We have perused the Environment Protection Authority's (EPA's) current Priority Sites Register, and we can confirm the subject site is not listed.

Perusal of the current list of Issued Certificates and Statements of Environmental Audit discloses the subject site is not listed.

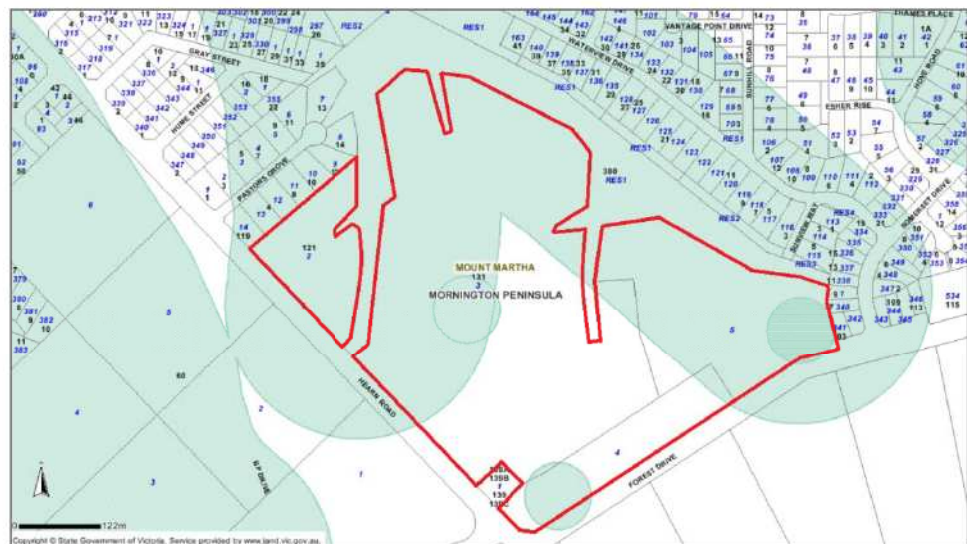
In summary, a visual site inspection has not revealed any obvious signs of pollution or contamination. Nevertheless, we are not experts in the detection or quantification of environmental problems and accordingly, have not carried out a detailed environmental investigation. Therefore, this valuation and our report is made subject to there being no actual or potential contamination issues or environmental hazards, including surface or sub-surface soil problems including instability, toxic or hazardous wastes or building material hazard issues affecting:

- the existing or potential use of the property;
- the value or marketability of the property; or
- the site.

Verification the property is free from contamination or environmental hazards and has not been affected by pollutants of any kind may be obtained from a suitably qualified environmental expert. Should subsequent investigation show the site is contaminated or has environmental hazards, this valuation and report may require revision. The right is reserved to review and, if necessary, vary the valuation figure if any contamination or other environmental hazard is found to exist.

Archaeological Considerations

We have viewed the maps prepared by the Department of Environment, Land, Water and Planning (DELWP) which indicate the property possibly contains areas of cultural heritage sensitivity, as shown on the map below:



SOURCE - Department of Environment, Land, Water and Planning (DELWP)

These areas are highlighted in green. Cultural Heritage Management Plan (CHMP) No. 14644 was detailed in a draft report dated 27 September 2017. The report identified two low density artefact distributions. The place was considered of extremely low significance and no specific management conditions applied. The plan provided this place was permitted to be harmed. The plan further incorporated recommendations for Aboriginal heritage induction, contingency plan, together with custody and management of Aboriginal cultural heritage.

Should any matter be known or arise, it should be referred back to us for further comment.

Flora & Fauna Considerations

A flora and fauna study has not been provided in relation to the subject property. In accordance with the State Section of the Planning Scheme, Section 52.17 provides land in excess of 0.4 hectares (one acre) requires Town Planning approval for the destruction or removal of remnant vegetation.

We have viewed the biodiversity maps produced by the Department of Environment and Primary Industries (DEPI) which indicate the subject property is within the Gippsland Plain Bioregion.

In accordance with the Department of Environment, Land, Water and Planning, the subject holding has been identified to consist of Ecological Vegetation Classes (EVC's), more specifically the Grassy Woodland, as shown on the biodiversity map below:



SOURCE - Department of Environment, Land, Water and Planning

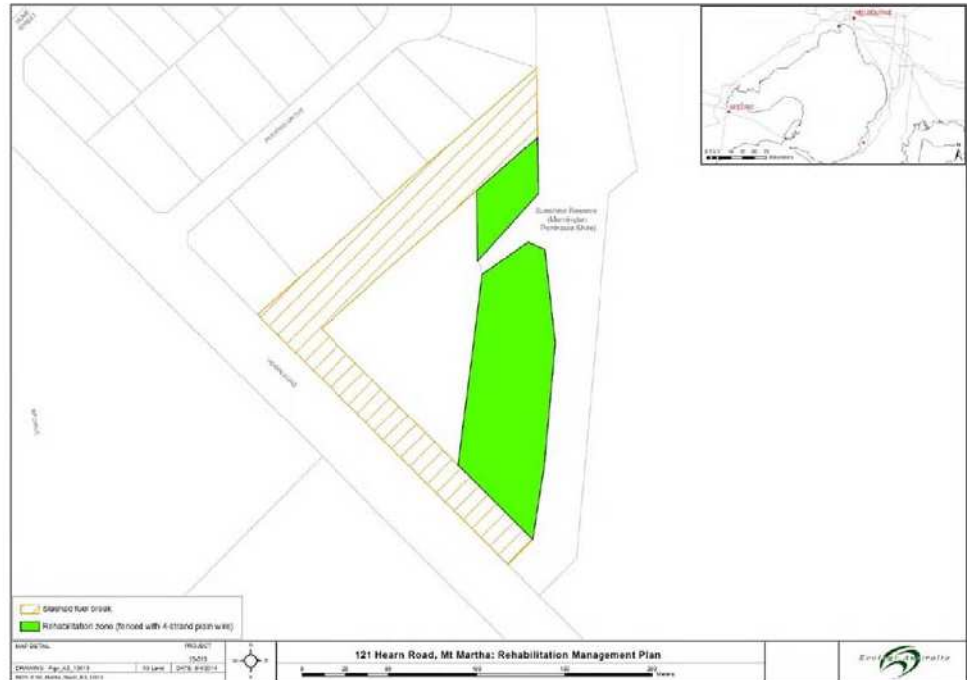
An Ecological Assessment of a Proposed Residential Development was prepared in August 2017. The report details the property contains Grassy Woodland remnant vegetation of varying quality. Furthermore, the property provides mature trees and flowering Eucalypt canopy providing moderate to high quality habitat for native fauna. The report details no significant flora or fauna species were recorded during the site visit. The vegetation did not meet the condition thresholds requirement for a defined significant vegetation community. However, the removal of the vegetation will require a Vegetation Offset.

The report identifies a study area of 25.586 hectares of native vegetation is proposed to be removed. The offset requirement of native vegetation removal is 0.034 General Biodiversity Equivalence Units (BEU's), together with specific units for Southern Bluegum (14.656 specific BEU's).

Correspondence from the Consultant Botanist indicates the offset compensation is difficult to estimate with a cost being between \$726,100 - \$1,495,000 (exclusive of GST) and trading fees. In concluding value, we have adopted an allowance of \$1,750,000, reflecting a worst case scenario and contingency allowance.

Additionally, as detailed within the *Title and Land Description - Encumbrances* section of this report, the Certificate of Title for Parent Lot 2 refers to a Section 173 Agreement dated 17 August 2016. The Section 173 Agreement identifies specific obligations of the owner to include the compliance of all requirements in accordance with the Vegetation Management Plan that has been undertaken pursuant to an enforcement order from the Victorian Civil and Administrative Tribunal (VCAT).

121 Hearn Road, Mount Martha: Rehabilitation Management Plan 2014 - 2024 prepared by Ecology Australia, relates to the VCAT Enforcement Order No. P2648/2011 to rehabilitate the site after partial clearing without a permit in 2011. The Rehabilitation Management Plan report relates to the rehabilitation of land abutting the *Public Conservation and Recreation Zone*, as shown on the extract below:



SOURCE - Ecology Australia

The report identifies management actions, documentation and reporting requirements for a 10 year period. Management requirements relate to the retention of re-shooting tree stems, vegetation, weed management, pest animal management, fencing and signage, reporting and engagement of suitably qualified contractors. The report notes “... it is a requirement of the VCAT Enforcement Order that works... are to commence within 90 dates of approval of this documents by Mornington Peninsula Shire Council.”

We have been provided with a quote dated 15 May 2017 for the provision of works to deliver the implementation of the 121 Hearn Road Rehabilitation Plan. The quotation identifies a cost of \$40,060.99. In assessing value, we have adopted an allowance of \$50,000.

Utilising a mapping program (MapInfo), we have calculated an area of the land identified for rehabilitation at 0.76 hectares. As the land is to be rehabilitated, our discussions with the Flora and Fauna Consultant and Council indicate the land may be precluded from development due to the conservation values, thereby reducing the developable area.

Our valuation is subject to there being no remnant vegetation or flora, other than that detailed, which would impact the development potential of the land or incorporate or warrant costs associated with assessment or compensation for habitat destruction. Should any problem be known or arise, the matter should be referred back to us for further comment.

Valuation Rationale.

Valuer's Market Considerations

Having considered the evidence in detail and all valuation parameters generally, we summarise the following positive and negative attributes with respect to the specific subject property:

Strengths	S	Weaknesses	W
<ul style="list-style-type: none"> - Mornington Peninsula location, with enhanced access due to East Link and Peninsula Link. - As the property slopes downwards from the southern boundary to the northern boundary, the property has extensive views towards Port Phillip Bay. - There is a limited supply of residential development land within the Mount Martha locality. - The property has potential to be rezoned for conventional residential development. 		<ul style="list-style-type: none"> - The property is zoned <i>Low Density Residential</i> as opposed to <i>Residential 1</i> where higher densities can be achieved within the development. - Lot 2 of the parent holding requires rehabilitation in accordance with a Vegetation Management Plan, included within a Section 173 Agreement registered on Title. - The property is irregular in shape which may limit future design and yield. 	
Opportunities	O	Threats	T
<ul style="list-style-type: none"> - The property represents a significant infill development opportunity. - The Melbourne growth area residential allotment market has witnessed strong demand. - Potential growth in allotment prices and demand. - The property has potential to be rezoned for conventional residential development. 		<ul style="list-style-type: none"> - Coastal residential developments can be more vulnerable to changes in economic conditions as a number of properties within the Mornington Peninsula locality are holiday homes which are often the first to be realised in an economic downturn. - Changes in flora and fauna, archaeological and environmental contamination issues and regulations. - Changes in economic and business conditions or Government policies in Australia or internationally may impact upon the fundamentals of the project, its target markets, cost structure and profitability. 	

Valuation Methodology - Direct Comparison Approach

In assessing value, we have adopted the direct comparison approach after the analysis of sales in varying degrees comparable. The individual sales are analysed to indicate value rates per hectare. The analysis reflects constraints including extraneous site works and vegetation obligations to indicate the gross value rate. The evidence of sales analysed indicates value rates ranging between \$325,000 - \$1,100,000 per hectare. Sales at the lower end of the range requiring a holding period before development can occur, while sales at the higher end of the range are suitable for immediate development and occupy a superior location.

Due to confidentiality, the details of sales information are not published within this report, however are retained on file.

After consideration of the evidence of sales and in particular with the property, being suitable for immediate development, the zoning, identified use, land area and location. Having regard to the above sales evidence and particular attributes of the subject property, we believe the property would command a value rate of \$725,000 per hectare. From the value assessed, we have deducted the identified cost allowance associated with compliance with the Rehabilitation Management Plan of \$50,000 and the cost for removal of vegetation by an offset allowance at \$1,750,000. A summary of our assessment is shown as follows:

28.044 Hectares @ \$725,000 Per Hectare	\$20,331,900
Less Cost Allowance for Rehabilitation Management Plan	\$ 50,000
Less Habitat Compensation	\$ 1,750,000
Indicated Value	\$18,531,900
For Practical Valuation Purposes, Say \$18,500,000 (Exclusive of GST)	

Please note, whilst the value assessed represents current market value, the coastal residential markets can be more vulnerable to changes in economic conditions, purchaser profile and confidence / outlook. Upon a notional future sale of the subject land, the property may achieve a price which may be substantially varied due to market conditions and purchaser requirements. Furthermore, whilst the sum assessed has been based on the evidence of comparable sales evidence, the vast majority of sales of inglobo parcels are negotiated on vendor terms, generally comprising a 10% or 20% deposit, with the balance of funds in say 3 - 5 years. In the notional circumstances of the security being offered for sale, there would be the requirement for similar vendor terms, but with an asking price reflective of vendor terms.

GST Implications

The GST impacts upon a development in three ways:

1. At the realisation of individual allotments.
2. Increased construction and professional fees.
3. At the acquisition of an inglobo parcel.

Our valuation is completed on the basis the property was not acquired under the Margin Scheme.

We recommend you confirm the GST tax status of the holding in relying upon this assessment of value. Should the circumstances vary from this assumption, the matter should be referred back to us for further consideration and, if necessary, re-assessment.

Valuation & Valuation Compliance Statement.

Valuation

Subject to the assumptions and qualifications contained within this report, we have assessed the current market value of the subject property (exclusive of GST) at:

\$18,500,000

Eighteen Million, Five Hundred Thousand Dollars

Prepared by
Charter Keck Cramer Pty Ltd

Date of Issue of the Valuation Report - 2 November 2017

Liability limited by a scheme approved under Professional Standards Legislation.

Notes To The Reader

Charter Keck Cramer advise there are factors which may affect the valuation for this property. These include the following:

- Changes in economic and business conditions or Government policies in Australia or internationally may impact upon the fundamentals of the project, its target markets, cost structure and profitability. Adverse changes in such things as the level of inflation, interest rates, exchange rates, Government policy (including fiscal, monetary, migration, international affairs, security and regulatory policies), consumer spending, employment rates, among others, are outside the control of the Directors and may result in material adverse impacts on the valuation advice.
 - Changes in Federal, State or Local Government legislation or policies or the policies of servicing authorities and utilities may affect the valuation advice.
 - Development approval for residential lots, or any other applicable approval or consent, is withheld or declined by the Responsible Municipal Authority or any other Government or Semi-Government Department or Authority, and development is not able to proceed. Should this materialise it will affect the value assessed.
 - The requirements of the Responsible Municipal Authority or any other Government or Semi-Government Department or Authority for the property for any reason, including archaeological, ethnographic claims, environmental, heritage, unidentified threatened flora and fauna species, native vegetation, areas of public open space and planting buffers to arterial roads may reduce the development potential of the property and hence impacting upon the value assessed.
-

Valuation Compliance Statement

Charter Keck Cramer confirms:

- The statements of fact presented in the report are correct to the best of the Valuer's knowledge.
- The analyses and conclusions are limited only by the reported assumptions and conditions.
- The Valuer has no interest in the subject property.
- The Valuer's fee is not contingent upon any aspect of the report.
- The valuation was performed in accordance with an ethical code and performance standards.
- The Valuer has satisfied professional education requirements.
- The Valuer has experience in the location and category of the property being valued.
- The Valuer has made a personal inspection of the property.
- No-one, except those specified in this report, has provided professional assistance in preparing the report.

We confirm neither Charter Keck Cramer nor any of its Directors or employees has any pecuniary interest that could conflict with the proper valuation of this property.

Refer to Assumptions / Qualifications - Third Party Disclaimer

Advisory

Corporate Property Strategy
Project Feasibility
Transaction Structuring &
Divestment Management
Acquisition Advisory
Strategic Asset Management
Accommodation Solutions

Research

Market Analysis
Project Benchmarking Analysis
National Apartment Database
National Land Survey Program
Urban Economics & Policy
Briefings & Workshops

Valuations

Mortgage Valuation
Construction Valuation
Pre-Purchase & Pre-Sale Advice
Financial Reporting Valuation
Compensation Valuation
Legal & Litigation Valuation
Business Valuation
Rental Assessment
Statutory Valuation

Projects

Development Strategy
Project Management
Quantity Surveying
Land Surveying
Civil Engineering

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